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Policy design and domestic support for international bailouts

MICHAEL M. BECHTEL,[1] JENS HAINMUELLER[2] & YOTAM MARGALIT[3]
[1]*Department of Political Science, Washington University in St Louis, USA and Swiss Institute for International Economics and Applied Economic Research, St Gallen, Switzerland;* [2]*Department of Political Science and Graduate School of Business, Stanford University, USA;* [3]*Department of Political Science, Tel Aviv University, Israel*

Abstract. Financial bailouts for ailing Eurozone countries face deep and widespread opposition among voters in donor countries, casting major doubts over the political feasibility of further assistance efforts. What is the nature of the opposition and under what conditions can governments obtain broader political support for funding such large-scale, international transfers? This question is addressed by distinguishing theoretically between 'fundamental' and 'contingent' attitudes. Whereas the former entail complete rejection or embrace of a policy, the latter depend on the specific features of the policy and could shift if those features are altered. Combining unique data from an original survey in Germany – the largest donor country – together with an experiment that varies salient policy dimensions, the analysis indicates that less than a quarter of the public exhibits fundamental opposition to the bailouts. Testing a set of theories on contingent attitudes, particular sensitivity is found to the burden-sharing and cost dimensions of the bailouts. The results imply that the choice of specific features of a rescue package has important consequences for building domestic support for international assistance efforts.

Keywords: international redistribution; economic crisis; European Union; experiments; conjoint analysis

Introduction

The Eurozone economies are still struggling to recover from their most severe crisis since the Second World War. The crisis, which brought several member countries to the verge of sovereign default, subsequently led to a series of financial bailouts of unprecedented scale.[1] While broadly recognised by experts as a necessary course of action, the bailouts have faced significant popular backlash in donor countries as voters denounced the transfer of billions of taxpayer funds to prop up other countries' economies. Against the backdrop of strong public opposition, negotiations between Eurozone governments regarding the scope and conditions of the rescue packages have been protracted and repeatedly stalled, casting doubt on the political viability of future financial bailouts. Do voters categorically reject the basic notion of funneling any taxpayer funds to struggling neighbouring countries, or does the opposition depend on the specific features of the proposed policy package? Under what conditions can governments garner broader public support for this important new form of international redistribution?

The practical significance of this question appears substantial, as dealing with the ongoing crisis in Europe will ultimately require a significant degree of international redistribution, and in the case of some countries, a series of financial bailouts may be needed. Thus, understanding the factors shaping the public's view of such bailouts provides insight on

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the political feasibility of this policy tool. Yet notably, studies examining the politics of international bailouts are quite sparse to date.

Much of the emerging literature on the political economy of the euro crisis has focused on the sources of the crisis as well as the variation in its severity (e.g., Baerg & Hallerberg 2016; Obstfeld & Rogoff 2009). In addition, a growing set of studies examines the domestic responses to the crisis. These contributions emphasise an array of factors as key in shaping countries' policy responses (Armingeon 2012), ranging from heterogeneity in economic doctrines (Hall 2012), the geographical distribution of production and income (Beramendi & Stegmueller 2015), to the partisan interests of the government and the differential costs of adjustment (Walter 2016). In turn, the choice of policy response shapes the public debate and the subsequent electoral impact (Hübscher & Sattler 2017).

These studies make progress in explaining domestic policy responses to the crisis. However, the politics underlying international responses to the crisis – particularly the dynamics underlying international bailout efforts – remains less well understood. Although some have begun to study the correlates of support for international bailouts among legislators (Broz 2005; Degner & Leuffen 2016) and voters (Bechtel et al. 2014), an important limitation of these studies is that they consider the bailout packages as policies with a fixed, pre-defined set of features that individuals – legislators or voters – can either embrace or reject. This leaves open two important questions regarding, first, the strength and nature of the opposition to financial bailouts; and second, the extent to which opposition depends on the features of the proposed rescue package.

In addressing these two questions, we propose a distinction between 'fundamental' as opposed to 'contingent' attitudes. Whereas fundamental attitudes imply a basic rejection (or embrace) of a given policy, contingent attitudes imply that one's stance could shift (and even reverse) as a function of the specific features of the policy in question. The distinction between fundamental and contingent attitudes is not merely theoretical, but also has significant substantive implications. If attitudes are contingent on policy design features, policy makers may be able to create a broad coalition in support of a carefully crafted rescue package. Yet if public opposition is fundamental, elected officials may have little room to manoeuver in advancing new financial bailouts, irrespective of how they design those rescue programmes, suggesting that the prospects for further international assistance efforts are dim.

To evaluate the contingency of opposition to financial bailouts, we build on earlier findings in the literature and focus on three dimensions of the policy: costs, burden-sharing and conditionality. The cost dimension relates to the magnitude of the financial transfers required from one's country. The burden-sharing dimension relates to the relative distribution of costs between donor countries. Finally, conditionality refers to the specific austerity policies required from the receiving country in exchange for financial assistance. To assess the importance of these policy features, we conducted a unique, large-scale survey in Germany – the country shouldering the largest share of the Eurozone's bailout fund. The survey was fielded at the height of the bailout debate in early 2012 and thus provides a rare glimpse into the structure of voter sentiment on this issue when it was highly salient. We designed a conjoint experiment that asked respondents to evaluate various bailout proposals that differ on a set of policy features that correspond to the dimensions of theoretical interest. We establish the importance of these factors even when accounting

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for an alternative argument holding that the complex nature of the bailout issue causes citizens to 'switch off' from the debate, and form their views based on cues from politicians or institutions they trust.

Our analysis highlights three main findings. First, only a quarter of the German public exhibits attitudes that can be characterised as fundamental. More specifically, only 23 per cent of citizens rejected *all* assistance package proposals they were asked to evaluate, irrespective of the specific attributes of the package, and only 2 per cent of voters supported all bailout proposals. In contrast, the vast majority – three out of four voters – were willing to support some, but not all, of the proposed bailouts, depending on the specific attributes of the packages.

Second, our results indicate that both the cost and burden-sharing features account for large shifts in public support for a financial bailout. Increasing the absolute contribution to the bailout from €123 to €418 billion increases public opposition substantially, by about 30 per cent compared to the baseline rate of rejection. Perhaps even more surprisingly, we also find that voters are almost equally sensitive to the relative distribution of costs between Eurozone countries. Holding the absolute size of Germany's transfers constant, increasing the country's share of the total contributions to the bailout from 19 to 53 per cent also increases the probability of opposing the rescue package by about 22 per cent above the baseline rate of opposition.

To a lesser extent, we find that voter support depends on the specific austerity conditions imposed on receiving countries. Rather than supporting any harsh conditions imposed on the recipient country, our results indicate that citizens in the donor country are quite discriminating in this respect: Bailouts that demand higher spending cuts from the recipient country receive significantly more support, while requiring layoffs in the public sector significantly reduces a bailout's popularity. We also note that the effects of a bailout's endorsement profile pale in comparison to variation along the three dimensions that pertain to the actual features of the bailout package. Finally, our analysis suggests that there are very few differences in the public's views regarding the design of the financial assistance package to other countries. Thus, in contrast to the line prominently advanced in media discussions of this issue, our findings suggest that if future assistance packages are designed with the sensitivities we document in mind, elected officials may have considerable political room to manoeuver in advancing additional bailouts.

Public opinion and the Eurozone bailouts

Facing potentially deleterious consequences from sovereign defaults, governments in the Eurozone agreed on a coordinated response to the debt crisis in the form of financial bailouts of indebted countries. However, implementing such a coordinated rescue effort has proven extremely difficult, in part because the costs associated with the bailouts are not entirely known and the estimates have escalated rapidly. For example, in March 2010, the bailout of Greece was estimated at €22 billion. The following month the figure rose to €30 billion, and three months later the package was revised to €120 billion, representing a six-fold increase within less than half a year.[2] A similar pattern of uncertainty and acceleration of the estimated costs has also characterised the broader debate over the European Financial

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Stabilisation Facility (EFSF) and the European Stability Mechanism (ESM), the funds introduced to deal with the rescue of indebted Eurozone economies.

