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### **The impact of the economic crisis on Euroscepticism**

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### **1. Introduction**

Although the concept of Euroscepticism possesses a substantial history there has perhaps never been the confluence of economic (e.g. eurozone/sovereign debt crisis, austerity, secular stagnation, widening of core-periphery divergence) and political (e.g. threats to democracy in the CEECs, the challenge to security and energy from Russia, refugee crisis) events that have projected it to the forefront of debate across the European Union (EU). Crucially, this debate surfaced across those Member States without a previous track record of Euroscepticism, while in those such the UK that have long been seen as 'awkward' and 'semi-detached' (George, 1988, 1992) this reached its zenith through a decision to leave the EU.

Although the aim of this chapter is to focus on the hypothesised link between economics and Euroscepticism it does not seek to produce grand theory 'explaining' Euroscepticism from an economics perspective; rather, it attempts an analysis through the lens of economics, such that limitations are inevitably imposed on this work through bypassing other social science disciplines that have been utilised to examine the phenomenon of Euroscepticism. Moreover, by focusing on economic variables alone this should not be taken to imply an endorsement of a reductionist view of the process, but rather a belief that the economic climate has a significant influence upon the manifestation of Euroscepticism. Although the impact of adverse economic conditions is notoriously difficult to estimate, particularly when a hysteresis process is likely to exist; there are, nevertheless, well established routes through which it will generate costs for both individuals and the wider economy in terms of a reduction in living standards, loss of output, deterioration of government finances, psychological impact, adverse effects upon physical health, together with a series of wider costs to society (Dawson, 1992). All such outcomes will possess a deleterious effect both within an individual nation and in the case of the EU across its Member States, thereby potentially fuelling a sense of frustration/hopelessness with policymakers that could translate into Euroscepticism. Specifically, it is argued that the economic neoliberal direction of the EU exemplified by the single European currency framework has led to a process of continent-wide deflation (Baimbridge and Whyman, 2015); specifically, this has been engendered by constraints upon fiscal policy through the Treaty on European Union (TEU), Stability and Growth Pact (SGP) and latterly the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (more commonly known as the Fiscal Compact), together with the pre-eminence of price stability via the European Central Bank (ECB).

Therefore, while the literature indicates that there are several potential drivers of Euroscepticism in terms of economic, political and societal forces; the former of these is frequently neglected and it is this aspect the chapter seeks to address. First, it discusses the changing scope of European Union (EU) economic policymaking that has evolved from micro- to macro-level competencies, although the actual economic costs/benefits have generally been opaque. Second, the chapter presents a

brief overview of the recent economic crisis, particularly focusing upon its impact on those economies that have been most severely affected. Third, the chapter develops an objective/quantitative, as opposed to a subjective/qualitative, approach to consider the phenomenon of Euroscepticism through measuring its development via European Parliamentary (EP) turnout. Subsequently, the chapter empirically examines the relationship between prevailing economic conditions and this measure of Euroscepticism to provide an insight into their association.

## **2. Historical problematic aspects of EU membership**

Given its origins in terms of coal and steel, economics has long dominated debate concerning EU membership through evaluating issues as diverse prices and incomes, fish and agriculture, budget contributions and international trade (Butler and Kitzinger, 1976; King, 1977; Burkitt *et al.*, 1996). While many of these have been beneficial there remains the scope for them to result in discontentment leading to the questioning of the net worth of EU membership. For example, the Common Agricultural Policy (CAP) fixed a common minimum price for all foodstuffs covered by the scheme irrespective of existing world prices by manipulating the quantity to which consumers enjoy access (Baimbridge *et al.*, 2007). The constraints imposed by the CAP raised the cost of living, while encouraging an inefficient transfer of resources into agricultural output away from more productive manufacturing and services (Burkitt and Baimbridge, 1990). Moreover, for those countries that were traditionally a net importer of foodstuffs, higher food prices represented the deterioration in the terms of trade, while the inflationary impact upon exports damaged the balance of payments (Burkitt *et al.*, 1992). A second problematic element leading to a deterioration in the balance of payments position is associated with net budgetary payments arising from EU membership (Broad, 2001) where there have been various issues arising from the fiscal drain in terms of the equity of the forms of taxation selected by the EU to raise its resources, the breakdown of the distribution of budgetary expenditure and the size of any net contribution (Baimbridge *et al.*, 2007). Furthermore, the methods of raising EU revenues are biased against some Member States if a greater proportion of their imports arose outside the EU, while if a country had historically higher-than-average consumption rates this also caused further overpayment. Moreover, the EU ignores VAT-exemption, requiring countries to transfer the same amount of revenue to the EU budget whether or not the commodities paid full rates of VAT. Hence, these 'own resources' remain significant in terms of revenue collection such that EU taxation policy is remains problematic (Baimbridge and Whyman, 2008).

