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What Kind of EU Fiscal Capacity? Evidence from a Randomized Survey Experiment in Five European Countries in Times of Corona

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What Kind of EU Fiscal Capacity?

Evidence from a Randomized Survey Experiment in Five European Countries in Times of Corona

Abstract

Based on a conjoint survey experiment we explore the support among European citizens for a European Union (EU) budgetary assistance instrument to combat adverse temporary or permanent economic shocks hitting Member States. Suitably designed, there is quite substantial support for such an EU instrument generally and across the sample countries. Support is broader when budgetary support is conditional on debt reduction in normal times and spent in specific policy areas, in particular healthcare and education. Support also increases when there is a role for the European Commission in terms of monitoring and providing guidance. However, there is little support for policy packages that terminate a program and impose a fine in the case of non-compliance. Further, there is broad acceptance of long-run redistribution towards poorer countries. Financing the assistance through a progressive tax increase is more popular than through a flat tax increase. In general, there is substantial scope for constructing assistance packages that command a majority support in all sample countries. The survey was fielded in the midst of the COVID-19 crisis, in which the prospect of a severe economic shock became realistic. However, the results of our survey are based on respondent views in a (partially) pre-political environment: respondents had the opportunity to reason and form their own opinion about the assistance package before concrete policy proposals were debated by political parties that seek the edges of polarization.

JEL-Codes: E630, H230, H500, H600.

Keywords: EU fiscal capacity, conjoint experiment, EU support instruments, temporary or permanent shocks, stabilization, conditionally, taxation, redistribution.

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1. Introduction

During the first decades of its existence Europe's Economic and Monetary Union (EMU) has suffered from large and uneven swings in the economic performance of its Member States. Some of the divergences have been caused by asymmetric shocks, but most of the dynamics can be attributed to severe common shocks that have propagated differently through the EMU. This has in particular been the case for the global financial crisis, the Eurozone debt crisis and, most recently, the Covid-19 crisis. The capacity to stabilize the common element of the dynamics is limited by the constraints on the ECB's policy instruments, while some EMU Member States have effectively become unable to use fiscal policy to stabilize their economies.

It has long been argued that a viable EMU needs meaningful budgetary instruments to deal with the adverse shocks and, in particular, when they cause divergences.¹ As a result, EU level policymakers have presented proposals for further fiscal integration. The "Four Presidents' Report" (Van Rompuy *et al.*, 2012) envisaged the gradual creation of a central fiscal capacity to promote structural reforms and mitigate asymmetric shocks. The ensuing "Five Presidents' Report" by Juncker *et al.* (2015) described the path to completion of the EMU with a fiscal union as a major building block. The report emphasized that a Euro-area stabilization function should avoid permanent transfers, which requires preceding structural economic convergence, and be compatible with an incentive to conduct a sound fiscal policy. Such a capacity would aim at promoting resilience to temporary economic shocks. The European Commission's (2017) "reflection paper" described different concrete options for a euro-area macroeconomic stabilization function. These broad and long-horizon proposals have been followed by small-scale concrete initiatives. In 2018 the Commission proposed a European Investment Stabilisation Function (EISF) to be embedded in the 2021-2027 Multiannual Financial Framework (MFF). The EISF would provide for 30 billion of low-interest loans to Member States. However, the EISF proposal died because of lack of political support. Parallel the Commission worked on a so-called Budgetary Instrument for Convergence and Competitiveness (BICC), also to become part of the new MFF. The BICC would provide resources for structural reform. When stating her priorities, the new Commission President mentioned a European reinsurance of national unemployment benefit schemes (Von der Leyen, 2019). The Covid-19 crisis has led to several new Commission proposals. The European

¹ Early proposals include the "MacDougall Report" (Marjolin *et al.*, 1975), Padoa-Schioppa *et al.* (1987) and Italianer and Van Heukelen (1993). The latter propose a capacity outside the general EU budget for grants to countries suffering from shocks that raise their unemployment rate. For a recent plea in favour of a central fiscal capacity, see Buti and Carnot (2018).

instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) is a 100-billion euro facility backed by guarantees by Eurozone member states to provide cheap loans to countries to maintain employment during the Covid crisis. Most recently, the Commission presented a 750 billion euro “Next Generation EU” to support the economic recovery from the Covid crisis. Its main component is a temporary Recovery and Resilience Facility (RRF), which provides grants and loans for investments and reforms and will replace the BICC (European Commission, 2020).²

The support of national political decision makers for expansion of EU budgetary assistance instruments appears to be limited. However, while politicians frequently express their position, claiming to have the support of their voters, how their populations really think about the introduction of new EU budgetary instruments is less clear, especially since such instruments can come in different forms and with potential conditions attached to them. In this paper we therefore address the question what kind of EU budgetary assistance arrangement, if any, citizens from different European countries prefer. Existing public opinion data are mostly based on surveys that present policy elements in isolation, or with a very parsimonious amount of detail, in order to “protect” survey respondents from complexity. However, the responses to questions on policies presented without any detail will not reveal much about the actual policy preferences, simply because respondents have no chance to express their position on realistic and completely formulated assistance packages. Nonetheless, knowledge of popular support is crucial, as politicians are accountable to their population and need the popular support for the long-run viability of such proposals. Pushing ahead with policy designs that are disliked by large parts of the population will likely cause a backlash in the longer run undermining further European integration.

While recent studies have explored popular preferences on a range of EU-level policies,³ to the best of our knowledge, there is no analysis yet on detailed preferences towards alternative designs of an EU central fiscal capacity. Consequently, this paper contributes to addressing this gap by using the results of a so-called “conjoint experiment” fielded in March 2020 to 10,000 representative respondents from five EU countries,⁴ in order to shed light on their support for EU budgetary assistance packages for countries in economic distress. We provide respondents with two possible frames, building upon a distinction between temporary and permanent shocks which is conceptually important in the context of the optimum currency area theory (De Grauwe, 2018). In one the distress is temporary, which would typically be the result of a dip in the business cycle. The other describes a permanent negative shock,

² Just before the moment of this writing, the EU leaders agreed on the contents of the package, which has now entered the ratification phase and needs the approval of the European Parliament.

³ For instance, Bechtel *et al.* (2014) on bailouts, Vandenbroucke *et al.* (2018) and Burgoon *et al.* (2020) on European unemployment reinsurance schemes, and De Ruijter *et al.* (2020) on the joint procurement of medicines.

⁴ France, Germany, Italy, Netherlands and Spain.

which would, for example, result from a permanent decline in an important economic sector. We choose these frames not only because of the empirical relevance of their distinction, but also because they may call for different policy responses, which may count on different degrees of popular support. In particular, the response to a permanent negative shock might be perceived as generating long-term redistribution. We provide respondents with randomly-selected proposals for assistance *packages* that differ with regard to whether there need to be conditions on the support, how the resources are to be spent, how domestic taxation will be impacted, whether long-run redistribution among countries is tolerated or even an objective, what role the European Commission should have, and whether and how countries should be punished in the case of non-compliance with the program's conditions. These dimensions characterizing the assistance packages are motivated by the main elements featuring in actual proposals made so far by officials and other experts as well as in the discourse in these circles. Respondents have to choose between pairs of packages and they have to indicate the extent to which they support each package. In total, 60,000 packages are rated. The most important advantage of our conjoint setup is that it allows for causal inference of "treatment" effects, resulting from varying policy packages along one or more dimensions, on preferences.

We find that there is generally quite widespread support for EU budgetary assistance programs in the face of both temporary and permanent shocks. Second, there is a remarkable congruence when it comes to the allocation of resources that are made available. As regards the spending of the resources, interestingly, but not entirely surprisingly given that our survey experiment was fielded in March 2020, there is a strong support for health care spending, followed by spending on education. There is little support for spending on the banking system and deposit holders. Preferences are essentially the same in both the temporary and permanent shocks scenarios. The concern with stabilization in response to a temporary shock seems limited; also in this case, the concern with the allocation role of spending appears to be stronger. Third, there is support for an active role of the European Commission in terms of monitoring the implementation of the programs and providing guidance. Fourth, some long-run redistribution among countries resulting from the assistance program, and in particular to poor countries, is acceptable or even preferred. Fifth, financing the program through progressive taxes is preferred to financing it with a flat tax increase for everyone. Sixth, in the case of non-compliance with the conditions of the program, the preference is to examine the reasons for non-compliance, but not to terminate it and impose a fine.

There are also differences in the attitudes among the countries. Support for an assistance program is on average highest for Spanish respondents and, depending on the measure of support used, lowest for French or Dutch respondents. The differences in average support among the countries are

quite limited, though. In terms of the individual dimensions the Dutch stand out somewhat. They are the only population against any cross-border long-run redistribution and they are the only ones supporting termination and imposing a fine in response to non-compliance. The Italian respondents are the only ones not strictly favoring budgetary conditions for financial assistance. These differences between the Italian and Dutch respondents in the survey mirror similar differences in the positions by their respective governments in EU-level discussions on how to respond to the Covid crisis. The preferences of the other countries' respondents appear to reflect the more "middle-ground" positions of their governments.

Still, there is overall rather substantial congruence among the preferences of the different populations. This opens the possibility of finding assistance packages that get majority support from all individual countries. A package that commands such unanimous cross-country support is characterized by a combination of budgetary conditions, mandatory healthcare spending, monitoring and guidance by the Commission, redistribution to poor countries, progressive taxation and no termination and fines following non-compliance. Finding unanimous support becomes more difficult when shifting to flat tax financing or requiring spending in other areas. Still even with these variations unanimous support may be found if we relax our conservative measure of support somewhat.

How confident can we be that our results reflect the "true" preferences of the respondents? It is important to realize our survey is based on respondent views in a (partially) pre-political environment, i.e. before any concrete policy proposals are debated by political parties that seek the edges of polarization. Hence, our survey gives respondents the opportunity to reason and form their own opinion about the assistance package, thereby providing the best possible guarantee of expressing their true views.

The remainder of this paper is structured as follows. Section 2 reviews the related literature. Section 3 describes the conjoint experiment in detail, while Section 4 reports and interprets both the aggregate and country-level results. In Section 5 we explore the support for selected policy packages. Finally, Section 6 concludes the main body of the paper.

2. Literature on the policy debate about EU fiscal instruments

The debate on the EU-level policies distinguishes between instruments aimed at reducing structural economic differences among countries, which manifest themselves in systematic differences in welfare and competitiveness, and instruments aimed at addressing the consequences of unforeseen shocks hitting EU economies. The need for the different types of instruments obviously depends on the

empirical nature of the shocks. How large and frequent are the shocks? Do they affect countries symmetrically or asymmetrically? Are they temporary or permanent?

The original Optimum Currency Area theory emphasized the need for adjustment mechanisms in response to asymmetric shocks. Mundell (1961) studies the role of labor mobility, while Kenen (1969) explores the need for fiscal coordination. Contributions made during the run-up to EMU hypothesized the potential endogeneity of the degree of business cycle synchronization. One view argued that enhanced trade and investment flows in the EMU lead to geographical concentration of sectoral activity and, hence, to more specialization, implying that sector-specific shocks increasingly become country-specific shocks.⁵ The essentially opposite view hinges on the idea that intensifying intra-industry trade flows will cause country-specific business cycles to become more aligned (Frankel and Rose, 1998).

De Grauwe and Mongelli (2005) arrive at moderately optimistic conclusions when exploring to what extent the process of monetary unification itself contributes to the fulfilment of the optimum currency area criteria.⁶ However, ensuing developments make clear that much of the divergence dynamics among the Eurozone member states is due to large common shocks that propagate differently or with a different intensity through the various parts of the area.⁷ This is in particular the case for the developments that were ignited by the global financial crisis, the Eurozone sovereign debt crisis and the current Covid crisis. The role of the ECB in combatting union-wide overcapacity has become impeded by the zero lower bound constraint, while its possibilities to address asymmetric developments are limited in any case. This task naturally lies with fiscal policy, which is constrained by the high levels of public debt in some countries severely hit by the Covid crisis.

A crucial element when designing facilities at the European level is how their deployment differs between temporary and permanent shocks. This is important for at least two reasons. First, the two types of shocks may call for different types of support policies. For example, De Grauwe and Ji (2016) favour a shift in emphasis from structural reforms to risk-sharing arrangements to stabilize business cycles. Second, support in response to a permanent negative shock might be perceived as

⁵ Krugman and Venables (1995), although not specifically referring to EMU, describe the mechanisms.

⁶ They consider among other things the endogeneity of financial integration, symmetry of shocks and flexibility of labor and product markets.

⁷ De Grauwe and Ji (2017) demonstrate a high degree of business cycle synchronization among euro-area economies over the period 1999-2014. That is, correlations of the business cycle component of GDP growth are generally high. However, the amplitudes of the business cycles differ substantially across countries, which would still confront the ECB with the problem that it can only imperfectly stabilize national economies. The countries hit hardest by a common negative shock would legitimately need support from other countries. Differences in business cycle amplitudes and their consequences are also highlighted in Belke *et al.* (2016).

creating long-term redistribution. Indeed, much of the resistance to setting up fiscal facilities at the European level appears to be driven by the fear that these lead to permanent transfers among countries, hence structural redistribution, instead of mere risk sharing. The need to avoid permanent transfers is spelled out in, for example, Juncker *et al.* (2015). In view of the potential concern with structural redistribution, one of the dimensions of our conjoint experiment addresses preferences concerning long-run redistribution.

A major concern with EU transfer programs is the danger of moral hazard (potentially leading to the much-feared structural redistribution): aware of the fact that they will receive support in the case of an economic decline, a country's policymakers may choose to cut back on politically-costly economic reform or act in a fiscally less disciplined way than they would otherwise do.⁸ Concern with moral hazard is a reason why the debate on further EU budgetary integration has come to a stalemate. Some countries want to see risk-reduction first, before facilities for risk-sharing desired by other countries can be set up (Beetsma and Larch, 2018). Bénassy-Quéré *et al.* (2018) recognize the legitimacy of the concerns of both country groups and make a number of proposals for politically-acceptable progress with the completion of the Eurozone architecture.⁹ Concern with moral hazard is also a reason why, for example, support from the ESM comes with conditions embedded in a macroeconomic program intended to address deficiencies, such as weak tax collection, a bloated public sector, inefficient product and labor markets, and the like. Fear of moral hazard, and the need for "conditionality", also dominates much of the discussion about EU support for recovery from the Covid crisis.¹⁰ Hence, in our experiment we will investigate the role of budgetary conditions on support for EU assistance programs. We will also investigate support for Commission monitoring and guidance and the handling of potential non-compliance with the program's conditions.

⁸ There is a fear of moral hazard associated with an EU level macroeconomic stabilization function, for example see Koester and Sondermann (2018) and Burriel *et al.* (2020). Some authors, such as Heijdra *et al.* (2018), argue that there is no need for EU fiscal support arrangements if countries adhere to following the responsible fiscal policies they have committed to.

⁹ Various proposals have been made to mitigate moral hazard in relation to budgetary support arrangements. Beetsma *et al.* (2020) present a mechanism based on asymmetric sectoral shocks coming from changes in world trade. Transfer flows are driven by cross-country differences in sectoral structure. Because shocks to world trade can be considered largely exogenous, moral hazard considerations should be relatively minor. Institutional moral hazard can also be mitigated by means of minimum standards with regard to the quality of domestic policies in the participating member states, which constitute 'conditions' for receiving support. Linking central support to quality assurance of the policies implemented by sub-central entities is a well-known strategy to fight institutional moral hazard in multi-layered welfare states (Vandenbroucke and Luigjes, 2016, and Luigjes and Vandenbroucke, 2020).

