Solidarity with EU countries in crisis: results of a 2015 Socio-Economic Panel (SOEP) survey

By Holger Lengfeld and Martin Kroh

In response to the European sovereign debt and currency crisis, the EU has begun to implement measures toward fiscal solidarity at least for the euro area. Survey data from the Socio-Economic Panel (SOEP) study show that just under half of all adults in Germany generally support providing assistance to EU countries experiencing financial difficulties. Almost one in three respondents also advocate the idea of an individual solidarity contribution for countries in crisis. In return, the majority of people in Germany expect these countries to reduce public spending and forge ahead with privatization. Only a minority call for the crisis country to make cuts in its social spending.

The vote by the United Kingdom to leave the European Union has plunged the EU into another crisis. Even if, in the view of many observers, the Brexit vote largely reflects criticism of the free movement of workers within the EU and immigration from Central and Eastern Europe in particular, the root causes lie deeper, namely in the skepticism of many Britons about the idea of increasing European integration.[1]

Ever since the most recent European sovereign debt and currency crisis, the EU has outgrown its original function of a common market, also in the eyes of the population, and, at least for the countries in the euro area, begun to implement measures toward fiscal solidarity.[2] In order to bolster the single currency, the EU and the International Monetary Fund (IMF) have granted guarantees and loans to euro area countries facing serious financial difficulties such as Greece, Portugal, Ireland, and Cyprus. At the same time, the European Central Bank (ECB) is purchasing government bonds to support crisis countries, and a permanent, highly capitalized bailout for future crisis situations was established in the form of the European Stability Mechanism (ESM). Ultimately, the euro area countries made a commitment to reciprocal, albeit limited, solidarity in the event of a failure to balance national budgets. This bailout policy did not so much follow the logic of altruistic aid but was more in the interests of preserving the common currency area.[3] But self-serving aid is also a form of assistance and this policy constitutes an expansion of transnational fiscal

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1 See, for instance, the results of a survey conducted by the PEW Research Center in the UK and other EU countries in April 2016 (see Pew Research Center, *Euroskepticism Beyond Brexit* (June 2016), accessed August 13, 2016, www.pewglobal.org/files/2016/06/Pew-Research-Center-Brexit-Report-FINAL-June-7-2016.pdf.

2 See M. Heidenreich, "Eurokrisen und Vergesellschaftung," in *Krise der europäischen Vergesellschaftung? Soziologische Perspektiven*, ed., M. Heidenreich (Wiesbaden: 2014), 5ff.; J. Gerhards and H. Lengfeld, *European Citizenship and Social Integration in the European Union* (London: 2015), 168ff.

3 Moreover, Germany had financial benefits as a result of extending credit because the credit guarantees did not lead to payments (i.e., there were no defaults). Furthermore, Germany profited from the interest payments from the crisis countries, since these interest rates turned out to be higher than those that Germany had paid to creditors at the time for absorbing its own sovereign debt.

Box 1

Fiscal solidarity in Europe: definition and data basis

Solidarity is a form of prosocial behavior[1] based on the assumption of equality of those who show and those who receive solidarity as well as the reciprocal bond between the two groups.[2] Since the forms, motives, means, and social contexts of solidarity in society vary, there is no standard definition used in the social sciences and economics. The present study analyzes the willingness of Germany's population to show solidarity toward European crisis countries. The medium of solidarity is loans and guarantees, which are granted by the EU and its member states. We understand fiscal solidarity to mean public support for assistance to EU countries facing acute financial difficulties.

In the social sciences and economics, various different methods are used to operationalize and to measure solidarity. Showing solidarity in the immediate social context is often directly measured, for instance, through observation in the field or in laboratory experiments.[3] As for forms of solidarity in terms of redistribution between large groups of people, this type of direct measurement is only possible in exceptional cases, such as with donations or endowments.

Normally, data on solidarity is collected indirectly in surveys by establishing citizens' approval of major institutions of wealth redistribution such as the welfare state.

