

In this together? Support for European fiscal integration in the COVID-19 crisis

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## In this together? Support for European fiscal integration in the COVID-19 crisis

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### ABSTRACT

European fiscal integration is highly controversial and is assumed to lead to a Eurosceptic backlash among the public. Yet, in a historical decision in July 2020, European governments agreed on the ambitious recovery package 'Next Generation EU', establishing an unprecedented fiscal stabilisation capacity to address the economic and healthcare challenges of the COVID-19 pandemic. We study the mass politics of European fiscal integration in a survey experiment on public support for a European Pandemic Recovery Fund (PRF) in five European countries in 2020. We find remarkably high support for a joint European fiscal instrument, which, however, is sensitive to policy design. While cross-country differences reflect collective self-interest, citizens' left-right orientations, their EU positions, and perceived economic risk from COVID-19 structure differences within countries.


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### Introduction

In an increasingly interdependent and globalised world, many of today's biggest policy challenges, such as climate change, Russia's attack on Ukraine, or the global COVID-19 pandemic, require international cooperation and willingness to share risks and resources across borders. This is particularly the case in the European Union (EU), which has a high level of political

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integration and cooperation in some policy areas, but remains decentralised in others, especially in areas of 'core state powers', i.e., policy areas that are closely linked to national sovereignty (Genschel & Jachtenfuchs, 2018). This asymmetry makes the EU vulnerable to external shocks (Jones *et al.*, 2016). A prime example of such problematic asymmetry is the eurozone, which rests on a joint monetary policy but keeps fiscal policy largely in the hands of national governments. The Euro crisis, which brought the common currency to the brink of collapse, is seen by many as a result of this asymmetry (Copelovitch *et al.*, 2016; De Grauwe, 2018).

Hence, since the onset of the Euro crisis, the question of how to share resources and risks across member states has been one of the EU's fundamental conundrums, as member states have struggled to make significant progress with fiscal integration (i.e., the pooling of budgetary decisions under common institutions shared by participating governments). While fiscal integration may be necessary for the economic stability of the EU, it poses a major political challenge. Amid increased politicisation of European integration and rising Eurosceptic challenger parties, voters are said to oppose further fiscal integration (Beramendi & Stegmueller, 2020; Hooghe & Marks, 2009, 2019; Walter *et al.*, 2020). Central to this controversy is a 'north-south' divide over EU solidarity (Frieden & Walter, 2017; Vasilopoulou & Talving, 2020): voters of wealthier northern member states are reluctant to share resources with member states in economic need, while voters in these latter member states do not accept austerity policies in return (Beramendi & Stegmueller, 2020). This dynamic was reiterated during the first months of the COVID-19 crisis when Italy's and Spain's pleas for help were rebuffed by other member states such as the Netherlands (Ferrera *et al.*, 2021; Miró, 2022; Schelkle, 2021).

Surprisingly, however, EU member states agreed on an ambitious pandemic recovery fund (PRF), *Next Generation EU (NGEU)*, establishing a far-reaching fiscal stabilisation capacity in July 2020, only a few months after the pandemic had begun. NGEU involves unprecedented borrowing by the European Commission on the financial markets up to € 750bn, € 390bn of which are distributed as grants, to support member states.<sup>1</sup> This marks a significant step toward a more fiscally integrated EU (Schelkle, 2021), and has been described by some as Europe's 'Hamiltonian moment' (Georgiou, 2022). Clearly, the NGEU agreement challenges the widely held belief that skeptical public opinion constrains EU governments to agree to significant integration steps (Beramendi & Stegmueller, 2020; Hooghe & Marks, 2009, 2019).

This begs the question of whether, and under which conditions, citizens support European fiscal integration in the COVID-19 crisis. While pioneering research has assessed general support for European fiscal integration and solidarity in this crisis (Baccaro *et al.*, 2022; Bauhr & Charron, 2022; Bobzien

& Kalleitner, 2021; Haverland *et al.*, 2022; Heermann *et al.*, 2023), we know little about whether European citizens support European reforms to tackle this crisis, and under which conditions joint responses are politically viable and perceived as legitimate. Legitimacy of fiscal integration is arguably key for the democratic viability of the EU (Nicoli, 2017), and we need to know to which extent intergovernmental agreements enjoy support among the people.

We use a novel survey experiment conducted in five European countries to assess public support for fiscal integration to cushion the economic consequences of the COVID-19 crisis.<sup>2</sup> Along with a few other recent experimental studies (Bechtel *et al.*, 2017; Beetsma *et al.*, 2022; Burgoon *et al.*, 2022), this article is amongst the first to experimentally assess the impact of policy design on popular support for fiscal integration. However, while previous research mostly analysed support for different policy alternatives that were discussed before the COVID-crisis hit, this article studies support for the specific policy alternatives discussed in the months and days preceding the NGEU agreement. Studying EU fiscal policy preferences during the COVID-crisis is crucial because the necessity of responding to the pandemic-induced shock brought new questions to the fore, fundamentally changing the debate over the construction of a fiscal capacity. Particularly given that the contentious issue of joint borrowing and Eurobonds gained salience in the context of the PRF, it is important to examine how public preferences have aligned over new dimensions of the political debate.

We developed a conjoint experiment, identifying six crucial policy dimensions based on previous research (e.g., Bechtel *et al.*, 2017; Kuhn *et al.*, 2020) and the policy debate in the first few months of the COVID-19 pandemic. This allows us to analyse how different realistic policy proposals structure public support. Moreover, it enables us to examine how collective self-interest steers aggregate differences between countries, and how ideology and economic self-interest influence individuals' support for a PRF and its dimensions. To better understand individual motivations for support for the PRF, we also study whether and which individuals believe that a PRF has a positive impact on their surroundings.

We find that citizens in all five countries endorse a PRF. This finding supports the argument that citizens' preferences in the COVID-19 crisis enabled policymakers to accept wide-reaching forms of solidarity (Genschel & Jachtenfuchs, 2021; Katsanidou *et al.*, 2022). However, the design of the PRF affects support and that support varies across countries and individuals. Citizens generally prefer an expansive programme directed at countries in need over more modest programmes. Although support for cross-border redistribution is high, citizens are skeptical about common European debt. This skepticism is not salient enough for them to negatively evaluate the entire PRF, which suggests that policymakers can strategically combine

different policies in a single programme to ensure widespread support. Cross-country differences reflect the positions of respective national governments in the European Council negotiations on NGEU and seem to be driven by sociotropic self-interest evaluations. Individual differences are, moreover, structured along a pro/anti-European dimension and an economic left-right position. Perceived economic risks related to COVID-19 also affect individual support for the PRF, albeit to a limited extent.

While this study focuses on the popular legitimacy of EU fiscal integration in the form of the PRF, our findings have important implications for the fiscal integration of federations beyond the EU. We show that the public is not generally opposed to fiscal integration but is sensitive to its design. Our results suggest that concerns about *moral hazard*, i.e., that recipient countries take advantage of the generosity of contributor countries, play an important role: packages that involve joint borrowing on the financial markets are less popular than packages that do not. Yet, our results also suggest that joint borrowing does not represent a deal breaker if citizens expect to overall benefit from fiscal integration.