¹⁰ Wyplosz (2020) acknowledges the possibility of moral hazard, but views the emergency created by the pandemic as more important.

Various concrete proposals, both by policy institutions and academic experts, have been made for some central fiscal capacity (CFC) to support countries experiencing temporary or more permanent economic hardship. Besides the initiatives discussed in the Introduction, there have been pleas for a CFC from the European Fiscal Board (2017, 2018) and researchers of the IMF (Arnold et al., 2018).¹¹ Claeys (2017) proposes a euro-area stabilization tool of limited size to manage the aggregate fiscal stance and to provide risk-sharing against large shocks hitting individual member states. Different designs can be envisaged. One would be a scheme that protects investment in a downturn – the Commission’s EISF could have been an embryo for this. Such a scheme could serve both a short-term role in keeping up demand and a longer-term role by improving a country’s productive capacity. Another design would be the reinsurance of national unemployment benefit systems. This option, which differs from a genuine European unemployment benefit scheme, has been examined in various publications (Beblavý et al., 2015, Beblavý and Lenaerts, 2017, and Dolls et al., 2018). Because equilibrium unemployment differs across Eurozone countries, it has been proposed that transfers be triggered when a so-called “double condition” is fulfilled: unemployment should exceed its historical average over a long period and it should have increased substantially in a short time period (see, e.g., Carnot et al., 2017).¹² In view of these different possible designs, one of the survey dimensions concerns the question how financial support should be spent.

Finally, this paper is related to a strand in the literature investigating public support for European-level policies. The number of contributions in this area is substantial. However, of particular relevance for this paper are those that use experimental methods to assess such support. Only a very limited number of contributions use this approach. In particular, earlier work by Bechtel et al. (2014, 2017) has explored German citizens’ attitudes towards bail-outs, while, more recently, Hahm et al. (2019) have looked into the role of institutional reforms in determining support for European integration. The design of the current experiment is partly led by the experience from an earlier project (Vandenbroucke et al., 2018, Kuhn et al., 2020, Nicoli et al., 2020, and Burgoon et al., 2020). That project explores public attitudes towards the construction of a European unemployment reinsurance scheme. It finds that there is substantial support for such an instrument, assuming an appropriate policy mix that includes sufficient generosity and conditions with regard to job search efforts by the

¹¹ The need for a CFC in the Eurozone is often motivated by a lack of cross-border private sector risk sharing, such as through diversification of asset portfolios. For recent estimates, see Cimadomo et al. (2020). However, even substantial cross-border risk sharing of this type does not a priori obviate the need for a CFC, for example because common shocks may be very large (as with Covid-19) and monetary policy is constrained.

¹² Enderlein *et al.* (2013) propose a CFC based on national output gaps, to which countries with a better-than-euro-area-average cyclical position contribute and from which countries with a worse-than-average position receive support. Furceri and Zdzienicka (2015) explore transfers based on country-specific GDP shocks.

unemployed and education and training efforts for the unemployed, preferably in combination with redistributive tax financing and national-level administration. The experiment in this paper considerably enlarges the policy areas studied beyond unemployment benefit provision. Moreover, this experiment focuses on a number of other dimensions than those of previous studies.

3. Description of the conjoint experiment

Our research design relies on a type of randomized survey experiment – a conjoint experiment – that needs to be distinguished both from regular survey questions and from simpler survey experiments in which respondents are asked about their view on individual policy items. In a conjoint experiment, respondents are presented with policy *packages*, i.e. combinations of measures on a set of policy dimensions. Deploying a conjoint experiment has various advantages (Hainmueller et al., 2014). First and foremost, it allows for robust causal inference of the effect of a treatment, in this case variations in the treatments along the different policy dimensions, on preferences. Second, it allows to estimate the role of interaction effects, i.e. what is the effect of a change along a specific dimension under alternative settings for another dimension. Third, a conjoint experiment reduces the risk that respondents simply provide socially-desirable answers rather than expressing their true opinion. The reason is that potentially contentious elements are bundled in a larger policy package.

The fieldwork of this experiment was carried out by the specialized firm IPSOS in late March 2020 in five European countries — France (FR), Germany (DE), Italy (IT), the Netherlands (NL) and Spain (ES). Respondents took the survey via an online platform in their own language, including Catalan. We selected these five EU Member States to cover a variety of economic performance and structure, and to capture a balance of northern and southern European polities that are known to differ substantially in their views on EU budgetary integration. Moreover, these countries constitute the five largest euro-area member states. In each country we have 2,000 respondents, hence 10,000 respondents in total.

The sample is selected so as to be representative of each country’s populations in terms of education, age, gender and regional distribution; a quota was also applied to the respondents’ equivalized income distribution. Seeking representativeness in these directions reduces potential selection effects driven by “pro-European” or “anti-European” individuals having a particularly strong desire to participate in or shun the survey. The reason is that we expect the degree of attachment to Europe to be partially driven by individual characteristics such as income, education and age. In fact, IPSOS, the firm that carries out the survey pays a small fee to the respondents in their panels, which

should reduce the effect of innate pro- or anti-European feelings on the decision to participate. An overview of the discrepancy between the population and the sample with respect to these characteristics is available up on request. The discrepancies are generally small.

We confront respondents with two different descriptions of an economic policy problem that is to be addressed by an array of EU policy proposals, which come in packages. This creates two different ‘framings’ for the survey experiment. Appendix A presents the exact texts. The first frame describes a temporary decline in the economy, typically a worsening of the economy’s business cycle. The second frame describes a permanent decline in the economy. This could be a permanent decline in an important industry or sector, or a permanent shift in consumers’ preferences away from certain national products.

In designing conjoint experiments we need to strike a balance among the following elements: the need to embed the dimensionality of the public’s concerns, the need for a sufficiently simple presentation, so that it can be understood by the respondents, and the need to present policy packages that are as realistic as possible. Hence, in the design we are guided both by practical concerns on the feasibility of the experiment and the need to be able to address our basic research question. Therefore, we confine ourselves to presenting respondents with pairs of randomly selected policy packages consisting of 6 dimensions. Table 1 presents the questions for each dimension and the possible answers. These constitute the actual treatments in the experiment, whose randomization thus allows for robust causal inference.

The first dimension concerns the question whether there should be conditions for receiving budgetary support. Such conditions are intended to alleviate potential moral hazard. As discussed above, conditionality is a major bone of contention in any discussion about the European budgetary assistance packages. For example, when discussing potential emergency support in response to the Covid crisis via the ESM, the issue was raised whether countries that demanded help had a sufficient record in terms of fiscal discipline.

The second dimension addresses the question whether there should be a restriction on how the support is spent. The baseline is no such restriction, while the alternatives capture important spending areas. Mandatory spending on education captures the notion that this would strengthen a country’s long-run growth potential, enabling it to mitigate the consequences of a permanent adverse economic shock. This is also the case for spending on transport and infrastructure, an important component of public investment, which features prominently in the recent Commission’s “Next Generation EU” plans. Respondents may also realize that governments under budgetary pressure find it politically easiest to cut public investment (European Fiscal Board, 2019) and it therefore needs to be protected. Or, they may be of the view that, since the EU already contributes substantially to infrastructure spending, there

is little need for further infrastructure spending. Hence, the overall balance of respondents' support for this option is a priori unclear. Spending on unemployment benefits intends to do justice to the various proposals for an European unemployment (re)insurance capacity. A priori one would expect it to play a larger role in dealing with the consequences of a temporary than of a permanent economic decline. Potential spending on the banking system and depositors is included in view of the fact that the banking union is still incomplete and that the stagnation on this front is largely attributable to fears about the bill associated with legacy costs of weak banks and with a European deposit insurance scheme that would be more likely to be tapped to support depositors from countries with troubled banks.¹³ Hence, it is conceivable that this spending option commands systematically different support from different EU countries. We include healthcare as a spending option, because this is an increasingly important spending area, partially as a result of population ageing and also because it plays a central role during the Covid crisis. In fact, recently it was agreed that the ESM will make resources available in the form of collectively guaranteed loans for health expenditures related to the corona crisis.

The third and sixth dimensions concern the role of the European Commission and the possibility to punish non-compliance with the program's conditions. In practice, one of the Commission's tasks is to monitor whether spending through EU programs is done in an appropriate way. Hence, the third dimension addresses preferences concerning a desired or acceptable degree of intrusiveness by the Commission, while the sixth dimension addresses how non-compliance should be handled.

Dimension four turns to the question whether on average over time countries may receive more (or less) from the program than they contribute. The importance of this dimension is obvious, because of the widespread fear of the governments of the economically and financially more healthy countries that they will have to structurally support other countries, reminiscent of the systematic resource flows often observed among regions within a country. Hence, this dimension touches upon the distinction between pure insurance via risk-sharing versus redistribution. The distinction is not straightforward.¹⁴ Conceptually speaking, the second alternative, which states that potentially each country could benefit more than it contributes does not a priori entail *ex-ante* redistribution: resource flows prompted by the program could by coincidence go more frequently towards a country than away from a country. When in *expected* terms, at the moment the program is introduced, no country loses resources, there is no *ex-ante* redistribution. However, *ex-ante* redistribution is also not a priori excluded under the alternative.

¹³ In fact, the President of the European Banking Authority recently argued for devoting part of the EU recovery funding for a preventive recapitalization of the banking sector resembling the U.S. Troubled Asset Relief Program (TARP) deployed during the financial crisis of 2008 (Reuters, 2020).

¹⁴ See Vandenbroucke (2020) for an account of pure insurance and redistribution and the normative connotations of these concepts in the EU context.

For example, some countries may be more frequently hurt by negative shocks than other countries. Importantly, even if the purpose is to design a scheme that is purely intended for risk-sharing of the consequences of shocks, stakeholders may still fear that it will be hard to avoid any ex-ante redistribution. Under the third alternative it is ex-ante clear that poor countries will benefit more than rich countries.¹⁵ It should be noticed that the EU already features a number of redistributive programs, such as its Structural and Cohesion funds, which make this alternative a potentially realistic one.

Finally, dimension five deals with the longer-run financing of the assistance program, which may require a permanent rise in taxes. Taxes may go up in the long-run if they are needed to service new debt issuance associated with the support program. Moreover, if there is a structural redistribution between countries, this may have an additional impact on the tax level in the ‘net contributor’ countries. Indeed, an option frequently proposed to alleviate the immediate financial consequences of the Covid crisis would be to issue very long-run debt, of which the repayment is spread over a number of generations. As is customary in this type of analyses, the baseline alternative of this dimension is to have no effect on long-run taxes. The relevance of this baseline for our experiment is that it allows us to investigate how support for the program changes when respondents are confronted with the fact that the assistance program comes with an individual cost.

Table 1: conjoint experiment – questions for each dimension and the possible answers

(1) Are there budgetary policy conditions that countries must fulfil to get support?	- No conditions - Countries should reduce their public debt in good economic times; otherwise they will not receive support in bad times.
(2) Are there restrictions on the spending areas on which the budgetary support may be used?	- No restriction. Participating countries may use budget support to spend on any policy or purpose. - Yes. Budget support must be used for spending on education. - Yes. Budget support must be used for spending on unemployment benefits. - Yes. Budget support must be used for spending on investment in transport and infrastructure. - Yes. Budget support must be used to protect the banking system and depositors.

¹⁵ Still rich countries may benefit on net, because they will be eligible for assistance when they are hit by a negative shock, enabling them to reduce cutting back on other programs. However, assistance could be more generous for poor countries for a given negative shock. In addition, ex-ante redistribution from richer to poorer countries may be in the economic self-interest of the former, for example because poorer countries do not cut imports from the richer countries or because the poorer countries’ financial stability would be better guaranteed. We ignore such “second-order” aspects in considering redistribution.

	- Yes. Budget support must be used for spending on healthcare.
(3) What is the role of the European Commission in the management of the programme?	- No role: monitoring is in the hands of national authorities - The European Commission monitors the national implementation of the programme - The European Commission recommends specific actions to national governments to address their economic problems, and it monitors the implementation of the programme.
(4) May some countries receive more support from the programme than they pay into it?	- No, over the long run countries cannot receive more support from the programme than they pay into the programme. - Yes, over the long run countries can receive more support from the programme than they pay into the programme - Yes, over the long run, poor countries will receive more support from the programme than they pay into it, while rich countries will receive less support from the programme than they pay into it.
(5) What is the long-term impact on the taxes that people in your country have to pay?	- No impact over the long-run: the level of taxes stays the same in your country - Over the long run, taxes increase by 0.5% of income for everyone in your country - Over the long run, taxes increase by 1% of income only for the rich in your country
(6) Are there any extra penalties for governments that violate the conditions of the European budgetary support programme?	- No automatic termination of budgetary support, but reasons for non-compliance will be examined - Budgetary support shall be terminated and countries pay an additional fine.

Each respondent is confronted with three pairs of randomly drawn policy packages. A policy package is a combination of six answers, one for each of the dimensions. Appendix B provides an example of a screenshot seen by respondents. For each pair, the respondent needs to identify the preferred package, and indicate how much each of the two packages is liked or disliked, before moving to the next pair. Hence, for each package in the pair, we obtain binary choice information: 0 = judged as worse than the alternative, while 1 = judged as better than the alternative. We refer to this variable as “Choose”. In addition, to each of the packages the respondent sees she assigns an absolute-level rating on a 5-point Likert scale ranging over “strongly in favour”, “somewhat in favour”, neutral”, “somewhat against” and “strongly against”. We refer to this variable as “Support”. Either way, we have package-level information, and for each package we know whether a package was chosen or not, its rating, and its composition in terms of dimensions, i.e., the treatment.

To each respondent we apply an attention check, which is failed by about 15 percent of the respondents. The attention check presents a question with potential answers, but asks the respondent to tick one specific answer. The question is asked along with a large number of individual-specific questions, ranging from socio-economic stats, political preferences, concerns about future developments and about Covid to Europe-mindedness after the respondents judged and chosen among the policy packages. The attention check a powerful way to filter out individuals who do not read the questions or the answers carefully. While much of the analysis carried out in the empirical part of this paper relies only on the subsample of individuals who pass the attention check, as we show later, those who failed the attention check do not differ in any meaningful way in the pattern of their preferences from those who passed the attention check.

