



Fiscal Consolidation and Support for the Common Currency

NICOLA NONES¹  and MELLE SCHOLTEN² ¹University of Toronto, Toronto ²University of Twente, Enschede

Abstract

The existence of a common currency and further integration within the European Monetary Union crucially depends on public legitimacy. As a response to the Global Financial Crisis and subsequent Sovereign Bond crisis, several European governments have implemented fiscal consolidation policies in an attempt to restore investors' confidence. According to its critics, though, austerity has also weakened public confidence in the European Union and its most visible economic symbol, the euro. Unfortunately, the simultaneity of recessions and fiscal consolidation makes it hard to disentangle the two effects empirically. Does austerity really decrease public support for the euro, or are they both explained by the macroeconomy? In this paper, we attempt to solve this puzzle relying on a rich dataset of fiscal adjustments that are weakly exogenous to the business cycle. The statistical analysis of a panel of 19 European countries and Eurobarometer surveys conducted therein between 2004 and 2019 suggests that fiscal consolidation in general, and expenditure-based fiscal consolidation more specifically, affected support for the Euro negatively but that this effect is modest. We also find that these effects are conditional on both individuals' self-placement on the political spectrum and their employment status.

Keywords: austerity; euro; public opinion

The euro is the second most important currency for the global economy, after the US dollar. According to estimates from the European Central Bank (ECB, 2023), the international importance of the euro, having declined steadily since the Eurozone Crisis, actually increased slightly, but significantly, in 2022. It now accounts for approximately a fifth of all global debt, credit, investment, trade and foreign exchange reserves. Despite the challenges of the War in Ukraine and the COVID-19 pandemic, Europe's single currency remains a key component of the global economy. Interestingly, compared to other world currencies, its status is far more politicised due to its association with the European Union (EU) and the Eurozone overall, both of which are a frequent target of European populism (Hooghe et al., 2019; McNamara, 2019; Noury and Roland, 2020).

This raises an important question: where do attitudes towards the common currency come from? Existing studies have provided several answers, pointing towards factors such as the aggregate economic business cycle (Hobolt and Leblond, 2009; Roth, 2022; Roth et al., 2016, 2019), individual actors' socioeconomic status and relative position in the labour market (Banducci et al., 2003, 2009; Gabel, 2001; Gärtner, 1997) and individuals' feelings of attachment towards the European project as a whole (Banducci et al., 2009; Kaltenthaler and Anderson, 2001). Amongst these many explanations, the role of austerity politics stands out as frequently cited, in both academic and public discourse (Banducci et al., 2003; Banducci and Loedel, 2020; Magistro et al., 2021; Stiglitz, 2016).

One challenge of identifying the causal effect of austerity on attitudes towards the common currency is that austerity is endogenous to the overall state of the economy.

Austerity policies are often implemented in reaction to changes in the economy, which have their own effect on support for the euro. This makes identifying the effect of austerity on attitudes towards the common currency difficult. We address these endogeneity concerns by leveraging data on fiscal consolidation episodes that, whilst not truly randomly assigned, are weakly exogenous to the economic business cycle (Alesina et al., 2019; Cizkowicz et al., 2023). We merge these data with the Harmonized Eurobarometer project (Russo and Bräutigam, 2023), which has collected and harmonised several waves of the Eurobarometer survey from 2004 onward. We use these data sources to estimate several panel and multi-level mixed-effect models of support for the common currency. Whilst the narrative approach has been used elsewhere in the literature on European integration (e.g., Biten et al., 2023), we are the first to apply it to support for the euro. Given that previous work has highlighted the role of austerity in support for the common currency (Fernández-Albertos and Kuo, 2016; Roth, 2022; Roth et al., 2016, 2019), this is an important contribution. Furthermore, we are the first to incorporate newly released data on the narrative approach for Central and Eastern Europe.

At the aggregate level, we find little connection between austerity and support for the common currency. At the individual level, our results indicate several interesting effects of austerity on support for the euro. First, whilst we find that fiscal consolidation episodes are associated with *decreasing* support for the euro in Eurozone countries, the effect size is substantively modest. The probability of supporting the euro amongst respondents in countries that implemented fiscal austerity is 1.58 percentage points lower relative to respondents in countries that did not implement fiscal consolidation packages. We find that respondents experiencing expenditure-based (EB) austerity are, on average, 3.54 percentage points less likely to support the euro.

Moreover, these general findings may obscure interesting conditionalities. As such, we further explore the heterogeneous effects of fiscal consolidation conditional on individual-level characteristics. We find that the effect of fiscal consolidation on support for the euro is stronger for the unemployed. However, we find little evidence that the effect of fiscal consolidation differs across respondents' gender. Moreover, whilst one may expect that ideologically extreme individuals may be more prone to dislike the euro under austerity, we find that the results are driven mostly by right-wing individuals.

I. The Political Economy of Euro Support

The literature highlights that the sustained viability of a common currency is significantly influenced by the public endorsement it receives, thus reflecting the importance of studying this topic (Gabel, 2001). First, as long as there is backing for the common currency, policy-makers can make necessary adjustments to address challenges stemming from political, economic and financial crises (Bordo and Jonung, 2003). Second, the economic literature examining the political economy of monetary unions through the Optimum Currency Area (OCA) approach emphasises the importance of common political interests. Reflecting on historical experiences of monetary unions, Baldwin and Wyplosz (2022) contend that the survival of the euro is primarily attributed to this political OCA criterion, rather than its oft-cited economic counterparts. The sense of a common purpose aids policy-makers in finding solutions during challenging periods, playing a crucial role in reconciling conflicting interests amongst Eurozone governments (Frieden and

Walter, 2017). Third, public support for the euro is necessary for any potential movement towards deeper integration (Banducci et al., 2003).

Motivated by this premise, the empirical literature on the determinants of support for the euro has evolved since the late 1990s. The first set of studies emphasised the economic dimensions of support within well-established political economy frameworks (Kaltenthaler and Anderson, 2001). Empirically, such studies focused on the period prior to the introduction of the euro. In Gärtner (1997) and Gabel (2001), the authors find a *positive* relationship between the size of public debt and support for the (not yet circulating) common currency. In doing so, they provide support for the overall notion of a rational, welfare-maximising and forward-looking European citizen, whose preferences for the euro are largely based on the expectation that the monetary union will lead to fiscal stability.

However, the austerity measures needed to reduce public debt are painful and may prompt a backlash against further integration. Banducci et al. (2003) find that as the deficit 'squeeze' gets tighter, support for the euro decreases and interpret it as 'a reaction against the austerity measures' (p. 698). Interestingly, the period following the introduction of the euro did not witness an increasing scholarly interest in this topic, with some exceptions emphasising the importance of perceptions and identity (Banducci et al., 2009; Deroose et al., 2007; Hobolt and Leblond, 2009). By contrast, following the Global Financial Crisis and the European Sovereign Bond crisis, scholarly contributions have resumed, focusing on both crisis (Hobolt and Wratil, 2015; Roth et al., 2016) and post-crisis periods (Roth et al., 2019). This work fits into a larger literature on how crisis and austerity affect trust in the EU and national governments (Armingeon and Ceka, 2014; Biten et al., 2023; Hernández and Kriesi, 2016; Hübscher et al., 2021; Kalbhenn and Stracca, 2020).