The data basis for the present report is the SOEP Innovation Sample (SOEP-IS)[4] conducted by DIW Berlin in cooperation with the survey institute *TNS Infratest Sozialforschung* in fall/winter 2015/16. A total of 2,348 individuals of at least 17 years of age and living in households in Germany were surveyed in face-to-face interviews. SOEP-IS is a longitudinal survey of households and individuals which has been conducted since 2012. Some of its content is proposed by external researchers and selected by way of a competitive process. The questions analyzed here were developed by the lead author and his team, and first tested in 2012 in a survey covering two countries.[5] The weighted analyses are based on a sample of 2,123 individuals, not including non-responses.

1 S. Lindenberg, D. Fetschenhauer, A. Flache, and B. Buunk, "Solidarity and Prosocial Behavior: A Framing Approach," in *Solidarity and Prosocial Behavior*, eds., Fetschenhauer et al. (New York: Springer, 2006), 3–19.

2 K. Bayertz, "Four uses of "solidarity"," in *Solidarity*, ed. K. Bayertz (Dordrecht/Boston: 1999), 3–28; S. Mau, "Forms and prospects of European solidarity," in *European solidarity*, ed. N. Karangiannis (Liverpool: 2006), 129–146.

3 J. Brosig-Koch, C. Helbach, et al., "Still different after all these years: Solidarity behavior in East and West Germany," *Journal of Public Economics* 95 (2011): 1373–1376; S. Vogt, W. Raub, et al., "Zur Dynamik prosozialen Verhaltens in einem asymmetrischen sozialen Dilemma: Ein Beitrag zur experimentellen Spieltheorie," *Zeitschrift für Soziologie* 40 (2011): 338–355.

4 D. Richter and J. Schupp, "SOEP Innovation Sample (SOEP-IS) – Description, Structure and Documentation," *Schmollers Jahrbuch* 135 (3) (2015): 389–399. For further details, see http://www.diw.de/soep-is

5 H. Lengfeld, "Die Kosten der Hilfe. Europäische Fiskalkrise und die Bereitschaft der Deutschen zur Zahlung einer europäischen Solidaritätssteuer," in *Empirische Kultursoziologie*, eds. J. Rössel and J. Roose (Wiesbaden: 2015), 384ff.; H. Lengfeld, S. Schmidt, et al., "Is there a European solidarity? Attitudes towards fiscal assistance for debt-ridden European Union member states," *Arbeitsberichte des Instituts für Soziologie* 67 (Leipzig: 2015), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2597605.

solidarity that was previously inconceivable in the context of international cooperation (see Box 1).

It was not only in the UK, however, that this whole concept of fiscal solidarity was met with skepticism. In other countries within and outside the euro area, too, there has been criticism over the past few years that the bailout policy violates the principle of responsibility of the member states for their own national budgets. At the same time, their lack of democratic legitimacy has been criticized since the populations of the countries concerned were not directly involved in the decisions taken by the EU and IMF.[4]

It is true that in democratic societies governments cannot go against the interests of the majority of the people in the long run, since this would involve them running the risk of being voted out. Consequently, it is probably safe to assume that the continued existence of the bailouts and thus further EU fiscal integration depends not only on its constitutional legitimacy but also on whether EU citizens consider the political strategy pursued to be a legitimate one. In other words, can the EU support measures depend on the people's willingness to show solidarity? In order to verify this, a representative survey of the German population on the subject of fiscal solidarity in Europe was conducted as part of the Socio-Economic Panel (SOEP) study (see Box 2).

4 However, the Federal Constitutional Court of Germany ruled several times (in 2012, 2014, and 2016) that the establishment of bailouts such as the ESM and purchasing of government bonds from the crisis countries by the European Central Bank does not violate the budget sovereignty of the German Bundestag as long as the German parliament has the right to make the final decision about the level of Germany's liability.

