

Blesse, Sebastian; Boyer, Pierre C.; Heinemann, Friedrich; Janeba, Eckhard; Raj, Anasuya

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European Monetary Union reform preferences of French and German parliamentarians

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European Monetary Union reform preferences of French and German parliamentarians

Sebastian Blesse, Zentrum für Europäische Wirtschaftsforschung (ZEW) Mannheim

Pierre C. Boyer, Center for Research in Economics and Statistics (CREST), École Polytechnique

Friedrich Heinemann, Zentrum für Europäische Wirtschaftsforschung (ZEW) Mannheim

Eckhard Janeba, University of Mannheim

Anasuya Raj, Center for Research in Economics and Statistics (CREST), École Polytechnique

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Abstract

We analyze data from an author-conducted survey of members of the French and German parliaments on European Monetary Union reform preferences. We consider three potential drivers of preferences: nationality, ideology, and personal characteristics. For European Monetary Union policies like Eurobonds, the Fiscal Compact and the European Central Bank asset purchase program we find a robust difference between parliamentarians of both countries if they belong to the same party family and controlling for individual characteristics. Based on our estimates, however, we predict agreement between German left-wingers and French conservatives even for ideological differences that are smaller than the current difference between the left and the right European party families. Our findings suggest that deeply-rooted national differences do not impose a prohibitive obstacle to a German-French parliamentary consensus on European Monetary Union policies.

Keywords

Comparative politics, European Monetary Union reforms, elite survey, members of national parliament, policy preferences

Corresponding author: Pierre C. Boyer, CREST- École Polytechnique, 91128 Palaiseau, France. Email: pierre.boyer@polytechnique.edu.

Introduction

Since the outbreak of the euro area debt crisis in 2010, numerous reforms have been undertaken to complete the institutional design of the euro area.¹ Nevertheless, there is still the perception that the European Monetary Union (EMU) resembles a ‘half-built house’ (Bergsten, 2012) and that more reforms may be required. The space of possible reforms is constrained by the need to reach a consensus among EMU members in general, and between France and Germany in particular. From the start of the European integration process, Germany and France have been seen as the ‘engine’ of integration (Krotz and Schild, 2013). This holds in particular for monetary integration steps such as the European Monetary System as of 1979, the EMU twenty years later (Marsh, 2010), and during the management of the euro crisis between 2010 and 2012 (Degner and Leuffen, 2019; Schoeller, 2018). From this perspective, a Franco-German agreement can be regarded as necessary (albeit not sufficient) condition for any further EMU reform. It is thus interesting to explore the extent of disagreements between the French and the German, as well as their underlying causes.

The role of different economic policy traditions has received attention as a potential reform obstacle. Alesina et al. (2017) show that the heterogeneity of general norms (including the value of hard work or obedience) between Northern and Southern Europe has increased over the last decades despite more economic integration. Guiso et al. (2016) argue that cultural clashes aggravated the Greek crisis. In this vein, politicians might be unable to agree on crisis management because certain policy reforms may run against deeply rooted norms and beliefs. On France and Germany, authors like Dyson (1999) and Brunnermeier et al. (2016) diagnose a ‘Rhine-Divide’, a fundamental difference in economic policy approaches between both countries. Compared to France, German ‘ordoliberalism’ stresses the importance of rules over discretion and principles of liability over solidarity. Liquidity constraints tend to be seen as an outcome of fundamental insolvency in Germany, whereas in France they are often viewed as part of self-enforcing bad equilibria. Consistent with these assessments, French policy prescriptions are often more Keynesian and demand-oriented, whereas German approaches tend to emphasize the need for austerity and structural reforms in order to deal with such crises.

Against that background, our analysis empirically assesses the French-German cleavage in EMU-related reform preferences by the members of national parliaments in both countries.

We exploit an author-designed survey, which we simultaneously conducted in 2016 among the German Bundestag and the two French parliamentary chambers. Policy preferences of these parliamentarians are important since several national parliaments in the euro area including the German one are veto players on EMU reforms. While recent euro area reform decisions, such as the establishment of the European Stability Mechanism (ESM) or the Fiscal Compact, have been initiated by national governments, they are often constrained by the consent of national parliaments according to national constitutions;² hence, a systematic dissent between the German and French parliaments would make future EMU reforms less likely.

We contribute to the understanding of a possible divide between French and German parliamentarians on EMU reform issues. Our analysis disentangles three different drivers of EMU-related reform preferences: (a) nationality; (b) political leaning related to party family ideology; and (c) personal characteristics of members of parliament (MPs). The first one – nationality – relates to the Rhine-Divide hypothesis, i.e. a French-German dissent that is deeply rooted in economic policy traditions of both countries. At the same time, the importance of nationality for EMU reform preferences may also relate to MPs' economic self-interest for their respective country.

The relative importance of (a) versus (b) and (c) matters for assessing the future chances of a parliamentary consent between both countries. If party ideology and/or personal characteristics (age, gender, education, etc.) are the dominant drivers, the reform space from a parliamentary perspective will change with future election outcomes. By contrast, even changing parliamentary majorities matter little if heterogeneity of reform preferences is primarily determined by nationality. In this case, the Rhine-Divide constitutes a prohibitive obstacle to EMU reforms, if it extends from parliaments to governments and other institutions which are involved in reform decision making.

A further contribution lies in the analysis of various types of euro area reform options. These cover appropriate national growth policies (more flexible labor markets, higher investment spending), policy proposals triggered by the euro crisis (European Central Bank (ECB) asset purchases, Fiscal Compact), and EMU reform options in the current debate (tax centralization, European unemployment insurance and Eurobonds). We show that inter-party family

differences are important for national economic policies, such as labor market deregulation or investment spending, and nationality is not, while for EMU reform options both matter.³

The results confirm key qualitative observations of Brunnermeier et al. (2016) for EMU reform options. German MPs tend to be more supportive than their French colleagues towards fiscal rules and more critical on activist ECB policies, tax centralization, European unemployment insurance and debt collectivization through Eurobonds. These differences are significant for French and German parliamentarians even with similar personal characteristics and within the same party family. However, for all these EMU topics, the impact of the ideological variables is empirically more important.

For all EMU topics, the direction of the French dummy is identical to the direction of the dummy indicating a left party. This implies the largest polarization between German parliamentarians from the right and their French colleagues from the left. Conversely, according to our estimates, the Rhine-Divide is closed for all EMU reform options if a German left-winger would have to find an agreement with a French conservative. Even though a significant difference in the economic thinking of German and French parliamentarians exists, the gap is not so large that it would make a parliamentary consent on EMU reforms impossible.

Our analysis complements recent work by political scientists, as summarized by Frieden and Walter (forthcoming), which describes work on the measurement of governments' ideal points and bargaining strategies in the context of Euro zone institutional design. The relative importance of nationality versus ideology has been studied extensively for members of the European Parliament (e.g. Hix, 2001; Hix et al., 2006; Hix and Noury, 2011; Scully et al., 2012). These studies also point to a stronger role of ideology, relative to nationality, as a factor explaining political positions and voting. Results for the European Parliament cannot be assumed to readily hold for national parliaments, where a European mission and socialization are absent. But it is interesting to note that even for members of the European Parliament, nationality seems to be of strong importance for issues with significant and asymmetric consequences for member states as shown by Hix and Noury (2011) for budgetary votes, by Heinemann et al. (2009) for tax preferences, and by Aspinwall (2002) for foreign policy.

Survey description

Institutional setup and survey details

The national legislative chambers in Germany and France differ in various aspects. The German Bundestag has a mixed-member proportional voting system: 299 members of parliament are directly elected (first vote) and 299 are indirectly elected from party lists (second vote).⁴ The German MPs in our survey were elected in late 2013 for four years in office.

The legislative branch in France is divided into two chambers: the Assemblée Nationale and the Sénat as the lower and the upper house, respectively. Whereas MPs in the Assemblée Nationale are elected by majority decisions (starting in our sample in 2012 for the term ending in 2017), members of the Sénat are indirectly elected by elected officials of various tiers of government including the Assemblée. Half of the senators are elected every three years for a six-year term, the last election preceding our survey being September 2014.

National parliaments in Germany and France differed by the degree of involvement in controversial legislation during the euro crisis. Whereas the German government had major policy measures approved by the Bundestag, France relied, as in other cases of controversial legislation, on a strong executive. The French government used constitutional powers and issued decree laws. Eventually the French executive did involve its national MPs in the decision on rescue policies, such as the European Financial Stability Facility (EFSF), ESM and the Fiscal Compact. However, it did so by using a fast-track procedure, which limited the parliamentary debates to one. For the Bundestag, the German Federal Constitutional Court, in its decision on the ESM and Fiscal Compact, has reemphasized the parliament's veto power on all euro-related reforms that have potential budgetary implications (Bundesverfassungsgericht, 2014).⁵

Our survey of the French and German parliaments is a result of a collaboration of researchers from Germany (ZEW Mannheim and the University of Mannheim) and France (École Polytechnique-CREST). The questionnaires for the French and German MPs were formulated in French and German, respectively, but had the same content and wording. The survey contained a cover letter and a three-page survey, and was sent out in late April 2016 from Palaiseau for the French parliament, and from Mannheim for the Bundestag. The initial

contact was through regular mail to the main office of the members of parliament. Politicians could respond either by mail, email, fax, or via a customized online-survey tool. Completed surveys were received between late April and mid-July 2016.

