



A European Finance Minister with Budget Autonomy?

Need for reforms of the Eurozone and
their potential, given public opinion in Europe

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potential, given public opinion in Europe

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Description

The Eurozone crisis has pushed reform of the European Union (EU) to the forefront of political debate. How can a union of 28 states with a population of over half a billion be reformed to weather future economic crises and political challenges? Finding an answer to this question is extremely difficult not only because current reform proposals are so varied, but even more so because we lack insight into the preferences for reform amongst national elites and local populations. Although EU support has interested scholars for over three decades now, we virtually know nothing about public support for EU reform. Current research focuses almost exclusively on the causes of support for the current project and fails to provide a sufficient basis for effective reform decisions. Surely, the feasibility and sustainability of EU reform crucially hinges on the support amongst national populations. eupinions examines public support for EU reform by developing a theoretical model and employing cutting-edge data collection techniques. Our findings will aid policy makers to craft EU reform proposals that can secure widespread public support.

Executive Summary

A clear majority of Europeans sees a need for political and economic reform in both the euro area and their own country. In terms of the euro area, they are in favour of a clear designation of responsibilities and funds. A majority of Europeans also feel that a finance minister for the entire Eurozone as well as a Eurozone budget would be useful. When it comes to the question of the said finance minister's responsibilities and what a Eurozone budget should be used for, the preferences varied. This is despite the fact that those surveyed could make their choices based on a growing level of knowledge about the euro area. Even though the majority of Europeans favour significant reforms in the Eurozone, they don't really believe that the Eurozone is capable of them. Instead, a majority believes that in ten years, the euro area will still be in crisis, according to the Bertelsmann Foundation's current opinions study. For opinions, we regularly survey the attitudes of Europeans on current political issues. For this issue, we asked about attitudes toward reforms of the euro area.

The main results are:

- 75 per cent of all Europeans within the EU and 76 per cent of all Europeans inside the euro area see a need for reforms of the euro area; 43 per cent and 46 per cent respectively believe that this need for reforms is urgent, whereas 32 and 30 per cent respectively believe that reforms would be useful but are not urgent.
- 77 per cent of all Europeans within the EU and 78 per cent of all Europeans in the euro area see a need for reforms in their own country; 45 per cent and 47 per cent respectively believe that this need for reforms is urgent; meanwhile, 32 and 31 per cent respectively think that reforms would help but are not crucial.
- The level of knowledge Europeans have about the EU and about the euro area is high, and that is particularly true for the citizens of the euro area: 76 per cent of respondents illustrated a high level of knowledge about the European Union, while 68 per cent showed a high level of knowledge about the Eurozone. These figures are also reflected in the growing familiarity with leading European politicians and the high level of familiarity with technical terms related to Eurozone policy.
- 56 per cent of all Europeans in the EU and 57 per cent of all Europeans in the Eurozone believe that it would be useful to have a European finance minister; 41 per cent and 42 per cent respectively think that this minister should oversee the spending of his or her national counterparts; 40 and 37 per cent respectively think that he or she should control the budget of the Eurozone and 35 and 39 per cent respectively think that he or she should be authorized to offer debt relief.

- 55 per cent of all Europeans in the EU and 58 per cent of all Europeans in the euro area are of the opinion that it would be useful to have a dedicated budget for the whole euro area; 44 per cent both in the EU as a whole, as well as in the euro area think that these funds should primarily be used to boost the economy in economically weaker member states; 33 and 36 per cent respectively are in favour of using the money to support Europeans, who have lost their jobs; 29 per cent of both groups want to use the money to support member states in their efforts to implement reform.
- 42 per cent of all Europeans in the EU and 45 per cent of all Europeans in the euro area think that ten years from now, the Eurozone will still be in a state of crisis. Only 21 and 22 per cent respectively think that the euro will be a strong and stable currency and 16 and 15 per cent respectively even think that in ten years, all countries will have reverted to having their own currencies again.
- There is a direct correlation between an individual's economic situation and future outlook and their overall attitude toward European integration. Essentially, if the past two years were difficult and the individual expects the same in the near future, then that individual's willingness to support further political and economic integration decreases.

In Focus

Reform of the Eurozone

Ever since 2010, the European Union in general and the countries of the Eurozone in particular have been struggling to reform themselves. In the public perception, the dispute over the right way to achieve a stable and functioning economic and monetary union no longer occupies as much space as it did in large stretches over the past six years. Nonetheless, many reform projects are still far from complete. Of the areas listed in the Five Presidents' Report, significant progress has only been achieved in one: the Banking Union. When it comes to fiscal union, democratic union or reforms of the common market, however, development is stalling. Many actors are undecided about what they should fear more: A further worsening of the crisis with all the drama and political damage created during the summer of 2015 by the negotiations for the third aid package for Greece? Or the quiet after the storm, which superficially suggests stability but only leads to a loss of the very focus needed to actually create the robust structures the Eurozone needs?