Box 2

How attitudes to solidarity with European countries were surveyed

The present study examined willingness to show three forms of fiscal solidarity. First, the survey enquired about respondents' attitudes to Germany's financial support for European crisis countries within and outside the European Union:

"In recent years, there has been much discussion about the euro crisis and the financial difficulties faced by European countries such as Greece, Spain, and Portugal. We would like to ask you about your general opinion on this issue. Please tell me if you agree with the following statements:

- *In times of crisis, it is desirable for Germany to give financial help to another EU Member State facing severe economic and financial difficulties.*
- *In times of crisis, it is desirable for Germany to give financial help to a European non-EU country facing severe economic and financial difficulties."*

We also compared responses to the first statement with data from three random-controlled population surveys carried out in previous years in Germany with the same or similar questions: the EU population surveys Special Eurobarometer 74.1 (2010) and 76.1 (2011) and the population survey implemented in two countries, Fiscal Solidarity in the EU – (FSEU), conducted in 2012. For the analysis presented here, we have only considered information provided by respondents in Germany aged 18 or over.[1]

Second, respondents were then asked to indicate whether they would be willing to pay a hypothetical direct aid contribution in the form of a permanent tax which would benefit the countries in crisis:

Please imagine the following hypothetical situations. In order to combat future budget crises in EU countries, all member states would introduce an aid tax. The tax would be paid by all individuals in the EU who have their own income. It would be a permanent tax used only to counteract crises in debt-ridden EU countries. What is your opinion of the following proposals? Everyone in the EU should pay ...

... three percent of his/her gross income, or a minimum of 30 euros per month.
... two percent of his/her gross income, or a minimum of 20 euros per month.
... 0.5 percent of his/her gross income, or a minimum of five euros per month.[2]

The phrase "or a minimum of [30/20/five] euros" was chosen in order to emphasize that even recipients of low gross incomes (less than 1,000 euros) would have to contribute and no-one would be exempt from having to pay.

Third, respondents were then asked for their opinion on various austerity measures to be implemented by the receiving country:

In general, crisis countries are required to reduce their national budget deficits in order to receive financial support from the EU. To what extent do you agree with the following proposals? If the EU country wants to receive financial assistance, it should ...

... cut social spending.
... cut pensions.
... cut wages for civil servants.
... cut civil servant jobs.
... increase working hours and the retirement age.
... raise taxes.
... sell state-owned assets.
... reduce spending on public infrastructure, i.e. road construction.
... decrease economic development spending.

The seven-point response scale for all SOEP questions range from "1=totally disagree" to "7=totally agree." Mid-scale responses with a value of 4 were coded as "neither/nor."

1 The item formulations in the SOEP and FSEU were identical and the introductory questions differed only slightly. The question was formulated as follows in the Eurobarometer: "To what extent do you agree or disagree with the following statement: In times of crisis, it is desirable for Germany to give financial help to another EU Member State facing severe economic and financial difficulties?" The two surveys differed in sample size, survey methodology, and the scaling of the response options. The Eurobarometer and the SOEP-IS were implemented as face-to-face interviews while the FSEU was a telephone survey. All the surveys used agreement scales ranging from "totally disagree" to "totally agree" or "fully disagree/agree." The Eurobarometer and the FSEU surveys used a four-point response scale with verbal increments ("somewhat agree"/"somewhat disagree") with no mid-point ("neither/nor"), while the SOEP-IS used a seven-point response scale with a mid-point. The Eurobarometer survey also used a "don't know/no answer" category. In order to take account of these different scales, we conducted two different calculations (see main text). See European Parliament, *Special Eurobarometer 74.1 Europeans and the crisis. Report*, (Brussels: 2010); European Parliament, *Special Eurobarometer 76.1 Crisis. Report* (Brussels: 2012); Lengfeld, "Die Kosten der Hilfe"; Lengfeld et al., *European Solidarity*.