By the 1980s the focus of EU economic initiatives had begun to switch towards those to pursue wider and deeper regional economic integrationist initiatives such as the creation of the Single Internal Market (SIM), the development of the European Exchange Rate System (ERM) and its successor Economic and Monetary Union (EMU) (Minford *et al.*, 2005; Baimbridge *et al.*, 2007; Baimbridge and Whyman, 2008). This acceleration of neoliberalism commenced with the Single European Act of 1986 that signalled a pivotal movement towards greater collective action through implying that EU laws should override domestic legislation in cases of conflict and thereby centralising the legislative process. However, official EC Commission calculations attempting to measure the benefits flowing from the SIM (Cecchini, 1988) paid little attention to its distributional impact (Burkitt *et al.*, 1992; Baimbridge and Whyman, 2008). A further step was the evolution of the ERM designed to provide exchange rate stability through the mutual cooperation of its members' governments and central banks, while in the run-up to establishing the euro, exchange controls were

withdrawn and realignments ended, leading to the so-called period of 'hard ERM' to condition currencies to the reality that would exist once EMU was introduced (Minikin, 1993). This, however, came at the cost of preventing currency realignments that conform to a country's long-term competitive position, where the ERM crisis of 1992-93 illustrated the difficulty when the anchor economy was temporarily enjoying an inflationary boom in the aftermath of German reunification when most other Member States were suffering from deflation (Baimbridge and Whyman, 2008).

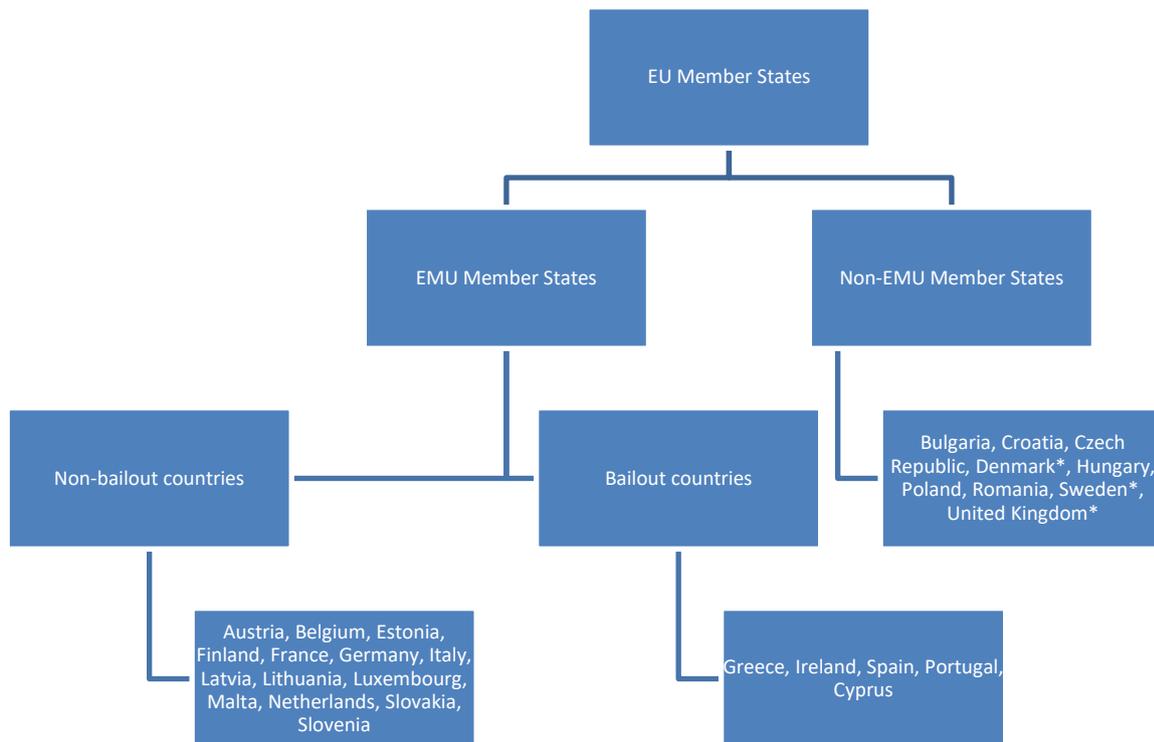
As a final area regarding EU economic integration has been the logical culmination of the movement towards 'ever closer union' in terms of EMU that is without precedent since there has never been an economic and monetary union between a group of countries without a simultaneous movement towards political union (Goodhart, 1995). The key economic benefits claimed for EMU entry include greater nominal exchange rate stability that is assumed to encourage greater trade and investment that, in turn, should result in higher growth and employment. Second, a reduction in transaction costs since firms will no longer have to exchange currency to complete a sale; while price transparency should increase, facilitating traders to make cheaper purchases and increase competition across the eurozone. Fourth, through the ECB ensuring price stability, then inflation is likely to be lower thereby enhancing competitiveness. Finally, the creation of the euro would establish a major world currency that could confer certain economic advantages as well as providing political prestige (Baimbridge et al., 2000). In contrast, the principal arguments advanced by those critical towards EMU include concerns regarding the loss of control over monetary policy and influence over the exchange rate for national economic management, which is further constrained by the restraints upon fiscal policy resulting from the TEU convergence criteria and SGP rules on government borrowing and its accumulation in the form of national debt. Second, the lack of prior cyclical and structural convergence amongst participating eurozone members whereby unsynchronised business cycles and/or structural differences magnify the effects of asymmetric external shocks. Third, that the 'generous' interpretation of the TEU convergence criteria in order to ensure as many countries as possible participated in EMU implies that the majority of participants must continue to deflate their economies by raising taxes and/or cutting government spending in order to meet the rigid financial criteria. Finally, the absence of any substantial fiscal redistribution mechanism to stabilise EMU by transferring resources from favoured to weaker regions (Baimbridge and Whyman, 2015).

