Who's afraid of an EU tax and why? -

Determinants of tax preferences in the European Parliament

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Abstract
The idea to establish an EU tax is a prominent option in the reform debate on the EU own resources system. This contribution explores the question which motives shape the support for an EU tax among policy makers. We make use of a unique data base: A survey among Members of the European Parliament (MEP) which resulted in a response of some 150 of the representatitives. Our results confirm an important role for party ideology but they also demonstrate that both individual and country-specific characteristics are important to understand the support for or rejection of an EU tax. In the light of our findings the hope that a tax based own resource could overcome a narrow national perspective on the budget is poorly founded.

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1. Introduction

Compared to national fiscal systems, the EU budget is characterised by striking institutional differences. Neither do the budgetary authorities at the European level possess a general competence to cover expenditures by issuing debt nor do they command over any tax resources. Instead, the EU budget depends largely on contributions from the member states. Although these payments are termed "own resources" they hardly imply a significant degree of revenue autonomy for the budgetary organs of the Union.

Given the advancing integration process in Europe which has increasingly assigned new policy responsibilities to the EU level, there is a continuing debate whether this revenue system is still adequate. In this context the idea to establish some kind of EU tax as a new (and true) own resource has been widely and controversially debated as a reform option for the revenue side of the EU budget at least since the 1980s (Biehl, 1988). Supporters point at the gain of cost transparency and the limitation of the "juste retour" thinking which they hope to achieve through an EU tax. Opponents fear lower budgetary discipline and increasing and inefficient fiscal centralisation at the EU level as a result of such a reform.

While we only briefly touch upon the most important arguments of this normative controversy our main objective is to shed light on a positive question: We want to explore the motives of policy actors with respect to the EU tax. Preferences with regard to desirable finance options for the EU budget can be assumed to be driven by a bundle of aspects. On the one hand ideological positions with respect to the preferred level of European integration, the role of government or the acceptability of tax competition could be important – aspects which should be closely related to party preferences. On the other hand, views related to the individual, institutional or national self-interest of political decision makers may play a role as well. For example, it is hardly surprising that the European Commission itself tends to be on the side of EU tax supporters given its institutional self-interest. Similarly, for national actors the attraction of an EU tax should be influenced by expectations on the national advantages/disadvantages, for example with respect to the distributional consequences of a specific EU tax. In our attempt to disentangle possible driving motives behind different positions on an EU tax we make use of a unique data base: a survey among Members of the European Parliament which was conducted in spring and summer 2007 and which resulted in a response of some 150 Members of the European Parliament (MEP). The survey includes questions with regard to the desirability, specification and likely consequences of an EU tax. Based on this database our study is the first to shed light on the question how the diversity of views on the idea of an EU tax is understandable.

Apart from this particular question our contribution is of more general importance with respect to three strands of literature: first, the literature on financing systems for international and supranational organisations, second, the literature on decision making within the European Parliament and third the literature on the formation of economic beliefs.

Contributions that deal with financing systems of international organisations like Euler (2005) or Meermagen (2002) are characterised largely by classifying and normative approaches: For example, Euler (2005) makes a distinction between financing models for international organisations based on either an ability-to-pay-principle or on the principle of equivalence. A normative recommendation of that literature is that organisations with a particular focus on a single public good are best suited for a contribution scheme based on the principle of equivalence. In line with this recommendation, contributions to the World Trade Organisation are calculated according to a country's percentage share in world trade. By contrast, organisations with a broader spectre of tasks – such as the European Union – should rather opt for the ability-to-pay-principle. Overall this literature is silent on positive explanations for the observable evolution of the contribution systems so that our work complements it.

Empirical analyses on decision making in the European Parliament have centred on the question whether MEPs vote rather along (European) political group than along country lines. Recent contributions (Hix, 2002; Hix and Noury, 2006; Hix et al., 2007; Kreppel et al., 1999) based on the empirical inspection of roll-call votes consistently stress that party cohesion of voting behaviour in the EP clearly exceeds national cohesion. Interestingly, however, budgetary votes compared to other policy fields are characterised by slightly larger national cohesion (Hix and Noury, 2006). The same holds for policy fields with strong and heterogenously defined national interests such as foreign policy (Aspinwall, 2002). These results suggest that the existence of strong national interests tends to undermine party cohesion in the EP. A natural shortcoming of the roll-call (i.e. recorded) vote literature is that this data does not allow to identify individual policy preferences directly: Actual voting in the EP is not only determined by a MEP's preferences but also by explicit or implicit sanctions for group members whose votes defect from the party line. In this sense, the roll-call vote literature answers the question to which extent MEPs *vote* along the party or along the country dimension but it is unable to decide whether this voting behaviour really reflects *preferences*. This differentiation is crucial in the light of the theory on fiscal federalism (Oates, 1972) according to which preference diversity across regions is an indicator for the costs of centralisation.

Finally, this study contributes to the understanding of formation of economic beliefs in general and tax policy beliefs in particular. Comparisons of economic beliefs for the public and economists (Caplan, 2002; Blinder and Krueger, 2004) do not only point to significant differences between both groups but also towards a strong link between ideology and the perception of economic phenomena. The same ideological bias has recently been demonstrated for Members of the German Bundestag with respect to the perception of globalization constraints for corporate tax policy: Party ideology does not only determine equity preferences but also shapes the perception e.g. about the tax elasticity of corporate investment decisions (Heinemann and Janeba, 2007).

Our results confirm an important role for ideology but they also demonstrate that both individual and country characteristics are equally important to shape the support for an EU tax. MEPs from new member countries but also from net payer countries tend to be sceptical about an EU tax in general. When it comes to the preference for specific tax bases for the EU tax additional dimensions of the national interest are important: With respect to an EU corporate tax, parliamentarians from high tax countries are particularly supportive pointing to the motive of alleviating pressure from tax competition. With respect to an EU tax on financial transactions the distributional consequences are significant and representatives from countries with important financial centres tend to be opposed. Our empirics can be regarded as a conservative test for the relevance of national interests in the debate on a new own resource system. Compared to members of national governments or parliaments MEPs have a more European perspective. In the light of our findings, the hope that a tax-based own resources could overcome a narrow national perspective on the budget is poorly founded.

We continue in the following section 2 with a brief institutional description of the revenue side of the EU budget and a summary of arguments pro and contra an EU tax. Section 3 presents our testable approach to belief formation. Section 4 describes the survey and discusses descriptive findings while section 5 is devoted to econometric tests. Section 6 concludes.

2. The revenue side of the EU budget and the EU tax debate

Currently, the EU is financed by the so-called "own resources"[1]. Although this term suggests a certain degree of autonomy, the revenue side of the budget has rather the character of a contribution system where the EU depends on the member states to unanimously accept their contribution obligation. Only a very small part of the revenues (13.9% in 2006; European Commission, 2007d) are raised in the context of policies with full EU competency: the so-called "traditional own resources" which accrue from agricultural duties and levies as well as customs duties. The lion's share, however, consists of contributions which are paid by member countries financed out of their national tax revenues. The smaller part of these, the "VAT own resource" (15.9% in 2006), was initially the dominant financial source of the EU and is linked to the national VAT tax base. With the reduction of the VAT own resource in recent years the "GNI own resource" has become the dominant source for the European budget (64.7% in 2006). This resource tops up the revenues of the other resources (which in addition include revenues from taxes on EU civil servants or fines by companies paid to the EU). The GNI resource is shared in proportion to national GNI by member countries and has the function to balance the budget. Deficits are not allowed.

