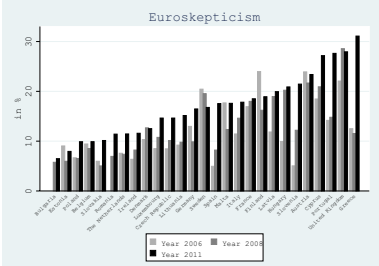
Euroskepticism in the Crisis: More Mood than Economy

Jo Ritzen (IZA and Maastricht University), **Caroline Wehner** (IZA and Maastricht University), **Klaus F. Zimmermann** (IZA and University of Bonn)

1. MOTIVATION

- **Euroskepticism** is the "negative attitude towards European integration" (Van de Werfhorst et al., 2012).
- **Why do we care?** European integration brought peace, economic convergence as well as sustainable and social inclusive prosperity in all EU regions (Gill and Raiser, 2012). Euroskepticism has serious impacts for the democratic legitimacy of European integration.
- **Previous studies:** EU policies contribute to within-country income inequality, which drives raising Euroskepticism in Western EU countries (Beckfield, 2009; Kuhn et al., 2013). Studies based on the Euroskepticism utilitarian model show that Euroskepticism is negatively associated with individual benefits from the EU (Gabel and Palmer, 1995; Mau, 2005; Herzog and Tucker, 2009).
- **Contribution:** Covering the period 2006 to 2011, we provide an empirical assessment of Euroskepticism within the EU-27 that includes both macro- and microeconomic parameters and attitudes towards individual financial expectations.
- **Research question:**
  - What are the economic determinants of Euroskepticism in the period 2006 to 2011?
  - Are there differences between Western and Post-Communist EU member states?



2. DATA AND DESCRIPTIVE STATISTICS

- Pooled cross-sectional data from the **Eurobarometer** (micro variables) and **Eurostat** (macro variables): 213,576 observations for the period 2006 to 2011.
- Focus on **economically active population** between 15 and 64: 147,057 observations.
- Main dependent variable: **Euroskepticism (EUS)** "Generally speaking, do you think that your country's membership of the European Union is …?" Binary variable with response categories (1) "a bad thing" and (0) "a good thing" or "neither good nor bad"; "don't know" responses treated as missing values.
- Main independent variable: **Negative financial expectations (NFE)** "What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to the financial situation in your household?" Binary variable with categories (1) "worse" and (0) "better" or "same". "Don't know" answers treated as missing values.
- Missing values in EUS and NFE lead to loss of 8,838 observations.
- **Western EU:** Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Spain, Sweden, and the United Kingdom.
- **Post-Communist EU:** Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

Descriptive Statistics, 2006-2011

	EU-27		Western EU		Post-communist	
	Mean	SD	Mean	SD	Mean	SD
Micro Variables						
Euroskepticism	0.14	0.35	0.16	0.36	0.11	0.31
NFE	0.20	0.40	0.19	0.39	0.23	0.42
Fear Loss of Cultural Identity	0.11	0.31	0.12	0.33	0.09	0.28
Male	0.46	0.50	0.46	0.50	0.46	0.50
Age	39	13	40	13	38	13
Education						
15-, no full-time education	0.11	0.32	0.15	0.36	0.06	0.23
16-19	0.45	0.50	0.40	0.49	0.53	0.50
20+, still studying	0.43	0.50	0.44	0.50	0.40	0.49
Occupation						
Self-employed	0.10	0.30	0.10	0.31	0.09	0.29
Managers	0.15	0.35	0.15	0.36	0.14	0.35
Other white collars	0.16	0.37	0.16	0.36	0.16	0.37
Manual workers	0.29	0.45	0.28	0.45	0.30	0.46
House persons	0.09	0.28	0.11	0.31	0.05	0.23
Unemployed	0.10	0.30	0.09	0.29	0.12	0.32
Students	0.12	0.32	0.11	0.31	0.13	0.34
Type of Community						
Rural area or village	0.35	0.48	0.35	0.48	0.35	0.48
Small or middle sized town	0.36	0.48	0.37	0.48	0.34	0.47
Large town	0.29	0.45	0.28	0.45	0.30	0.46
Macro Variables						
Gini coefficient	29.7	4.1	29.3	3.3	30.4	5.0
Annual av. unemployment rate	8.17	3.59	7.67	3.31	9.02	3.87
GDP per capita (log GDP)	23220	13288	30859	10764	10239	3471
Annual av. HICP (2005=100)	112	9	108	4	120	11
EU net transfers in % GNI	0.79	1.31	0.12	0.74	1.94	1.27
N	138,219		87,016		51,203	

