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1. Introduction

Since the French and Dutch rejections of the Constitutional Treaty in 2005, there has been a growing attention on the rise of Eurosceptic parties in the member states and the structural features of the European Union that might have triggered the change (Startin and Krouwel, 2013). However, Euroscepticism has gained again a primary political relevance only after 2010, when the nationalist parties traditionally opposing European integration have been flanked by new groups identifying the European governance and institutions as the leading political agents responsible for the resilience of the financial crisis in the Euro Area. The connection between the economic crisis and the legitimacy crisis is a issue of survival for the EU. As it stands today, the EU is often described as a political project legitimized by its performance and achievements rather than by direct election of its leadership. The long years of the European economic crisis may have provoked a fading of “output legitimacy” and a blossoming of contestation against the EU. The 2014 European elections have indeed shown a sharp rise in parties and independent parliament members generally perceived as opposing the European Union, although the political forces referred to as “Eurosceptic” often share no other ties than the common opposition to the European integration project.

However, the rise of anti-European sentiments emerged in the last few years should hardly surprise European Union scholars. Since the early days of the EU, a number of “grand theories of integration”
discussed the rise of anti-European sentiments as a byproduct of Europeanisation. For instance, both early\(^2\) and contemporary\(^2\) versions of neofunctionalism incorporated the emergence of Euroscepticism as a possible outcome, in the form of nationalist reaction to progressive centralization of political power: in Haas\(^1\) own words, the return of nationalism is the natural consequence of the EU moving from the integration of policies to the integration of polities (Haas, 2003, introduction). Second, the classical party formation theory developed by sociologists Lipset and Rokkan (1967)\(^3\) assumed that one of the first challenges faced by newborn states and political systems is the repartition of competences and redistributive power between the central and peripheral institutions; in this perspective, the shift of powers towards the centre cannot happen without politicization and contestation. Finally, the growing body of literature concerning the so-called “democratic deficit” of the European Union, and in particular, in Weiler (2000) and Majone (1997, 2013), discount (for quite different reasons\(^4\)) Euroscepticism as a possible by-product of deepening integration.

Against this background, we are interested to understand whether the crisis has played a role in shaping Eurosceptic consensus. Existing quantitative literature on the issue has downplayed the role of the crisis in boosting Euroscepticism upwards; however, ass our results show, and in contrast with previous studies, both unemployment and economic cycle variations appear to have an impact in votes for Eurosceptic parties. The goal of this study is thus to complement qualitative research and country-by-country empirical research offering a European-wide quantitative analysis, today limited to a small number of recent publications.\(^5\) The research is anchored in panel-data regressions on a custom database of 108 elections in 27 EU member states\(^6\) from 2008 to 2015, in the aim to better understand the causes of the emergence of electoral Euroscepticism.

The paper is organized as follows. Section 2 discusses the notion of Euroscepticism and collects literature on Euroscepticism and the crisis. Section 3 presents the methodology, the data and the results of the first panel regression looking at the determinants of Euroscepticism. Section 4 discusses robustness checks. Finally, section 5 presents the conclusions, limitations and implications of our results.

2. The dimensions of Euroscepticism

Euroscepticism, more than a political ideology, can be considered a loose label under which a variety of forms of opposition to the EU can be collected. The study of Euroscepticism is as old as the phenomenon

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\(^1\) Particularly, see Haas (1958) and Haas (1964).
\(^2\) Schmitter (2002)
\(^3\) See also: Flora, Kuhnle and Urwin (eds) (1999)
\(^4\) For Weiler, Euroscepticism is the reaction to the attempt of deepening EU integration without the creation of a single demos. For Majone, Euroscepticism may emerge as a consequence of increased EU competences beyond its regulatory powers into fields of competence requiring input legitimacy.
\(^5\) Recent attempts to quantify the causes and the effects of Euroscepticism include published work by Serricchio and al. (2013) and working paper by ECB’s researchers Jamet, Ioannou and Kleibl presented at the July 2014 Villa Mondragone’s Economic Seminars.
\(^6\) Croatia was not part of the EU during the crisis so it was not included in the study.
itself, and it has equally evolved. As Harmsen and Spiering (2004) point out, original phenomena of Euro-scepticism (dating from before the creation of the European Union in 1992) could be basically divided in two main streams: first, a wide opposition to the very concept of European political integration, characterizing especially the British political forces and far-right political groups in the member states; second, a particular opposition to certain policies of the European Communities, for example trade liberalization or prohibition of state aid. This second version of opposition to European Integration characterized mainly the socialist political family across Europe, which considered the European-driven market liberalization as a danger for social democracies and welfare-state expenditure programmes; this form of Euroscepticism gained support especially in France and in the Nordic countries. In sum, Euroscepticism can be studied along two dimensions: an “hard” versus “soft” cleavage, and an “electoral” versus “attitudinal” dimension. The next paragraphs discuss benefits and drawbacks of each approach.

