SAVINGS IN PUBLIC SERVICES AFTER THE CRISIS: A MULTILEVEL ANALYSIS OF PUBLIC PREFERENCES IN THE EU27

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About COCOPS

The COCOPS project (Coordinating for Cohesion in the Public Sector of the Future) seeks to comparatively and quantitatively assess the impact of New Public Management-style reforms in European countries, drawing on a team of European public administration scholars from 11 universities in 10 countries. It will analyse the impact of reforms in public management and public services that address citizens' service needs and social cohesion in Europe. Evaluating the extent and consequences of NPM's alleged fragmenting tendencies and the resulting need for coordination is a key part of assessing these impacts. It is funded under the European Commission's 7th Framework Programme as a Small or Medium-Scale Focused Research Project (2011-2014).

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Abstract

Policy responses to the financial crisis can be divided into cyclical and anti-cyclical approaches. The former advocates reducing public spending in times of financial constraints. The latter approach advocates public spending to boost the economy. Using multinomial multilevel analysis on public opinion data from more than 20,000 respondents in the 27 EU member countries, we test a model for citizen preferences between reducing spending or savings in public services, and investing in measures to boost the economy. We look at individual- and country-level determinants of attitudes to savings in public services, and concentrate on four groups of explanations: political disaffection, ideology, self-interest, and macro-economic conditions. It was found that political disaffection, as well as the respondent's age, education and political orientation have the strongest effects on preferences. Macro-economic variables, such as a country's government deficit level, public debt or public expenditure have, surprisingly, no effect on citizens' financial policy preferences.

Keywords

Savings, public services, financial crisis, Eurobarometer, public opinion, austerity measures

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1. Introduction

In this paper we explore citizen preferences in 27 EU member countries regarding austerity measures, and the role of savings in public services within these austerity measures. More specifically, we look at factors that determine how citizens make a choice between a reduction in public spending and public investment to boost the economy as preferred financial policy preferences to recover from the corrosive effects of the global financial crisis.

Since the eruption of the financial crisis, we have seen a gradual, and in the most recent year an exponential growth in research looking into the effects of the financial crisis on public services. Various authors have looked into or hypothesised about effects of the crisis on centralisation of decision making and coordination, on politicisation (Peters, Pierre & Randma-Liiv, 2011), on organisational publicness (Pandey, 2010), on decline and organisational life cycles (Bozeman, 2010), or on government responses (Massey, 2011; Peters, 2011; Kickert, 2012; Khademian, 2011). Despite austerity, demands for more and better services remain as present as ever (Pollitt, 2010). The long-term effects of the crisis on public spending remain to be discovered. Yet, Dunsire and Hood (1989) reviewed effects of previous cuts in Britain, and found just one instance of a major cut resulting in long term reduction in spending. Moore, Baber and Bartlett (2010) talk about a 'loss aversion' on the part of citizens to explain their reluctance to allow cutbacks in services. Citizens need to make tough choices about what they are willing to sacrifice, and what not, and the status quo is deemed very attractive, even in adverse economic conditions. Academic research on citizen attitudes towards the financial crisis, and government responses to the crisis more specifically, is still in its infancy.

In this paper, we use opinion data from the 27 EU countries on public preferences for savings in public services vs. public investments in order to boost the economy. We first review the literature, develop a theoretical model for empirical testing and then introduce the data from 27 EU countries. Data is analysed looking at both individual-level and country-level variables. We then evaluate our findings, limitations of this study and avenues for further research. Theoretical and practical implications of the results are discussed.

2. Attitudes to public spending and austerity

We locate this paper within the wider body of research in Public Administration and political science on the (desired) role of government and the preferred size and composition of government spending. This literature can roughly be divided into two streams One looks at attitudes to government intervention in society and the economy and support for 'big government'; the other looks at generic spending preferences and support for welfare spending more specifically. Our hypotheses will be derived from these bodies of research and will concentrate on ideology, self-interest, political disaffection and macro-economic factors.

A large part of the literature relates to public preferences regarding the role of government in society. As a result of the availability of large multi-country opinion datasets such as the World Values Survey or the International Social Survey Programme data, various researchers have looked at public attitudes towards the size of government, and why some people are supportive of 'big government' than others (see e.g., Borre & Scarbrough, 1995; Martin, 2011). Political left-right ideology or partisan identification has been a common factor in such studies. Other scholars, however, have noticed a considerable degree of ambivalence in opinions about the preferred role of government (Gainous, Craig & Martinez, 2008).