The calculation of member state shares in contribution is complicated by several special provisions:[2] Best known is the UK rebate which exists since Margaret Thatcher's Fontainebleau agreement in 1985. Additional abatements were introduced in the course of time, the most recent ones in the last Financial Perspective benefiting four further countries, namely the Netherlands, Sweden, Germany and Austria (European Council, 2005).

Although the system in its current form has endowed the EU with stable and reliable revenues in the past, in the literature, e.g. the Commission's report on the operation of the own resources system, several shortcomings are criticised, such as the fact that "there is virtually no direct link to citizens or tax-payers" (European Commission, 2004: 12). The critics argue that the increasing complexity has rendered the system intransparent from the citizens' perspective so that they are unable to identify the fiscal costs of EU activities. Moreover, the rebates and special provisions are regarded to have undermined the perceived fairness and acceptance of the system. It is furthermore argued by the Commission that the lack of an autonomous source of finance would be the root for the "juste retour" thinking of national governments who are

[1] For a survey on the EU own resource system see European Commission (2002; 2004).

[2] For details, see European Council (2005).

fixated on national budgetary "net positions" (i.e. the gap between contributions to the budget and backflows, mainly through structural and agricultural spending). This in turn would lead to the neglect of European public goods on the EU budget's expenditure side and a priority for transfer policies such as regional policy or agricultural spending.

In order to overcome these shortcomings, the introduction of a "genuine" own resource has been proposed several times, i.e. a tax which would be directly payable to the EU.[3] Supporters can be found both in the academic literature as well as in the political debate. Examples for positions of political actors are the Own Resources Report by the European Commission (2004), statements by national representatives such as the former Austrian chancellor Wolfgang Schüssel (Schüssel, 2006) or the present French President Nicolas Sarkozy (Sarkozy, 2006). In academia pro-EU tax contributions are, for example, Cattoir (2004), Le Cacheux (2007) or earlier Biehl (1988). These supporters particularly regard the EU tax as a means to increase the system's transparency. In their view, a tax which is paid to the EU budget would create a direct link between citizens and the EU. As a consequence, an EU tax should also increase the accountability of the European institutions and contribute to a more efficient budgetary policy and foster budgetary discipline. Moreover, the above mentioned supporters of an EU tax contend that such a tax would solve or at least alleviate the "juste retour" problem. Since the dependence of the European budget from national treasuries would decrease, national actors should cease to focus on the net position and become more open for shifting budgetary shares to the financing of European public goods.

In contrast to these favourable assessments, other authors are less convinced that an EU tax is desirable. Most national politicians refrain from expressing their support for an EU tax. Critical academic positions can be found in Caesar (2001) or Heinemann et al. (2007). These opponents come to unfavourable conclusions about the impact of a tax resource on financial discipline at the EU level. They argue that an EU tax would reduce tax competition and therefore de facto lower spending restrictions for the budget. Furthermore, they expect that national governments of net payer countries would have fewer incentives to prevent EU budgetary authorities from overspending. While in the current contribution system a direct link between national budgets and the EU budget is given this would be cut with the introduction of an EU tax. From the critics' perspective this would lower fiscal discipline and increase the fiscal burden on tax payers. Neither do these authors expect that an EU tax could overcome the net

[3] See Heinemann et al. (2007) for an extensive overview on the debate pro and con EU tax.

position thinking and offer two arguments for this: First, any EU tax would have significant inter-country distribution effects so that tensions on net payments could even increase. Second, they regard the transfer focus of the expenditure side as the key reason for the net position problem so that innovations on the revenue side were unable to solve the problem.

Notwithstanding this general debate, EU tax supporters have become more specific with respect to the tax base candidates for a possible EU tax (Cattoir, 2004; European Commission, 2004). In these contributions, mainly the following tax bases are reflected: Among direct taxes: corporate and personal income tax; among indirect taxes: VAT, excise duties (on tobacco or alcohol), energy taxation (on kerosene, motor fuel or CO2 emissions) and taxes on financial transactions.

In the past, Members of the European Parliament (MEPs) have regularly voiced their preference for a tax source which should at least partially finance the EU budget (for example in the Haug report; see European Parliament, 2001). Recently, a joint position of the Parliament was stated (European Parliament, 2007a): This report took a cautious stance on a possible EU tax. Nevertheless, it stuck to the long-term aim of a genuine own resource. Remarkably, even this cautiously worded report failed to receive unanimous support in the EP: 117 parliamentarians opposed it, 458 voted in favour of it and 61 abstained (European Parliament, 2007b). The heterogeneity of views can also be illustrated through officially recorded explanations of vote by the members of the Parliament which can be found in the minutes of the meeting: The opposition towards an EU tax was first and foremost stated as reason for “no”-votes by parliamentarians covering the whole political spectrum (left-wing, social democratic, liberal as well as euro-sceptic parties).[4] This diversity of views makes the European Parliament a promising base for studying belief formation in the context of a possible EU tax.

3. Tax policy belief formation

It would not be surprising if the European Parliament as an institution was rather supportive of the idea of financing the budget through a tax. At the national level, tax competencies are a key parliamentary competence. Thus, striving for an augmentation of revenue sources is part of the European Parliament’s objective of extending its powers towards the usual parliamen-

[4] In particular, Jim McAllister (NI), Jan Andersson and Anna Hedh (both PSE), Liam Aylward, Brian Crowley, Seán Ó Neachtain and Eoin Ryan (all UEN), Pedro Guerreiro (GUE/NGL) and Olle Schmidt (ALDE) stated in their explanations of vote the aim of an EU tax as reason for their no-vote.

tary prerogatives. Even though we thus expect our survey to show a pro-EU tax preference, we nevertheless also expect a considerable degree of heterogeneity on this issue across MEPs as has become obvious in the debate and vote on the report mentioned above.

A key question we intend to address is to which respect EU tax preferences of MEPs are driven by national interests or by ideological judgements. Poole and Rosenthal (1996), in their analysis on voting behaviour in the US Senate, term these two classes of explanations the "principal-agent" and the "ideological" approach.[5] In the "principal-agent approach" legislators are regarded as the agent acting on behalf of the principal who could be modelled e.g. as the median voter of the representative's constituency or as a particularly well organised interest group. By contrast, with the "ideological" perspective a politician is described on some continuum, e.g. from left to right or from liberal to conservative, and the individual location along that dimension should determine political beliefs or voting behaviour.

In addition to the interests of the constituency and the ideological position, individual characteristics should matter in belief formation. From the above mentioned studies on the formation of economic beliefs (e.g. Caplan, 2002; Blendon et al., 2004; Heinemann and Janeba, 2007) it is known that education or socio-economic characteristics of an individual can play a role. There is no reason to exclude this possibility a priori for members of a parliament. Moreover, a MEP's field of specialization should matter: Members of a committee responsible for the budget can be expected to have a more informed and clearer view on issues like the EU tax.

