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**THE FUTURE OF THE EUROPEAN
PROJECT: SURVEY RESULTS FROM
MEMBERS OF NATIONAL
PARLIAMENTS IN FRANCE, ITALY AND
GERMANY**

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Centre for Economic Policy Research
33 Great Sutton Street, London EC1V 0DX, UK
Tel: +44 (0)20 7183 8801
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Abstract

We explore the potential for six well-known reform proposals in the European Union such as Eurobonds and European Unemployment insurance through a survey of members of national parliaments in France, Germany and Italy in 2018. In addition, we address three institutional reforms and fiscal policies: a new tax-based own resource for the EU budget, majority voting of the European council on tax policy, and the extension of legislative initiative to the European Parliament. We find that (i) nationality and party alliance are key determinants of reform preferences, but the latter dominates quantitatively the former; (ii) on average Italian politicians and members belonging to the Socialists and Democrats group are much more in favour of further European integration than German policymakers and those from the European People's Party group; and (iii) populist parties in Germany and Italy have radically different views on the future of Europe. In the last part of the paper, we compare the answers for the same questions to the answers made by French and German parliament members in 2016. We find that (iv) there is considerable stability of views over time.

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Sebastian Blesse - Sebastian.Blesse@zew.de
ZEW Mannheim

Massimo Bordignon - massimo.bordignon@unicatt.it
Catholic University of Milan

Pierre Boyer - pierre.boyer@polytechnique.edu
CREST, Ecole Polytechnique and CEPR

Piergiorgio Carapella - pgcarapella@gmail.com
Centro Studi Confindustria

Friedrich Heinemann - friedrich.heinemann@zew.de
University of Heidelberg

Eckhard Janeba - janeba@uni-mannheim.de
University of Mannheim

Anasuya Raj - anasuya.raj@polytechnique.edu
CREST, Ecole Polytechnique

The future of the European project: survey results from members of national parliaments in France, Italy and Germany¹

Sebastian Blesse, Massimo Bordignon, Pierre C. Boyer, Piergiorgio Carapella, Friedrich Heinemann, Eckhard Janeba and Anasuya Raj

ZEW Mannheim; Catholic University of Milan; Ecole polytechnique-CREST; Centro Studi Confindustria; ZEW Mannheim; University of Mannheim; Ecole polytechnique-CREST.

Abstract: We explore the potential for six well-known reform proposals in the European Union such as Eurobonds and European Unemployment insurance through a survey of members of national parliaments in France, Germany and Italy in 2018. In addition, we address three institutional reforms and fiscal policies: a new tax-based own resource for the EU budget, majority voting of the European council on tax policy, and the extension of legislative initiative to the European Parliament. We find that (i) nationality and party alliance are key determinants of reform preferences, but the latter dominates quantitatively the former; (ii) on average Italian politicians and members belonging to the Socialists and Democrats group are much more in favour of further European integration than German policymakers and those from the European People's Party group; and (iii) populist parties in Germany and Italy have radically different views on the future of Europe. In the last part of the paper, we compare the answers for the same questions to the answers made by French and German parliament members in 2016. We find that (iv) there is considerable stability of views over time.

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Introduction

The euro area debt crisis has impressively revealed that the institutional set-up of the Economic and Monetary Union (EMU) as established by the Treaty of Maastricht was imperfect. The crisis, with its sudden loss of market access for sovereign borrowers like Greece, Portugal and Ireland and with its contagion to further EMU countries, has kicked off intense reform debates (Darvas *et al.*, 2011; Buti and Carnot, 2012; Lane, 2012) and led as a consequence, since 2010, to a comprehensive overhaul of its institutions. For example, European fiscal rules have been considerably reformed with the double intention to make the rules both more effective and more flexible in order to react to a changing economic environment (European Commission, 2019). New facilities for the provision of emergency liquidity have been created, both by the euro area member states with the European Stability Mechanism (ESM) (Smeets *et al.*, forthcoming) and the European Central Bank (ECB) with its Outright Monetary Transaction (OMT) program (Tortola, forthcoming).

Yet, despite the previous reform efforts and even before the Covid-19 strike at the heart of Europe, the institutional set-up was perceived as incomplete (Spolaore, 2016; Cecchetti and Schoenholtz, 2020). The European Banking Union is half-built and the euro area lacks macroeconomic stabilization instruments that could insure euro area member states against asymmetric shocks. The reformed Stability and Growth Pact (SGP) seems to lose support from all sides (it is perceived to be either too strict in some countries or too lenient in others; see, for instance, European Fiscal Board, 2019) and the euro area lacks a credible approach to debt restructuring. These issues are forcefully coming back with the pandemic and an overall reform process should emerge to address the pressing issues of finance and debt, euro area budget and risk-sharing.

In many instances, ideological differences and heterogeneous views across countries have led to the blocking, the delay or only partial implementation of reforms in the past. At the same time, it is generally accepted that progress is urgently needed. On what grounds and issues could progress be made? In this paper we seek answers to these questions using data from a unique survey of members of parliament in three European countries (France, Germany and Italy) conducted in late 2018. The survey questions address a broad range of reform issues and cover fiscal and monetary policies (e.g., working of Stability and Growth Pact, introduction of European Unemployment Insurance and Eurozone budget) as well as EU governance mechanisms (such as introduction of own EU tax, legislative initiative for European Parliament, and elimination of unanimity rule for tax policy). We then use our insights to discuss implications for the feasibility of reforms, including in the context of the recent Corona epidemic.

Increasingly, the literature has taken account of different national economic traditions, preferences and beliefs as an obstacle to a functioning monetary union. Guiso *et al.* (2016a) argue that euro area leaders were too constrained by their home countries' prevalent norms to accept an efficient compromise in the Greek debt crisis. Guiso *et al.* (2019) suggest that the rise of populism in Euro countries was also partly the result of the incompleteness of the EMU, as Euro countries did not have enough leverage on monetary and fiscal policy to react to the crisis. This 'cultural clash' view not only prevents an efficient and fast crisis policy but also makes fiscal and political integration even more desirable. Alesina *et al.* (2017) question whether Europe is an 'optimal political area' given the heterogeneity of norms, beliefs and institutions that have not converged since the 1980s in the light of a multitude of indicators, although they also show that cultural heterogeneity across Euro member states is not larger than across US states. With a focus on Germany and France, Brunnermeier *et al.* (2016) stress how different economic policy traditions (French discretion against German rules-orientation) can explain conflict lines. Our survey speaks to the relevance and quantitative importance of these factors among policy makers in three countries.

Specifically, the survey allows us to derive four different insights: *First*, we analyse the role of determinants of subjective beliefs of members of national parliaments on Euro area reform issues. We establish the role of party membership (alliance) and nationality as key determinants. Quantitatively, we show that the former is more important than the latter. This result confirms and extends in two ways our previous finding from an earlier survey of French and German members of parliaments (MPs) in 2016 (Blesse *et al.*, 2019a). The current survey now includes members of the Italian parliament. In addition, the analysis re-evaluates the responses of French and German members of parliament after significant changes

in parliamentary composition between 2016 and 2018 due to elections (e.g., entry of La République en Marche in France and the Alternative für Deutschland, AfD, in Germany).

Our *second* insight speaks to the particular policy and institutional reform areas. Italian members of parliament strongly support a deepening of the European integration project by setting up new or strengthening existing institutions like a European Unemployment Insurance (EUI), Eurobonds, Eurozone budget, and banking union, and by defending existing policies like the expansionary ECB policy. By contrast, on average, members of the German parliament oppose all of these measures except for the banking union. Regarding EMU reforms, France takes an intermediate position on most questions, often leaning toward the Italian side.

Out of nine policy and reform issues we find that there is only one, in which a majority support from all three countries seems within reach: the right to legislative initiative for the European Parliament. In all other areas, preferences among German members of parliament are highly divided along political lines, including members of the parties who belong to the current grand coalition. While Social Democrats in Germany favour a number of policy and reform issues, which would make agreement with Italian and French MPs conceivable, Christian Democrats are often quite opposed. The completion of the banking union is perhaps the best hope, as the opposition of German Christian Democrats is relatively mild.

Our findings suggest that political reforms in Europe may work if elections lead to a more harmonious congruence of political majorities across countries. Having said this, we pay particular attention to the role of (new) populist parties, which may have more extreme views, and thus may make reforms harder.

A *third* insight comes from comparing the outcomes of our surveys in 2016 and 2018. The comparison is limited in terms of countries because our first survey covered only France and Germany, and in terms of questions. For those reform issues that were addressed in both surveys, we asked the same questions and can therefore analyse the answers using a dummy variable for 2018. In 2018, there is marginally more support for the expansionary policy of the ECB, but substantially lower support for the relaxation of the Stability and Growth Pact. By contrast, we find no significant time effect in the context of a European Unemployment Insurance, Eurobonds reform issues as well as qualified majority voting of the European council on tax policy. Overall, our results suggest that at the country level support for and opposition to reform proposals is relatively stable over time.

Fourth, we analyse the views of populist parties, which have risen to prominence in many European countries over the last few years. While the term "populist" is debated upon in social sciences (see, e.g., Mudde, 2017; Guiso et al., 2019; Guriev and Papaioannou, 2020) it is widely used in public debate. We follow the literature and define populist parties as Alternative für Deutschland (AfD) in Germany, and Movimento 5 Stelle (M5S) and Lega Nord (Lega) in Italy.² We find that the average position of members of parliament from the AfD is a lot more extreme than the average position of the rest of German parliamentarians. AfD politicians fiercely oppose all projects that further reinforce European integration and are clearly against relaxing the SGP. By contrast, both M5S and Lega strongly support relaxing the SGP, are in favour of EUI, Eurobonds, and an expansionary ECB policy. They differ more markedly on institutional issues, but when it comes to giving legislative initiative to the European Parliament both agree – contrary to the AfD, which shows mild opposition to this proposal. These results show that populists' views across Germany and Italy are not synchronized and more generally may not easily line up. In this sense, among populist parties a country-specific perspective may dominate the political party attachment.

The rest of the paper is organized as follows: In section 1 we describe the design and the content of the survey. Section 2 covers euro area reform issues, while section 3 deals with institutional reforms in the EU. In section 4, we compare our results with those from a previous survey in France and Germany. In the final section, we conclude and discuss our results in light of the rise of populism and the Covid-19 crisis.

² We cannot present separate results for France's Front National, as we cannot respect anonymity of their answers due to the small number of MPs.

1. Survey design and questions

1.1. Survey design

The survey covers the members of national parliaments of France (Assemblée Nationale and Sénat), Germany (Deutscher Bundestag) and Italy (Camera dei Deputati and Senato della Repubblica). Our multilingual survey was jointly conducted by the École polytechnique (France), the ZEW Mannheim and the University of Mannheim (Germany), and the Catholic University of Milan (Italy). French, German and Italian questionnaires were formulated in the respective languages but had the same content and wording.