A substantial number of related studies has asked citizens where they think government should spend its money on. This research tradition is especially established with regard to welfare spending (Shapiro & Young, 1989; Jacoby, 1994; Confalonieri & Newton, 1995). Research on citizens' spending preferences, both in general and in relation to welfare spending is suggesting that attitudes may be influenced by two major factors. The first argument emphasizes the role of more general ideological dispositions in shaping citizens' preferences. The other emphasizes elements of self-interest in the formation of attitudes to spending.

Both the literature on the scope of government, and that on attitudes to welfare spending presume that behind personal ideology lie more general value systems which determine right and wrong in terms of the relationship between the state, the individual and other institutions (Battaglio & Legge, 2009; 2008; Feldmann & Steenbergen, 2001; Feldmann & Zaller, 1992). Numerous studies do support this thesis (Jacoby, 1994; Hasenfeld & Raferty, 1989). Using data from a National Election Study in the US, Jacoby (1994), for example, found that symbolic politics orientation, such as party identification or liberal-conservative self-placement, have a strong impact on citizens' attitudes toward government spending on social welfare. Battaglio and Legge (2009; 2008) look at citizen support for electricity and hospital

privatization across a set of industrialized countries. They conclude that support for privatization reforms can be partially explained by a combination of ideological predispositions and underlying values. Right-leaning respondents were more in favour of privatization reforms.

Francken (1986) looked into Dutch citizens' preferences for public spending, and found such preferences to be related to political affiliation, in line with earlier work by Lewis (1980; 1983; Lewis & Jackson, 1985). Yet this relation partly depended on the sector of public pending. In one of the few existing studies on attitudes to austerity, Popp and Rudolph (2011) found that ideology influences support for an economic recovery plan in an experiment, with conservatives being less supportive. Yet, they also found attitudes depended on which politician (Bush/Obama) actually proposed the plan.

Related to the ideology argument is citizens' wider attitude to government. Spending preference is then not just influenced by whether people think government should intervene in specific issues and areas, but also by whether they actually trust government. Indeed, perceived government waste is one of the items normally used in scales to measure political trust (Craig, Niemi & Silver, 1990). This means that preference for savings in public services may have little to do with (macro)-economic or budgetary considerations, but with wider attitudes towards government and its role. This 'political disaffection' thesis suggests a positive relationship between political distrust and anti-tax sentiment (Rudolph, 2009: 144) – if you distrust government, you are more likely to think taxes are too high (Beck & Dye, 1982). Still, contrary to expectations, Rudolph (2009) found that political trust actually increases support for tax cuts (but only among Liberals). He explained this using a trust-as-heuristic explanation by introducing ideology as an additional variable.

It should be added that while anti-tax attitudes often reflect low trust in government, such attitudes are often not absolute. Hadenius, in Swedish research found e.g. that citizens thought taxes were too high but they expressed a much more positive attitude to taxes when the survey question was built on a trade-off between taxes paid and benefits received (Hadenius, 1985). In a similar way, Giger demonstrated that, contrary to popular argument, savings and retrenchment are not always unpopular (Giger, 2011), and that indeed (welfare state) 'retrenchment is a popular policy choice for some voters', also when they vote for religious or liberal parties (Giger & Nelson, 2011)

The other important factor in this regard is self-interest. Ferris (1983) suggests that people make a cost-benefit calculation when preferring additional or reduced public expenditure.

Extra spending is less burdensome for high income groups; at the same time, he found that lower income groups prefer higher public spending in e.g. housing, or that respondents with children favour public expenditure in education. Self-interest thus plays a role – when you are likely to need or benefit from spending in certain areas, you are more likely to prefer higher public spending in this area (Brook, Hall & Preston, 1997). Support for general cuts in social spending is relatively low, while there is more support for specific cuts (Roller, 1999). Likewise, support for spending on development aid decreases in times of cuts and is replaced by local and domestic priorities (Lindstrom & Henson, 2011).

In the literature on welfare spending, the self-interest argument states that those respondents, who are (potential) beneficiaries of welfare related services, are more likely to have positive attitudes towards the welfare state and related concepts when compared to those who are 'better-off'. In a similar vein, Goren (2008) found that attitudes to (US) welfare spending were influenced by racial belief and associated beliefs about work ethics. The self-interest argument has been widely supported by empirical investigations (Edlund, 1999; Svallfors, 1997; Groskind, 1994; Hasenfeld & Raferty, 1989). Using ISSP data, Svallfors (1997), for example, finds that public attitudes on redistribution are structured by certain patterns, such as class differences, within different types of welfare regimes. Age also appears to play a role in deciding about spending for certain welfare services (e.g. pensions) (MacManus, 1995). The elderly also appear to be less likely to argue for spending cuts when forced to choose between raising taxes and cutting spending (MacManus, 1995)