The bailout proposals met almost immediate public resistance in Germany, the country shouldering the largest share of the costs. Major newspapers portrayed public opinion as being fiercely opposed to international transfers to other Eurozone member countries,[3] and several snap polls indicated that two-thirds of the German public opposed financial transfers.[4] Commentators suggested that voters could not be persuaded to support bailouts whose impact remains uncertain and involves such massive transfers of funds that could instead be used domestically. They thus argued that further bailouts would face deep and uncompromising public opposition.[5] Overall, these accounts paint a rather bleak picture regarding the viability of future bailouts in the Eurozone. However, while gauging the overall level of opposition to the bailouts provides information about general public sentiment, it does not reveal what the opposition actually entails. In particular, do voters oppose any type of financial assistance to indebted countries, or does the public's support hinge upon the specific composition of the bailout package? As noted, the stakes could hardly be higher: if the public's opposition to bailouts is indeed ironclad, this policy lever becomes highly problematic from a political standpoint. In contrast, if voter opposition reflects apprehension about specific aspects of the bailouts rather than toward the general idea of contributing to a financial rescue package, then governments in donor countries may still be able to construct bailout packages that will gain broad public support.

The multidimensionality of preferences on international bailouts

We question the notion that the opposition among the German public to the bailouts represents fundamental attitudes. Instead, we argue that support for funding financial transfers to aid other Eurozone countries in crisis depends on the specific design of the policy package. Our conjecture draws on and extends research dealing with the formation of individual policy preferences and the politics of public goods provision. Studies in these areas offer several insights for theorising about the determinants of attitudes on financial bailouts in the Eurozone.

We begin with the question of the firmness of views on the bailouts. Growing evidence on a range of issues indicates that citizens' views on policy often vary greatly as a function of its specific features: changes in those features, whether in the context of immigration policy (Hainmueller et al. 2015) or climate cooperation (Bechtel & Scheve 2013), lead people to report starkly different levels of support for the policy in question. Yet this is not the case with all policy matters. In particular, on issues that relate to individuals' basic moral inclinations or religious beliefs, such as abortion or the death penalty, people tend to hold views that are bound to change little in response to variation in the policy's features. Thus, attitudes on different policies can be thought of as lying on a continuum between being highly feature-dependent (which we label 'contingent' attitudes) to being firm and largely unaffected by variation in the policy's features (which we label 'fundamental' attitudes).

Although the Eurozone crisis and the response to it constitutes a politically contentious issue, the challenge of coordinating a common response to save the currency union probably does not tap into deeply held moral principles or religious beliefs. Thus, and given the multidimensionality of the issue, we expect that the features of the bailouts will have

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significant bearing on the level of support that the proposed policy garners. Put differently, mass attitudes on the bailouts are likely to be closer to the 'contingent' end of the scale rather than the 'fundamental' end. Yet if so, which features of the proposed package should be those that matter most to voters?

A starting point to answer this question builds on the fact that many of the benefits obtained from stabilising the Eurozone are non-rivalrous and non-excludable from the currency union's members. This means that the debate over the bailouts can largely be thought of as a standard collective action problem in which actors have to decide whether to contribute to a public good. One implication we can draw from the literature on public goods is that the willingness of potential donors to contribute to the bailout effort should exhibit sensitivity to those dimensions that facilitate cooperation in a public goods problem (Chaudhuri 2011). Those dimensions include the size of the contribution (*costs*), the extent to which other actors contribute to the public good (*burden-sharing*) and the conditions imposed to ensure effectiveness and compliance (*conditionality*).

The role of costs

The position of voters on political matters often reflects the perceived economic impact of the policy; all else equal, citizens prefer less financially costly policies to more costly alternatives. Concerns about the implications of the costs (a common feature in recent work on the politics of the financial crisis; Bechtel et al. 2014; Copelovitch et al. 2016; Malhotra & Margalit 2010) is surely relevant for theorising about support for bailouts and international redistribution. Indeed, the monetary size of the financial transfers in question is often highly salient in public debates. Nonetheless, citizens are likely to weigh the costs of the bailout differently. If people care about the costs of the policy because they anticipate its effects on their personal wealth, one might expect that those with higher incomes will be particularly averse to an increase in the size of Germany's contribution as wealthier citizens are likely to shoulder a larger share of the tax payments necessary to fund the bailouts. Summarising this logic, we expect that *all else being equal, a more costly bailout will draw larger public opposition, particularly among those who pay more taxes*.

Fairness in economic burden-sharing

Since the bailouts aim to stabilise the Eurozone economies and thereby end the regional crisis, the transfers by donor countries to over-indebted euro countries resemble contributions to a public good: All countries would be better off if an economic meltdown was prevented, but no individual country within the Eurozone can be excluded from the benefits that economic recovery and stability provide. This gives rise to the well-known freerider problem inherent in the provision of public goods and renders efforts to decide on an effective crisis response particularly difficult (Fabbrini 2013). How can groups realise cooperation in the presence of freerider problems? A sizable game-theoretic and experimental literature has argued that norms of fairness, such as reciprocity, help explain cooperative behaviour in public goods games (Bechtel & Scheve 2017; Fischbacher & Gächter 2010; Gächter et al. 2004). In particular, individuals contribute significantly more to a public good if they perceive others to be contributing their own fair share. Thus, if voters

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perceive the bailouts as a public good, they should not only care about the absolute economic costs of a proposed package, but also about the relative distribution of the costs among the donor countries. As more countries contribute to the rescue package, support for a bailout proposal should increase, even when the total size of the contribution by one's own country remains unchanged.[6] In sum, then, we expect that *an increase in the relative share of one's country in funding the overall financial rescue package will lead to greater opposition to the bailout package, holding constant the absolute size of the contribution*.

This hypothesis refers to the distribution of the costs between countries. A related question asks whether the same logic generalises to cases in which costs can be shared between donor countries and private actors: What share of their investments should private lenders be asked to forgo as part of the solution to the debt crisis? This so-called 'haircut' is particularly pertinent because of the large share of private investment into the Eurozone bond market and the sizable lending of private banks to the region's indebted countries. A sovereign default by a Eurozone country is therefore expected to cause large economic losses to private investors.

It is *ex ante* unclear whether larger haircuts should increase or decrease public opposition to a bailout, for two reasons. First, this presumably depends on the degree to which the public perceives private investors as culpable for the debt crisis. If citizens perceive private lenders, such as German and French banks, to be partially responsible by making reckless loans to governments such as Greece, a larger haircut on lenders may increase support for a proposed bailout. Yet if citizens place the blame solely on the actions of the indebted governments, larger haircuts would be deemed unfair and are likely to reduce public support for a bailout. Moreover, citizens may worry that a haircut demanded from private actors such as domestic banks or insurance companies could have adverse effects on the local economy. In sum, then, we do not have a clear expectation about the directional effect of a bailout imposing larger haircuts on private investors. For the reasons stated herein, the effect could go either way.

Austerity and the conditionality of financial rescues

One highly contentious facet of financial bailouts relates to the austerity conditions imposed on the receiving country in exchange for financial assistance – specifically the demand for spending cuts and public sector layoffs. As Stone (2008) finds in the context of International Monetary Fund (IMF) assistance to over-indebted countries, the conditionality of its loans also reflects domestic political preferences. A fruitful starting point for theorising about the role of conditionality in shaping support for financial rescues is research on preferences for social spending. Studies on this topic suggest that voter preferences regarding financial assistance to the needy often depend on perceptions of deservingness. In particular, citizens' support for welfare provision is affected by how much the target of assistance is seen to be doing 'to earn' the financial aid (Van Oorschot 2000). Thus, imposing costlier conditions on recipients in return for the financial assistance may contribute to their perceived deservingness, consequently increasing support in the donor country for the assistance package.