The survey was conducted in September 2018. Cover letters with the two-page survey were sent out at the same time from Palaiseau (France) in French for the French parliaments, from Mannheim (Germany) in German for the Bundestag, and from Milano (Italy) in Italian for the Italian parliament. The multi-step process was as follows: first, the questionnaire was sent to the main office of the respective MPs via letter post. The MPs could then respond by either post, or email, or a separate online-survey tool. Second, reminder emails were sent out to those who did not participate initially and who did not decline to participate. Third, MPs who had still not responded were contacted by phone. Answers were received between September 2018 and January 2019.

The survey was not anonymous. Confidentiality of the individual answers was guaranteed in order to encourage unbiased reporting of preferences. We randomized the ordering of questions in each question bloc in order to avoid biased responses due to possible framing effects. The characteristics of individual members of parliament (MPs) such as party membership, age and gender among others, are obtained from public sources.

The survey resulted in 328 completed answers out of 2,575 questionnaires in total. This amounts to a response rate of 12.7%, which is common among parliamentary surveys (Blesse *et al.*, 2019a, 2019b, Deschouwer *et al.*, 2014). Table 1.1 summarizes response rates across parties/party groups, while Table 1.2 shows rates by country. Response rates in Italy are clearly lower than in the other two countries. We present a detailed non-response analysis below.

Both national and ideological factors can play a substantial role in the observed differences in opinions on Eurozone reforms (Blesse *et al.*, 2019a). To take this into account, we present both country and ideology-related means for the policy fields of our survey.

Our party group analysis uses party groups of the European Parliament to classify the parties cross-country. An exception is made for the Five Star Movement (M5S), which is not currently a member of any European party. Due to an insufficient number of observations for smaller groups we can apply the party-group aggregation only to the conservative (European People's Party group, EPP) and the social democratic and socialist parties (Progressive Alliance of Socialists and Democrats, S&D). The EPP comprises MPs from the CDU/CSU in Germany, Les Républicains and Les Indépendants in France, and Forza Italia and Per le Autonomie (SVP) in Italy. Members of the German SPD, the Italian Partito Democratico, as well as the French parties of Groupe socialiste, RDSE and Nouvelle Gauche, participate in the European Parliament's S&D. In addition, we consider positions of the French government party La République en Marche (LREM) that in the 2014-19 legislative term did not have any seats in the European Parliament. After the last European elections, it formed a new political group with the Alliance of Liberals and Democrats for Europe (ALDE) called Renew Europe, which also contains members of the Free Democratic Party (FDP) in Germany. Lastly, Lega with the German AfD formed a new group, Identity and Democracy (ID), together with the French far right Rassemblement National (RN). However, in order to respect anonymity of responses, we are not able to include indicators for RN, due to their small number of seats in the French parliament.

Table 1.1: Answers per party

European Political Group	No answer	Answer	Total
S&D	381	64	445
	85.6%	14.4%	100%
Renew Europe	401	88	489
	82.0%	18.0%	100%
Five Stars Movement	311	20	331
	94.0%	6.0%	100%
ID	234	38	272
	86.0%	14.0%	100%
EPP	649	77	726
	89.4%	10.6%	100%
Other	271	41	312
	86.9%	13.1%	100%
Total	2247	328	2575
	87.3%	12.7%	100%

Table 1.2: Survey response rates by country

Country	No answer	Answer	Total
France	793	124	918
	86.49%	13.51%	100%
Germany	584	125	709
	82.37%	17.63%	100%
Italy	869	79	948
	91.67%	8.33%	100%

As is visible in Tables 1.1 and 1.2, response rates are very different across parties. Renew Europe has an almost 18% response rate, while the Five Stars Movement, currently the largest party in Italy, has a 6% rate. And German MPs, relative to those from France and Italy, and MPs from the liberal coalition Renew Europe, are more likely to participate in the survey. Table 1.3 allows to compare response rates along the two dimensions (country and party), showing a spread between the response rates of AfD and the Lega.

Table 1.3: Survey response rates across countries and parties

Participation in %	France	Germany	Italy	Average across countries
S&D	11.6	16.3	14.7	14.4
Renew Europe	16.6	25.0		18.0
EPP	10.8	12.2	8.0	10.6
M5S			6.0	6.0
ID		31.9	5.0	14.0
Other	10.8	15.1	12.1	13.1
Average across parties	13.5	17.6	8.3	12.7

Discrepancies in response rates raise the issue of a selection bias. Therefore, we conduct a non-response analysis (more specifically a Probit analysis) to identify the factors that influence MPs to participate in the survey (Germans, Renew Europe members as well as MPs with a Ph.D. are more likely to engage in the survey), and control for them in the main analysis. Table 1.4 shows the average marginal effects corresponding to our participation model. Appendix B discusses another possible participation model and presents the corresponding

results. When computing average opinions across countries or parties, we are weighting with the inverse of the predicted response rate.

Table 1.4: Participation analysis with a Probit model

	Average Marginal Effects
Country effects (compared to France)	
Germany	0.0476*** (0.00469)
Italy	-0.0237 (0.0156)
Party effects (compared to EPP)	
SD	0.0420 (0.0219)
Renew Europe	0.0722*** (0.0135)
M5S	-0.0140 (0.0204)
ID	0.0408 (0.0755)
Other	0.0255* (0.0128)
Personal characteristics	
Sex	-0.0208 (0.0235)
Age	0.000572 (0.000806)
Years in parliament	-0.000852 (0.000930)
Education (in comparison with no tertiary education)	
Tertiary education up to bachelor	0.0399 (0.0206)
Master or equivalent	0.0510* (0.0203)
Doctoral or equivalent	0.0359*** (0.00775)
Unknown	0.0215 (0.0160)
Observations	2,575
Standard errors in parentheses	
*** p<0.001, ** p<0.01, * p<0.05	

Average marginal effects from a probit model where the outcome is the answer dummy.

1.2. Survey Questions

We focus on questions regarding Eurozone possible reforms or policy proposals, and on questions relating to institutional reforms and fiscal policies. These questions are currently debated both at the academic level and at the political one. In particular, we asked the MPs how much they agreed or disagreed with the following

proposals or statements (the original question is in quotation marks and a brief commentary is provided below it; the original survey can be found in Appendix A):

1.2.1 Euro area reforms

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

A European Unemployment Insurance scheme would provide unemployment benefit transfers to single member states in times of economic crisis and might stabilize available incomes across member states.

2. “All euro countries are jointly liable for Eurobonds and all euro countries pay the same interest. The EMU should issue Eurobonds.”

Eurobonds that represent joint sovereign bond emissions of all euro member states with collective guarantees would result in a uniform interest yield for all euro members for the share of national debt that is financed through these instruments. This would hold independently of the Member States’ varying individual default risk and fiscal performance.

3. “The SGP defines deficit and debt limits for EU member states. The SGP inappropriately constrains fiscal policy in member states, and should be relaxed.”

One goal of the SGP is to steer public debt to a level below 60% of GDP and the government’s structural deficit below a country-specific medium term objective (MTO), which reflects the Member State’s debt level and growth prospect. Violations trigger fiscal adjustment processes and eventually fines in case of non-compliance. Supporters of the SGP see fiscal rules of this type as necessary to guarantee the stability of a common currency, and to prevent negative spillovers from one country’s fiscal policy to other countries. Opponents stress that the fiscal rules represent too complex and rigid a straitjacket, with the result of undermining the economic performance of Member States.

4. “The European Central Bank (ECB) took a strongly active position in recent years by purchasing sovereign bonds of euro countries. This strongly active position of the ECB should continue.”

The ECB’s expansionary monetary policy (known as Quantitative Easing, QE) is controversial, with critics raising concerns regarding asset price inflation, indirect government financing, and long-run risks for financial stability. On the contrary, supporters suggest that in the aftermath of a serious recession, QE has avoided the risk of deflation and supported the stability of the euro and the economies in a time of severely constrained fiscal policy in several countries.

5. “For its proper functioning, the European Banking Union should be completed through the European Deposit Insurance Scheme (EDIS).”

The completion of the banking union represents an element to contain the spread of a crisis through the international banking system. So far, the banking union lacks one fundamental pillar: the European Deposit Insurance Scheme (EDIS) would help absorb the shock of economic downturns. Opponents to an EDIS are afraid of a European collectivization of non-performing loans or excessive sovereign exposure in national banking systems.

6. “For a proper functioning, the EMU needs new fiscal institutions (e.g. a euro area budget or a European Minister of Finance).”

There is some degree of polarization between Eurozone countries on this issue, since some states worry about being exposed to the fiscal imbalances of other countries, and there may be an underlying risk of moral hazard by high indebted countries.

1.2.2 Institutional reforms and fiscal policies

1. “There should be a new tax-based own resource for the EU budget under direct control of the EU (e.g. an EU tax on a common corporate tax base).”

This is a proposal to increase the share of genuine own resources, by introducing an EU tax (on some common tax base, such as corporate income) directly controlled by the European Parliament (EP) and other EU institutions.³ Supporters of such a proposal claim that an EU tax for the budget could increase transparency and fiscal responsibility on the European level. Opponents fear that new own resources would pave the way for an excessive budgetary expansion and weaken pressure towards spending efficiency.

2. “The European Council should be able to vote on tax issues with a qualified majority instead of unanimity (e.g. common caps or floors for corporate taxes binding for member states).”

Among policymakers there is the perception of widespread problems of tax competition in the Internal Market, particularly for mobile tax bases (such as capital and corporations). From this perspective, the veto power of Member States is seen as an impediment to further limit tax competition and tax avoidance. Opponents to majority voting in taxation defend national tax autonomy as a legitimate national degree of freedom and regard tax competition as beneficial to foster public sector efficiency and to protect citizens and companies against an excessive tax burden.

3. “The European Parliament should get the right to propose new EU laws (i.e. the legislative initiative) which is currently confined to the European Commission.”

The perceived lack of democracy at the European level and the decrease in participation rates at the European elections fuels the arguments in favour of more decisional power for the European Parliament, for example, by allowing it to make legislative proposals (at the moment only the Commission has this right).

Parliamentarians could answer each of these questions on a scale between -4 (“Disagree”) via 0 (“Undecided”) to +4 (“Agree”). In most cases a positive mean value signals support for strengthening the European institutional framework, a negative mean signals a preference for the status quo of Member State autonomy. An exception is the case of the SGP, where a positive value indicates a relaxation of the constraints imposed by the SGP and thus more national sovereignty.

2. Euro area reform preferences of national MPs

2.1. Whole sample

We now provide an overview and interpretation of the results of our survey, and start with the questions from the first part of the survey on Euro area reform preferences. An analysis of the second part of the survey on institutional reforms is presented in section 3.

There is a strong polarization between countries regarding several reform proposals for the Eurozone. In particular, German MPs are clearly opposed to EUI, while a relative majority of Italian MPs strongly supports it. Instead, French MPs’ preferences are more dispersed, with an overall neutral position, the average score of the answers being 0.14. (Table 2.1). The same goes for a softening of the SGP where there is also a mild opposition from France.