The effects described above may differ across countries, e.g. depending on the government system or the general level of (economic) development of a country. Blekesaune and Quadagno (2003) for instance found that public support for spending on welfare policies is higher in countries where unemployment is high. Likewise, Fraile and Ferrer (1995) found that support for unemployment benefit cuts is lower in countries with a high unemployment rate. As regards citizen support for hospital privatization, Battaglio and Legge (2008) found that within countries where levels of health spending were highest, the support for privatization reforms was comparatively low. They argue that when citizens are accustomed to public-run hospitals, they become less willing to support their privatization. In terms of structural determinants for citizens' attitudes towards the welfare state, researchers have often used institutional characteristics of the welfare state as predictors, however, with mixed results (Svallfors, 1997; Edlund, 1999; Gelissen, 2000). Gelissen (2000), for example used an extended version of Esping-Andersen's (1990) welfare regime categorization to predict public support for the welfare state, using Eurobarometer data. Although his findings reveal high levels of significance, effect directions are counter intuitive. Using ESS data, Kumlin and

Svallvors (2007) found that the GINI coefficient for income inequality predicts citizens' attitudes for redistribution, as well as interacts with working-class effects. In contrast, party polarization in class politics is of little explanatory power. In this regard, Inglehart (1990) assessed attitudes towards classic economic policies of the left, such as welfare policies. He found a relationship between a countries' Gross Domestic Product (GDP) per capita and those policies.

3. Hypotheses

As we have seen in the review, both sets of literature have generated a number of explanations for spending preferences. In our data, therefore, we expect a number of effects. One is ideology. We expect citizens who place themselves on the left of the political scale not to be not in favour of a reduction of public spending (see also the research by Francken, Lewis and Svallfors cited earlier in this paper). We, furthermore, assume that politically right-leaning respondents will be in favour of a reduction in public spending. It is unclear however how they feel about investment in the economy to boost the economy. We expect left-leaning respondents to be against a reduction in public spending. Secondly, we expect citizens who don't trust their government (anti-government attitude – political disaffection thesis) to be in favour of a reduction in public spending.

Thirdly we expect self-interest to play a role. Vulnerable, lower socio-economic status groups are more dependent on government-funded programmes. We therefore expect these groups to be against savings. At the same time, however, lower educated groups can be expected to consider savings the logical reaction to deficits.

As there are substantial differences between individual attitudes across countries, we also add country-level variables. Finally, therefore, we think macro-economic variables have an effect on attitudes to a reduction of public spending, or to government measures intended to boost the economy. We expect respondents in countries with high public debt, high deficits, and a large government outlay, to be in favour of a reduction in public spending, rather than in favour of public investment to boost the economy.

4. Data and method

In this article we examine individual *and* country level factors that account for citizens' preferences in response to the crisis. Hence, we utilize multilevel modeling techniques which allow us to simultaneously examine the effect of country level and individual level variables on an individual level dependent variable – in our case, citizens' spending preferences in

responses to the crisis. The reasons for using multilevel statistics is 1) to be able to use context variables that are not available at the individual level; and 2) because attributes of respondents within the same countries are correlated with each other. This makes that the observations are not independent. Individual respondents are thus nested within country groups.

We use data from the Special Eurobarometer 74.1 'Europeans and the Crisis', collected in August and September 2010 using CAPI face-to-face interviews in respondents' homes. A total of 26,635 respondents age 15 and above in the EU 27 member countries participated in the overall survey. They were selected following a multi-stage, random probability sample (standard random route procedure starting at a random starting address within administrative regions). At these addresses, a closest birthday rule was used to select respondents at that address. Approximately 1,000 people were interviewed in each country (with the exception of Germany: 1,600; Cyprus: 500; Luxembourg: 500; Malta: 500; UK: 1,300). After deleting cases with item non-response, a total of 23,004 cases were included in the analysis. Non-responses appeared to be similarly distributed across countries that provide evidence for the cross-national validity of our measurements.

5. Operationalization

In this section we will first introduce our dependent variable, individual level independent variables, and then the country level predictors.