### Multidimensional preferences for the PRF

Despite intense political debates over burden-sharing, joint debt (in the form of 'Eurobonds'), and fiscal integration in the wake of the Euro crisis, the creation of a fiscal union remains a controversial topic in European integration. As noted by Mundell (1961), countries in a monetary union are vulnerable to asymmetric shocks. Either some degree of fiscal risk-sharing or a very high degree of market flexibilization is needed to ensure the stability of a monetary union (De Grauwe, 2018). However, since its inception, policymakers in different countries have held profoundly different views on whether the European Monetary Union (EMU) would require fiscal integration, and if yes how to design it (e.g., Brunnermeier *et al.*, 2016; Howarth & Verdun, 2020; Verdun, 1996). Following Genschel and Jachtenfuchs (2018), fiscal integration involves the integration of 'core state powers', as fiscal policies enable states to mobilise resources to exert sovereignty. Similarly, neofunctionalists (Schmitter, 1970) and postfunctionalists (Hooghe & Marks, 2009, 2019) have argued that fiscal integration constitutes a step towards 'high politics'; therefore, it is susceptible to polarise public opinion and generate political conflict.

Against the backdrop of increased politicisation of the EU more generally (Hutter *et al.*, 2016), public debate about fiscal integration was highly controversial and polarised during the Euro crisis. This did not constrain members' ability to deepen the EMU (Wasserfallen *et al.*, 2019, p. 10), but it made political agreement difficult. Especially governments in countries that would be net contributors, were constrained by voters who opposed fiscal transfers and integration more generally (Bechtel *et al.*, 2014; Beramendi &

Stegmueller, 2020; Dolls & Wehrhöfer, 2021). However, the EU's response to the COVID-19 pandemic has shown that member states can overcome political disagreements (Baccaro *et al.*, 2022; Truchlewski *et al.*, 2021). In the face of a symmetrical, exogenous shock, policymakers eventually agreed on a PRF, providing the EU with a central fiscal capacity to respond to the crisis. Given that member states are often responsive to public opinion (Schneider, 2018), this makes it imperative to examine public support for fiscal integration in Europe.

We argue that fiscal integration is a multidimensional issue and public support depends on specific features of the policy and the political context at play. For instance, Europeans might be ready to help citizens of other member states in need, but they could oppose (joint) debt. Therefore, we expect public opinion on the PRF to hinge on its specific policy features.<sup>3</sup> We identify fundamental policy dimensions in the policy debate leading up to the EU-level negotiations in the summer of 2020, and we theorise how these policy dimensions impact public support.

Specifically, we theorise which specific features of the PRF matter to citizens, and which combinations of policy dimensions find overall political support. We distinguish three aspects that reflect theoretically salient aspects of public opinion on European fiscal integration, and that were pivotal in the intergovernmental negotiations: the *scope* of the recovery programme, the degree of *risk-sharing*, and the *governance* mechanism of the programme.

## Scope

First, the *scope* of the PRF relates to the *purpose* and *duration* of the programme. Both reflect key divisions in public opinion and intergovernmental negotiations. In terms of purpose, research shows that support for EU spending on healthcare is high in all countries, but divisions in public support emerge when we look beyond healthcare, and focus, for instance, on education or economic support (Beetsma *et al.*, 2022). These divisions likely reflect pre-existing differences in public perceptions of policy priorities, which likely influenced government positions in the PRF negotiations: some governments advocated for a narrow programme to support member states' healthcare systems, while others wanted the recovery fund to address broader economic and environmental challenges (cf. Bongardt & Torres, 2022).

Additionally, the *duration* of the programme is a salient characteristic of the recovery fund. The question of whether to install a temporary or permanent recovery instrument is likely important for citizens, as it could significantly deepen integration in times of crisis. Echoing the Eurozone crisis (De Grauwe, 2018), the issue was also a key negotiation point (Miró, 2022). Some member states pushed for a permanent facility to be reactivated in

future crises, while other member states, such as the Netherlands, insisted that the programme be temporary – limited to the COVID-19 pandemic (Howarth & Schild, 2021).

### ***Risk-Sharing***

Second, the extent of *risk-sharing* through fiscal integration is salient to both citizens and policymakers. In the European Council negotiations in the summer of 2020, questions of risk-sharing and redistribution took centre stage and reproduced long-standing divisions between the ‘north’ and the ‘south’. Northern countries were less supportive of cross-country risk-sharing than their southern counterparts given the substantial distributive implications and the potential of *moral hazard*.

Risk-sharing is a function of three parameters: (i) how the programme is financed; (ii) how the funds are distributed across countries; and (iii) how the money is repaid. In terms of financing, the pivotal question is whether existing funds from other EU expenditure areas are repurposed, or whether the PRF is facilitated by joint borrowing on financial markets. With respect to distribution, the fund could support all countries equally, based on population size, or it could primarily support countries in need. Finally, repayment was the most contested issue in PRF negotiations: do countries repay exactly what they have received (loans), or do countries repay together (grants), i.e., do more affluent countries repay relatively more than what they received and less affluent countries less? While the latter option constitutes particularly far-reaching fiscal integration, the former facilitates counter-cyclical stabilisation – given that repayment happens in the future and given that it allows countries to access funds more easily compared to a national solution due to better borrowing conditions.

### ***Governance***

A third key polarising issue concerned the question of *governance*, i.e., who takes decisions about the PRF. Citizens are divided on the extent to which they trust different national and European institutions and on the role that European or national policymakers should play in the governance of the European economic institutions (Beetsma *et al.*, 2022). Which institution holds decisional power ultimately impacts who can control, monitor, and eventually suspend the recovery programme in case of non-compliance.

The question of governance is critical to fiscal integration, touching on concerns of moral hazard and national sovereignty, and the issue played a key role in the PRF negotiations. On the one hand, delegating powers to European institutions affects perceptions of national sovereignty and democratic legitimacy, which are particularly salient when it comes to fiscal integration

(Majone, 2014; Nicoli, 2017). On the other hand, national veto players in intergovernmental decision-making might paralyse the system and prevent the effective and timely use of the instrument.<sup>4</sup> A third option would be to give full autonomy to individual national governments, but this comes with the risk of moral hazard which is deemed highly problematic in northern European countries.

## Drivers of public support for the PRF

In what follows we present our hypotheses on the country- and individual-level factors structuring public support for a PRF.

### *Divides across countries: elite cues and collective self-interest*

While the entire euro area has felt the repercussions of the euro crisis, macroeconomic conditions differed significantly across member states pre-pandemic (Johnston & Regan, 2016). A powerful narrative in political discourse has portrayed northern Eurozone states as fiscally frugal ‘saints’ and southern member states as profligate ‘sinners’ (Frieden & Walter, 2017; Matthijs & McNamara, 2015; Vasilopoulou & Talving, 2020). While its accuracy is highly questionable, it had important implications for policymakers’ perceptions of self-interest and positions in intergovernmental negotiations (Matthijs & McNamara, 2015): northern member states were particularly reluctant to support fiscal integration because they feared ‘moral hazard’ by their southern peers (Frieden & Walter, 2017; Haverland *et al.*, 2022; Howarth & Schild, 2021). The first COVID-19 wave initially reproduced this north–south divide. Most notably Italy and Spain were more severely hit in the first wave and, after a decade of austerity, less able to buffer the economic consequences of the crisis. When they asked the EU for help, the governments of other member states, especially the ‘frugal four’ (Austria, Denmark, the Netherlands, and Sweden), were reluctant to provide such support (Haverland *et al.*, 2022).

