

"Completing Europe's Economic and Monetary Union". Any support from the citizens?

In this paper, the authors seek to analyze how much popular support there is for more integration. By now, there is a substantial amount of research on how the crisis has affected popular support for integration and the authors refer to a significant part of that research. The paper never seeks to explicitly place its contribution in relation to that literature, but it may be fair to say that it does not seek to add novel arguments. That the issues of popular support for European integration is somewhat more complex than the simple North/South or Core/Periphery distinction found, according to the authors, in much of the economics literature, is well known in the political science literature. The two dimensional approach the authors develop in section 2.2. of the paper, e.g. can be found already in detail in Kriesi et al's (2012) analysis of political conflict in Europe. Nor is the argument that Europe is fundamentally stalemated novel. Marsh (2013) e.g. contains an in-depth analysis of that issue. Maybe the paper is best understood as a combination of updating and testing some of the arguments found in the literature on popular support for European integration. I am somewhat of two minds about this paper. On the one hand, the paper provides a wealth of information and an insightful discussion. On the other hand, it also has some distinct weaknesses. The latter can be summarized under three headings. First, the data are a bit outdated and there would seem to be some minor inaccuracies. Second, and this a bigger problem, the data used for their analysis might not be the most suitable for gauging support for completing EMU, which then leads to the third issue, namely that it is not always clear how their empirical analysis actually feeds into their conclusions.

(1) For their public opinion data, the authors use the July 2014 Special Eurobarometer, the autumn 2014 Standard Eurobarometer, Standard Eurobarometer n. 80 of 2013 as well as the outcome of the 2014 European Parliament (EP) elections. Their argument for focusing on 2014 is that the EP elections took place in that year. However, it does mean that they neglect the latest information. More recent information also might have been useful in helping them reach a more definitive conclusion on the hypothesis that economic recovery might mitigate opposition to more integration (p. 13). Nor is it clear why they decided to use a 2013 Eurobarometer for data on popular perceptions of the crisis, instead of the 2014 Eurobarometers they use for their other data. Hence, I would recommend updating the research.

In addition, there is a small inaccuracy running through the paper, which is that the Baltic countries are misplaced. Estonia adopted the Euro on January 1, 2011, Latvia on January 1, 2014, and Lithuania on January 1, 2015. Since the paper only covers the period up to 2014, it would be correct to treat Lithuania as a No-Eurozone country (footnote 5, page 4) but they are wrong on the other two. Footnote 4 page 3: "we have excluded Latvia from the EZ, which joined it in 2015." Page 7: "As can be seen, the top EU-R countries [in table 1] are mostly new accession countries; none of them belonged to the EZ in 2014." Estonia ranks #2 under Top EU-R. Page 8: "the EU-R/H-W quadrant [in figure 1] mainly hosts Eastern European, new accession countries, and no EZ ones" That quadrant includes Latvia (and Lithuania). I have not gone through the trouble of recalculating their figures but since they possibly mis-specify the Eurozone, all the aggregate indicators for the Eurozone should be rechecked. Finally, I would suggest using the same labels for the EU countries in their figures and tables instead of e.g. both BG and BUL for Bulgaria.

(2) Section 2.1 provides some background information on overall support for the EU, showing that support declined during the crisis and seems to have recovered

somewhat as the economy recovered. This section might have usefully been combined with section 2.3, which correlates economic pain with support for integration.

The analysis starts in earnest in section 2.2 where they create a four quadrant map (figure 1) of EU member states based on the Eurobarometer questions of whether the EU / the home country is generally seen to be going in the right or wrong direction. That then leads to the four quadrants EU-Right/Home Right, EU-Right/Home-Wrong, EU-Wrong/Home-Wrong, and EU-Wrong/Home-Right. This is arrived at by calculating the intensity of support / opposition by subtracting the percentage of those who think the EU/home country is going in the wrong direction from those who think they are heading in the right direction. One might object to this intensity index as it ignores the undecided respondents, and a large share of those should generally be interpreted as putting a question mark over the intensity of the respective position. For example, in table 1 the UK ranks toward the middle in the EU-Wrong category (rank 14) but it had the highest percentage (46%) of undecided respondents, such that its placement towards the middle of the table might not be very robust, as indeed the Brexit referendum showed.