### **3. Eurozone crisis and euroscepticism**

As previously alluded to, the advent of EMU with its deflationary bias through the prioritising of price stability and deficit/debt criteria over growth and full employment has significantly changed economic policymaking in participating Member States with the new rule- and institution-based framework of the TEU, SGP and ECB superseding discretionary national macroeconomic management (McKinnon, 2003; von Hagen, 2003; Baimbridge and Whyman, 2015). Thus, participating countries now have two choices in times of economic distress. First, provided that it does not infringe the TEU convergence criteria or the SGP it can use fiscal policy to counteract whatever shock has occurred (Gali and Perotti, 2003). Second, it can wait for its labour market to alter wages and then prices and thus its overall degree of international competitiveness, known as internal devaluation (Baimbridge and Whyman, 2015). Hence, the methods of economic management and scope of democratic accountability have been fundamentally altered while the operation of EMU strengthens financial market integration and thereby reduces seignorage

revenues; currently a particularly acute issue for the Mediterranean economies (Baimbridge, 2015). Thus, the fiscal framework increases the burden on monetary policy to react to shocks, thereby constraining the ability of participants to stabilise their own economies, while for some eurozone economies this policy straitjacket further tightened through recourse to EC/IMF/ECB bailouts. In contrast, non-EMU countries retain considerable policy autonomy, albeit theoretically subject to the monitoring of deficit and debt levels. Figure x.1 illustrates the prevailing complex relationship between EU economies that potentially weakens macroeconomic policy coordination concerning whether they are EMU members (in receipt of a bailout or otherwise), or non-EMU countries (Baimbridge, 2015).

Figure x.1 Inter-relationship of EU economies



Where: \* = permanent opt-out from EMU

For post-WWII policymakers the ‘holy grail’ of economic management has been the simultaneous attainment of strong economic growth leading to full employment while not allowing inflation to accelerate or the current account to slide into deficit. Although we now recognise economic growth as an imperfect measure (e.g. failure to account for the introduction of new products, that more growth does not guarantee more happiness, omission of output not bought and sold, leisure and externalities etc.), it remains the cornerstone of economic management by its accumulative nature such that even a comparatively small fluctuation in growth rates over time will possess significant implications for living standards and employment levels (Coyle, 2014). Hence, to review economic performance, with particular reference to recent events, Table x.1 presents an overview of mean GDP growth and unemployment rates for several key time periods<sup>1</sup>: the completion of the SIM to the fixing of exchange rates for eurozone countries (1993-1998), the operation of the eurozone prior

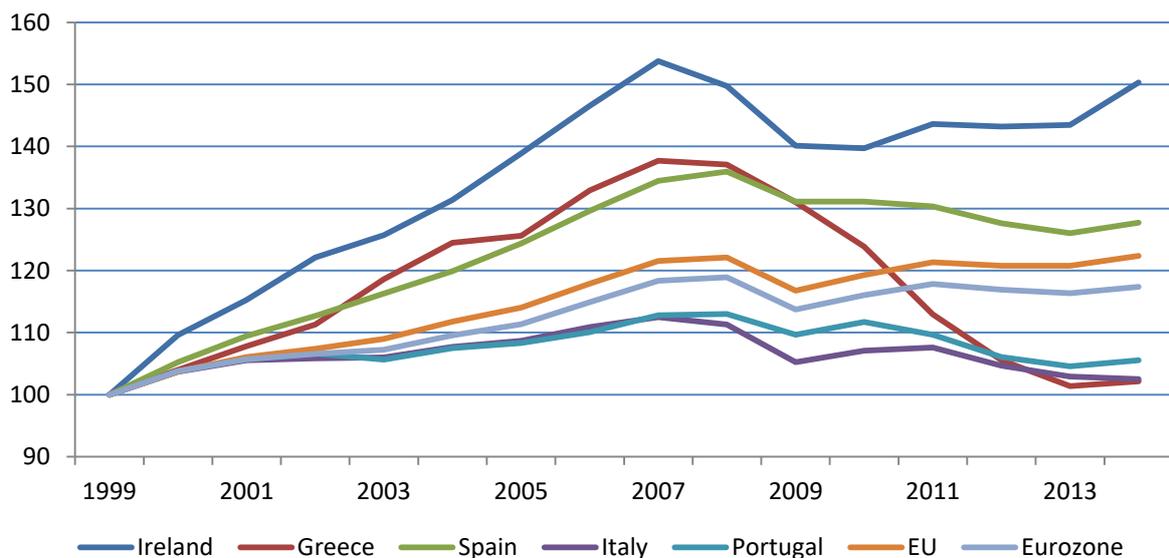
to the Great Recession/sovereign debt crisis (1999-2007) and of the Great Recession/sovereign debt crisis itself (2008-13). It is noticeable how relatively poorly the eurozone has performed with the slowest GDP growth and highest unemployment rate across all periods with such stylised facts lending support to the hypotheses that the eurozone is far from optimal through having failed to provide the ‘safety in numbers’ to weather shocks (Baimbridge, 2015).