We expect that public preferences for PRF policy design reflect this north–south divide for two reasons. First, citizens rely on heuristics and cues (from the media, experts, and parties) to form opinions on highly complex issues such as the recovery fund, and public opinion is therefore likely to follow the political stances of national leaders. This is even more likely in the face of the highly mediatised intergovernmental tug-of-war preceding the PRF. In a survey experiment covering 25 EU member states, Bauhr and Charron (2022) find that domestic elite endorsement increases public support for the PRF. Also, Meijers *et al.* (2022) find that voters closely follow party cues when evaluating corona bonds. Second, and relatedly, people’s evaluations of European integration tend to reflect the political and economic fate of their state (De Vries, 2018). National sociotropic considerations vis-à-vis the

recovery fund may therefore play a decisive role. Sociotropic evaluations pertain to people's perceptions of how their country is affected by certain policy decisions. Member states differ in the extent to which they likely benefit from the PRF, both because of differences in how hard the pandemic hit and because of differences in their ability to bear its economic burden. Research on support for fiscal integration in the euro crisis shows that the public echoes the positions of member state governments, with northern Europeans being more critical of fiscal integration and cross-border redistribution in the EU (Bechtel *et al.*, 2014; Beramendi & Stegmueller, 2020; Howarth & Schild, 2021; Walter *et al.*, 2020) and southern Europeans generally more in favour (Franchino & Segatti, 2019). This pattern also holds in the Covid-19 crisis. National economic interest figured prominently in the public deliberation surrounding the PRF (Miró, 2022) and in citizens' support for fiscal solidarity (Bobzien & Kalleitner, 2021). Bauhr and Charron (2022) find that information about the redistributive consequences of the fund decreases public endorsement among citizens of poorer member states that are not the main beneficiaries of the fund.

Hence, we expect public PRF support to systematically vary across our five countries. Public opinion in northern member states is expected to reflect that these countries are more likely to be net contributors to the recovery fund than southern or eastern member states. In addition, given the distinct advantages of joint borrowing for southern member states, it is likely that public opinion in these countries is more supportive of joint European debt instruments. We formulate the following hypothesis:

H1: Public support for a recovery package with a more ambitious scope, a broader purpose, a permanent structure, debt-based financing, joint repayment, and redistribution is on average higher among respondents from Italy, France, and Spain than among respondents from the Netherlands and Germany.<sup>5</sup>

### ***Individual-level variation: ideology and economic self-interest***

We expect that individuals' political ideology and economic self-interest structure PRF support. Following the literature on the dimensionality of European political competition (Hutter *et al.*, 2016), we postulate that PRF preferences align with two dimensions: the pro/anti-EU dimension and the left-right dimension. Individuals who identify as European, who hold cosmopolitan views, and who are pro-immigration tend to be more supportive of European solidarity and fiscal integration (Bauhr & Charron, 2022; Bechtel *et al.*, 2014; Franchino & Segatti, 2019). Given that pro-European citizens are more likely to support a more ambitious EU policy response to the pandemic, we expect that PRF support should be strongly guided by individual attitudes toward the EU. More specifically, we develop the following hypothesis:

H2: Respondents with more pro-European orientations are more supportive of a recovery fund that entails a broad scope (i.e., broader purpose and permanent structure), more risk-sharing (i.e., debt-based financing, redistribution, and joint repayment), and EU-level decision making than respondents with a more anti-European orientation.

Citizens' left-right orientations also likely affect their PRF preferences. Since left-leaning citizens are generally more supportive of redistribution and government intervention and more supportive of fiscal integration, we expect left-wing ideology to positively affect support for more expansive policy dimensions with stronger redistributive consequences. Bechtel *et al.* (2017) find that left-leaning Germans are more supportive of EMU rescue packages than right-wing respondents, while Franchino and Segatti (2019) find a similar pattern for preferences towards fiscal union in Italy. Moreover, Kleider and Stoeckel (2019) as well as Bauhr and Charron (2022) show that high-income left-leaning voters support fiscal solidarity in the EU. We therefore hypothesise:

H3: Respondents with a left-wing orientation are more supportive of a recovery fund with a more ambitious scope (i.e., broader purpose and permanent structure) and more risk-sharing (i.e., debt-based financing, redistribution, and joint repayment) than respondents with a right-wing orientation.

Finally, PRF support can stem from economic self-interest (Gabel, 1998). Although the exogenous shock of the pandemic affected the lives of virtually all European citizens, it had uneven consequences for citizens' personal economic situations. Exposure to the pandemic's adverse economic consequences likely affects PRF preferences. While Haverland *et al.* (2022) find Dutch respondents who were economically affected by the pandemic to be less likely to support a PRF in general, we go a step further and argue that differences in economic exposure led to preferences for different policy designs. We anticipate that people whose personal economic situation is more affected by the crisis are more supportive of a broad European response to address these consequences.

H4: People who are more exposed to the economic risks of the COVID-19 pandemic are more supportive of a recovery fund that entails a broad scope (i.e., broader purpose and permanent structure) and more risk-sharing (i.e., debt-based financing, redistribution, and joint repayment) than respondents who are less exposed.

## Data and methods

We fielded our survey experiment in July 2020. Toward the end of the fieldwork, EU governments agreed on the European pandemic recovery plan on 21 July 2020. In the period immediately preceding our fieldwork,

public debate about a supranational European response to the COVID-19 crisis was highly salient. As such, we fielded our survey experiment at a crucial juncture of the public discussions about a PRF.<sup>6</sup>

### **Country selection**

We surveyed respondents in five EU member states: France, Germany, Italy, Netherlands, and Spain. This selection includes the most important member states in the negotiations for the European PRF and ensures sufficient variation on country-level variables such as the likely net recipient/contributor position and the impact of the COVID-19 pandemic. Italy and the Netherlands represent two opposing poles in the European negotiations: whereas Italy represents the ‘southern bloc’ demanding pan-European solidarity, the Netherlands represents the ‘northern bloc’ (and more specifically the ‘frugal four’) reluctant to engage in cross-border transfers (Miró, 2022; Schelkle, 2021). Germany and Spain also belong to the northern and southern camps, respectively, but have taken more moderate negotiation positions – showing a willingness to compromise. Finally, France is often a mediator between the two blocs.

### **Sampling**

We recruited 1,500 respondents per country, leading to a sample of 7500 respondents. The sample was drawn from a large online panel provided by the survey company IPSOS. We used quotas for age, gender, education level, and region of residence. While it would have been preferable to survey a broader cross-section of countries, including some newer or smaller member states, these five countries have been selected because they are both theoretically and politically relevant. Theoretically, they represent diverging positions on the north–south divide on the reform of the European Monetary and Fiscal Union, whose divisions have held back the reform of the EMU (Brunnermeier *et al.*, 2016; Genschel & Jachtenfuchs, 2018). These countries also represent nearly 85 per cent of the Eurozone population (62 per cent of the entire EU), and were key players in the European Council negotiations leading up to NGEU, exemplifying important variations in the negotiation positions on the recovery fund and fiscal integration more generally (Miró, 2022; Schelkle, 2021).

### **Design of the survey experiment**

We use a conjoint experiment to study citizens’ preferences for different designs of a PRF. Conjoint experiments are increasingly used to elicit respondents’ preferences on multidimensional issues such as policy preferences

(Hainmueller *et al.*, 2014). They allow us to make causal claims about how certain policy dimensions impact public support by experimentally manipulating multiple treatment components simultaneously. In a conjoint experiment, respondents evaluate different policy alternatives that randomly vary on dimensions that are relevant from a theoretical or policy perspective. This is important to understand preferences for European fiscal integration, given that the outcome of interstate bargaining usually involves package deals and policy compromises (Wasserfallen *et al.*, 2019). While conjoint experiments might seem complex and onerous, research has shown that respondents are able to give coherent and valid answers even when completing a high number of conjoint tasks (Bansak *et al.*, 2021).