This leaves us with the following conceptual approach to the formation of beliefs on the desirability of an EU tax:

$$(1) \qquad GTP = GTP\,(IND, IDE, CC)$$

The general preference of a MEP with respect to the EU tax (general tax preference, *GTP*) should depend on:

- first, a number of individual characteristics (IND) related to the individual MEP's education, his informative situation linked e.g. to his field of policy specialisation or socio-economic characteristics such as age or gender,
- second, his ideological position (*IDE*) according to the "ideological approach" and

[5] Precisely, Poole and Rosenthal (1996) make a distinction between the „economic or principal-agent" and the „political or ideological" approach.

– third, country characteristics which are of relevance for the interests of national voters represented by the MEP according to the "principal agent approach".

An equivalent conception applies to the preferences with regard to a specific EU tax (specific tax preference, *STP*), e.g. the position towards a European VAT or a European CO2 tax.

$$\text{(2)} \qquad \text{STP} = STP\,(IND, IDE\,, CC)$$

It cannot be expected that the functional dependencies are identical between (1) and (2). MEPs who might agree on the general desirability of an EU tax may have very different beliefs about the specific choice of a tax base. Only the empirical assessment can decide the actual relative weight of the described different dimensions. However, based on existing empirics and theoretical reasoning we can derive expectations about the sign of ideology and certain country characteristics.

For the impact of ideology on a preference for an EU tax two distinct considerations are relevant. An EU tax clearly can be regarded as a movement towards a higher state of integration and towards a more mature European budgetary authority. Preference for integration in general, however, has empirically been shown to depend in a non-linear way on a party's position on the left-right spectre (Aspinwall, 2002): Centrist parties typically are the clearest supporters of integration while left and right parties in Europe are more hesitant to give up national autonomy. If this single-peakedness of integration support translates to the EU tax issue we would also expect centrist parties' MEPs to be particularly sympathetic towards that potential new resource. In addition, however, parliamentarians on the left might view an EU tax not primarily as a means of integration but as an instrument to extend the role of the state in general, which is a traditional left position. If this government expansion motive outweighs the integration motive in the perception of left MEPs they should favour an EU tax equally as those from the centre. In summary, we have the clear expectation that liberal or right Eurospectics should tend to reject an EU tax and centrist MEPs should favour it. For the left the expected sign is ambiguous.

For the national interests influencing a MEP's position vis-à-vis an EU tax the following different aspects could play a role:

– EU tax opponents argue (see above) that the introduction of an EU tax must be seen as a preparation for a further expansion of the European budget. If this is the dominating view in the EP, representatives from net recipient countries should welcome this while net payers would rather be opposed. By contrast, EU tax supporters argue that direct tax financing would increase the transparency with respect to the fiscal burden from EU activities. If this is the dominating view, representatives from net recipient countries might be concerned whether the level of transfers can be sustained once the financial burden becomes transparent for EU citizens. Thus, the expected sign of a country's net position is ambiguous if an EU tax is really regarded as a means to increase transparency. If the transparency effect is judged to be negligible, net recipients can be expected to favour the tax.

- Because different tax bases would imply significantly different distributional effects among member states (Heinemann et al., 2007), the preference for a specific EU tax should not simply depend on the net payer/recipient profile of the current budget but in addition also on the distributional effects related to the choice of a specific tax base. I.e. equation (2) would require additional variables – proxies for the distributional consequences of a specific tax base – compared to equation (1) for a complete specification.
- Besides its revenue consequences for the EU budget, an EU tax can be regarded as a step towards European tax harmonisation. In the collusion view on tax harmonisation pioneered by Brennan and Buchanan (1980) tax harmonisation is compared to the building of a tax cartel motivated by the desire of politicians and bureaucrats to eliminate tedious tax competition. In this view, preference for an EU tax should differ between countries according to their tax system's competitiveness. Representatives from countries with relatively high taxes could regard an EU tax as a means of raising rivals' costs and to alleviate pressure from tax competition. The motivation to neutralise tax competition by harmonisation steps should be most pronounced with respect to highly mobile tax bases such as corporate profits. Countries with a high tax burden on mobile factors should then be more supportive for an EU tax compared to countries with a low tax burden.
- Finally, a country's general integration preferences could also belong to the relevant country characteristics. MEPs from countries with an EU-sceptical population should be less inclined to accept an EU tax compared to their colleagues. Note that integration preferences thus feed into our conception of belief formation over two distinct channels: via the MEP's own ideology linked to his party affiliation and via his country's integration preferences. Practical evidence supports this view if one compares, for example, the integration view of British and Dutch colleagues within one EP political group.

4. Survey and descriptive findings

The survey among the members of the European Parliament was conducted between March and July 2007. The parliamentarians were addressed by written letters and – in case of no reaction – by subsequent phone calls. Five language versions were sent out: German, French, Polish, Spanish and English. Where available, MEPs were addressed by letters and questionnaires in their mother tongue or in English otherwise. 158 members participated by returning the filled in questionnaires. The overall response rate of 20.1 per cent differed significantly between political groups and countries (see Appendix Table 1 and 2). Responses could be obtained from all but two small member countries (Estonia and Malta). We return to the problem of selection bias in the econometric section.

Our survey included the following questions:

<u>Question 1 (Q 1):</u> *It has repeatedly been proposed to replace elements of the current system of EU own resources by an EU tax which is paid directly to the EU.*
What is your attitude towards such an EU tax?

Answer scale: From -4 ("very negative") to +4 ("very positive")

<u>Question 2 (Q 2):</u> *Which type of tax do you think to be particularly suitable as an EU tax?*
Offered options: Value added tax (VAT), Corporate income tax (CIT), Personal income tax (PIT), Green taxes (GT), Tax on financial transactions (TFT), Excise tax on alcohol/tobacco (TTA)

Answer scale: From -4 ("not suitable at all") to +4 ("very suitable")

<u>Question 3 (Q3):</u> *What do you think might be the effect of the introduction of an EU tax on the …?*
Offered effects: Financial burden of the citizens, transparency of the EU budget towards the citizens, budgetary discipline on the EU level, stability of EU revenues, fair sharing of the financial burden between the member states, political struggles between national governments regarding the budget, support of the EU by its citizens.

Answer scale: From -4 ("decrease") to +4 ("increase")

Table 1 presents descriptive statistics with respect to the general EU tax preference. Interestingly the EP as a whole is only modestly in favour of an EU tax (mean answer +0.83) which corresponds to the cautious position on the EU tax taken in the 2007 report described in section 2.[6] The large standard deviation indicates that the EP is characterised by a substantial heterogeneity of views which makes our analysis promising.

The comparison of means along different indicators referring to our dimensions of belief formation reveals interesting first insights (Table 1): The general EU tax preferences differ with high significance across both countries and political groups. Regionally, strong opponents to the EU tax come from the UK, Czech Republic and Poland and politically from the EU-sceptic parties (see appendix for a political characterisation of political groups in the EP). The strongest supporters belong to the Greens and Socialists. MEPs from the largest political group, the Conservative/Christian-Democrat EPP-ED, and from the liberal ALDE are rather split on the issue with means positive but close to zero.

Analyses of variance do not result in significant findings with respect to the budgetary net position no matter whether the overall position or specific policy field related net positions (Common Agricultural Policy and Structural Policy) are chosen (for data definitions see next section and Table 3 in the appendix).