Table 2.1: Average answer scores by nationality

Country	European unemployment insurance	EMU should issue Eurobonds	Asset purchase of ECB should continue	Stability and Growth Pact should be relaxed	EMU needs new fiscal institutions	Completion of Banking Union
France	0.14 (0.24)	1.15 (0.22)	1.52 (0.20)	-0.49 (0.25)	1.65 (0.26)	1.54 (0.19)
Germany	-1.49 (0.28)	-1.65 (0.28)	-1.24 (0.25)	-1.59 (0.25)	-0.98 (0.27)	-0.45 (0.27)
Italy	2.56 (0.20)	2.13 (0.24)	2.27 (0.24)	2.29 (0.26)	1.70 (0.30)	2.09 (0.23)

Note: Standard errors are in parentheses. Weighting with the inverse probability of responding to the survey.

³ See, for instance, the report by French parliamentarians in November 2018, “La refondation démocratique de l’Union Européenne” or the academic proposal tdem.eu.

On the other hand, there is a divide between German MPs on the one hand and French and Italian MPs on the other hand, on Eurobonds and on asset purchase by the ECB, as well as on the creation of new fiscal institutions in the monetary union. Indeed, there is a fairly large consensus among French and Italian MPs, while on average German politicians are opposed to those proposals. However, German opposition against EDIS is the mildest, leaving open the possibility of completing the banking union.

It is interesting to note that positions within Germany are highly divided on almost all issues, even among the current grand coalition of Christian Democrats and Social Democrats. Christian Democrats are strongly opposed to almost all integration proposals (with scores between -1,75 and -3,5), while Social Democrats are strongly in favour with (scores between +1,64 and +2,44). A mild exception is the case of completing the banking union, where Christian Democrats have a score of -0,93 “only”.

Table 2.2: Average answer scores by party

Party	European unemployment insurance	EMU should issue Eurobonds	Asset purchase of ECB should continue	Stability and Growth Pact should be relaxed	EMU needs new fiscal institutions	Completion of Banking Union
S&D	2.48 (0.25)	2.14 (0.23)	2.28 (0.26)	1.34 (0.27)	2.75 (0.21)	2.35 (0.20)
Renew Europe	0.24 (0.26)	0.76 (0.27)	0.90 (0.25)	-1.05 (0.27)	2.00 (0.26)	1.52 (0.24)
EPP	-0.38 (0.37)	0.02 (0.38)	0.76 (0.31)	-0.70 (0.37)	0.57 (0.32)	1.15 (0.28)
M5S	2.50 (0.32)	1.56 (0.50)	1.91 (0.45)	3.11 (0.44)	0.67 (0.61)	1.11 (0.42)
ID	-1.94 (0.62)	-1.96 (0.51)	-1.84 (0.64)	-0.49 (0.65)	-2.60 (0.43)	-1.98 (0.49)
Other	0.81 (0.42)	2.01 (0.34)	1.68 (0.36)	0.57 (0.42)	0.93 (0.52)	1.90 (0.36)

Note: Standard errors are in parentheses. Answers are weighted with the inverse response probability.

Regarding party aggregation, the left and right differ markedly. MPs from S&D (the democratic left party) tend to favour Eurobonds, a strong ECB involvement, new EMU institutions, EUI, and support a softening of the SGP. Conservative MPs (EPP) tend to take the opposite position, although their view on European reform issues is often only mildly positive or mildly negative. Exceptions are ECB asset purchases and in particular EDIS that are also supported by conservative MPs. As for the other parties, Renew Europe can be seen as a milder version of the S&D, but going in the same direction, except for the softening of the SGP, where there is more opposition. M5S is close to Renew Europe on several issues with the exception of the SGP, which it strongly wants to be softened. The role of the SGP is likely to be more of a country issue rather than a political one, since all Italian parties, including the far-right, are in favour of a softening of SGP rules, as overtly advertised in the campaign for the European elections. On EUI, however, M5S is much more enthusiastic than Renew Europe and indeed, the social democratic parties themselves.

Tables 2.1 and 2.2 allow to grasp the average opinion of MPs along one dimension, either the party or the country. We now analyse which factors are most important in MPs preferences. In order to make precise comparisons and take advantage of the full scale of answers, we use an ordered Probit model, which allows us to isolate a country effect and a party effect, while controlling for personal characteristics of MPs. The following graphical displays (Figures 2.1 – 2.6) show results along country and party lines, in each case against a benchmark: French MPs and EPP MPs, respectively. The tables with the full regression results are in Appendix C.

Figure 2.1: European unemployment insurance

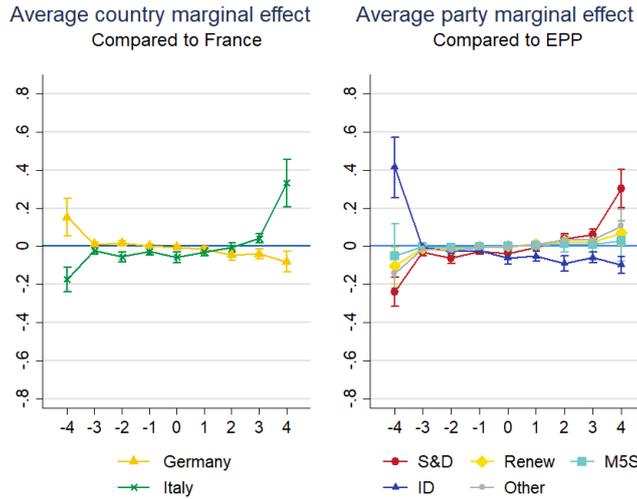


Figure 2.1 can be interpreted as follows: compared to French MPs, Italian MPs are 33% more likely to “strongly agree” (+4) with the creation of a European Unemployment Insurance, while German MPs are 15% more likely to “strongly disagree” (-4) relative to French ones.

Figure 2.2: EMU should issue Eurobonds

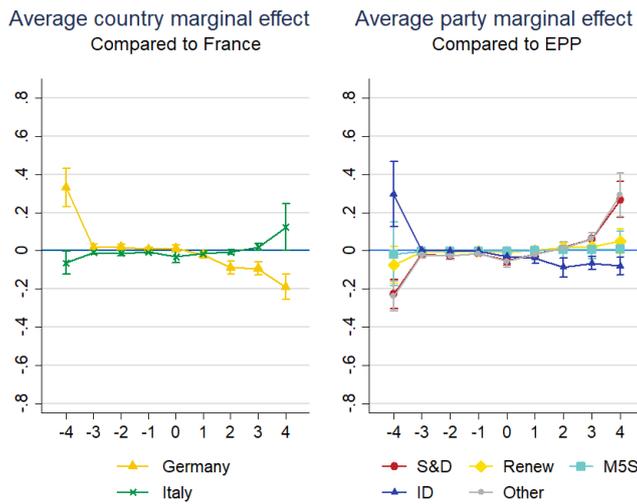


Figure 2.3: The asset purchase of ECB should continue

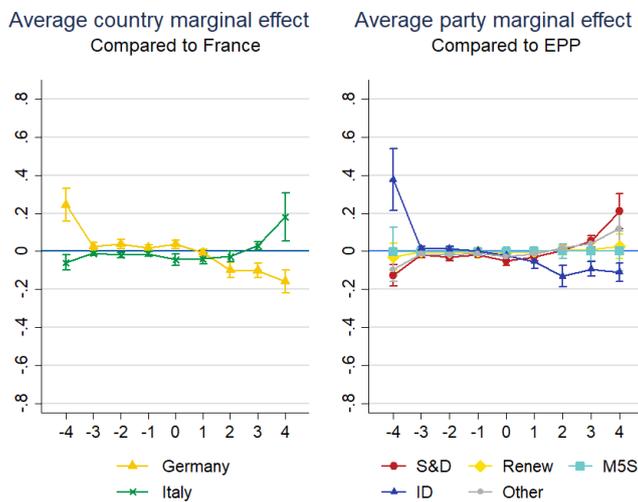
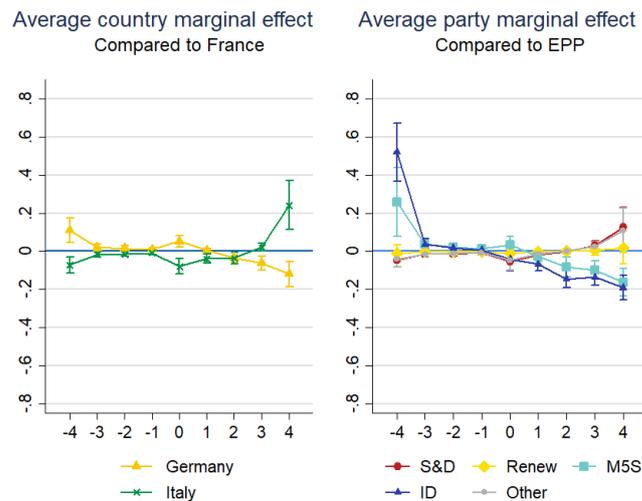


Figure 2.6: Completion of a Banking Union

In general, M5S MPs' opinions do not differ significantly from EPP's, apart from questions relating to the SGP, the completion of a Banking Union, and the creation of new fiscal institutions. Identity and Democracy (ID) MPs clearly oppose every step in further integration and in strengthening the EMU. Indeed, ID is formed by the three largest far-right *souverainist* parties in Europe and their political willingness is to stop, or in some cases take steps back on the European project. In particular, the German AfD is strongly opposed to all European policy measures; we come back to its specific position below.

Our results demonstrate that party group and country are the most important factors in the preferences of the MPs. As can be seen in Figures 2.1 to 2.6, on all issues average marginal effects for nationality are smaller or equal in absolute terms to party ones.

Personal characteristics seem not to affect preferences much. A very small number of coefficients are significant, mostly for the education level, but the size of the average marginal effect is very small.

This result has implications for the future of the European Project if one looks at the results of 2019 European Parliament elections. The far-right has gained 37 seats with respect to the previous election, therefore, the *souverainist* wave is in a better position to hinder the process of European integration. However, it might be worthwhile noting here, that even though AfD opposes more EMU integration more strongly than the rest of German MPs, the position of Germany isn't driven by these MPs: the direction and magnitude of average marginal effects of our econometric analysis do not change much when AfD MPs are excluded from the sample (results in Appendix D). We come back to this in the next subsection on populist parties.

2.2. Populist parties

We follow the literature and define populist parties as AfD in Germany, and M5S and Lega Nord in Italy⁴. We cannot present separate results for France's Rassemblement National MPs because we cannot guarantee anonymity of the answers with their small number of MPs.