After a short introduction (see Appendix A1), respondents evaluated three pairs of randomly assigned policy packages. Each package consisted of six policy dimensions related to *scope*, *risk-sharing*, and *governance* discussed above with two or three levels each (Table 1).<sup>7</sup> After each pair of policy packages, respondents answered three questions. A forced-choice question asked respondents which of the two proposals they prefer, resulting in a dichotomous *proposal choice* variable, which is our main dependent variable. Second, respondents were asked to which degree they support the first and second proposals, with five answer categories ranging from 'strongly oppose' to 'strongly support', resulting in a *proposal rating* variable. We use respondents' scores on the rating variable as an alternative dependent variable to test the robustness of our results (see below) and to assess overall levels of support for specific recovery fund scenarios. The policy features ('levels') form the key explanatory variables and are measured as dummy variables indicating the presence (absence) of any given policy (see Table 1). After the conjoint experiment, we asked respondents how a European PRF would, in their opinion, 'affect the situation' of themselves, their region, their country, and Europe as a whole.<sup>8</sup>

In what follows, we show the average effects of six policy features on PRF support across countries. We then estimate the heterogeneous treatment effects to test our preregistered hypotheses regarding country-level differences as well as individual-level variation. Subsequently, we explore overall levels of support for a selection of recovery fund scenarios, and we probe citizens' assessment of the impact of a PRF and the variation therein.

### **Average effects of variations in policy features on support**

Before testing our preregistered hypotheses on individual and country-level differences in support for a PRF, we estimate the average marginal component effects (AMCEs) which measure the average impact of a difference in the policy level on the probability to support a policy package (Hainmueller *et al.*, 2014). The three iterations of the experimental task result in six policy

**Table 1.** Overview of conjoint experiment dimensions and characteristics.

	Policy dimensions ('Attributes')	Policy description	Policy features ('Levels')
Scope	Purpose	<i>What is the purpose of this programme?</i>	<ul style="list-style-type: none"> <li>• Support for healthcare only</li> <li>• Support for healthcare and economy</li> <li>• Support for healthcare and measures against climate change</li> </ul>
	Duration	<i>How long does the programme last?</i>	<ul style="list-style-type: none"> <li>• The programme is fully terminated once the coronavirus crisis is over</li> <li>• The programme is maintained, ready to be used in future crises</li> </ul>
Risk-Sharing	Financing	<i>How is the programme financed?</i>	<ul style="list-style-type: none"> <li>• Existing money is taken from European resources such as the EU budget</li> <li>• Additional money is borrowed by the EU on the financial markets</li> </ul>
	Repayment	<i>How is the money repaid?</i>	<ul style="list-style-type: none"> <li>• Each country repays exactly what it receives</li> <li>• All countries repay together, i.e., rich countries pay more and poor countries pay less</li> </ul>
	Distribution	<i>How is the money distributed?</i>	<ul style="list-style-type: none"> <li>• Every country receives the same per inhabitant</li> <li>• Countries hit harder by the coronavirus crisis receive more</li> </ul>
Governance	Governance	<i>Who decides how the money is spent?</i>	<ul style="list-style-type: none"> <li>• The European Commission</li> <li>• Finance ministers of the member states together</li> <li>• Finance ministers of the member states individually</li> </ul>

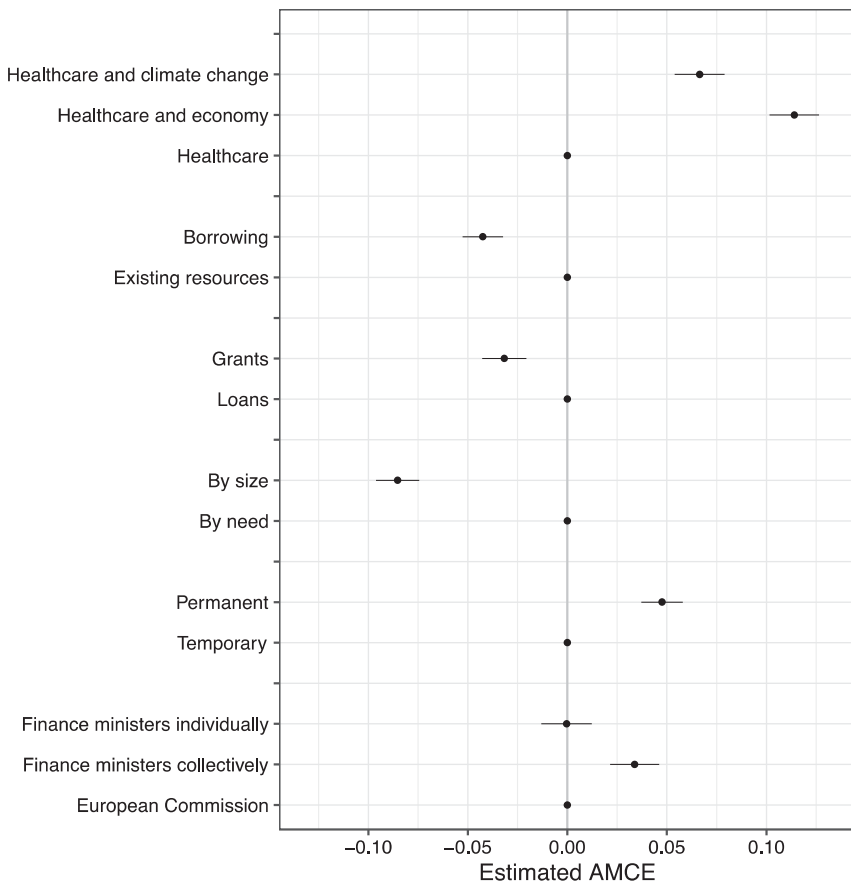
package decisions per respondent. We stack our data so that the policy package  $k$  of choice task  $j$  to respondent  $i$  represents a unique observation. For our 7,501 respondents, this results in 45,006 distinct observations. We use OLS regression analysis to predict the dependent variable on the dummy variables representing the policy levels, with a value of 1 representing the presence of the policy level in question. The models assessing average main effects take the following form:

$$Y_{ijk} = X_{ijk}\beta + e_{ijk}$$

where the dependent variable  $Y_{ijk}$  refers to policy package choice for a given respondent  $i$  presented with policy package  $k$  in choice task  $j$ ;  $X_{ijk}$  represents a vector with the attributes of the policy package presented to the

respondent, and  $e_{ijk}$  denotes the error term. As respondents evaluate six policy packages, we cluster our standard errors by respondents.<sup>9</sup>

Figure 1 shows the marginal effects of the different policy levels vis-à-vis the baseline categories for each policy dimension across the five countries with 95 per cent confidence intervals. Almost all levels of the various policy dimensions have a statistically significant, and rather sizeable, effect on policy package support. Regarding the *scope* of the PRF, we find that respondents, on average, favour a PRF with a more expansive scope. Support is particularly high for policy packages including support for both healthcare and the economy. When the recovery fund is maintained to be used in future crises, the probability to support any policy package increases compared to when the programme is terminated after the COVID-19 crisis.