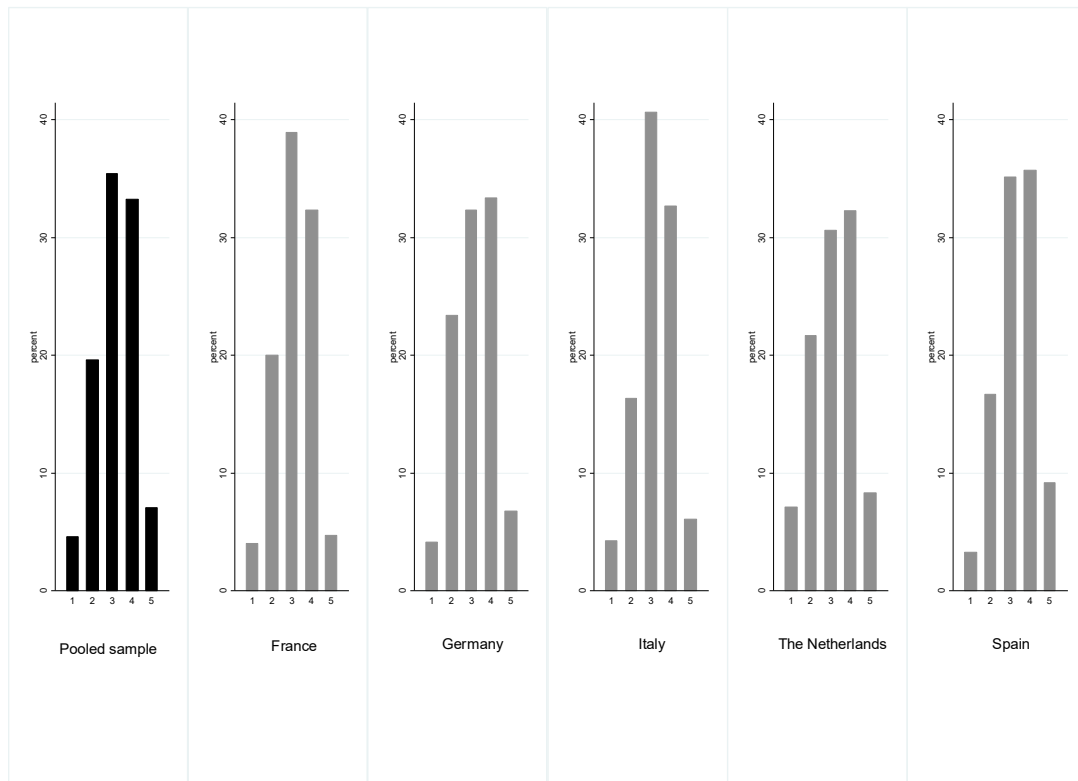
4. Empirical analysis and interpretation

4.1. Descriptive analysis

Before delving into the econometric analysis, we provide a descriptive overview of the main outcomes. Figure 1 shows the distribution of support/rejection scores pooled and by country, while Figure 2 shows the fraction of packages seen by the respondents that are supported by them, pooled and by country. Both figures are created from the Support variable, whereby the respondents could rate each package on the 5-point scale ranging from “strongly in favour” to “strongly against”.

Figure 1 demonstrates that the fraction of packages judged as “strongly in favour” exceeds the fraction judged as “strongly against”, while the fraction “somewhat in favour” exceeds the fraction “somewhat against”. This pattern is seen for the pooled sample, as well as each individual country, even countries that have a reputation for being skeptical about EU level budgetary assistance.

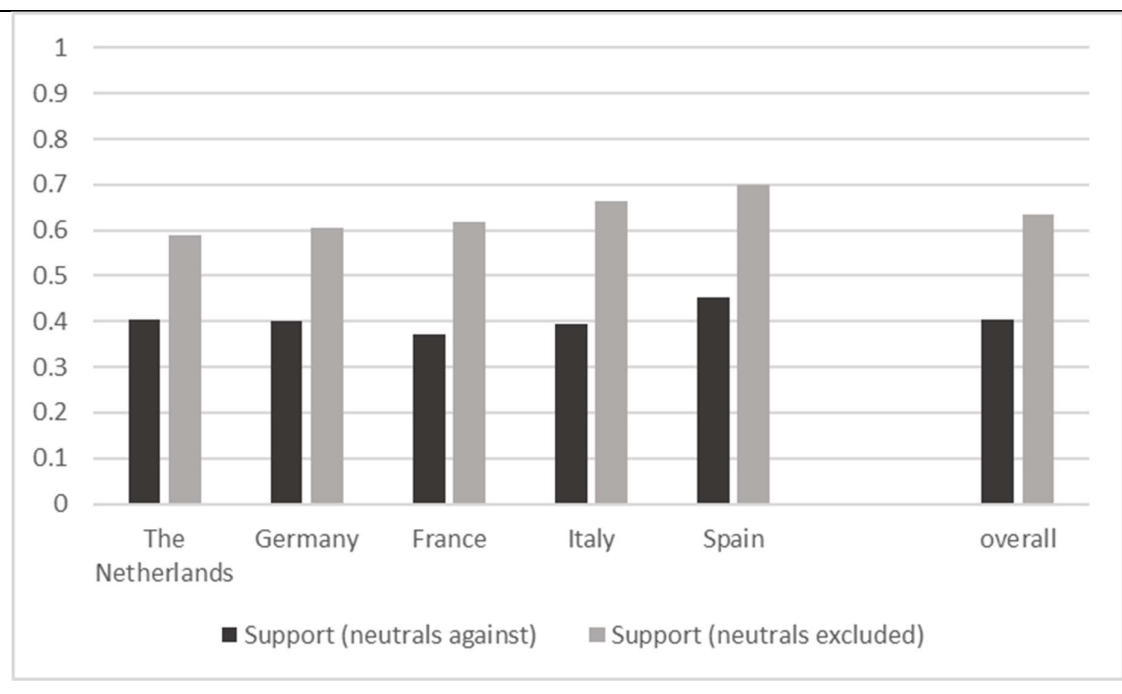
Figure 1: Distribution of support pooled and by country



Note: 1 = “strongly against”, 2 = “somewhat against”, 3 = “neutral”, 4 = “somewhat in favour” and 5 = “strongly in favour”.

Of course, many individuals hold a neutral position on one or more packages they see. To better grasp the actual levels of support, it is therefore useful to differentiate between two different levels of support. In Figure 2, the dark bars indicate the share of packages, pooled and per country, that are supported, i.e. receiving the verdict “strongly in favour” or “somewhat in favour”, when neutrals are counted as not supporting the package. The light bars indicate instead the share of supported packages if neutral judgements are excluded. Note that these are both extreme views on support: those who have neutral views on certain packages end up being completely excluded or counted as against. Nonetheless, support is generally quite large: excluding neutrals, even in the most sceptic country, the Netherlands, almost 60% of the packages are supported, while in the country where support is highest, Spain, 70% of the packages are supported.

Figure 2: Fraction of packages supported, pooled and by country



These findings are consistent with the fact that a sizeable fraction of individuals have a very positive view of an EU support program: almost 15% reject none of the packages (not graphically shown), while about 20% of the respondents have negative views on only 1 or 2 packages of the 6 they were shown. Conversely, only about 11% of the respondents reject 5 or all 6 packages they have seen. Hence, also *fundamental* opposition to a program is limited. These findings are consistent with previous studies (see Vandenbroucke et al, 2018) that identify a similarly low level of fundamental opposition to the construction of an EU-wide unemployment re-insurance scheme.

It is important to emphasize that the substantial support we see so far is the outcome of randomizations over *all* possible treatments over the different dimensions, hence many of the packages seen by respondents may contain one or more less desirable elements. In particular, at this stage we have not yet selected specific packages that can count on broader support than other packages. The substantial support for EU budgetary assistance programs in general provides hope that is possible to design programs that can count on sufficient support in each of the sample countries, hence that a European deal can be struck that is acceptable to the populations of all countries potentially participating.

4.2. Econometric analysis complete sample

A key advantage of a conjoint design over a traditional survey is that it allows to assess the causal effect on support of specific policy programs. To answer this key research question, we move away from a simple descriptive presentation of our main results to an econometric analysis.

Our model is a simple regression model, equation (1), where the unit of observation is the package, the dependent variable is either whether the package is chosen or supported, and the independent variables are fixed effects, the components (i.e., dimensions) of the treatment, a set of individual-level control variables and interaction terms of the components of the treatment and the individual-level controls:

$$\begin{aligned} OUTCOME_{i,j,k,f} = & \alpha_j + \varphi_f + \sum_f \Delta_f (\beta_{1f} BUDGETCOND_{i,j,k,f} + \beta'_{2f} POLAREA_{i,j,k,f} + \\ & \beta'_{3f} COMROLE_{i,j,k,f} + \beta'_{4f} REDISTR_{i,j,k,f} + \beta'_{5f} TAX_{i,j,k,f} + \beta_{6f} FINE_{i,j,k,f}) + \\ & \gamma' CONTROLS_{i,j,k,f} + \delta' DIM_{i,j,k,f} \otimes CONTROLS_{i,j,k,f} + \varepsilon_{i,j,k,f} \end{aligned} \quad (1)$$

where α_j is a country-specific constant, φ_f is a frame-specific constant, with $f = 1$ referring to a temporary shock and $f = 2$ referring to a permanent shock, Δ_f is a dummy which equals 1 if the frame is f and zero otherwise, Σ_f is the summation operator over f , (i, j, k, f) indexes the k^{th} package ($k = 1, \dots, 6$) presented to individual i of country j under frame f , $OUTCOME_{i,j,k,f}$ is the outcome of the judgment of the package, which can be either $CHOOSE_{i,j,k,f}$, a binary variable that indicates whether (from the presented pair) the package is chosen ($CHOOSE_{i,j,k,f} = 1$) or not ($CHOOSE_{i,j,k,f} = 0$), or $SUPPORT_{i,j,k,f}$, which takes on a value of 1 if the package is supported, i.e., if it is rated “strongly in favour” or “somewhat in favour”, and 0, otherwise, i.e. if it is rated “neutral”, “somewhat against” or “strongly against”. Hence, we are taking a conservative approach as we count “neutrals” as against. Further, $BUDGETCOND_{i,j,k,f}$ is a dummy variable taking a value of 1 if budgetary conditions are present, $POLAREA_{i,j,k,f}$ is a vector of five dummy variables taking a value of 1 when spending is mandatory on the area indicated (the baseline being no condition on how support should be spent), $COMROLE_{i,j,k,f}$ is a vector of two dummy variables taking a value of 1 when the Commission monitors, respectively when it monitors and makes recommendations, $REDISTR_{i,j,k,f}$ is a vector of two dummy variables taking a value of 1 when long-term redistribution to any participating country is allowed, respectively, when redistribution from richer to poorer countries is explicitly mandated, $TAX_{i,j,k,f}$ is a

vector of two dummies taking a value of 1 when taxes go up by 0.5% for everyone, respectively when they go up by 1% for the rich only, and $FINE_{i,j,k,f}$ is a dummy which is 1 when non-compliance is punished with termination of the program and a fine. Hence, for each possible answer to a question (dimension) in Table 1, except for the first answer, which is the “baseline”, there is a dummy variable. The dummy measures the effect on the outcome *relative* to this baseline when another option for this dimension is chosen. Further, $CONTROLS_{i,j,k,f}$ is a set of individual-level controls and $DIM_{i,j,k,f}$ stacks in one column vector the sets of dummies corresponding to the six dimensions in Table 1. We denote by $\otimes$ the operator that takes the product of each element of $CONTROLS_{i,j,k,f}$ with each element of $DIM_{i,j,k,f}$ and stacks the resulting products into a column vector. Finally, $\varepsilon_{i,j,k,f}$ is an error term. Further, $\beta_1, \dots, \beta_6, \gamma, \delta$ and θ are scalars or column vectors of appropriate dimensions. Throughout the main text we estimate equation (1) with OLS and standard errors clustered at the individual level.

Equation (1) is the most general regression formulation that we employ. In the next subsection, we start by studying its purely experimental version, while imposing that the dimensions have identical effects across the frames, i.e. $\beta_{11} = \beta_{12}$, etcetera, and excluding the interactions between the dimensions and the individual controls, i.e. we set $\delta = 0$. The coefficients of our six experimental treatments (in bold in the equation) can be interpreting as having a causal effect on support thanks to their random assignment.

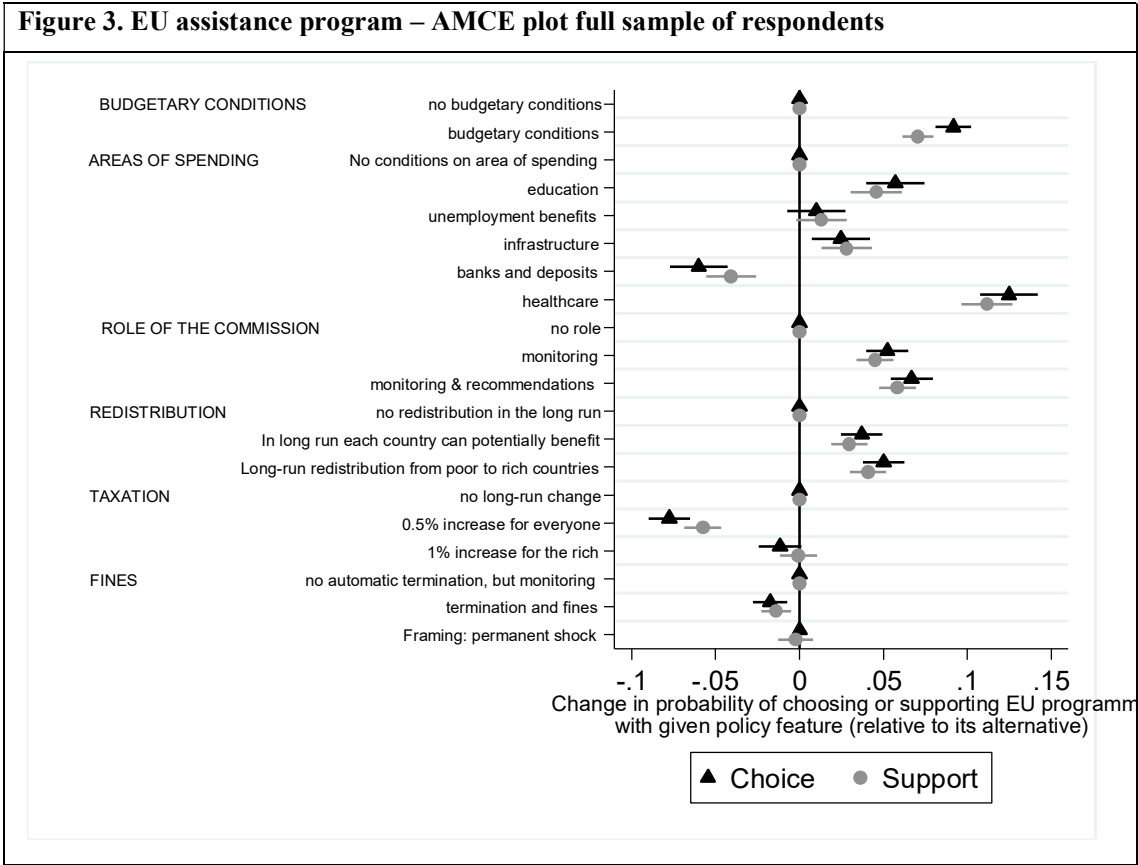
4.2.1. Aggregate baseline results

As discussed above, we present here the results from our baseline estimations; these are simple regression models where the dependent variable is either the binary choice variable or the binary measure of support; the independent variables are a constant, a dummy for each country (except France), a dummy for a permanent frame, dummies for the levels of the 6 dimensions and a set of controls (education, gender, age, income, conjoint pair,¹⁶ Covid-19 concerns). Since respondents score 6 packages each, we use panel-robust standard errors clustered at individual level. We restrict the sample to those respondents who successfully pass the attention check at the end of the survey, but a robustness check on the full sample suggests that no differences exist (see below). Overall, the results are the same, regardless of whether we look at choice or support for packages.