A similar logic has been used to explain the role of conditionality in shaping support for accepting new entrants into the European Union (Schneider 2017) as well as with respect to the disbursement of foreign aid (Svensson 2000). Moreover, imposing explicit

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austerity conditions may be perceived as a way of increasing the effectiveness of a bailout because financial transfers alone are unlikely to solve the underlying structural problems that have caused the debt crisis in the receiving country. This suggests that bailouts that impose tougher conditions on the recipient as a condition for receiving financial assistance will yield greater support for the rescue package among citizens in the donor country.

Endorsement cues

So far we have laid out three dimensions of the financial rescue package that we expect to have substantial impact on citizens with contingent attitudes on the bailout question. Yet public opinion research points to the fact that citizens are often rationally ignorant on many political matters, and therefore tend to rely on heuristics in forming their stance on complex policy matters. Such heuristics include the reliance on various cues, such as the partisan affiliation of the policy proposers or public endorsements of the policy by political elites (Gabel & Scheve 2007; Lupia 1994).[7] If reliance on such cues dominates how citizens form their positions, then variation in bailout features along the dimensions we described earlier might be diminished when citizens receive information about the endorsers of the proposal. For example, proposals backed by institutions associated with professional economic expertise should instill voters with greater confidence about the soundness of the proposal and thus increase overall support for the policy. This argument is consistent with recent evidence suggesting that the European Central Bank's rhetoric reduced the number of protests against economic reforms in crisis countries (Genovese et al. 2016). In contrast, bailouts touted by actors that are more likely to advance politically motivated interests might send a weaker signal to voters and thus garner lower support.[8] Consequently, when exploring how the key dimensions of the proposed policy affect individuals' preferences one would also have to account for the impact that elite endorsements of the proposal exert on the opinions that people form.[9] If endorsements provide individuals with information that helps them reduce the costs of becoming informed, we would expect that less educated individuals – who are likely to possess less information about the crisis and thus rely more on cues – will exhibit greater sensitivity to the profile of the endorser in deciding on the desirability of the policy in question (Lupia 1994; Druckman 2001).

Data and measurement

Sample

To examine whether voter opposition to the bailouts is fundamental or depends on the specific features of the bailout policy, we conducted an original online survey with a sample of 4,655 German respondents. The sample only included adults who are eligible to vote in federal elections. The survey was fielded in January 2012 at a time when bailouts were hotly debated in Germany, and included measures of economic, political and social factors. The Online Appendix describes the details of the survey.[10]

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	Scenario 1	Scenario 2
Germany's contribution to the bailout	418 bn €	123 bn €
Germany's share of the bailout	19%	27%
Haircut for private investors	50%	30%
Conditions for receiving country	5% cut in public expenditures	15% cuts of public sector jobs
Bailout endorsed by	International Monetary Fund	European Central Bank
Receiving country	Greece	Ireland
	◯	◯

Figure 1. Experimental conjoint comparison.
Note: The figure illustrates the binary comparisons respondents considered in the randomised conjoint experiment.

Conjoint experiment

We use a fully randomised conjoint design to examine the nature of voter opposition and the possible multidimensionality of attitudes towards the bailouts (Hainmueller et al. 2014). Here, we provide information about the procedures in the survey and the intuition behind this approach. We first instructed respondents about the conjoint exercise and then exposed them to comparisons between two different bailout proposals, each of which varied along six different dimensions (the Online Appendix provides details on the instructions we used). Figure 1 provides an example comparison. For each comparison, the respondents were asked to rate both proposals. Every respondent was exposed to four such comparisons and therefore asked to rate eight bailout proposals overall. Each comparison table was displayed on separate screens, and we randomly assigned the order of the attributes across respondents to deal with potential primacy and recency effects.

Our experiment distinguishes between the main aspects of the different bailout packages: costs, burden-sharing and conditionality. Based on the figures discussed publicly at the time we fielded the survey, we ranged the cost of Germany's absolute contribution between €123 billion, €198 billion and €211 billion. We also added one additional and far more costly scenario of €418 billion. The selection of the first three figures allowed us to examine sensitivity to figures in the range discussed at the time of the debate. The latter figure was included to provide a measure of respondents' sensitivity to substantial increases in Germany's absolute contribution.

The same consideration guided our selection of figures for Germany's relative share of contributions to the bailout fund. Eventually – and unknown to us at the time we designed the survey – Germany ended up committed to contributing 27 per cent of the costs. The next highest contributions came from France, which committed €158 billion (equivalent to 20 per cent of the commitments) and Italy (18 per cent).[11] In a similar fashion, the size of

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the haircut imposed on private creditors was also selected to combine figures bandied about in the public debate, together with more extreme values that provided an insight on the sensitivity to sharp increases in the proposed rate.[12]

Finally, in the conditionality requirements, we distinguished between layoffs in the public sector and spending cuts (5, 15 and 35 per cent, on each dimension). The two dimensions are in theory closely tied: sharp cuts in public spending could translate to layoffs in the public sector, and vice versa. Nonetheless, the two dimensions are distinct. For example, a government can shift its savings from layoffs and increase its spending in some other domain. More importantly, the inclusion of both dimensions was designed to allow us to distinguish between citizens' sensitivity to the mere notion of conditionality centred on government cuts, as opposed to specific sensitivity to the idea of layoffs in the public sector. As explained earlier, we also vary the endorsement profile of the package. Specifically, our experiment informed respondents that a specific actor (e.g., the European Central Bank) endorsed the bailout package in question.

To make the proposals as concrete as possible, for each scenario we also provided respondents with information about which country would receive the bailout. By explicitly specifying the receiving country, we reduce the risk of respondents forming beliefs about the likely receiving country based on their own prior knowledge that may affect their responses. We distinguish between the four different countries that were seen as prime targets for bailouts at the time that the survey was fielded (Italy, Ireland, Spain and Greece).

Note that the conjoint does not provide information regarding the cost of the no-bailout option. Had valid information on the potential cost of maintaining the *status quo* been available, it could have been relevant for respondents' assessments of different bailout options. However, given the enormous uncertainty and variability regarding the likely scenarios in the event that no bailout was extended, including such a fictional and contested figure could have been highly misleading. Due to concerns about its potential impact on the external validity of the study, we preferred to allow respondents to rely on their own sources. Nonetheless, we recognise that this decision has bearings on the interpretation of the findings.

Table 1 provides a list of all policy attributes and their potential values. For each profile we employ a completely independent randomisation; the values of each attribute that characterises the two bailout proposals randomly vary both within and across the binary comparisons.

Measuring support for financial bailouts

To measure the level of support for each bailout package, we designed a rating measure in the spirit of a referendum vote over each bailout package.[13] The wording for the question reads as follows:

> If you could vote over each proposal in a direct-democratic vote, how likely would you vote against or in favour of each proposal? Please provide your answer on the following scale ranging from 'vote definitely against' to 'vote definitely in favour'.