**Figure 1.** Estimate AMCEs from the conjoint survey experiment. Note: The figure shows the average marginal component effect (AMCE) of a change in the value of one of the six attributes on the probability that the respondent chooses the European support package. Full sample; 95 per cent confidence intervals.

Policy features related to *risk-sharing* also steer public support. In terms of the *financing* of the PRF, the probability to support a policy package decreases when it includes EU borrowing as opposed to redeploying existing resources. In terms of *distribution*, support for a policy package drops when all countries receive the same per capita as opposed to a distribution by need. Respondents thus tend to prefer a fund supporting those countries that have been hit hardest by the COVID-19 pandemic. Yet, on average, they show support for a recovery fund in which each country repays exactly what it receives – rejecting mutualisation or fiscal transfer between EU countries (*repayment*). Regarding the *governance* of the fund, we find that the probability to support a package increases when the fund is administered by the finance ministers of the EU member states compared to a fund overseen by the European Commission. By contrast, there is no statistically significant difference between unilateral member-state governance and Commission oversight.

These results provide strong evidence that preferences on the PRF are, indeed, multidimensional, and that policy design impacts public support – suggesting that a conjoint design is suitable for assessing respondents' preferences on the recovery fund. Citizens prefer a PRF that is broader in scope and that distributes funds according to need. However, there is some reluctance for deeper fiscal integration with respect to financing and repayment, and support is higher for intergovernmental decision-making.

## Heterogeneous treatment effects across countries and individuals

Public opinion on European integration varies across and within countries. Therefore, we estimate heterogeneous treatment effects (HTEs) to test our preregistered hypotheses. Previous studies have relied on AMCEs to assess HTEs in subgroup analyses. Yet, using AMCEs for subgroup analyses can be problematic as the estimates of AMCEs are relative to the baseline category for each subgroup (Leeper *et al.*, 2020). To assess the different effects of policy levels across countries and individuals, we thus estimate Marginal Means (MMs) which denote the predicted probability of support for a package if it contains the level in question – irrespective of all other levels (Leeper *et al.*, 2020).

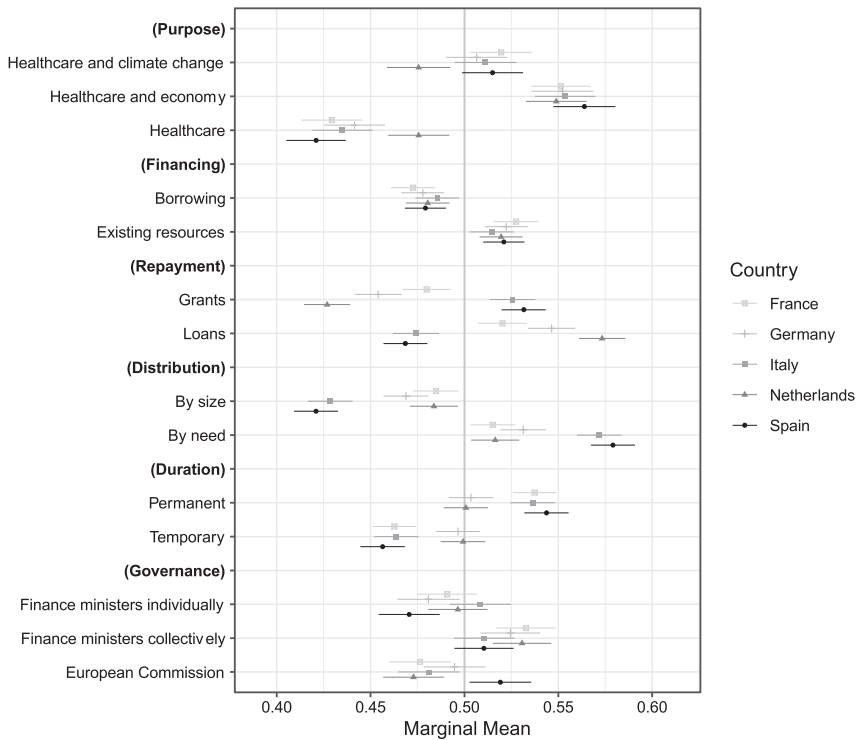
### Variation across countries

Public preferences on EU risk-sharing and fiscal transfers strongly diverge across the EU (Vasilopoulou & Talving, 2020). Hence, the average results in [Figure 1](#) likely mask important country-level variation. Juxtaposing Dutch and German citizens against French, Italian, and Spanish citizens, H1

expected that the latter prefer policy packages with a wider scope and long-term duration (*scope*) as well as debt-based financing, joint repayment, and redistribution (*risk-sharing*) vis-à-vis the former.

Figure 2 shows the marginal means by country. For three out of six policy dimensions, the estimates show significant variation across countries. Contrary to H1, however, the preferences of respondents from France, Italy, and Spain do not form a cohesive cluster. Instead, French respondents join Dutch and German respondents in their preferences for some policy features and coalesce with Italian and Spanish respondents for others. This resonates with narratives of France being both a ‘northern’ and a ‘southern’ member-state.

The policy dimension in which sociotropic evaluations of collective self-interest surface most markedly is ‘repayment’. While Italian and Spanish respondents support a fund constituted by grants, respondents from the other countries tend to reject grants. Especially Dutch respondents strongly oppose grants. This pattern runs counter to the study by Bauhr and



**Figure 2.** Estimated marginal means from the conjoint survey experiment by country. Note: The figure shows the conditional marginal means and 95 per cent confidence intervals for all attribute levels by country.

Charron (2022) who did not find that citizens were sensitive to repayment. A possible explanation for this discrepancy is that we give respondents an explicit choice between grants vs. loans, whereas Bauhr and Charron's experimental treatment is more subtle as it does not explicitly mention loans.

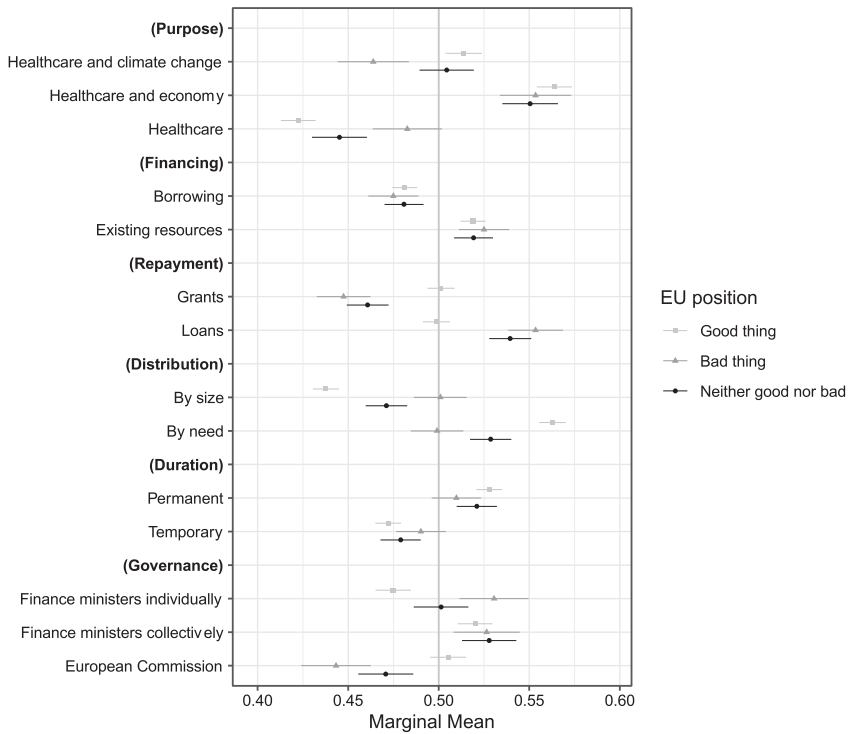
In terms of distribution, respondents from all five countries support a need-based programme, but support is significantly higher in Italy and Spain. Whereas the permanency of the programme did not significantly affect support among German and Dutch citizens, respondents in France, Italy, and Spain prefer a PRF that can be reactivated in possible future crises. To our surprise, respondents from all five countries prefer the repurposing of existing funds over borrowing additional money on the financial markets. Contrary to the expectation that collectively borrowing would find more support in southern member states, respondents tend to support policy packages relying on existing resources to a greater degree. Lastly, with respect to the purpose of the programme, it is worth noting that Dutch respondents are significantly more likely to support programmes with a 'health care only' scope than other respondents. These findings provide support for our expectation that cross-country differences in public opinion towards a PRF reflect collective self-interest, except for an overall aversion against borrowing on the financial markets.