Dependent variable

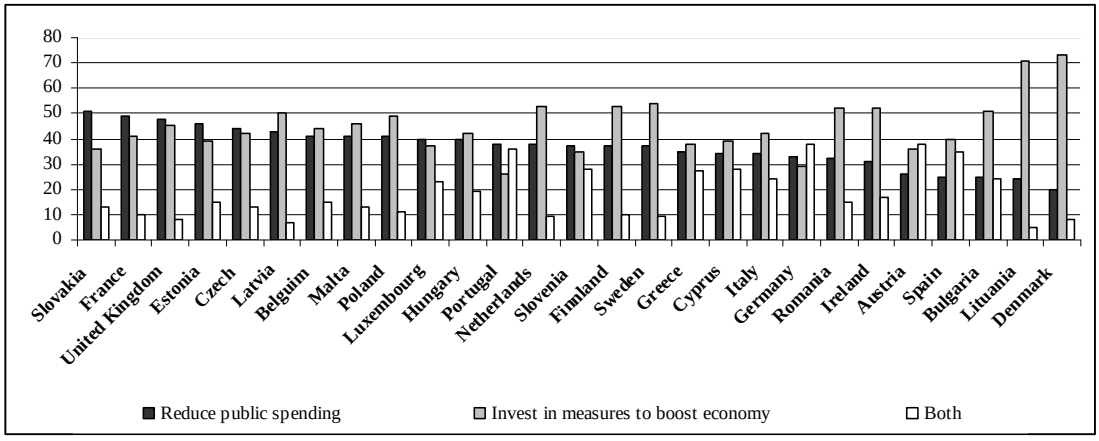
The Eurobarometer survey contains a number of questions on the financial crisis. One is particularly relevant for Public Administration research, as it is directly probing for citizens' preferences in response to the crisis:

> *'Personally, would you say that to emerge from the crisis rapidly, EU Member States should first reduce their public spending or should they first invest in measures to boost the economy?'*

Answer possibilities were i) first reduce their public spending; ii) first invest in measures to boost the economy; iii) both equally *(spontaneous)*. Figure 1 shows the frequencies for all countries of the EU-27. It reveals major differences between countries, with more than 70% of respondents in Denmark, or Lithuania preferring to invest in measures to boost the

economy in response to the crisis, while around 50% of the respondents in Slovakia and France, for example, think that it would be preferable to reduce public spending.

Figure 1 *Financial policy preferences (N=23.004), percentages*



What is also apparent in the figure is that in some countries, quite a substantial number of respondents have chosen the 'both' option, even though this answer was not prompted by the interviewer. This has a number of implications for our model because we cannot directly use the saving-spending dichotomy as a binomial dependent variable. We, furthermore, assume that respondents opting for the both category are not only expressing their mixed preference, but also do so because they were not able to derive at a distinct preference for any of the given categories (cf. Berinsky, 2005). Hence in a number of cases it may substitute the 'don't know' category. Thus the focus of our analysis will be on contrasting preferences for reducing public spending with those who prefer investments in the economy as a response to the crisis. Moreover, this assumption was also supported when estimating a multilevel ordered logistic regression model. A core assumption of the ordered logit regression is the proportional odds assumption that assumes similar coefficients across logit equations (Long & Freese, 2006). We did run several specifications of our model and all violated this assumption. We therefore opted for a multinomial model with three categories in the dependent variable: reduce spending (1); both (2); and invest (3). However, the focus of our analysis will be on contrasting preferences for 'reduce spending' with 'invest in the economy'.

Independent variables

Due to our hierarchical data structure, we distinguish between determinants at the individual (respondent) level, and determinants at the country level.

Individual level

At the individual level, we include measures for respondent's political ideology, political disaffection, self-interest (wealth, homeownership, employment status, social-trust), so as a range of potential controls such as traditional demographic measures (age, gender), marital status, education and place of residence/type of community.

As regards political left-right self-placement people were asked: 'In political matters people talk of "the left" and "the right". How would you place your views on this scale?'. The scale ranges from 1 (left) to 10 (right). However, since this question typically produces a significant amount of missing cases we grouped answer categories in left (1-4 on the scale), middle (5-6 on the scale), right (7-10 on the scale), and missing (all missing cases). We conceptualize political disaffection using a measure which captures the extent of anti-government attitudes and thus controls for whether people choose for savings in public services based on this anti-government attitude rather than based on budgetary or macro-economic considerations. We added two variables: 1) 'trust in parliament' and 2) 'trust in government'. Both are measured on a ten point Likert scale, and measure indeed an underlying latent construct[1]. Scores on both items were added. A low degree of institutional trust is thought to reflect high levels of political disaffection. Wealth is measured using one's self perceived household situation by asking respondents to indicate on a ten point Likert scale to select the position that would best describe the situation of their household, ranging from 'very poor' to 'very wealthy'. Employment status was coded as '1' when currently unemployed or temporarily not working, and '0' for other, and homeownership as '1' when owning an apartment or a house and has finished paying for if, and '0' for other. Social or interpersonal trust was measured using a mainstream interpersonal trust item (see also Newton, 2001): "*Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?*"; on a 10 point scale ranging from 'you can't be too careful'(1) to 'most people can be trusted (10). We use this variable to measure pro-social attitudes in respondents; low pro-social attitudes are thought to be reflected in higher self-interested attitudes and a lower desire to help others (e.g. through providing welfare services).