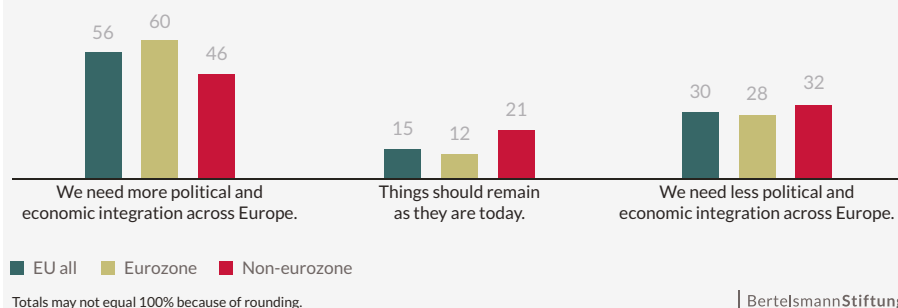
Even if a determined political elite is the primary factor needed to complete the economic and monetary union, it is nonetheless relevant to know in what political context they are operating. (The strong politicization of topics related to European politics and the rise of nationalistic voices and populist political parties can easily create the impression of overall integration fatigue, which creates a dynamic that leads to withdrawal and isolation rather than expansion and deepening). eupinions conducts interviews with European citizens on current political topics several times a year. For the current issue, 2016/04, we interviewed 10,992 European citizens throughout the EU on their attitude towards Eurozone politics and the development of the Eurozone. The survey was conducted in April 2016 by Dalia Research. (Further information about the methodology at the end of this study).

We began by determining the attitudes towards the need for reforms in general and about possible directions such reforms might take. Furthermore, we investigated the level of knowledge that these attitudes were based on. Then we asked people about their opinions on specific proposals for reforms, which are currently being discussed in conjunction with the establishment of a fiscal union: specifically a European finance minister and a dedicated budget for the Eurozone. Both have the advantage of being a fixed feature of national fiscal policy and something many citizens are aware of, which makes it understandable even to those who have no particular interest in economic and fiscal policy. Afterwards, we determined the expectations of citizens regarding the future of the Eurozone.

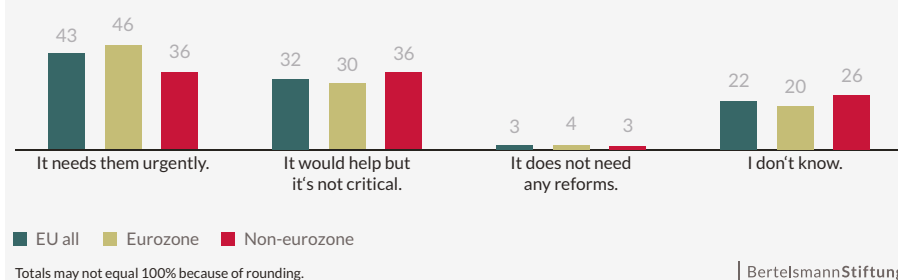
One of the attitudes we query in every eupinions survey is regarding European integration as a whole. The question was: Which of the following statements

FIGURE 1 **Attitude towards European political and economic integration**

If you had to choose, which of the following statements best describes your overall attitude towards European integration? Figures in percent

FIGURE 2 **Need for economic reforms in the Eurozone**

To what extent, if at all, does the Eurozone need economic reforms to be politically and economically stable? Figures in percent



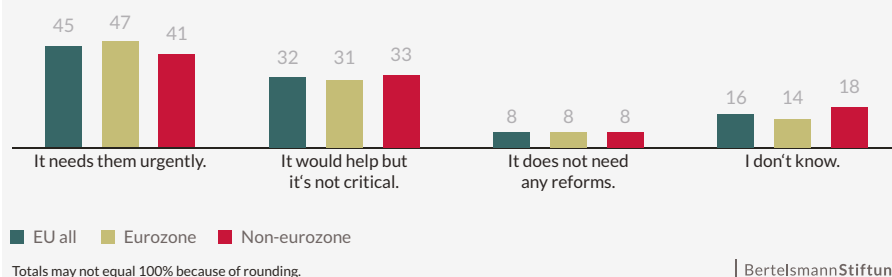
best represents your general attitude towards European integration? a) We need more political and economic integration; b) Everything should stay the way it is today; c) We need less political and economic integration. So far, we were able to determine that a solid majority of Europeans is overall in favour of integration. In April 2016, 56 per cent of all those surveyed throughout the EU felt that more political and economic integration was needed. Within the Eurozone, as much as 60 per cent agreed with that statement (Figure 1). Option B, which said everything should remain as it is, received the least support. Less integration was something that 30 per cent wanted throughout the EU and 28 per cent in the Eurozone respectively.