2 Further studies are required to determine whether respondents really would be willing to pay a solidarity tax out of their own pocket and not simply agree in a hypothetical situation.

Just under half of respondents expressed solidarity

At 26.9 percent and around 190 billion euros of subscribed capital, Germany has by far the largest share of guarantees for the stabilization of crisis countries in the euro area.[5] Thus, the attitude of the German people to fiscal solidarity (see Box 1) can be seen as a special test case to show how much support there is for a European community of solidarity among the citizens of Europe—particularly in the current donor countries. Public opinion in Germany plays a key role here. Figure 1 shows that, in 2015, 48 percent of all respondents were in agreement with Germany providing financial aid to EU countries in crisis while 31 percent opposed the move and 21 percent had no firm opinion on the matter. Those in support of providing aid are clearly the largest group but they still do not constitute a majority among all respondents.

So as to be able to put these figures in context, we first compare them with the answers to the question on whether respondents in Germany would also support providing financial aid to non-EU European countries in economic crisis. The assumption is that the European Union can only be viewed as a community of solidarity if the people favor countries in crisis that are members of the EU over other European countries outside the EU. It was found that respondents' willingness to show solidarity with non-EU countries was, at 25 percent, considerably lower (see Figure 1). A majority of 55 percent opposed providing assistance to European crisis countries outside the EU, and 20 percent of respondents had no opinion. The difference in response behavior is statistically significant. Respondents thus clearly distinguish between potential aid recipients within and outside the EU. This shows that the community of states that make up the EU is clearly dependent on the sense of solidarity of the German people.

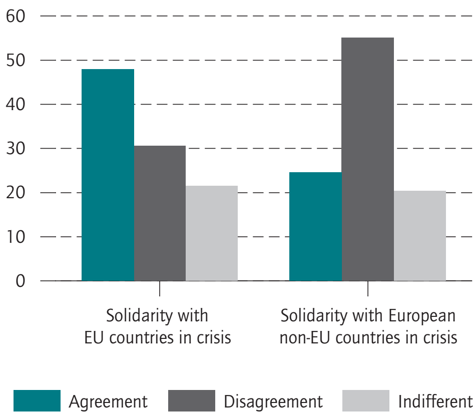
A second indication can be derived from a longer-term observation of the willingness to show solidarity, namely from 2010 to 2015.

Figure 2 shows two graphs. The solid line along the bottom indicates the percentage of respondents among the German population who supported solidarity with the EU crisis countries in relation to all respondents including those who opposed to this or undecided. The values relate to the years 2010—when the first temporary bailout, the European Financial Stability Facility (EFSF), was established—, 2011, 2012, and 2015. The data show that the level of solidarity initially increased from 46 to

Figure 1

Willingness to show solidarity in Germany in 2015

Agreement in the adult population in percent



Source: SOEP-IS 2015; n = 2,123; own calculations based on collapsed response categories indicating agreement, weighted and rounded.

Solidarity within the EU is higher than with other European countries.

just under 54 percent during the escalation of the crisis between 2010 and 2011 and then dropped slightly to just over 50 percent after 2012. The value displayed for 2015 is 48 percent, as mentioned above.

However, these trend data are to be interpreted with some caution, the reason being that the Eurobarometer surveys of 2011 and 2012, which we use by way of comparison to the SOEP results, include a "don't know" category, which also covers non-responses. On the other hand, data from the Fiscal Solidarity in the EU (FSEU) survey conducted by Leipzig University in 2012 do not have a "don't know" category, but they do also show non-responses. These methodological differences make it more difficult to compare the results of the different surveys.

Therefore, we performed a second calculation, in which only clear positive or negative responses are taken into account. In other words, those who were undecided or did not give a valid response are not taken into consideration here. The line at the top of Figure 2 shows the results of this second calculation. According to these findings, the willingness to show solidarity for 2010 and 2011, at 51 and 56 percent, respectively, is marginally higher in comparison and increases rather than drops between 2012 (50 percent) and 2015 (61 percent).