More importantly, as the authors point out (p. 8-9), the answers to those questions do not necessarily tell one much whether the respondent would support or oppose more integration. EU-Right /Home-Right might imply support for more integration or for the status quo while EU-Wrong/Home-Wrong might imply support for more or less integration. They then attempt to solve this ambiguity by looking at responses to the question whether more decisions should be taken at EU level (table 3 and figure 2). Since the purpose of this paper is to analyze popular support for European integration, one is left wondering at this point, what the four-quadrant map of figure 1 actually adds here. In other words, figure 1 seems to unnecessarily complicate the issue. For their purpose the relevant figure would be number 2 where they map the EU(W/R) and Home (W/R) questions versus the more decisions at EU level question. Something similar can be said of section 2.3 where they enquire about the effects of the economic crisis on popular sentiment by constructing a short term and medium term index of economic pain. According to the authors, their objective index of economic pain corresponds quite well with the subjective perception of the crisis that emerges from Standard Eurobarometer 80 of 2013. However, with a correlation coefficient is 0.23 (MTI) and 0.18 (STI) receptively, one might wonder how good this fit is. The next step then is to correlate economic pain with the answers on the EU(W/R) and Home (W/R) question. Again, a more relevant exercise would have been to correlate economic pain with the question of whether more decisions should be taken at EU level. The latter is easy to construct from their data, but it would not change their conclusion that “the association of the economic dimension with our fourfold distribution of countries does not yield clear systematic pattern.” (p.14) Of the seven countries that recorded a positive MTI, for example three are opposed to more decisions at the EU level and four are in favor, While of the 21 countries with a negative MTI 9 would support more decision making power for Brussels while 12 would oppose it.

Of figure 2, 2b is the most informative, as it show that, overall, in those countries where the respondents have a positive view of the home country they tend not to support more integration while most countries that are judged negatively by their population would support more integration. The EU(W/R) dimension does not add much as the countries that think the EU is right as well as those that think the EU is wrong are about evenly split between more or less integration. Hence, this leads the authors to the conclusion that the assessment of the home country is the most important determinant of support for more integration

However, the question of whether more decisions should be taken at EU level or not is also quite difficult to interpret. Between the lines of much of this paper seems to run the assumption that support for European integration is an either or issue;

people either support or do not support more integration irrespective of what that integration might actually entail. But such is of course not the case. The same person might very well support more integration if it entails, let's say Eurobonds or fiscal federalism while opposing more European integration if it means tighter controls on national fiscal policies and more austerity. The upshot is that it is necessary to specify the issue before one can discuss to what extent popular opinion would be supportive or not of completing EMU and to what extent and in what areas Europe might be stalemated.

This issue is already subconsciously present in the first paragraphs of the introduction where the authors set out the changes in perspectives on European integration that they argue have taken place. Initially the Eurozone crisis gave rise to a national responsibility doctrine in which the shortcoming of national governments were held to be the culprit. According to the authors, this has given way to a more recent view that attributes the blame mainly to institutional shortcoming and in particular the coexistence of supranational monetary policy with national fiscal policies. Moreover, the authors argue that this latter view is subscribed to by the EU institutions as witnessed by the 4 and 5 presidents reports.

This view is misleading, as it skirts the issue of what type of Fiscal Union is meant. From the beginning, the interpretation of both the EU institutions and Germany and its close allies has been that EMU indeed suffered from an institutional shortcoming located in the coexistence of one supranational monetary policy with national level fiscal policies. As a result, the earliest reactions to the Eurozone crisis consisted in an attempt to strengthen supranational oversight and discipline over national level budgets in the form of the European semester, a strengthened SGP, and the fiscal compact. What the authors appear to refer to with their second view is a Keynesian interpretation in which a fiscal union is not needed to effectively enforce austerity but in which a fiscal union is shorthand for fiscal federalism in which asymmetric national level shocks are ironed out by a federal budget. Apart from the fact that it is misleading to argue that the 5 President report subscribed to that (in fact the 5 Presidents' Report, in its diplomatic wisdom, subscribed to both version thought the second type of fiscal union was only to be implemented once the first type had proven successful). What the authors hence seem to present as an issue of the status quo (first view) versus more integration (second) view in actual fact is a debate about what type of integration. Generic survey question on whether people would support more or less decisions being taken at the EU level, or generally think the EU is going in the right or wrong direction, thus are not able to do what the authors attempt to do, namely to gauge what the current (2014) popular support for completing EMU is.