Does that picture change when you ask specifically about the need for reform in the Eurozone but also in an individual's own country? No. A large majority sees a need for reforms both in the Eurozone (75 per cent throughout the EU, 76 per cent in the Eurozone), as well as in their own country (75 per cent throughout the EU, 78 per cent in the Eurozone). Views only differ on how urgent these reforms are.

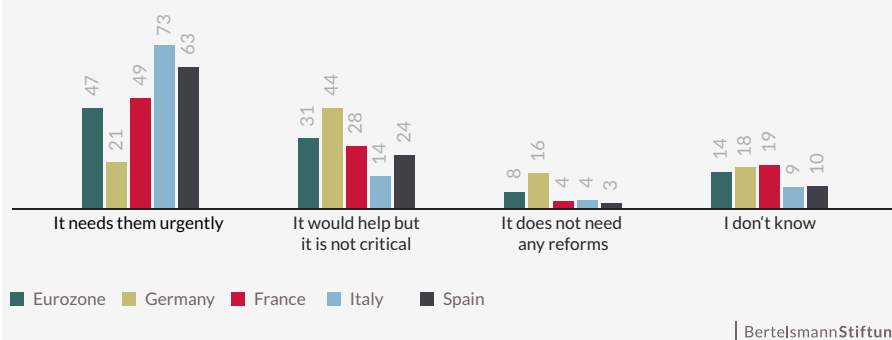
Specifically, 43 per cent throughout the EU and 46 per cent within the Eurozone see an urgent need for reforms for the Eurozone; 32 per cent and 30 per cent respectively believe that reforms would be helpful but not urgent. However, only 3 and 4 per cent respectively believe that there is no need at all for reforms of the Eurozone (Figure 2).

FIGURE 3 **Need for economic reforms in own country**

To what extent, if at all, does your own country need economic reforms to be politically and economically stable?
Figures in percent

FIGURE 4 **Need for economic reforms in own country**

To what extent, if at all, does your country need economic reforms to be politically and economically stable?
Figures in percent



When we look at the responses in the various euro countries, we find that those euro countries hit hardest by the financial and economic crisis see the greatest need for reforms: 58 per cent of Italians and 53 per cent of Spaniards think the Eurozone urgently needs to be reformed. However, only 38 per cent of Germans see an urgent need for action. (Note that for eupinions, we collect representative data for the entire European Union, for its six largest member states including Germany, France, Italy and Spain, and for many regions, (Eurozone/non-Eurozone, for example,) but not for each individual EU member state.). The picture is almost identical when it comes to questions about the need for reforms in individuals' own countries: 45 per cent throughout the EU and 47 per cent in the Eurozone believe that their own country is in urgent need of economic reform. Another 32 per cent throughout the EU and 31 per cent in the Eurozone believe that reforms would be helpful but not essential. When we compare countries this impression is reinforced: Only 21 per cent of Germans think their country is in urgent need of reform but as many as 44 per cent say it would certainly be helpful. At the same time, 73 per cent of Italians and 63 per cent of Spaniards say reforms are urgently needed. (Figures 3/4).

Questions about the euro itself evoked very different feelings. When asked how a conversation with friends about the euro would likely go, positive or negative, 48 per cent in the Eurozone said it would most likely be positive whereas 52 per cent suspected that it would be negative. When we compare countries, the Italians (65 per cent) and the French (62 per cent) were most