As regards age we constructed four age groups: 15-24 years; 25-39 years; 40-54 years; and 55 years and older. Gender was recoded as 0 = female, and 1 = male. And for educational status, we grouped respondents in accordance to their age when they left fulltime education into

[1] Cronbach's alpha of 0.93 for the entire sample. In individual countries, Cronbach's alpha scores range between 0.96 – 0.81 which provides good evidence for the cross-country validity of our trust measurement.

three categories: basic education (<15 years), secondary education (16-19years) and higher education (>20 years). In order to minimize effects, respondents that were still studying were assigned to one of the three categories in correspondence to their age. Community size/place of residence registers the type of community the respondent lives in: a rural area or village (1); a small or medium size town (2); or a large town (3).

Country level

At the group level, we include four macro-economic indicators: government deficit change (2006-2010), and change (2006-2010). We use 2006 as baseline as the year before the macro-economic impacts of the financial crisis start to unfold and computed the developments since then by drawing the difference between the years 2006 and 2010. By this we try to take into account the dynamic nature of macro-economic effects of the financial crisis on country's states budgets and their economic policy responses. We, furthermore, look at government gross debt as % of GDP in 2010, GDP per capita, and total general government expenditure as % of GDP in 2010. All country statistics were taken from EUROSTAT. We assume that in countries where government debt and deficit changes are very high, demands for a reduction of public spending will be more substantial, possibly out of a concern about government debt and deficit getting out of hand. In countries where total government expenditure is high, we expect citizens to be rather in favour of a reduction of government spending than preferring further government expansion through taking measures to boost the economy. Finally, in countries where GDP per capita change is low, we expect respondents to be mainly in favour of government measures to boost the economy, and thus higher public spending.

6. Analysis

We estimate a multinomial multilevel model that allows individual level predictors to have different odds ratios on the different outcome categories of our dependent variable. All independent variables are grand mean centred, which makes the intercept interpretable as the value where an 'average citizen' (in terms of the used indicators) would be situated (Hox, 2010; Luke, 2004). Cases with missing values on any of the variables are deleted prior to the analysis.

In a first step of the analysis (model 0), we need to establish how the variance in opinions within countries relates to variance between countries, and whether multilevel analysis is actually needed. For the baseline model, or the model with intercept only, we find a significant chi square, both for category '1' (reduce public spending) (χ^2 = 468.29465, df = 26, p <0.001); and for category '2' (both) (χ^2 = 1228.90985, df = 26, p <0.001). This means that individual respondents within a single country are more alike than respondents in

different countries, and that a multilevel analysis is therefore necessary. We furthermore estimate an interclass correlation of 0.042 which shows that 4.2% of the total variance lies at level-2. However, this refers to both combinations of our outcome variable, 'reduce' vs. 'invest' *and* 'both' vs. 'invest'.

In a second step (model 1), we add the individual level variables. Table 1 shows the findings. Our results are reported as odds ratios, and have to be interpreted in relation to the third category of the dependent variable (investing in the economy) that serves as our base category. Our main interest here is obviously not so much in the second 'both' category (reported in the annex), but mainly on contrasting outcome categories 'reduce public spending' and 'invest in the economy'.

Table 1 *Modelling citizens' preferences: reduce public spending versus invest in measures to boost the economy*