Much of this literature has returned to the original idea that support for the euro is influenced by utilitarian calculations. Whilst inherently tied, the two mechanisms (economic conditions and fiscal austerity) are often studied separately. For example, Roth et al. (2016, 2019) and Roth (2022) investigate the effects of business cycle indicators on support for the euro, without further digging into the fiscal policy–euro support nexus. Others have discussed and explored the link between austerity and euro support whilst acknowledging that the former is tied to economic crises (Banducci and Loedel, 2020; Stiglitz, 2016). Of course, scholars routinely attempt to mitigate endogeneity employing several statistical methodologies (e.g., Roth et al., 2019). Nevertheless, our study improves upon such methodologies in so far as it tackles endogeneity issues *ex ante*, that is, prior to estimation. Considering our understanding of the economic factors that influence both fiscal consolidation (e.g., Perotti, 1999; von Hagen and Strauch, 2001) and euro support (Roth et al., 2016, 2019), concerns about endogeneity should be given due consideration.

Indeed, austerity measures can have direct effects on the attitudes of citizens towards the euro, especially within the Eurozone itself (Banducci et al., 2003, 2009; Hobolt and Wratil, 2015; Kaltenthaler and Anderson, 2001). The fragmentation of fiscal and monetary policy responsibilities within the Eurozone means that individuals who would have benefited from monetary policy changes over fiscal policy changes, especially currency devaluation, have greater reason to oppose the euro. This lack of monetary policy autonomy becomes primed by austerity, leading to a direct effect on attitudes towards the common currency. Losers of fiscal consolidation may have preferred monetary expansion, but the lack of monetary autonomy precludes this option. Indeed, Guiso et al. (2019) find that

a lack of policy options to address financial shocks in Eurozone countries accelerated support for populism in those countries compared to non-Eurozone countries exposed to the same shocks.

Drawing from Cohen (2012, 2017), we argue that there are three ways for an economy to adjust: depreciation, deflation and direct control. Depreciation, or devaluation, involves reducing the home currency's exchange rate, making domestic products cheaper compared to foreign ones, which can lead to an improved trade balance. On the other hand, deflation – that is, austerity – decreases spending in the economy, thereby reducing imports. Direct controls involve using policy tools to restrict imports or limit capital outflows. Importantly, for the European Monetary Union (EMU) subset of EU countries, there is only one option, namely, austerity. The core analytical challenge, recognised since Mundell (1968), is the incompatibility of three key objectives for governments: exchange rate stability, private capital mobility, and monetary policy autonomy.

We assume that the public has some basic understanding of the trade-offs and distributional consequences of Eurozone membership, though by no means do we suggest that terms like the Mundell–Fleming trilemma are widely known. We suggest that citizens understand the EMU to be a constraint on the ways in which their country can adjust. We do not assume citizens understand the trade-offs involved in monetary policy, nor the functioning of the institutions involved in EU economic policy-making. In fact, our argument is more consistent with a moderate understanding of EU monetary and fiscal relations, which we believe is a realistic assumption.¹ We argue that people understand that the existence of the Eurozone implies that certain sovereign capabilities of the state are delegated to the supranational level. By and large, this assertion is accepted by the literature, which shows that individuals do formulate preferences regarding the common currency that align with a rational cost–benefit analysis of the distributional consequences of membership (Fernández-Albertos and Kuo, 2016; Jupille and Leblang, 2007; Jurado et al., 2020).

In addition, there is some evidence that EU citizens are aware of E(M)U fiscal rules. For example, Lago-Peñas et al. (2024) surveyed Spanish citizens and found that 72% of respondents are to some extent aware ‘that there exist[s] European-level fiscal rules’ regarding deficit and debt that countries must comply with. For comparison, the equivalent figure for the respondents who are aware that there exists a national fiscal council is only 28%. We see the above as additional evidence in favour of our assumptions that the average citizen is knowledgeable enough to link EMU membership to fiscal consolidation. Finally, whilst the public likely has some opinion towards the trade-offs of Eurozone membership at any time, during austerity the implications of these trade-offs become acutely important (Bojar et al., 2022; Hobolt and Wratil, 2015). As Baccini and Sattler (2024) argue, this is likely due to the incentives of the media and the opposition in drawing attention to the issue (Barnes and Hicks, 2018).

Indeed, in a qualitative analysis of newspapers reporting on narratively identified austerity episodes in the 1990s and 2000s, Baccini and Sattler (2024) find that austerity measures were ‘often at the center of the political debate’, concluding that ‘voters were aware of these issues’. Following their lead, we turn to the Factiva database to provide evidence

¹ Approximately 87% of respondents in our data at least occasionally engage in political discussions of the EU. This suggests that the general public is, at least partially, interested in and knowledgeable of the EU, consistent with our premise.

that austerity is often discussed with respect to the E(M)U. We select the major national² dailies (excluding sport dailies) by circulation figures as of the most recent year we could find (see Table S1 in the Supporting Information). We tally the number of articles that mention ‘austerity’ at least three times as well as the number of articles that mention both ‘austerity’ and either the ‘EU’, or the ‘EMU’ or ‘Brussels’ at least three times. Table 1 below shows these numbers and the relative percentages. Overall, our descriptive empirics from the keyword search match Baccini and Sattler’s (2024) analysis and are consistent with the view that the public likely has some opinion on fiscal trade-offs in the Eurozone. In the Supporting Information, we offer a few illustrative examples of how the issue is framed in the case of Italian and Irish newspapers.

Bearing in mind the above considerations, we start with the following hypothesis:

Hypothesis 1: Fiscal consolidation (i.e., austerity) will decrease support for the euro.

In addition, the literature emphasises how expenditure-based austerity is particularly disliked amongst citizens since it often involves cutting funding to valued sectors, such as health and welfare. Indeed, Jacques and Haffert (2021) find that expenditure-based fiscal consolidation is associated with a significant decrease in government approval, whereas they find little evidence of any effect of tax-based fiscal adjustments. Similarly, Barnes and Hicks (2018) show that the public is attuned to how trade-offs between expenditure and tax-based consolidation are presented to them through the media.

We surmise that the dislike of expenditure-based austerity is more likely to affect public attitudes towards the euro, for the same reason that it is more likely to affect attitudes in general: most people are affected more directly by cuts to social services (a day-to-day affair) than increases in taxes. Furthermore, we expect austerity to affect the attitudes of vulnerable groups in society, such as the unemployed, more, as they should have a greater preference for monetary autonomy over the stability of the Eurozone (Fernández-Albertos and Kuo, 2016). For the economically vulnerable, cuts to spending (from which they benefit disproportionately) will have a greater impact on their livelihoods than increases in tax. As the public particularly dislikes expenditure-based consolidation we test the following:

Hypothesis 2: Expenditure-based fiscal consolidation (i.e., spending cuts) will decrease support for the euro.

By and large, we assume that austerity measures elicit a negative response from the public. However, whilst many studies do indeed find that austerity is broadly unpopular (Baccini and Sattler, 2024; Fetzer, 2019; Hobolt and Wratil, 2015; Hübscher and Sattler, 2017; Jacques and Haffert, 2021), others have argued that the public could support consolidation under specific circumstances (Barnes and Hicks, 2018; Bojar et al., 2022; Fernández-Albertos and Kuo, 2020; Giuliani, 2022) or that they may be inattentive to fiscal consolidation (Arias and Stasavage, 2019). Part of this division can be attributed to the fact that consolidation has distributional consequences and does not hit everyone equally

²Nevertheless, we include some regional newspapers that have national circulation such as *La Vanguardia*, a newspaper published in both Catalan (for the regional audience) and in Spanish (for the national audience). It is the fourth most widely circulated across Spain (and first in Catalonia). In these cases, we retrieve only the articles for the national audience.