By contrast there are significant results if one classifies MEPs according their countries' tax burden or public support for the integration process. Positive positions towards an EU tax are strongest in countries which are characterised by a large public revenue-GDP-ratio. If one restricts the classification to the ratio of direct revenues to GDP the finding about low popularity in low tax countries is robust whereas the strongest support for the EU tax is then observable in the medium category. Thus, our results at least partially support the link of EU tax preferences with tax competition considerations. A finding already obvious from the country comparison is made more explicit through the classification by the support for integration question from Eurobarometer: The least euphoric position towards an EU tax characterises representatives of countries with a rather low support for integration.

Of course, more definite answers with respect to our model of belief formation must be left to the multivariate exercise in the next section. Before that, however, a brief descriptive look at

[6] A weighted average where weights correct for the sample selection bias with respect to country and party group representation is only slightly higher (+1.082).

the appeal of different types of EU taxes and the expected consequences of an EU tax is helpful.

Those MEPs who in general support the idea of an EU tax do not agree on the preferred specific type of tax. Even if one limits the sample to general EU tax supporters the position vis-à-vis specific EU taxes ranges from complete rejection to full support for each single type of tax (Table 2). Nevertheless a clear ranking appears: Green taxes and VAT rank top on the list whereas taxes on financial transactions or alcohol/tobacco come second. Less popular is the idea to tax corporate or (least popular) personal income. This is an interesting result insofar a personal income tax is a highly salient and in this sense a particularly transparent EU tax. Although transparency is a key argument in favour of an EU tax (see section 2), supporters of an EU tax in the European Parliament rather opt for less transparent taxes.

If one compares the expectations on the likely results of an EU tax for supporters and opponents (Table 3), highly polarised views are the non-surprising outcome. Supporters of a tax resource are particularly confident that this reform would make the system more transparent. Furthermore, they expect that budgetary discipline, a fair burden sharing and a stabilisation of EU revenues could be achieved. Equally, they are optimistic that disputes between member countries on the budget would lose explosiveness. Interestingly, supporters of the EU tax do not expect a declining financial burden on EU citizens in spite the expected increase in budgetary discipline.

Compared to the supporters, opponents of an EU tax in the European Parliament have reversed expectations. Their largest concern is that the financial burden will increase as a result of weakening budgetary discipline under an EU tax. As a consequence, they expect the support of the EU by its citizens to be undermined. Opponents do not negate the expectation of larger transparency. Obviously, however, they do not expect the transparency effect to significantly boost discipline. In difference to the supporters, the opponents rather expect even an intensification of national struggles over the budget and a less fair burden sharing once a tax is introduced. These controversies bear clear similarities to the split normative assessment in the academic literature surveyed above.

Table 1: General EU tax preference (Q1) – comparisons of means

	Observations	Mean	Std. Dev.	Min	Max
Classified by country					
AT	6	3.00	1.26	1	4
BE	6	3.17	1.33	1	4
CZ	5	-1.80	3.49	-4	4
DE	39	1.03	3.05	-4	4
FR	16	2.31	2.70	-4	4
GB	13	-1.77	3.19	-4	3
HU	5	2.40	1.14	1	4
IT	7	2.71	1.25	1	4
PL	9	-0.78	3.23	-4	4
PT	7	3.57	0.79	2	4
Other*	39	-0.13	3.30	-4	4
Total	152	0.83	3.19	-4	4
ANOVA, P-Value for F-Test: 0.0000					
Classified by political group					
ALDE	18	0.28	3.29	-4	4
EPP-ED	54	0.28	3.01	-4	4
GUE/NGL	5	0.40	3.21	-4	4
ID	7	-4.00	0.00	-4	-4
ITS	4	1.00	3.83	-4	4
NI	3	-4.00	0.00	-4	-4
PES	47	2.81	2.00	-4	4
The Greens/EFA	5	3.80	0.45	3	4
UEN	9	-1.22	3.19	-4	4
ANOVA, P-Value for F-Test: 0.0000					
Classified by net position					
Net contributor	95	0.76	3.24	-4	4
Net recipient	57	0.95	3.13	-4	4
ANOVA, P-Value for F-Test: 0.7241					
Classified by net position in Common Agricultural Policy					
Net contributor	84	0.92	3.19	-4	4
Net recipient	68	0.72	3.21	-4	4
ANOVA, P-Value for F-Test: 0.7076					
Classified by net position in Structural Policy					
Net contributor	106	0.86	3.23	-4	4
Net recipient	46	0.76	3.13	-4	4
ANOVA, P-Value for F-Test: 0.8630					

* Only countries with number of observations > 5 are listed individually

Cont. Table 1: General EU tax preference (Q1) – comparisons of means

Classified by 2006 total revenue from taxes and social security/GDP					
High (> 45% GDP)	49	1.51	3.03	-4	4
Medium	73	1.12	3.10	-4	4
Low (< 40% GDP)	30	-1.00	3.07	-4	4
ANOVA, P-Value for F-Test: 0.0014					
Classified by 2006 direct tax revenue/GDP					
High (> 13% GDP)	49	0.20	3.45	-4	4
Medium	70	1.60	2.82	-4	4
Low (< 9% GDP)	33	0.12	3.26	-4	4
ANOVA, P-Value for F-Test: 0.0213					
Classified by national support of the EU*					
High (>60%)	79	0.66	3.15	-4	4
Medium	37	1.97	2.82	-4	4
Low (<50%)	36	0.03	3.38	-4	4
ANOVA, P-Value for F-Test: 0.0254					

* Eurobarometer Spring 2007, EU27 averaged 57%

Table 2: Type of EU tax preferred by general EU tax supporters (Q2)

	Observations*	Mean	Std. Dev.	Min	Max
Green taxes	86	2.24	2.29	-4	4
Value added tax	85	2.06	2.20	-4	4
Tax on financial transactions	82	1.43	2.88	-4	4
Excise tax on alcohol/cigarettes	83	1.18	2.66	-4	4
Corporate income tax	82	0.79	2.65	-4	4
Personal income tax	78	-0.79	2.43	-4	4
Total		1.18	2.70		

* Only MEPs included with answer for Q1 > 0.

Table 3: Effects of an EU tax – expectations of EU tax supporters and opponents (Q3)

	Observations	Mean	Std. Dev.	Min	Max
Expectations of EU tax supporters*					
Financial burden on the citizens	92	0.36	1.46	-4	4
Transparency of the EU budget towards the citizens	95	2.83	1.35	-2	4
Budgetary Discipline on the EU level	93	1.97	1.74	-4	4
Stability of EU revenues	95	2.11	1.69	-3	4
Fair sharing of the financial burden between the member states	95	1.99	1.67	-2	4
Political struggles between national governments regarding the budget	96	-1.51	2.37	-4	4
National support of the EU	95	1.31	2.05	-4	4
Total		1.29	2.24	-4	4
Expectations of EU tax opponents**					
Financial burden on the citizens	46	1.89	2.37	-4	4
Transparency of the EU budget towards the citizens	46	0.87	2.51	-4	4
Budgetary discipline on the EU level	46	-0.78	2.37	-4	4
Stability of EU revenues	45	0.31	2.22	-4	4
Fair sharing of the financial burden between the member states	46	-0.41	2.31	-4	4
Political struggles between national governments regarding the budget	46	0.43	2.45	-4	4
National support of the EU	46	-1.72	2.78	-4	4
Total		0.08	2.65	-4	4

* MEPs included with answer for Q1 > 0, **MEPs included with answer for Q1< 0.