The most efficient way of showing the effects of the policy dimensions on the degree of support is by means of plots of the “average marginal component effect” (AMCE). The AMCE measures the

¹⁶ “Conjoint pair” indicates whether the package belongs to the first, second or third pair seen by the respondent.

average causal effect of changing the treatment for a given dimension away from its baseline on the likelihood that a package will be supported or chosen, holding the treatments for all other dimensions the same. In Figure 3, we limit the graphic representation to the purely experimental elements of the analysis, i.e. the treatments; information on the (mostly negligible) effects of the controls is found in Table C.1 in Appendix C, which reports the econometric estimations underlying Figure 3. Figure 3 depicts the AMCEs for the full sample of 10.000 individuals (i.e., 60.000 observations) across the 5 countries; the country-specific results are shown later.



Note: horizontal line pieces depict the 95% confidence intervals.

As shown in Figure 3, all else equal, packages featuring budgetary conditions are about 7 percentage points more likely to be supported, and about 10 percentage points more likely of being chosen out of a pair, compared to packages that feature no budgetary conditions.

Turning to the second dimension, the baseline is to have no conditions on how the budgetary support is to be spent. The absence of a condition on spending has significantly more support only

when compared with mandatory spending on protecting the banking system and depositors. This outcome may not be too surprising in view of the fact that the banking system is widely blamed for being (at least partly) responsible for the global financial crisis and the fact that some banks had to be saved with tax payers' money.

Perhaps unsurprisingly, considering that the survey was fielded at the end of March 2020, the most preferred alternative to the baseline is a requirement to spend the budgetary support on health care. A package with health care is about 11% more likely to be supported and about 13% more likely to be chosen than the same counterpart with no spending condition. On average this is a substantial effect for a competence reserved for the member-states. An obvious explanation would be that the survey is taken during the Covid crisis, although, as we show in Section 4.4 below, a pilot study fielded in the Netherlands in late October 2019 (well before the Covid-19 outbreak) shows consistent results. The next-preferred alternative is a requirement to spend the support on education. This alternative has about 3 – 4 percentage points more likely support than the alternative of no condition on spending. Including a requirement to spend the support on unemployment benefits only has a small and insignificant positive effect on support. This may seem surprising, because economic decline would generally cause at least temporary unemployment, while spending support on unemployment benefits would directly aim at alleviating the predicament of being unemployed and help to stabilize the economy by supporting disposable income of the unemployed. As we will see below, this finding for unemployment spending over the complete pool of respondents hides some cross-country differences. Spending on infrastructure and transport commands more support than the baseline. The difference is significant, but limited in magnitude. Still, it may suggest a preference for extending the role of the EU in this area.

Turning to the third dimension, we see that there is significantly more support for giving the Commission an explicit role, either in terms of monitoring or monitoring and making recommendations, than to give it no role at all. This is consistent with the idea that a degree of joint oversight is preferred, even more so when such oversight is coupled with instruments to coordinate and steer domestic action.

The fourth dimension tackles one of the politically most controversial aspects of the EU budgetary support debate, i.e., whether it (potentially) leads to long-term redistribution among countries. This dimension is highly salient in view of the current debate on whether the EU-level recovery instrument in response to the Covid crisis should provide grants, which would be redistributive, or loans at potentially concessionary interest rates. Politically, redistribution is a highly divisive issue, which has led to fierce clashes among Eurozone governments both at the height of the Eurozone debt crisis and now during the negotiations about measures countering the negative economic effects of the Covid crisis. Interestingly, the aggregate results show that packages that (potentially) lead

to long-run shifts in resources are between 3% and 5% more likely to be supported than packages that do not have this feature. However, since our sample is built to include countries with very different perspectives, at least officially, on cross-border redistribution, this dimension requires further scrutiny of disaggregated country results, which we provide later.

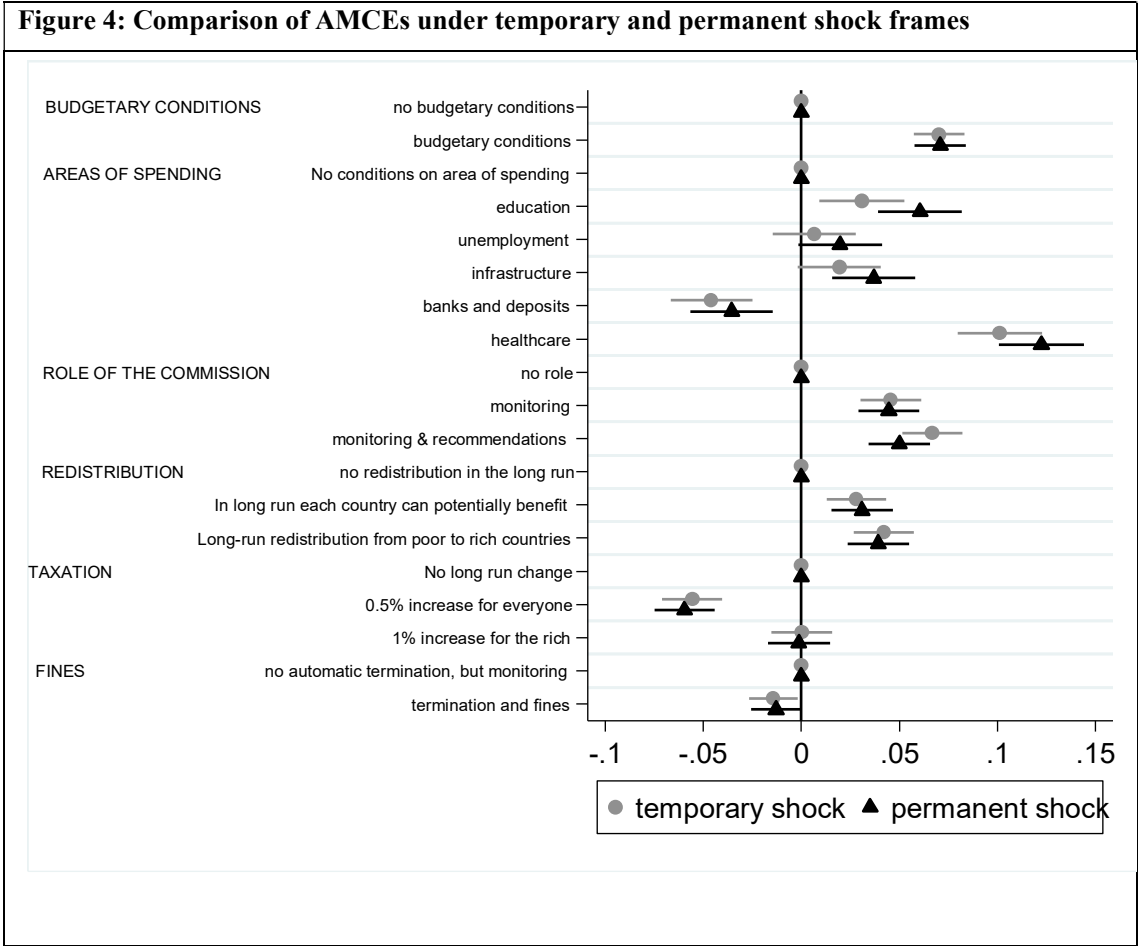
As for the fifth dimension, we observe that a long-run increase in the tax burden by half a percentage point is strongly disliked compared to the “free” option of no increase in taxes or to a progressive increase in the tax burden, i.e. by imposing a 1% tax increase on the rich. Finally, the sixth dimension — pertaining to the consequences for abuse of the program — shows that the support for termination of the program combined with a fine for countries not complying is marginally smaller (about 1 – 2% less likely) than the baseline of an investigation into the reasons for non-compliance, but no automatic termination. While the aggregate effects are – once again – quite close to zero, individual countries display differences we discuss later.

4.2.2. *Temporary and permanent shock framings*

As discussed in the Introduction, the academic debate on fiscal unification is in particular concerned with the temporal versus permanent nature of economic shocks. Many of those who are skeptical about introducing EU budgetary assistance programs fear that these lead to structural redistribution, in particular when these programs are aimed at combatting permanent shocks, because moral hazard discourages implementing politically-costly structural reforms that would alleviate the economic decline. In addition, while temporary shocks can be addressed by discretionary fiscal policy measures that stimulate aggregate demand (complementing the effect of automatic stabilizers), such measures are less suited to handle permanent shocks, which require instead structural policies that strengthen potential growth. Respondents may be aware of these comparative advantages of spending areas in combatting the different types of shocks. Hence, we would a priori expect respondents who are provided with the permanent shock frame to express relatively more support for mandatory spending on education or transport and infrastructure, while we would expect those who receive the temporary shock frame to be relatively more supportive of mandatory spending on unemployment.

To investigate the relevance of these considerations, we interact in regression (1) the frame with the different treatments along the dimensions of the experiment. In other words, we allow for parameter vector $(\varphi_f, \beta_{1f}, \beta_{2f}', \beta_{3f}', \beta_{4f}', \beta_{5f}', \beta_{6f})$ to differ between the two frames. The result is depicted in Figure 4, which shows the AMCEs on the support variable $SUPPORT_{i,j,k,f}$ for the two frames. We observe that the specific frame respondents are confronted with has in most cases only a limited effect. There is

little difference in the support for spending on unemployment between the two frames, while as discussed above one might a priori think that unemployment spending would be specifically suited to alleviate the negative effects of a temporary economic decline by protecting demand and helping individuals to overcome a temporary reduction in their income, but be less suited to deal with a permanent economic decline.



Note: horizontal line pieces depict the 95% confidence intervals.

There is also no statistically significant difference in support for spending on transport and infrastructure. A requirement to spend the support on education does command somewhat stronger support among those confronted with a permanent rather than a temporary shock, which suggests that respondents at least to some extent realize that permanent economic declines may be better addressed

with structural policies. However, the difference in support is not significant.¹⁷ In addition, there are some differences between countries, discussed in the next section.

Why are the differences in support for the same treatment between the two frames rather limited? The answer to this question requires some speculation. One possibility is that the differences in framing are made insufficiently explicit. The differences in the formulation of the two frames (Appendix A) with the emphasis on the nature of the decline (temporary or permanent) render this unlikely. It is also possible that the framing is sufficiently explicit, but that respondents not do grasp the implications of this distinction in the way experts understand them. Finally, it is possible that respondents' attitudes tend to be dominated by questions of allocation of public resources rather than by questions of economic stabilization, redistribution or strengthening the economic structure. Consistent with allocation as the driving force behind the limited differences between the AMCEs under the two frames is the fact that under both the support for mandatory spending on healthcare is the highest.

4.3. Country-level econometric analysis

The results discussed pertain to the full sample, in which the respondents from the different countries are pooled. While a larger sample improves the precision of the estimates, it may also hide important country-specific variations in support for given packages. Exploring these variations is important, as much of EU decision-making is intergovernmental or requires even unanimous support. Packages with substantial aggregate support evenly spread over the countries stand a much higher chance of being implemented than packages with identical aggregate support but substantial variation in support over the countries.

4.3.1. Country-level effects of treatments

We start by looking, once again, at the purely experimental component of the analysis, reproducing Figure 3 for each individual sample country – see Figure 5. Obviously, the confidence intervals around the estimates become wider, as the number of observations for each country is smaller than the number of observations for the aggregate analysis.

¹⁷ The model with $CHOOSE_{i,j,k,f}$ as the outcome variable does yield a statistically significant increase in the likelihood to choose a package with mandatory spending on education when switching from a temporary to a permanent frame.

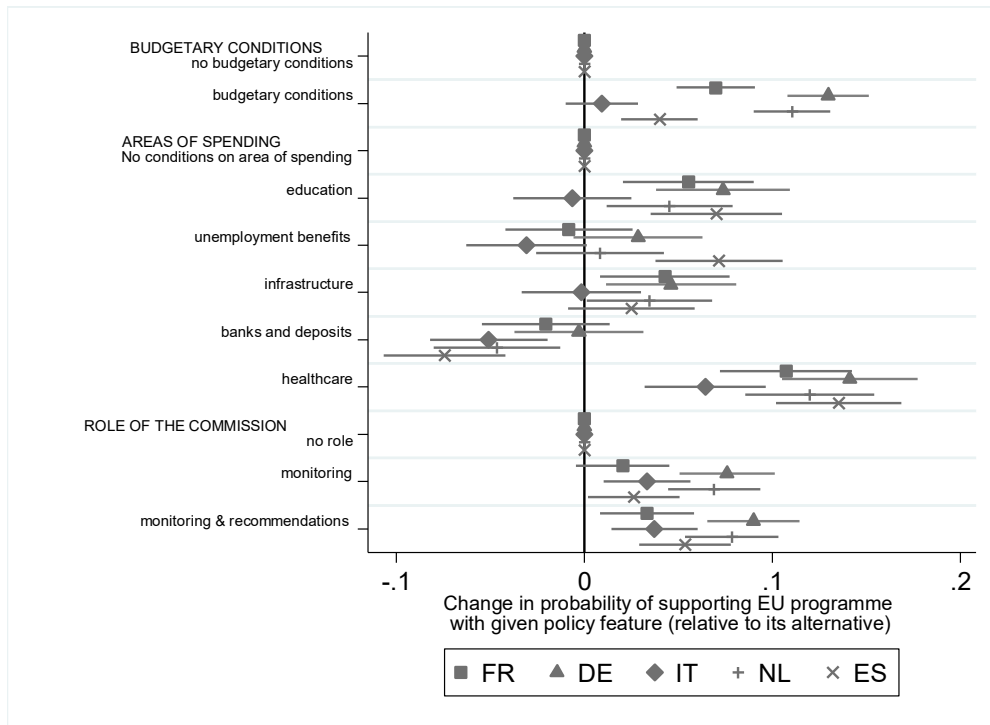
When it comes to the first dimension, except for Italy, all countries give significantly more support to a program that imposes budgetary conditions than one without conditions. This preference is strongest for Germany and the Netherlands, followed by France and then Spain. The “moral hazard argument” suggests that respondents may view a budgetary condition for support as an instrument to encourage a more prudent fiscal policy, which in the end would reduce the likelihood that support from other countries is needed in a decline and, hence, that they would face a higher tax bill to pay for the support. Seen from the perspective of a respondent from a high-debt country, such a respondent would probably assess the likelihood of receiving support in the event of an economic decline as lower when there are conditions attached to such support than when there are no conditions attached. The observed relative support pattern across the sample countries is in line with this reasoning, because Germany and the Netherlands feature the lowest levels of public indebtedness, with populations that perceive themselves as more likely to be on the paying than on the receiving end, and Italy features the highest public indebtedness.

Regarding the use of the budgetary assistance, the support for healthcare spending is always highest, for most countries with a margin of 11 – 12 percentage points over the baseline, followed by education spending in all countries, except for Italy and Spain. For the latter country, the support for education spending is still significantly higher than the baseline of no restriction on spending. With the exception of Spain, which is plagued by high unemployment among the young in particular, no country features significantly higher support for spending on unemployment benefits than for no condition on spending. Transport and infrastructure spending receive more support than the baseline of no earmarking in France, Germany and the Netherlands. For this latter country, transport is a key economic activity, hence this outcome is not surprising. Spending on protection of the banking sector and deposit holders is highly unpopular, except for France and Germany where respondents do not exhibit a significant difference in support compared to no condition on spending.