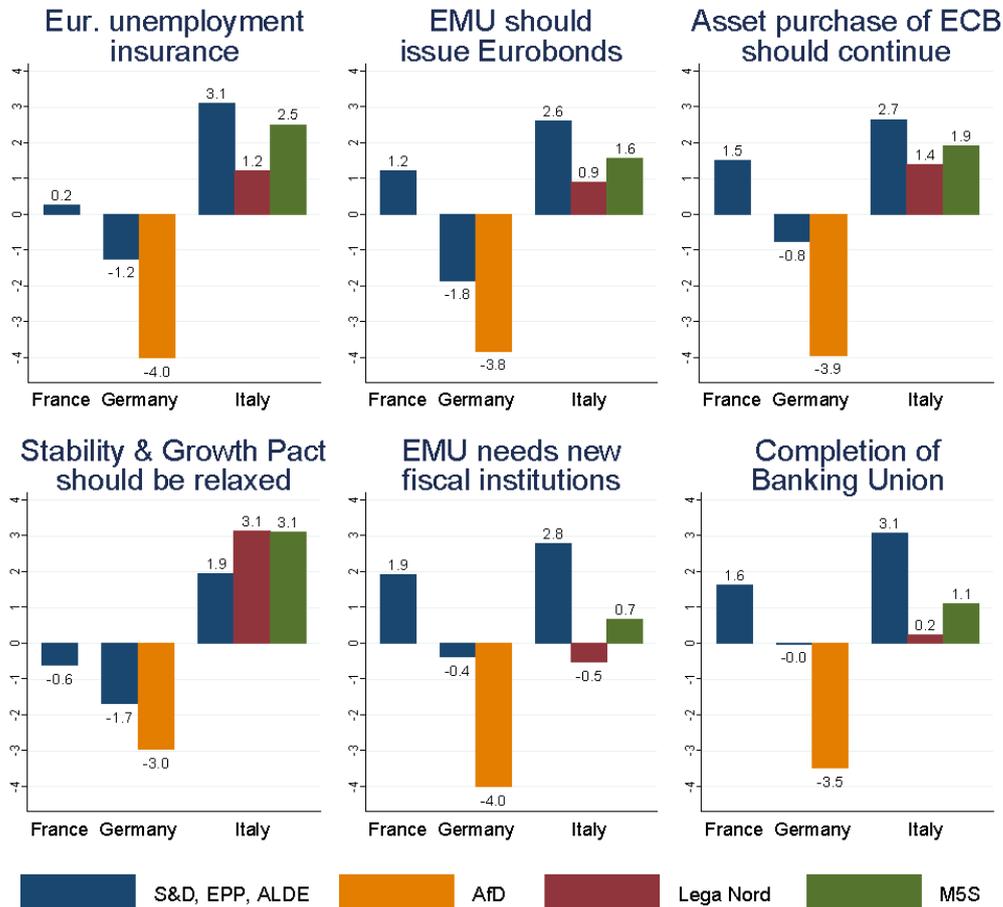
What is striking when considering Figures 2.1 to 2.6 is how different M5S is from parties in ID (which is composed of AfD and Lega Nord). When looking into more detail at averages (see Figure 2.7), it is also clear that even though both AfD and Lega Nord belong to the same European Party (ID), they differ quite a lot in their opposition to more EMU integration, the former systematically opposing further European integration more strongly than the latter.

In general, M5S parliamentarians' opinions go in the same direction as the rest of Italy's moderate parties, even though they are less supportive of increased European integration in general. Exceptions are the introduction of EUI, where they have almost the same score as moderate parties, and the relaxation of the SGP,

⁴ See Bordignon and Colussi (2020) for a detailed discussion of M5S and Lega political positions justifying the label "populists" for these two parties.

for which their support is even stronger (see the analysis in the above section). According to the definition of Mudde (2017), M5S is a large populist party with a “thin” ideology, while Lega is a *souverainist* party. Our survey in 2018 foreshadows the divisions between the two parties composing the Italian government around the 2019 European election.

Figure 2.7: Average scores of populist parties versus scores of main parties



Note: figures are weighted with the inverse response probability.

3. Other Reform Areas: institutional and fiscal policies

3.1. Whole sample

We begin again with average scores of each proposition along country and party lines, before analysing more precisely country and party average marginal effects with the ordered Probit model.

Table 3.1: average answer scores by nationality

Country	EU tax as a new own resource	Qualified majority for tax policy	Legislative initiative for EP
France	1.33 (0.28)	0.86 (0.26)	2.31 (0.22)
Germany	-0.89 (0.28)	-0.36 (0.30)	2.05 (0.25)
Italy	0.49 (0.37)	1.10 (0.33)	2.97 (0.22)

Note: Standard errors are in parentheses. Results are weighted with the inverse participation probability.

Table 3.2: average answer scores by party

Party	EU tax as a new own resource	Qualified majority for tax policy	Legislative initiative for EP
S&D	2.03 (0.32)	2.84 (0.19)	3.28 (0.17)
Renew Europe	1.81 (0.26)	0.84 (0.28)	2.77 (0.18)
EPP	-0.28 (0.38)	0.15 (0.36)	2.00 (0.27)
M5S	-0.31 (0.66)	0.40 (0.58)	2.80 (0.53)
ID	-3.24 (0.31)	-2.50 (0.45)	0.44 (0.47)
Other	1.15 (0.49)	0.79 (0.51)	3.30 (0.28)

Note: Standard errors are in parentheses. Results are weighted with the inverse response probability.

Figure 3.1: EU own tax resource

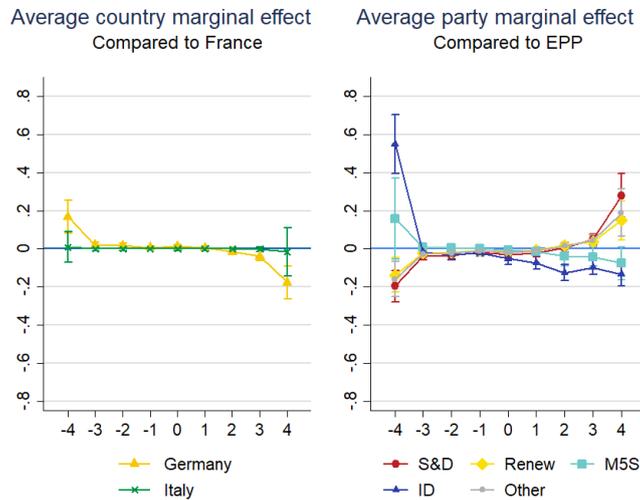


Figure 3.2: Qualified majority for tax policy

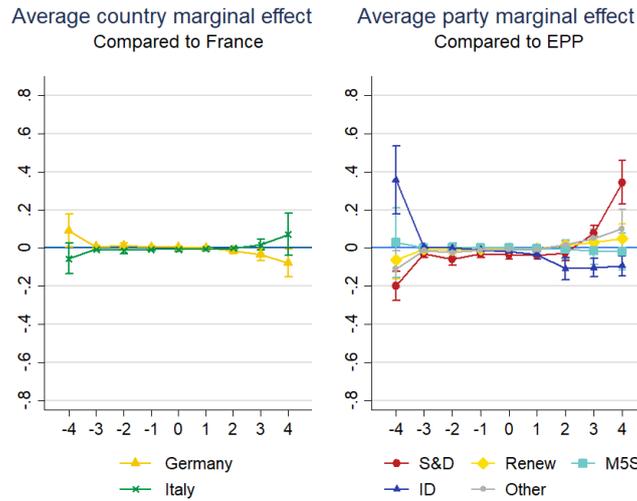
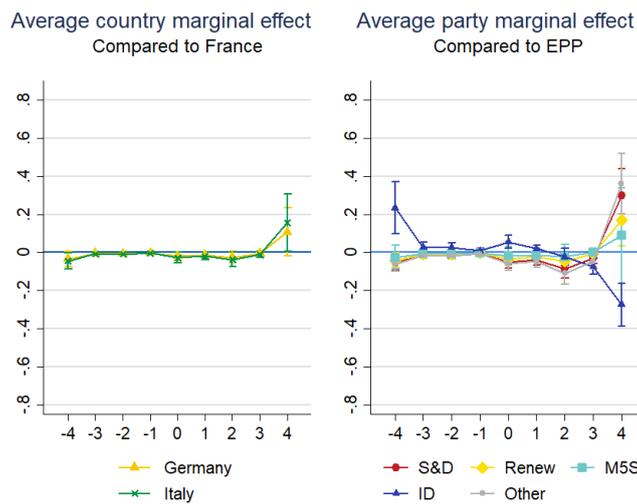


Figure 3.3: Legislative initiative for the European Parliament



As can be seen in Table 3.1, and the left panel of Figure 3.3, there is on average widespread consensus among MPs from all countries that the European Parliament should get the right to propose new legislation. On the other two issues, there is less congruence. French and Italian MPs share a moderate support of majority voting on taxes, while German MPs have on average a neutral view. French MPs are the most supportive of an own EU tax, while Italian parliamentarians are neutral and a moderate opposition is found among German MPs. Figure 3.2 and regressions in the Appendix, however, show that Italian MPs’ opinions do not differ significantly from French MPs on majority voting for taxes or an EU own tax. The latter proposal is the only of the three for which German MPs differ significantly (at the 5% level) from French MPs.

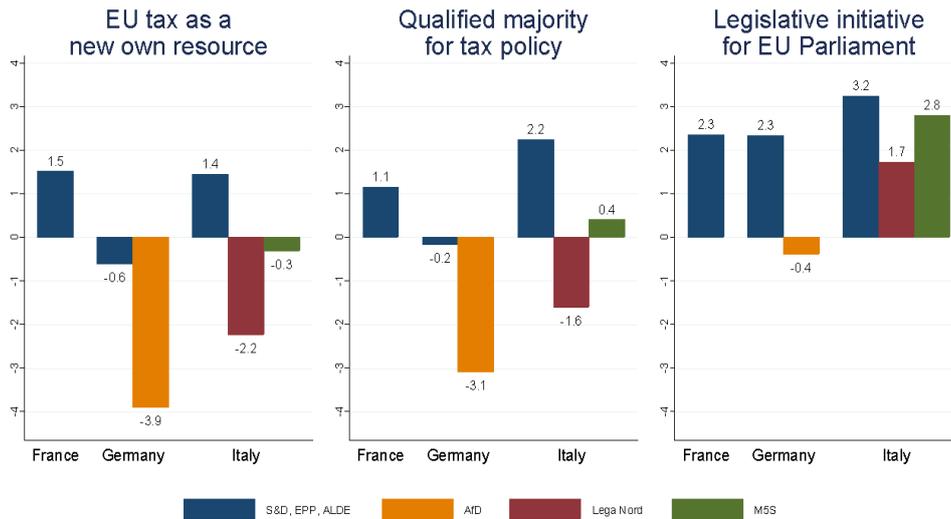
All parties at the European group level support the EP’s legislative initiative (see Table 3.2). Member parties of ID, while supportive, are however less so than the other parties. An own EU tax is welcome among Renew Europe and S&D parliamentarians. By contrast, EPP and M5S are negative but close to indifferent. ID members stand in strong opposition to an own EU tax source. A somewhat similar picture arises for majority voting on taxes. While ID members are strongly opposed to this, majority voting finds varying degrees of support among other parties. Strongest support for a new voting mechanism is found among S&D members. EPP MPs are close to neutral and Renew Europe parliamentarians mildly support it.