5. Econometric testing

The multivariate testing now aims at identifying the relevant drivers of EU tax policy preferences in the context of the two step model developed in section 3. This means that first general tax preferences are analysed according to the framework of equation (1) before in a second step the specific position towards the different possible types of tax bases is inspected according to equation (2).

Method

Since, for all questions, answers are available on a scale from -4 to +4 ("very negative" to "very positive") which allows a clear ordering of answers, an ordered probit approach is appropriate. Our testing procedure takes account of several econometric problems: First, we deal with the selection bias although the different response rates do not constitute a fundamental problem for our empirical approach: Since we are interested in conditional effects (such as the impact of nationality or political groups) and not in aggregate statements about the overall position of the EP, different response rates are not critical. Nevertheless, we apply a weighted estimator where weights correct for the sample's selection bias with respect to both country and political group representation. This means that underrepresented observations get a larger weight than overrepresented cases. Furthermore we allow for clustering of error terms among MEPs from one political group to cope with problems from the possible omission of non-observable determinants.

Variable definitions

According to our model of belief formation, we make use of control variables along three dimension: First, political group membership since according to the "ideological approach" this should be a decisive driver of tax preferences; second, individual characteristics of a MEP quantifying e.g. her experience or her political specialization; and, third, country characteristics which depict specific national interests and should according to the "principal agent approach" also have an impact on a MEP's position.

In our testing, we make use of the following variables which partially have already been used in the descriptive section before:

Ideology:

– *Political group:* Ideology is measured by political group dummies. The Socialist dummy is dropped so that the dummies measure the ideological effect relative to the average position of the members of the Socialist group. For the political orientation of political groups see the appendix.

As argued in section 3 we expect parties on the right to be contra an EU-tax, parties in the centre to be pro whereas our sign expectation for the left is ambiguous.

Individual characteristics, education and information:

Age: Age is an easily available personal characteristic which represents experience. We also experimented with gender which, however, did not have significant results and therefore was dropped.

Business/Economic studies: The dummy for MEPs who state in their publicly available CVs to have studied business administration or economics can clearly be seen as an informative proxy. These MEPs should have informative advantages with respect to tax systems, tax competition but also with respect to economics in general.

Member of budget committee: This dummy points at the specialization of MEPs and can also be seen as an information proxy. Typically, members of the specialized committees have also the role as opinion leaders and opinion formers for their political groups.

Years in parliament: The length of membership in parliament is relevant for the familiarity with EU institutions including the budgetary system. It may also stand for the closeness of participation in Parliament networks and the assimilation of views to the Parliament's and political group's dominating views.

With respect to these personal characteristics we do not have particular expectations about the sign of the effects.

Country characteristics:

Dummy for new member state: The new member states from Central and Eastern Europe have common properties related both to their status as transition countries and to their relative short historical experience of political autonomy. In is not unlikely that these common features have relevance for the attraction of an EU tax. We expect that due to these common factors the new members are particularly keen to keep their tax autonomy so that the expected sign is negative.

National support of the EU: This variable is quantified on the basis of the Eurobarometer's question on the general affirmation of the country's EU membership. The expected sign is positive.

Net payment position: For the quantification of this variable we do not rely on historical data but on forward looking simulation results for the current financial framework from Heinemann et al. (2007). The forward looking specification of the variable indicates how in future a country would benefit from a budgetary expansion and, hence, is a better proxy for the MEPs' incentives. Precisely, the variable measures the yearly average of the net balance to GDP in per cent for the years 2007-2013 where the net balance includes administrative spending.

Net payment position on CAP/structural spending: Besides the overall net position we have experimented also with net positions on the quantitatively most important policy fields which are agricultural and structural spending. Both policies have very different distributive profiles: While for structural spending there is a clear link with a country's relative wealth this is not the case for agriculture where also relatively wealthy countries are among net recipients. Again, data are calculated on the basis of a forward looking approach and taken from Heinemann et al. (2007).

Tax burden: For the general EU tax preference we use the ratio of overall revenues from taxes and social security contributions to GDP as a proxy for a country's tax burden. Alternatively, we also work with the ratio of direct taxes to GDP. If the motive of alleviating tax competition pressure is relevant, the sign should be positive.

Additional country characteristics with respect to particular tax base preference

Additional burden: Depending on the choice of the tax base distributional effects for member countries will be different. We would expect that MEPs tend to reject those tax bases which put a relative large burden on their own countries. Heinemann et al. (2007) offer data on the distributional consequences for different EU tax bases which are used here. Precisely, the variable "additional burden" measures how for a certain tax base a country's contribution to the EU budget would change compared to a contribution key based on GNI shares. We expect a negative sign for this control variable.

Competitiveness national tax system: While our indicator for the international competitiveness of a tax system is of an aggregate character for the general EU tax preference we can make use of more focussed indicators for the specific EU tax preferences for the following three tax bases:

- VAT: The *standard VAT* rate is easily available.
- Personal income tax: The *top income tax rate* is the relevant tax rate for high income individuals who also are particularly mobile.
- Corporate tax: Here we employ *effective average tax rates (EATR)* calculated by the ZEW Mannheim for a profitable investment project and taking account both of statutory tax

rates and the detailed provisions of the tax law such as depreciation provisions according to the model of Devereux and Griffith (1999); for the conceptual approach see Overesch, (2005).

For the other tax bases included in our study (green taxes, excise taxes, transaction taxes) no sensible indicators of national tax competitiveness are available. For the included tax level indicators we expect a positive sign at least for the corporate tax indicator where international competition is clearly an issue.

Results

Table 4 presents our results for the first step estimations with the answers to the general EU tax preference question as the dependent variable. Specifications (1) to (4) differ only with respect to the included country variables: In the regressions (2) and (3) the overall net payment position of regression (1) is replaced by the net position in structural policy and agricultural policy, respectively. In specification (4) the revenue-GDP-ratio of (1) is replaced by the ratio of direct tax revenues to GDP.

A first robust result of all specifications is the highly significant impact of ideology on EU tax preferences. Compared to the Socialists (the dummy which was dropped) all other political groups show a lower support for an EU tax with the exception of the Greens who are even more in favour. The result thus has some resemblance to the U-shape functional link between ideology and support for European integration: Both parties on the right (UEN, ITS) and the very left (GUE/NGL) reject the tax harmonisation step necessarily involved with an EU tax. In contrast to the usual findings in integration preferences in general, however, the two largest parties situated in the political centre of the ideological spectre, the Socialists and the Conservatives/Christian Democrats, disagree strongly on the EU tax. The marginal effects show that the probability of a parliamentarian from the EPP-ED to support an EU tax (answer category +4) is 23 per cent lower compared to that of a Socialist MEP.