The survey was not anonymized in order to analyze the determinants of participation as well as the elicited beliefs of the MPs. The confidentiality of the individual answers was guaranteed, however. Hence, replication material for the figures below is provided, but not the full data set. Individual characteristics of MPs, such as party membership, country of origin, as well as age, gender, education or length of parliament membership, were collected from public sources. We randomized the ordering of questions in each question bloc in order to avoid biased responses due to possible framing effects.

In total, we received 232 completed questionnaires from the overall population of 1,552 national MPs in Germany and France (response rate: 14.95%). German MPs (16.03%) were slightly more responsive than their French counterparts (14.21%). The response rates were somewhat lower than previous surveys of the Bundestag (Heinemann and Janeba, 2011; Heß et al., 2013), but slightly higher for French MPs (Deschouwer and Depauw, 2014).

The Online appendix provides an overview of the participation rates across countries of origin and across ideologies. We classify MPs according to their political grouping in the European Parliament. In Germany, there is a clear correspondence between an individual party and a parliamentary group. By contrast, the French bicameral system lacks such congruence. MPs from political parties self-select in various ways into existing blocs or parliamentary groups. The appendix also documents the relation between parties on the one hand and national and European Parliamentary groups on the other hand. We use the respective fraction membership in the European Parliament as the measure of the left-right position. Our baseline estimates consider MPs from the fractions of both Socialists and Democrats (S&D), Greens/European Free Alliance (Greens/EFA) as well as Confederal Group of the European United Left/Nordic Green Left (GUE/NGL) as left-leaning MPs, which we compare to the conservatives of the European People's Party group (EPP), the Europe of Nations and Freedom (ENF) and the Liberals, the Alliance of Liberals and Democrats for Europe (ALDE). Thus, our key measure of ideological distance refers to the distance between the two major party families in the European Parliament.⁶

In Blesse et al. (2017), we conducted a non-response analysis on the basis of a probit model in order to predict survey participation. The analysis confirms higher response rates of German and S&D (or more generally left-wing party) members, and shows the importance of several individual characteristics. To reduce the role of sample selection, we include all available MP characteristics in our econometric analysis below.

Questionnaire design and empirical hypotheses

Our survey covers important topics of the EMU reform debate. We address both the national dimension - policies that may improve the working of a common currency through higher economic growth and more economic convergence - and the European dimension, relating to (reforms of) EMU policies and institutions directly. All questions were answered on a discrete answer scale from -4 to +4, where +4 indicated 'Agree' and -4 'Disagree' ('Desirable' and 'Undesirable' in case of question 4 on the Fiscal Compact).

National growth policies. The wording of all questions reflects the requirement that respondents unfamiliar with economic terminology should be able to grasp the main issue at stake. For that purpose, we chose 'flexible labor markets' as a typical supply-side prescription and clarified the term through examples of dismissal protection and minimum wages. Question 2 refers to investment, which has a supply-side dimension as well because better public infrastructure makes firms more productive (e.g. Haughwout, 2002). More recently, higher public investment has often been strongly supported by left-of-center politicians and economists, as part of a demand-side policy. In this sense, Question 2 is less clearly identified as a supply side policy as compared to Question 1.

Question 1 (Flexible labor markets):

For higher economic growth of the EMU it is essential that especially countries with permanently high levels of unemployment make their labor markets more flexible (e.g. via an easing of dismissal protection regulations or a decrease of the statutory minimum wage).

Question 2 (Higher investment): *For higher economic growth of the EMU it is essential that its member states increase their investment expenditures.*

EMU institutions and policies. Question 3 covers the role of the European Central Bank's (ECB) interventions in the market for euro area government bonds since the economic and financial crisis. In order to avoid complex wording, we dropped the distinction between different bond

purchasing programs, such as the Securities Market Program of 2010, the Outright Monetary Transactions program (set up in 2012 but never activated), and the quantitative easing (QE) programs since 2015.

Question 3 (Asset purchase program of ECB):

The European Central Bank has taken a strongly active position in recent years by purchasing sovereign bonds of euro countries. This strongly active position of the ECB should continue.

One recurring topic in the EMU reform debate is a possible restriction of national fiscal autonomy and transfer of power to the level of the Eurozone. The European Commission's recent reflection paper on the deepening of the European Union via a European Treasury and a European Finance Minister (European Commission, 2017) underlines the relevance of the debate. Questions 4 and 5 cover two different aspects of fiscal autonomy: deficit limits and voting in the European Council on taxes.

Question 4 asks whether it is desirable for MPs that their country complies with the Fiscal Compact, which imposes a limit on each country's general government structural deficit since 2013. Question 5, by contrast, relates to the decision rule at the European Union (EU) level on tax matters. Under the status quo, any tax legislation at the EU level must pass with unanimity. So far, certain aspects of value added tax (VAT) taxation have been agreed upon, but not yet for direct taxation (Bénassy-Quéré et al., 2014). Question 5 asks about an end to national veto power in EU tax legislation matters by moving from unanimity to majority voting (Wasserfallen, 2014). We use corporate tax caps and floors as possible areas of application for majority voting.

Question 4 (Fiscal Compact): *The Fiscal Compact that was signed by 25 EU member states in 2012 commits the contracting parties like France and Germany to limit the general government deficit (cyclically adjusted) at 0.5 % of Gross Domestic Product. Do you think it is desirable that [Germany/France] complies with the obligations of the Fiscal Compact?*

Question 5 (Tax policy): *The European Council should be able to vote on taxes with a qualified majority (e.g. binding caps or floors for corporate taxes).*

Question 6 shifts attention to a new fiscal instrument: a fiscal capacity for the euro area through a European unemployment insurance (EUI). Variants of EUI have been discussed in the literature (Andor, 2014; Dullien, 2014; Dolls et al., 2018). A common feature of all variants is that at least a part of unemployment benefits is (directly or indirectly) financed from a common European pool of resources. The purpose of a common insurance is to stabilize euro economies hit by an asymmetric shock. We refer to EUI in our question because it appears less abstract compared to other type of stabilization capacities such as stabilization funds or contingent reinsurance mechanisms (see Dolls et al., 2018 for details).

Question 6 (European unemployment insurance):

A common European unemployment insurance should be introduced to absorb recessions in individual member states of the EMU.

Finally, Question 7 addresses the role of a new joint financing instrument in the form of Eurobonds. Eurobonds with joint liability of euro members are a far reaching financial innovation compared to similar but less known instruments (such as the ‘blue/red bond’ proposal by Delpla and von Weizsäcker, 2010; or the ‘European Safe Bonds’ by Brunnermeier et al., 2016).

Question 7 (Eurobonds): *All euro countries are jointly liable for Eurobonds and all euro countries pay the same interest. The EMU should issue Eurobonds.*

Based on existing literature, we can hypothesize how nationality and ideology should influence the preferences of policy makers. For the national dimension, Brunnermeier et al. (2016: 380) summarize systematic differences in economic policy traditions between both countries: first, the German tradition of a federal system requires binding rules, whereas France has a tradition of centralized decision making in combination with higher flexibility. We expect stronger German support for the Fiscal Compact than in France and larger German skepticism towards centralized tax setting. Second, German thinking tends to stress the principle of liability, whereas the French tradition emphasizes solidarity. This should lead to stronger French support both for Eurobonds with their joint liability and for a solidary European unemployment insurance. Third, German economic policy strategies stress the

importance of incentives and structural reforms, whereas the French perspective is more critical on austerity and more supportive towards monetary and fiscal stimulus. This should be reflected in French support for an activist role of the ECB and more French enthusiasm for higher investment spending. Conversely, more flexible labor markets should be a priority of the German side.

On ideology, the predictions are straightforward assuming the usual left-right disputes on the role of solidarity and market flexibility, on the appropriate size of government, and the importance of activist macro-policies. E.g. Hix (2001) and Hix et al. (2006) show the importance of political ideology on a classical left-right scale in European policy issues by analyzing roll-call votes in the European Parliament. While we focus on European reform preferences of national MPs, we expect ideological divides to work in a similar fashion. We expect politicians from the left to favor, relative to the right, more investment spending, a more active ECB, more centralized European tax policies and more solidarity and insurance. Compared to conservative politicians, we expect left-wing parliamentarians to be more critical on labor market flexibility.

For our third dimension, the personal characteristics of MPs, we do not have any strong theoretical expectations. However, existing evidence suggests that personal characteristics of individual MPs are important drivers of legislative performance and policy preferences (e.g. for the European level, see Heinemann et al., 2009; for national MPs in France and Germany, see Gavaille (2018) and Heinemann and Janeba (2011), respectively). Similarly, relating to appointments in governments, Hallerberg and Wehner (2018) analyze when economists become policy makers across a large set of countries. Accordingly, we include personal characteristics of individual MPs such as education, age or parliamentary experience in our empirical analysis. To the extent that individual characteristics are important, they represent a less persistent barrier for political action – as they may change with elections – than national cleavages between countries, which may be rooted in long-lived traditions in economic policy and social norms (Brunnermeier et al., 2016).