	Model 0	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*
			Invest vs. reduce			
Intercept	0.816**	0.910	0.905	0.910	0.909	0.915
	(0.075)	(0.112)	(0.112)	(0.111)	(0.113)	(0.112)
IDEOLOGY						
Political left-right identification (Ref: right)						
Left		0.645***	0.644***	0.644***	0.645***	0.644***
		(0.045)	(0.045)	(0.045)	(0.045)	(0.045)
Middle		0.783***	0.783***	0.783***	0.783***	0.782***
		(0.041)	(0.041)	(0.041)	(0.041)	(0.041)
POLITICAL DISAFFECTION						
Institutional trust		0.969***	0.969***	0.969***	0.969***	0.969***
		(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
SELF-INTEREST						
Wealth		0.987	0.986	0.986	0.986	0.987
		(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Homeownership		0.912**	0.912**	0.913**	0.912**	0.910**
		(0.035)	(0.035)	(0.035)	(0.035)	(0.035)
Unemployment		1.089	1.088	1.088	1.089	1.088
		(0.059)	(0.059)	(0.059)	(0.059)	(0.059)
Social trust		0.989	0.989	0.989	0.989	0.989
		(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
MACRO-ECONOMIC FACTORS						
GDP change (2006-2010)			1.000			
			(0.000)			
Government deficit change (2006-2010)				1.017		
				(0.011)		
Government expenditure (2010)					0.995	
					(0.011)	
Government debt (2010)						1.003
						(0.002)
CONTROLS						
Sex (Ref: female)		1.053	1.053	1.053	1.053	1.053
		(0.030)	(0.030)	(0.030)	(0.030)	(0.030)
Age (Ref: 55+ years)						
15-24 years		0.959	0.959	0.959	0.959	0.960
		(0.057)	(0.057)	(0.057)	(0.057)	(0.057)
25-39 years		0.919	0.919	0.919	0.919	0.919
		(0.044)	(0.044)	(0.044)	(0.044)	(0.044)
40-54 years		0.874**	0.874**	0.874**	0.874**	0.874**
		(0.040)	(0.040)	(0.040)	(0.040)	(0.040)
Education (Ref: High)						
Low		1.17*	1.18*	1.17*	1.17*	1.14*
		(0.050)	(0.050)	(0.050)	(0.050)	(0.050)
Medium		1.081*	1.082*	1.081*	1.081*	1.080*
		(0.036)	(0.036)	(0.036)	(0.036)	(0.036)
Marital Status		1.066	1.065	1.065	1.065	1.067
		(0.043)	(0.043)	(0.043)	(0.043)	(0.043)
Community (Ref: Large town)						
Rural		1.068	1.066	1.068	1.068	1.068
		(0.039)	(0.039)	(0.039)	(0.039)	(0.039)
Medium or small town		0.955	0.954	0.955	0.955	0.956
		(0.039)	(0.039)	(0.039)	(0.039)	(0.039)
Variance explained at Level-2[2]		4.8%	5.5%	10.3%	2.1%	6.2%
Intercept variance (SE)	0.145	0.138	0.137	0.130	0.142	0.136
	(0.042)	(.040)	(0.041)	(0.39)	(0.042)	(0.040)
Variance Partition Coefficient[3]	0.042					

Ref= Reference category

Significance level: *p<0.05, **p<0.01, ***p<0.001; N = 23,004

[1] We included one additional category (missing values) in the estimation (not reported in the model) in order to run our analysis with as less missing cases as possible.

[2] Explained between countries variance using Model 0 as reference.

[3] In multilevel models using a binominal-link function we commonly use 3.29 (the variance of a standard logistic distribution) as the variance at the observation level to compute the interclass correlation (Hox, 2010).

Results show that, first of all, ideology matters. Those respondents who are regarded as left-leaning are more likely to prefer investments in measures to boost the economy. Those who are right-leaning, in contrast, are more likely to prefer reductions in public spending. These effects are statistically significant across all model specifications. As regards political disaffection we find that institutional trust has a statistically significant, but negative relationship with preferences for reducing public spending. Or in other words, the greater the institutional trust of respondents, the more likely that they prefer investments as an appropriate policy response to emerge out of the crisis. Looking at our set of predictors for self-interest, only homeownership turns statistically significant. It shows that owning a house or apartment increases the probability of preferring investments as way out of the crisis. This appears to reject the self-interest hypothesis. Wealth, unemployment and social trust exhibited no statistical significant effects.

The same holds true for models 2 to 5 where we add country level variables. Since most of our predictors are strongly correlated with each other, we examine their potential effects individually. However, none of these country variables turn statistically significant. Furthermore, their explanatory power in terms of model fit is also rather limited, since they have only a very weak effect on reducing the variance of (the mean of) our intercept – in the case of model 4 it even increases. When, furthermore, looking at the variance explained by the country predictors, only model 3 (deficit change) has a minor effect. It increases explained variance at level-2 (when compared to the level-1 predictors only model) by 5.5 percentage points. However, given a comparatively low interclass correlation of 0.0042 for the null model, this is marginal. All in one we can be confident in claiming that none of our level-2 variables had a significant effect on the likelihood of respondents' preferences in response to the crisis. Or in other words, the macro-economic environment in a country or the national government's fiscal situation in terms of debt and deficit is very unlikely be related to individuals' preferences for or against public spending as a response to the financial crisis.

As regards control variables, we find that age and education are turning statistically significant. Remaining non-significant variables all have the expected preceding signs. More specifically, we find people in the age category 40-54, when compared to the elderly, tend to prefer investments to boost the economy rather than reducing public spending as the forward to get out of the financial crisis. When compared to those who left formal education at a later stage, the opposite holds true for lower educated respondents. They rather prefer reductions in public spending as a mean to get out of the crisis.