FIGURE 5 Perception of the Euro

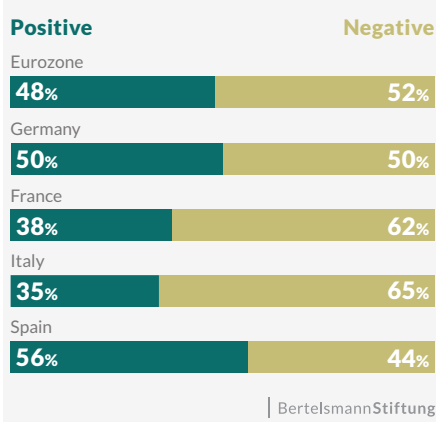


FIGURE 6 Knowledge about the EU

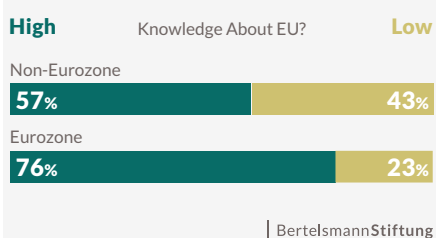
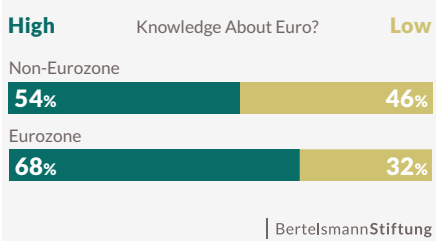


FIGURE 7 Knowledge about the Eurozone



negative. (Figure 5). A narrow majority in the Eurozone, 52 per cent, wants to keep the Euro and would vote to remain in the Eurozone if a referendum were held, while 42 per cent said they would vote to leave; the rest would not vote. This trend also becomes apparent in the country-by-country comparison – with one notable exception: The Italians would be divided as 45 per cent would like to keep the Euro, and 51 per cent would not.

The respondents base their assessments on a growing knowledge about the European Union, the Eurozone and their key actors. We were able to measure a particularly high level of knowledge in the Eurozone (Figures 6/7): 76 per cent in the Eurozone know a lot about the European Union in general and 68 per cent about the Eurozone in particular. We came to this conclusion by asking two technical questions about the EU and two about the Euro and then combining the results. These results are flanked by the recognition rate of leading European politicians and leaders (Figures 8/9). These recognition rates are not as high as those for the heads of state of the large member states but they are rising, and for the three most well-known figures, they hover around 40 per cent.

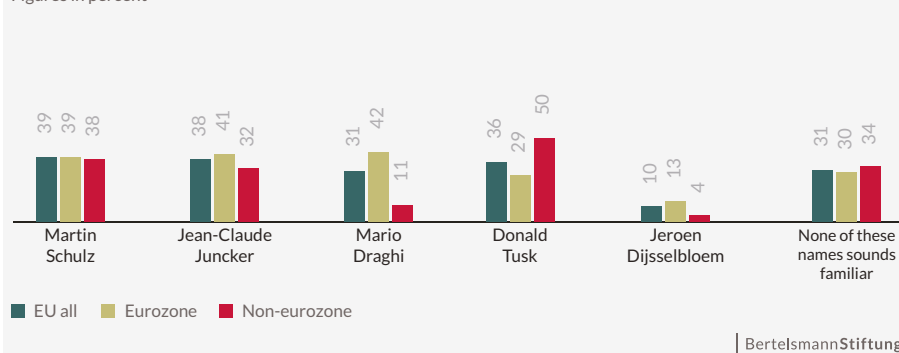
Leading recognition rates among national politicians are Angela Merkel (86 per cent throughout the EU, 91 per cent in the Eurozone), David Cameron (78 per cent/76 per cent) and François Hollande (69 per cent/77 per cent). Notably occupying fourth place is Alexis Tsipras (47 per cent/57 per cent). But at the level of Italy's prime minister Matteo Renzi (31 per cent/40 per cent), there are also Martin Schulz (39 per cent/39 per cent), Jean-Claude Juncker (38 per cent/41 per cent) and Mario Draghi (31 per cent/42 per cent).

The institutions and terminology of the Eurozone have remarkably high recognition rates as well (Figure 10). The vast majority of Europeans in the EU and an even larger majority of those in the Eurozone are familiar with the European Central Bank, the Eurozone itself and the European Economic and Monetary Union. The Euro group, the Troika and the Banking Union all rank above 40 per cent; euro bonds and ESM are between 30 and 40 per cent.