2.1 Soft versus Hard Euroscepticism

While the political families opposing European integration have evolved over time, the distinction between “hard Euroscepticism” (opposition to the EU) and “soft Euroscepticism” (opposition to a subset of EU policies, to a particular political direction of the EU) proposed by Taggart and Szczerbiak (2002) remains a powerful key to understanding the phenomenon. While the definition of “hard” Euroscepticism is straightforward, it remains unclear how to precisely evaluate the extent of “soft” Euroscepticism. The distinction between calling for a substantial overhaul of European integration and the opposition to the current institutional setting of policies is fairly weak: Euro-reformists and Euro-federalists could, in principle, be labelled as “soft-Eurosceptic” in the extent they oppose the current form of European Integration. To address this issue, Taggart and Szczerbiak (2008) discuss how to distinguish the soft-Eurosceptic areas into “critics” and “sceptics”, without however proposing a fully convincing methodology.

Moreover, it has become common practice among national parties to adopt specific reform plans and agendas vis-à-vis the European Union, justifying a range of criticisms towards the EU itself and some of its policies. The very process of politicization of the EU is in part responsible for this effect: as the direction of the European Union becomes increasingly matter of political debate and of electoral decision making, a degree of discussion and eventually criticism becomes unavoidable- the institutionalization of the main policies of the EU within the treaties implies, at a certain extent, that a criticism towards the policies is also a criticism towards the system itself. As partial criticism of the EU has become widespread even across mainstream parties, the category of “Soft Euroscepticism” has lost a large part of its explanatory power.

As a consequence, this study will thus focus especially on “hard” forms of Euroscepticism, characterizing those political parties and movements actively claiming for a reduction of the EU competences, when not for
a simple dismantlement of the institutions. Other classifications of Euroscepticism have been proposed by scholars: in particular, the dichotomy between “diffuse opposition” (opposition to the European project and its values) and “specific opposition” (opposition towards the specific forms of European integration in a given moment) proposed by Wessels (2007) recalls the “soft” versus “hard” distinction referred to above, while other authors differentiate Euroscepticism following the specific objects of public criticism, as opposition to the “authorities”, the “regime”, and “community” of the EU (Serricchio et al., 2013).

2.2 Attitudinal versus electoral Euroscepticism

Both soft and hard Euroscepticism can be quantitatively studied under two perspectives: as an attitude or a feeling towards European integration, or as a political stance against Europe manifested through voting for parties sharing anti-European agendas. While the former looks at attitudes collected through national or European surveys, the latter looks at the electoral performance of Eurosceptic parties. The first approach is usually preferred because of availability of information: thanks to European Commission’s Eurobarometer polls, coherent survey-based series on soft and hard Eurosceptic attitudes are available. Eurobarometer data series contain in fact questions related both to “opposition to membership” (which can be qualified as “hard” Euroscepticism) and “mistrust in the EU” (which can be considered as a measure of soft Euroscepticism). Differently, studying electoral Euroscepticism requires the ex-novo construction of an ad-hoc database, including making potentially controversial decisions concerning which parties should be qualified as Eurosceptic.

Quantitative analyses have been either focused on attitudinal Euroscepticism or limited to electoral behaviour in selected countries, in the attempt to explain individual factors impacting on one’s decision to cast a vote in favour of a Eurosceptic party. Moreover, only a handful of studies have adopted both a European-wide perspective and a focus on macro determinants. Serricchio et al. (2013) adopt as a measure of attitudinal Euroscepticism the often-used Eurobarometer data on EU membership opposition, transformed in a binary dependent variable. They then test a series of hypotheses regarding the socio-economic and political explanations of Euroscepticism, by means of a different logistic regression for each year between 2007 and 2010 on a set of economic and political independent variables. On the one hand, the main result of their analysis is a rejection of the overall relevance of economic factors in explaining membership opposition (ibid: 60). On the other hand, national political factors seem to play an essential role in shaping EU membership attitudes: they find in fact both a strong impact of exclusive national identity on Euroscepticism, and a negative impact of trust in national institutions on Euroscepticism; meaning that, according with their results, trust in the domestic system generates trust in the European system. In sum, Serricchio et al. (2013) consider domestic political attitudes far more important than economic factors in explaining the rise of Euroscepticism.
However, their methodology has few drawbacks. First, the study can hardly be replicated over time, as the “attitude towards membership” question has been excluded by Eurobarometer surveys since 2011. Second, the choice of the indicator does not capture with precision the strength of Eurosceptic forces, because in principle few parties have opposition to the EU as exclusive element of their political programmes. Thus, they will be able to collect votes from a broader public; and moreover, some voters which might fall into the poll of individuals opposing EU membership might not accord their support to Eurosceptic parties for multiple reasons, like ideological cleavages, rejection of electoral democracy, or mistrust in the leadership. Finally, the timeframe of the study does not allow for a true evaluation of the effects of the crisis on Euroscipetism, as the time series evaluated end in 2010- at the beginning of the Europeanization of the crisis.