A second robust finding is that individual characteristics are of equal importance. Older MEPs and MEPs with a relatively long EP membership are more in favour of and MEPs with an academic background in economics/business administration or members of the budget committee are more opposed to an EU tax. Hence, a relatively high economic competence and expertise is linked to a less favourable view of an EU tax whereas a longer individual history of political socialisation and assimilation in the Parliament favours a supportive position. This is no implausible finding if one assumes that the length of membership in the Parliament influences individual views towards the Parliament's institutional self-interest.

Turning now to the country characteristics, which are to shed light on the principal-agent view of preference formation, we detect a robustly significant impact of the new member country dummy. The marginal effects are of a substantial magnitude and comparable in size to the ideological dummies. As expected, representatives of the new member countries are rather critical of any measures limiting their countries' tax autonomy. National support of the EU is only weakly significant in specification (2). The overall net payment position enters specification (1) with a positive sign and high significance, but turns insignificant in variant (4). The alternative net position measures related to the particular distributive profiles of structural and agricultural spending do not show up significantly. The revenue-GDP-ratios are largely insignificant. Only the direct tax revenue ratio (specification (4)) has an unexpected negative sign. Obviously, representatives of countries who already today are confronted with a high direct tax burden on their citizens fear resistance against increasing this tax burden further.

Table 5 summarises the estimation results with now the specific EU tax preference question being the dependent variable. Again, ideology is robustly significant. Also in regard to the specific tax bases the Socialists tend to be the most EU tax friendly political group, again with the exception of the Greens. The latter party's ideological focus markedly shows up with a large marginal effect in the case of green taxes. The individual characteristics have a differentiated impact. Members of the budget committee are rather opposed to a European VAT, a corporate income tax or an excise tax whereas they do not show different positions to non-members for the other tax bases. MEPs with academic economic expertise tend to reject corporate income tax and excise taxes. Years in parliament cease to be significant when it comes to the opinions on these particular taxes whereas the positive impact of age on the EU tax support only survives for VAT and corporate taxation. The weaker link between the length of EP membership and particular tax preference is no contradiction to the view that membership leads to an assimilation of views: While the EP has a traditional positive position on an EU tax in general, there is no traditional EP position on any particular type of EU tax.

Among country variables the new member dummy is again important: MEPs from new EU countries are critical of all specific taxes with the exception of excise taxes where answers do not differ significantly between new and old members. A high national support for the EU is associated with a larger support for VAT, green taxes and excise taxes, whereas the impact on personal income tax preferences is rather negative. Perhaps representatives of particularly EU friendly countries might fear that an EU income tax could be to the detriment of the integration process. The net position is significantly positive with the exception of VAT regression. For all other five tax bases in the debate representatives from net recipient countries tend to be more supportive compared to representatives from net payer countries.

Interesting insight emerge with respect to the control variables related to the distributional consequences and tax competition aspects: In the case of taxes on financial transactions and personal income taxes those MEPs tend to reject the specific tax who come from countries which would have distributional disadvantages from such a tax. The finding for the financial transaction tax is very plausible since its distributional consequences can be assumed to be general knowledge given the well known leading position of London and Luxembourg as financial centres. As expected the indicator of a country's tax competitiveness is highly significant in the case of a corporate income tax where mobility of the tax base and, hence, competition is largest. The strongest supporters of an EU corporate tax come from the least competitive tax locations. This finding supports the view that EU tax preferences are also influenced by the motive of alleviating tax competition pressures and raising rivals' costs.

Table 4: Ordered probit results for Q1 – support for an EU tax in general

	(1)		(2)		(3)		(4)	
Variable	Coefficient	Marginal effect	Coefficient	Marginal effect	Coefficient	Marginal effect	Coefficient	Marginal effect
Political group*								
ALDE	-0.461*** (0.039)	-0.084	-0.462*** (0.045)	-0.085	-0.455*** (0.041)	-0.083	-0.246*** (0.043)	-0.047
EPP-ED	-1.149*** (0.053)	-0.232	-1.172*** (0.053)	-0.240	-1.163*** (0.056)	-0.235	-1.178*** (0.051)	-0.230
GUE/NGL	-0.824*** (0.138)	-0.114	-0.943*** (0.186)	-0.124	-0.868*** (0.138)	-0.117	-0.847*** (0.093)	-0.110
ID	-10.321 *** (0.373)	-0.203	-9.928*** (0.355)	-0.204	-10.342*** (0.513)	-0.203	-9.577*** (0.164)	-0.189
ITS	-1.083*** (0.138)	-0.128	-1.021*** (0.107)	-0.128	-1.095*** (0.176)	-0.129	-1.347*** (0.175)	-0.131
The Greens/EFA	0.626*** (0.065)	0.181	0.528*** (0.066)	0.149	0.579*** (0.079)	0.165	0.437*** (0.074)	0.115
NI	-10.279 *** (0.295)	-0.154	-9.846*** (0.294)	-0.157	-10.045*** (0.300)	-0.154	-9.560*** (0.233)	-0.146
UEN	-1.578*** (0.136)	-0.155	-1.596*** (0.169)	-0.159	-1.605*** (0.159)	-0.156	-1.452*** (0.117)	-0.144
Education/ information								
Age	0.026*** (0.007)	0.006	0.028*** (0.007)	0.006	0.027*** (0.007)	0.006	0.0295*** (0.008)	0.006
Business/Economic studies	-0.755*** (0.235)	-0.141	-0.750*** (0.258)	-0.143	-0.769*** (0.258)	-0.144	-0.759*** (0.153)	-0.137
Member of budget Committee	-0.513 ** (0.219)	-0.113	-0.500 ** (0.222)	-0.112	-0.500 ** (0.210)	-0.110	-0.572 ** (0.239)	-0.122
Years in EP	0.028 ** (0.012)	0.006	0.023 * (0.013)	0.005	0.026 ** (0.013)	0.006	0.0374*** (0.010)	0.008
Country characteristics								
New member state	-1.159*** (0.390)	-0.178	-0.617 * (0.348)	-0.114	-0.693 ** (0.297)	-0.123	-1.617*** (0.349)	-0.212
National support of the EU	0.010 (0.007)	0.002	0.012 * (0.007)	0.003	0.011 (0.007)	0.002	-0.001 (0.003)	0.0003

Net payment position	0.232*** (0.082)	0.051	-	-			0.174 (0.154)	0.037
Net payment position on CAP	-	-	-	-	0.485 (0.501)	0.108	-	-
Net payment position on structural policy	-	-	0.021 (0.215)	0.005	-	-	-	-
Total revenues/GDP	-0.019 (0.038)	-0.004	-0.030 (0.040)	-0.007	-0.027 (0.040)	-0.006	-	-
Direct tax revenues/GDP	-	-	-	-	-	-	-0.145*** (0.040)	-0.031
Regression diagnostics								
p-value joint significance of variables	0.000		0.000		0.000		0.000	
Observations	152		152		152		152	
Pseudo R^2	0.159		0.155		0.157		0.185	

Marginal effects are calculated for answer class +4 (strongest support for an EU tax); *PES set as reference category.