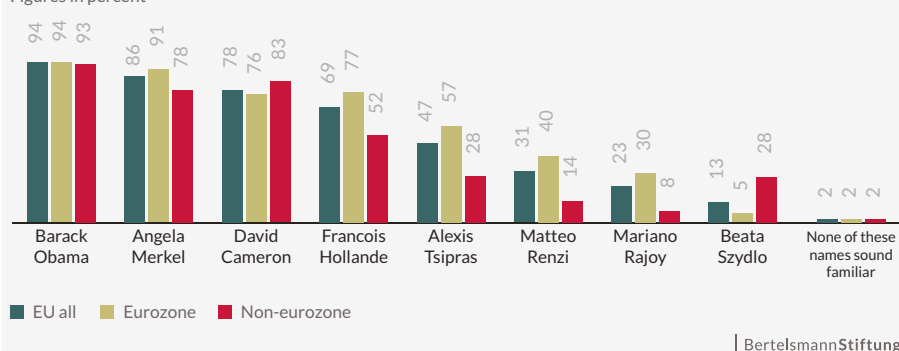
What is the situation like when we look at reform measures? Using the example of a European finance minister and a dedicated budget for the Eurozone, we try to determine if the attitudes change when we go from abstract “need

FIGURE 8 **Familiarity with European leaders**

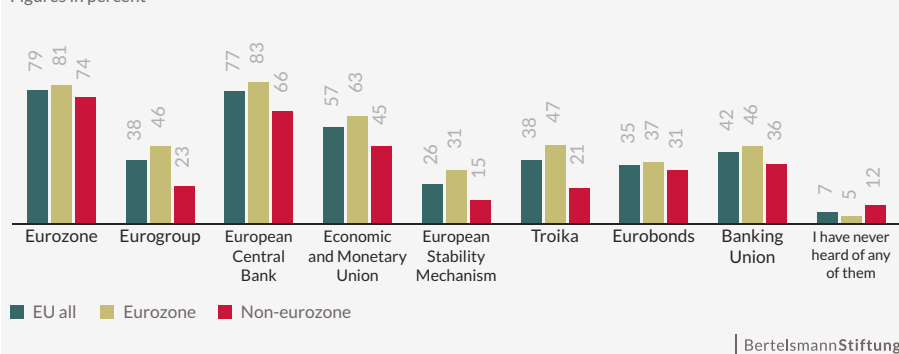
Do any of the below names sound familiar?
Figures in percent

FIGURE 9 **Familiarity with national leaders**

Do any of the below names sound familiar?
Figures in percent

FIGURE 10 **Familiarity with European economic terms**

Do any of the terms sound familiar to you?
Figures in percent



for reforms” to a specific “proposed reform.” In each case, we asked whether individuals think the measure itself is useful and about what potential responsibilities they envision for a Eurozone finance minister and what potential uses they see for a dedicated Eurozone budget.

When asked, “How useful do you think it would be for the Eurozone to also have a European finance minister,” 56 per cent throughout the EU and 57 per cent in the Eurozone said a designated European Finance Minister would be useful

FIGURE 11

Value of a European finance minister

The Eurozone countries have a common currency and a common central bank. How useful do you think it would be for the Eurozone to also have a European finance minister? Figures in percent

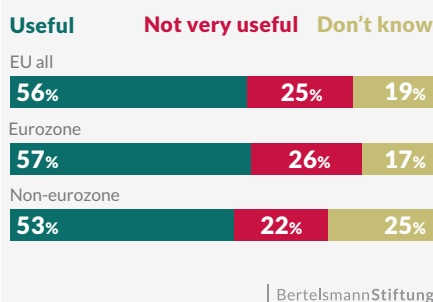
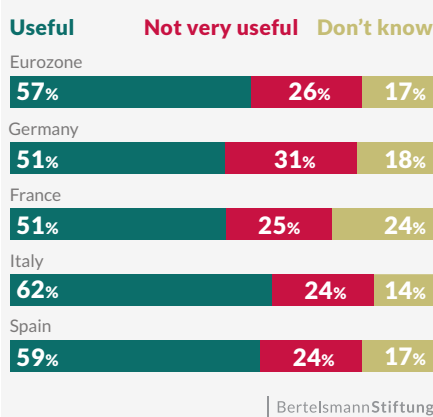


FIGURE 12

Value of a European finance minister

The Eurozone countries have a common currency and a common central bank. How useful do you think it would be for the Eurozone to also have a European finance minister? Figures in percent