Again, it is interesting to look at the German position in more detail in order to gauge the likelihood of an agreement among governments at the European level. The average score for Germany in Table 3.1 suggests that not only a new legislative right for the EP may find majority support in Germany but also progress on the other two issues is possible. Behind the average, however, there lies a large division among the parties of the current grand coalition. German Christian Democrats are strongly opposed to majority voting on tax issues (-1,55) as well as to an EU own tax (-1,66), while Social Democrats favour both strongly (+3,08 and +1,83). Only the EP initiative right is welcome by both parties.

3.2. Populist parties

Again, looking more closely at populist parties, a clear difference can be seen between M5S on the one hand, and Lega Nord and AfD on the other hand. The latter two are against both an EU own tax source and qualified majority voting for tax policies, even though in both cases, AfD's opposition is stronger (almost to the maximum possible extent in the case of EU having an own tax resource). Lega Nord is much closer to M5S on the question of giving the European Parliament legislative initiative, where its opinion is aligned with Italy's moderate parties as well. Interestingly for both fiscal proposals, M5S members' opinions lie between those of moderate parties and Lega Nord. We conclude that on institutional reforms there is a fair amount of heterogeneity among populist parties across countries, which extends also to the two Italian populist parties.

Figure 3.4: Average scores of populist parties versus scores of main parties



4. Repeated cross-sections

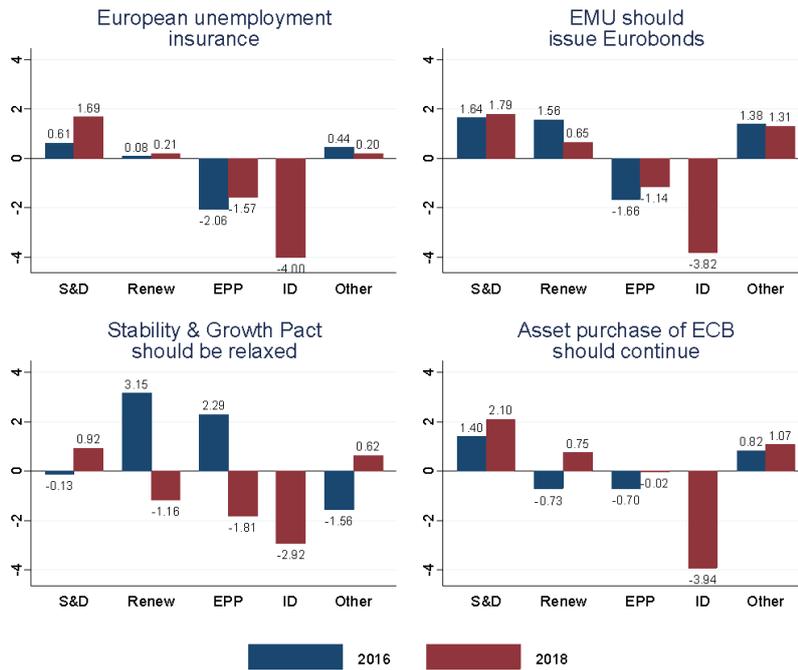
The survey conducted in 2016 concerned France and Germany only. This allows us to compare answers for these two countries over time. The set of politicians in the two surveys is not identical (we have 39 politicians who responded to both surveys), but using party affiliation we seek to assess the stability of preferences.⁵ Of course, the economic and political environment differed in those two years as well, which somewhat limits the interpretation of results. Still, the comparison provides valuable hints as to the stability of preferences.

⁵ The only exception is that ALDE has been replaced by Renew Europe. Even though its composition has changed for France due to the creation of the new party La République en Marche, we compare Renew Europe and ALDE's members' opinions in the following.

4.1. Euro area reforms

Four of the six questions relating to the EMU (EUI, Eurobonds, SGP, ECB) were already asked in the first survey in 2016. The following graphs show the mean approval over time by party group. As Figure 4.1 shows, MPs from S&D are in 2018 even more in favour of strengthening the EMU than in 2016. Average consensus score has almost tripled for EUI, it turned from negative to strongly positive for the relaxation of the SGP, and remained high for the introduction of Eurobonds. On the other hand, on average the EPP’s negative opinion toward EUI and Eurobonds has slightly decreased in absolute terms. However, conservative MPs have completely changed their position on the softening of the SGP: in 2016 they were strongly in favour of it, while now they are firmly against any modification of the Pact.

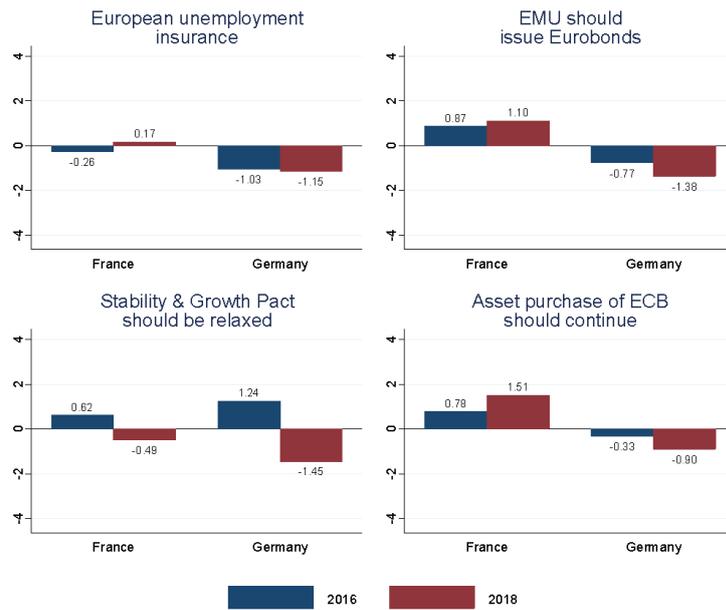
Figure 4.1: EMU reform opinions over time across parties



Note: these are weighted averages by party and year.

Looking at the whole sample, and controlling for MPs personal characteristic, it appears that preferences of the MPs do not change so much over time. The coefficient of the 2018 dummy in the tables of Appendix E is almost always not significant. Interestingly, confirming the descriptive statistics above, the 2018 dummy is strongly significant in the regression relating to the softening of the SGP: compared to the 2016 survey the support for relaxation of the SGP has decreased and the coefficient is quite large in magnitude. This effect is not driven by the presence of the far-right (which was not included in the last survey), since the coefficient remains strongly significant when leaving out MPs from AfD.

Figure 4.2: EMU reform opinions over time across countries



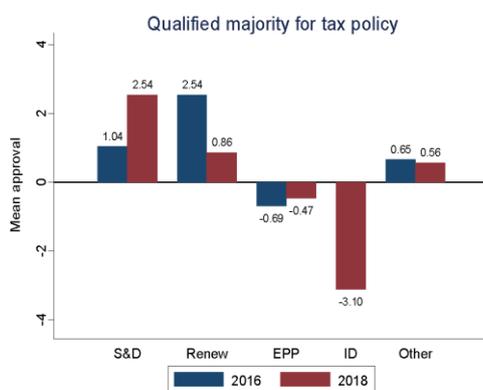
Note: these are weighted averages by party and year.

Comparison of answers over time by country rather than party group (Figure 4.2) shows that for three out of four policy issues, polarization between France and Germany has increased. In 2018 French parliamentarians are more supportive of ECB policy, EUI and Eurobonds than in 2016, while German policymakers have become more sceptical. Only with respect to the Stability and Growth Pact, both countries have become less favourable to relaxation, although the switch in Germany has been much larger than in France: on average French MPs have switched from a mildly positive opinion (with +0.62) on the question to a mildly negative one (with -0.49).

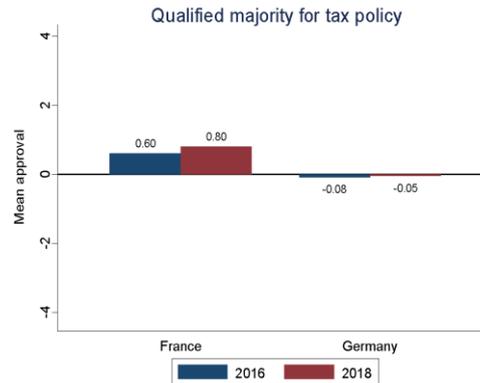
4.2. Institutional reforms

The only question on institutional reforms in both surveys is the one on majority voting regarding tax policies. Interestingly, the proposal has gained stronger support among S&D members, and milder support among Renew/ALDE members (Figure 4.3). In both countries, opinions are fairly stable over time. Support in France has increased slightly, while German MPs have switched from very mild support to mild opposition.

Figure 4.3: EMU reform opinions over time across parties



Note: these are weighted averages by party and year.

Figure 4.4: EMU reform opinions over time across countries

Note: these are weighted averages by party and year.

Taken together, the results in this section suggest that preferences are fairly stable over time at the country level (measured by average scores), but at the party level there is less stability, and on some issues in some parties we even observe quite strong absolute changes in scores, although rarely sign changes.

5. Discussion and concluding remarks

In this paper, we focus on two sets of important avenues for the future of European integration: euro area reforms on the one hand and institutional and fiscal policy reforms on the other hand. We analyse these issues via a unique survey of members of parliaments in three European countries, which allow us to speak to the political feasibility of reforms in Europe.

Overall, we find that the nationality and party group belonging play significant roles in explaining preferences, while individual characteristics matter little. Importantly, evidence points to the quantitative importance of party group (e.g., ideology) over nationality. Focusing on the latter first, we find a significant Germany effect, which means that compared to French MPs German politicians display more resistance to proposals for more EU. By contrast, Italian politicians show more support for these proposals than French ones.

Regarding the ideological dimension measured, center-left politicians belonging to the S&D party group are strongly in favour of more European integration on economic issues, and more so than parties on the center right belonging to the EPP group. Renew Europe, which comprises LREM in France and the market liberal FDP in Germany, shows no significant difference in positions compared to EPP as far as proposals such as the introduction of an European unemployment insurance scheme and Eurobonds, the continuation of the ECB asset purchase program, or relaxation of the Stability and Growth Pact are concerned. On the issues of a new tax-based own resource for the EU and the right of legislative initiative for the European Parliament, however, Renew Europe is more aligned with S&D and significantly more in favour of these proposals than EPP.

What do these results imply for the future of Europe and the feasibility of reforms? Given the importance of party/ideology that we have identified, economic and institutional reforms are not doomed per se, but could become more likely if political majorities align better across countries. For example, a center-left majority in Germany is likely to be more inclined towards European integration than the current government in Germany is. Without such an alignment, progress seems to be limited to those areas, where support is found among the major parties in all countries. Based on our survey, we find this only in the area of the right to legislative initiative for the European Parliament. The case of the completion banking union is the second best hope, because opposition by Germany's Christian Democrats is relatively mild.

Our survey was conducted in 2018 and reflects the views of policymakers at that time. Since then the world has changed considerably. Two issues strike us as important: the further rise of populism and the Covid-19 crisis, both of which may affect the likelihood of reforms in Europe.