Looking at Electoral Euroscepticism would thus provide more useful information, to the extent that it helps to quantify the political risks associated with Euroscepticism and not only the individuals’ attitudes towards “integration fatigue”. Furthermore it can be argued that an attitude or a feeling acquires political relevance only when citizens are ready to translate it into the ballots: looking at electoral Euroscepticism helps to “clean” our measure of Euroscepticism from those individuals who are eventually ready to report a very hard stance against Europe in the survey but are not ready to act accordingly at the moment of the election. Looking at electoral Euroscepticism is thus more suited for political research than considering attitudinal data only. The major drawback of this approach is the definition of the dependent variable. The distinction between “hard” and “soft” Euroscepticism becomes harder to detect, as political positions may vary over time and tend to be adapted in order to maximize voters’ consensus. Focusing on written electoral platforms helps to overcome this limitation. This study focuses on the “hard” dimension of electoral Euroscepticism.

2.3 Euroscepticism and the crisis

The sharp rise of anti-European sentiments is apparent in both attitudinal and electoral data. A number of studies have attempted to connect the crisis and the rise of Euroscepticism, focusing, in particular, on (1) political and institutional trust and dynamics, (2) communication and media effects, and on (3) economic effects.

First, crisis-led integration and shifting power balance between the nation states and the EU may have played a role in strengthening Eurosceptic parties. As discussed elsewhere (Nicolli 2014, 2015), the Euro Area is moving forwards towards fiscal and economic integration, with substantial progress achieved during the crisis. Provided that economic and redistributive decisions at the heart of any political system, the absence of a democratic decision making process provides in fact a clear justification for the emergence of Eurosceptic
forces. As the European Union moves beyond the purely pro-market organization it used to be at its inception, the progressive politicization-without-politics inherent to “the end of the market Honeymoon” (De Witte and Hartmann, 2013) increases the likelihood of the emergence - in the absence of a classical majority-opposition dynamics- of forms of opposition to the system instead of opposition in the system, the latter characterizing national democracies (Castelli Gattinara and Froio, 2014). Similarly, the shift of power may provoke a reaction by segments of the population who perceive their national identity threatened (bellucci et al, 2012).

Second, communication and media, including on line platforms, have played a foundamental role in the spread of Euroscepticism (De Wilde et al., 2014). This appears to be channeled through three main effects: first, as Marks and Hooge (2008: 19) already pointed out, a contagion effect took place: the success of a Eurosceptic party in one country could encourage political entreprenuers to mobilise consensus through similar mechanisms in their own countries. Second, Kriesi (2013:365-367) shares the view that mediatisation of supra-national politics is a leading factor in explaining diffusion of populist movements, paired by the relative decline in the relevance of mainstream parties. Third, national media may play a role in providing asymmetric visibility to national politicians in respect to European policy-makers, creating space for the blaming game often played by national actors towards the EU. Mediatisation of Euroscepticism appears to have contributed in strengthening the consensus for existing Eurosceptic parties (like the Front National in France and the Partij voor de Vrijheid in the Netherlands), to have pushed other groups on more Eurosceptic positions (like the Movimento 5 Stelle in Italy and the True Finns in Finland) and to have provided the social fuel required for the rise of far-right groups (like Golden Dawn in Greece).

In addition, a strand of literature has explored the connections between economic performance and consensus for Eurosceptic parties. Three potential channels are identified in this context: Euroscepticism can emerge as a rejection of underperforming economic policy implemented thorough the European institutions; the waning “output legitimacy” (Scharpf, 1999) associated with bad economic performance is thus expressed through Eurosceptic votes. Moreover, Euroscepticism can be perceived as a reaction of the “losers” of integration: as the crisis has touched whose numbers have been perceivably enlarged during the crisis. While Early studies (Eichenberg and Dalton, 2007; Serricchio et al, 2013) have tended to downplay the role of economic performance in shaping Eurosceptic votes, their dataset are too limited (ending respectively in 2004 and in early 2011), failing to provide conclusive evidence on the link between economic performance and Euroscepticism during the crisis.

Finally, Eurosceptic parties might try to capitalize on the fall of confidence experienced by traditional mainstream parties in times of economic turndown, as theorized by Anderson and Caltenhalter (1996), Anderson (1998) and Bellucci et al. (2012): both phenomena (lack of confidence in mainstream parties and bad economic performance) may boost consensus for Eurosceptic parties, especially in the extent economic
decision making is perceived as super-imposed by the European institutions. It must be noted, however, that the relation between trust in the domestic party system and Euroscepticism is at best disputed in the literature: while Anderson (1998) maintains that high levels of trust in national institutions and parties positively affect people’s attitude towards the EU, Sanchez-Cuenca (2000) considers that when consensus for national institutions and parties is low, the electorate might consider the institutions perceived as “external” as more trustworthy than national ones.