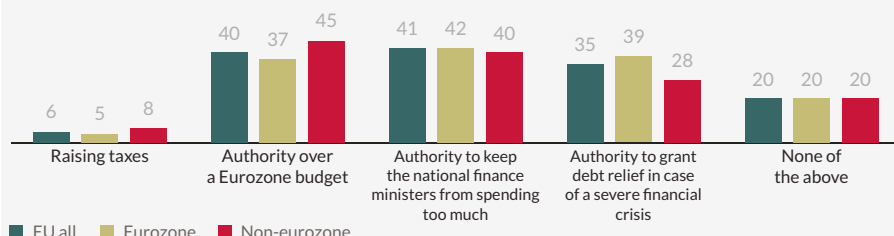
for the Eurozone; 25 per cent and 26 per cent respectively felt that it would not be very useful; and 19 and 17 per cent respectively didn't know how they should respond. When we look at the responses by country, they range from 51 per cent saying it would be useful (Germany) to 62 per cent (Italy) (Figures 11/12). When asked what responsibilities a European finance minister should have, the answers were distributed fairly evenly among three responses: a) He should have authority to keep the national finance ministers from spending too much; b) He should have authority over a Eurozone budget; c) He should have the authority to grant debt relief in case of a severe financial crisis. Only very few people (6 throughout the EU and 5 per cent in the Eurozone) wanted him to be able to raise taxes. At the same time, 20 per cent throughout the EU and also in the Eurozone felt that a European finance minister should not have any of the powers mentioned (Figure 13) That picture does not change significantly when we look at the results by country. One exception is the issue of debt relief: Germans are significantly less in agreement than Spaniards and Italians (28 per cent of Germans versus 46 per cent

and 44 per cent in Spain and Italy) (Figure 14)

The situation is similar when the question of a common budget is brought up: 55 per cent in the European Union and 58 per cent in the Eurozone would consider a dedicated Eurozone budget sensible. Once again, those in countries hit harder by the crisis are more open to this measure than those who weathered the crisis relatively unharmed: In Germany, 47 per cent of respondents favoured such a budget versus 69 per cent in Italy and 59 per cent in Spain. However, 31 per cent of Germans were against it. (Figure 15)

FIGURE 13 **Desired competencies of a European finance minister**

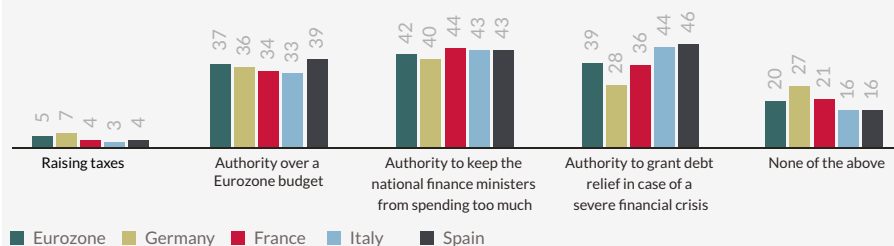
If there were a European finance minister, which competencies should he or she have?
Figures in percent



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FIGURE 14 **Desired competencies of a European finance minister**

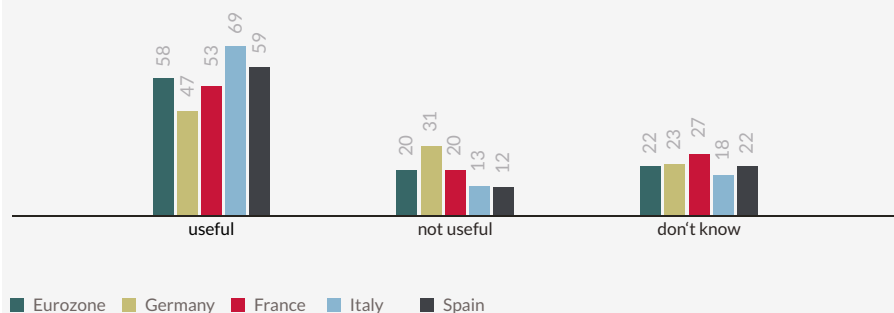
If there were a European finance minister, which competencies should he or she have?
Figures in percent



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FIGURE 15 **Value of a dedicated the Eurozone budget**

The Eurozone has a common currency and a common central bank. How useful would it be to also have a dedicated Eurozone budget? Figures in percent



Totals may not equal 100% because of rounding.

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When it comes to using such a budget, those interviewed could choose between six options: Boost the economy; support member states when they reform; unemployment support; and support for those moving to a different country for employment; none of the above; and I don't know. Overall, boosting the economy received the most support with 44 per cent, followed by unemployment support and support of reforms. When we look at the results by country, the outlier this time is not Germany but France. There, only 31 per cent are in

FIGURE 16 Potential spending areas for the Eurozone budget

If there were a dedicated Eurozone budget, how should it be spent?
Figures in percent

