

## Web appendix

**Table A1.** Descriptive statistics.

<b>Variable</b>	<b>Obs.</b>	<b>Mean</b>	<b>SD</b>	<b>Min.</b>	<b>Max.</b>
Gini	151	0.29	0.039	0.21	0.381
Ratio	153	4.60	1.028	3	7.4
SingleMarket	168	38.74	13.020	18.75	78.9
Conformity	168	77.53	11.245	47.48	94.86
Conformity_participation	168	81.55	31.609	0	100
Conformity_compliance	168	75.56	14.219	27.87	97.49
Homogeneity	168	67.09	13.372	38.67	88.28
Symmetry	168	51.40	20.913	-8.26	92.16
TradeDen	161	36.99	21.438	7.58	80.64
Tax	168	38.84	7.440	20.1	51.3
Unemployment	168	7.41	2.774	2.5	20.1
Soc_Tran	168	15.19	2.817	7.7	19.68
Soc_Spend	168	25.71	4.008	12.4	33.1
Gov_Party	168	2.79	1.600	1	5
GDP_Growth	168	1.95	2.767	-8.54	11.03
Coord	168	3.33	1.124	1	5
Education	168	62.43	14.070	20.3	78.7
Soc_Protect	168	25.71	4.008	12.4	33.1
Pub_Exp	168	47.85	5.858	31.1	65.5

**Table A2.** Alternative model specifications.

SPECIFICATIONS	(1) ( $\Delta$ )Gini	(2) ( $\Delta$ )Gini	(3) ( $\Delta$ )Gini	(4) ( $\Delta$ )Ratio	(5) ( $\Delta$ )Ratio	(6) ( $\Delta$ )Ratio
<b>First-difference model (FES-AR(1)-PCSEs)</b>						
$\Delta$ SingleMarket	0.184 (0.309)	0.116 (0.294)	0.223 (0.362)	0.020 (0.066)	0.012 (0.067)	0.052 (0.073)
$\Delta$ SingleMarket_squared	-0.002 (0.003)	-0.002 (0.003)	-0.004 (0.004)	-0.0003 (0.001)	-0.0003 (0.001)	-0.001 (0.001)
$\Delta$ Conformity_participation	0.033 (0.011)***	0.027 (0.011)**	0.022 (0.010)**	0.003 (0.003)	0.002 (0.003)	0.002 (0.003)
$\Delta$ Conformity_compliance	0.016 (0.007)**	0.017 (0.007)**	0.022 (0.009)**	0.003 (0.002)*	0.003 (0.002)*	0.004 (0.002)**
<b>Lag (t-1) model (FES-AR(1)-PCSEs)</b>						
Lag SingleMarket	0.375 (0.283)	0.319 (0.279)	0.189 (0.297)	0.084 (0.067)	0.082 (0.070)	0.048 (0.066)
Lag SingleMarket_squared	-0.004 (0.003)	-0.003 (0.002)	-0.003 (0.003)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Lag Conformity_participation	0.025 (0.010)***	0.021 (0.010)**	0.018 (0.009)**	0.000 (0.003)	0.000 (0.003)	0.001 (0.002)
Lag Conformity_compliance	0.017 (0.007)**	0.017 (0.008)**	0.023 (0.010)**	0.003 (0.002)*	0.003 (0.002)*	0.005 (0.002)**
<b>LDV model (FES-AR(1)-PCSEs)</b>						
SingleMarket	0.537 (0.1428)***	0.594 (0.1603)***	0.503 (0.1762)***	0.045 (0.0315)	0.054 (0.0330)	-0.017 (0.0407)
SingleMarket_squared	-0.005 (0.001)***	-0.006 (0.002)***	-0.006 (0.001)***	-0.0004 (0.000)	-0.0004 (0.000)	0.0000 (0.000)
Conformity_participation	0.023 (0.007)***	0.014 (0.008)*	0.020 (0.013)	0.007 (0.003)***	0.006 (0.003)**	0.008 (0.004)**
Conformity_compliance	0.010	0.013	0.011	0.004	0.005	0.003

	(0.009)	(0.009)	(0.011)	(0.002)*	(0.002)*	(0.002)
<b>Error-correction model (FEs-AR(1)-PCSEs)</b>						
Δ SingleMarket	0.133	0.209	0.144	0.019	0.027	0.037
	(0.334)	(0.338)	(0.420)	(0.084)	(0.090)	(0.099)
Lag SingleMarket	0.628	0.711	0.681	0.045	0.054	0.064
	(0.195)***	(0.204)***	(0.227)***	(0.055)	(0.056)	(0.054)
Δ SingleMarket_squared	-0.002	-0.003	-0.004	-0.0003	-0.0004	-0.001
	(0.003)	(0.003)	(0.004)	(0.001)	(0.001)	(0.001)
Lag SingleMarket_squared	-0.006	-0.007	-0.007	-0.0004	-0.001	-0.001
	(0.002)***	(0.002)***	(0.002)***	(0.001)	(0.001)	(0.001)
Δ Conformity_participation	0.059	0.055	0.082	0.009	0.009	0.012
	(0.010)***	(0.011)***	(0.022)***	(0.004)**	(0.004)***	(0.005)**
Lag Conformity_participation	0.040	0.030	0.039	0.007	0.006	0.009
	(0.007)***	(0.008)***	(0.015)**	(0.003)***	(0.003)**	(0.003)***
Δ Conformity_compliance	0.011	0.012	0.010	0.003	0.003	0.002
	(0.010)	(0.010)	(0.014)	(0.002)	(0.002)	(0.003)
Lag Conformity_compliance	0.002	0.007	-0.005	0.001	0.002	0.000
	(0.014)	(0.013)	(0.021)	(0.004)	(0.003)	(0.004)
Controls	YES	YES	YES	YES	YES	YES

Panel corrected standard errors in parentheses.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1