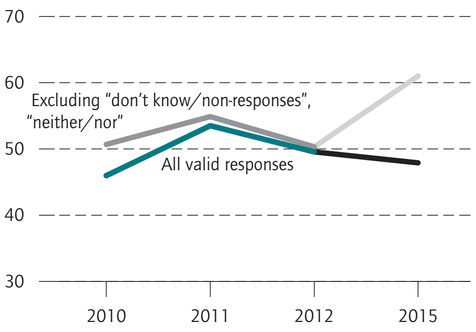
Due to the methodological differences mentioned above, it is not possible to establish with certainty which of the two lines reflects popular opinion more accurately. If

5 See European Stability Mechanism, *ESM factsheet*, June 27, 2016, accessed July 7, 2016, http://www.esm.europa.eu/pdf/2016_06_27_ESM_Factsheet.pdf.

Figure 2

Willingness to show solidarity with EU countries in crisis

Agreement in the adult population in percent



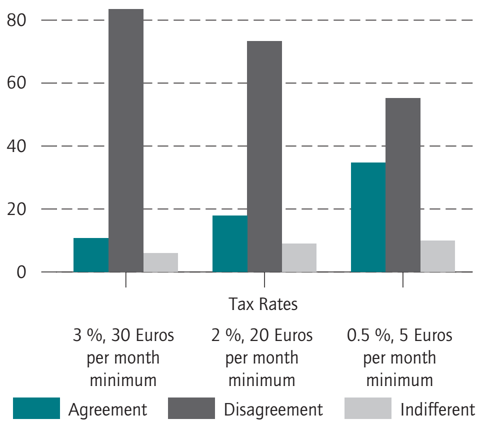
Sources: 2010: Special-Eurobarometer 74.1 (n = 1,556); 2011: Special Eurobarometer 76.1 (n = 1,561); 2012: Fiscal Solidarity in the European Union – FSEU (n = 984); 2015: SOEP-IS (n = 2,123); respondents aged 18 or over; own calculations based on collapsed response categories indicating agreement, weighted and rounded.

Willingness to show solidarity with EU countries in crisis is relatively stable over time

Figure 3

Willingness to pay an European solidarity tax

Agreement in the adult population in percent



Source: SOEP-IS 2015; n = 2,123; own calculations based on collapsed response categories indicating agreement, weighted and rounded.

The majority of the German population rejects a direct solidarity tax.

we look at both lines together, however, we can see that the German population's willingness to show solidarity appears to be generally stable over time. Furthermore, according to both methods of calculation, the willingness to show solidarity in 2015 was greater than in the initial survey year, 2011. In view of the repeated escalation of the crisis, most recently in spring of 2015 with the conflict between the Greek government and the Troika (European Commission, ECB, and IMF), as well as critical media coverage of the crisis countries in Germany, these findings can be interpreted as an indication of a stable willingness to help.

Additional notional tax as stress test for individual willingness to show solidarity

A show of solidarity requires effort and, in the case of the European bailout funds, those providing the assistance must also assume the risk for failing loans. However, this does not specify the form and extent of aid the individual must provide. If a debtor country were to default on its loan repayments, the donor country would have to stand guarantee and these costs would burden national budgets. As a result, Germany and other donor countries would have less money available for their own spending, for investment, and for servicing their debt. It is impossible to say how these constraints would directly impact individual citizens in Germany. It would be different if all EU citizens were to co-finance relief efforts with their own income via a dedicated direct tax. Similar to the German solidarity contribution for the reconstruction of the former East Germany after reunification, a direct European solidarity contribution in the form of an additional tax would result in a heavier direct burden on the population and would, therefore, be a stress test for individual willingness to show solidarity.