To give an example, on page 19 the authors argue that the countries in the EU-Right/Home-Wrong quadrant of figure 1 are pro-integration and see Europe "as a positive driver of the country's change". Apart from that quadrant containing both Hungary and Poland, most of the countries here were very critical of the EU's September 22, 2015 decision to allocate refugee quotas, and indeed the Polish government is suing the Commission on this issue. Nor would these countries see the EU as a positive driver of change when it comes to fiscal federalism as they generally interpret it as support for the South, which not only has higher public debt but also significantly higher per capita GDP. On the other hand, these countries might support more supranationalism with respect to some aspects of the CFSP and a strengthening of structural and regional policies.

Moreover, using the EP elections to gauge support for further integration would also not seem an ideal choice. First, EP elections are commonly considered second-order elections and have a significantly lower turnout than national elections. Second, when it comes to implementing many of the proposals contained in the 5 Presidents' Report, and fiscal federalism in particular, treaty revision would be required which implies unanimity and ratification by all member states such that the national

parliaments may be the more relevant institutions to look at. The authors have recognized the problem as they note on page 3 that “we do not imply that the latter [EP Elections] are clearly motivated by, or have any direct impact on, actual choices over European issues”. But, if the authors agree that there maybe be considerable doubt whether the elections are motivated by EU issues or have any impact, one is left with the question why they nevertheless stick with this indicator, as opposed to e.g. the composition of national parliaments

(3) The next step in the analysis is to map the outcome of the EP elections on the four quadrants of figure dividing the parties in Center Right (CR), Center Left (CL), integration critical and others. The authors claim that the overlap is remarkable, but since they did not spell out what one would have expected, it is not clear how to judge whether the overlap actually is remarkable. Again, the more obvious procedure would have been to map the outcome of the elections on figure 2b. This would then lead to the conclusion that in the countries opposed to more integration the CR and CL are balanced, whereas this is also largely true for the opposite camp, with EU critical parties polling a larger share in countries that do not support more integration. Though they use this geopolitical map to draw four political implications concerning the support for more integration, the problem that because it is well neigh impossible to do so without knowing the issues at hand, the link between the empirical analysis and the conclusions drawn becomes somewhat tenuous. (There might be a paragraph missing somewhere on page 19, because there is no implication number 3.)

Implication number one is that the EU-Right/Home-Right countries are supportive of the status quo. Apart from the fact that this conclusion was already drawn on the basis of figure 2, it is arrived at here by the argument that the CR here is confronted with pressures for less integration from their right wing fringes. That may be so, but it does not result from the data analysis, and it should have been supported by actual information on the position of the relevant national parties, and on the specific issues to which this applies.

Implication number two concerns the discussion of the EU-Wrong/Home-Wrong area and the argument is quite confusing. In figure 2a&b most this area appears to support more integration. The authors correctly argue that it is not clear what type of integration they support. However, they then go on to redefine this as an area of support for less integration; labelling them paradigmatic of a vicious circle in which the crisis leads less to less support for more integration which then makes it more difficult to solve the crisis (p. 18). Apart from the fact that the analysis would seem to indicate that the Home-Right countries are the source of lacking support for more integration, it is unclear where the argument that this is an area supporting less integration comes from; it certainly does not derive from their empirical analysis. The next paragraph then argues that support for more integration in these countries actually means support for a U-turn in Eurozone policies; in plain language less austerity and fiscal federalism. But again, whether this is correct or not would need to be supported by an analysis on positions on specific issues, and the mapping of EP election outcomes does not contribute anything in this respect.

Implication number four is that the EU-Right/Home-Wrong countries might drive more integration, But it is again unclear what issue this refers to. If it refers to less austerity and fiscal federalism, that conclusion would be wrong, in fact in issues concerning fiscal governance these countries might be close to the status quo group. In sum, this paper seeks to analyze to what extent there is popular support for completing EMU but as it does not address the specific issue involved in this exercise, it necessarily remains vague. In order to analyze support for further fiscal integration the specific Eurobarometer questions, e.g. on preferences for Eurobonds should have been used. Moreover, the EP election outcomes a such do not provide a sufficient handle for those issues either because of the special nature of the EP elections and because it does not provide detailed information on national power distribution and

the position of political forces on specific issues of European integration. Overall, in terms of sophistication the paper seems to lag somewhat behind the current standards of research on these issues.

#### References

Marsh, David (2013), *Europe's Deadlock*. New Haven: Yale University Press.

Kriesi, Hanspeter, et al (2012), *Political Conflict in Western Europe*. Cambridge: Cambridge University Press