Table 1: Proportion of Articles Discussing Austerity and E(M)U.

	<i>Italy</i>	<i>Spain</i>	<i>France</i>	<i>Portugal</i>	<i>Ireland</i>	<i>Germany</i>
2002–2024 ^a	27.05% (396/1464)	20.15% (483/2397)	18.57% (500/2692)	18.94% (305/1610)	22.15% (509/2298)	21.74% (80/368)

^a30 September 2024.

(Hübscher et al., 2021). Our aggregate models capture the average effect of consolidation, which likely obscures heterogeneity. Therefore, we now suggest three conditional hypotheses meant to capture heterogeneous preferences for austerity.

The first regards the role of unemployment. Those who are unemployed belong to the most economically vulnerable in society, and it is known that austerity measures disproportionately affect the vulnerable (Baccini and Sattler, 2024; Bojar et al., 2022; Fetzer, 2019). Furthermore, reasoning from the Mundell–Fleming trilemma, the unemployed should prefer monetary autonomy. External devaluation can boost employment in exporting sectors, something that is to their benefit. By contrast, internal devaluation, especially expenditure-based austerity, will hit the unemployed directly by diminishing the amount of money spent on social security and public employment.

Hypothesis 3a: Fiscal consolidation will decrease support for the euro amongst the unemployed more than amongst employed citizens.

Hypothesis 3b: Expenditure-based fiscal consolidation will decrease support for the euro amongst the unemployed more than amongst employed citizens.

Our second interactive hypothesis is on the moderating effect of gender. Gender could matter due to women's underrepresentation in the labour force in general and overrepresentation in temporary and part-time jobs more specifically (Banducci et al., 2003). Women are more likely to be beneficiaries of social services and may react particularly negatively when those services become affected by austerity (Magistro et al., 2021). The above notwithstanding, where labour market participation patterns are less gendered, the link between gender, austerity and support for the common currency attenuates (Banducci and Loedel, 2020). This possibly suggests that, as time progresses and the position of men and women in the labour market equalises, the link between gender and support for the common currency may become weaker. Moreover, our data incorporate a cross section of countries with various levels of economic gender equality, with more gender equal countries possibly offsetting the gender differentials in other member states. Nevertheless, we believe it is still worth testing to see whether there is a moderating effect of gender on the relationship between austerity and support for the euro, on average.

Hypothesis 4a: Fiscal consolidation will decrease support for the euro more amongst women than amongst men.

Hypothesis 4b: Expenditure-based fiscal consolidation will decrease support for the euro more amongst women than amongst men.

Finally, the literature suggests some possibilities regarding the role of ideology. We should bear in mind three caveats. First, most of the literature on the ideological component of attitudes towards European integration is concerned with party-level, rather than individual-level, ideology. As it is generally assumed that parties and voters are in a mutual causal relationship, we believe that the theoretical claims from this literature are a reasonable point of departure for our study. Second, the literature is almost exclusively concerned with support for the EU rather than for the euro.³ We assume that the euro is perceived as close enough to the EU for this literature to be relevant for us. Third, the relationship between ideology and EU support is time dependent (van Elsas and van der Brug, 2015). Previous work has argued that opposition to European integration is particularly strong on either extreme of the ideological spectrum (van Elsas et al., 2016). One may argue that the far left and far right may be equally opposed to austerity, albeit for different reasons. Broadly speaking, the left is concerned with the distributive effects of austerity (Hübscher et al., 2021). Likewise, consistent with our overall argument, right-wing individuals may resent the fact that nominally sovereign governments have to implement fiscal consolidation to meet the Eurozone economic criteria (van Elsas et al., 2016). If we accept this politico-economic model combined with extreme opposition models of ideological support for European integration, the expectation is straightforward: the negative effect of austerity on support for the euro should be larger at the ideological extremes.

However, this straightforward picture is deceiving for three reasons. First, the baseline extreme opposition model of ideology and Euroscepticism gained prominence in the period prior to our analysis. More recent studies have challenged this conventional view (Prosser, 2016; van Elsas and van der Brug, 2015). These studies do not overturn previous research but offer a more nuanced picture of how the relationship has changed. Initially, Euroscepticism was mostly a left-wing phenomenon. From the early 1990s onward, individuals and parties on the left developed a more favourable outlook on integration, whilst the right has become more Eurosceptic (Prosser, 2016). This shift led first to the well-known inverted-U curve and more recently, towards an accentuation of the asymmetry in the curvilinear relationship towards the right end of the spectrum (Conti and Memoli, 2012). By the mid-2000s, Euroscepticism could be described as an essential part of the populist far-right programme. After the Maastricht Treaty (1992), party competition over integration became more connected to the cultural/identitarian dimension (associated with the right) and less linked to the economic/redistributive dimension (associated with the left). At the same time, radical left parties showed a broader acceptance of the integration process as several (former) communist/socialist parties became government parties in key Eurozone countries (Conti and Memoli, 2012).

Second, the inverted-U model of ideology masks significant differences in the motives underlying the left and the right's Euroscepticism (de Vries and Edwards, 2009). For the right, Euroscepticism is rooted in concerns over sovereignty and identity (van Elsas et al., 2016). In contrast, left-wing opposition emphasises the perceived 'neoliberal' bias

³From now on, we will use the term 'EMU-scepticism' to refer to opposition towards the common currency more specifically.

of the EU (de Vries and Edwards, 2009). In principle, the euro may represent both. Nevertheless, we believe it is likely to be perceived as a greater threat by the right. After all, *any* supranational currency is fundamentally at odds with the view that monetary policy should be administered by independent nation states. By contrast, the rules and practices concerning the management of the euro could be changed, thus (potentially) addressing the main criticisms from the left without undermining the supranational character of the currency. Recent studies on the ‘Keynesian turn’ in European monetary matters testify that this is not just a hypothetical scenario (van’t Klooster, 2022).

This issue becomes more relevant considering our third caveat. Whilst right and left may be united in their general stance towards the EU, the same phenomenon may not hold for specific policies such as the euro (Conti and Memoli, 2012). Whilst for the (far) right Euroscepticism often means a categorical rejection of any European integration, for the (far) left Euroscepticism entails a rejection of the current composition and practice in the Union (March and Rommerskirchen, 2015; van Elsas et al., 2016). As mentioned above, we think it is reasonable to suggest that the euro represents a more fundamental threat to the goals of the (far) right than to the goals of the (far) left. If this is the case, we would expect the (far) right to be more vocal against the euro than the (far) left. Indeed, our reading of the literature on ideology and support for the common currency suggests that EMU-scepticism is by and large *not* a left-wing phenomenon. For example, Janssen (2013) documents 16 major radical left parties’ positions towards the EU (including the euro) at the height of the European Sovereign bond crisis. Most parties did not have a unified position towards the euro and at times even barely mentioned it.⁴

In addition, we turn to the *Euromanifesto* project to verify the validity of our interpretation. The three latest waves (2009, 2014 and 2019) contain a party-level coding of EMU-scepticism in addition to the usual coding of Euroscepticism. Each party’s ideology is coded on a standard 10-point scale (from left to right). We estimate some linear (country) fixed effects model of EMU-scepticism based on party ideology. We find that far-right parties’ manifestos contain, on average, between 10% and 12% more quasi-sentences with ‘negative mentions or rejections of the European Monetary Union, a single European currency or the euro’ (Carteny et al., 2023) relative to left-wing parties. This effect size is remarkable if we consider that the average EMU-scepticism score is 8.4% in the full *Euromanifesto* sample and 5.4% in our sample of countries. The results can be found in Table 1A.