Next, all countries support a role for the Commission, in particular when this role comprises both monitoring and recommending specific actions. The strength of the support differs across the countries and is highest in Germany and the Netherlands. A potential explanation is that respondents from these countries expect to make transfers to other countries and want these resources to be well spent, which they do not trust to be the case without monitoring and guidance for the national authorities of countries receiving budgetary support. Next, allowing long-run redistribution across countries or mandating such redistribution towards the poorer countries can count on substantial support in Italy and Spain, and limited support in France and Germany (but in the latter two countries only when it comes

to long-run redistribution to poorer countries). No support for long-run redistribution of either kind is found in the Netherlands.

Figure 5(a): Effects on support by country – dimensions 1 - 3

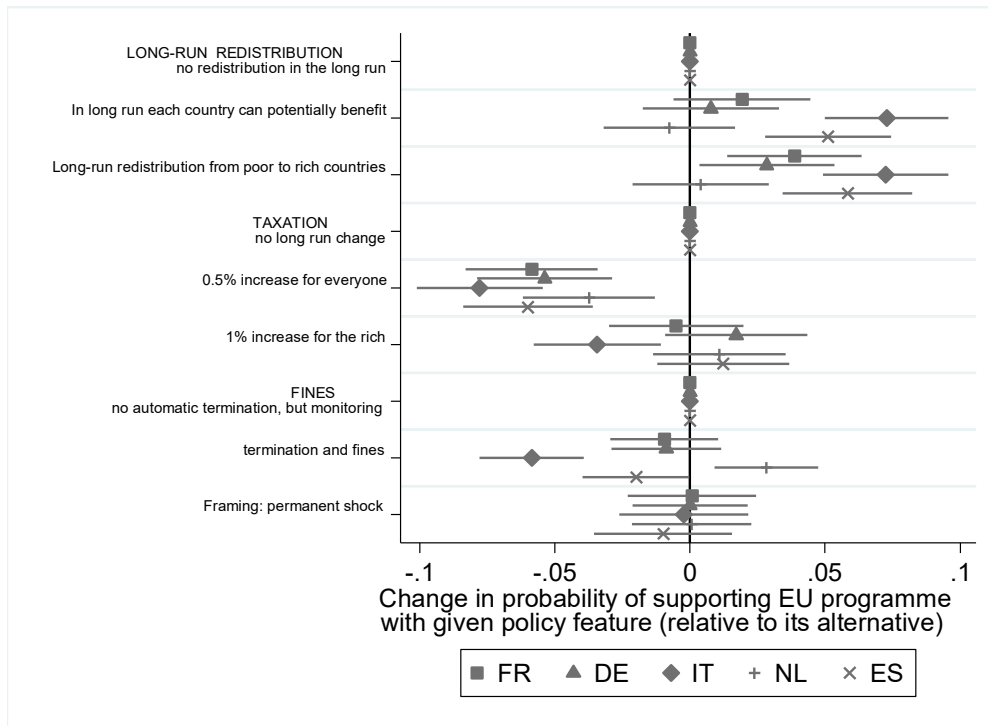


Note: horizontal line pieces depict the 95% confidence intervals.

Regarding the next dimension, taxation, we observe that the respondents in all the countries are strongly against a flat tax increase compared to the baseline of no change in taxes. How can this be compatible with the generally high support for a budgetary support program, as it seems unlikely that respondents do not perceive *some* link between such a program and the need to finance it? First, even if respondents dislike a long-run increase in taxes, they may not be against a temporary increase in taxes to finance the support program. Second, and more plausible, respondents may be in favor of a support program, but they are simply not prepared to pay for it themselves and prefer to shift the burden to individuals from other countries or individuals higher up in the income distribution of their own country. Progressive taxation, whereby the rich are taxed to finance the policy, is substantially less disliked than the alternative of a flat tax increase; in some countries – namely Germany, Spain and the Netherlands – it can count on additional support compared to the baseline of no change in taxation, although the

difference is not significant. In contrast, the Italian population is significantly less supportive of raising taxes on the rich than not raising taxes at all, an outcome that may be the result of a decennia-long campaign by Berlusconi demonizing the idea of taxation on the rich.

Figure 5(b): Effects on support by country – dimensions 4 – 6



Note: horizontal line pieces depict the 95% confidence intervals.

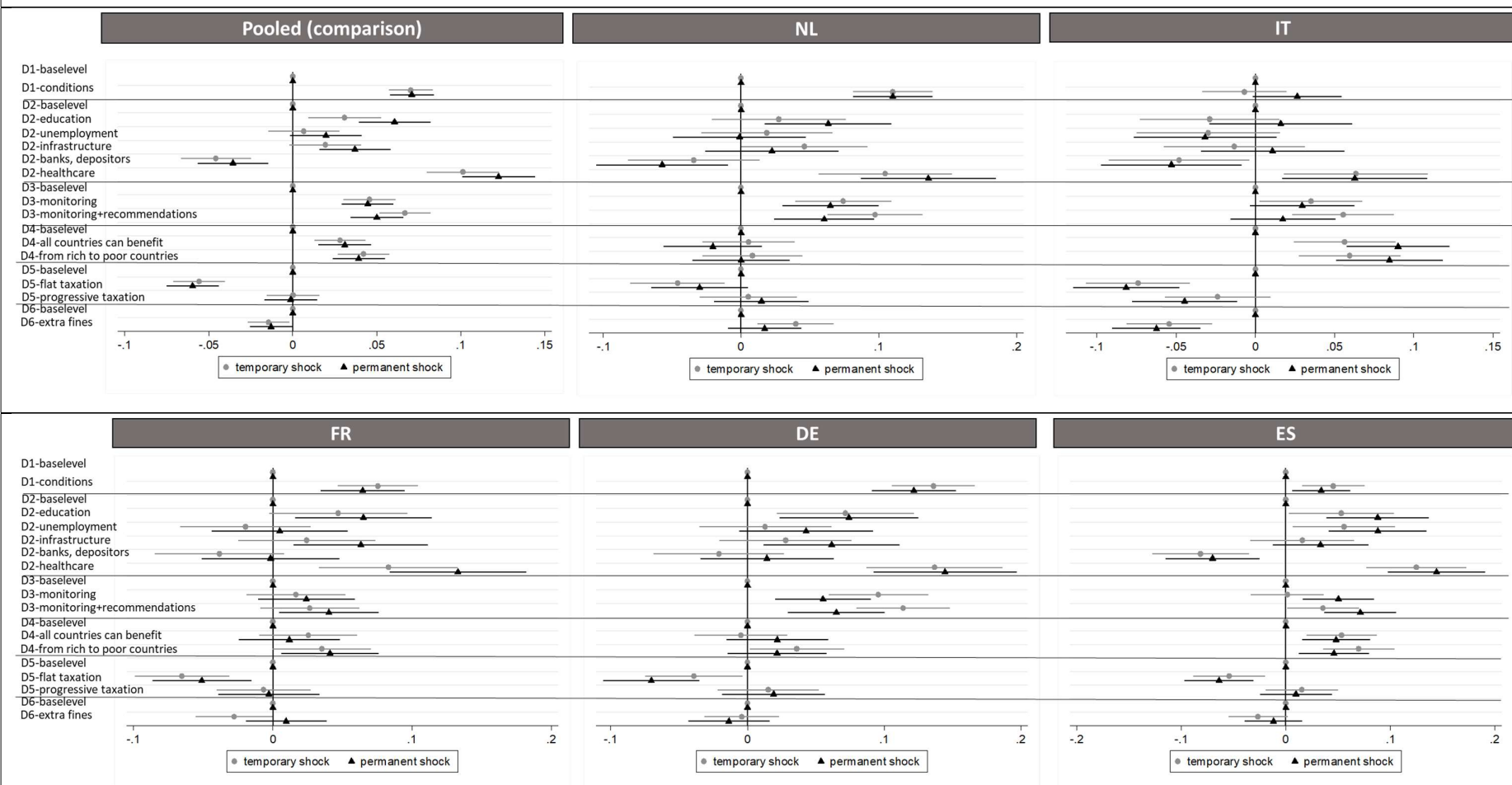
On the final dimension, the Netherlands is the only country that supports significantly more than the baseline the termination of the program and imposing a fine in the case of non-compliance. The Italian population is significantly less in support of this alternative than the baseline and the Spanish population is close to being significantly less in support. These patterns may not be surprising if the Dutch population expects the Netherlands to be mostly a net contributor rather than a net recipient, and the Italian and Spanish populations expect their countries to be net recipients.

4.3.2. *Differences in framing effects at the country level*

In Subsection 3.2.2 on the pooled estimates we already discussed how temporary versus permanent shocks impacted our respondents' preferences, concluding that a significant difference was only found for support for mandatory spending on education. When looking at the disaggregated country level, these differences in the effect of the frame remain generally small, with a few exceptions (Figures 6a – f).

Italians are significantly (at 10% level) more likely to support budgetary conditions when a country is facing a permanent rather than a temporary decline. Italian respondents also seem more supportive of education spending in the case of a permanent shock, but the effect fails to reach statistical significance. Contrary to what one may expect, Germans and French seem to support more strongly unemployment spending following a permanent rather than a temporary decline, even though neither of these effects is statistically significant. As argued above, a priori one might see unemployment spending as a way to overcome temporary hardship. Respondents may feel though, that the hardship from unemployment is larger in the case of a permanent shock, providing more justification for unemployment benefit spending in this case. The aversion to support banks and depositors seems to weaken for the French in the case of a permanent shock, even though again the effect is not statistically significant. We do not have an obvious explanation, however. When switching from a temporary to a permanent shock, the desired role of the Commission providing monitoring and recommendations seems to weaken for the Dutch, Italians and Germans. The latter are significantly (at the 10% confidence level) more supportive of this option for a temporary than for a permanent shock. For Spanish respondents it is the opposite. Support for the possibility that each country can benefit structurally more or less than other countries or for structural redistribution from rich to poor countries is essentially unaffected by the frame, except for Italy for which these options seem to command more support following a permanent than a temporary shock. A potential explanation could be their familiarity with structural economic problems and the expectation that they would likely be net receivers. Finally, the French are significantly more likely to support termination of the program coupled with a fine for non-compliance in the case of a permanent shock. Overall, while we observe some variation in support levels between the two frames across countries, this variation is rather limited.

Figure 6: Effects on support, pooled and by country, temporary versus permanent economic decline.



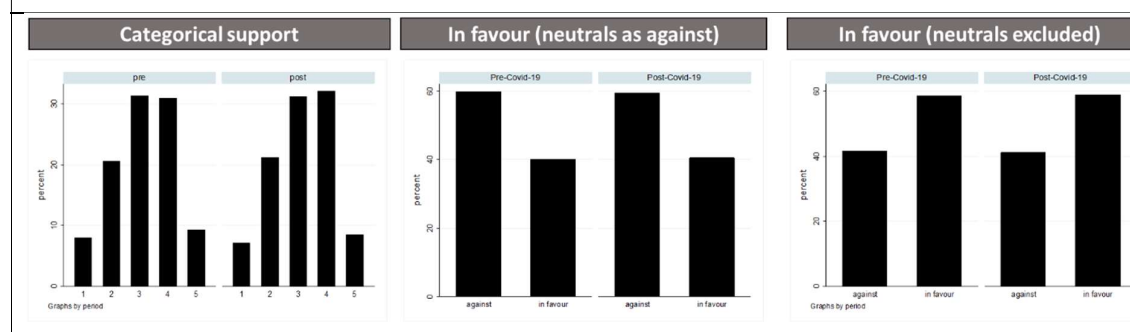
Note: horizontal line pieces depict the 95% confidence intervals. Dx indicates dimension x in Table 1.

4.4. Did the Covid-19 outbreak affect public opinion on budgetary support programs?

As discussed above, this survey experiment took place at a very peculiar moment in contemporary history: the end of March 2020 was the moment when the first wave of the Covid outbreak was peaking, or about to peak, in most western-European countries. It is therefore legitimate to explore whether this historical development weighed on the minds and the opinions of the respondents. For this reason, the models we estimate include, among the controls, the respondent's personal concern about the Covid-19 outbreak. However, since some of our experimental dimensions include treatment options that may relate directly to pandemic, such as mandatory spending on healthcare, it is worth asking to what extent the results so far could have been influenced by the Covid outbreak.

This survey, which was developed in the second half of 2019, was not specifically designed to measure support for policies in response to the pandemic. Hence, it cannot answer this question in detail, while furthermore we lack fully-fledged data to properly assess public opinion dynamics before and during the pandemic.

Figure 7: Pre- versus post-Covid outbreak – Dutch respondents

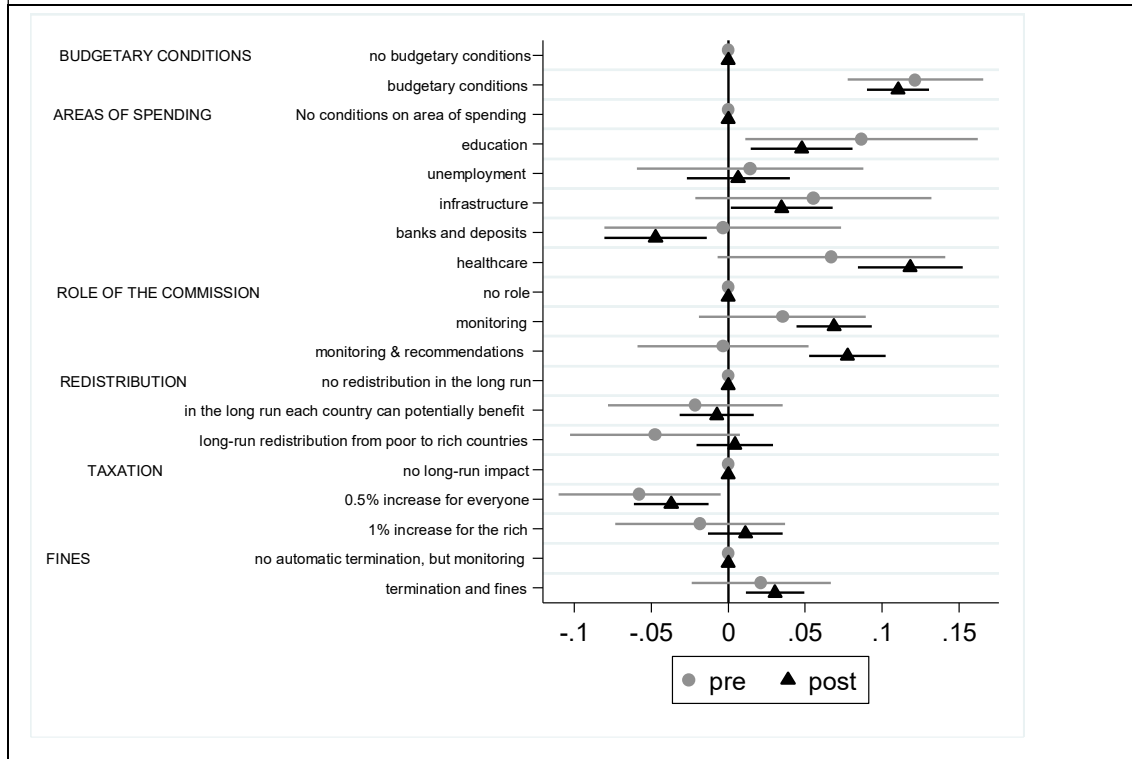


Note: “in favour” aggregates the cases of “strongly in favour” and “somewhat in favour”, “against” aggregates the cases of “strongly against” and “somewhat against” when neutrals are excluded, while “against” adds to these also the neutrals when the latter are included.