The survey allows us to study the reform preferences of populist parties in Germany and Italy. We have seen that members of the German AfD are fiercely opposed to further European integration. While their vote share

is relatively moderate their influence may go beyond those numbers, as the center-right parties may be afraid of losing voters when agreeing to further integration steps. In this sense, the feasibility of reforms in Europe may be hampered by the rise of German populism. By contrast, populist parties in Italy are much more integrationist, which per se favours reforms leading to more risk sharing in Europe. At the same time, however, the heterogeneity of views among populist parties in Europe (such as AfD and Lega) makes clear that there is not a unified populist power. Moreover, there is the danger that regardless of which reforms in Europe are adopted or not, either of these populist parties may gain in political support, which then undermines the country's willingness to cooperate: More risk sharing in Europe may reduce populism in Italy, but raise it in Germany, while the opposite happens when more risk sharing is blocked. Hence, there appears to be an interdependence of populism in Europe that constrains the political feasibility of reforms.

The recent and ongoing Covid-19 crisis has the potential of changing fundamentally the working and institutional design in Europe. While the epidemic has affected all countries, and in this sense, is a symmetric shock, the incidence and economic consequences are quite different across countries. Italy has been affected much more than Germany, in a situation where the economic recovery in Italy was modest and the fiscal situation was burdened from past policies. In response to the challenge, the European Commission has presented an ambitious recovery plan that contains elements of common debt issue, an extended own source financing, and large-scale transfers (beyond more loans). The proposal builds upon a similar one jointly advanced by the French and German governments. The new recovery instrument is supposed to be temporary, in order to contrast the economic effects of the Covid-19 pandemic. However, it is very innovative, particularly for the common debt issuance, so much that the international press in some cases presented it as a potential "Hamiltonian moment" for the European Union. Still, any proposal along those lines needs approval by all national parliaments and opposition from countries less in favour of it would have to be overcome.

The Commission's plan for financing of the recovery does not contain any element of new own EU tax sources, although it underlines that a proposal will be made at a later stage. The new tax resources should come particularly from environmental and corporate taxation and would be used to finance in the future (since 2028 and up to 2058) the interests and the principal of the debt raised in the next budget cycle. In the meantime, the Commission's plan uses to guarantee the issue of loans the headroom created by an extended own resource ceiling of 2% of GDP for the next EU budget and a lower payments ceiling. The proposal falls short of Eurobonds, which would imply that every country is jointly and separately liable for all debt issued. For this reason, the Commission's proposal avoids the strong opposition against Eurobonds from center-right politicians in the German government, which we found in our survey. At the same time, it is not clear whether the Commission's proposal would find enough support in the German grand coalition. If it does, however, the way towards Eurobonds and/or an own EU tax source – while still very difficult - may become more likely, as the experience of a large-scale shock in Europe may have changed preferences and beliefs of policy makers. Additional surveys in the future should address the support among policy makers and would make a comparison to our survey possible.

Appendix

Appendix A: Survey on the prospects of the European Union (EU)

1. Competency allocation in Europe.

Do you approve the following proposals?

Energy policy

The EU should be able to make binding guidelines to the member states regarding the energy mix (e.g. regarding the share of renewable energies, coal or nuclear power).

Disagree *Undecided* *Agree*

<input type="checkbox"/>								
-4	-3	-2	-1	0	+1	+2	+3	+4

Immigration policy

The EU should get a stronger role in immigration policy (e.g. decisions over admission standards or allocation of refugees).

Disagree *Undecided* *Agree*

<input type="checkbox"/>								
-4	-3	-2	-1	0	+1	+2	+3	+4

Defense policy

A European army under the command of the EU and financed from its budget should take over duties from national armies regarding international conflict deployments.

Disagree *Undecided* *Agree*

<input type="checkbox"/>								
-4	-3	-2	-1	0	+1	+2	+3	+4

Wage policy

The EU should have stronger rights to intervene in the wage policies (e.g. regarding the level of general statutory minimum wages).

Disagree *Undecided* *Agree*

<input type="checkbox"/>								
-4	-3	-2	-1	0	+1	+2	+3	+4

Labour market regulation

The EU should be able to make binding guidelines to member states regarding the labour market (e.g. regarding the design of dismissal protection or temporary contracts).

Disagree *Undecided* *Agree*

<input type="checkbox"/>								
-4	-3	-2	-1	0	+1	+2	+3	+4

EU tax as a new own resource

There should be a new tax-based own resource for the EU budget under direct control of the EU (e.g. an EU tax on a common corporate tax base).

Disagree *Undecided* *Agree*

<input type="checkbox"/>								
-4	-3	-2	-1	0	+1	+2	+3	+4

Tax policy

The European Council should be able to vote on tax issues with a qualified majority instead of unanimity (e.g. common caps or floors for corporate taxes binding for member states).

Disagree Undecided Agree

-4	-3	-2	-1	0	+1	+2	+3	+4
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European Parliament and legislative initiative

The European Parliament should get the right to propose new EU laws (i.e. the legislative initiative) which is currently confined to the European Commission.

Disagree Undecided Agree

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

2. Reform initiatives in the European Economic and Monetary Union (EMU)

Do you approve the following proposals?

Higher investment

For higher economic growth of the EMU it is essential that its member states increase their investment expenditures.

Disagree Undecided Agree

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

Flexible labour markets

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

Disagree Undecided Agree

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

European unemployment insurance

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

Disagree Undecided Agree

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

Eurobonds

All euro countries are jointly liable for Eurobonds and all euro countries pay the same interest. The EMU should issue Eurobonds.

Disagree Undecided Agree

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

Asset purchase program of ECB

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

Disagree *Agree*

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

Stability and Growth Pact (SGP)

The SGP defines deficit and debt limits for EU member states. The SGP inappropriately constrains fiscal policy in member states, and should be relaxed.

Disagree *Agree*

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

New EMU institutions

For a proper functioning, the EMU needs new fiscal institutions (e.g. a euro area budget or a European Minister of Finance).

Disagree *Agree*

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

Completion of Banking Union

For its proper functioning, the European Banking Union should be completed through the European Deposit Insurance Scheme (EDIS).

Disagree *Agree*

-4	-3	-2	-1	0	+1	+2	+3	+4
----	----	----	----	---	----	----	----	----

Appendix B: Analysis of participation and choice of weights

Our analysis accounts for variable participation rates using observables, including country, party, and MPs' known personal characteristics. We have compared results from two possible models: the second one adds an interaction between country and party, which allows to account for variable country marginal effects across parties or variable party marginal effects across countries. Coefficients of both models are presented below. Average marginal effects are presented in section 1 (Table 1.4) for the first model; most of them cannot be computed for the interacted model because of interacted terms being defined only over small parts of the sample (for example ID members are only present in Germany and Italy). Figures B.1 and B.2 allow to compare results when aggregating over one dimension (averages over countries in Table 2.1, averages over parties in Table 2.2). Only the ID average is constantly and substantially affected by the weighting choice because of the very different response rates between AfD and the Lega (illustrating the diversity of opinions within that political group). Our regressions are not weighted and therefore not dependent on the model chosen.

Table B.1: Coefficients from a Probit model explaining participation

	Coefficients
Country (base level = France)	
Germany	0.213*** (0.0261)
Italy	-0.129 (0.0854)
Party (base level = EPP)	
SD	0.214** (0.104)
Renew Europe	0.342*** (0.0745)
M5S	-0.0858 (0.124)
ID	0.209 (0.356)
Other	0.136* (0.0703)
Personal characteristics	
Sex	-0.102 (0.116)
Age	0.00282 (0.00398)
Years in parliament	-0.00421 (0.00460)
Education level (base level = no tertiary education)	
Tertiary education up to bachelor	0.220* (0.123)
Master or equivalent	0.273** (0.120)
Doctoral or equivalent	0.201*** (0.0563)
Unknown	0.126 (0.101)
Constant	-1.610*** (0.175)
Observations	2,575

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Coefficients obtained from a Probit model where the outcome is the answer dummy.

Table B.2: Coefficients from a Probit model explaining participation, with interaction between country and political group

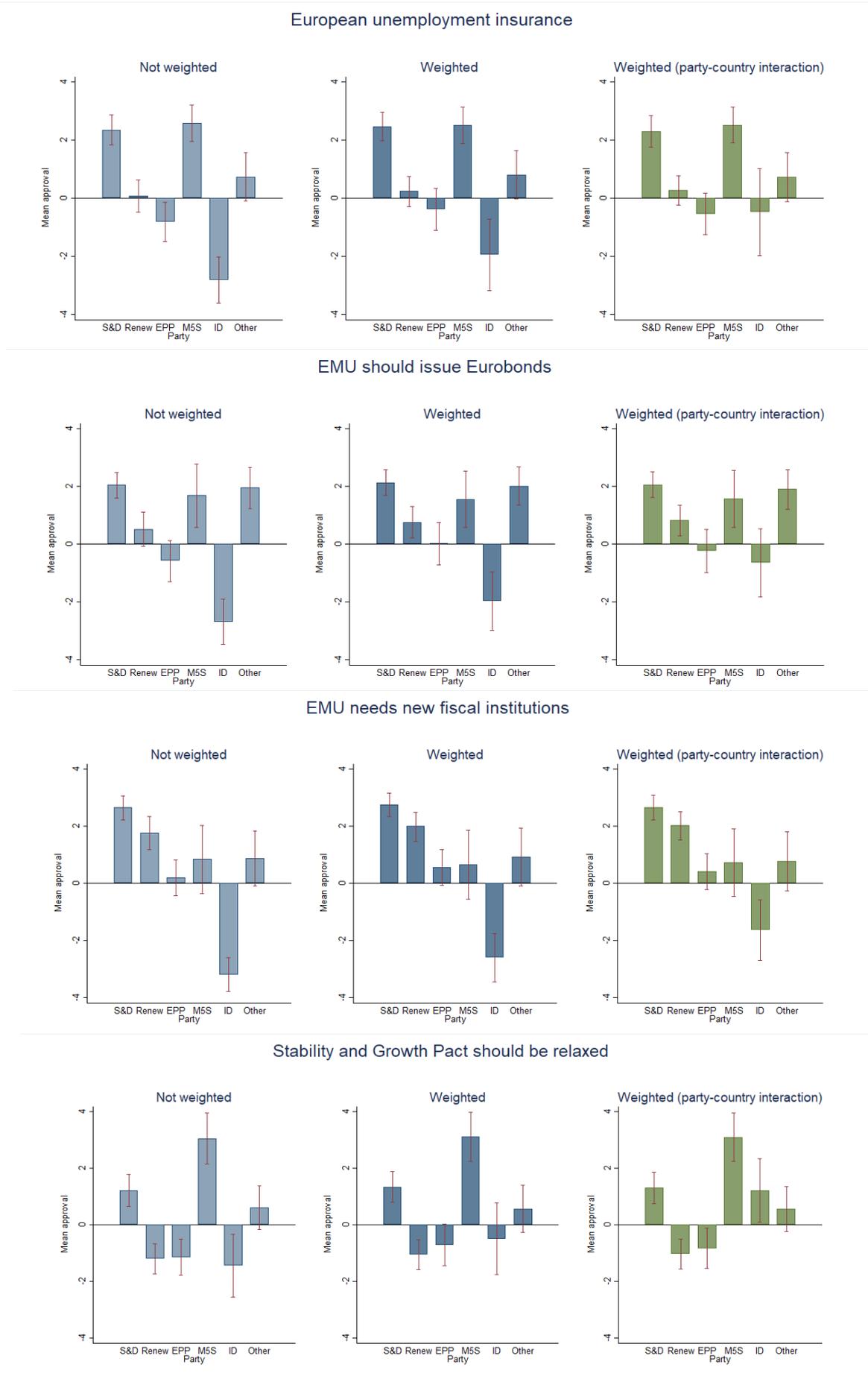
	Coefficient s
Compared to (France x EPP)	
France x S&D	0.0490*** (0.00805)
France x Renew Europe	0.264*** (0.0252)
France x Other	0.0288** (0.0118)
Germany x S&D	0.239*** (0.0314)
Germany x Renew Europe	0.528*** (0.0201)
Germany x EPP	0.0342 (0.0377)
Germany x ID	0.731*** (0.0175)
Germany x Other	0.206*** (0.0328)
Italy x S&D	0.198*** (0.00827)
Italy x EPP	-0.158*** (0.00417)
Italy x M5S	-0.289*** (0.0237)
Italy x ID	-0.368*** (0.0221)
Italy x Other	0.0621*** (0.0103)
Personal characteristics	
Sex	-0.0805 (0.106)
Age	0.00103 (0.00427)
Years in parliament	-0.000268 (0.00554)
Education level (base level = no tertiary education)	
Tertiary education up to bachelor	0.214* (0.130)
Master or equivalent	0.251* (0.130)
Doctoral or equivalent	0.174*** (0.0650)
Unknown	0.124 (0.107)
Constant	-1.456*** (0.234)
Observations	2,575