Answers were coded on a scale from 1 ('vote definitely against') to 7 ('vote definitely in favour'). Since respondents were asked to rate each of the two packages separately, they

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Table 1. Policy dimensions and values for the bailout conjoint experiment

Dimension	Values
Contribution	
Germany's contribution to bailout	€123bn, €189bn, €211bn, €418bn
Burden-sharing	
Germany's share of bailout	19%, 21% 27%, 53%
Haircut for private investors	10%, 20%, 50%, 75%
Conditionality	
Spending cuts	5%, 15%, 35%
Public jobs cut	5%, 15%, 35%
Endorsements	
Endorser	Government, Opposition, German Central Bank, European Central Bank (ECB), Council of Economic Advisors (CEA), International Monetary Fund (IMF)
Country receiving bailout	
Receiving country	Italy, Ireland, Spain, Greece

Note: The table shows the policy dimensions and corresponding values used in the conjoint experiment.

could vote against both proposals, support both, or support/oppose only one or the other. This collection of ratings therefore allows us to distinguish attitudes that can be characterised as fundamental or contingent in nature. If attitudes are fundamental, we expect respondents to categorically reject (or accept) all proposals that they are asked about, regardless of the attributes of the proposals. If attitudes are contingent, we expect that attitudes towards the bailout packages vary as a function of the specific attributes of the packages.

For the analysis, we collapse the answers from the 7-point ratings into simple binary measures using the median (which is 3) as the cutoff value. The resulting variable *Vote against bailout* is therefore coded as 1 for cases where a respondent actively rejects a proposal (answers 'vote definitely against', 'very likely to vote against' and 'more likely to vote against') and 0 for cases where the respondent is either neutral about a proposal or actively supports it (answers 'neither … nor …', 'more likely to vote in favour', 'very likely to vote in favour' and 'vote definitely in favour'). In the Online Appendix we report results from the full 7-point ratings and they are substantively similar.

Results: The contingency of support for financial bailouts

Figure 2 presents the share of the bailout packages that were rejected by each respondent. As the graph indicates, only about 23 per cent of the respondents categorically oppose all eight bailout packages presented to them. Moreover, if we disaggregate the negative ratings further we find that only about 8 per cent report that they would 'definitely vote against' every proposal presented to them, suggesting that the level of intense fundamental opposition might be even lower than is suggested by the 23 per cent, which includes respondents who strongly or weakly oppose all the proposals. Analogously, about 13 per

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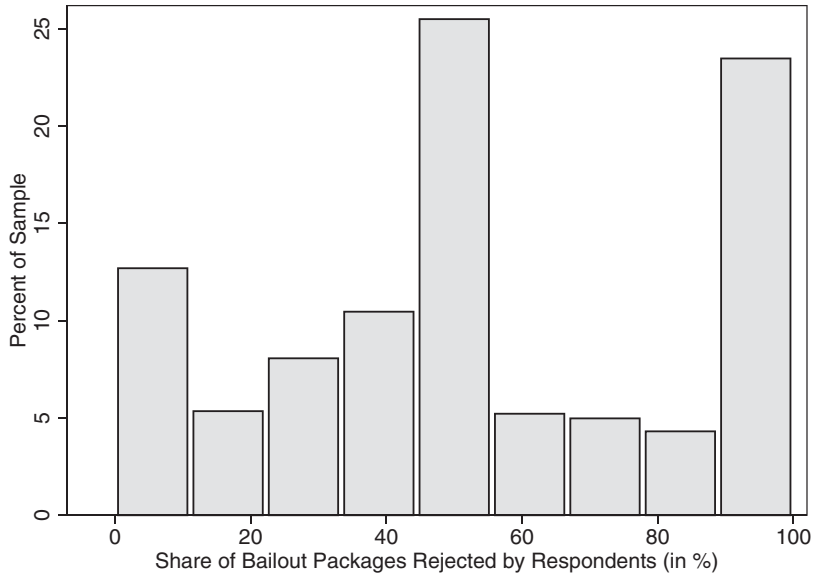

Figure 2. Share of bailout proposals rejected by respondent.
Notes: The figure reports the share of proposals rejected by each respondent out of a total of eight bailout packages. Rejection of a package is coded based on the rating respondents provided on a 7-point scale indicating their likelihood of supporting a bailout proposal if it were put to a referendum. Note that no rejection does not imply active support, as some respondents selected the mid-point (i.e., 'neutral') option. $N = 34{,}594$ bailout proposal ratings.

cent of the respondents would not reject all eight proposed packages if put to a vote. Of these, only about 2 per cent would actively support all packages; the remaining 11 per cent would be neutral on at least some of the proposals. Overall, this suggests that a large majority of the respondents can be characterised as possessing contingent attitudes with respect to the issue of bailouts; about 75 per cent of voters would be willing to support some, but not all, of the proposed bailouts depending on the specific attributes of the package. In fact, the results indicate that those with contingent attitudes would, on average, actively support about 37 per cent of bailout packages.

Exploring the individual-level characteristics of the two types of attitudes, we find that fundamental attitudes are least likely among the less educated, as well as among lower income respondents. We find no correlation with age, or with employment status. By far, the strongest predictor of fundamental attitudes (which, as noted, is overwhelmingly oppositional to the bailouts) is being a voter of the extreme right NPD (National Democratic Party of Germany). Table A2 in the Online Appendix provides the complete results.

Our main interest is in evaluating how support for a bailout package shifts as a function of changes in the attributes the policy takes along the three main dimensions of interest: cost, burden-sharing and conditionality. To assess the impact of each feature along those dimensions, we compute the average marginal component-specific effects (AMCEs), which measure the average impact of a change in a policy feature on the probability of opposing the bailout package (Hainmueller et al. 2014). We regress the dependent variable, our binary measure of opposition to the specific bailout (*Vote against Bailout*), on a set of indicator

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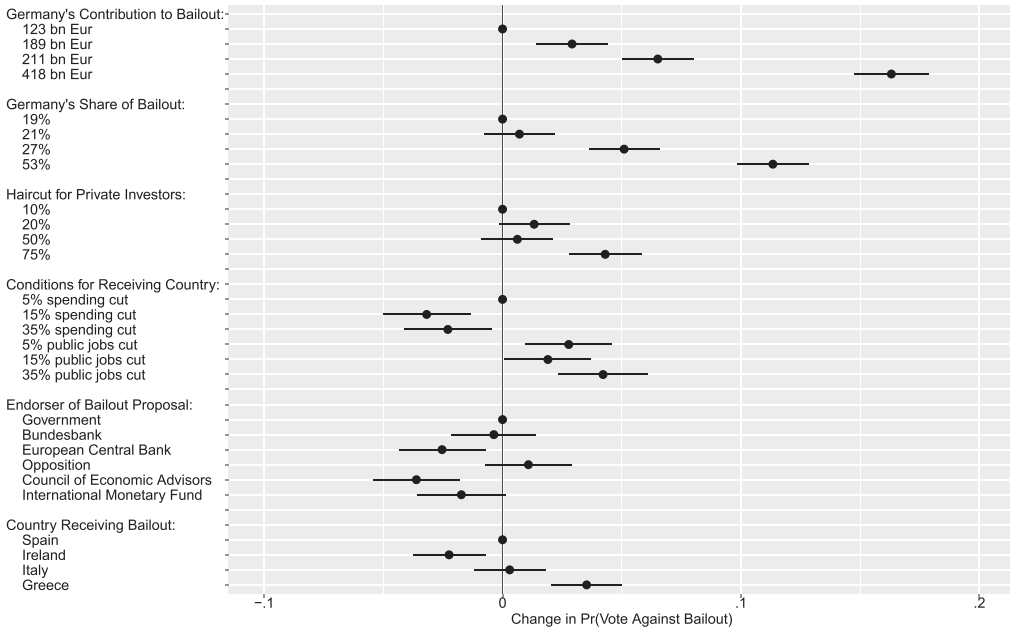

Figure 3. The effects of bailout policy features on voter support.
Notes: Effects of bailout policy features on the probability of voting against the bailout package. Horizontal lines indicate 95 per cent robust confidence intervals; points without lines indicate the reference categories for the effects of the features. The baseline probability of voting against is 0.53. N = 34,594 policy ratings from conjoint experiment.

variables that capture the specific values that the bailout proposal takes on each of the policy attributes. For each dimension, we omit one of the attribute values and use it as the baseline category.