Table x.1 Comparative economic performance

	Mean GDP growth rate (%)			Mean unemployment (%)		
	1993-1998	1999-2007	2008-13	1993-1998	1999-2007	2008-13
Eurozone	1.85	2.26	-0.11	11.26	8.77	9.25
EU	2.17	2.54	-0.08	10.65	8.71	8.74
OECD	2.62	2.56	0.19	7.32	6.45	7.59
World	2.89	3.26	1.55	5.30	5.83	5.86

To analyse these trends in greater depth, Figures x.2-x.4 focus upon these two macroeconomic indicators in relation to what have become known as the ‘crisis countries’ of the EU periphery (Ireland, Greece, Spain, Italy and Portugal), while for comparative purposes the trend for the overall eurozone and EU are also depicted. Consequently, when examining the impact of eurozone membership on alternative perspectives concerning growth Figures x.2 and x.3 illustrate the devastating effect that the crisis has had on this group of countries. First, to facilitate examination of real GDP this is indexed to 1999 to coincide with when exchange rates were irrevocably fixed between participating EMU economies, and reveals an inverted u-shape where the onset of the crisis forms the turning point (Figure x.2). Although Ireland has begun to make substantial steps towards recovery, no country has returned to its pre-crisis level of output, while Greece, Italy and Portugal have little to show for 15 years of EMU membership.

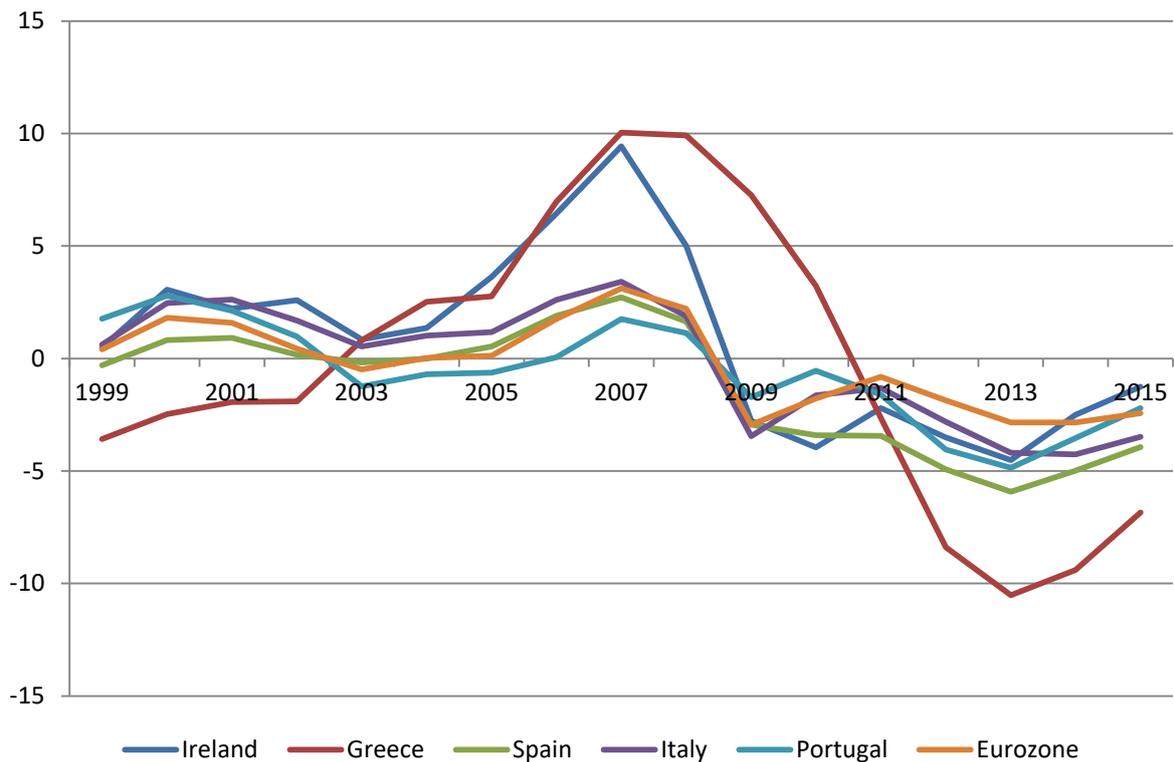
Figure x.2 Real GDP (index 1999=100)



Source: Eurostat

An alternative way to examine this collapse in growth is through notion of the output gap: the difference between actual and potential GDP (Figure x.3); where over the lifetime of the eurozone this has fluctuated from being positive to negative reflecting a change in the balance between aggregate demand and aggregate supply within the economy. Again the inverted u-shape is present with the deflationary bias of EMU evidenced by not only the overall eurozone trend, but the impact membership has had upon the periphery countries where the rollercoaster ride that Greece has undertaken being particularly pronounced.