Robust standard errors in parentheses

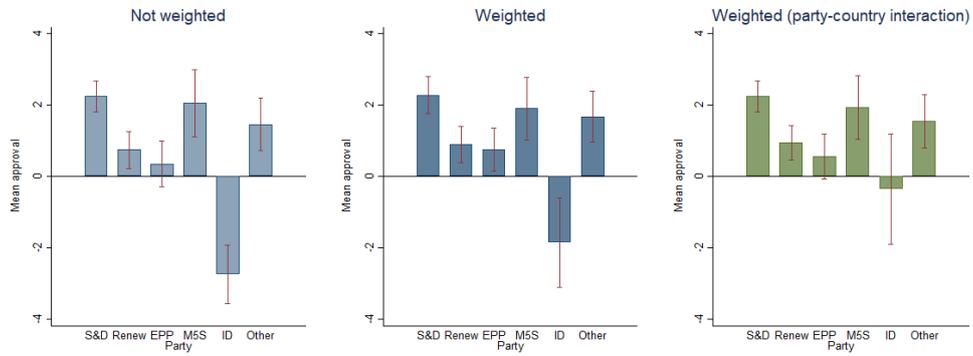
*** p<0.01, ** p<0.05, * p<0.1

Coefficients obtained from a Probit model where the outcome is the answer dummy.

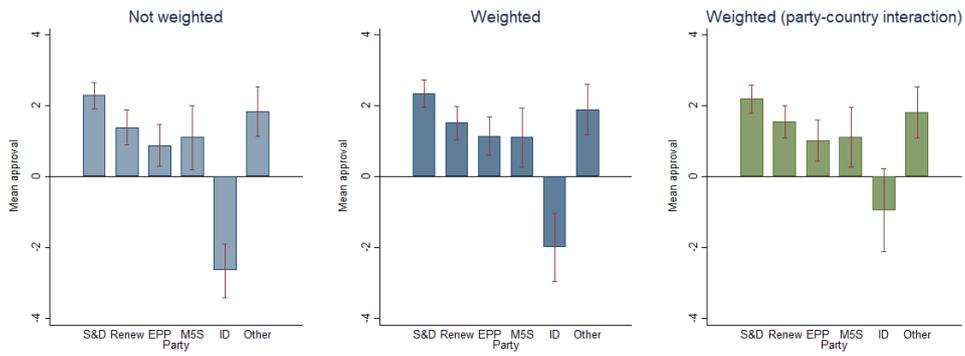
Figure B.1: comparison of averages over parties according to weighting choice



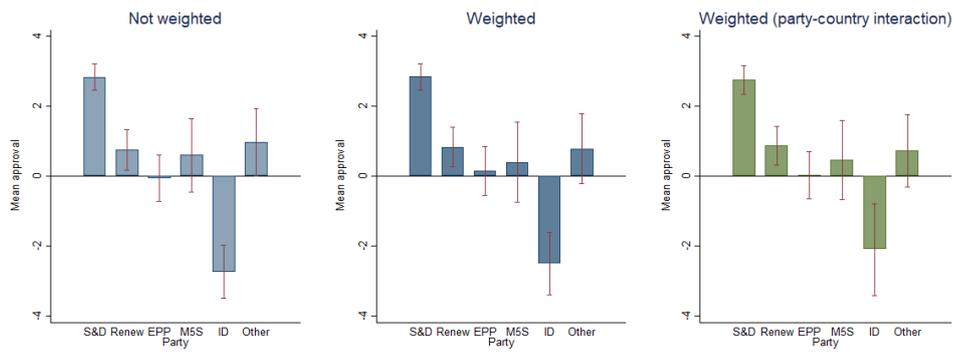
Asset purchase of ECB should continue



Completion of Banking Union



Qualified majority for tax policy



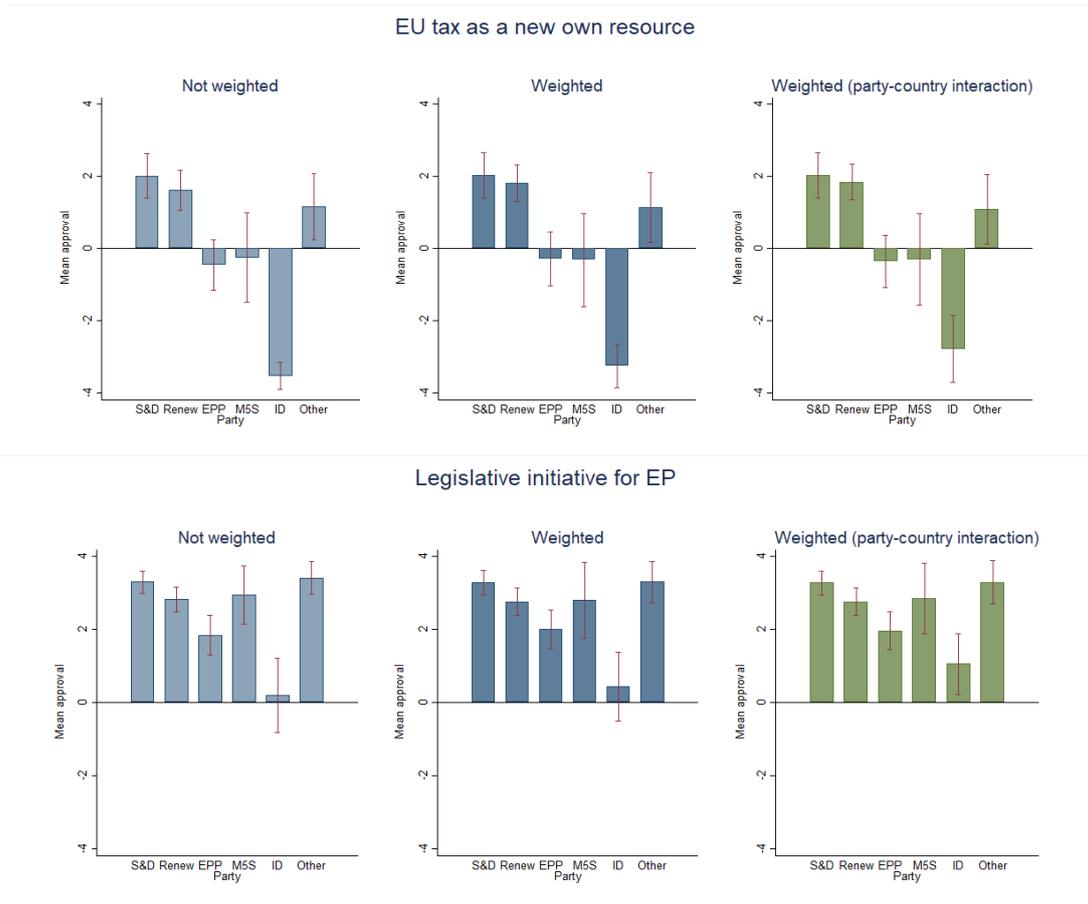
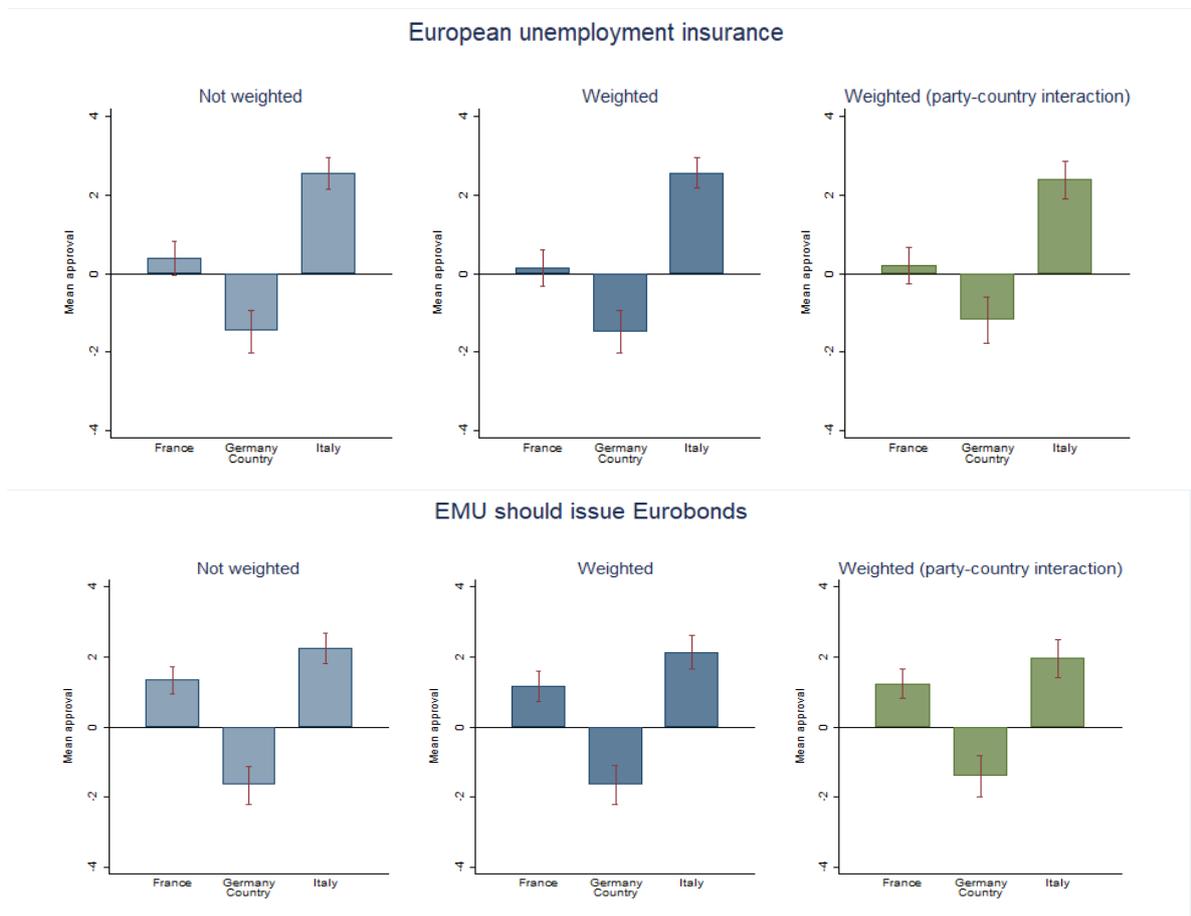
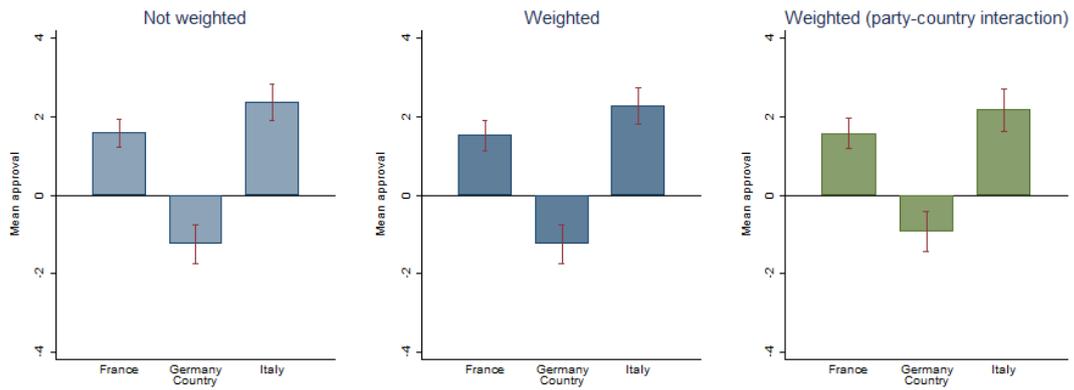