Despite the large amount of theorization of the phenomenon, there is a lack of European-wide discussion of electoral Euroscepticism. Most empirical studies either acquire a country-specific, case study approach with focus on individual parties, or a European-wide approach with focus on attitudes. In the first group, for example, Startin and Krouwel (2013) discuss France and the Netherlands; Serricchio (2012) and Castelli-Gattinara and Froio (2014) the Italian case; Fitzgibbon (2013) the Anglo-Saxon world and Denmark; Grimm (2015) explores the AFD’s rise in Germany; Verney (2015) the Greek case; Reungoat, (2015) the French case. In the second group the focus has been - thanks to the Eurobarometer data series- on attitudinal Euroscepticism in the period before the European crisis, including Eichenberg and Dalton, (2007) Serricchio et al., (2013), and more recently Bargaoanu, Radu and Negrea-Basuic (2014) and Dobrescu and Durac (2014). A particular case is constituted by Taggart and Szczerbiak (2013), which adopt a European-wide, party-focused approach; however, their focus is more on soft-Euroscepticism as they investigate the consequences of Eurosceptic parties’ participation in governments, so their contribution in identifying the causes behind the European trend is limited.

By focusing on electoral hard Euroscepticism in the timeframe 2008-2015, this paper aims to fill a gap in the existing literature by exploring, in particular, the role of economic performance in shaping Eurosceptic votes. We explore whether (1) unemployment, (2) economic cycle, and (3) trust in the mainstream party system affect the votes for Eurosceptic parties. Serricchio et al. (2013) give a negative response to (1) and (2), but –as we discuss below- their results can hardly be generalized, while (3) is, as explained above, largely disputed in the existing literature.

3. Quantifying Hard Electoral Euroscepticism

3.1 Data collection

The previous sections have defined the scope of this study by discussing the motivations behind the choice of electoral, hard Euroscepticism. Thus, the dependent variable for hard electoral Euroscepticism is defined as follows:
“The cumulative share of votes obtained by parties sharing a hard-Eurosceptic agenda in national and European elections”.

In order to qualify for inclusion in the hard-Euroscepticism dependent variable, a party shall have in its electoral programme, a claim in favour of the reduction of the level of integration by means of unilateral exit from the Euro Area or the European Union, and by means of comprehensive treaty change. As explained in the previous section, identifying which parties share hard Eurosceptic agendas may be problematic. For a total of 105 elections in Europe since 2009, the following approach has been adopted. First, any party associated with the EFD group in the European Parliament in the 2009-2014 legislature has been qualified as “Hard Eurosceptic”. Second, any party affiliated with extreme-right ideology has been qualified as “Hard Eurosceptic”. Third, parties affiliated the ECR group have been analysed case by case, because a minority of the ECR-associated parties have strong anti-European views; the same applies for a subset of strong-Eurosceptic parties on the left spectrum. For the remaining non-attached and non-elected parties (above 1.5% of votes), their electoral platforms have been analysed to detect signs of hard-Euroscepticism as defined above. The operation has been repeated for each national and European election since 2008 for a total of 108 observations.

Table 1 - Elections by year and by share of votes for Eurosceptic Parties

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<td>&lt; 30%</td>
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<td>Total elections</td>
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Figure 1 - share of elections with Eurosceptic parties achieving more than 5% of the votes.

8 Treaties considered do not include the two inter-governmental treaties signed since 2011 (ESM and TSCG), first because they do not represent a part of the aquis, and second because they can be considered “policies by means of treaties”, thus qualifying for soft Euroscepticism or Euroreformism.
Table 1 reports, for each year, the number of elections by share of votes for Eurosceptic parties; the share of the total electoral episodes in which Eurosceptic parties have obtained more than 5% of the votes is reported in figure 1, showing a clear upward trend. Appendix A reports, for each election, the values of the variable “hard Euroscepticism” identified with the described methodology.

3.2 Attitudinal and Electoral Euroscepticism in figures

Before proceeding with econometric analysis, it is useful to compare the evolution of attitudinal and electoral Euroscepticism in figures. Concerning attitudes, figure 2(A and B) show the pattern of two indicators (opposition to EU membership and mistrust in the EU) provided by Eurobarometer, while figure 3 recalls the evolution of the votes for hard-Eurosceptic parties (as defined in section 4) during the crisis. In order to have a more refined measure of aggregate Euroscepticism, the Eurobarometer data-series have been weighted with the country-share of the total (EU, EA, and non-EA) population, adjusted according with the evolving composition of the different blocks. In the attitudinal series it appears that opposition to membership (hard Euroscepticism) has been, overall, rather low. This is consistent with electoral data for hard-Eurosceptic parties provided in figure 3, although the figures cannot be directly compared due to time differences. Attitudinal “hard” Euroscepticism achieved the highest value in 2010, at 18% of the EU population, both in the Euro Area (EA) and in the EU, while Electoral hard Euroscepticism has peaked in 2014.