### ***Variation across individuals***

H2 postulated that respondents with pro-EU orientations prefer packages including a wider purpose and long-term duration (*scope*) as well as debt-based financing, joint repayment and redistribution (*risk-sharing*), and supra-national *governance*. To test this hypothesis, we split our sample into three subgroups, depending on whether they believe that EU membership is 'a good thing', a 'bad thing', or neither of these (Figure 3). Results generally align with our expectations.

Pro-EU respondents show greater support for a PRF with a broader purpose than Eurosceptics. Second, pro-European respondents are more likely to support a PRF with needs-based distribution, with grants, and with a permanent character. Finally, anti-EU respondents are less likely to support packages governed by the European Commission. Yet, contrary to expectations, pro- and anti-European respondents agree in their preference for EU borrowing. This suggests that respondents' wariness of borrowing additional funds on the financial markets takes precedence over risk-sharing opportunities at the European level.

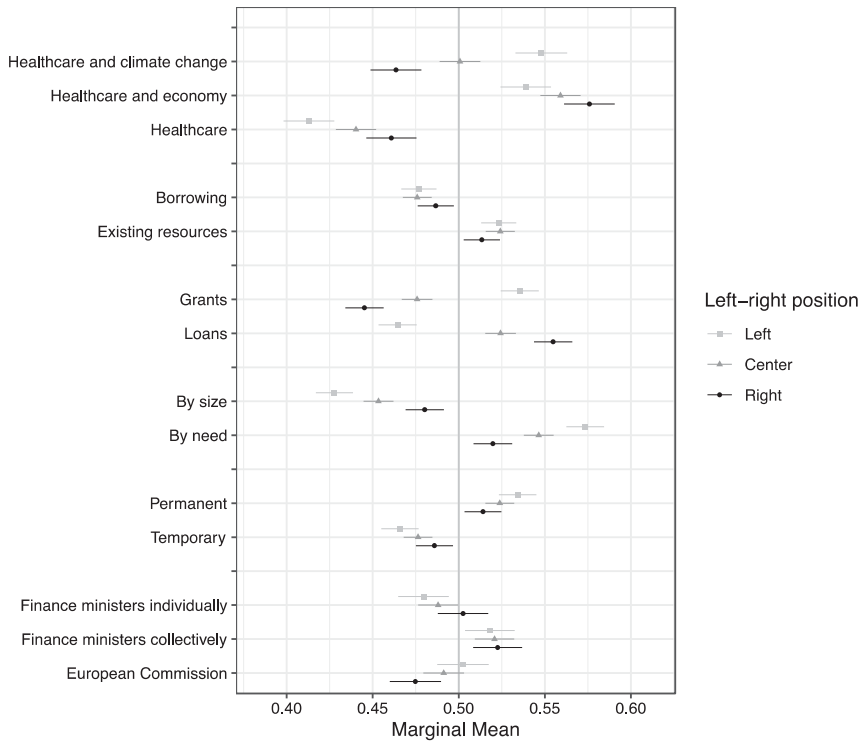
In H3, we expected that respondents with more left-wing economic orientations are more supportive of packages with a broader purpose and long-term duration (*scope*) as well as debt-based financing, joint repayment, and redistribution (*risk-sharing*) than respondents with more right-wing economic



**Figure 3.** Estimated marginal means from the conjoint survey experiment by support for European integration. Note: The figure shows the conditional marginal means and 95 per cent confidence intervals for all attribute levels by support for European integration.

orientations. To estimate the HTEs of economic left-right ideology we measure respondents’ economic left-right self-placement on an 11-point scale ranging from 0 to 10. To examine the HTEs in subgroup analyses we recode this variable into a categorical variable with three categories: left (from 0 to 3), centre (4 to 6), and right (7 to 10). **Figure 4** shows the marginal means for these three subgroups.

We find support for the expectation that left-wing respondents, compared to right-wing respondents, prefer policy packages with needs-based distribution, with grants, and with a permanent structure. Similarly, left-wing respondents are more likely than right-wing respondents to support policy packages that assist member states’ healthcare systems and climate policy measures, while right-wing respondents are less against narrow, health-care-only policy packages than their left-wing counterparts. Yet, contrary to our expectations, right-wing respondents are more likely to support packages that address health care as well as the economy. Moreover, we do not find support for the expectation that left-wing respondents favour packages



**Figure 4.** Estimated marginal means from the conjoint survey experiment by left-right position. Note: The figure shows the conditional marginal means and 95 per cent confidence intervals for all attribute levels by left-right position.

that include borrowing additional funds. This suggests that left-wing respondents are also reluctant to accept new debt.

Finally, we test H4 on individual self-interest. We posited that, in the pandemic, self-interest is best caught by individual-level assessments of the economic risks associated with the pandemic. Subjective economic risk is measured with the following question: ‘how concerned are you about the effects that the coronavirus might have on the financial situation of your household?’.<sup>10</sup> The marginal means plot in Figure A3 (appendix) shows the subgroup analysis for respondents who are concerned about the impact of the pandemic on their household’s financial situation and those who express no concern. While we see small significant effects of individual economic risk on support, it does not change the direction of the effects. We find, for instance, that those concerned about their economic situation are more inclined to support borrowing additional resources at the EU level than those not concerned. Respondents concerned about their financial situation are also more likely to support grants and more supportive of a permanent

programme than respondents that are not concerned. Contrary to our expectations, financial concerns are not related to differences in support for the purpose and distribution of the PRF.

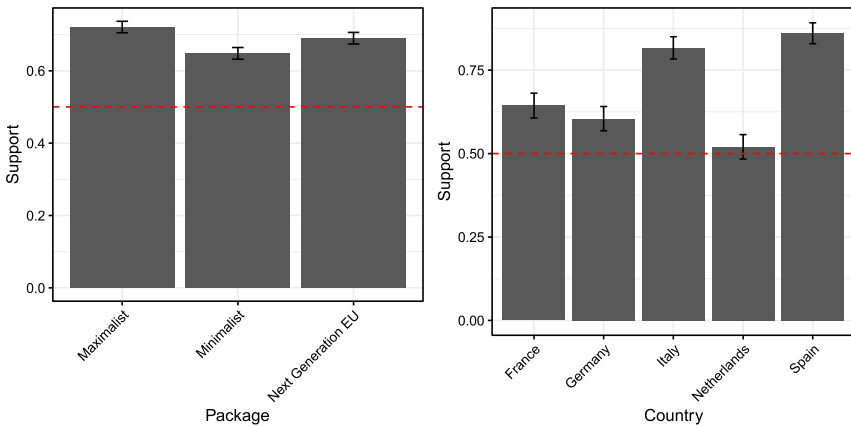
## Overall support for the PRF

Establishing which policy characteristics structure support for the PRF is important to determine the *effects* of policy design on policy package favorability. However, it tells us little about citizens' *overall support* for the recovery fund and the extent to which they believe the recovery fund to have a positive or negative *impact* on themselves and society. In the following descriptive analysis, we thus first explore how individual-level preferences for different policy characteristics of the recovery fund aggregate to overall support for different scenarios of the recovery fund, including the compromise struck by governments on July 21, 2020. How much overall support is there for the recovery fund, and how does this vary across countries? In a second step, we examine whether respondents believe that a European PRF has a positive impact on their household, region, country, and the EU, and how this varies across respondents.