Overall, the discussion above suggests that, whilst the inverted-U model for EU support might be a good starting point, EMU-scepticism is much more prevalent amongst the far right than the far left. It is on the right that parties (and citizens) are more prone to withdraw their support for the common currency. Could different ideological preferences towards austerity offset the asymmetry underlined above? If left-wing individuals resist fiscal consolidation more than their right-wing counterparts, the two effects could cancel each other out. Nevertheless, this seems unlikely to be the case. In fact, like the

⁴Interestingly, the number of evaluative statements regarding the euro pales in comparison to those regarding the ECB and monetary policy. This is consistent with our conjecture that the euro has come to signify a fundamental part of the European project, by and large shielding itself from left-wing Euroscepticism. By contrast, the ECB (and its perceived emphasis on inflation) more easily represents the ‘current practice’ (March and Rommerskirchen, 2015) of monetary policy, thus attracting left parties’ opposition.

extreme opposition model of ideological support, the intuition linking opposition to austerity to ideological extremes needs to be complicated.

First, in the period leading up to the launch of the euro, left-wing politics moved towards more moderate economic proposals (Prosser, 2016). Simultaneously, an increasing number of radical right parties have positioned themselves as advocates for public spending, though often on exclusionary principles, and have opposed fiscal consolidation, albeit for strategic reasons (Hübscher et al., 2021). Second, we reiterate that our theoretical expectations regarding ideology are derived from studies on *party* ideology rather than *voter* ideology. As Carrieri and Vittori (2021) demonstrated during the Eurocrisis, whilst both radical right and left parties conveyed anti-EU budgetary messages, voters did not respond to their cues in the same way. Whilst voters rewarded radical right parties for criticising the EU's budgetary policies, radical left parties were not rewarded, possibly because of their emphasis on intra-European solidarity. Similarly, Baccini and Sattler (2024) suggest that, whilst right-leaning populist parties used to be favourable towards austerity, they have become more critical in the past 20 years and provide evidence to suggest that the electoral gains from austerity tend to accrue to right-wing parties.

Overall, given our temporal scope (2004–2019) and the above discussion, our hypothesis is that the negative effect of austerity on euro support is the largest as we move from the centre to the far right. We also expect the effect to be larger for far-left individuals relative to centrist individuals, albeit less so than their far-right counterparts. Whilst we hypothesise the marginal effects conditional on ideology to follow an inverted-U curve, we expect it to be asymmetrically skewed towards the right. We do not have strong priors concerning the interaction between ideology and the EB fiscal consolidation.⁵

Hypothesis 5: Fiscal consolidation will decrease support for the euro mostly amongst far-right individuals, followed by far-left individuals.

II. Weakly Exogenous Fiscal Consolidations

Existing studies on the relationship between support for the euro and fiscal policy have predominantly utilised unadjusted metrics such as the deficit or debt-to-GDP ratio (Banducci et al., 2003, 2009; Gabel, 2001; Gärtner, 1997). The issue with this approach is that the economic business cycle can simultaneously influence a country's fiscal position and public confidence in the common currency. Considering our understanding of the economic factors influencing fiscal consolidation (Perotti, 1999; von Hagen and Strauch, 2001) and euro support (Roth et al., 2016, 2019), concerns about endogeneity should be given due consideration. It is important to note that previous scholars have not overlooked this vulnerability. Some have recognised the issue (e.g., Magistro et al., 2021, pp. 338–339), but few mitigate this endogeneity. The best way to disentangle the true effect of austerity on public opinion from its spurious association with the business cycle would be to find a source of exogenous variation in fiscal policy unrelated

⁵Nevertheless, we also tested this hypothesis for the EB fiscal consolidation for completeness. The results are substantially similar to the ones for fiscal consolidation and are available upon request.

to the business cycle. The macroeconomic literature proposes an alternative strategy: to focus on a subset of consolidation policies that are weakly orthogonal to the business cycle (Alesina et al., 2019; Devries et al., 2011).

To select this subset of austerity measures, macroeconomists have introduced the ‘narrative approach’. This entails a meticulous examination of historical documents to identify fiscal shocks that are plausibly exogenous to the economic cycle. The methodology of this historical approach involves several key steps, as outlined by Devries et al. (2011), Guajardo et al. (2014) and Alesina et al. (2019). The researchers first ensure that the policy documents analysed do not reflect an intent to address current or expected economic conditions. They then categorise policy changes based on officially stated motivations, such as deficit reduction or managing economic overheating, using key documents like Budget Reports and IMF Staff Reports. Specifically, the focus in this paper is on fiscal consolidation episodes driven by a desire to decrease the budget deficit, but not as a direct response to changes in economic fluctuations.

Whilst the narrative approach represents an improvement over the use of all instances of implemented austerity, we recognise that it is no panacea and that the political decision to implement austerity remains connected to the state of the economy, as well as electoral concerns (Hübscher and Sattler, 2017). Hence, we refer to these instances of consolidation as ‘weakly exogenous’ throughout the paper: they are less likely to be correlated with acute balance of payments or sovereign debt crises than other measures (and thus represent an improvement over those) but are nevertheless not truly randomly implemented. We keep additional lagged macroeconomic control variables in our models to further account for possible remaining endogeneity concerns.

Furthermore, policy-makers’ stated rationale may differ from the actual reasons for pursuing such policies. This is arguably less problematic in our case. It is not evident which strategic motivation would lead policy-makers to assert that they are implementing fiscal adjustment measures to reduce public debt when they could claim motivation for increasing economic growth. Despite these limitations, fiscal policies identified through the narrative approach represent a significant improvement compared to previous studies, not only methodologically but also conceptually. Being uncorrelated with contemporaneous macroeconomic factors, such a measurement is ideal for exploring the impact of fiscal policy on public opinion (Kalbhenn and Stracca, 2020).

We acknowledge that experiments, which are able to randomly assign individuals to treatment or control, generate a greater claim to internal validity than we are able to achieve here. Experimental studies can sidestep this concern entirely through randomisation and thus make a valuable contribution to the literature (Baccaro et al., 2021, 2023; Barnes and Hicks, 2018; Hübscher et al., 2021). Nevertheless, experimentally priming respondents to think about austerity, or the trade-offs of various forms of austerity, suffers from external validity issues. We posit that this is especially true for the economically vulnerable, such as the unemployed, for whom cuts on social programmes could have direct consequences for how they live their daily life. By focusing on implemented austerity and leveraging the fact that European governments have used fiscal consolidation outside of economic crises, our contribution supplements existing experimental work by providing greater external validity, at the cost of relying on a narratively augmented selection-on-observables design.