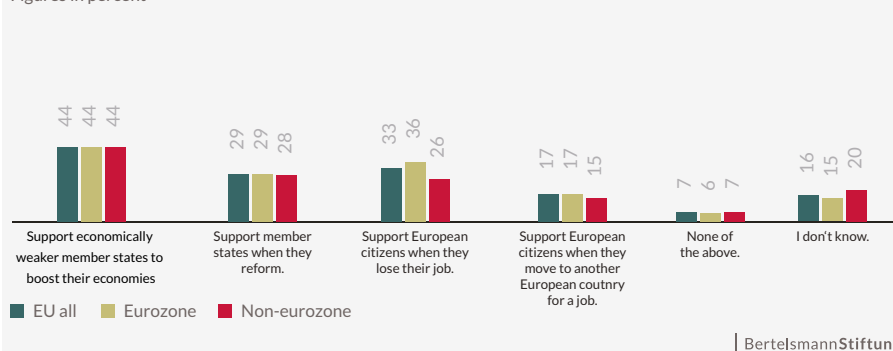
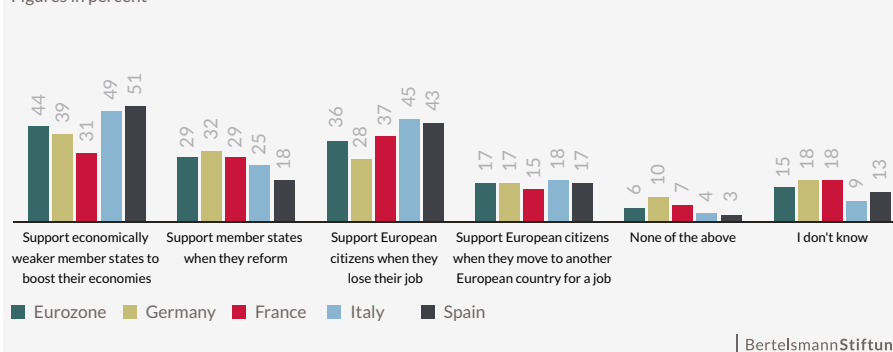


FIGURE 17 Potential spending areas for the Eurozone budget

If there were a dedicated Eurozone budget, how should it be spent?
Figures in percent



favour of boosting the economy, whereas especially in those in Spain (51 per cent) and Italy (49 per cent) would prefer that. (Figures 16/17)

Even if these figures show a relatively high level of openness towards reforms in general, this does not correlate to the conclusion that a high percentage of people trust in the ability of the European Union or the Eurozone. When asked how they believe the Eurozone will develop over the next few years, a majority of Europeans responded that they believe the Eurozone will still be in crisis in ten years (42 per cent throughout the EU, 45 per cent in the Eurozone). Only 21 per cent in the EU and 22 per cent in the Eurozone think, “We will have the euro and it will be a strong and stable currency.” However, even fewer Europeans (16 per cent/15 per cent) believe, “All countries will use their national currencies again” in ten years.

How optimistic people are about their future also has to do with an individual’s economic situation over the past few years, and both have an impact on the attitude toward European integration as a whole. The better one’s economic situation has been over the past two years, the more likely that individual is to view further integration positively. (Figure 18). Among those whose economic situation has worsened during the past two years, a majority still thinks that further integration is the right choice but among that group, we also find a disproportionately large number who believes that the EU needs less integration. The only option that receives very little support in this group is that of the status quo.

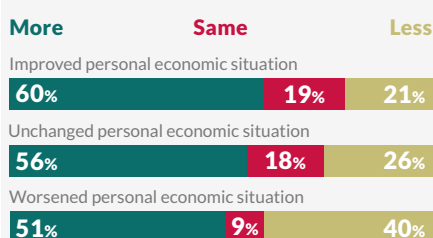
So broadly speaking, if an individual's economic situation worsens, that leads to more openness to change. The same is true for the outlook on the future. If that outlook is positive, people are particularly open to further political and economic integration in Europe. The options of "less" and "status quo" both received the same level of approval, which was very low. However, when the economic outlook is negative, the support for more integration and the status quo shrinks significantly and support for a reversal of EU integration grows. (Figure 19)

In that sense it seems consistent that a majority of Europeans view "slow growth and high unemployment" as the biggest threat to the euro (43 per cent throughout the EU/48 per cent in the Eurozone). Ranking second place for Europeans is another financial crisis (40 per cent throughout the EU, 42 per cent in the Eurozone). Coming in third is "excessive public spending and debts." Broken down by country, there are some interesting peculiarities. The Germans are more afraid of the Eurozone falling apart than their neighbours. The French, on the other hand, are more worried about "falling behind the rest of the world." Overall, the prospect of slow economic growth and its consequences worries everyone, but it worries those more who live in countries that have suffered most during the current crisis (60 per cent of Italians, 56 per cent of Spaniards and 55 per cent of the French).