### *Support for selected packages*

To assess citizens' support for the PRF as a whole, we explore support for selected scenarios of the PRF. Specifically, we calculate support for three ideal-type packages: a maximalist package supported by southern European countries, a minimalist package supported by the 'frugal four', and a 'Next Generation EU' package, which most closely resembles the agreement for the pandemic recovery fund struck between EU government leaders on July 21, 2020.<sup>11</sup>

To do this, we asked respondents to indicate their support for each package on a 5-point Likert scale, which we recode into a dichotomous variable of support.<sup>12</sup> Figure 5 (left) shows the predicted level of support for the three selected ideal-types based on a regression analysis. For all three scenarios, respondents are relatively supportive. They are more supportive of the maximalist than the minimalist package, but the scenario that mirrors the European Council agreement of July 2020 is also supported by a clear majority of 69 per cent of respondents. Yet, given the importance of intergovernmental decision-making in the EU, it is important to consider whether the NGEU compromise is supported by respondents in all five countries in our sample. Figure 5 (right) repeats the procedure for estimating overall support, displaying the predicted levels of overall support for NGEU by country. NGEU is appreciated in most European countries in our sample. While support is significantly lower in the Netherlands than in the four



**Figure 5.** Estimated average level of support for selected recovery fund scenarios (right) and support for NGEU (left) by country. Note: The left-hand side of the figure shows the predicted share of supporters for three ideal-type packages (as shown in Table A1). The right-hand side of the figure shows the average support for the package that comes closest to Next Generation EU by country. Respondents that express neutral judgments are dropped. 95 per cent confidence levels are shown.

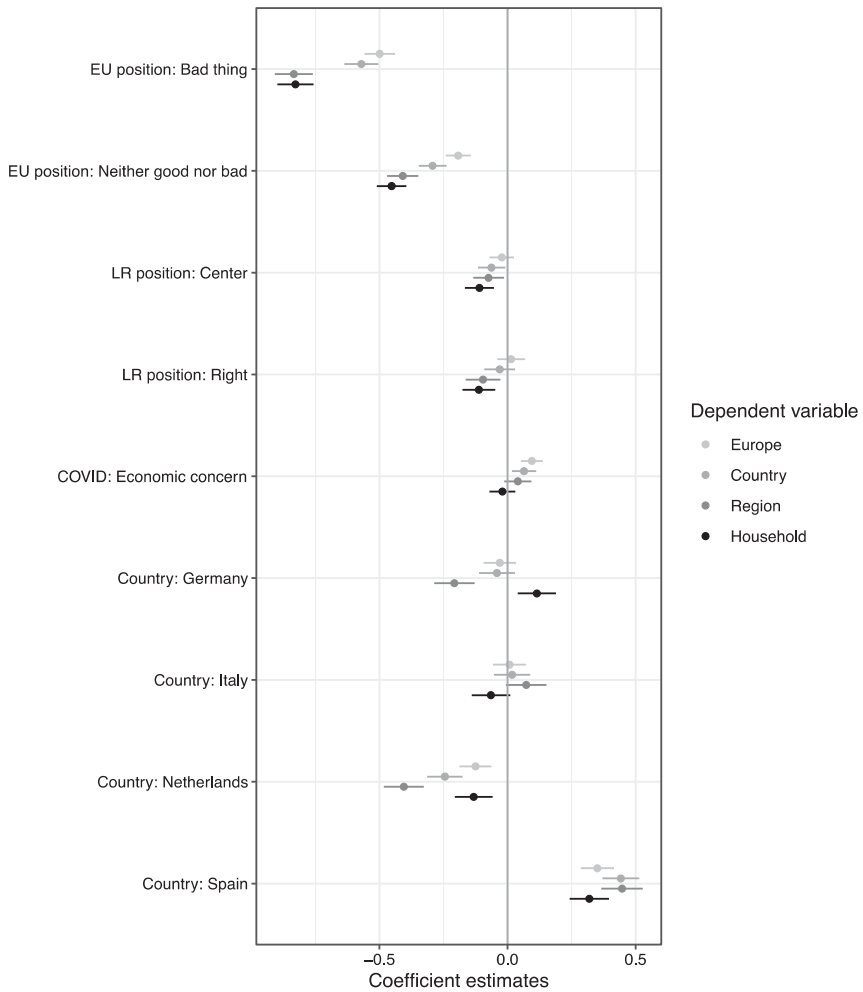
other countries, still more than 50 per cent of respondents support the compromise. This suggests that even though NGEU is not the most supported package, it can garner majority support in all five countries under study.<sup>13</sup>

### ***Expected impact of the recovery fund***

Support for a European recovery fund seems to be relatively high in the five countries. How can we explain these levels of support? One reason may be that respondents expect the recovery fund to have a beneficial impact on themselves and their surroundings. In the subsequent analyses we, therefore, explore how respondents evaluate the impact of a possible PRF.

After the conjoint experiment, we asked respondents to abstract from the individual policy packages that we had shown them and to indicate how they expect a PRF in general to affect the situation of their household, region, country, and Europe as a whole. Most respondents give a neutral assessment of the PRF on their household and region, i.e., a score of 3 (Figure A6 in the appendix). Nevertheless, a plurality of 44.8 and 48.8 per cent believe that the PRF positively affects their country and Europe as a whole, respectively. Those who believe it to have a negative impact remain below 25 per cent across all categories.

How do the perceptions on the impact of the PRF vary across society? Figure 6 shows the results from OLS regression models with respondents' evaluation of the impact of the fund on their household, region, country,



**Figure 6.** Individual-level determinants of the evaluation of the impact of the programme on different levels Note: The figure shows a coefficient plot for four OLS regression models with different dependent variables. All dependent variables are measured on a five-point scale, where higher values imply a more positive assessment. Control variables included in the models are not shown. The full regression table is included in Appendix B.

and Europe. In addition to the independent variables used above and shown in Figure 6 (country, EU support, left-right positions, and economic risk perception), we control for gender, age, education, and income.

We highlight several important findings. First, confirming results from the conjoint experiment, sociotropic self-interest evaluations seem to guide impact evaluations. Compared to French respondents, Spanish respondents believe the PRF to have a more positive effect on all categories, while

Dutch respondents are more likely to believe it to have a more negative impact. German and French respondents also differ in their impact assessments. Compared to respondents from France, Germans are more positive about the recovery fund's impact on Europe but more negative about the impact on their own country. All in all, these country differences suggest evaluations of net-payer/net-receiver effects, with Dutch and German respondents being concerned about north–south financial transfers.