Looking to attitudes the trend in the EA is particularly striking: two clear episodes identify growing opposition to membership, the eastern enlargement and the Euro-crisis. As data for membership-opposition have not been coherently collected after 2011, the second indicator (mistrust in the EU, fig. 2B) can help in refining the picture.

<table>
<thead>
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<th>Figure 2- opposition and mistrust in the EU</th>
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<td>1A: share of citizens against EU membership</td>
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The attitudinal trend shows a strong increase in the EA after 2010, where the mistrust towards the EU is today even higher than outside the monetary union. Interestingly, while the trend in the two indicators follows similar patterns (correlation of 0.572), between 2004 and 2011 only a fraction of citizens mistrusting the EU were against the membership. A few observations follow our analysis of attitudinal Euroscepticism: (1) while mistrust in the EU is widespread, this does not imply that individuals oppose the EU as a political project; this strengthens the choice to focus on Hard Euroscepticism. (2) both indicators have substantially increased during the crisis, as well as –at least until 2011- the delta ratio of o in respect to m; suggesting that, in times of crisis, less trust in the EU implies proportionally equal or more opposition to membership.

Figure 3, in contrast, presents the evolution of the aggregate share of votes of hard-Eurosceptic parties in the elections since 2008. As known, several countries have experienced a rise of Euroscepticism during the Crisis: France, Italy, Greece, Sweden, Cyprus, Poland and Spain. Other countries- Austria, United Kingdom, Denmark and Austria have shown a V-shaped effect, with a downturn in consensus for Eurosceptic parties which rapidly peaked again in occasion of the 2014 European elections (the latest observation for most countries). The only countries with a clear downward trend appear to be Belgium, the Netherland and Czech Republic, while the remaining countries show unclear trend.

**Figure 3: share of Hard-eurosceptic votes by country**
3.3 The model

The set of independent variables includes variables aiming to assess the effect of mistrust in domestic politics on Euroscepticism, economic indicators, policy indicators and institutional indicators (table 2). The (unbalanced) panel is composed by 108 observations in 27 countries (EU minus Croatia), from a minimum of 3 to a maximum of 6 observations per country; third, it covers a longer time frame, from 2008 to 2015, including the most recent European elections. The data for independent variables have been collected by multiple established sources, as indicated in table 2. Economic data are collected from Eurostat online databases (government statistics and labour force surveys). For electoral episodes past 2014Q4, economic data have been retrieved from Eurostat flesh estimates. Political mistrust data, in turn, are obtained from Eurobarometer data series.

When looking at panel data we have three main alternative approaches: fixed effects, random effects and pooled OLS. A fourth possibility is constituted by the Hausman-Taylor endogenous variables regression, which combines fixed effects and random effects. In principle, we would like to control for time-invariant known factors which may play an important role in determining the rise of Eurosceptic parties. Also, we believe that observed differences across entities may have an impact on the voting for Eurosceptic parties.

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Table 2- List of Covariates
In general, interest in time-invariant variables should make random effects more suitable, if it is consistent with the hypothesis that the panel-specific errors are not correlated with the regressors. Perfect independence, of course, can rarely be achieved; so a random-effects model will always suffer of some bias. However, including in the model specification as many as time-invariant variables possible should decrease
the magnitude of the bias. The random effects model is tested against the fixed-effects alternative through a Hausman specification test. When consistent with Hausman test results, the random effects estimates are reported.\textsuperscript{9} At this regard, we opted for a random-effects model which specifies various country-specific factors in the right-end of the equation to minimize the risk of omitted variable bias.

Of particular interest are the three indicators of mistrust: once considered together, the first captures the level effect of mistrust in national party systems, while the second captures the effect of changes occurred just before the election, and the third identifies the overall loss of credibility during the crisis- we expect their coefficients to be positive, thus indicating that increase in party mistrust increases consensus for Eurosceptic parties.

Economic indicators like GDP growth during and before the elections, as well as the cumulative effects since the crisis, may also provide interesting information; we expect them to be negative, indicating that short and long term improvements in economic performance have a negative effect on Euroscepticism. The same applies to the several indicators of unemployment, whose coefficients we expect to be positive: the higher the unemployment level, the better for Eurosceptic parties. We also include the size of financial assistance provided or received, which may shed light on the political costs of integration both in debtor and creditor countries. Smallcountry is taken into account as a control variable, because electoral dynamics and interactions in small communities may play an important role in shaping voting behaviour. In sum, the model expects that a substantial share of voting for Eurosceptic parties is explained by:

1. political trust factors ($\text{avg\_PM}+\text{D\_PM}+\text{D\_basePM}$),
2. economic factors ($\text{avg\_GDP}+\text{D\_baseGDP}+\text{Q\_Uold}+\text{Q\_Uold\_1}+\text{Q\_UY}+\text{QUY\_1}+\text{hU\_duration}$)
3. governance factors ($\text{net\_assistance} + \text{EAmember}$)

A set of controls (4) including observation-specific and country-specific institutional factors ($\text{compulsoryvoting}+\text{smallcountry}+\text{presidentialcountry}+\text{turnout}+\text{earlyelection}$).