Figure 3 shows the marginal effects associated with each attribute and their 95 per cent confidence intervals (represented by the horizontal lines). Note that the attribute values that serve as the baseline categories are marked in the figure as the values without confidence intervals (e.g., Spain for the receiving country). As Figure 3 shows, we find that many of the estimated effects of the different policy features are both sizable and statistically significant. This highlights the fact that the design of the specific package can be substantively consequential in shaping voters' attitudes towards the proposed bailout.

The first attribute we explore is Germany's absolute contribution to the bailout. In line with expectations, increasing the German contribution to the bailout from €123 to €418 billion causes a 16 percentage point increase in the probability that voters will oppose the proposal. This shift represents a 30 per cent increase relative to the baseline level of opposition to the bailout (the baseline probability of voting against a bailout is 0.52).

Second, we examine whether voters are indeed more willing to support bailouts if other countries contribute a greater share to the financial assistance package. Holding the size of Germany's absolute contribution fixed, an increase in the country's relative share from 19 to 27 per cent increases opposition to a bailout by about five percentage points; expanding it further to just over half the overall transfer (53 per cent) decreases support for the

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bailouts by an additional six percentage points, which corresponds to about a 22 per cent increase relative to the baseline level of opposition. These results mean that bailouts to over-indebted Eurozone countries will receive greater support if other countries contribute more to these financial transfers, even holding constant the contribution that Germany itself has to shoulder.

In contrast, we find that voters only marginally care about the distribution of costs between public and private actors. Bailouts that demand larger haircuts from private investors find less public support. However, the effect is smaller than that associated with the other elements of the burden-sharing dimension. For example, a bailout package that includes a 75 per cent haircut draws, on average, an opposition that is four percentage points greater than a similar package that does not require any haircut from private investors. As noted, this result may be due to a sense among voters that a cut in the profits of those private investors and institutions, such as German banks, will negatively affect the German public more broadly.

The arguments laid out earlier suggest that public opinion on the bailouts should also be sensitive to the conditions that are imposed on the receiving country. Consistent with this expectation, we find that requiring harsher spending cuts from the recipient country draws greater support among respondents. For example, an increase in the demanded spending cuts from 5 to 15 per cent reduces opposition to a bailout by about three percentage points on average. However, we find that not all austerity conditions generate higher levels of approval among respondents in Germany. As Figure 3 indicates, a bailout package that requires the recipient country to lay off a sizable portion of public sector workers decreases support for the proposal. German voters appear to be more willing to support a package when conditionality stipulates a somewhat more amorphous, abstract form of austerity – in this case, a cut in overall spending. This pattern may be explained by the ideological sensitivity of voters, which is an issue we further explore below.

Although our empirical results suggest that the endorsement profile does matter, the effect seems relatively minor when assessed against the effects associated with the three main dimensions of the policy on which we focused. We find that bailouts endorsed by professional bodies with economic expertise such as the European Central Bank (ECB), the Council of Economic Advisors (CEA) or the IMF, receive up to three percentage points more support among individuals. This effect, while modest and only borderline significant, is consistent with the argument that the support of institutions with stronger credentials of expertise in the relevant policy field prompts higher levels of public approval for a policy. Finally, we note that voter support for a bailout also varies as a function of the recipient country in question, though the effects are again quite small in magnitude. Given the overwhelmingly negative coverage of the Greek crisis in the German media, it is perhaps not surprising that bailouts face the strongest opposition when the recipient country is Greece.

Finally, it is worth noting that the experiment also included a section in which respondents were asked to choose between two bailout packages, without a choice option of rejecting all bailouts (i.e., a 'no bailout' option). The results, reported in Table A.3 in the Online Appendix, are reassuringly similar to the ones reported above. In other words, it is not the case that when confronted with the option of rejecting all options (i.e., 'doing nothing'), voters' sensitivities to the features of the proposed packages are substantially different.

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Mechanisms: What explains the contingency of attitudes to bailout features?

Our results so far suggest that respondents largely hold contingent rather than fundamental attitudes on the bailout question. Moreover, we find that support for an assistance package is sensitive to changes in the characteristics of the proposal, and that such changes can bring about sizable shifts in the public's stance. However, we have not yet explored the mechanisms that may account for voters' sensitivities to specific characteristics of the bailouts. Next, we evaluate several competing theoretical accounts for explaining sensitivity to specific features of the bailouts by examining whether the causal effects in the conjoint analysis vary across theoretically meaningful subsets of the population.

Sociotropic or egoistic considerations?

Our main analysis suggests that both costs and burden-sharing aspects cause shifts in voter opinion on the bailouts. Does this sensitivity reflect sociotropic or egoistic considerations? The egoistic argument holds that the sensitivity to the distribution of costs stems from self-interested concerns of voters regarding how a larger, more costly rescue package would ultimately affect their own financial standing. If citizens expect the bailouts to be funded through higher taxation, one might expect higher income citizens to be more wary of a larger bailout. Figure 4 shows the average marginal component-specific effects associated with each attribute on the probability that voters oppose the bailout together with 95 per cent confidence intervals by income groups. We split the sample at the median household income point, such that households that report a monthly income of less/more than €2,500 are coded as low/high income. As the figure indicates, we do not find that high income individuals exhibit greater sensitivity to the bailout's costs.

An egoistic assessment of the bailouts would also imply that high income individuals would be more sensitive to the size of the 'haircut' demanded from private investors since they typically invest a larger share of their wealth in financial assets. Our results, however, again suggest that both high and low income groups respond similarly to changes in the haircut associated with a bailout package. The fact that the policy preferences of high and low income earners respond similarly to burden-sharing features appears to be consistent with the view that the preferences of voters on a given proposal reflect sociotropic concerns — that is, voters' attitudes are based on their assessment of how a bailout would affect the country's financial situation as a whole, rather than their own personal standing.

To further assess the importance of financial concerns, we break down our results by stock ownership. Plausibly, stock owners will be more directly affected by haircuts for private investors and should therefore be more sensitive to this dimension. However, the results do not support this expectation. Instead, stock owners and those who do not hold financial assets are equally sensitive to large bailouts that require a large (75 per cent) haircut (see Figure A.2 in the Online Appendix).

These results are of course only suggestive, rather than proof of a given mechanism; other explanations may conceivably account for these patterns. However, these findings do cast doubt on the notion that variation in attitudes on the bailouts is simply a reflection of differences across groups in the assets they own or the income they earn.