III. Data and Methods

We use pre-existing data that identify weakly exogenous fiscal consolidation through the narrative approach (Alesina et al., 2019; Cizkovicz et al., 2023; Devries et al., 2011; Gupta et al., 2017; Kalbhenn and Stracca, 2020).⁶ An episode is defined as expenditure based (tax based) if more than 50% of the total austerity package consists of spending cuts (tax increases).⁷ Hence, the two are mutually exclusive within a given country-year. The resulting dataset contains observations at the country-year unit of analysis, which we supplement with other variables from *Eurostat*. The distribution of consolidations over time is provided in Figure 1. In Table 3.1A, we verify that the type of consolidation used across Eastern and Western European countries is similar, and in Table 11.1A, we check for differences between these two groups (both in the Supporting Information).

We merge these data with Eurobarometer data harmonised between waves by Russo and Bräutigam (2023). This yields individual attitudes towards the euro in several countries over time, improving the size of our data set. Our merged data set has observations at the individual level, nested within countries, with macroeconomic indicators at the country-year level, spanning from 2005 to 2019 for six countries and from 2005 to 2015 for 13 countries.⁸ Tables 2A and 3A in the Supporting Information show descriptive statistics. In addition to aggregate-level analyses, this data structure allows us to estimate multilevel mixed effects models, which combine individual and aggregate economic predictors of individual support for the common currency. This modelling strategy has become the preferred method of estimating support for the euro due to its ability to handle differences between countries as well as estimating interactive effects of national- and individual-level variables (Banducci et al., 2003; Hobolt and Wratil, 2015).

IV. Results

We start the empirical tests by investigating the effects of fiscal consolidation on aggregate support for the euro. We fit several linear panel data models. The equation model is as follows:

$$\begin{aligned} NetSupport_{it} = & \alpha_i + f_t + \beta_0 NetSupport_{it-1} + \beta_1 FiscalConsolidation_{it-1} \\ & + \beta_2 Unemployment_{it-1} + \beta_3 Growth_{it-1} + \beta_4 Inflation_{it-1} \\ & + \beta_5 ExchangeRate_{it-1} + w_{it} \end{aligned}$$

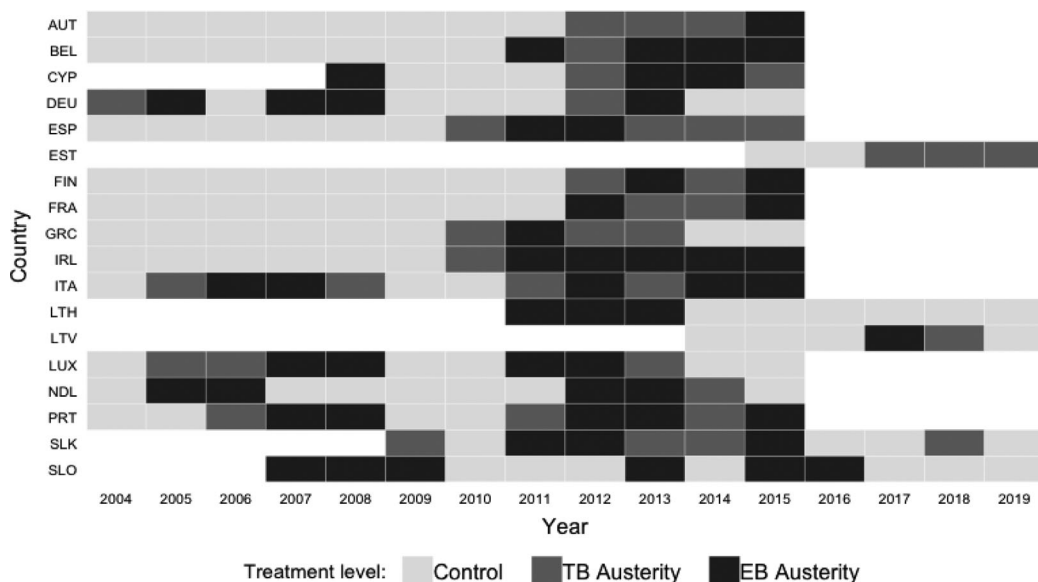
The dependent variable is net support for the euro, calculated as (For – Against)/(For + Against + Don't Know). The α_i and f_t capture country and year fixed effects. The main

⁶More specifically, the fiscal consolidation data come from Alesina et al. (2020) for Austria, Belgium, Germany, Denmark, Spain, Finland, France, the United Kingdom, Ireland, Italy, Portugal and Sweden (up to 2014) and from Devries et al. (2011) for the Netherlands (up to 2009). We complement those datasets with data from Gupta et al. (2017) for 2015 (and 2010–2015 for the Netherlands). Kalbhenn and Stracca (2020) updated the previous datasets and included three other countries, Greece, Luxembourg and Cyprus. We rely on Cizkovicz et al. (2023) for Eastern and Central European countries.

⁷From now on, we will use EB and TB to define expenditure-based or tax-based fiscal austerity.

⁸Of the 27 countries for which we have data on both fiscal consolidation and support for the Euro, eight of these countries have never been Eurozone members – the United Kingdom, Denmark, Sweden, Poland, Hungary, Romania, Bulgaria and the Czech Republic. These countries are not analysed in the paper. Others became Eurozone members during the period under study, and they entered the dataset from that moment. Hence, the dataset is an unbalanced panel of individuals nested in 19 countries.

Figure 1: Fiscal consolidation (EB and TB) over time.



coefficient of interest is β_1 , the dummy variable for either fiscal or expenditure-based consolidation. To control for business cycle fluctuations, we follow previous studies and include aggregate-level measures of the unemployment rate, the inflation rate and per-capita economic growth (e.g., Roth et al., 2016, 2019). As previous studies found that the exchange rate matters, we also include the euro/dollar exchange rate (Banducci et al., 2003; Jupille and Leblang, 2007).⁹ All controls enter the equation in levels, but the results are qualitatively similar if we include them in first difference. These models are provided in Tables 1.1A and 1.2A in the Supporting Information. The current level of euro support is strongly related to past support, thus suggesting that we should include the lagged realisation of its value (Hobolt and Leblond, 2009). We also re-run the same models excluding the lagged dependent variable. All these additional results are available in the Supporting Information.

The two-way fixed effects (2WFE) estimator can be biased in the case of staggered and discontinuous treatment adoption. To deal with this, we proceed in two ways. First, we run the models excluding year fixed effects. Second, we repeat the exercise employing the recently proposed (static) DiD₊ estimator, which overcomes the weakness of the 2WFE estimator (de Chaisemartin and d'Haultfoeuille, 2020). These results, available in the Supporting Information (Tables 4A, 5A, 6A and 7A), are substantially similar (null effects).

Overall, in the aggregate analysis, we find little evidence that fiscal consolidation negatively affects support for the euro in Eurozone countries (Table 2). After disaggregating the fiscal consolidation variable into its two constituent components – spending and taxes

⁹Since the euro/dollar exchange rate is the same for all countries, it will drop from the models including year fixed effects.

– we also find null results, with the exception of the specifications without year fixed effects in the case of expenditure-based austerity (Table 3). Even in those cases, the coefficients are significant only at the 10% threshold and not robust to alternative estimators (Table 7A).