An additional European tax of this kind does not yet exist but might be plausible in a certain scenario. To test this, respondents were given a three-part statement with different tax rates and asked to indicate the extent to which they agree or not with each of the three proposed rates. Since the highest tax rate was mentioned first, it was assumed that acceptance of the proposed rates would increase as the tax rates decreased. According to the findings shown in Figure 3, the majority of respondents did not support the proposal for an income-related solidarity tax with a minimum contribution to bail out countries within the EU with budgetary crises, no matter how high the tax rate.

Comparing these findings with those in Figures 1 and 2 shows that a slight majority of respondents do indeed want the government to help but reject direct additional taxes. Nevertheless, it is still surprising that almost 18 percent of respondents would pay a two-percent tax and 35 percent of respondents would pay a 0.5-percent tax. At the same time, the share of those who were undecided increases from five to ten percent as the tax rate falls, meaning that, in the case of the 0.5-percent tax rate, the number of respondents who reject the tax falls to 55 percent. These findings indicate that a hypothetical European solidarity tax would not be accepted by the majority of the people living in Germany, but certainly by a considerable number.

What do citizens expect in return from crisis countries?

In return for showing solidarity, citizens of donor countries can expect certain measures to be implemented by aid recipients enabling them to stand on their own two feet in the long term. In the case of bailouts guaranteed by the EU and the IMF, crisis countries in the euro area who wanted to receive direct loans to support their national budgets had to declare their intention to reduce their budget deficits and debt levels. This is to ensure that the crisis country survives without further assistance in the medium term and is economically able to comply with Maastricht stability criteria again. These austerity measures, ranging from privatizing state assets, deregulation, making national markets more flexible, and reducing personnel in the public sector to making savings in the welfare state,[6] were controversial in almost all the crisis countries. Most of these conflicts were not ignited by the loan amounts themselves but by the associated austerity measures and reform requirements which the governments and populations of the crisis countries were not willing to accept.[7]

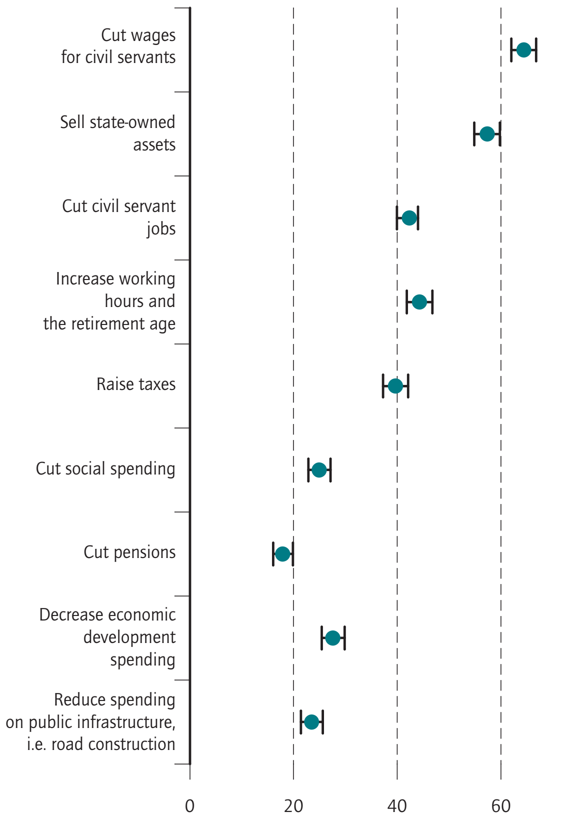
While protests in the crisis countries betrayed the negative attitudes of sections of the local population to the austerity and reform requirements, little is known about what citizens of donor countries expect in return for the financial assistance given to these crisis countries. Do the majority of the general public support calls for savings on welfare cuts and redundancies in the civil service, for instance, or do they reject these measures as those in the crisis countries do? To determine this, respondents to the SOEP Innovation Sample (SOEP-IS) were presented with a list of possible austerity measures a crisis country might have to implement.