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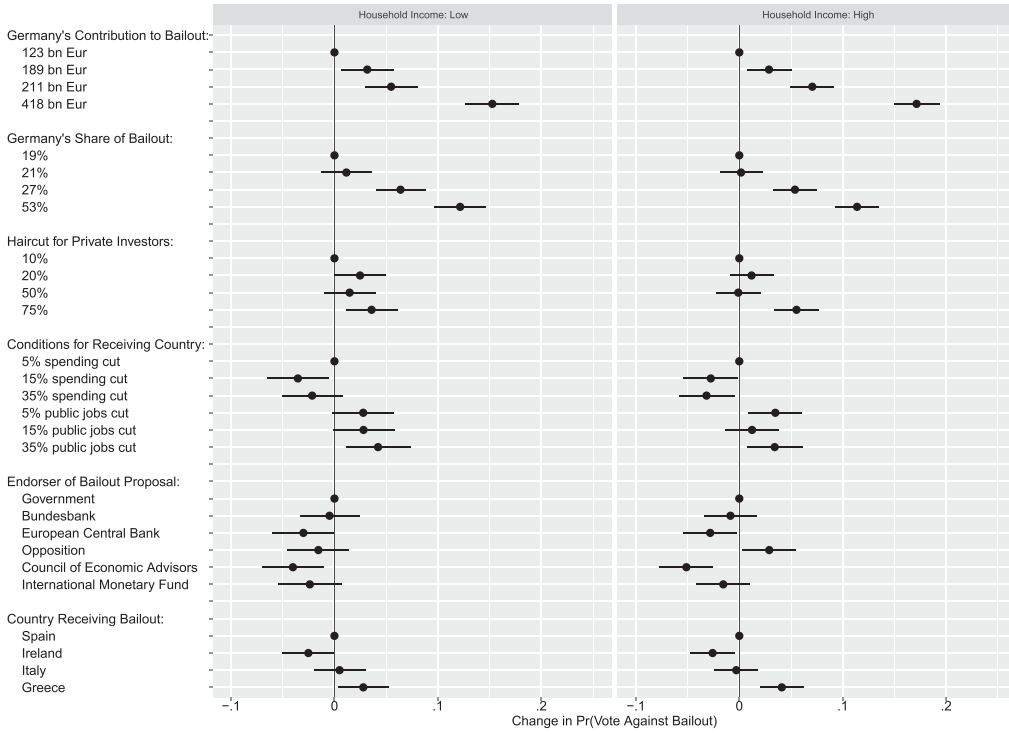

Figure 4. The effects of bailouts policy features on voter support by income groups.
Notes: Effects of bailout policy features on the probability of voting against the bailout package. Horizontal lines indicate 95 per cent robust confidence intervals; points without lines indicate the reference categories for the effects of the features. The baseline probability of voting against is 0.53. $N = 29{,}908$ policy ratings from conjoint experiment.

Ideological differences

Our main results show that opposition to a bailout policy partly depends on the conditions that it imposes on the receiving country. Interestingly, we find that requiring more spending cuts increases support for a financial bailout, while demanding public layoffs reduces support. One potential explanation for this pattern is that the impact of specific conditions on support for the proposed package is a function of voters' ideological persuasions. Since voters on the left are generally more supportive of government provision of services and more sensitive to the issue of unemployment, we would expect that they would be more opposed than their right-wing counterparts to austerity conditions that explicitly demand major layoffs in the public sector.

Figure 5 shows the results from our conjoint analysis conducted separately for voters on the left and on the right.[14] Although voters on both sides of the ideological spectrum prefer bailouts that demand spending cuts by the recipient country, a bailout that requires layoffs in the public sector leads to lower support for the policy only among individuals on the left. Compared to a bailout requiring a general spending cut of 5 per cent, the results indicate that an alternative requirement of layoffs of 15 per cent in the public

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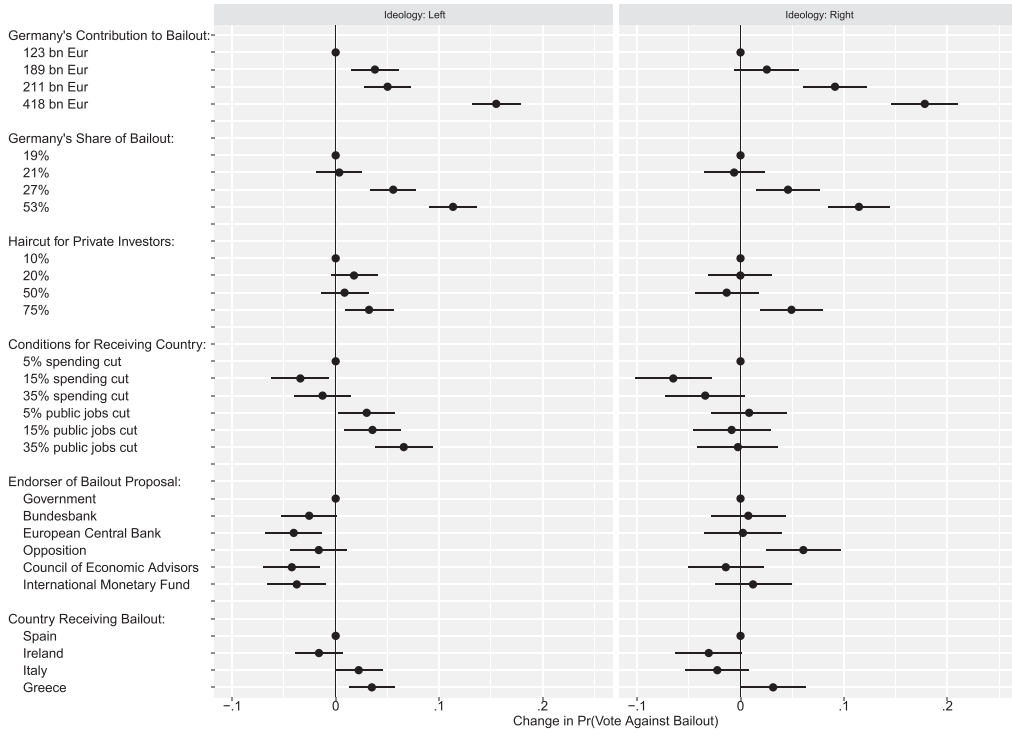

Figure 5. The effects of bailout policy features on voter support by ideology.
Notes: Effects of bailout policy features on the probability of voting against the bailout package. Horizontal lines indicate 95 per cent robust confidence intervals; points without lines indicate the reference categories for the effects of the features. The baseline probability of voting against is 0.53. $N = 23{,}414$ policy ratings from conjoint experiment.

sector reduces support among left-wing voters for a bailout package by 3.5 percentage points; a large-scale public layoff (of 35 per cent) reduces support for a bailout proposal by over six percentage points. In contrast, we find that voters on the right are not sensitive to conditionality that requires the recipient country to lay off workers in the public sector. This suggests that the ideological inclinations of voters, and particularly sensibilities associated with domestic social policy, also help account for attitudes toward international bailouts.

Endorsement effects and education

To explore whether an informational mechanism underlies the effects of endorsements, we break down the analysis by respondents' level of education. The cue-taking argument suggests that individuals are more willing to support bailouts that are backed by institutions with economic expertise since this backing provides signals that compensate for people's limited understanding of the merits of the proposal in question. This reasoning suggests that the effects of endorsement profiles should systematically differ between low and highly educated individuals. Specifically, the less educated, who are likely to have less issue-specific

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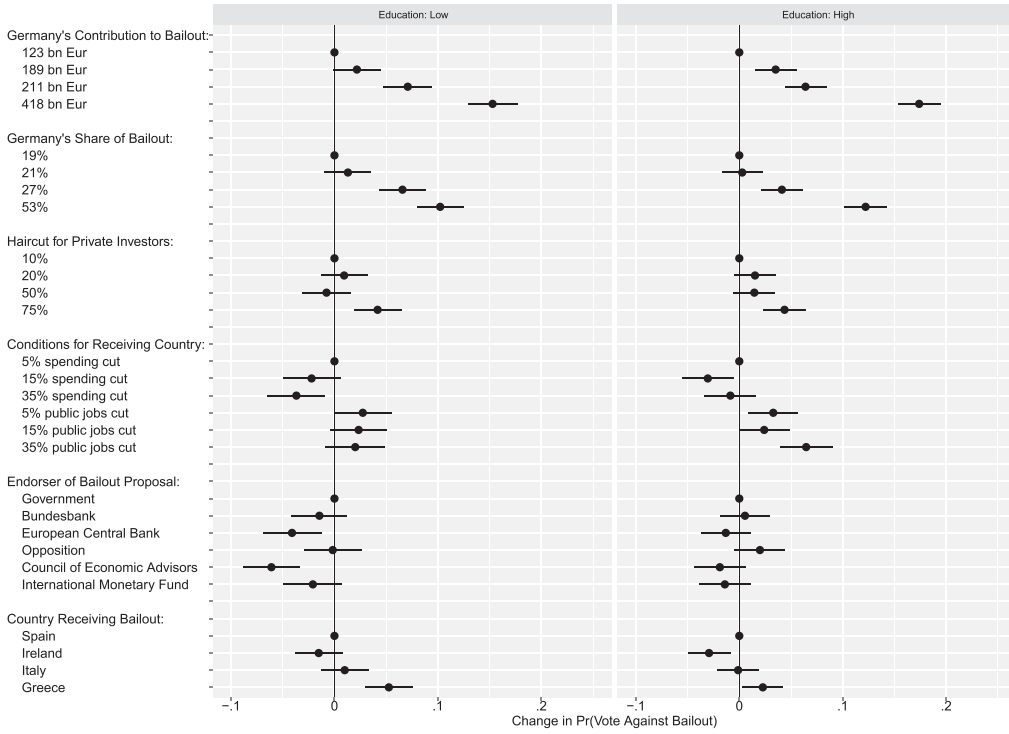