Econometric analysis

Model and variables

We analyze the relevance of the three dimensions covered – nationality, ideology and personal characteristics – for preferences of national MPs on EMU issues. With the following econometric tests, we disentangle the three dimensions and assess their relative importance. For our baseline model we use an ordered probit estimation with policy preferences for national or EMU policies across the -4 (disagree, undesirable) to +4 (agree, desirable) scale as dependent variables.

Nationality is implemented through a dummy, taking the value of one when parliamentarians come from either of the two French chambers (and zero for German MPs). For political ideology, the baseline builds on the dichotomy of left-leaning versus conservative party family affiliation in the European Parliament as classified above. The Online appendix explores the effects of alternative measures for ideological differences among MPs. The dummy Left takes the value 1 if a politician comes from a party belonging to the left party spectrum. The non-anonymous survey allows us to cover individual characteristics such as gender and age, parliamentary experience (number of years as an MP), education (upper secondary education – ‘baccalauréat’/‘Abitur’ - and tertiary education - university degree), and expertise in economic and financial matters through membership in certain committees (finance or EU affairs), see the Online appendix for descriptive statistics. We do not have clear expectations regarding the effects of each of these personal characteristics. Yet we can compare their estimated effects relative to the respective effects of nationality and ideology across policies. Moreover, these factors may also be related to the decision of participation in our survey. Including individual variables serves to limit selection bias, since some of these characteristics determine individual response probability.

Results

This section illustrates the average marginal effects of our variables of interest on strong policy support, i.e. the effect of nationality, ideology and individual factors on the likelihood of eliciting +4 responses for the respective question. Further results and robustness checks are reported in the Online appendix.

The first two columns of Table 1 show the results for preferences on national growth enhancing policies and illustrates the average marginal effects for the top response category (+4). Columns 1 and 2 report the results for MP preferences on flexible labor markets and more national investments, respectively. The results confirm a strong role of party family affiliation for preferences on national growth policies in line with the predictions. *Ceteris paribus*, an MP from the left has, on average, a 29.8 percentage point lower probability to opt for flexible labor markets than a conservative MP. For the ‘higher national investments’ policy the ideological divide is slightly less pronounced with, on average, a 23.4 percentage point higher probability of support from the left. Nationality is much less important as a determinant of preferences. No response category shows statistical significance at conventional levels for nationality of MPs either for the flexible labor markets or higher national investment statements. Also, the marginal effect is much smaller than for party ideology, which is in contrast to our expectation that French policy makers would express higher support for more national investment and less support for flexible labor markets than German politicians. Individual characteristics of MPs do not seem to play a significant role for national policy preferences.

We now turn to policies at the European and Eurozone levels (Table 1, columns 3 – 7). Like for national policies, party affiliation plays a major role in explaining the heterogeneity in EMU-related policy preferences. Left MPs are more supportive of ECB interventions than conservatives. On limiting national autonomy, the effects of ideology are strongly asymmetric: relative to the political right, the left favors majority voting on tax issues at the European level and is heavily opposed to fiscal constraints; *ceteris paribus*, left-leaning politicians are, on average, 49.2 percentage points less likely to strongly support compliance with the Fiscal Compact. Far reaching stabilization (EUI) and mutual guarantees (Eurobonds) within Europe are particularly popular among the left MPs in both countries. Contrary to national policy preferences, the role of differing national views is more pronounced for EMU issues. The results indicate a statistically distinct impact of nationality in all EMU-related policy areas, which exists independent of the significant ideological cleavage. In columns 3 to 7 the sign of the estimated coefficient for the French dummy is always identical to the one for the Left dummy. Compared to German politicians, the French respondents are more supportive of asset purchases by the ECB, debt mutualization through Eurobonds, and stabilization through a EUI scheme even if they belong to the same party family as German representatives.

Conversely, French politicians are more skeptical about fiscal constraints as implemented in the Fiscal Compact. French MPs, however, are more supportive of majority voting on tax issues at the European level. Again, a few significant findings for individual characteristics rather point to spurious results and speak against a robust effect of individual features on EMU reform attitudes among national MPs.

	National growth policies		EMU institutions and reforms				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Flexible labor markets	Higher investment	ECB asset purchase	Fiscal compact	Tax policy	EUI	Eurobonds
France	0.01 (0.03)	0.08 (0.05)	0.13*** (0.03)	-0.11*** (0.04)	0.09** (0.04)	0.08*** (0.03)	0.19*** (0.03)
Left	-0.30*** (0.0)	0.23*** (0.05)	0.18*** (0.03)	-0.49*** (0.05)	0.17*** (0.04)	0.16*** (0.03)	0.26*** (0.03)
Female	-0.00 (0.03)	-0.11** (0.05)	-0.06** (0.03)	0.03 (0.05)	-0.06 (0.05)	-0.03 (0.03)	-0.08*** (0.03)
Age	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Years as MP	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary	-0.10 (0.08)	0.00 (0.12)	0.04 (0.05)	0.05 (0.10)	-0.08 (0.12)	-0.01 (0.07)	0.11** (0.05)
University degree	0.09** (0.04)	0.02 (0.10)	0.01 (0.05)	-0.02 (0.09)	0.14** (0.07)	0.00 (0.06)	-0.13* (0.07)
Economics committee	-0.00 (0.05)	-0.06 (0.08)	0.05 (0.06)	0.09 (0.08)	0.03 (0.08)	-0.06** (0.03)	0.00 (0.05)
Finance committee	0.05 (0.04)	0.15* (0.08)	-0.01 (0.03)	0.08 (0.06)	0.12* (0.07)	0.01 (0.04)	0.03 (0.04)
EU affairs committee	0.12** (0.05)	0.0 (0.08)	-0.01 (0.04)	0.08 (0.07)	0.15* (0.08)	-0.05* (0.03)	-0.07* (0.04)
N	214	213	213	202	215	214	212

* p < 0.1, ** p < 0.05, *** p < 0.01; standard errors are reported in parentheses

Table 1: National growth policies and EMU institutions and reforms, average marginal effect for (+4), baseline

Note: Marginal effects are calculated for answer class +4 (strongest support for national and EMU policies).

A first insight on the relative importance of the nationality, ideology and personal characteristics dimensions is that observable heterogeneity is driven much more by the first and second dimension and less by the third one. A second message is that national growth policy preferences largely follow a familiar ideological pattern: politicians on the left stress the potential of more spending and those on the right the need for structural reforms – without an additional specific explanatory power of nationality. For EMU-related policy preferences, the picture is different: regression results show that nationality has a genuine impact on preference formation in addition to party-family affiliation. This is our third main finding.

In the next step, we look at the relative importance of ideology and nationality for EMU policy preferences in more detail. Figure 1 provides a scatter plot of the estimated marginal effects for both the national dummy (France) and the ideological dummy (left) from Table 1 together with the 45-degree lines where the absolute size of marginal effects of ideology and nationality is identical. Our regression results suggest that ideology matters more than nationality: positions within the shaded area indicate that the impact of ideology exceeds that of the national dummy for all included national and EMU-related reform issues.