3. EMPIRICAL STRATEGY

1st step: probit model

- Determinants of EUS and NEF

2nd step: recursive bivariate probit model

$$EUS\ (i,\ j)\ = \beta_0 + \beta_1\ NFE\ (i,\ j) + \beta_2 \text{macro parameters}\ (j) + \beta_3\ SES\ (i,\ j) + \beta_4 \text{loss of cultural identity}\ (i,\ j) + \varrho\ (i,\ j);$$

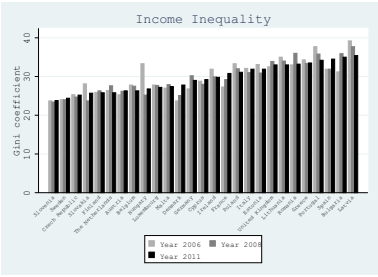
$$NFE\ (i,\ j)\ = \gamma_0 + \gamma_1 \text{income inequality}\ (j) + \gamma_2 \text{macro parameters}\ (j) + \gamma_3\ SES\ (i,\ j) + \mu\ (i,\ j)$$

- **Exclusion restriction:** income Inequality.
- **Explanation:** Also higher incomes are negatively affected by the economic crisis, which results in stable or even decreasing income inequality and higher NFE. EUS is only indirectly affected by changes in income inequality via NFE.

Probit Regression, Euroskepticism, Negative Financial Expectations, 2006-2011.

	EU-27			Western EU countries			Post-communist EU		
	EUS	EUS	NFE	EUS	EUS	NFE	EUS	EUS	NFE
NFE (d)		0.092***			0.093***			0.090***	
		(0.003)			(0.004)			(0.004)	
Gini	-0.003***	-0.002*	-0.011***	-0.006***	-0.004**	-0.015***	0.001	0.002	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.002)
Unemployment	0.003***	0.002***	0.008***	0.004***	0.003***	0.012***	0.001	0.001	0.004***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
HICP	0.001**	0.001	0.006***	0.001	0.000	0.007***	0.000	-0.000	0.006***
	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)	(0.001)
Log GDP per capita	-0.054***	-0.036	-0.256***	-0.095***	-0.092***	-0.120***	-0.136***	-0.100***	-0.443***
	(0.020)	(0.020)	(0.024)	(0.035)	(0.034)	(0.042)	(0.035)	(0.034)	(0.050)
EU net transfers	-0.007***	-0.004*	-0.017***	0.000	0.001	-0.011	-0.010***	-0.008**	-0.026***
	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)	(0.003)	(0.003)	(0.004)
N		138219			87016			51203	
Pseudo R^2	0.0884	0.1020	0.0710	0.0918	0.103	0.0725	0.0700	0.0910	0.0693

Source: Eurobarometer and Eurostat data, own calculations, robust probit regressions, standard errors in parentheses, marginal effects. Country- and year-dummies are included. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.



4. RESULTS

Recursive Bivariate Probit, Euroskepticism, 2006-2011.