To further dig into our hypotheses, we estimate several multilevel logistic regressions with random intercepts by country and year fixed effects, with and without interacting individual-level variables with fiscal consolidation episodes at the national level. The equation model takes the following form:

$$\text{Support}_{ijt} = \alpha + f_t + a_i + \beta_1 \text{FiscalConsolidation}_{jt-1} + \beta_2 \text{Level1}_{ijt} + \beta_3 \text{Level2}_{jt-1} + \beta_4 \text{FiscalConsolidation}_{jt-1} * \text{Level1 Moderators}_{ijt} + e_{ijt}$$

where the dependent variable is a binary indicator capturing whether the j th respondent in the i th group at time t is in favour of the euro or not, α is the constant, f_t is the time fixed effects, a_i is the group (country) random effect, β_1 is the main Level 2 coefficient of interest, that is, fiscal consolidation (or EB fiscal consolidation) and the vectors of coefficients in β_2 and β_3 capture the individual (Level 1) and aggregate (Level 2) predictors. We control for the following individual level variables: whether the respondent has retired or is fully employed (binary), whether they perceive inflation to be a major problem or not (binary), their level of education (from 1 to 10), their gender (female being the baseline), age (divided by 10) and ideological self-placement (from 1 to 10 capturing movement from the left to the right). At the country level, in addition to fiscal consolidation, we include economic growth, inflation and unemployment rates (all lagged). Hypotheses 1 and 2 stipulate an unconditional relationship between fiscal consolidation and support for the euro, thus constraining β_4 to be zero. To test Hypotheses 3–5, we interact fiscal consolidation (or EB consolidation) with the individual-level moderators (unemployment status, gender, and ideology).

Table 2: Fiscal Consolidation and Aggregate Support.

	(1) <i>Net support</i>	(2) <i>Net support</i>	(3) <i>Net support</i>	(4) <i>Net support</i>
Net support ($t - 1$)	0.414*** (0.102)	0.453*** (0.126)	0.423*** (0.11)	0.433*** (0.097)
Austerity ($t - 1$)	-0.031 (0.020)	0.001 (0.018)	-0.018 (0.011)	0.008 (0.012)
Controls ($t - 1$)	No	No	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	No	Yes	No	Yes
Constant	0.291*** (0.05)	0.236** (0.091)	0.15 (0.177)	0.308*** (0.084)
Observations	184	184	184	184
R^2	0.263	0.466	0.285	0.479

Note: Clustered standard errors are in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 3: Fiscal Consolidation Type (EB or TB) and Aggregate Support.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Net support	Net support	Net support	Net support	Net support	Net support	Net support	Net support
Net support (lag)	0.418*** (0.091)	0.445*** (0.125)	0.422*** (0.104)	0.421*** (0.095)	0.448*** (0.096)	0.449*** (0.117)	0.442*** (0.106)	0.429*** (0.092)
EB austerity (lag)	-0.037* (0.021)	-0.016 (0.019)	-0.03* (0.017)	-0.013 (0.016)				
TB austerity (lag)					0.008 (0.015)	0.024 (0.017)	0.023 (0.019)	0.026 (0.015)
Controls ($t-1$)	No	No	Yes	Yes	No	No	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	No	Yes	No	Yes	No	Yes
Observations	184	184	184	184	184	184	184	184
R^2	0.269	0.47	0.296	0.48	0.242	0.474	0.288	0.486

Note: Clustered standard errors are in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 4: Fiscal Consolidation and Individual-Level Support.

	(1) <i>Fiscal austerity</i>	(2) <i>Expenditure-based fiscal austerity</i>
Austerity ($t - 1$)	-0.095*** (0.015)	
EB austerity ($t - 1$)		-0.208*** (0.019)
Individual-level controls	Yes	Yes
Country-level control ($t - 1$)	Yes	Yes
Country random intercept	Yes	Yes
Year fixed effects	Yes	Yes
Intercept	0.363***	0.361***
Log likelihood	-90,125.6	-75,277.3
N Level 1/Level 2	179,070/19	149,708/19

Note: Standard errors are in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 4 shows the results from the multilevel logit models (Hypotheses 1 and 2). Respondents that experience fiscal consolidation – and EB austerity in particular – are less likely to support the common currency. Nevertheless, the more interesting question concerns the substantive significance of those effects.

Based on the above models, Figure 2 shows the marginal effects of austerity and EB austerity on support for the euro, holding other covariates at their mean. Whilst the models support the view that austerity measures decrease support for the common currency, the size of the effects appears modest. Indeed, respondents in countries that experienced fiscal consolidation are only 1.58 percentage points less likely to favour the euro. The effect is greater in the case of EB fiscal consolidation, under which respondents are 3.54 percentage points less likely to favour the euro, but still modest relative to other determinants of euro support.¹⁰

As noted, fiscal consolidation policies have distributional effects which may affect individuals differently. In order to test Hypotheses 3–5, we include an interaction between the fiscal consolidation (or EB consolidation) indicator and the individual-level predictor of interest.¹¹ Tables 5 and 6 below show the regression results for fiscal consolidation and EB consolidation, respectively.

Looking at Table 5, only one hypothesis finds confirmation. Consistent with Hypothesis 3a, the negative effect of austerity on individual support for the euro is stronger for unemployed individuals (Model 2). To get a better sense of the substantive effect, Figure 3 shows the marginal effect of austerity for employed and unemployed individuals. For both, austerity leads to a decrease in support. Nevertheless, the negative marginal effect for unemployed individuals is significantly larger than for those who are employed,

¹⁰Based on our models, the substantive effect of being unemployed is roughly four to two times larger than that of austerity and EB austerity.

¹¹We are interested in comparing the effect of EB austerity relative to *no* austerity. Hence, all regressions with EB austerity are run after excluding the individual country-year observations when TB fiscal austerity took place (for this reason, the number of observations drops).

Figure 2: Marginal effect of fiscal consolidation on support for the euro.

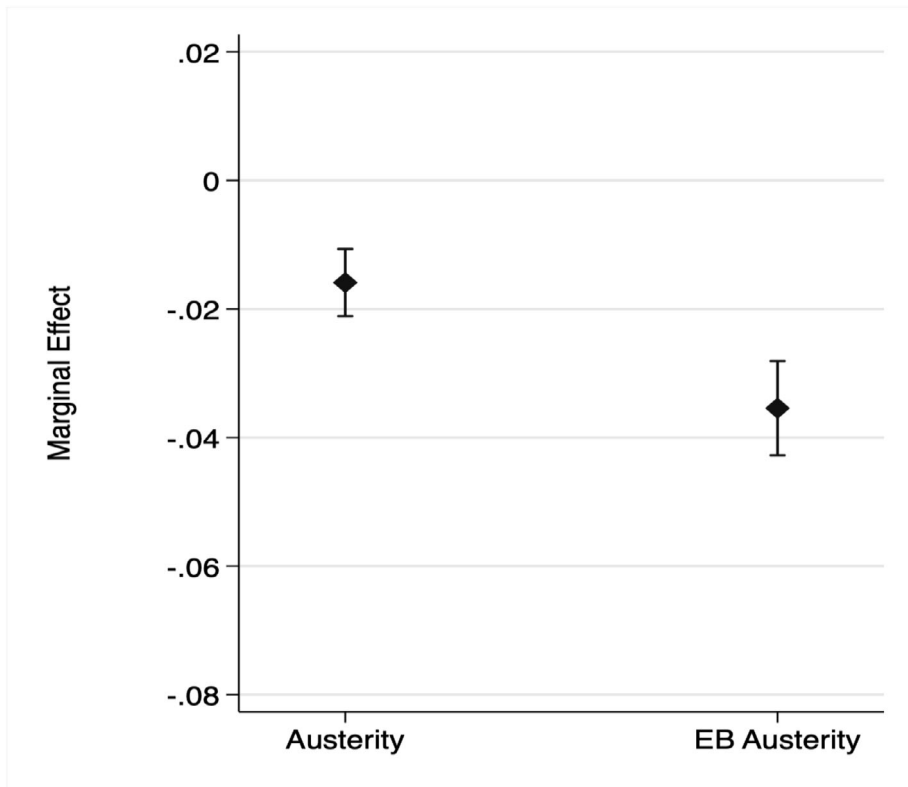


Table 5: The Effect of Fiscal Consolidation Conditional on Individual-Level Characteristics.