\textsuperscript{9} To deal with potential heteroskedasticity, robust standard errors should be adopted. However, the standard version of the Hausman test requires homoskedasticity assumption. To deal with potential heteroskedasticity, we decided to proceed with a double testing approach, using two alternatives: the standard Hausman test and the auxiliary regression procedure proposed by Woolridge (2010) and Mundlack (1978). This is operationalised through the \texttt{xtoverid} command in Stata and allows for panel-robust standard Errors. The normal Hausman test was passed for all specifications; the \texttt{xtoverid} cluster-robust version was passed for models A4, A3, A1, but failed when unemployment was excluded or considered simultaneously with trust factors.
In addition, two year variables have been added for identifying elections happened during the crisis (2009-2014). Equation 1 recalls the random-effects model including all the variables available (specification A5):

\[
(1) \quad \text{AntiEUscore} = \alpha + \beta_1 \text{avgPM}_{it} + \beta_2 \Delta \text{PM}_{it} + \beta_3 \text{avgGDP}_{it} + \beta_4 \Delta \text{baseGDP}_{it} + \beta_5 \text{Qold}_{it} + \beta_6 Q.YU_{it} \\
+ \beta_7 Q.YU_{it} + \beta_8 hU.\text{duration}_{it} + \beta_9 \text{net.\ assistance}_{it} + \beta_{10} \text{EAmember}_{it} \\
+ \beta_{11} \text{compulsoryvoting}_{it} + \beta_{12} \text{smallcountry}_{i} + \beta_{13} \text{presidentialcountry}_{i} \\
+ \beta_{14} \text{turnout}_{it} + \beta_{15} \text{earlyelection}_{it} + \beta_{16} Y2009 + \beta_{17} Y2010 + \beta_{18} Y2011 \\
+ \beta_{19} Y2012 + \beta_{20} Y2013 + \beta_{21} Y2014 + u_i + \epsilon_{it}
\]

Whereby \(u_{it}\) and \(\epsilon_{it}\) constitute, respectively, the across-groups and within-groups error terms, \(i\) are the 27 member states, and \(t\) the time of the observation. Six different specifications of the model were tested, comparing different sets of variables.\(^{10}\)

3.4 Random effects regression results

Five alternative random effects specifications were run. The first model (A1) looks into short-term political trust effects specifically, by excluding the series of independent variables referring to economic factors as well as long term trust changes. The second model (A2) includes GDP effects; the third model (A3) includes trust and unemployment effects, but excludes GDP effects; the fourth model (A4) includes both GDP and Unemployment effects, but excludes trust effects; (A5) includes all variables. Table 2 reports the coefficients and the robust standard errors (in parentheses) of the independent variables.

3.4.1 Political Trust

As pointed out in the surveyed literature, there is disagreement on the effect of trust in the domestic system on Euroscepticism: Anderson (1998) considers that higher trust in the national political system may increase trust in the EU (and the other way around), while Sanchez-Cuenca (2000) believes that when confidence in the domestic political system is low, citizens turn their look abroad to find examples of good government and best practices. However, the results shown in table 2 fail to shed light on the relation between Euroscepticism and trust in the domestic political parties.

Table 3: random-effects specifications comparison

\(^{10}\) Note that compulsoryvoting and smallcountry and presidentialcountry are time-invariant variables.
When included in the specification, party mistrust is not statistically significant and has a very small coefficient associated. In particular, we find almost no support for the effect hypothesised by Sanchez-Cuenca (2000), according to which Europe, providing an external constraint to national politicians, is more perceived positively the less confidence the voters have in domestic parties. For this to be true, either the coefficient of mistrust (avg_PM), had to be negative, or it had to turn negative once controlled for long-term rise detected by the D_basePM indicator. If this were the case, it would have suggested that long term, stable mistrust in domestic parties could lead people to accord more consensus to those parties that support European Integration because Europe is perceived as a positive “external” constraint on the mistrusted domestic politics. Specifications A1 and A5, which accounts for this possibility, fail to provide conclusive evidence: while the coefficient of PM_sem behaves as expected, turning negative when D_BasePM is included, both variables fail to be statistically significant, thus leaving the answer largely unanswered.
3.4.2 Growth and Unemployment

In each of the specifications of the random-effects model the effects of the average GDP growth rate in the quarters around the election seems to meet our expectations: differently from Serricchio et al., (2013) it holds a negative coefficient as expected (meaning the stronger the pre-election downturn, the larger the share of votes for Eurosceptic parties) and is statistically significant, albeit at 5% and 10% confidence level. The sign of the coefficient for the long-term economic loss captured by $D_{base\_GDP}$ is—as expected—negative, but fails to be statistically significant in all specifications.