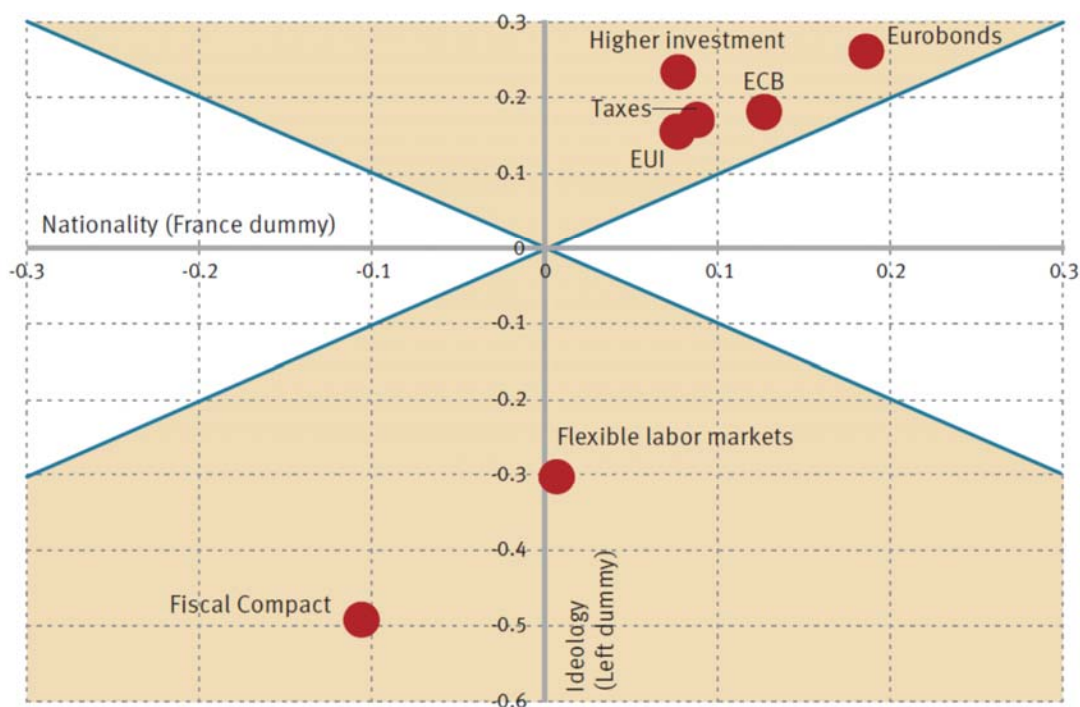


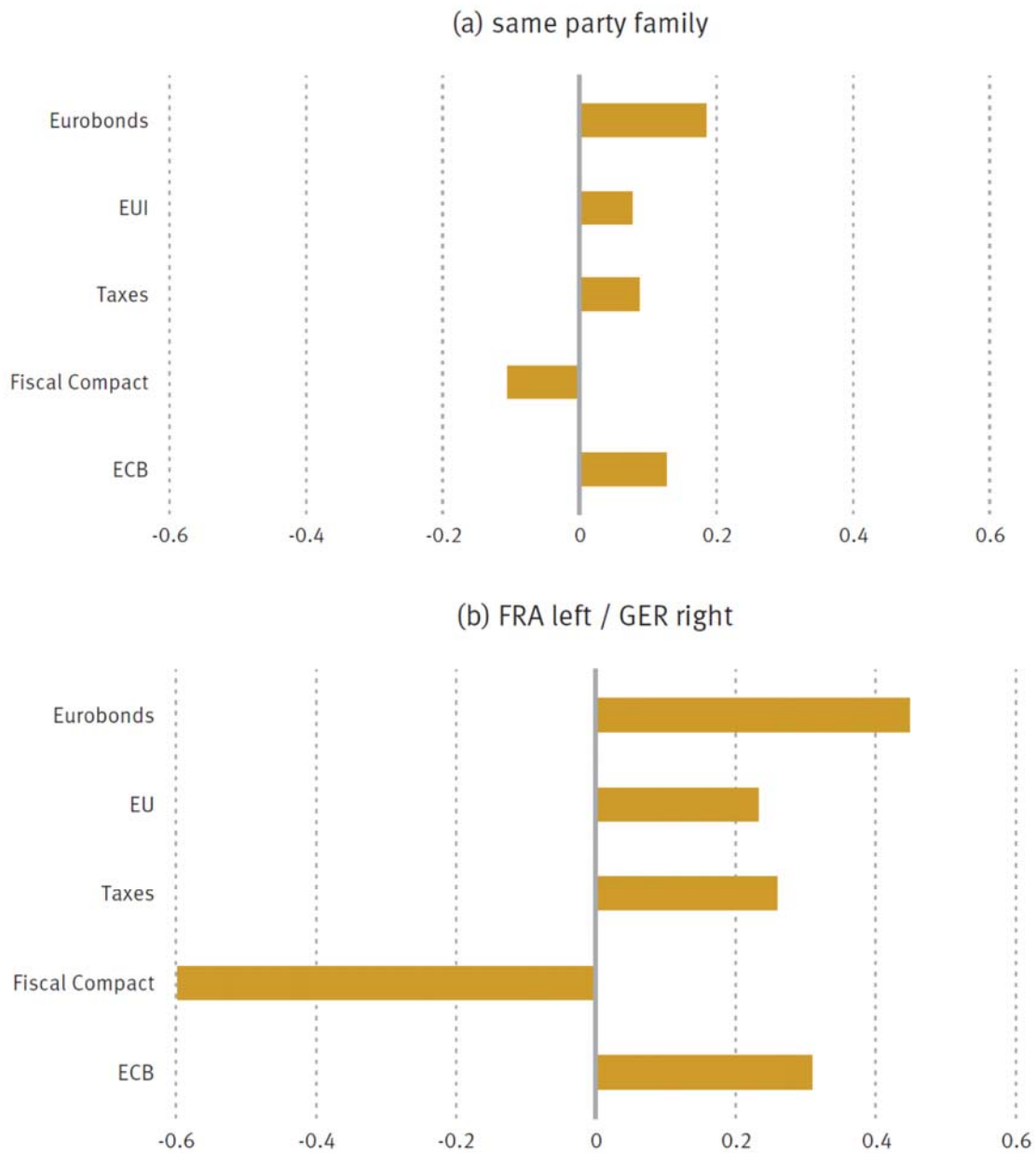
Figure 1: Scatter plot: marginal effects ideology and nationality

Notes: This figure plots the magnitude of estimated coefficients of party ideology and nationality on all survey questions taken from Table 1. The marginal effects for the France and the Left dummy are marked on the x- and the y-axis, respectively. The plot does not take statistical significance into account. The shaded area identifies the range where the marginal effect of ideology exceeds that of nationality.

Since, for EMU issues, the sign of the estimated France dummy always corresponds to that of the left party family, EMU preferences tend to be most polarized between a German conservative and a French MP from the left. Conversely, given our estimates in Table 1 a French conservative is more aligned to a German policy maker from the left, since the nationality and ideology effects counteract each other in this comparison.

The model predicts the difference between a French and German MP in the probability to choose the top answer category (+4) for the different ideological combinations.⁷ Figure 2 shows the predicted differences for EMU positions for all the three possible ideological pairs (same ideology, French right/German left and French left/German right). As described, the French-German difference is largest if a French left-winger compares to a German MP from a conservative party. Differences are much smaller for same-ideology couples and for a comparison of a French

conservative with a German left-winger. For the latter, the two marginal effects work in opposite directions. Since the ideology effect is always larger than the national effect, the signs in Figure 2 (c) are opposite to the one in Figure 2 (a).⁸



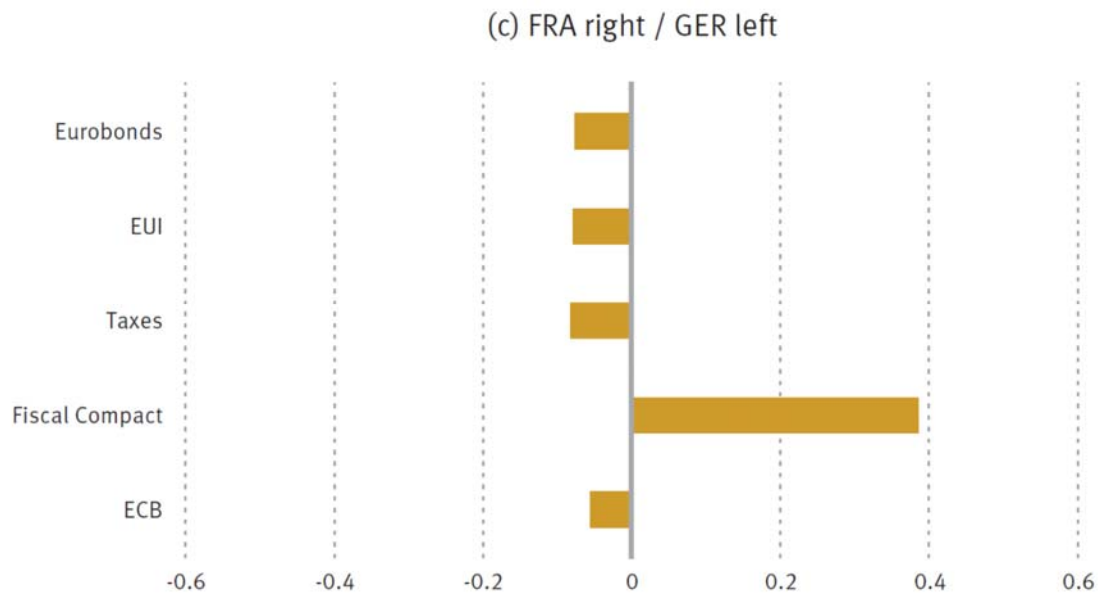


Figure 2: Predicted French-German difference in probability for different ideological combinations. Notes: Based on estimated coefficients for answer category +4

Hence, an agreement of a French and a German parliamentarian on EMU reform issues is most likely for a couple of a French conservative and a German left-winger, for whom the ideological distance is somewhat smaller than the full distance between the left and right party family (as measured by our Left dummy).

To be more precise, we calculate the parameter s that indicates the necessary ideological distance between a French conservative and a German left-winger – relative to the full distance between the right and left party family – that would lead to full agreement (see Figure D1 in Appendix D).⁹ The resulting policy issue-specific s ranges from 0.22 in case of the Fiscal Compact to 0.71 for Eurobonds. This means, for example, that for a French-German couple of parliamentarians (conditional on similar observable personal characteristics) the model predicts identical views on Eurobonds if the German’s ideology is to the left of the French parliamentarian with an ideological distance amounting to 71% of the overall distance between the left and the right European party families. Remarkably, for all issues, the s -value is below 1 and hence smaller than the full ideological distance between the left and right party family (i.e. the full effect of our Left dummy).