	EU-27		Western EU		Post-Communist	
	EUS	NFE	EUS	NFE	EUS	NFE
NFE (d)	0.092***		0.125***		-0.142***	
	(0.025)		(0.029)		(0.040)	
Gini		-0.011***		-0.015***		-0.001
		(0.001)		(0.002)		(0.002)
Unemployment	0.003**	0.008***	0.003*	0.012***	0.001*	0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.001)
HICP	0.001*	0.006***	0.000	0.007***	0.001**	0.006***
	(0.001)	(0.000)	(0.002)	(0.001)	(0.000)	(0.001)
Log GDP per capita	-0.047	-0.250***	-0.137**	-0.119***	-0.102***	-0.437***
	(0.028)	(0.024)	(0.050)	(0.042)	(0.015)	(0.050)
EU net transfers	-0.006	-0.017***	-0.002	-0.011	-0.006***	-0.026***
	(0.003)	(0.002)	(0.010)	(0.007)	(0.001)	(0.004)
Fear Loss of Cultural Identity (d)	0.222***		0.249***		0.053***	
	(0.011)		(0.010)		(0.014)	
Micro controls	yes					
N	138,219		87,016		51,203	
Wald test of rho = 0	0.9883		0.2541		0.0004	

Source: Eurobarometer and Eurostat data, own calculations, robust probit regressions, standard errors in parentheses, marginal effects. Country- and year-dummies are included. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Similar patterns:

- Unemployment increases, GDP per capita decreases both EUS and NFE.
- Lower education background or occupation status increases both EUS and NFE.
- The fear of losing one's own cultural identity increases EUS.

But:

- EU net transfers decrease both NFE and EUS in Post-Communist countries.
- NFE increases EUS in Western EU, while it decreases EUS in Eastern EU countries.

5. ROBUSTNESS

- Positive relation between NFE and EUS is stable for Western EU countries.
- Negative association between NFE and EUS established by estimating a recursive bivariate probit model or IV.

Euroskepticism, EU-27, 2006-2011.

	OLS	Probit	RBP	RBP, ER	IV
NFE (d)	0.094***	0.092***	0.071**	0.092***	0.241***
	(0.003)	(0.003)	(0.027)	(0.025)	(0.076)
Macro, micro controls			yes		
Constant	0.305				0.047
	(0.196)				(0.243)
N			138,219		
R^2	0.0855				
Pseudo R^2		0.102			
IV F-test					119.302
W-test of rho=0			0.4324	0.9883	

Euroskepticism, Western EU countries, 2006-2011.

	OLS	Probit	RBP	RBP, ER	IV
NFE (d)	0.094***	0.093***	0.092**	0.125***	0.317***
	(0.004)	(0.004)	(0.031)	(0.029)	(0.086)
Macro, micro controls			yes		
Constant	0.730				0.640
	(0.392)				(0.405)
N			87,016		
R^2	0.0920				
Pseudo R^2		0.102			
IV F-test					109.16
W-test of rho=0			0.9712	0.2541	

Euroskepticism, Former Socialist EU, 2006-2011.

	OLS	Probit	BP	BP, ER	IV
NFE (d)	0.095***	0.090***	-0.140***	-0.142***	-0.232***
	(0.004)	(0.004)	(0.045)	(0.040)	(0.361)
Macro, micro controls			yes		
Constant	1.209***				2.326
	(0.327)				(1.252)
N			51,203		
R^2	0.0664				
Pseudo R^2		0.0909			
IV F-test					5.649
W-test of rho=0			0.0015	0.0004	

Source: Eurobarometer and Eurostat data, own calculations, robust probit regressions, standard errors in parentheses, marginal effects. Country- and year-dummies are included. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

6. CONCLUSION

- People in Western European countries might interpret European integration as a threat to their economic situation, while Eastern European people might view it as a chance to improve it.
- Western EU: Southern states might fear welfare retrenchment due to financial austerity regulations, while Northern countries might fear to pay for the Southern states.
- Post-communist EU: Fear of financial austerity regulations is present as well, but might be absorbed by hope for prosperity due to economic convergence.