The impact of unemployment is interesting but highly problematic. In all models (A3-A5) where unemployment is taken into account, both the unemployment levels for cohorts aged 40-65 and younger cohorts aged 19-39 are statistically significant (5% confidence for former, 10% for the latter). The sign of the coefficients however raise interpretational issues. The sign for $Q_{U\_old}$ is negative, meaning that a upward change in the unemployment level 40-65 is associated with lower consensus for Eurosceptic parties. Although this may look surprising, it must be noted that among the countries with very high levels of unemployment (Greece, Portugal, Cyprus and Spain) only Greece has developed a strong set of Eurosceptic parties. In contrast, many other countries with high level of consensus for strong Eurosceptic parties have much lower level of unemployment. The coefficient for $Q_{Y\_U}$ is however largely positive, indicating that the higher the level of youth unemployment, the higher the votes for Eurosceptic parties. In addition, the variable $hU\_duration$—which captures the number of quarters unemployment has stayed above the pre-crisis average—is positive and statistically significant at the 5% threshold in specifications A4 and A3, and at 10% threshold in specification A5.

The divergent impact of unemployment measures can have different motivations. One possibility is that the effect of overall unemployment is distorted by a few outlier countries with very high level of unemployment and no Euroscepticism (Spain, Portugal) and by countries with very low level of unemployment, but high scores on Euroscepticism (Finland, the Netherlands, United Kingdom). In peripheral countries, the sharp increase in unemployment has touched the moderate middle class which will not vote for extreme parties in most of cases despite the change in status, preferring new, soft-Eurosceptic parties advocating for a policy change rather than an institutional one, like Syriza. The sharpest increase in Euroscepticism has been experienced, in fact, in countries once solidly in the “core group” which status has been undermined severely during the crisis (namely France and Italy). There, extreme right parties have been able to take advantage of the rise of anti-European sentiment without moderate, soft-Eurosceptic parties being able to capture it. On the one hand, both France and Italy have historically rooted and rather stable party-systems, which makes it

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11 It must be noted, in particular, that is the quarter lag that seems to matter for cohorts aged 19-39.
hard for newcomers to find their place if they don’t bring forward rather disruptive proposals (as Italy’s Five Stars Movement has done). On the other hand, once a party adopts a “fringe” position on one issue (thus alienating moderate voters) the marginal cost of taking an additional “fringe” position is considerably lowered (as moderate voters are already alienated); this may explain why relatively wealthier countries have developed strong Eurosceptic parties, while relatively poorer countries have not despite the sharp rise in unemployment.

Also, it must be considered that the unemployed persons aged 15-39 in the EU are numerically more numerous than the unemployed individuals aged 40-75 (15 millions vs. 11 millions as for 2014 Q1). Therefore, the data for the youth unemployed is relatively more important. Other possible causes for the opposite effects may be:

- Younger individuals are likely to be more vulnerable once in unemployment as their stock of wealth is lower compared to older people, being thus unable to smooth consumption through wealth.
- As the dualism of the labour market grows, older unemployed are better protected receiving subsidies and benefits, while the temporary contracts of young people often allow for scarce protection.
- Younger unemployed individuals tend to be financially more vulnerable (restricted access to finance and/or longer mortgage rates yet to be repaid);
- Younger people without jobs may have a more radical reaction to politics, and/or find “new”, anti-systemic parties more attractive.
- Older people may have a better experience of the well-being that EU membership brought about in the past, as well as of the international security provided by the EU during the cold war, and they might therefore be less vulnerable of populist and Eurosceptic rhetoric;
- Older people may tend to acquire information mainly through classical media outlets like newspapers and television, which in turn may have a positive bias towards the moderate political establishment.

In sum, young unemployed are more vulnerable to the crisis, to extremist rhetoric, and have little personal experience of the advantages of EU membership; they tend to develop their opinion on the public sphere through the non-mediated channel of internet and other new media, thus being more likely to develop anti-European protest vote.

3.4.3 The controls

In all models, Euro Area Membership fails to pass the significance test at 10% confidence interval, as it does having received financial assistance during the crisis and the majority of the other control variables, like second order elections, early elections and presidential countries. Among all the controls, the existence of
compulsory voting legislation turns out to be statistically significant in all the models at 5% confidence level (10% in A1 and A2): voters which otherwise would not care about participating in the election spend little time in developing extreme political positions (as somehow required to vote for a hard Eurosceptic party) thus concentrating towards moderate, status-quo mainstream parties. Finally, The effect related with country size, finally, is statistically significant at 5% as long as we do not take unemployment into account, but fails to pass the significance test in models A3-A5 when unemployment is accounted for.

4. Robustness checks and alternative models

The existence of random effects, suggested by the high p-value of the Hausman tests performed, is suggestive and brings about efficient estimates of the coefficients and of the significance of several variables. However, as noted before, it is usually impossible to avoid a certain amount of bias when using a random effects model. At this regard, we decided to compare the standard random effects model with three comparable alternatives to find out whether there are noticeable differences in the estimates. To do so, we selected the specification A4 as the main specification for running the comparison, as it has a higher number of significant variables when compared with specifications A1-A5, higher r² and has passed all the forms of the Hausman test, including auxiliary regression methods, with margin.