Figure 6. The effects of bailout policy features on voter support by education.
Notes: Effects of bailout policy features on the probability of voting against the bailout package. Horizontal lines indicate 95 per cent robust confidence intervals; points without lines indicate the reference categories for the effects of the features. The baseline probability of voting against is 0.53. $N = 33{,}924$ policy ratings from conjoint experiment.

knowledge, are expected to respond more strongly to endorsements than highly educated respondents.

To test this mechanism, we split the sample at the median education level and re-estimate the treatment effects.[15] Figure 6 shows that, consistent with expectations, less educated respondents are somewhat more sensitive to the endorsement profile. If a proposal is backed by one of the institutions with issue-specific expertise (ECB, CEA or IMF), less educated respondents are significantly more willing to support the policy. In contrast, such endorsements have no discernable effect among the highly educated. This finding is consistent with the idea that endorsements serve as effective informational cues for less sophisticated voters.

Policy features and support for financial bailouts

How substantively significant are these findings? One way to answer this question is to consider whether changes in the features of the proposed bailout can be decisive and turn an unpopular proposal into one that enjoys widespread support. The answer is affirmative. We find that the combined effect of changes in policy features can be large

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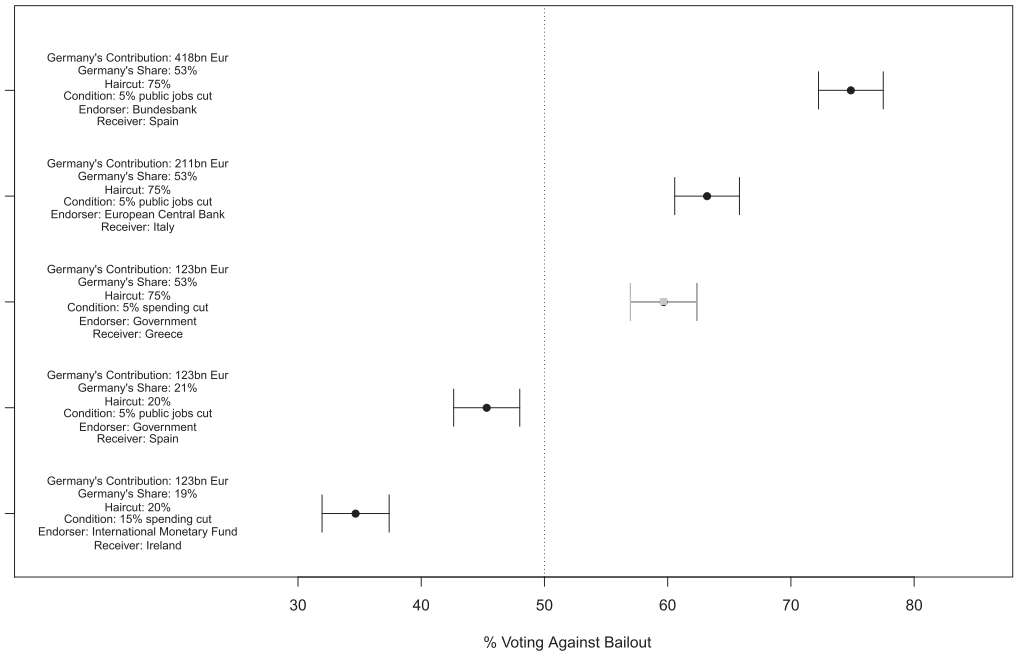

Figure 7. Predicted voter support for various bailout packages.
Notes: Share of German voters that oppose bailout estimated for various bailout packages (based on conjoint experiment). Horizontal lines indicate 95 per cent robust confidence intervals. The black estimates refer to the bailout packages roughly at the 1st, 25th, 75th and 99th percentile of opposition. The middle estimate refers to the bailout package that corresponds most closely to the actual policy of the Greece bailout.

and politically consequential. We illustrate this by comparing the level of opposition that different bailout proposals obtain among voters. Figure 7 presents the estimated level of voter opposition toward a set of selected bailout packages (with 95 per cent confidence intervals) that differ with respect to various policy attributes and correspond to the 1st, 25th, 75th and 99th percentile of the distribution of estimated opposition. The figures also include the estimated level of opposition for the real-world benchmark bailout for Greece (red estimate).

As Figure 7 demonstrates, a particularly costly (i.e., €418 billion) bailout of Greece in which Germany shoulders more than half of the overall burden, asks private lenders to accept large losses and is conditional on massive cuts in the Greek public sector, faces overwhelming opposition of over 80 per cent of the respondents. In contrast, just over half of the respondents oppose a bailout of Greece that requires a smaller German outlay of €189 billion, in which Germany contributes 27 per cent of the overall package and that requires spending cuts as opposed to layoffs. In other words, this latter bailout package for Greece, perhaps with only minor additional changes, had a much more realistic chance of obtaining sufficient support among a majority of respondents. The figure also shows that other bailouts in which burden sharing is at least as tilted in favour of Germany, and in which the funds are directed to countries other than Greece, are much more palatable to respondents. In fact, in some cases, the level of opposition drops to less than a third of the respondents.

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This suggests that the composition of bailout packages can have a pivotal effect on public support.

Robustness

We conducted a series of additional tests to assess the robustness of the findings (see the Online Appendix for full details). They remain unchanged irrespective of whether we analyse the full set of respondents or a range of theoretically relevant subgroups. Moreover, the definition of the outcome variable does not alter the results. As Figure A.3 in the Online Appendix shows, the average marginal component-specific effects look similar when using a 7-point scale of opposition against the bailout as the outcome variable instead of a binary measure. Figure A.4 in the Online Appendix presents the results from replicating the model with a forced-choice design, where respondents rank which of the two bailout packages in each contest they prefer. In other words, respondents do not have a 'do nothing' option. As the figure indicates, the same patterns reported earlier are unchanged, and the effects associated with the features are, if anything, slightly *stronger* once the nothing option is not available. This suggests that the same factors that shape people's preferences on the bailout options are present and meaningful, whether or not the option of not intervening is put on the table. We also explore the consistency of our results across conjoint tasks. Figure A.5 in the Online Appendix shows that the effects are consistent across the four comparisons evaluated by each respondent, which means that the findings are not a result of respondent fatigue.

Finally, we explore interactions between the effects of the different policy features and the target country and find very few significant ones (Figure A.6 in the Online Appendix). Moreover, Wald tests reveal that the full set of interaction terms between the target country and all other feature attributes is jointly insignificant when included in the benchmark model ($p \approx 0.31$). Looking beyond the target country, we find that similar Wald tests show jointly insignificant interactions (at the 0.05 level) for each of the other features as well. This indicates that the effects of the main features of the bailout package do not systematically depend on the specific combination with other features included in the package.