In terms of ideology, those with neutral and anti-EU positions believe the fund to have a negative effect compared to their pro-EU counterparts in all four models. Left-right orientations only matter for respondents' country-level and EU-level impact assessments, in which centrist and right-wing respondents evaluate the fund's impact more negatively than left-wing respondents. With respect to socio-demographic determinants, higher educated respondents are likely to evaluate the fund's impact on Europe more positively.

Strikingly, those concerned about the impact of COVID-19 on their financial situation are more likely to perceive the fund to positively impact their household and their region. Hence, while left-right orientations and educational levels are correlated with respondents' impact assessment about the PRF at the (politically more salient) country- and supranational-level, personal economic concerns drive positive evaluations of the fund's impact closer to home.

## Robustness tests

To examine whether our findings are robust to alternative specifications, we replicate our analyses using the continuous variable with which respondents indicate their level of support for each policy package on a 5-point Likert scale. These analyses yield the same substantive results (see Figures A8 and A9 in the appendix). Second, we test whether respondents who were contacted before the European Council summit (where member states agreed on the PRF), responded differently than people who were contacted after the summit. The results are similar across both subgroups (Figure A10).

We also conduct additional analyses to assess whether the complexity and length of the survey experiment affect response quality and survey satisficing (Bansak *et al.*, 2021). We find that excluding respondents who failed an attention check does not affect our results (see Figures A11 and A12). Moreover, we find no carry-over effects, i.e., respondents did not evaluate packages differently in the first, second, or third tasks (see Figure A13). According to the marginal means shown in Figure A14, profiles on the left (Profile A) had a higher likelihood to be chosen than profiles on the right (Profile B), but profile order did not affect our estimates treatment effects (the ACMEs). Finally, there are no differences between people who took more

or less time to complete the survey (see Figure A15). This suggests that respondents understood the experiment and answered in a consistent and valid manner.

## Conclusion

The COVID-19 pandemic has wreaked havoc across EU member states. To address the public health and economic challenges of the pandemic, the European Council agreed in July 2020 on the ambitious €750bn recovery package NGEU. Financed by unprecedented borrowing by the European Commission and involving significant redistribution across member states, the recovery fund is a significant step towards EU fiscal integration. Given widespread public opposition towards fiscal integration and Eurobonds in some member states before the pandemic (Bechtel *et al.*, 2014; Beramendi & Stegmueller, 2020; Howarth & Schild, 2021; Walter *et al.*, 2020), this step was surprising. Against this backdrop, some may argue that necessity and interdependence trumped public opinion, pushing European leaders to take unpopular decisions. Our study challenges this argument by showing that public support for a PRF is, in fact, surprisingly high.

Employing a conjoint experiment fielded in France, Germany, Italy, Netherlands, and Spain during a key stage of the recovery fund negotiations in July 2020, we find that citizen support for a PRF is driven by the design of the recovery fund. Our results indicate that there is an appetite for European solidarity as citizens, on average, support a permanent recovery fund with a broad purpose aimed at assisting the member states most affected by the COVID-19 crisis. Citizens still hesitate about important aspects of fiscal integration as they, on average, reject a recovery fund financed by joint EU borrowing, constituted by grants to less affluent member states that are administered by the European Commission, or by individual member states themselves. Overall, our findings suggest that preferences for European solidarity and fiscal integration are more complex than often assumed in the European integration literature.

This is especially the case because citizens' preferences for the PRF vary across the five countries studied. As likely net beneficiaries, Italian and Spanish respondents are keener on European risk-sharing through grants and involving redistribution to countries in distress. By contrast, sociotropic projections of collective self-interest lead Dutch and German respondents to be more hesitant about these aspects.<sup>14</sup> Our results also point to significant variation in preferences between citizens who identify as left-wing or right-wing as well as between citizens who hold pro- and anti-EU positions. Right-wing and anti-EU voters are less keen on an expansive recovery fund that is more redistributive than left-wing and pro-EU citizens.

When it comes to support for specific policy packages, our estimates show surprisingly high levels of public support for the NGEU, even though it includes elements that are not widely popular, such as joint borrowing and European Commission governance. A plurality of respondents, moreover, believe that a recovery fund will have a positive effect on their household, region, country, and Europe as a whole. This helps to explain why the NGEU design, even though not perfectly aligned with citizens' preferences, was able to find political support in Europe and overcome previous opposition towards fiscal integration (Beramendi & Stegmueller, 2020). Arguably, high public support for solidarity in a common crisis in combination with dominance of national executives in the crisis response (De Vries *et al.*, 2021) did not allow challenger parties to mobilise sufficient opposition against the PRF. This is in line with what postfunctionalism would predict, since public opinion is only constraining insofar as Eurosceptic challenger parties have the opportunity to mobilise against European integration (Hooghe & Marks, 2009, 2019).

Our study suggests that citizens largely support European solutions to common problems, and if any 'integration fatigue' emerged in the aftermath of the Euro crisis, it did not deter the public from supporting fiscal integration in the pandemic. If anything, support for long-term solutions indicates a degree of 'crisis fatigue' instead. As shown by the debate around the EU's reaction to the Russian invasion of Ukraine and to the American Inflation Reduction Act, the PRF model now arguably acts as a precedent and blueprint for future instruments. Future research should, therefore, examine whether these preferences are stable over time and to what extent they respond to elite cues. Our study captures public preferences in a moment of high salience, amid a global crisis when enthusiasm for European solidarity was high among policymakers. It remains to be seen whether this high level of public support is due to a sense of crisis (and therefore of temporary nature), or whether the crisis has structurally affected Europeans' views on fiscal integration and solidarity.

## Notes

1. See [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_en](https://ec.europa.eu/info/strategy/recovery-plan-europe_en) (accessed 2 March 2021).
2. The study was preregistered and approved by the Ethical Review Board of Amsterdam Institute of Social Science Research. Please find the preregistration here: <https://osf.io/hc3tr>.
3. Bauhr and Charron (2022) test the effect of different informational cues, on among other things, policy features, and find little evidence that public support is sensitive to policy design. Our study focuses more strongly on policy design, letting respondents choose between different policy alternatives.

We find theoretically plausible and empirically consistent patterns in preferences for specific policy designs.

4. This has been documented in the case of the European Stability Mechanism (Kreilinger, 2019).
5. The country-level and individual-level hypotheses were preregistered in the pre-analysis plan.
6. Results do not differ depending on whether respondents were contacted before or after the European Council summit, when the recovery fund was agreed on (see robustness tests).
7. See Appendix A for an explanation of the six policy dimensions, a screenshot of the conjoint experiment and the response questions.
8. See Table A1 for the exact wording of all our survey questions and the operationalisation of all variables.
9. We use  $p$ -values of 0.05 (two-tailed) as threshold of statistical significance.
10. The exact wording of the question is shown in Appendix A3.
11. Operationalizations are shown in Table A1 in the appendix.
12. Ratings below 3 are coded as opposition ('0'), ratings above 3 are coded as support ('1'). Neutral ratings of '3' are excluded. Figure A4 uses a more conservative estimate, where neutral ratings are coded as opposition.
13. Figure A5 shows support for NGEU compared to the most-liked and the least-liked packages. It confirms that support for NGEU falls somewhere between these two extremes.
14. As our sample was limited to five countries, we cannot formally test macro-level explanations of recovery fund support pertaining to a country's economic competitiveness, and whether it is a net-payer or net-receiver into the EU budget.

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