The respondents' answers are shown in Figure 4. First, it is striking that support for the different proposals varies considerably. Job cuts affecting a crisis country's public sector received the highest level of approval: almost two-thirds of respondents indicated that the salaries of civil servants should be cut, followed by 57 percent who favored the sale of state-owned property, and 42 percent who would like to see redundancies among civil servants. In contrast, the majority did not approve of cuts in social spending. Only 18 percent of respondents wanted to reduce pensions in the crisis country, and 25 percent were in favor of general savings in welfare benefits. These findings were similar to those from a survey conducted in 2012[8] proving that the majority of people living in Germany believe that the most vulnerable should be exempt from direct austerity measures. This corresponds to findings in welfare state research, according to which provisions for old age and unemployment are among the most important criteria of social vulnerability.[9]

Figure 4

Support for austerity measures implemented in countries in crisis

Agreement in the adult population in percent



Source: SOEP-IS 2015; n = 2,123; own calculations based on collapsed response categories indicating agreement, weighted.

The majority of the German population expects cuts in the public sector, but not in social expenditures.

6 See reports by the European Commission on the structural adjustment programs for the euro area countries Ireland, Greece, Portugal, Hungary, and Cyprus. Accessed July 15, 2016, http://ec.europa.eu/economy_finance/assistance_eu_ms/index_en.htm.

7 See, *inter alia*, H. Kriesi, "The political consequences of the financial and economic crisis in Europe: Electoral punishment and popular protest," *Swiss Political Science Review* 18 (2012): 518–522.

8 See Lengfeld et al., *European Solidarity*, 20.

9 See W. van Oorschot, "Making the difference in social Europe: Deservingness perceptions among citizens of European welfare states," *Journal of European Social Policy* 16 (1) (2006): 23–42.

The second set of cuts rejected by the majority is savings on funds for economic development and public infrastructure. Since both measures are government investment activities, it can be assumed that respondents see them as appropriate means to increase economic efficiency in the crisis country and to overcome the crisis. Supporters and opponents of tax hikes were balanced with 40 percent each.

Overall, the findings on austerity measures in a crisis country indicate mixed views. On the one hand, government spending should be reduced in order to alleviate the strain on its budget and the government of the crisis country should invest in order to stimulate its own economic strength. Both measures are in line with lending requirements imposed by the EU and IMF. On the other hand, it is clear that the socially disadvantaged should be excluded from direct austerity measures. As a result, these particular requirements are criticized not only by the populations of the countries in crisis but also by the population of Germany, the donor country.[10]

Conclusion

European bailout funds, such as the permanent European Stability Mechanism (ESM), were established by the EU and the IMF to grant loans to euro area countries facing the most serious financial difficulties.[11] If countries default on these loans, Germany, as the main creditor, would have to bear almost 27 percent of the costs. This deepening of European solidarity was accomplished in a very short time and has also not gone unchallenged in Germany. In contrast, however, the findings of our survey point to a greater willingness to show solidarity from people over the age of 18 living in Germany. This willingness to help has hardly diminished at all during the crisis years from 2010 to 2015. This impression is supported by the fact that a good one-third of respondents from across the EU would accept a 0.5-percent solidarity tax on income.

Furthermore, the German population has very different views on what austerity measures a crisis country should have to implement to receive bailout payments. While there was general consensus in favor of cuts and privatization in the public sector, a considerable majority also indicated that the most vulnerable in these crisis countries, recipients of pensions and benefits, should be exempted from direct austerity measures. This proves that the majority of respondents show empathy and a responsible attitude to dealing with the populations of crisis countries.

Despite the internal cohesion of the European Union being threatened further by Brexit and disputes over how to manage refugee migration, the survey findings indicate that large sections of the population in Germany continue to view European integration as a solidarity project with the aim of securing peace and prosperity.

10 For a comparison of attitudes to austerity measures in Germany and in former crisis countries, see Lengfeld et al., *European Solidarity*, 20.

11 In the case of Spain, this did not affect the public budget but the recapitalization of the financial sector.

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