	(1) <i>Gender (female as baseline)</i>	(2) <i>Unemployment (binary)</i>
Austerity ($t - 1$)	-0.082*** (0.018)	-0.085*** (0.015)
Individual characteristic interaction	0.230*** (0.015)	-0.313*** (0.029)
Interaction	-0.029 (0.024)	-0.107** (0.042)
Individual-level controls	Yes	Yes
Country-level control ($t - 1$)	Yes	Yes
Country random intercept	Yes	Yes
Year fixed effects	Yes	Yes
Intercept	0.358***	0.357***
Log likelihood	-90,351.573	-90,340.594
N Level 1/Level 2	179,070/19	179,070/19

Note: Standard errors are in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 6: The Effect of EB Fiscal Consolidation Conditional on Individual-Level Characteristics.

	(1) <i>Gender (female as baseline)</i>	(2) <i>Unemployment (binary)</i>
Austerity ($t - 1$)	-0.200*** (0.023)	-0.203*** (0.019)
Individual characteristic interaction	0.229*** (0.015)	-0.330*** (0.029)
Interaction	-0.017 (0.029)	-0.053 (0.051)
Individual-level controls	Yes	Yes
Country-level control ($t - 1$)	Yes	Yes
Country random intercept	Yes	Yes
Year fixed effects	Yes	Yes
Intercept	0.360***	0.359***
Log likelihood	-75,543.508	-75,604.654
N Level 1/Level 2	149,708/19	149,708/19

Note: Standard errors are in parentheses.
 *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Figure 3: Marginal effect of fiscal consolidation by unemployment status.

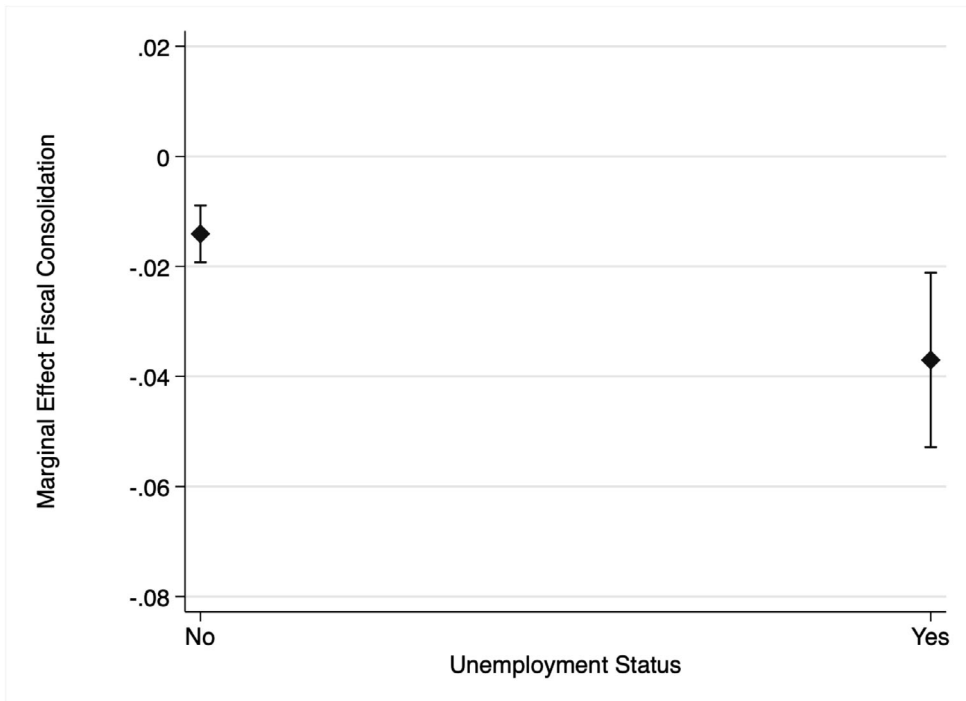
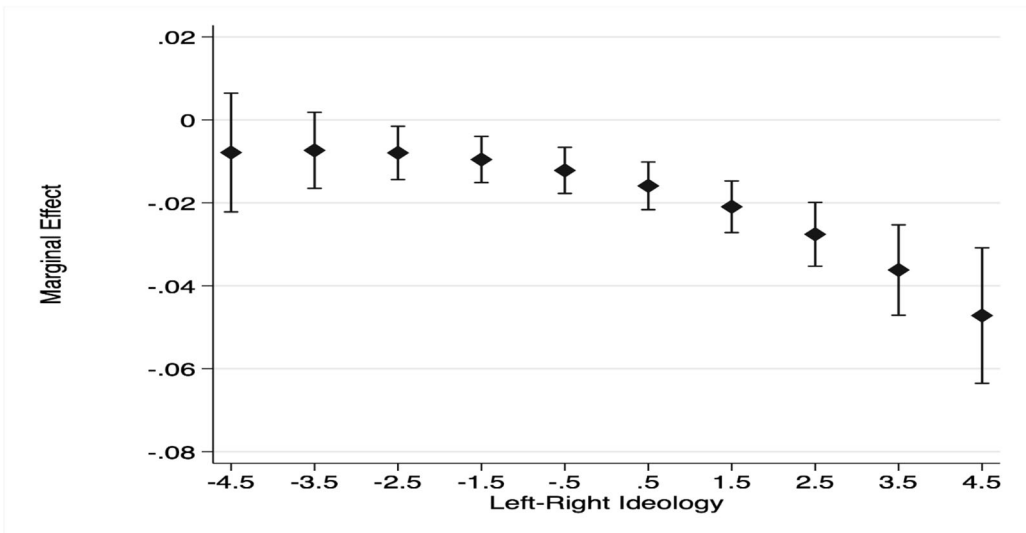


Figure 4: Marginal effect of fiscal consolidation by ideological self-placement.



leading to a -3.7 (-1.4) percentage point reduction in support for the euro amongst the unemployed (employed).

Surprisingly, the same does not hold for EB consolidation. As Model 2 in Table 6 shows, whilst both EB austerity and unemployment status negatively affect support for the euro, the interaction between the two is not statistically significant. We surmise that more fine-grained information about where spending cuts are enacted in each country would have allowed us to make better predictions about which cuts in which country affected unemployed individuals particularly acutely and which ones were irrelevant. In the absence of appropriate data, we leave this question for future studies to consider. Overall, we find support for Hypothesis 3a, but not for Hypothesis 3b.

We find null results regarding the interactive effect of gender. Contrary to our expectations, but consistent with some recent work (Magistro et al., 2021), the effect of neither fiscal consolidation nor EB consolidation on support for the euro varies across gender. Whilst we confirm previous studies concerning the unconditional effect of gender – male respondents tend to support the euro more than female respondents (Banducci et al., 2003) – we find no statistically significant interaction between gender and austerity.