Discussion

The financial crisis of 2008 and its aftermath have fundamentally shaken the European political system. As a range of scholars have shown, the strains caused by the crisis have brought about important changes in the way citizens perceive the EU project and its key financial institutions (Fernández-Albertos & Kuo 2016; Hobolt & De Vries 2016). These changes have also affected the way voters approach the question of what their country should do, if at all, to help other EU countries in economic distress. The practical implications of this issue are far reaching: Whether or not the publics in donor countries muster the will to support financial assistance for struggling economies could determine the viability of the Eurozone and the prospects for sustained economic recovery.

Our results suggest that the conventional portrayal of the public as fiercely opposed to additional bailouts requires an important qualification. We find that only 23 per cent of the respondents in our survey can be described as fundamentally opposed to the bailouts,

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rejecting all of the proposed bailout packages, irrespective of their specific features. A large majority of respondents exhibit contingent policy preferences that depend on the specific features of the financial rescue package – particularly those pertaining to the cost and burden-sharing dimensions. To a lesser degree, we also find that the specific austerity conditions imposed on the recipient nation as part of the agreement, and who endorses the policy, affect the extent to which voters approve of a bailout proposal. These findings indicate that voters' willingness to back future financial rescues is far more contingent on the specific features of the bailout package than recognised in the ongoing public debate.

An implication of these findings is that governments of donor countries may have greater room to manoeuver in terms of public opinion than is often portrayed in the popular media. Rather than fundamentally opposing any new financial assistance to the regions' indebted neighbours, voters appear willing to support financial rescues under certain conditions. Furthermore, our analysis reveals a notable degree of consensus among different subsets of the population regarding the desired features of the bailout package. While we report instances of constituencies placing a slightly higher 'premium' on specific features, the overall pattern shows that even very different subgroups of the population tend to prioritise the same policy features.

As noted, our results indicate that a subset of bailout proposals can garner support from a majority of respondents. Yet one may worry that the packages that the public deems acceptable are perhaps irrelevant in a practical sense because, for example, they provide assistance to the 'wrong' country (i.e., not the one in greatest need) or because the assistance package is too small to provide effective financial support. However, our analysis shows not only that the packages that respondents find acceptable are of significant magnitude (indeed, comparable to the figures actually discussed by policy makers) but also that these findings are not restricted to one or two 'irrelevant' countries, but also extend to much maligned ones such as Greece. In other words, voters do seem willing to back assistance packages that could potentially have a significant impact.

In his classic study of political parties, E.E. Schattschneider famously noted that: 'The people are a sovereign whose vocabulary is limited to two words, Yes and No' (Schattschneider 1942: 52). While this surely is an apt description of voters' positions in many political circumstances, our results highlight the contingent and multidimensional nature of individual preferences over the contested issue of international financial rescues. In such instances, expanding voters' 'vocabulary' beyond these two options can lead to very different conclusions regarding the structure of mass preferences, as well as the political feasibility of international cooperation in dealing with financial crises.

Acknowledgements

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Supporting Information

Additional Supporting Information may be found in the online version of this article at the publisher's web-site:

Table A.1: Demographics of the Survey Samples (in %)
Table A.2: Predictors of Individuals Holding Fundamental Attitudes toward Financial Bailouts
Figure A.1: Screenshot of Conjoint Instructions for Respondents
Figure A.2: The Effects of Bailout Policy Features on Voter Support by Stock Ownership
Figure A.3: The Effect of Bailout Policy Features on Voter Support for Bailout (7 Point Scale)
Figure A.4: The Effect of Bailout Policy Features on Voter Support for Bailout (Forced Choice)
Figure A.5: Effect of Bailout Policy Features on Voter Support for Bailout by Contest
Figure A.6: Effect of Bailout Policy Features on Voter Support for Bailout by Receiving Country

Notes

1. According to the calculations by the German economist Hans-Werner Sinn, the paid-out bailout measures total €843 billion. Greece 'has received a staggering 115 Marshall plans, 29 from Germany alone' (Sinn 2012; see also Ifo Institute 2012).
2. By June 2012, the costs of the Greek bailout climbed to €247 billion (*Financial Times*, 6 November 2012).
3. 'Merkel bekommt Vorgaben für die Euro-Rettung: Koalitionsfraktionen im Bundestag wollen bei Verhandlungen in Brüssel mitreden', *Die Welt*, 24 February 2011; 'Mehr Geld für Euro-Rettungsschirm: Auf zur nächsten roten Linie', *Spiegel Online*, 27 March 2012.
4. According to a representative snap survey, 32 per cent of German citizens support financial bailouts for over-indebted EU countries and 62 per cent oppose these financial transfers (see 'Mehrheit gegen stärkere Finanzhilfen für verschuldete EU-Staaten', *Politbarometer*, 17 December 2010; see also the results from another snap survey reported in 'Germany backs Greece aid, but at a cost to Merkel', *New York Times*, 27 February 2012).
5. See, e.g., 'Democracy and its discontents', *International Herald Tribune*, 4 October 2011; 'Euro-Rettungsschirm: Am Ende des Tunnels', *Frankfurter Allgemeine Zeitung*, 25 September 2011.
6. One may question the extent to which Germany truly had a viable option of freeriding on the efforts of other countries. While it is unlikely that the bailout would have gone through without any German contribution, it is surely the case that different packages could have passed in which Germany would take a larger or smaller share of the costs.
7. Reliance on such cues may be particularly prevalent in times when trust in democratic institutions is increasingly in question, as recent studies of the EU crisis indicate (Armingeon & Guthmann 2014; Liesch 2016).
8. 'Lagarde urges boost to Eurozone's bailout fund', *The Independent*, 24 January 2012; 'IWF knüpft Griechenland-Hilfe an Bedingungen', *Financial Times*, 21 February 2012; 'Deutsche-Bank-Ökonom erwartet Hilferuf aus Portugal', *Spiegel Online*, 26 December 2010.
9. The prominent effect of endorsements may be gleaned from the frequent public statements made by the German government and the oppositions parties about specific bailout proposals that they would endorse or reject (e.g., 'Merkel verlangt mehr Einsatz von den Deutschen', *Spiegel Online*, 22 May 2011).
10. The online sample we use in this study produced comparable responses on general attitudes toward financial bailouts in Europe as a phone sample that we fielded at the same time through random digit

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dialing. The two samples exhibited similar relationships between key covariates and attitudes towards the bailout.

11. The figures were drawn from the EFSF's website (www.efsf.europa.eu). A later amendment to the contribution keys (i.e., after our study was conducted) led to an increase in the share for Germany (29 per cent) and France (22 per cent).
12. We also considered providing the figures of the bailout calculated on a per household basis. We decided not to pursue this approach since the public debate centred on the overall national contribution rather than the average individual household contribution. The use of the overall sum therefore increased the experiment's external validity.
13. Several politicians in Germany had indeed called for a referendum to be held on the bailouts (see, e.g., 'Europa muss auf Deutschland warten', *Spiegel Online*, 1 July 2012; 'Was beim ESM-Urteil auf dem Spiel steht', *Spiegel Online*, 10 September 2012).
14. The left and right distinction is based on a question that asked voters to place themselves on an ideology scale ranging from 0 (left) to 10 (right). The median of this variable is 5. Therefore, to avoid including moderate voters, we code responses between 0 and 4 as left, and between 6 and 10 as right.
15. Respondents with up to medium-tier high school are coded as 'low education' and respondents with the highest high school level or a college degree are coded as 'high education'. The results are substantively similar if those in the highest high-school tier are included in the low education category.

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Address for correspondence: Michael M. Bechtel, Department of Political Science, Washington University in St Louis, St Louis, MO 63130, USA. E-mail: mbechtel@wustl.edu.

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