Table 5: Ordered probit results for Q2 – support for specific EU taxes

	Value added tax		Corporate income tax		Personal income tax	
Variable	Coefficient	Marginal effect	Coefficient	Marginal effect	Coefficient	Marginal effect
Political group*						
ALDE	-0.154 * (0.079)	-0.036	-0.477*** (0.133)	-0.035	-0.363*** (0.116)	-0.007
EPP-ED	-0.729*** (0.122)	-0.171	-1.440*** (0.054)	-0.135	-0.670*** (0.066)	-0.016
GUE/NGL	-2.428*** (0.427)	-0.174	0.021 (0.026)	0.002	-1.170*** (0.227)	-0.010
ID	-1.786*** (0.099)	-0.174	-2.385*** (0.146)	-0.053	-1.762*** (0.288)	-0.011
ITS	-1.805*** (0.529)	-0.168	-1.496*** (0.099)	-0.048	-1.431*** (0.210)	-0.010
NI	-9.287*** (0.207)	-0.185	-9.364*** (0.272)	-0.055	-9.165*** (0.417)	-0.012
The Greens/EFA	-0.930*** (0.066)	-0.145	1.011*** (0.062)	0.199	-0.369 ** (0.173)	-0.006
UEN	-0.587*** (0.074)	-0.112	-0.628*** (0.224)	-0.040	-0.735 ** (0.320)	-0.010
Education/ information						
Age	0.038*** (0.009)	0.009	0.020** (0.100)	0.002	0.024 (0.019)	0.001
Business/Economic studies	0.034 (0.221)	0.009	-0.275* (0.158)	-0.024	0.196 (0.216)	0.006
Member budget committee	-0.716 ** (0.304)	-0.179	-0.443** (0.206)	-0.044	-0.197 (0.255)	-0.005
Years in EP	-0.018 (0.014)	-0.004	-0.005 (0.016)	-0.0005	0.004 (0.020)	0.0001
Country characteristics						
New member state	-0.509*** (0.103)	-0.107	-1.585*** (0.552)	-0.074	-3.180*** (0.806)	-0.032
National support of the EU	0.024 * (0.012)	0.006	-0.018 (0.012)	-0.002	-0.040*** (0.008)	-0.001
Net payment position	-0.064 (0.204)	-0.016	0.633*** (0.156)	0.062	0.699*** (0.151)	0.017
Additional burden	0.0003 (0.009)	0.0006	0.002 (0.021)	0.0002	-0.101*** (0.025)	-0.003
Standard VAT	-0.138 (0.087)	-0.034	-	-	-	-
EATR	-	-	0.098*** (0.029)	0.010	-	-
Top PIT	-	-	-	-	-0.001 (0.019)	-0.00003
Regression diagnostics						
p-value joint significance of variables	0.000		0.000		0.000	
Observations	133		127		123	
Pseudo R²	0.130		0.178		0.108	

Cont. Table 5: Ordered probit results for Q2 – support for specific EU taxes

	Green tax		Transaction tax		Excise tax	
Variable	Coefficient	Marginal effect	Coefficient	Marginal effect	Coefficient	Marginal effect
Political group						
ALDE	-0.378 *** (0.054)	-0.079	-1.506*** (0.196)	-0.096	-0.153*** (0.045)	-0.035
EPP-ED	-1.080*** (0.061)	-0.240	-1.955*** (0.152)	-0.241	-0.554*** (0.093)	-0.128
GUE/NGL	-0.142 (0.139)	-0.032	0.751*** (0.099)	0.164	0.527 (0.326)	0.158
ID	-1.609*** (0.234)	-0.163	-1.783*** (0.354)	-0.077	-0.873*** (0.219)	-0.131
ITS	-0.265* (0.161)	-0.056	0.518*** (0.030)	0.100	0.025 (0.178)	0.006
NI	-9.048*** (0.281)	-0.176	-9.820*** (0.293)	-0.083	-8.375*** (0.230)	-0.174
The Greens/EFA	1.109*** (0.054)	0.378	0.782*** (0.068)	0.171	0.333 ** (0.090)	0.093
UEN	-0.779*** (0.225)	-0.129	-1.794*** (0.162)	-0.089	-0.433*** (0.163)	-0.085
Education/ information						
Age	0.010 (0.010)	0.003	0.014 (0.010)	0.002	0.100 (0.012)	0.002
Business/Economic studies	-0.137 (0.254)	-0.032	-0.392 (0.277)	-0.046	-0.552*** (0.181)	-0.116
Member budget committee	-0.510** (0.258)	-0.124	-0.226 (0.304)	-0.031	-0.575*** (0.185)	-0.139
Years in EP	0.005 (0.025)	0.001	0.017 (0.042)	0.002	-0.019 (0.026)	-0.005
Country characteristics						
New member state	-0.891*** (0.168)	-0.161	-1.588** (0.754)	-0.108	-0.371 (0.666)	-0.080
National support of the EU	0.026*** (0.008)	0.006	-0.007 (0.010)	-0.001	0.019** (0.008)	0.004
Net payment position	0.314** (0.135)	0.077	0.320* (0.170)	0.044	0.217* (0.118)	0.053
Additional burden	-0.001 (0.002)	-0.0002	-0.005*** (0.001)	- 0.001	-0.0002 (0.001)	-0.00004
Regression diagnostics						
p-value joint significance of variables	0.000		0.000		0.000	
Observations	139		130		137	
Pseudo R^2	0.117		0.233		0.068	

Marginal effects are calculated for answer class +4 (strongest support for an EU tax); *PES set as reference category.

6. Conclusions

Based on our unique database we have been able to identify important determinants of EU tax preference formation in the European Parliament. Although our results confirm an important role for ideology they also demonstrate that both individual and country characteristics are of similar importance to shape the support for an EU tax. The importance of national interests in this reform debate also partially corrects the view that national cohesion of views in the EP has become negligible compared to party cohesion. In contrast to the roll-call vote literature which favours the latter view, our study is not based on votes but on individual opinions of MEPs which is a more appropriate way to measure diversity of preferences in the Parliament.

Among the national dimensions which matter significantly, the new versus old member country dimension, the net payer position, a country's tax competitiveness (for corporate taxation) and the distributional consequences (for a financial transaction tax) stand out. These insights allow us to answer the question posed in our paper's title in the following way: Those parliamentarians are most afraid of an EU tax who represent a country which is a new EU member, characterised by a highly competitive corporate tax system or a well known distributive loser of the specific EU tax in question. Apart from that, net payer countries' MEPs are particularly critical on most of the specific types of EU taxes.

The fact that the net recipients tend to favour an EU tax allows drawing cautious conclusions on the consequences of an EU tax as they are perceived within the EP: Obviously MEPs do not expect that the transparency effect of an EU tax will be so effective that it could limit the inter-country redistribution being achieved through the budget. On the contrary, since net recipients are particularly enthusiastic about an EU tax they obviously hope that an EU tax would stabilize or even increase redistributive flows. This perception is insofar plausible as even the supporters of an EU tax in general tend to reject a highly visible EU tax like the personal income tax.

A country's tax competitiveness plays a highly significant role where the tax base is most mobile, which is the case for corporate taxation. At least with regard to this particularly EU tax, preferences clearly mirror the disagreement on corporate tax harmonisation in general, where low (high) tax countries are opposed (favour) harmonisation steps. This polarization supports the view that high tax countries' representatives in the EP regard an EU corporate tax as an instrument to raise their rivals' costs.