The robustness checks reported in the Online appendix provide robust evidence on the statistical significance of left-leaning ideology as well as national interests as relevant factors for the preferred design of the EMU. The magnitudes of effects consistently demonstrate that ideology matters more than nationality.

Concluding remarks

We find strong support for the role of party families and the relevance of nationality in the formation of EMU policy preferences of members of national parliaments in France and Germany. Individual characteristics tend to play only a minor and non-robust role. French policy makers and those from left-wing parties are significantly more in favor of Eurozone competencies such as Eurobonds, a EUI scheme, and the ECB's asset purchase program. They also support more investment at the national level. Regarding more flexible labor markets and higher investments at the national level, only the party position is significant – not the nationality of parliamentarians. In our view, the most interesting finding is that quantitatively the party-family effect appears to dominate the nationality effect across all issues covered. Inter-party family differences concerning desirable features of the Eurozone are quantitatively more important and more robust than national differences between the French and the Germans.

Our elite survey of national MPs sheds new light on the Rhine-Divide hypothesis and recent evidence that European heterogeneity in cultural beliefs and values may be an impediment to significant EMU reforms (Alesina et al., 2017; Brunnermeier et al., 2016; Guiso et al., 2016). Our comparison of French and German decision makers confirms those views according to which there is a national imprint on EMU reform preferences. The findings correspond to the narrative that Germans stress liability and rules, whereas the French support solidarity and active macro-policies. However, compared to nationality the impact of ideology is stronger across all policy and reform issues. This implies that the EMU is not doomed to an ever-lasting French-German disagreement even if the national narratives do not converge. Our empirical model predicts agreement on EMU reforms for a specific combination of political majorities in both countries, i.e. German left-wingers negotiating with French conservatives. The simulation predicts full

agreement even for an ideological distance between German leftists and French conservatives that is smaller than the current distance between the left and right European party families. Thus, our findings reject the view that deeply-rooted national differences are a prohibitive obstacle to a German-French consensus. Election results could possibly pave the way towards a consensus.

Our analysis is agnostic about the underlying causes and channels for the French-German divide. First, we are unable to decide to which extent the heterogeneity between parliamentarians of the two member states mirrors national voter preferences or rather national expert elites. De Ville and Berckvens (2015) find German experts to have an outlier position on EMU reforms with their skepticism on developing a fiscal and social union in Europe. Second, although our findings are consistent with the cultural Rhine-Divide hypothesis of Brunnermeier et al. (2016), our survey cannot prove that the alleged differences in EMU positions are a consequence of different economic policy traditions and culture. One possible alternative explanation is that national self-interest drives the results of the country dummy. This might be the case if, say, German parliamentarians saw their country as a loser and French colleagues saw their country as a winner of more solidarity and joint liability in the Euro area. In this sense, the French-German dummy could also reflect a dispute on the distribution of the adjustment burden between ‘deficit countries’ and ‘surplus countries’ (Copelovitch et al., 2016).

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Notes

¹ Fiscal and macroeconomic governance rules have been refined with a reformed Stability and Growth Pact (SGP) (Buti and Carnot, 2012; Hodson, 2013) and the new Fiscal Compact (Creel et al., 2012). The European Central Bank has effectively stepped into the role of a lender of last resort through different asset purchasing programs (Drudi et al., 2012). A banking union has been set up with the establishment of a European Banking Resolution Mechanism (Howarth and Quaglia, 2014).

² According to Maatsch (2015), the power of parliaments relative to their governments was cut back during the crisis, for example through fast-track procedures. The author shows that this occurred mainly in Southern Europe. In contrast, the influence of the Bundestag through its veto power has even increased due to rulings by the German Federal Constitutional Court (see below).

³ In Blesse et al. (2017), we have analyzed four questions from the same survey that relate exclusively to labor market issues.

⁴ In Germany excess mandates are created when the number of second vote seats exceeds the number of first vote seats. In the 2013-17 legislative period the total number of seats was 630.

⁵ The strong executive in France implies that views of French parliamentarians are perhaps less conclusive for the assessment of France-German agreement on euro area reforms. This does not invalidate our research agenda, however, as we are primarily interested in the drivers that facilitate or hinder an agreement across countries.

⁶ Recently, right-wing populist parties have enjoyed a growing vote share across several Western democracies. In our data set, there are not enough observations to analyze right-wing populist views on EMU policies. The German *Alternative für Deutschland* (AFD) was not present in the Bundestag in 2016 and the *Front National* held only a few seats in the Assemblée.

⁷ The subsequent analysis of the predicted differences in probability comparing a French to a German MP is based on the following table, where $\hat{\beta}_N$ and $\hat{\beta}_I$ are the model's estimated marginal effects for the national dummy (France) and the ideological dummy (Left):

	French Left	French Right
German Left	$\hat{\beta}_N$	$\hat{\beta}_N - \hat{\beta}_I$
German Right	$\hat{\beta}_N + \hat{\beta}_I$	$\hat{\beta}_N$

⁸ In Figure 2, the sign of the calculated coefficient for the Fiscal Compact is opposite to the one for all other policy issues. This by itself is immaterial, and is simply the result of how the survey question was phrased. In case of the Fiscal Compact, the +4 answer tends to be favored by Germans from the right, whereas for all other questions the +4 answer category is liked by French policy makers on the left. What matters is the absolute size of the bars in Figure 2.

⁹ The parameter s is derived from the following condition: $\hat{\beta}_N - s * \hat{\beta}_I = 0 \Rightarrow s = \hat{\beta}_N / \hat{\beta}_I$.

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Online Appendix

This appendix adds the following material to the main article:

- Appendix A provides country- and party-specific survey response rates, the European party group classifications of national parties in France and Germany, and summary statistics for the regression variables.
- Appendix B includes full regression results for all answer categories (“-4” to “+4”) across the seven survey questions and completes the results presented in Table 1 of the main article which only presents the results for the maximum support answer category “+4”.
- Appendix C lists a series of robustness checks to the baseline regression in the main article.
- Appendix D depicts the issue-specific “*s*” that is described in the paper and represents the required ideological distance between a French conservative and a German left-winger for which our estimated model predicts full agreement.

Appendix A: Additional tables

Table A1: Characteristics of MPs: response vs. non-response

	Response	No response	Total
Country			
France	131	791	922
Germany	101	529	630
Party membership by European Parliament fraction			
European People's Party Group (EPP)	88	562	650
Progressive Alliance of Socialists and Democrats (S&D)	110	506	616
Alliance of Liberals and Democrats for Europe (ALDE)	9	63	72
European United Left–Nordic Green Left (GUE/NGL)	12	86	98
Greens–European Free Alliance (Greens/EFA)	12	78	90
Others	1	25	26
National parliament group (GER/FRA)			
Greens (Bündnis 90/DIE GRÜNEN) ^a	9	54	63
Christian-Democrats (CDU/CSU) ^a	41	269	310
The Left (DIE LINKE) ^a	12	52	64
Social-Democrats (SPD) ^a	39	154	193
The Republicans (LR) ^b	47	292	339
Socialist Party (PS) ^b	67	330	397
Other French MPs ^b	17	169	186

Note: Country of origin indicated by a - Germany; b - France. To ensure confidentiality we show only the respective response results from single parliamentary groups if at least 3 party members answered the survey. "Others" in the panel party membership by European Parliament fraction includes individual MPs with no group affiliation and the Europe of Nations and Freedom (ENF). The group of "Other French MPs" includes MPs with no group affiliation, members of the European Democratic and Social Rally group (RDSE), the Communist Party (PCF), Radical, Republican, Democratic and Progressist, (RRDP), the Union of Democrats and Independents (UDI), the French Greens (Écologistes) as well as the Democratic and Republican Left Group.

Table A2: Allocation of national parties and parliamentary groups to European Parliament groups

Party	Country	Chamber	National fractional group	European Parliament group (EP group)
CDU/CSU	Germany	Bundestag	CDU/CSU	EPP
Grüne	Germany	Bundestag	Grüne	Greens/EFA
Die Linke	Germany	Bundestag	Die Linke	GUE/NGL
SPD	Germany	Bundestag	SPD	S&D
LR, UDI	France	Assemblée	LR	EPP
PS, MRC, DVG	France	Assemblée	PS	S&D
PRG, DVG	France	Assemblée	RRDP	S&D
UDI	France	Assemblée	UDI	ALDE
EELV	France	Assemblée	Écologiste	Greens/EFA
LR	France	Senate	LR	EPP
PS	France	Senate	PS	S&D
PRG	France	Senate	RDSE	S&D
UDI, AC, MoDem	France	Senate	UDI	ALDE
EELV, DVG	France	Senate	Écologiste	Greens/EFA

Note: The national parties refer to CDU (Christian Democratic Union of Germany), CSU (Christian Social Union in Bavaria), Grüne (Alliance 90/ the Greens), Die Linke (The Left), SPD (Social Democratic Party of Germany), LR (The Republicans), UDI (Union of Democrats and Independents), PS (Socialist Party), MRC (Citizen and Republican Movement), DVG (Miscellaneous left), PRG (Radical Party of the Left), EELV (Europe Ecology – The Greens), AC (Centrist Alliance), MoDem (Democratic Movement), EELV (Europe Ecology – The Greens). Additionally, RRDP (Radical, Republican, Democratic and Progressive) and RDSE (European Democratic and Social Rally group) national fractions of parliaments.