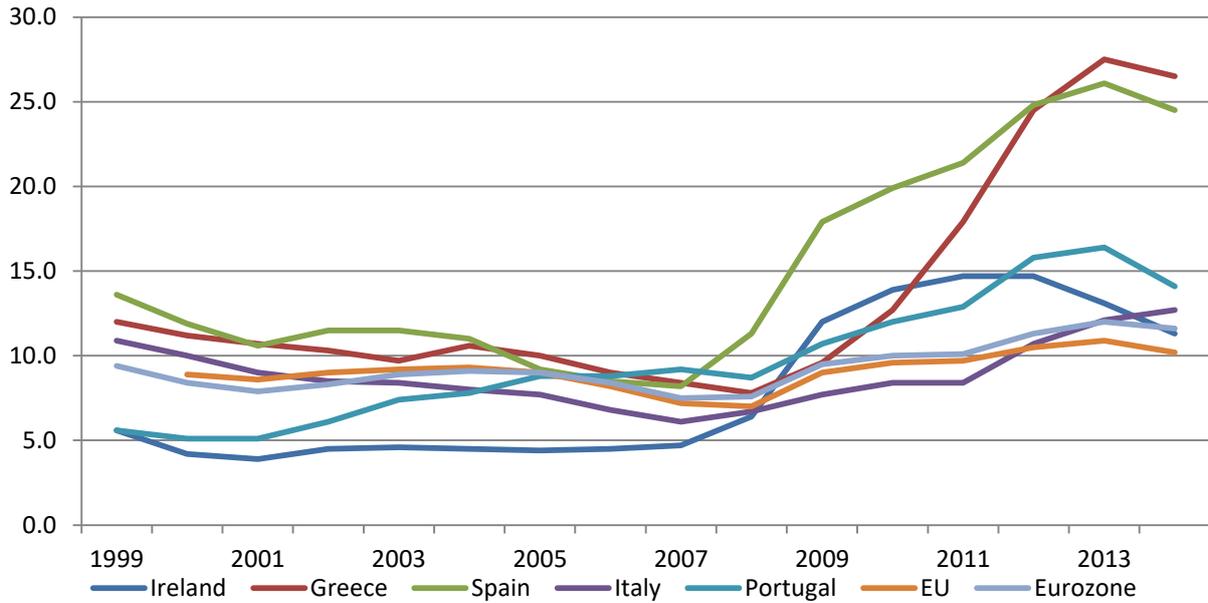
Figure x.3 Output gap (% of potential GDP)



Source: IMF

Finally, in relation to the internal economy the totemic issue of unemployment is considered for these crisis countries (Figure x.4) since it imposes a variety of costs to the individual, to output, to the government and to society as a whole (Dawson, 1992). The first issue of concern is that the initial period of growth witnessed by these periphery countries only resulted in a slow decline/flat lining in unemployment, while it actually increased in Portugal. Such an outcome indicates that the fruits of eurozone membership in its pre-crisis period failed to be reflected in significant levels of job creation. Hence, once the crisis occurred it is not surprising that unemployment increased across all these economies and precipitously so in Greece and Spain to levels reminiscent of the 1930s Great Depression with consequent implications for social cohesion (Mason, 2013; Fazi, 2014; Phillips, 2014).

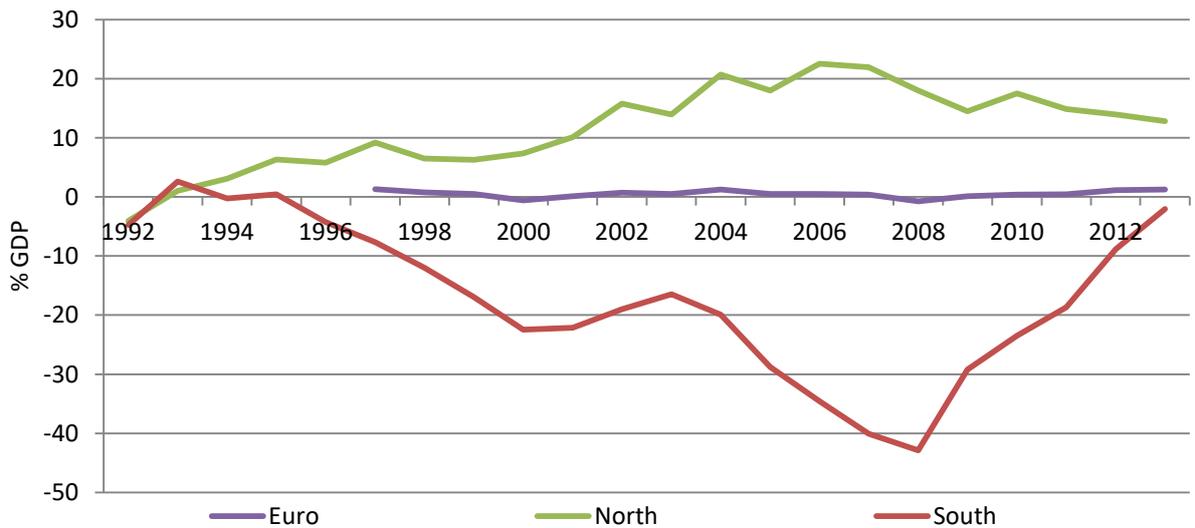
Figure x.4 Unemployment rate (annual average, %)