FIGURE 18

More Political and economic integration?

How do people whose economic situation has changed during the past two years feel about more political and economic integration?

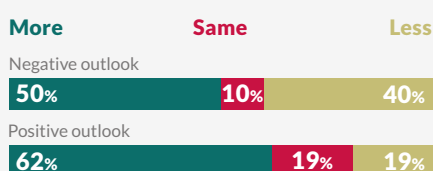


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FIGURE 19

More Political and economic integration?

How do you expect your economic situation to develop in the future?



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Concluding Remarks

The Europeans see the need for reforms of the Eurozone but they doubt its ability to reform. That is the central finding of *eupinions 2016/04* and it corresponds to some other findings about the discrepancy between what Europeans consider desirable and feasible in terms of European policy. On one hand, we keep finding a stable majority for a membership in the EU and the Eurozone and a high level of support for further integration; on the other hand, the majority of our respondents show discontent over the political situation in Europe at the moment. It may be important to acknowledge that contrary to the common assumption, dissatisfaction with the current political situation doesn't by any means automatically lead people to fundamentally question the idea of European integration. Nonetheless, it begs the question how long an emerging political space can exist with this ambivalence before it incurs enduring damage. Especially in the context of a strong politicisation of topics related to European politics and the rise of nationalistic voices and populist political parties, it can easily lead to the suspicion that there is general integration fatigue, which leads to withdrawal and isolation rather than expansion and deeper integration. And even if this suspicion only matches measurable facts to a limited extent, it still has a massive impact because it discourages political actors in their words and deeds, which in turn reinforces an impression that is prevalent among the majority of Europeans anyway: That they are unable to act.

That is despite the fact that the status quo is not exactly popular among Europeans. The more that individuals' own countries and lives have been affected by the crises of the past few years, the stronger the desire for change is. Italy is a good example of this. The overwhelming majority of Italians have been passionate Europeans for decades yet they are beginning to react very nervously: 37 per cent say that their personal economic situation has worsened during the past two years and they don't expect anything positive in the near future. They feel that the need for reforms in their country and in the Eurozone is urgent, and a large majority of them believe that more political and economic integration is needed in the future. But their approval of EU membership is diminishing. At the time of our survey, only 52 per cent of Italians said that they would vote in favour of EU membership in a hypothetical referendum. That is only contradictory at first glance. On closer inspection, it reveals a gloomy outlook for the European Union: That there could come a time when faith in the concept and potential of an undertaking will no longer matter because the conviction wanes that the potential can be realized. And at that point, drastic reactions are no longer out of the question.

The European Union may be entering into the most dangerous phase of its consolidation. There is great exhaustion but new political and economic shocks

continue to occur while old wounds are only healing slowly. Europe's south is not finding its way back to economic growth and even if some indicators are developing in a positive way, they still remain abstract from the point of view of the average citizen. The result is frustration and distrust, and those who want to turn that into political power are ready, well-organized and highly motivated. In this situation, the political elites have an immense responsibility. The campaign surrounding the British referendum has shown how powerful political actors are, when they promote a cause relentlessly (and also largely unscrupulously). The supporters of the Leave-campaign offered a vision for the future, which was specific enough to offer a direction but vague enough to allow as many people as possible to project their desires and hopes onto it. You don't create visions based on reforms of capital markets and banking unions. But if European leaders are unable to develop a vision of who we are and where we are headed, it will be very difficult to take Europe's citizens along for the ride. That is especially true if results don't materialize and more and more people ask themselves, "And what's in it for me?"

Method

— his report presents an overview of a study conducted by Dalia Research Berlin in April 2016 on public opinion across 28 EU Member States. The sample of n=10.992 was drawn across all 28 EU Member States, — taking into account current population distributions with regard to age (14-65 years), gender and region/country.

In order to obtain census representative results, the data were weighted based upon the most recent Eurostat statistics. The target weighting variables were age, gender, level of education (as defined by ISCED (2011) levels 0-2, 3-4, and 5-8), and degree of urbanization (rural and urban). An iterative algorithm was used to identify the optimal combination of weighting variables based on the sample composition within each country. An estimation of the overall design effect based on the distribution of weights was calculated at 1.43 at the global level. Calculated for a random sample of this size and considering the design-effect, the margin of error would be +/-1.1 % at a confidence level of 95 %.

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Imprint

© December 2016
Bertelsmann Stiftung

eupinions #2016 /4

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ISSN: 2365-9661

Design:
Lucid. Berlin

Cover illustration:
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