However, we are still able to explore the general validity of our experiment, because a pilot version of this study had been run a few weeks before the pandemic started to appear in the news, in late October 2019. This pilot, which was run on a representative sample of 400 Dutch respondents, features only minimal differences with the survey fielded in March 2020. Hence, we are able to compare the pre- and post-pandemic results of our survey experiment. *De facto*, we build an additional “natural experiment” on top of our survey experiment.

First, we look at overall levels of support (Figure 7). The results are remarkably stable between the two periods. Average support for the packages presented very marginally increases from October 2019 to March 2020, but well within the margin of error. The number of neutral judgments also remain largely the same across the two periods.

Figure 8: AMCE plot for the Dutch pre- vs. post-Covid outbreak, support as outcome variable



Note: horizontal line pieces depict the 95% confidence intervals.

Next, we look at the specific effects of the dimensions, where changes should in principle be more visible (Figure 8). The econometric specification is again the baseline specification. Figure 8 shows that already before the Covid crisis the Dutch subsample exhibited a strong support for mandatory spending of European assistance on healthcare. While this preference inches forward during the post-Covid-19 outbreak, perhaps as a result of the estimates becoming more precise thanks to the larger sample size, the new results are well within the margin of error of the pre-Covid estimate. However, what is noticeable for this dimension is the *concentration* of the Dutch support for mandatory healthcare intervention after the outbreak. While before the outbreak the AMCE of transport and infrastructure was close to that of healthcare and that of education even exceeded that of health care,

post-Covid the AMCEs of transport and infrastructure and education shrink and that of healthcare spending rises.

The Dutch respondents exhibit a difference in their support for European Commission oversight, which becomes stronger in the post-pandemic period, potentially reflecting that, since a pandemic-related EU assistance program had by the end of March 2020 become an eventuality, respondents felt a stronger need for a role of the Commission as a guardian of the proper use of EU assistance.

Finally, the interaction effects analysis also show a small improvement in the Dutch respondents' attitude to support a program with potential long-term redistributive benefits to poor countries: while before the pandemic the AMCE associated with this treatment was negative and significantly different (at the 10% level) from zero, during the pandemics the AMCE became insignificantly different from zero.

All, in all, the comparison of the Dutch subsamples before and during the pandemic suggests that the outbreak has had only a limited influence on their attitudes towards EU-level budgetary assistance.

4.5. Further robustness checks and extension

This subsection discusses a number of further robustness checks. The underlying econometric estimates are found in Table C.1 in Appendix C. They are based on direct variations on the baseline regression which is reported in Column (4) of the table. First, excluding the individual controls has no effect on the results (Table C.1, Column (2)). Second, including inattentives also leaves the results unchanged (Table C.1, Column (3)). Third, we replace the linear model with a logit specification for both outcome variables. The estimates are reported in Column (5) of Table C.1 for $SUPPORT_{i,j,k,f}$ as dependent and in Column (7) for $CHOOSE_{i,j,k,f}$ as dependent. Again the results are unchanged: significance and insignificance are preserved in each case. Fourth, we drop the neutral answers from the sample. The sample size obviously shrinks. However, it also means relaxing the conservative approach in measuring support. Indeed the sizes of the coefficient estimates almost all increase in absolute magnitude, strengthening the effects found before. Qualitatively the results are unchanged, except for the finding that progressive taxation now features a negative AMCE significantly different from zero. Finally, we re-estimate the model with fixed effects at the respondent level (Table C.1, Column (9) for support and Column (10) for choice), dropping the individual-level control variables. The coefficient estimates are virtually identical to those under the baseline and, hence, significance is always unaltered.

Throughout our analysis in the main body of this paper, we focus on the purely experimental components of the research design: the dimensions of the experiment itself. The reason is that, if the sample is representative and the treatment assignment is random, looking at the dimensions in isolation is the best way to gauge the effects that are attributable to the treatments. However, it is also interesting and important to consider how individual-level differences might affect responses to the different conjoint treatments. Appendix D adds to the baseline specification the interactions of the different dimension dummies with the income level, the education level and Covid worries. The motivation to include interactions with socio-economic status variables is that these may be important drivers of an individual's position on the various elements of an EU support package, because socio-economic status may to a large extent determine an individual's benefits and costs associated with a package (at least in her own perception). The interactions with Covid worries are motivated by the timing of the experiment end of March 2020. Analysis of these interactions goes beyond the space and thematic constraints of the present paper, and does not alter our core findings, where in effect the treatment effects can be seen as reflecting the average reactions among possible individual subgroupings.

5. Constructing policy packages with widespread support

So far, we have been mainly studying the effects on support of variations in individual treatments along the dimensions. However, policy packages consist of a combination of attributes. Which combinations are the most supported, and which are the least supported? In this section, we explore the support for various policy packages. Since our study features 648 alternative policy packages, it is not possible to assess all of them in detail. Instead, we select a number of packages that are of specific interest for us. To this end, we estimate counterfactually the expected level of support, should these packages be submitted to the respondents once again. Support for a package is estimated as the sum of the estimated fixed effects in regression equation (1) with $SUPPORT_{i,j,k,f}$ on the left-hand side, plus the estimates of the coefficients on the dummies of the relevant treatments contained in a package. Unless noted otherwise, we impose that the coefficients for the two frames be identical and that neutrals are counted as being against the package, implying that we maintain our conservative approach in assessing support.

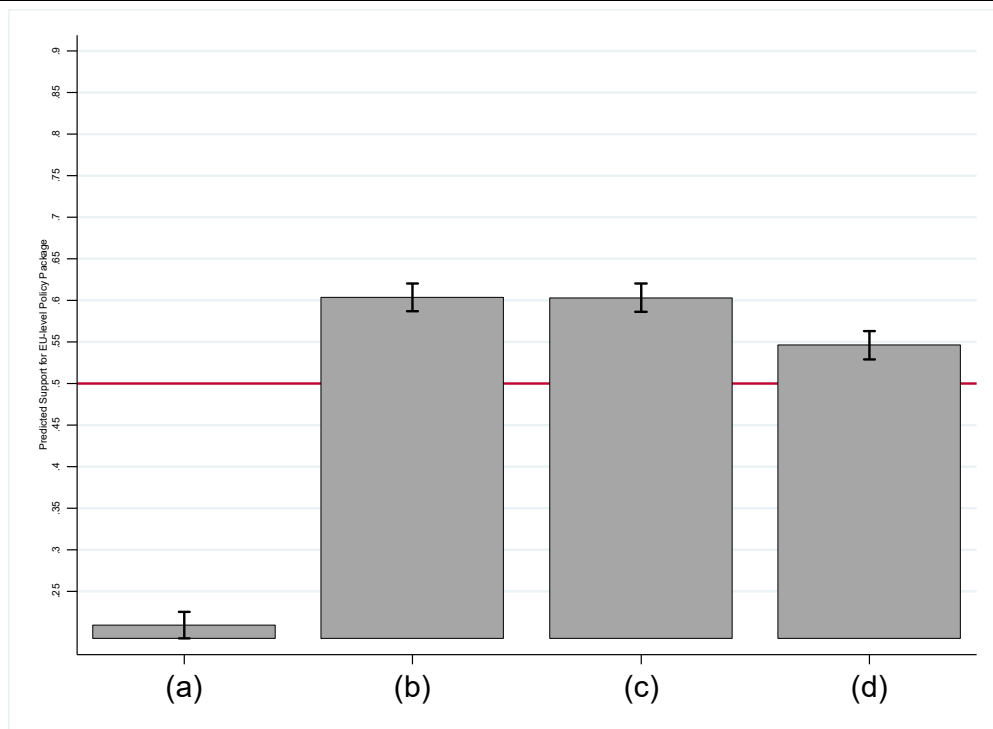
Figure 9 depicts for specific packages support in the overall sample, i.e. pooling respondents from all countries. Package (a) is the least supported. It combines all the features that were most disliked by the respondents: no budgetary conditions, support spending earmarked for banks and depositors, no role for the Commission, excluding systematic redistribution among countries, a flat tax increase and termination and a fine in the case of non-compliance. It is expected to be “strongly supported” or

“somewhat supported” by less than 25% of the respondents who would be confronted with it. This package contrasts with the most-supported package on the basis of our estimates, Package (b), which combines budgetary conditions, mandatory spending on healthcare, a maximum role for the Commission (monitoring and recommendations), redistribution from rich to poor countries, no change in taxes and no termination and fines in the case of non-compliance. It commands about 60% support. The drawback of this package is that it can be seen as not “internally consistent”: it presents the package as a free lunch, because taxes are kept constant in the longer run.¹⁸ Therefore, Package (c) is the most-supported package that is also internally consistent, by imposing a long-run increase in taxes on the rich. The amount of support essentially equals that on the previous package. The final Package (d) replaces the progressive taxation of Package (c) with a flat rate tax increase. Estimating support for Package (d) allows to verify whether there is still sufficient support among the broad population of respondents if the average population member knows she has to pay for the program. We observe that this package still has more than 50% support, but the support is less than that of the package with a tax increase only for the rich.

Next, we explore support for packages at the level of individual countries. Figure 10 puts side-by-side the most-supported packages of each of the individual countries in the sample and assesses their support by the overall pool of respondents. The most-supported packages of Germany and Spain are identical to the most-supported internally-consistent package for the pooled sample – see Figure 9. The most-supported package of France differs from this package in that the progressive tax increase for the rich is replaced by a preference for no change in taxes. It gathers about 60% overall support. The most-supported package by Italians differs further by allowing for long-run redistribution to go into any possible direction. It gathers slightly less than 60% support from the full pool of respondents. Finally, the most-supported Dutch package is the same as that for Germany and Spain, except that it favors fines for non-compliance. It also obtains slightly less than 60% support from the full sample of respondents.

¹⁸ One could potentially conceive of a temporary increase in taxes used to finance support for a temporary shock, after which taxes return to their original level. However, the combination of long-run redistribution to poor countries and no increase in taxes in any of the countries participating in the scheme is not compatible, if we hold all existing spending constant.

Figure 9: Level of aggregate support for packages of interest



Note:

Package (a) is least supported: it includes no budgetary conditions, support for banks and depositors, no role for the Commission, no long-run redistribution, flat taxation, and termination and fine for non-compliance.

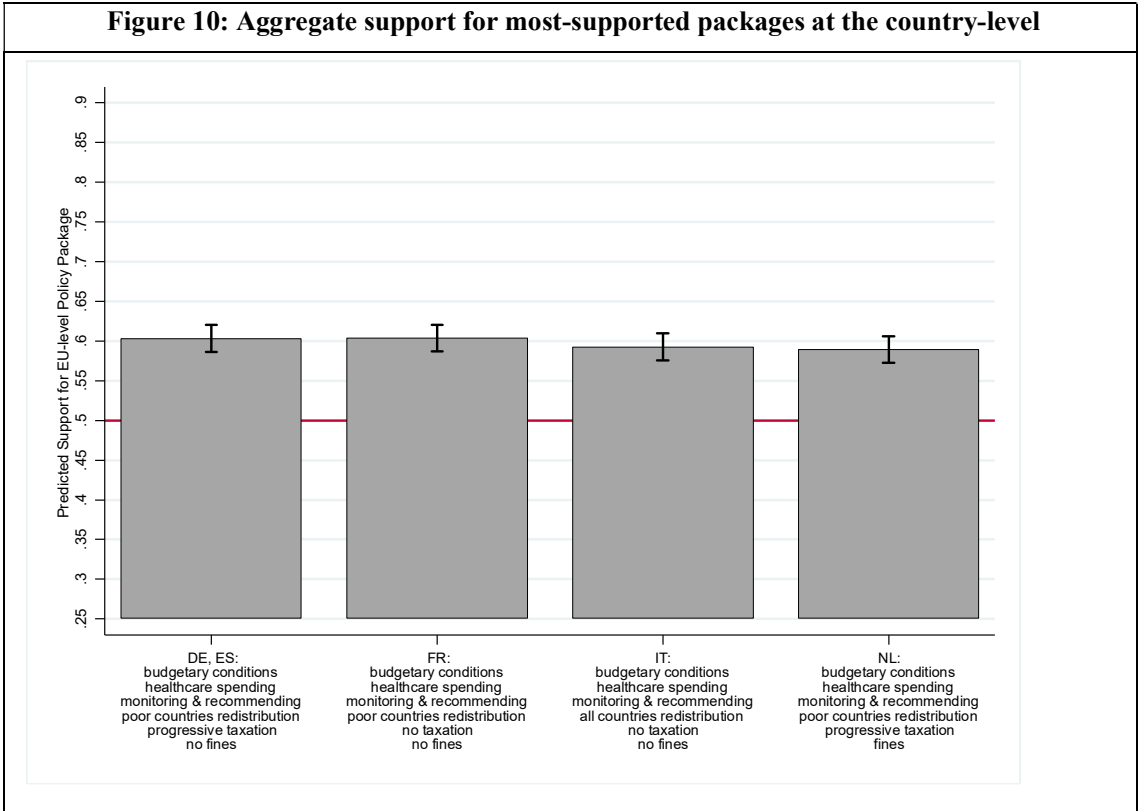
Package (b) is most supported: it includes budgetary conditions, mandatory spending on healthcare, Commission monitoring and recommendations, long-run redistribution to poor countries, no taxation, and no termination and fine for non-compliance.

Package (c) is same as package (b), replacing no with progressive taxation.

Package (d) is same as package (b), replacing no with flat taxation.

Given that intergovernmental bargaining is key in forging any agreement on an EU budgetary assistance program, Table 2 lists for the aggregate set of respondents and each individual country's respondents, including those of the own country, the support of a country's most-supported package. Start with the most-supported package of both German and Spanish respondents. The package receives more than 50% support in all individual countries, although the support of French and Italian respondents is quite a bit lower, less than 55%, than the support from the respondents of the other three countries, which is more than 60% for each of these three countries. The most-supported package by the French replaces progressive taxation with no taxation. This reduces the support from Dutch, German and Spanish respondents, while it raises support from (by definition) French and Italian respondents. Remarkably, the package most supported by the French still receives less support from the French than from any

other country’s respondents, which is a reflection of the generally relatively low level of support of the French respondents to Eurozone support packages.



We see a similar, though less extreme, effect for Italy as well. The package most supported by Italians respondents, which replaces long-run redistribution to poor countries to potential redistribution to any country, receives more support from Dutch, German and Spanish respondents than from the Italians themselves. Finally, the package most supported by the Dutch, which only differs from the one most supported by the Germans and the Spanish by introducing fines for non-compliance, receives more support among the latter than among the Dutch themselves, which is in line with the generally high level of support among the Germans and the Spanish for EU assistance programs. This particular package receives relatively little support among the French and the Italian.