Finally, to test the effect of austerity conditional on ideology (Hypothesis 5), we run a triple interaction model including ideology squared interacted with austerity. Since triple-interaction coefficients are hard to interpret, we show the marginal effects in Figure 4.¹² We find that the effect is conditional on where people stand on the political left–right scale. Consistent with our expectations, the more right-wing individuals are, the greater the negative effect of fiscal consolidation (and EB austerity). Surprisingly, we find that austerity matters very little for left-wing individuals. The marginal effect of

¹²The table is available in the Supporting Information. For good measure, we rerun the models using the simpler two-way interaction specification. The substantive conclusion is the same. Results are available upon request.

austerity is indistinguishable from zero for far-left individuals, whilst it is substantial for far-right ones. Overall, the relationship is best characterised by a two-way interaction between the linear ideological score and austerity (see also Table 8A in the Supporting Information).

V. Extensions

As discussed in the theory section, we believe that there is a connection between austerity and the common currency beyond the relationship between austerity and general EU support. Nevertheless, one may fear that support for the euro is simply a proxy for support for the EU or that austerity measures affect support for the common currency only indirectly (Biten et al., 2023). In order to address this, we employ a causal mediation analysis (Imai et al., 2019), where EU Trust mediates the effect of austerity on support for the common currency. The results are shown graphically in Figure 1A. According to our analysis, 12% of the effect of austerity on support for the euro runs through EU Trust, with the remaining 88% being a direct effect.^{13 14} Furthermore, as shown in Table 9A, a sizable minority of respondents (just over 35%) holds diverging opinions, either trusting the EU but not supporting the euro or vice versa.

Moreover, since our hypotheses are tested over the full sample period, they may mask temporal heterogeneity. In particular, the aggregate results might come from a mixture of different data generating processes at play during good and bad times. Indeed, we know from the literature on support for the euro that public opinion did not turn against the euro during the Sovereign Bond crisis (Hobolt and Wratil, 2015; Jurado et al., 2020). One interpretation is that crises heighten citizens' perceptions of the euro as an insurance mechanism. If correct, we should expect austerity to have a smaller effect on support for the euro during the crisis (2009–2015). As Table 10A (Models 3–4) shows, it is indeed the case that austerity is not correlated with lower support for the euro between 2009 and 2015. Based on these results, the insurance mechanism is strong enough to attenuate the negative effects of austerity, but enough to increase support for the euro.

Furthermore, we consider the possibility that the results are disproportionately influenced by a single exceptional country case. Hence, we performed a jackknife sensitivity analysis by re-estimating the main models multiple times, each time excluding one country from the sample. The results remain substantively the same across all iterations and are available in Table 11A. Finally, it is worth emphasising again that our research design relies on *weakly* exogenous austerity measures. Whilst we believe the narratively identified measures coupled with a selection-on-observable approach is an improvement over previous approaches, selection effects may still be at play. To further assuage concerns about selection bias, we turn to an alternative dataset and a pseudo difference-in-difference design, which we discuss at greater length in the Supporting Information.

¹³The only other variable capturing something similar is 'agreement with political union', which has 95% missingness as it was included only in two survey waves. Rerunning the mediation analysis with that variable, we find results that are similar, though with larger confidence intervals. The direct effect is no longer statistically significant, although its point estimate is larger than that of the indirect effect. Furthermore, agreement with political union and trust in the EU are highly correlated at the individual level, suggesting they tap into similar latent items. The proportion correctly classified observations out of the total in the 2×2 matrix is 75%. Available upon request.

¹⁴Using EB austerity leads to the same substantive conclusion. Likewise, we come to the same conclusions if we control for EU trust in the aggregate-level models. Available upon request.

VI. Discussion and Conclusion

In this paper, we have examined the effect of austerity on public attitudes towards the euro. The country-level analysis provides little evidence in favour of our hypotheses. However, in our multilevel analysis we find some statistically significant effects, especially for expenditure-based consolidation. In line with the established literature on this topic, we find stronger effects amongst the economically vulnerable (Baccini and Sattler, 2024; Bojar et al., 2022; Fetzer, 2019), namely the unemployed. Against our prior expectations, we find no conditional effect of gender. Our findings regarding ideology suggest that austerity diminishes support for the euro more amongst right-wing than left-wing individuals. Whilst support for the common currency is low at both ends of the ideological spectrum, the marginal effect of austerity is most pronounced on the (far) right. This supports work that has looked at changes in EU attitudes across the ideological spectrum since the Maastricht Treaty (van Elsas and van der Brug, 2015), as well as more recent contributions that suggest that austerity brings electoral rewards to the right rather than to the left (Baccini and Sattler, 2024).

Overall, the effect of austerity on euro support appears modest and is unlikely to keep policy-makers awake at night. We offer two possible reasons. First, the negative effect of austerity on euro support may be limited due to the nature of the EMU as a supranational currency. Albeit imperfect in many ways, the EMU ultimately rests on a commonality of destiny (Baldwin and Wyplosz, 2022). This may provide a political bond amongst EMU citizens that cushions the approval of the euro from purely economic phenomena and arguments. Second, the euro is the status quo for Eurozone countries. As we know from an extensive literature in psychology and behavioural economics, individuals are biased in favour of the status quo under conditions of uncertainty (Tversky and Kahneman, 1991). If that is the case, citizens may be more reluctant to withdraw their support for the euro, even if they may be dissatisfied with it, due to the uncertainty this would generate. The null results for the crisis period, when uncertainty was highest, support this interpretation.

Building on our findings, future research could investigate the mediating role of EU institutions and national characteristics in shaping the relationship between austerity and euro support, as our mediation analysis suggests the effect is largely but not solely direct. Additionally, our results indicate that the effects of austerity on euro support may be weaker during crises, possibly due to its role as an insurance mechanism. Future studies could examine whether similar patterns emerge in other crises, such as COVID-19. Finally, further sub-sample analyses in the Supporting Information suggest that the effects of austerity on euro support are driven by older Eurozone members, whilst we find null results in CEE countries. Future research should explore whether newer Eurozone members perceive austerity differently, potentially as a necessary condition for belonging to an exclusive economic bloc.

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Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

The data are available upon reasonable request from the corresponding author.

Correspondence:

Nicola Nones, University of Toronto, Toronto, Canada.
email: nicola.nones@utoronto.ca

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Supporting Information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Table S1: Sources of illustrative newspaper evidence.

Table S1A: EMU-scepticism and ideology – Euromanifesto 2009/2014/2019.

Table S1.1A: Control variables in first difference.

Table S1.2A: Control variables in first difference.

Table S2A: Descriptive statistics (aggregate models).

Table S3A: Descriptive statistics (multilevel models).

Table S3.1A: Comparison EB by region.

Table S4A: Aggregate-level without lagged dependent variable (fiscal consolidation).

Table S5A: Aggregate-level without lagged dependent variable (EB fiscal consolidation).

Table S6A: Aggregate-level without lagged dependent variable (TB fiscal consolidation).

Table S7A: Aggregate-level with DiD+ estimator (De Chaisemartin and d'Haultfoeuille, 2020).

Table S8A: Fiscal consolidation and ideology.

Figure S1A: Average direct effects and average causal mediation effects of austerity on support for the euro, where mediation is trust in the EU.

Table S9A: Contingency table EU trust and euro support.

Table S10A: Austerity and euro support during 'good' and 'bad' times.

Table S11A: Effect of excluding countries on estimates.

Table S11.1A: Effect of separating CEE and non-CEE.

Table S12A: Pseudo DiD results (Ireland 2008).