In the second part of the analysis, we compared the category 'both' to 'invest'. This analysis is only of secondary importance for our purpose, and estimation results are reported in the annex. Level-1 variables are statically significant only in the case of age and trust in government: Younger respondents are more likely to prefer investments over opting for the both category. The same holds true for those respondents with a comparatively high political disaffection. In terms of level-2 predictors, again, as also observed for the 'reduce' vs. 'invest' analysis, none of our macro-economic variables had a significant impact on the likelihood of preferring one of the options over the other. A more detailed discussion on these results and their methodological implications is provided in the following section.

7. Discussion and conclusion

In this paper, we explored determinants of public preferences regarding government responses to the financial crisis. Citizens were asked whether they preferred cyclical (reducing public spending) or anti-cyclical (investing in the economy) policies. We used a multinomial multilevel model consisting of individual- and country level variables. We looked at four sets of explanations for attitudes to a reduction of public spending: political disaffection, ideology, self-interest, and macro-economic conditions. We found that elements of political disaffection and ideological predispositions influence opinions on fiscal policies, and, surprisingly, that country-level financial indicators are largely non-significant.

The individual level findings appear to mean that a more conservative political and economic outlook (as indicated by being older, and being more on the right of the political left-right self placement scale) are related to a preference for a reduction in spending, rather than a preference for investments to boost the economy. These findings are in line with the literature on welfare spending and the role of government on the importance of ideology in attitudes to government spending.

Lower trust in government is related to a preference for a reduction in spending. This could be interpreted as an expression of political disaffection – a belief that government cannot be trusted with the people's money, or a belief that government is not capable to invest wisely to boost the economy (or is not the right institution to take economy-boosting measures). Answers to the dependent variable are then not so much a measurement of financial policy preferences, but an expression of distrust in government and political disaffection.

The most remarkable finding is that our analysis suggested that differences in preferences are partly to be explained at the country-level rather than at the individual level. Yet at the same time we find that what we thought to be the most obvious variables – government debt,

deficit, GDP change, government expenditure - are not significant and are of very little explanatory power. This leaves differences in preferences at country level unexplained.

Limitations

One important limitation of this study are the apparent differences in answering across countries, probably related to interviewer behaviour or training during the Eurobarometer data collection. This is often not acknowledged in other studies using these data, despite the observation that the methodological quality of Eurobarometer is inferior to that of e.g. European Social Survey or the European Values Survey (Kohler, 2007). As a result of these (country?) differences, the number of respondents opting for the 'both (spontaneous)' answer on the dependent variable differs widely across countries. This creates a number of challenges in the analysis. Secondly, item non-response on some variables remains problematic. Yet, at the same time we have no evidence of a link with answers to the dependent variable

A further limitation, which is unavoidable when using secondary datasets, is that the items on crisis measures were preceded in the survey questionnaire by questions of poverty and social services. This may have primed opinions on the financial crisis. However, the battery of questions on poverty and social services also lead to the inclusion of measures on socio-economic status and interpersonal trust in the questionnaire, which would not have been available had this Eurobarometer questionnaire focused exclusively on the crisis.

Further research & implications

The Eurobarometer surveys are conducted for policy purposes. Measurement of concepts is generally done using single items instead of scales. Further research into public preferences regarding savings and austerity measures will have to develop more detailed measurement scales to increase both the (cross-country) validity and reliability of the measurement. The dependent variable only measured generic attitudes to savings or public investment. Attitudes to savings may differ across policy areas, e.g. in favour of savings in arts and culture, yet not in the area of education (see, e.g., Ferris, 1983).

Our main finding is that opinions on preferred policy options to cope with the fiscal crisis are not just related to ideology – as expected – but also to levels of institutional trust. This suggests that what is measured may not, in fact, be opinions about fiscal or economic policy, but instead wider attitudes towards government and expressions of disaffection. It is therefore risky for policy makers to interpret an attitude in favour of a reduction in public spending as

an attitude which says exactly this. An indicator which at first sight measures a financial policy preference is then in fact no more than an expression of discontent. Further research will have to look into the reasons why people exactly use a reduction of spending as their way of expressing institutional distrust.