Source: Eurostat

A further problematic symptom of the Great Recession was the highlighting of current account imbalances (see Figure x.5). In relation to the rest of the world countries in the North/core (i.e. Germany, Netherlands and Austria) have persistently experienced current account surplus', while those in the South/periphery (i.e. Greece, Ireland, Portugal and Spain) have experienced persistent current account deficits despite an approximately balanced overall position for the eurozone as a whole (Holinski, et al., 2012). Although originally perceived to be irrelevant, with the focus being on the global balance of the eurozone, these divergences by reflecting relative competitiveness are now partially identified as sources of the eurozone crisis (Sawyer, 2012).

Figure x.5 Current account balance (% of GDP)



Source: IMF

Finally, in addition to its on-going economic maladies, a potentially more significant outcome from the eurozone crisis is to the EU's body-politic, of which Euroscepticism is but one aspect, with greater long-term damage potentially emerging through the imposition of 1930s style austerity policies (Blyth, 2013) based on a number of studies (Alesina and Tabellini, 1987; Persson and Svensson, 1989; Giavazzi and Pagano, 1990; Alesina and Ardagna, 2010) that were the touchstone for the shift towards so-called expansionary fiscal consolidation. Although their findings have been rebutted by a further series of studies (Jayadev and Konczal, 2010; Leigh et al., 2010; Gravelle and Hungerford, 2011; Perotti, 2011; Guajardo et al., 2011; Battini et al., 2012; Jordà and Taylor, 2013); nevertheless, significant short- and medium-term damage has been wrought that prolongs the pain when an economy is weak thereby potentially increasing Euroscepticism.

#### **4. Euroscepticism: definition, measurement and the economy**

In terms of examining the relationship between Euroscepticism and the economy, this chapter seeks to develop an objective/quantitative, as opposed to a subjective/qualitative, approach; specifically, it is argued that subjective measures are likely to suffer from reliability issues given the inherent problems of interpreting such indicators, whereas the adoption of objective measures allow for a more valuable and consistent set of insights to be derived. In this way the chapter seeks to provide an understanding into the occurrence of Euroscepticism in relation to various economic indicators. Consequently, it is necessary to identify a uniform objective measurement of Euroscepticism across EU Member States; such that for the purpose of this study this is defined as turnout at EP elections.

The effects of economic developments on voters have been addressed from a variety of theoretical and conceptual viewpoints, with the 'sanctioning model' employing a retrospective view and attributing economic developments to the government: rewarding parties in government when the economy is doing well, but punishing them in times of economic crisis (Key, 1966; Kramer, 1971; Fair, 1978; Fiorina, 1981; Ferejohn, 1986). Conversely, the 'selection model' adopts a prospective view whereby voters are interested in future developments and compare alternative political platforms to infer their competence to manage the economy (Persson and Tabellini, 1990; Alesina et al., 1997; Duch and Stevenson, 2008). Additionally, studies have also considered the impact of economic conditions and perceptions on public support for different issues, including European integration (Gabel and Whitten, 1997; Anderson, 1998; Garry and Tilley, 2009; Serricchio *et al.*, 2013). However, when the responsibility for economic policies is allocated to various levels of a hierarchical system such as within the EU between Member States and institutions like the ECB, then the issue of responsibility becomes blurred (Hellwig, 2008; Duch and Stevenson, 2010). Consequently, although the literature in this area remains underdeveloped, Costa Lobo and Lewis-Beck (2012) indicate that the economic voting mechanism is significantly weakened when voters attribute the responsibility for economic policy outputs to EU institutions. However, the magnitude and nature of the eurozone sovereign debt crisis is hypothesised to be of such fundamental gravitas through emerging from the EU's flagship economic framework, it is plausible to assume that voters will link their voting intentions to its performance. Indeed, following the crisis numerous ruling parties/national governments (e.g. Ireland, Finland, Portugal, Denmark, Spain, Greece, Italy, Slovenia, Slovakia, Lithuania and Croatia) across the EU subsequently fell (Gamble, 2014). Therefore, it appears reasonable to hypothesise that such sentiment will impact upon voting decisions regarding the actual source of prevailing economic circumstances.

An initial group of studies addressing this issue through the lens of strategic non-voting (Schmitt and Mannheimer, 1991; Franklin et al., 1996; Blondel et al., 1998) resulted in inconclusive findings whereby in comparison to national elections, economic voting at the EP level involves additional complexity since the economic policy domains of EU institutions are frequently vaguely defined, such that there are relatively few studies (Tilley et al., 2008). However, Schmitt and van der Eijk (2008: 214) suggest that with the greater transfer of policy to the EU and successive enlargements, then “Euro-sceptic abstentions in EP elections might have become more numerous and hence, strategic non-voting in the EU more important than in the past” while such considerations feature prominently among the hypothesised empirical determinants of vote choice in both the 2004 and the 2009 EP elections (Bartkowska and Tiemann, 2014).