Table A3: Summary statistics of individual controls and alternative party definitions

	N	Mean	Standard deviation	Minimum	Maximum
France	232	0.56	0.50	0	1
Left	231	0.58	0.49	0	1
Female	232	0.27	0.45	0	1
Age	232	58.87	10.09	33	81
Years as MP	232	9.03	7.30	1	40
Upper secondary	222	0.88	0.32	0	1
University degree	220	0.82	0.38	0	1
Economics committee	232	0.08	0.27	0	1
Finance committee	232	0.15	0.35	0	1
EU affairs committee	232	0.12	0.32	0	1
Assemblée	232	0.34	0.47	0	1
Sénat	232	0.23	0.42	0	1
S&D	198	0.56	0.50	0	1
Left-right scale	219	4.92	1.83	1.23	7.67
Incumbent party	231	0.65	0.48	0	1

Appendix B: Baseline estimates with all categories

Table B1: Flexible labor markets, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	-0.01 (0.03)	-0.00 (0.01)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.01)	0.00 (0.01)	0.01 (0.03)
Left	0.28*** (0.04)	0.15*** (0.03)	0.11*** (0.02)	0.05*** (0.02)	0.01 (0.01)	-0.01 (0.01)	-0.14*** (0.03)	-0.14*** (0.03)	-0.30*** (0.04)
Female	0.00 (0.04)	0.00 (0.01)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.03)
Age	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Years as MP	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Upper secondary	0.10* (0.06)	0.03 (0.03)	0.02 (0.02)	0.00 (0.01)	-0.00 (0.00)	-0.00** (0.00)	-0.02* (0.01)	-0.02 (0.01)	-0.10 (0.08)
University degree	-0.15* (0.09)	-0.02** (0.01)	-0.00 (0.00)	0.01 (0.00)	0.00 (0.00)	0.01 (0.01)	0.04 (0.02)	0.03* (0.02)	0.09** (0.04)
Economics committee	0.00 (0.06)	0.00 (0.01)	0.00 (0.01)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.05)
Finance committee	-0.06 (0.04)	-0.02 (0.01)	-0.01 (0.01)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.01 (0.01)	0.01 (0.01)	0.05 (0.04)
EU affairs committee	-0.11*** (0.03)	-0.04** (0.02)	-0.02 (0.01)	-0.01 (0.01)	0.00 (0.00)	0.00* (0.00)	0.03*** (0.01)	0.03** (0.01)	0.12** (0.05)
N	214	214	214	214	214	214	214	214	214

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table B2: Higher investment, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.01 (0.01)	-0.02 (0.01)	-0.02 (0.01)	-0.03 (0.02)	0.01 (0.01)	0.08 (0.05)
Left	-0.02 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.03** (0.02)	-0.06*** (0.02)	-0.07*** (0.02)	-0.09*** (0.02)	0.05*** (0.02)	0.23*** (0.05)
Female	0.01 (0.01)	0.00 (0.00)	0.01 (0.01)	0.02 (0.01)	0.03* (0.02)	0.03* (0.02)	0.04** (0.02)	-0.02 (0.01)	-0.11** (0.05)
Age	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Years as MP	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.02)	-0.00 (0.03)	-0.00 (0.03)	-0.00 (0.04)	0.00 (0.02)	0.00 (0.12)
University degree	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	-0.01 (0.02)	-0.01 (0.03)	-0.01 (0.04)	0.00 (0.02)	0.02 (0.10)
Economics committee	0.01 (0.01)	0.00 (0.00)	0.00 (0.01)	0.01 (0.01)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	-0.01 (0.02)	-0.06 (0.08)
Finance committee	-0.01 (0.00)	-0.00 (0.00)	-0.01 (0.00)	-0.01* (0.01)	-0.03** (0.01)	-0.04* (0.02)	-0.06* (0.03)	0.00 (0.01)	0.15* (0.08)
EU affairs committee	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.01 (0.01)	-0.01 (0.02)	-0.01 (0.02)	-0.02 (0.03)	0.00 (0.01)	0.04 (0.08)
N	213	213	213	213	213	213	213	213	213

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table B3: ECB asset purchase, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	-0.09*** (0.02)	-0.04*** (0.01)	-0.03*** (0.01)	-0.04*** (0.01)	-0.03*** (0.01)	-0.01* (0.01)	0.05*** (0.02)	0.07*** (0.02)	0.13*** (0.03)
Left	-0.16*** (0.03)	-0.07*** (0.02)	-0.06*** (0.02)	-0.08*** (0.02)	-0.05*** (0.01)	-0.01 (0.02)	0.12*** (0.03)	0.13*** (0.03)	0.18*** (0.03)
Female	0.05** (0.03)	0.02** (0.01)	0.02** (0.01)	0.02** (0.01)	0.01** (0.01)	0.00 (0.00)	-0.03** (0.01)	-0.03** (0.02)	-0.06** (0.03)
Age	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Years as MP	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary	-0.03 (0.05)	-0.01 (0.02)	-0.01 (0.01)	-0.01 (0.02)	-0.01 (0.01)	-0.00 (0.00)	0.02 (0.03)	0.02 (0.03)	0.04 (0.05)
University degree	-0.00 (0.04)	-0.00 (0.02)	-0.00 (0.01)	-0.00 (0.02)	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.02)	0.00 (0.03)	0.01 (0.05)
Economics committee	-0.03 (0.03)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.02)	-0.01 (0.01)	-0.01 (0.01)	0.01 (0.01)	0.02 (0.02)	0.05 (0.06)
Finance committee	0.01 (0.02)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.02)	-0.01 (0.03)
EU affairs committee	0.01 (0.03)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.00)	-0.00 (0.02)	-0.01 (0.02)	-0.01 (0.04)
N	213	213	213	213	213	213	213	213	213

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table B4: Fiscal compact, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	0.04** (0.02)	0.02** (0.01)	0.02** (0.01)	0.01** (0.01)	0.01* (0.01)	0.01* (0.01)	0.00 (0.00)	-0.01** (0.01)	-0.11*** (0.04)
Left	0.10*** (0.03)	0.08*** (0.02)	0.09*** (0.02)	0.07*** (0.02)	0.06*** (0.02)	0.10*** (0.02)	0.08*** (0.03)	-0.08*** (0.02)	-0.49*** (0.05)
Female	-0.01 (0.02)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.00)	0.00 (0.01)	0.03 (0.05)
Age	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Years as MP	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary	-0.02 (0.05)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.01)	-0.00 (0.01)	-0.01 (0.01)	0.00 (0.01)	0.01 (0.02)	0.05 (0.10)
University degree	0.01 (0.03)	0.00 (0.02)	0.00 (0.02)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.00)	-0.00 (0.01)	-0.02 (0.09)
Economics committee	-0.03 (0.02)	-0.02 (0.01)	-0.02 (0.02)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.01 (0.01)	0.09 (0.08)
Finance committee	-0.03 (0.02)	-0.02 (0.01)	-0.02 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.01 (0.01)	0.08 (0.06)
EU affairs committee	-0.02 (0.02)	-0.02 (0.01)	-0.02 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.01 (0.01)	0.08 (0.07)
N	202	202	202	202	202	202	202	202	202

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table B5: Tax policy, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	-0.07** (0.03)	-0.02* (0.01)	-0.01* (0.01)	-0.00 (0.00)	-0.00* (0.00)	-0.01 (0.00)	0.01 (0.01)	0.02* (0.01)	0.09** (0.04)
Left	-0.14*** (0.04)	-0.04*** (0.01)	-0.03*** (0.01)	-0.01** (0.00)	-0.01** (0.00)	-0.01** (0.01)	0.02* (0.01)	0.04*** (0.01)	0.17*** (0.04)
Female	0.05 (0.04)	0.01 (0.01)	0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.01 (0.01)	-0.01 (0.01)	-0.06 (0.05)
Age	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Years as MP	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary	0.05 (0.07)	0.01 (0.02)	0.01 (0.02)	0.00 (0.01)	0.00 (0.01)	0.01 (0.01)	-0.00 (0.01)	-0.01 (0.01)	-0.08 (0.12)
University degree	-0.15 (0.10)	-0.03* (0.02)	-0.02** (0.01)	-0.01* (0.00)	-0.01** (0.00)	-0.00 (0.01)	0.03 (0.03)	0.04 (0.03)	0.14** (0.07)
Economics committee	-0.02 (0.06)	-0.00 (0.02)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.00)	0.01 (0.02)	0.03 (0.08)
Finance committee	-0.07** (0.03)	-0.02* (0.01)	-0.02* (0.01)	-0.01 (0.00)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.02** (0.01)	0.12* (0.07)
EU affairs Committee	-0.08** (0.04)	-0.03* (0.01)	-0.02* (0.01)	-0.01 (0.00)	-0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	0.02** (0.01)	0.15* (0.08)
N	215	215	215	215	215	215	215	215	215