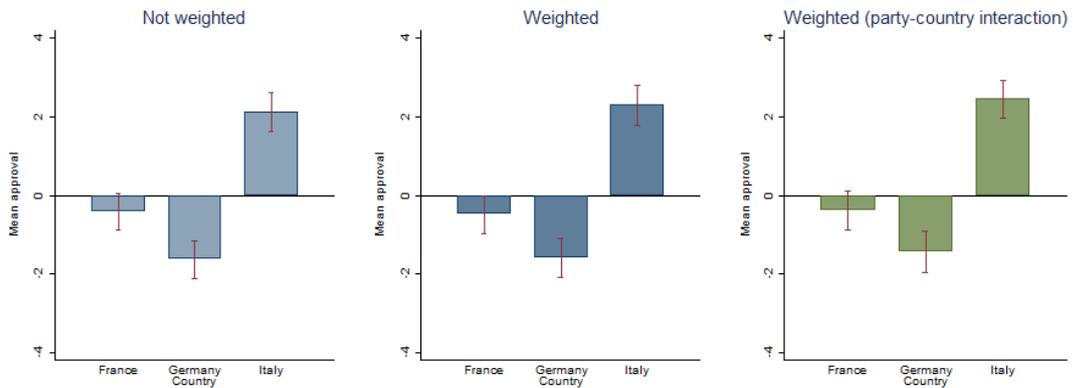
Figure B.2: comparison of averages over countries according to weighting choice



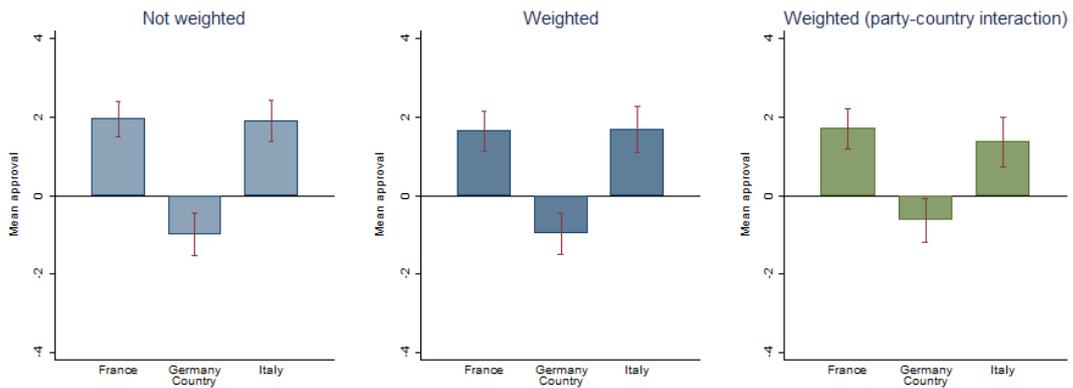
Asset purchase of ECB should continue



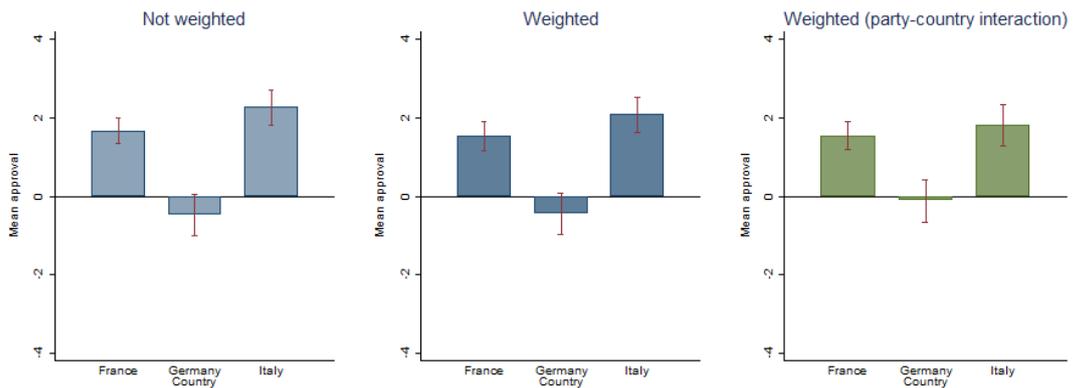
Stability and Growth Pact should be relaxed



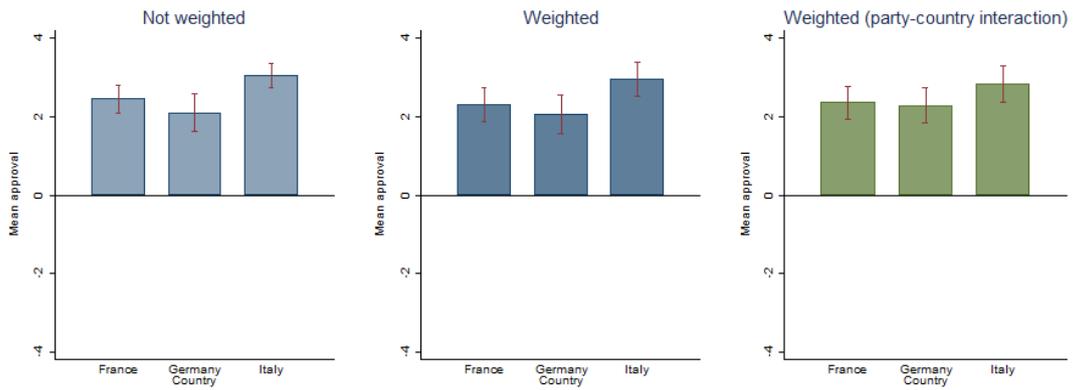
EMU needs new fiscal institutions



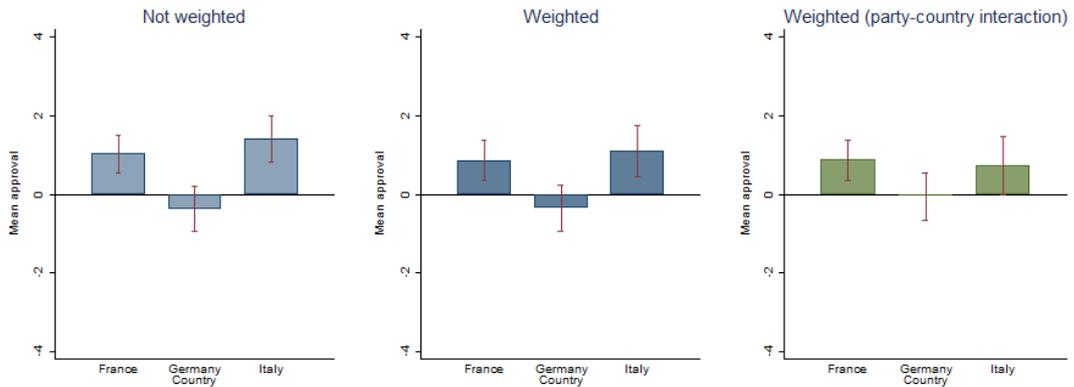
Completion of Banking Union



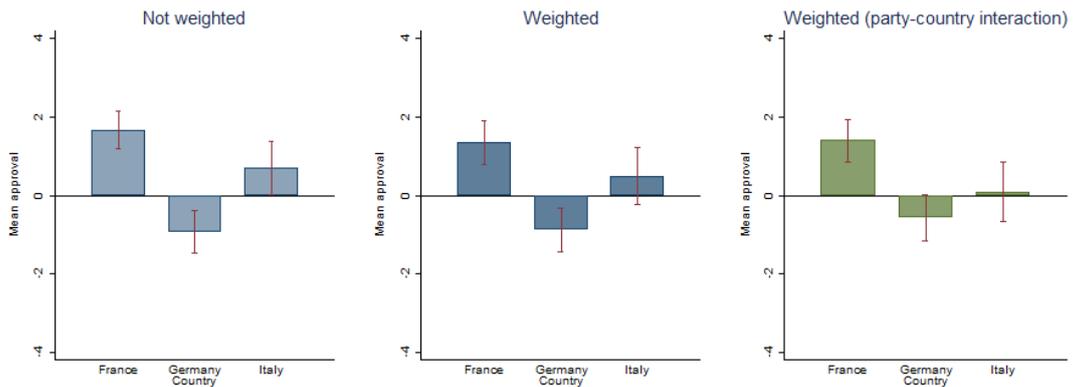
Legislative initiative for EP



Qualified majority for tax policy



EU tax as a new own resource



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