Although through utilising aggregate secondary data it is not possible to differentiate between these alternative models, or to be definitive regarding voters’ strategic non-voting; it is hypothesised that there is both a direct and indirect linkage between economic performance and Euro-scepticism. The former would be through both the ‘sanctioning’ and ‘selection’ models, albeit with the added complexity of potentially imprecise lines of responsibility, in terms of the electorate voting for Euro-sceptic parties. However, for various reasons such as a relative lack of Euro-sceptic parties until recent EP elections, a generally favourable economic climate until the Great Recession/eurozone crisis and structural obstacles such as electoral thresholds; then prior to the two most recent EP election this would not have been a plausible option in many Member States (Schmitt and van der Eijk, 2008). Therefore, a more probable outcome would be strategic non-voting in EP elections; hence, the indirect route of Euro-scepticism is hypothesised to take this form, reflected by low turnout, which offers an objective, albeit imperfect, measure since the precise reasons for abstaining could be a combination of reasons of which Euro-scepticism is only one.

Table x.2 Summary of EP elections (1979-2014)

	Number of elections	Average turnout (%)
Belgium*	8	90.84
Luxembourg*	8	88.57
Malta	3	78.66
Italy*	8	73.32
Greece*	8	70.17
Cyprus	3	58.62
Ireland	8	55.41
Spain	7	54.18
Germany	8	53.04
Denmark	8	51.69
Austria	5	50.18
France	8	48.94
Portugal	7	44.00
Sweden	5	42.98
Netherlands	8	41.94
Latvia	3	41.76
Finland	5	40.97
Lithuania	3	38.90

Estonia	3	35.75
Bulgaria	3	34.68
Hungary	3	34.59
United Kingdom	8	33.82
Romania	3	29.86
Slovenia	3	27.09
Czech Republic	3	24.91
Poland	3	23.08
Croatia	2	23.04
Slovakia	3	16.55

Where: \* = compulsory voting

Since their inception in 1979, EP elections have singularly failed to grasp the imagination of the EU's populace such that the consequence of compulsory voting is evident within a cluster of 11 countries averaging over 50% turnout, while the remaining 17 are resolutely below this emblematic threshold (see Table x.2). However, the mean number of elections is greater for those Member States continuing to register turnout greater than half the electorate (6.7 compared to 4.3), suggesting that EP election fatigue is not a determining factor. However, further investigation indicates a more complex picture; for instance, as indicated in Table x.3 there appears to be an overall picture of relative stability illustrated by the statistically significant ( $p < 0.01$ ) positive correlation (1979-84 = 0.95; 1984-89 = 0.92; 1989-94 = 0.88; 1994-99 = 0.95; 1999-04 = 0.92; 2004-09 = 0.91; 2009-14 = 0.89) for EU average turnout in consecutive EP elections. However, a clear distinction between subgroups of EU countries emerges, whereby although turnout for the founding EU(6) was initially 75.08% and subsequently fell to 60.04% in 2014, this remained some 17.5 percentage points above the overall EU average<sup>2</sup>. Similarly, for the EU(15) the gap between their average turnout and that of the whole EU was higher in 2014 than in 1979; hence, for those long-established Member States turnout again appears to holding-up in relative terms.

Table x.3 Mean turnout in EP elections (%)

	1979	1984	1989	1994	1999	2004	2009	2014
EU	61.99	58.98	58.41	56.67	49.51	45.47	43.0	42.54
EU(6)	75.08	71.285	69.63	66.87	61.66	63.15	61.14	60.04
EU(15)	66.03	64.08	62.87	58.54	52.42	52.7	52.27	51.84
NMS2004-7						40.44	38.36	34.15
Eurozone <sup>3</sup>	73.44	69.48	67.19	61.31	56.09	51.93	51.56	47.65
Non-eurozone	40.09	42.48	41.27	44.68	37.77	37.19	35.16	35.49

In contrast, there are other potentially concerning trends such as the low turnout across in the New Member States (NMS) of the enlargements of 2004 and 2007 (NMS2004-7), questioning the degree of attachment felt between the electorate and the organisation they had only recently joined leading to the so-called Eurogap concept (Rose, 2004; Baimbridge, 2005). Second, the turnout of the eurozone economies was initially significantly above that of the EU overall as might be expected from those who subsequently embraced enhanced economic integration, but this has declined precipitously by some 25.79 percentage points suggesting a specific abnormality in the turnout path

of the eurozone countries. In contrast, the non-eurozone countries have consistently recorded the lowest turnout levels, potentially symbolising their lack of desire for ‘ever closer union’, but simultaneously they witnessed the smallest fall in turnout.