Specification 4 was then tested against a Hausman-Taylor endogenous variables regression, against fixed-effects regressions and against a pooled OLS to see whether important differences existed in the estimate. Table 4 provides the comparison of the coefficient and relative standard errors. The Hausman-Taylor (H-T) regression was chosen because –despite the fact that the Hausman specification test rejected fixed effects for the overall model- it could be appropriate to consider fixed effects for only some variables. At this regards, H-T estimates fixed effects for all variables, except for time-invariant variables and variables set as exogenous, for which random-effects are estimated. 12 Variables as average mistrust in the party system, the average GDP growth rate, the change from baseline GDP and the electoral turnout were set as endogenous in our Hausman-Taylor model, from Hausman and Taylor (1981), thus being estimated through fixed-effects, while all the other variables where either exogenous or time-invariant.

Moreover, a pooled OLS regression was also performed as a form or robustness check, although the high value of the sigma_u estimates in the RE model would suggest that a panel effect does exist. The Pooled OLS model was performed using two different standard errors- a classical robust standard errors version to account for heteroskedasticity, and a cluster-robust standard errors version to account for within-panel time dependency.

12 Hausman-Taylor model uses “time-varying variables in two ways- to estimate their own coefficients and to serve as instruments for endogenous time-invariant variables”. (Hausman and Taylor, 1981: 1393).
Table 4 - comparison of models

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* p<0.1; ** p<0.05; *** p<0.01

Time invariants are in square brackets. Endogenous variables are in parenthesis.

As expected, the main observed differences are between the pooled model with classical robust standard errors and the three alternatives. In particular, the standard errors of all variables in the robust version of the pooled model tend to be generally higher for most variables, which in turn implies that variables as presidentialcountry, D_baseGDP and smallcountry to become statistically significant. The effect however disappears for most variables when the cluster-robust standard errors are introduced, suggesting that a cluster effect indeed exists. In contrast, the only relevant difference between the Hausman-Taylor endogenous variables model and the standard random effects model is that in the latter only unemployment variables maintain their significance, while the average GDP growth and the controls turn out to be statistically not
significant. It is also worth noting that the divergence of the sign of youth and old unemployment rates, as well as its statistical significance, is unchanged across the different models.

5. conclusions

The results reported in this paper fit in the theoretical framework developed by scholars over time, with some unexpected results especially in regard of elders’ unemployment and youth unemployment. The most surprising result is probably the negative correlation between unemployment and consensus for Hard- Eurosceptic parties. However, there are several explanations for this effect. In part, the distortion may be due to geographical composition effects in section 3.3.2: some of the countries where unemployment has increased the most (Spain, Portugal, and Ireland) have experienced a null or moderate increase in Euroscepticism, while relatively wealthy countries with low unemployment (Austria, Denmark, Finland, the Netherlands, United Kingdom) have experienced high rates of Euroscepticism. This may be due to the fact that extreme Euroscepticism is a flagship policy of extreme-right parties, and most of the rise of unemployment in southern countries (where an economic voting is plausible) is composed by middle class, usually moderate voters which are averse to cast their votes for extreme right parties; while in core countries (where economic voting is less plausible) extreme right parties capitalize on other issues; the only countries where we have both traditionally strong extreme right parties and a rationale for economic voting are countries whose “core” status has been questioned and/or undermined during the crisis (Italy, France), and in fact these countries have experienced a rise in Euroscepticism and unemployment. Additional reasons to explain this effect may be linked to age-related composition effects: Younger individuals are likely to be more vulnerable to unemployment as their stock of wealth is lower compared to older people; younger unemployed individuals tend to be financially more vulnerable; younger people without jobs may have a more radical reaction to politics; older people may have a better experience of the well-being that EU membership brought about in the past, as well as of the international security provided by the EU during the cold war, and they might therefore be less vulnerable of populist and Eurosceptic rhetoric; and finally, older people may tend to acquire information mainly through classical media outlets like newspapers and television, which in turn may have a positive bias towards the moderate political establishment.

In conclusion, there is some limited evidence of an effect of the crisis over the rise Eurosceptic parties, especially through the channel of youth unemployment and persistence of historically-high levels of unemployment. Membership of the monetary union, as well as GDP effects, are instead irrelevant. Further work shall focus on strengthening the quality of policy variables included, especially in relation to the introduction of the incremental stages of the new economic governance since 2011. Also, more solid results would require a longer dataset, which might be obtained by both including new elections in the dataset as they appear, and by stretching further back in the past the range of electoral episode accounted for. Finally, the most recent literature emphasizes the importance of exclusive/inclusive national and European identities;
future iterations of this work will thus aim to include variables identifying identity as a possible explanation for the rise and fall of Eurosceptic parties.

Bibliography