At least where the distributive consequences of a particular EU tax base are common knowledge they have an impact on MEPs' tax preferences. This can be demonstrated by the significant results for a tax on financial transactions. The concentration of financial transactions on few financial centres within the EU is well known. This knowledge leads to a particular attraction of that tax in countries without significant financial centres.

We would like to stress that our test for the relevance of national interests among political decision makers in the EU tax debate is of a conservative nature since MEPs think more European than representatives from national governments and parliaments.

Supporters of an EU tax claim that such a genuine tax-based own resource would help to overcome the "narrow focus on national interest" (European Commission, 2004: 9). Given our key finding that even in the integration oriented European Parliament national interests have such a clear impact on the support of an EU tax, this hope might be erroneous.

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Appendix

Political groups within the European Parliament

The 6th European Parliament (EP) consists of 785 members. The MEPs are elected for a legislative period of five years by the citizens of the European Union or more precisely the citizens of the European Union's member states.

In the EP elected in 2004 eight political groups exist: EPP-ED, PES, ALDE, UEN, GUE/NGL, The Greens/EFA, ID and ITS. Further 13 non-attached parliamentarians form the group of the so called NI (Non-Inscrits). 20 MEP are necessarily to form a political group and a minimum of 1/5 of the member states need to be represented.

With 277 members **EPP-ED** (Group of the European People's Party (Christian Democrats) and European Democrats) is currently the biggest group in the Parliament. It is the sole group to contain MEPs from all 27 Member States of the Union. The EPP-ED consists of Christian Democrats, Conservatives, centre and centre-right parties. Its policies are integration-friendly and the group was a strong supporter of the European Constitution.

PES (Socialist Group in the European Parliament) is the second largest group and contains social democratic, socialist and labour parties. Its general ideology is characterised by a mixed approach between accepting competition and offering protection for the working people. Like the EPP-ED the PSE was strongly in favour of a European Constitution.

The third largest group in the European Parliament are the Liberals, the **ALDE** (Alliance of Liberals and Democrats for Europe). In full light of liberal tradition they emphasise decentralisation, pro-corporate standpoints including rejection of overregulation and the decrease of bureaucracy and subventions as well as an enhanced transparency inside EU institutions. The ALDE group is in favour of further European integration in general.

The **UEN** (Union for Europe of the Nations Group) represent the fourth largest group in the parliament and is located clearly on the right scale of political ideology. It is composed of national conservative and generally EU-sceptic members. However the group is not against the EU in principle, but rather insists on a sovereign nation state.

GUE/NGL (Confederal Group of the European United Left - Nordic Green Left): This group includes socialist and communist political groups. In its own statement it is in favour of a European integration, but wants to see it moving in a different direction of welfare, solidarity and a stronger role of protection and redistribution.

The Greens/EFA (Group of the Greens / European Free Alliance) is composed of two independent groups with common goals for Europe. Ideologically their main concern is to shift the Union's emphasis on cultural, ecological and social values and away from economy dominated policies.

The members of the **ID Group** (Independence/Democracy Group) are united by their common goal of opposing the EU and further European integration. Most members satisfy with the idea of remaining national sovereignty and opposing any kind of EU Constitution. However, some MEPs, in particular the English representatives from the UK Independence Party, campaign for a complete withdrawal of their country from the EU.

The **ITS** (Identity, Tradition and Sovereignty Group) is located on the furthest right scale of the European Parliament. It was founded only in 2007, since before the accession of Romania and Bulgaria the attempts to form a far right group failed on the required threshold of minimum 20 members. The cohesion of the heterogeneously composed group is primarily guaranteed through common goals concerning broadly speaking "anti" issues. Like anti-immigration, anti-Turkish EU membership and anti-EU constitution.

For further information see e.g. Corbett et al. (2005) and the political groups' websites.

Table 1: Response rate by political group

Group	Number of seats	Responses	**Response rate**
ALDE	104	18	**17.31%**
EPP-ED	278	55	**19.78%**
GUE/NGL	41	5	**12.20%**
ID	24	7	**29.17%**
IST	23	4	**17.39%**
NI	13	3	**23.08%**
PES	216	50	**23.15%**
The Greens/EFA	42	6	**14.29%**
UEN	44	10	**22.73%**
Total	**785**	**158**	**20.13%**

Table 2: Response rate by country

Country	Number of seats	Responses	**Response rate**
AT	18	7	**38.89%**
BE	24	6	**25.00%**
BG	18	1	**5.56%**
CY	6	1	**16.67%**
CZ	24	5	**20.83%**
DE	99	40	**40.40%**
DK	14	4	**28.57%**
EE	6	0	**0.00%**
ES	54	4	**7.41%**
FI	14	4	**28.57%**
FR	78	16	**20.51%**
GB	78	13	**16.67%**
GR	24	1	**4.17%**
HU	24	5	**20.83%**
IE	13	3	**23.08%**
IT	78	8	**10.26%**
LT	13	3	**23.08%**
LU	6	2	**33.33%**
LV	9	2	**22.22%**
MT	5	0	**0.00%**
NL	27	3	**11.11%**
PL	54	10	**18.52%**
PT	24	7	**29.17%**
RO	35	4	**11.43%**
SE	19	4	**21.05%**
SI	7	1	**14.29%**
SK	14	4	**28.57%**
Total	**785**	**158**	**20.13%**

Table 3: Variable definitions

Variable	Unit	Explanations
Political Groups		
Political group dummies		
Personal information		
Age	Discrete variable	Calculated as 2007 minus year of birth
Education variables		
Business/Economic studies	Dummy	Tertiary education in business administration or economics
Proxies for degree of information and experience		
Years in EP	Discrete variable	Calculated as 2007 minus year of first EP entry
Member budget control committee	Dummy	Deals with control of the implementation of the budget
Member budget committee	Dummy	Deals with EU budget, in particular expenditure side
Country characteristics		
Total revenue (taxes and social security contributions)	Continuous variable	In % of GDP at market prices for 2006, Source: European Commission (2007c)
Direct tax	Continuous variable	In % of GDP for 2006, Source: European Commission (2007b)
Net payment position	Continuous variable	Difference between received payments and contributions, in % of GNI, receipts incl. administration expenses, Source: Heinemann et al. (2007)
Net payment position CAP	Continuous variable	Difference between received agricultural payments and contributions caused by agricultural spending, in % of GNI, Source: Heinemann et al. (2007)
Net payment position structural policy	Continuous variable	Difference between received structural spending and contributions caused by structural spending, in % of GNI, Source: Heinemann et al. (2007)
New member state	Dummy	Old members of EU (EU15) set at 0, others at 1
National support of the EU	Continuous variable	In %, general affirmation of country's membership in the EU, Source: European Commission (2007a)
Standard VAT	Continuous variable	Standard rate of VAT, in %, Source: German Federal Ministry of Finance (2006)
Top PIT	Continuous variable	Top rate of PIT, in %, Source: German Federal Ministry of Finance (2006)
EATR	Continuous variable	2006 Effective average tax rate, in %, Source: ZEW
Additional burden VAT, CIT, Green Tax, PIT, Excise Tax, Transaction Tax	Continuous variable	In %, Source: Heinemann et al. (2007)

Source: European Parliament if no other source is named.