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table B6: European unemployment insurance, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	-0.11*** (0.04)	-0.02** (0.01)	-0.02** (0.01)	-0.00* (0.00)	-0.00 (0.00)	0.01* (0.00)	0.04*** (0.02)	0.03** (0.01)	0.08*** (0.03)
Left	-0.30*** (0.05)	-0.06*** (0.02)	-0.05*** (0.01)	-0.01 (0.01)	0.01 (0.01)	0.04*** (0.01)	0.14*** (0.03)	0.08*** (0.02)	0.16*** (0.03)
Female	0.04 (0.04)	0.01 (0.01)	0.01 (0.01)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.01 (0.02)	-0.01 (0.01)	-0.03 (0.03)
Age	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Years as MP	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary	0.02 (0.09)	0.00 (0.02)	0.00 (0.02)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.01 (0.03)	-0.00 (0.03)	-0.01 (0.07)
University degree	-0.00 (0.08)	-0.00 (0.02)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.01)	0.00 (0.03)	0.00 (0.02)	0.00 (0.06)
Economics committee	0.13 (0.08)	0.02* (0.01)	0.01** (0.01)	0.00 (0.00)	-0.00 (0.01)	-0.01 (0.01)	-0.05 (0.03)	-0.03* (0.02)	-0.06** (0.03)
Finance committee	-0.02 (0.05)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.01 (0.02)	0.01 (0.01)	0.01 (0.04)
EU affairs committee	0.10 (0.07)	0.02* (0.01)	0.01** (0.01)	0.00 (0.00)	-0.00 (0.00)	-0.01 (0.01)	-0.04 (0.03)	-0.03 (0.02)	-0.05* (0.03)
N	214	214	214	214	214	214	214	214	214

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table B7: Eurobonds, ordered probit, all response categories

	(-4)	(-3)	(-2)	(-1)	(0)	(1)	(2)	(3)	(4)
France	-0.18*** (0.03)	-0.02** (0.01)	-0.02*** (0.01)	-0.02*** (0.01)	-0.02*** (0.01)	-0.01** (0.00)	0.03** (0.01)	0.07*** (0.02)	0.19*** (0.03)
Left	-0.33*** (0.04)	0.06*** (0.02)	-0.06*** (0.02)	-0.05*** (0.02)	-0.05*** (0.02)	0.00 (0.01)	0.11*** (0.03)	0.16*** (0.03)	0.26*** (0.03)
Female	0.09** (0.04)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.00 (0.00)	-0.01* (0.01)	-0.03** (0.01)	-0.08*** (0.03)
Age	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Years as MP	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Upper secondary University degree	-0.15* (0.09) 0.09** (0.04)	-0.02* (0.01) 0.01* (0.01)	-0.01** (0.01) 0.01* (0.01)	-0.01** (0.00) 0.01 (0.01)	-0.01*** (0.00) 0.02 (0.01)	0.00 (0.01) 0.01 (0.01)	0.03 (0.03) -0.01 (0.00)	0.05* (0.03) -0.03** (0.01)	0.11** (0.05) -0.13* (0.07)
Economics committee	-0.00 (0.05)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.00)	0.00 (0.01)	0.00 (0.02)	0.00 (0.05)
Finance committee	-0.03 (0.03)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.00)	-0.00 (0.01)	-0.00 (0.00)	0.00 (0.00)	0.01 (0.01)	0.03 (0.04)
EU affairs committee	0.08 (0.05)	0.01 (0.01)	0.01 (0.01)	0.01 (0.00)	0.01** (0.00)	0.00 (0.00)	-0.01 (0.01)	-0.03 (0.02)	-0.07* (0.04)
N	212	212	212	212	212	212	212	212	212

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Appendix C: Robustness and Extensions

In the following, we apply several sensitivity tests to investigate the validity of our findings on the strong and independent effects of party ideology as well as cross-border differences in policy preferences. In particular, we consider the following robustness checks.

- First, we check whether the effects of French nationality are driven by either of the two chambers in France.
- Second, we take a different view on our ideology variable by restricting our sample on left (S&D) versus conservatives (EPP) in the European Parliament. Hence, we lose observations by cutting other parties from our sample but we yield an intuitive comparison for the left-right comparison of party ideology across country borders.
- Third, we implement a continuous measure of general party ideology from the left-right scale based on national party membership of MPs. We use the well-known Chapel Hill Expert Surveys (Polk et al., 2017) for both German and French parties. The left-right scale from this source is based on an interval ranging from 0 (extreme left) and 5 (center party) to 10 (extreme right) of the one-dimensional political spectrum.
- Fourth, we investigate whether members of incumbent parties have different policy preferences than the respective opposition parties, perhaps because the incumbent government passed legislation related to our policy issues (such as the introduction of the Fiscal Compact).¹ We define the incumbent dummy variable as 1 if a politician's party was part of the government coalition in her country in April 2016 (in Germany: Christian Democrats CDU/CSU and Social Democrats; France: Parti Socialiste, Parti radical de gauche and écologistes) and as zero otherwise.

In the following tables, we abstain from reporting the results for individual characteristics, but still control for them to reduce selection into non-response and omitted variable bias.

Panel (a) in both Tables C1 and C2 provide the baseline estimates in the paper. Tables C1 and C2 show that our results are not driven by a single chamber in France (Panel b). Hence, there is no Assemblée Nationale or Sénat position, but rather a French view on national and EMU policies. A more precise but less comprehensive definition of the European Parliament groups to which MPs' national parties are affiliated does not yield very different results either for the ideological

variable – neither in magnitude nor in terms of significance (Panel c). The country variable effects remain constant except for two policy fields. While we do not find significant effects of nationality in the area of tax policy decision making anymore, we do find significant positive effects of MP national origin on national investments now.

When we use a continuous measure of the ideological position, we see qualitatively very similar effects (Panel d). Note that the left-right scale proxies left positions with more negative and conservative positions with more positive values. Hence, we would expect the signs of the ideology variable to take opposite signs compared to the baseline. This is exactly what we find. However, the finer classification of parties on the left-right spectrum changes the estimated effects of the country dummy. The importance of the country dummy tends to increase under the new measure. Nationality of the MP reaches statistical significance at the 5% level in both questions relating to national growth policies. The national contrast becomes even stronger for the five questions relating to EMU. Here the absolute size of all average marginal effects for the estimated country dummy increases. Nationality is statistically significant at the 1% level for all EMU policies and reform preference questions. Finally, MPs of incumbent parties tend to speak against flexible labor markets (Panel e), but significantly support active monetary and fiscal policies at the Eurozone level (ECB asset purchase programs, EUI and Eurobonds).

Table C1: National growth policies, average marginal effects for (+4), ordered probit model, alternative definitions of origin and ideology

	Flexible labor markets	Higher investment
Panel (a): Baseline results		
France	0.01 (0.03)	0.08 (0.05)
Left	-0.30*** (0.0)	0.23*** (0.05)
N	214	213
Panel (b): Chamber split France		
Assemblée	-0.01 (0.03)	0.08 (0.06)
Sénat	0.05 (0.04)	0.07 (0.07)
Left	-0.29*** (0.04)	0.23*** (0.05)
N	214	213
Panel (c): Alternative definition of EP groups		
France	0.00 (0.03)	0.11** (0.05)
S&D	-0.29*** (0.05)	0.24*** (0.05)
N	182	181
Panel (d): Continuous definition of left-right scale		
France	-0.06** (0.03)	0.12** (0.05)
Left-right scale	0.08*** (0.01)	-0.06*** (0.01)
N	203	202
Panel (e): Member of incumbent party		
France	-0.00 (0.03)	0.08 (0.05)
Incumbent party	-0.10** (0.04)	0.02 (0.05)
N	214	213

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$; standard errors are reported in parentheses

Note: Marginal effects are calculated for answer class +4 (strongest support for national policies). Regressions include the full set of individual variables as controls (not reported). Assemblée Nationale and Sénat are measured as dummy variables for an individual MP being member of the Assemblée or respectively the Sénat. The variable "S&D" is a dummy that is 1 when an individual MP is member of the S&D group and 0 when the MP is member of the EPP group. "Left-right scale" refers to a continuous measurement of ideology based on party membership of MPs drawn from Chapel Hill Expert Surveys (Polk et al., 2017). The left-right scale is based on an interval ranging from 0 (extreme left) to 5 (center party) to 10 (extreme right). The dummy incumbent is 1 if a politician's party was part of the government coalition in her country in April 2016 (in Germany: Christian Democrats CDU/CSU and Social Democrats; France: Parti Socialiste, Parti radical de gauche and écologistes).