Table 2: support for individual countries' most-supported packages

Country	Most-supported package in country in first column	Support in percent in:					
		Pooled sample	DE	ES	FR	IT	NL
DE	Budgetary conditions, healthcare spending, monitoring & recommending, poor countries redistribution, progressive taxation, no fines	60.3	65.1	66.8	54.8	54.6	60.6
ES							
FR	Budgetary conditions, healthcare spending, monitoring & recommending, poor countries redistribution, no taxation, no fines	60.3	63.4	65.6	55.3	58.0	59.5
IT	Budgetary conditions, healthcare spending, monitoring & recommending, all countries redistribution, no taxation, no fines	59.2	61.3	64.9	53.4	58.1	58.3
NL	Budgetary conditions, healthcare spending, monitoring & recommending, poor countries redistribution, progressive taxation, fines	58.9	64.2	64.8	53.9	48.7	63.4

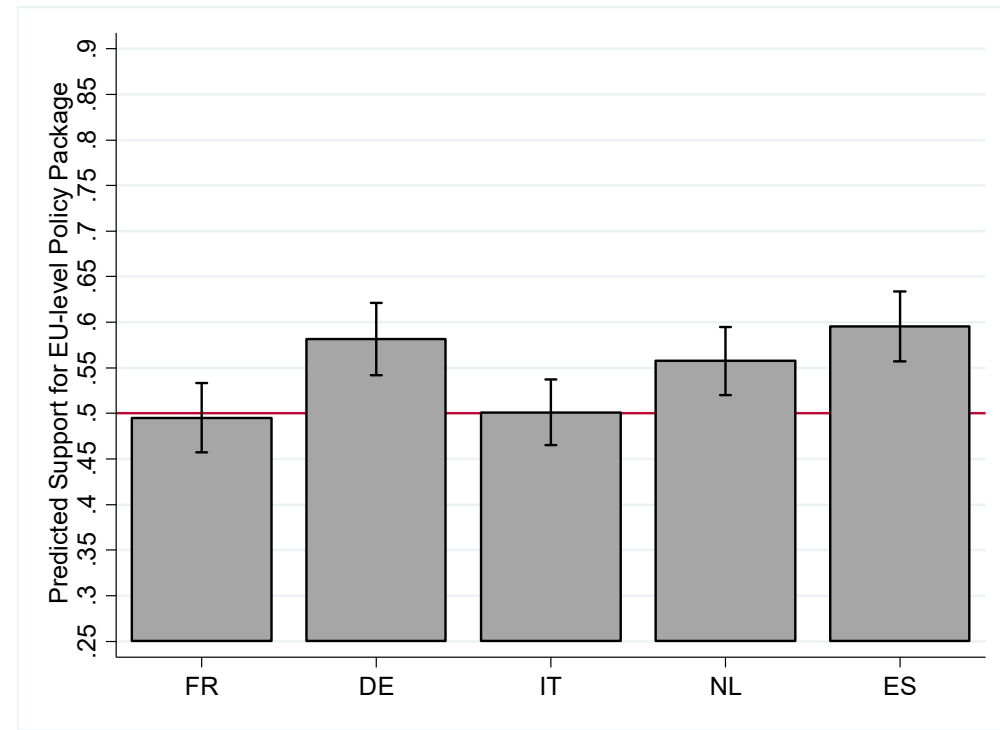
Note: DE = Germany, ES = Spain, FR = France, IT = Italy, NL = Netherlands.

An important question is whether there exist packages that receive majority support in each of the sample countries. Since this would be a package on which all sample countries can in principle agree if politicians align with the preferences of their own populations, it would stand a good chance of being politically implementable in the EU. Because our survey covers only a subsample of EU countries, we cannot be sure that such a package would be acceptable to all EU or all Eurozone countries. However, since there is substantial dispersion among our sample countries in terms of their structural economic situation and the positions that their governments have taken in the past when it comes to further budgetary integration, a package that is politically feasible in each of our sample countries could stand a good chance of being politically feasible at the EU or, if not in the complete EU, at least for each Eurozone member. Table 2 shows that each of the nationally most-supported packages can count on more than 50% support in each of the sample countries, except for the package most supported by the Dutch, which receives less than 50% support among the Italians. However, not all of these packages may be realistic, because an assistance program cannot be installed if taxes remain unchanged in all the participating countries. Therefore, we are interested in packages that receive sufficient support in each country and that are internally consistent in the sense that respondents are willing to pay for the support. One package that fulfills all these criteria is the third package in Figure 9, i.e. the package most supported by the German and Spanish respondents, which contains budgetary conditions, mandatory healthcare spending, monitoring and recommending by the Commission, redistribution to poor countries, progressive taxation and no termination and fines for non-compliance.

One might still ask whether this package is realistic, because a tax increase for the rich only may not be insufficient to finance the package or it may not be politically feasible to shift the entire burden of the program on a relatively small fraction of a country's population. Therefore, in Figure 11

we show the national support levels of the package most supported by the Germans and Spanish, but with progressive taxation replaced by a flat tax increase. We observe that support in France drops to below 50% percent, while support in Italy drops to marginally above 50%.

Figure 11: Support for selected flat tax package by country



Notes: (i) The bars indicate the support in respective countries for the flat-tax Package (d) in Figure 9. The package includes budgetary conditions, mandatory spending on healthcare, Commission monitoring and recommendations, long-run redistribution to poor countries, flat taxation, and no termination and fine for non-compliance. (ii) DE = Germany, ES = Spain, FR = France, IT = Italy, NL = Netherlands.

In the final step of our analysis we explore the support for some variations on the package with progressive taxation most-supported by the Germans and the Spanish and which receives more than 50% support in each sample country. We do this by varying the area of mandatory spending, by considering flat taxation instead of progressive taxation, and by calculating a less conservative support measure. The latter is achieved by dropping the neutral answers from the sample, hence in this case $SUPPORT_{i,j,k,f} = 1$ if the package is rated “strongly in favour” or “somewhat in favour”, and $SUPPORT_{i,j,k,f} = 0$ if it is rated “somewhat against” or “strongly against”. The results are reported in

Table 3. Switching from progressive to flat taxation always reduces aggregate support.¹⁹ Varying the spending area, as expected, we find that the package with mandatory spending on banks and deposit always receives the least support, followed by the one with no conditions on the spending area. Most supported is always the package with mandatory healthcare spending. Obviously, dropping the neutrals always raises aggregate support. The effect is often substantial. In fact, it is so substantial that with neutrals excluded each of the proposed packages receives more than 50% aggregate support, irrespective of whether it imposes flat taxation and irrespective of a potential condition on the spending area.

Table 3 also indicates for each case the number of countries in which there is more than 50% support for a package. Importantly, when neutrals are excluded from the definition of support, there is always more than 50% support in each sample country, irrespective of whether the tax increase is flat or progressive and irrespective of any potential condition on the spending area. Even if a fraction of the neutrals would be against the presented packages when forced to make a choice whether to support or not, there seems to be substantial scope for constructing packages that receive more than 50% support in all sample countries, for example by including some tax increase for everyone, but more for the rich, and by including at least some mandatory healthcare spending.

Table 3: Aggregate support (in %) varying spending area, type of taxation and support measure

Fixed package features: commission monitoring and recommending, poor country redistribution, budgetary conditions, no fines		Calculation support measure	By type of expenditure					
			No conditions	Education	Unemployment benefits	Infrastructure	Banks & deposits	Healthcare
		Pooled frame						
Type of taxation	Flat taxation	Neutrals against	43.4	47.8	44.7	46.2	39.3	54.6***
	Progressive taxation		49.1	53.6*	50.4	51.9*	45.0	60.3***
	Flat taxation	Neutrals excluded	63.5***	70.5***	66.0***	68.7***	58.1***	77.2***
	Progressive taxation		70.2***	77.2***	72.7***	75.4***	64.7***	83.9***

Note: * = more than 50% support in 3 countries. *** = more than 50% support in 4 countries. **** = more than 50% support in all countries. No stars = more than 50% support in at most two countries.

¹⁹ This is in line with other research. For example, a quasi-experiment by Alpina *et al.* (2020) investigating the responses of mayors of Italian municipalities to austerity measures prompted by the imposition of local budgetary constraints suggests that mayors try to preserve popularity by putting most of the increased tax burden on high-income earners.

6. Concluding remarks

Experts have long voiced strong doubts about the long-run viability of the euro in absence of supranational budgetary instruments to support economies hit adverse economic shocks. However, the political consensus for such budgetary instruments has been missing so far. Some Eurozone member states fear that they may lead to structural redistribution. Hence, until recently the debate on further budgetary integration was stuck in a stalemate between countries wanting to increase risk sharing and those who want risk reduction. However, one of the priorities of the new Commission President is a European unemployment re-insurance scheme and, maybe more importantly, the current corona crisis has revived the discussion about the need for expanding budgetary support for countries in need. Several initiatives aimed at the protection of employment and the stimulus of investment are now being developed.

The country-specific positions that we usually observe are those expressed by their political leaders, claiming to represent the views of their voters. However, we have only limited information on how these countries' populations really think about EU budgetary support packages. The conjoint experiment in this paper intended to shed light on exactly that. It suggests that on average there is substantial support across our sample countries for European-level arrangements to help countries in temporary or permanent economic needs. The general level of support seems higher among our respondents than among politicians: it is even present for countries with political leaders normally opposing further budgetary integration in Europe.²⁰

Adequate design of policy packages can command substantial support. Most populations prefer to condition support on countries reducing their debt in normal times. There is also general support for imposing conditions on how support money should be spent: spending on healthcare comes first, followed by spending on education. Respondents generally see a role for the Commission in terms of monitoring and providing recommendations. However, the support for terminating a program and imposing fine in the case of non-compliance is small. Further, there is even a general acceptance that programs lead to long-run redistribution to poorer countries. This is an important observation, because it is extremely difficult to design "pure risk sharing" programs, i.e. programs that only share shocks, but do not lead to redistribution. One reason is that in reality, it is difficult to distinguish temporary and

²⁰ A recent survey among national parliamentarians of France, Germany and Italy by Blesse et al. (2020) on EU budgetary support instruments, in this case a European unemployment insurance, seems to confirm the "stereotype" that German politicians are less in favor of such instruments than Italian politicians.

permanent economic shocks – many shocks are a mixture of the two extremes. The overall rather substantial congruence among the preferences of the different populations opens the possibility of finding packages that get majority support from all individual countries. A package that fulfills this condition is characterized by a combination of budgetary conditions, mandatory healthcare spending, monitoring and recommendations by the Commission, redistribution to poor countries, progressive taxation and no termination and fines following non-compliance. Unanimous support is more difficult to obtain when shifting to flat tax financing or requiring spending in other areas. Still, unanimous support may be available in these cases, for example by introducing some tax progression and earmarking part of the budgetary support for healthcare spending. It is also important to notice that we have always been very conservative in our measure of support. Assuming that, say, half of the neutral become supportive when forced to make a choice makes the unanimity criterion substantially easier to fulfill.

Obviously, one has to interpret our findings with caution. Although we use expressions such as “majority support”, one cannot interpret the support for our selected policy packages figures as the prediction of a real vote after a political campaign. The support we find represents genuine individual preferences, but it is also to some extent ‘pre-political’, i.e. captured on the basis of a framing that may be different from the framing that comes to dominate after a political campaign on the issue of EU support instruments. Our respondents had to answer the following question: what do you think about a series of alternative policy proposals that are discussed at the European level, with a view to launching a new European initiative? Notwithstanding the fact that we clearly told our respondents that this was about a new European-level initiative, creating a European scheme of mutual assistance, and that we made them think about conditions that might be imposed on countries, it is plausible that the responses focused mostly on the social content of the proposals and their concrete specification, and less on the fact that this would constitute a new European initiative that could open up conflict-lines among countries; or, less on the fact that the initiative might involve the temporary creation of EU-level debt. Imagine, for instance, that the central question of a public debate would be ‘are you for or against a new EU initiative?’, with a virulent campaign of some political parties against the EU; or, ‘are you for or against issuing new debt at the EU-level?’ Then, the outcome of a real vote might be different. We write ‘to *some extent* pre-political’, because the question whether the EU should support countries in need was obviously already being discussed at the moment of fielding the survey, although in vague terms, and we do observe some congruence between the country-level differences in public attitudes and the public positioning of national governments on the issue. Anyway, the central conclusion must not be that public support for European social initiatives is readily available. The conclusion should be that, depending on the orientation and framing of the debate and on the specific policy design that is

proposed, widespread support from individual Member States for an EU support program is possible. The actual political conflict is, therefore, among other things a conflict about the way in which the relevant proposals are framed.

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Appendices

A: Formulation of the frames

FRAMING 1 (TEMPORARY SHOCK)	FRAMING 2 (PERMANENT SHOCK)
European governments spend money on policies such as infrastructure, education, social assistance, military defence, housing, etc. When a country is hit by a severe but temporary economic downturn, it can be difficult to maintain these policies during the downturn. We would like to hear your opinion about a new European programme discussed by European governments to address such difficulty. This new programme would provide temporary budget support to countries in need. Such support would never be larger than 1% of the receiving country's GDP. The budget support would help governments maintain their policies during the economic downturn and stabilize the economic situation. This mutual assistance programme would be financed by the participating countries. This European assistance programme can be organized in different ways. Different conditions can be imposed on countries that benefit from the support. Therefore, in the next pages you will be shown alternative options. You will be asked to indicate which options you prefer (or dislike the least), and how much you are in favour or against these proposals.	European governments spend money on policies such as infrastructure, education, social assistance, military defence, housing, etc. However, when a country is confronted with long-lasting economic problems (such as a permanent decline in an important industrial sector), it can be difficult to maintain these policies. We would like to hear your opinion about a new European programme discussed by European governments to address such difficulty. This new programme would provide budget support to countries in need. Such support would never be larger than 1% of the receiving country's GDP. The budget support would help governments in maintaining their policies and to address these long-lasting economic problems. The mutual assistance provided by this programme would be financed by the participating countries. This European assistance programme can be organized in different ways. Different conditions can be imposed on countries that benefit from the support. Therefore, in the next pages you will be shown alternative options. You will be asked to indicate which options you prefer (or dislike the least), and how much you are in favour or against these proposals.

B: Example of a screenshot with the questions and a pair of policy packages

	Option 1	Option 2
Are there budgetary policy conditions that countries must fulfil to get support?	Countries should reduce their public debt in good economic times; otherwise they will not receive support in bad times.	No conditions
What is the role of the European Commission in the management of the programme?	The European Commission recommends specific actions to national governments to address their economic problems, and it monitors the implementation of the programme.	The European Commission recommends specific actions to national governments to address their economic problems, and it monitors the implementation of the programme.
May some countries receive more support from the programme than they pay into it?	Yes, over the long run, poor countries will receive more support from the programme than they pay into it, while rich countries will receive less support from the programme than they pay into it.	Yes, over the long run, poor countries will receive more support from the programme than they pay into it, while rich countries will receive less support from the programme than they pay into it.
What is the long-term impact on the taxes that people in your country have to pay?	Over the long run, taxes increase by 1% of income only for the rich in your country	No impact over the long-run: the level of taxes stays the same in your country.
Are there restrictions on the spending areas on which the budgetary support may be used?	Yes. Budget support must be used for spending on unemployment benefits.	Yes. Budget support must be used for spending on investment in transport and infrastructure.
Are there any extra penalties for governments that violate the conditions of the European budgetary support programme?	Budgetary support shall be terminated and countries pay an additional fine.	Budgetary support shall be terminated and countries pay an additional fine.