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Annex

Table 2 *Modeling citizens' preferences: both versus invest in measures to boost the economy*

	Model 0	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*
			Invest vs. both			
Intercept	0.362*** (0.146)	0.301*** (0.183)	0.297*** (0.183)	0.301*** (0.184)	0.300*** (0.185)	0.305*** (0.179)
IDEOLOGY						
Political left-right identification (Ref: right) [1]		0.972 (0.059)	0.971 (0.059)	0.972 (0.059)	0.972 (0.059)	0.971 (0.059)
Left		1.042 (0.056)	1.042 (0.056)	1.042 (0.056)	1.042 (0.056)	1.042 (0.056)
Middle						
POLITICAL DISAFFECTION		0. 981* (0.010)	0. 980* (0.010)	0. 980* (0.010)	0. 981* (0.010)	0. 981* (0.010)
Institutional trust						
SELF-INTEREST		1.012 (0.012)	1.012 (0.012)	1.011 (0.012)	1.012 (0.012)	1.012 (0.012)
Wealth		0.935 (0.044)	0.935 (0.044)	0.936 (0.044)	0.935 (0.044)	0.933 (0.044)
Homeownership		1.098 (0.075)	1.098 (0.075)	1.097 (0.075)	1.098 (0.075)	1.098 (0.075)
Unemployment		1.009 (0.009)	1.009 (0.009)	1.009 (0.009)	1.009 (0.009)	1.009 (0.009)
Social trust						
MACRO-ECONOMIC FACTORS			1.000 (0.000)			
GDP change (2006-2010)				1.015 (0.022)		
Government deficit change (2006-2010)					0.997 (0.023)	
Government expenditure (2010)						1.008 (0.004)
Government debt (2010)						
CONTROLS		1.048 (0.038)	1.048 (0.038)	1.048 (0.038)	1.048 (0.038)	1.049 (0.038)
Sex (Ref: female)						
Age (Ref: 55+ years)		0.787** (0.075)	0.679** (0.075)	0.787** (0.075)	0.787** (0.075)	0.788** (0.075)
15-24 years		0.905 (0.056)	0.812 (0.056)	0.905 (0.056)	0.905 (0.056)	0.905 (0.056)
25-39 years		0.803*** (0.051)	0.726*** (0.051)	0.802*** (0.051)	0.802*** (0.051)	0.802*** (0.051)
40-54 years						
Education (Ref: High)		1.031 (0.061)	1.032 (0.061)	1.032 (0.061)	1.031 (0.061)	1.028 (0.061)
Low		1.045 (0.046)	1.045 (0.046)	1.044 (0.046)	1.044 (0.046)	1.044 (0.046)

Medium		1.095	1.094	1.094	1.095	1.096
		(0.056)	(0.056)	(0.056)	(0.056)	(0.056)
Marital Status						
Community (Ref: Large town)		1.014	1.013	1.014	1.014	1.015
		(0.050)	(0.050)	(0.050)	(0.050)	(0.050)
Rural		1.001	1.000	1.001	1.001	1.002
		(0.049)	(0.049)	(0.049)	(0.049)	(0.049)
Medium or small town						
		0.01%	0.01%	-0.02%	-0.03%	7.2%
Variance explained at Level-2[2]	0.563	0.559	0.557	0.572	0.582	0.519
	(0.160)	(0.159)	(0.161)	(0.166)	(0.168)	(0.151)
Intercept variance (SE)						
	0.146					
Variance Partition Coefficient[3]	0.362***	0.301***	0.297***	0.301***	0.300***	0.305***
	(0.146)	(0.183)	(0.183)	(0.184)	(0.185)	(0.179)

Ref= Reference category

Significance level: *p<0.05, **p<0.01, ***p<0.001; N = 23,004

[1] We included one additional category (missing values) in the estimation (not reported in the model) in order to run our analysis with as less missing cases as possible.

[2] Explained between countries variance using Model 0 as reference.

[3] In multilevel models using a binominal-link function we commonly use 3.29 (the variance of a standard logistic distribution) as the variance at the observation level to compute the interclass correlation (Hox 2010).

Table 3 *Descriptive statistics, individual level predictors (N=23,004)*

Variable	**Mean**	**Std. Dev.**	**Min, Max**
Sex	0,465	0,499	0, 1
Age: 15-24 years	0,121	0,326	0, 1
Age: 25-39 years	0,240	0,427	0, 1
Age: 40-54 years	0,263	0,440	0, 1
Age: 55+ years	0,376	0,484	0, 1
Education: basic	0,183	0,387	0, 1
Education: secondary	0,477	0,499	0, 1
Education: higher	0,340	0,474	0, 1
Wealth	2,809	1,771	1, 10
Employment status	0,074	0,262	0, 1
Homeownership	0,513	0,500	0, 1
Marital status	0,187	0,390	0, 1
Community: rural	0,358	0,479	0, 1
Community: medium/small town	0,359	0,480	0, 1
Community: large town	0,283	0,450	0, 1
Polit. orientation: left	0,240	0,427	0, 1
Polit. orientation: middle	0,339	0,474	0, 1
Polit. orientation: right	0,224	0,417	0, 1
Polit. orientation: missing	0,197	0,398	0, 1
Trust in government	4,161	2,320	1, 10
Social trust	5,043	2,343	1, 10

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