Table C2: EMU institutions and polices, average marginal effects for (+4), ordered probit model, alternative definitions of origin and ideology

	ECB asset purchase	Fiscal Compact	Tax policy	EUI	Eurobonds
Panel (a): Baseline results					
France	0.13*** (0.03)	-0.11*** (0.04)	0.09** (0.04)	0.08*** (0.03)	0.19*** (0.03)
Left	0.18*** (0.03)	-0.49*** (0.05)	0.17*** (0.04)	0.16*** (0.03)	0.26*** (0.03)
N	213	202	215	214	212
Panel (b): Chamber split France					
Assemblée	0.17*** (0.04)	-0.11** (0.04)	0.06 (0.05)	0.07** (0.03)	0.17*** (0.04)
Senat	0.12** (0.05)	-0.10* (0.05)	0.16** (0.07)	0.14*** (0.05)	0.29*** (0.05)
Left	0.18*** (0.03)	-0.49*** (0.05)	0.18*** (0.04)	0.16*** (0.03)	0.27*** (0.03)
N	213	202	215	214	212
Panel (c): Alternative definition of EP groups					
France	0.13*** (0.03)	-0.18*** (0.05)	0.06 (0.04)	0.06** (0.03)	0.17*** (0.03)
S&D	0.17*** (0.03)	-0.44*** (0.06)	0.19*** (0.04)	0.15*** (0.03)	0.26*** (0.04)
N	181	172	183	182	180
Panel (d): Continuous definition of left-right scale					
France	0.18*** (0.03)	-0.20*** (0.04)	0.12*** (0.05)	0.12*** (0.03)	0.24*** (0.03)
Left-right scale	-0.05*** (0.01)	0.12*** (0.01)	-0.05*** (0.01)	-0.05*** (0.01)	-0.08*** (0.01)
N	202	191	204	203	201
Panel (e): Member of incumbent party					
France	0.13*** (0.03)	-0.10* (0.06)	0.08* (0.05)	0.08*** (0.03)	0.17*** (0.04)
Incumbent party	0.08*** (0.03)	-0.01 (0.06)	-0.03 (0.05)	0.05* (0.03)	0.06* (0.03)
N	213	202	215	214	212

* p < 0.1, ** p < 0.05, *** p < 0.01; standard errors are reported in parentheses

Note: Marginal effects are calculated for answer class +4 (strongest support for EMU policies). Note that we include the full set of individual background variables as controls (not reported). Assemblée Nationale and Sénat are measured as dummy variables for an individual MP being member of the Assemblée Nationale or respectively the Sénat. The variable "S&D" is a dummy that is 1 when an individual MP is member of the S&D group and 0 when the MP is member of the EPP group. Left-right scale refers to a continuous measurement of ideology based on party membership of MPs drawn from Chapel Hill Expert Surveys (Polk et al., 2017). The left-right scale is based on an interval ranging from 0 (extreme left) to 5 (center party) to 10 (extreme right). The dummy incumbent is 1 if a politician's party was part of the government coalition in her country in April 2016 (in Germany: Christian Democrats CDU/CSU and Social Democrats; France: Parti Socialiste, Parti radical de gauche and écologistes).

We now turn to results for different estimation procedures. First, we replace the ordered probit specification by an ordered logit estimation (Tables C3 and C4). All results remain qualitatively unchanged compared to the ordered probit specification. Second, we also apply a binary probit after collapsing answers from the supportive categories (+1) to (+4) into the outcome 1, while all other answers (rejecting and neutral positions) are coded as 0. Results are shown in Tables C5 and C6. The strong impact of the ideological dimension remains robust for the national and EMU policy preferences of national MPs. The country dummy is significant only in some cases, namely for ECB purchases, EUI and Eurobonds. The sign and magnitude of the estimated marginal effects remain qualitatively the same.

Table C3: National growth policies, average marginal effects for (+4), ordered logit model

	Flexible labor markets	Higher investment
France	0.00 (0.03)	0.09* (0.05)
Left	-0.29*** (0.05)	0.23*** (0.05)
N	214	213

* p < 0.1, ** p < 0.05, *** p < 0.01; standard errors are reported in parentheses

Note: Marginal effects are calculated for answer class +4 (strongest support for national policies). Note that we include the full set of individual background variables as controls (not reported).

Table C4: EMU institutions and policies, average marginal effects for (+4), ordered logit model

	ECB asset purchase	Fiscal compact	Tax policy	EUI	Eurobonds
France	0.13*** (0.03)	-0.10** (0.04)	0.08** (0.04)	0.07*** (0.02)	0.18*** (0.03)
Left	0.18*** (0.03)	-0.49*** (0.05)	0.17*** (0.04)	0.14*** (0.03)	0.25*** (0.03)
N	213	202	215	214	212

* p < 0.1, ** p < 0.05, *** p < 0.01; standard errors are reported in parenthesis

Note: Marginal effects are calculated for answer class +4 (strongest support for EMU policies). Note that we include the full set of individual background variables as controls (not reported).

Table C5: Support for national growth policy priorities, binary probit model

	Flexible labor markets	Higher investment
France	0.01 (0.05)	0.04 (0.04)
Left	-0.66*** (0.05)	0.15*** (0.05)
N	214	213

* p < 0.1, ** p < 0.05, *** p < 0.01; standard errors are reported in parentheses

Note: Marginal effects are calculated for answer class +1 to +4 (support for national policies). Full set of individual variables as controls are included in the regression but not reported.

Table C6: Support for EMU institutions and policies, binary probit models

	ECB asset purchase	Fiscal compact	Tax policy	EUI	Eurobonds
France	0.30*** (0.06)	-0.06 (0.06)	0.05 (0.07)	0.12* (0.07)	0.30*** (0.06)
Left	0.40*** (0.06)	-0.44*** (0.05)	0.22*** (0.07)	0.41*** (0.06)	0.55*** (0.05)
N	213	202	215	214	212

* p < 0.1, ** p < 0.05, *** p < 0.01; standard errors are reported in parentheses

Note: Marginal effects are calculated for answer class +1 to +4 (support for EMU policies). Full set of individual variables as controls are included in the regression but not reported.

We also find qualitatively similar results as compared to our baseline estimates, if we do not control for individual background characteristics (see Table C7 and Table C8).

Table C7: National growth policy priorities, average marginal effect for (+4) for ordered probit without individual characteristics controls

	Flexible labor markets	Higher investment
France	0.02 (0.02)	0.13*** (0.05)
Left	-0.31*** (0.04)	0.21*** (0.0)
N	226	225

* p < 0.1, ** p < 0.01, *** p < 0.01

Note: Marginal effects are calculated for answer class +4 (strongest support for national policies).

Table C8: EMU institutions and policies priorities, average marginal effect for (+4) for ordered probit without individual characteristics controls

	ECB asset purchase	Fiscal Compact	Tax policy	EUI	Eurobonds
France	0.14*** (0.03)	-0.10*** (0.04)	0.13*** (0.04)	0.09*** (0.02)	0.19*** (0.03)
Left	0.18*** (0.03)	-0.48*** (0.05)	0.17*** (0.04)	0.15*** (0.03)	0.26*** (0.03)
N	225	214	227	226	224

* p < 0.1, ** p < 0.05, *** p < 0.01

Note: Marginal effects are calculated for answer class +4 (strongest support for EMU policies).

Appendix D: Additional figure

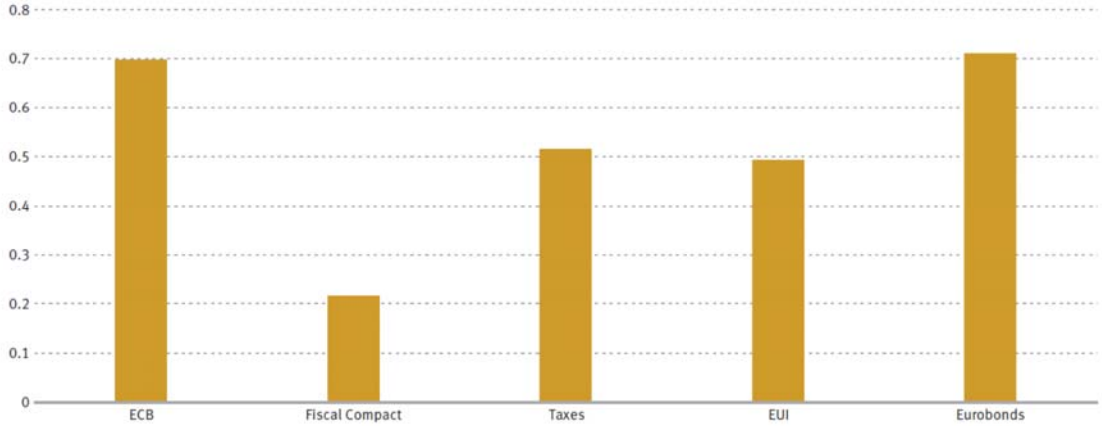


Figure D1: Issue-specific s – required ideological distance between French conservative and German left-winger leading to prediction of full agreement

Notes: s is calculated as $\hat{\beta}_N / \hat{\beta}_I$ and indicates the necessary ideological distance between a French conservative and a German left-winger – relative to the full distance between the right and left party family – that would lead to full agreement.