C: Coefficient estimates and robustness

Table C.1: coefficient estimates

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	OLS, only experimental variables, no controls, including inattentive respondents	(1) excluding inattentive respondents	(1) with controls	BASILINE: support as dependent variable, OLS, controls, excluding inattentive respondents	(4) with logit estimator	BASILINE: (4) with choice as dependent variable	(5) with choice as dependent variable	(4) with support as dependent, recoded to exclude neutrals	(4) with respondents fixed effects	(5) with respondents fixed effects
Budgetary conditions (<i>baselevel: no conditions</i>)	0.065 (0.004)***	0.069 (0.004)***	0.067 (0.004)***	0.071 (0.005)***	0.298 (0.020)***	0.092 (0.005)***	0.377 (0.022)***	0.086 (0.006)***	0.070 (0.005)***	0.093 (0.005)***
Spending on education (<i>baselevel: no conditions</i>)	0.043 (0.007)***	0.043 (0.007)***	0.047 (0.007)***	0.046 (0.008)***	0.194 (0.033)***	0.057 (0.009)***	0.234 (0.036)***	0.070 (0.009)***	0.047 (0.008)***	0.058 (0.009)***
Spending on unemployment benefits	0.014 (0.007)**	0.013 (0.007)*	0.015 (0.007)**	0.013 (0.008)*	0.056 (0.033)*	0.010 (0.009)	0.041 (0.036)	0.026 (0.010)***	0.013 (0.008)*	0.011 (0.009)
Spending on infrastructure	0.025 (0.006)***	0.026 (0.007)***	0.027 (0.007)***	0.028 (0.008)***	0.120 (0.032)***	0.025 (0.009)***	0.101 (0.036)***	0.052 (0.009)***	0.028 (0.008)***	0.026 (0.009)***
Spending on banks and deposits	-0.033 (0.006)***	-0.038 (0.007)***	-0.036 (0.007)***	-0.041 (0.008)***	-0.178 (0.033)***	-0.060 (0.009)***	-0.248 (0.036)***	-0.054 (0.010)***	-0.041 (0.008)***	-0.060 (0.009)***
Spending on healthcare	0.104 (0.007)***	0.110 (0.007)***	0.109 (0.007)***	0.112 (0.008)***	0.465 (0.033)***	0.125 (0.009)***	0.516 (0.037)***	0.137 (0.009)***	0.113 (0.008)***	0.127 (0.009)***
COM Monitoring (<i>base level: no COM role</i>)	0.038 (0.005)***	0.042 (0.005)***	0.040 (0.005)***	0.045 (0.006)***	0.193 (0.024)***	0.052 (0.006)***	0.216 (0.026)***	0.053 (0.007)***	0.046 (0.006)***	0.053 (0.006)***
COM Monitoring and guidance	0.049 (0.005)***	0.055 (0.005)***	0.052 (0.005)***	0.058 (0.006)***	0.248 (0.024)***	0.067 (0.006)***	0.276 (0.026)***	0.077 (0.007)***	0.058 (0.006)***	0.068 (0.006)***
Redistribution: potentially all countries (<i>base level: no redistribution</i>)	0.024 (0.005)***	0.025 (0.005)***	0.027 (0.005)***	0.030 (0.006)***	0.126 (0.024)***	0.037 (0.006)***	0.154 (0.026)***	0.033 (0.007)***	0.030 (0.006)***	0.038 (0.006)***
Redistribution: certainly from rich to poor	0.034 (0.005)***	0.038 (0.005)***	0.037 (0.005)***	0.041 (0.006)***	0.173 (0.024)***	0.050 (0.006)***	0.207 (0.026)***	0.041 (0.007)***	0.041 (0.006)***	0.051 (0.006)***
Taxation: flat increase in the long term (<i>base level: no taxes</i>)	-0.052 (0.005)***	-0.056 (0.005)***	-0.053 (0.005)***	-0.058 (0.006)***	-0.245 (0.024)***	-0.077 (0.006)***	-0.319 (0.026)***	-0.081 (0.007)***	-0.058 (0.006)***	-0.078 (0.006)***
Taxation: progressive increase in the long term	-0.003 (0.005)	-0.001 (0.005)	-0.002 (0.005)	-0.001 (0.006)	-0.002 (0.024)	-0.012 (0.006)*	-0.048 (0.027)*	-0.014 (0.007)**	-0.000 (0.006)	-0.012 (0.007)*
Fines (<i>base level: no fines</i>)	-0.011 (0.004)***	-0.012 (0.004)***	-0.013 (0.004)***	-0.014 (0.005)***	-0.059 (0.019)***	-0.017 (0.005)***	-0.072 (0.021)***	-0.013 (0.006)**	-0.014 (0.005)***	-0.018 (0.005)***

conjoint pair	-0.005 (0.001)***	-0.004 (0.002)***	-0.006 (0.002)***	-0.005 (0.002)***	-0.023 (0.007)***	-0.002 (0.001)***	-0.007 (0.002)***	0.002 (0.002)
framing: permanent	-0.003 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.010 (0.023)	0.000 (0.000)	0.001 (0.001)	-0.005 (0.006)
Age			-0.000 (0.003)	0.005 (0.004)	0.019 (0.015)	0.000 (0.000)	0.000 (0.001)	-0.024 (0.004)***
female			-0.029 (0.005)***	-0.027 (0.005)***	-0.113 (0.023)***	-0.000 (0.000)	-0.001 (0.001)	0.006 (0.006)
Education			0.023 (0.004)***	0.021 (0.004)***	0.089 (0.016)***	0.000 (0.000)	0.000 (0.001)	-0.008 (0.004)*
Income			0.002 (0.003)	0.005 (0.004)	0.020 (0.015)	-0.000 (0.000)	-0.001 (0.001)	-0.002 (0.004)
concerned with corona			0.005 (0.002)***	0.006 (0.002)***	0.024 (0.007)***	-0.000 (0.000)	-0.000 (0.000)	-0.001 (0.002)
Germany (vs France)			0.031 (0.008)***	0.032 (0.008)***	0.137 (0.035)***	-0.000 (0.000)	-0.000 (0.001)	-0.019 (0.009)**
Italy (vs France)			0.030 (0.008)***	0.026 (0.009)***	0.110 (0.037)***	0.000 (0.000)	0.001 (0.001)	0.043 (0.011)***
Netherlands (vs France)			0.035 (0.008)***	0.040 (0.008)***	0.172 (0.036)***	-0.000 (0.000)	-0.000 (0.001)	-0.026 (0.009)***
Spain (vs France)			0.082 (0.008)***	0.084 (0.009)***	0.351 (0.038)***	-0.000 (0.000)	-0.001 (0.001)	0.082 (0.010)***
_cons	0.336 (0.011)***	0.328 (0.011)***	0.238 (0.021)***	0.204 (0.022)***	-1.243 (0.096)***	0.401 (0.009)***	-0.407 (0.039)***	0.580 (0.026)***
R ²	0.02	0.02	0.02	0.03		0.03		0.04
N	60,300	51,444	52,182	44,850	44,850	44,850	44,850	29,739
								44,850
								44,850

Notes: (i) Baseline, Column (4), is based on the binary support variable $SUPPORT_{i,j,k,f}$ as the dependent variable and is estimated with OLS and standard errors clustered at the individual level, neutrals as against, controls added and inattentives excluded. (ii) Column (6) is the baseline with $CHOOSE_{i,j,k,f}$ as the dependent variable. (iii) Unless otherwise specified, all specifications are estimated using OLS and standard errors clustered at the individual level. (iv) Unless explicitly noted otherwise, in constructing the support variable, neutrals are counted as against. (v) “Conjoint pair” indicates whether the package is shown as part of the first, second or third pair seen by the respondent. (vi) “COM” = European Commission.

D: Individual-level analysis

Throughout our analysis in the main text of the paper, we maintained the focus on the purely experimental components of the research design: the dimensions of the conjoint experiment itself. The reason for doing so is that in the random sample with random treatment assignment, looking at the dimensions in isolation is the best way to gauge the causal effects attributable to the treatments. It is also interesting and important to consider how individual-level differences with respect to demography, socio-economic status, or socio-political attitudes might affect responses to the different conjoint treatments. But doing so goes beyond the space and thematic constraints of the present paper, and do not alter the core findings reported in the paper, where in effect the treatment effects can be seen as reflecting the average reactions among possible individual subgroupings.

To give a glimpse of how such individual-level correlates might moderate how package design affects support for EU assistance, Table D.1 below reports results of the interactions between the policy dimensions on the one hand, and a few illustrative individual correlates on the other. The individual correlates shown here are income and education, key features of socio-economic status, and a respondent's reported worry about the Covid-19 virus. The latter is important to consider since the experiment was fielded end of March 2020, in the midst of the Covid-19 crisis. For even this illustrative exercise, caution is warranted, as the table's summary of the moderating role of individual correlates is confined only to the two-way interaction between the dimensions and our socio-economic status variables. The regression model is again (1). However, we no longer constrain δ to equal zero, but we estimate elements of this vector of coefficients along with the other parameters we estimated in the purely experimental version. Concretely, we add to each regression the interaction term of the dimension dummy and one of the variables income, education or Covid-19 worries.

The results do not in any way vitiate the patterns reported in the baseline models of the main text, but they do suggest that socio-economic position and Covid-19 worry can moderate how different policy characteristics influence respondent support for EU assistance. With respect to a respondent's education level, we observe that the direct effect of mandatory spending on education on support loses significance. However, its interaction with the education level of the respondent itself has a significant positive effect on support: the more highly-educated the respondent is, the more she likes packages containing mandatory spending on education. The direct effects of mandatory spending on transport and infrastructure and banks and deposits lose significance. Turning to the role of the Commission, this

is also the case for the direct effects of a role for the Commission. However, the interaction effects are positive and significantly different from zero: more highly-educated people are more in favor of Commission monitoring and even more strongly in favor of the Commission combining monitoring with recommendations. Turning to the role of income, we see that the only change relative to the purely experimental analysis is a significant interaction with a role for the Commission: the higher the respondent's income, the stronger her support for a package containing monitoring or monitoring and recommendations on the side of the Commission. Finally, we observe that more Covid worries reduce the support for packages with budgetary conditions, mandatory spending on education and banks and deposits, monitoring by the Commission, a flat tax increase to pay for the support instrument and termination and a fine in the case of non-compliance, while they increase the support for packages with redistribution from rich to poor countries.

These patterns suggest the value of continued analysis of subsamples and the moderating role of individual characteristics. We leave analysis and discussion of such issues, however, to later work, and emphasize again that the experimental design is particularly suited to causal inferences about policy design rather than the more observational-basis or sub-sample-basis of moderating effects by individual correlates.

Table D.1: Adding interactions with education, income and Covid worries.

		INTERACTION WITH EDUCATION		INTERACTION WITH INCOME		INTERACTION WITH CONCERNS OF COVID	
		Direct treatment effects	interactions with education	Direct treatment effects	interactions with income	Direct treatment effects	interactions with concerns of Covid
budgetary conditions	budget condition present	0.054	0.008	0.053	0.009	0.107	-0.004
		(0.013)***	(0.006)	(0.013)***	(0.006)	(0.021)***	(0.003)*
spending conditions	education	0.003	0.022	0.043	0.001	0.112	-0.008
		-0.022	(0.010)**	(0.021)**	-0.010	(0.036)***	(0.004)*
	unemployment benefits	0.046	-0.016	0.041	-0.014	0.050	-0.005
		(0.022)**	(0.010)	(0.021)**	(0.010)	(0.035)	(0.004)
	infrastructure	-0.002	0.015	0.040	-0.006	0.052	-0.003
		(0.021)	(0.010)	(0.021)*	(0.010)	(0.035)	(0.004)
	banks and deposits	-0.019	-0.011	-0.017	-0.012	0.024	-0.008
		(0.021)	(0.010)	(0.021)	(0.010)	(0.034)	(0.004)*
	healthcare	0.108	0.002	0.099	0.007	0.097	0.002
		(0.022)***	(0.010)	(0.021)***	(0.010)	(0.037)***	(0.004)
role of Commission	monitoring	0.016	0.015	-0.001	0.024	0.099	-0.007
		(0.016)	(0.007)**	(0.015)	(0.007)***	(0.025)***	(0.003)**
	monitoring and guidance	-0.018	0.038	0.017	0.021	0.075	-0.002
		(0.016)	(0.007)***	(0.015)	(0.007)***	(0.025)***	(0.003)
cross-country redistribution	potentially all countries	0.022	0.004	0.029	0.000	-0.001	0.004

in the long term							
		(0.015)	(0.007)	(0.015)*	(0.007)	(0.026)	(0.003)
	certainly from rich to poor	0.038	0.002	0.028	0.007	-0.031	0.009
		(0.016)**	(0.007)	(0.015)*	(0.007)	(0.026)	(0.003)***
taxation impact in the long term	no long-term impact	-0.067	0.004	-0.076	0.009	-0.008	-0.006
		(0.015)***	(0.007)	(0.015)***	(0.007)	(0.026)	(0.003)*
	flat increase in the long term	-0.017	0.008	0.021	-0.011	0.004	-0.001
		(0.016)	(0.007)	(0.015)	(0.008)	(0.026)	(0.003)
	progressive increase in the long term	-0.024	0.005	-0.023	0.005	0.033	-0.006
		(0.013)*	(0.006)	(0.012)*	(0.006)	(0.021)	(0.002)**
	education			0.021		0.021	
				(0.004)***		(0.004)***	
	age	0.005		0.005		0.005	
		(0.004)		(0.004)		(0.004)	
	female	-0.027		-0.027		-0.027	
		(0.005)***		(0.005)***		(0.005)***	
	income	0.005		-0.015		0.005	
		(0.004)		(0.011)		(0.004)	
	concern with corona	0.006		0.006		0.015	
		(0.002)***		(0.002)***		(0.005)***	
	Germany (vs France)	0.032		0.032		0.032	
		(0.008)***		(0.008)***		(0.008)***	
	Italy (vs France)	0.026		0.026		0.026	
		(0.009)***		(0.009)***		(0.009)***	
	the Netherlands (vs France)	0.040		0.040		0.040	
		(0.008)***		(0.008)***		(0.008)***	
	Spain (vs France)	0.084		0.084		0.084	
		(0.009)***		(0.009)***		(0.009)***	
	pair	-0.005		-0.005		-0.005	
		(0.002)***		(0.002)***		(0.002)***	
	Framing: permanent	-0.002		-0.002		-0.002	
		(0.005)		(0.005)		(0.005)	
	_cons	0.268		0.242		0.126	
		(0.031)***		(0.030)***		(0.043)***	
	R ²	0.03		0.03		0.03	
	N	44,850		44,850		44,850	
		* $p<0.1$; ** $p<0.05$; *** $p<0.01$					

Notes: Dependent variable is $SUPPORT_{i,j,k,f}$. All estimations are with OLS and standard errors clustered at the individual level, neutrals as against and inattentives excluded.