As indicated above, developments in patterns of Euroscepticism by strategic non-voting illustrated by changes in turnout are frequently subtle such that the examination of trends can provide conflicting evidence. Hence, an alternative procedure is to examine the timing and frequency of the peak values, whereby such patterns are evident although trends remain opaque (Mair, 2013). First, Table x.4 illustrates the occurrence of turnout less than the symbolic threshold of 50% for each EP election in terms of each Member State and the proportion in relation to the total number of Member States at the time of the election. This highlights the rapid acceleration in relative Euroscepticism whereby from 1994 onwards a majority of countries have registered turnouts of less than half the electorate.

Table x.4 European Parliamentary turnout below 50%

EP election	Member States	Proportion of Member States (%)
1979	UK	11.1
1984	Ireland, UK	20.0
1989	Denmark, France, Netherlands, UK	33.3
1994	Ireland, Netherlands, UK, Portugal,	58.3
1999	Germany, France, Netherlands, UK, Portugal, Sweden, Austria, Finland	53.3
2004	Denmark, Germany, France, Netherlands, UK, Spain, Portugal, Sweden, Austria, Finland, Czech Republic, Estonia, Lithuania, Latvia, Hungary, Poland, Slovenia, Slovakia	72.0
2009	Germany, France, Netherlands, UK, Spain, Portugal, Sweden, Austria, Finland, Czech Republic, Estonia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Bulgaria, Romania	66.7
2014	Germany, France, Netherlands, UK, Spain, Portugal, Austria, Finland, Czech Republic, Estonia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Bulgaria, Romania	60.7

Second, to explore the notion of patterns in timing and frequency of EP turnout a further approach is through examining the three instances of record low turnout (Mair, 2013). Consequently, Table x.5 lists the occasions when those Member States who have contested at least five EP elections<sup>4</sup> have recorded their lowest turnouts, while Table x.6 summarises this information to indicate the number and frequency of these events. Not only is the overall trend in declining participation once again evident, but its acceleration from 1999, accounting for some 80% of the instances of record low turnout, also coincides with the advent of EMU. Although the question remains whether this is coincidence or if it reflects the beginning of growing dissatisfaction, but no matter what is individually influencing turnout in Member States they nevertheless cluster together such that while turnout may ebb and flow the overall direction and magnitude of the change is unambiguous and suggests the development of disengagement/Euroscepticism.

Table x.5 Record low levels of EP turnout

	Years of lowest turnout
Belgium	2014, 2009, 1994
Denmark	1989, 1979, 2004
Germany	2004, 2009, 1999
Ireland	1994, 1984, 1999
France	2009, 2014, 2004
Italy	2014, 2009, 1999
Luxembourg	2014, 1999, 1989
Netherlands	1999, 1994, 2009
United Kingdom	1999, 1979, 1984
Greece	2009, 2014, 2004
Spain	2014, 2009, 2004
Portugal	2014, 1994, 2009
Sweden	2004, 1999, 1995
Austria	2004, 2014, 2009
Finland	1999, 2009, 2014

Table x.6 Frequency of record low turnout by EP election

EP election	No.	Proportion (%)
1979	2	5.0
1984	1	2.5
1989	2	5.0
1994	3	7.5
1999	8	20.0
2004	6	15.0
2009	9	22.5
2014	9	22.5

To capture this hypothesised relationship between the economy and Euroscepticism a number of standard macroeconomic indicators (economic growth, unemployment, inflation, current account balance), together with the budget balance, national debt and misery index<sup>5</sup> are selected to reflect a variety of potential linkages. First, the choice of the standard indicators reflects the role of government in terms of using active policies to manoeuvre the economy in pursuit of these economic objectives. Second, prior to their inclusion as part of the TEU/SGP criteria the two measures of national fiscal strength in terms of the budget balance and national debt as a proportion of GDP would have possessed little recognition for most citizens compared to the more pressing issue of living standards reflected by the rates of growth, unemployment and inflation; however, given the tumultuous events of the eurozone sovereign debt crisis they are now in the broader public consciousness.

Given that this analysis concerns the notion of Euroscepticism being reflected through lower EP turnout, then the expected hypothesised relationship between each macroeconomic variable and

turnout is as follows: economic growth (negative), unemployment (positive), inflation (positive), current account balance (negative), budget balance (negative), national debt (negative), misery index (positive). Additionally, a time trend was incorporated to capture the notion of a general temporal movement in Euroscepticism that would be reflected in a negative association. Table x.7 presents the statistically significant estimated correlation coefficients for those Member States that have participated in more than seven EP elections<sup>6</sup>. However, three of the hypothesised economic performance variables were not found to be statistically significant for any country; hence, they are omitted from the results presented.

Table x.7 Turnout in EP elections and hypothesised macroeconomic determinants

	Growth	Inflation	Budget deficit	National debt	Misery index	Time trend
Belgium		0.862**			0.816*	-0.814*
Denmark						
Germany		0.920**		-0.911**		-0.836**
Ireland						
France		0.886**		-0.882**	0.939**	-0.935**
Italy	0.769*	0.891**	-0.741*	-0.919**	0.789*	-0.971**
Netherlands						-0.771*
United Kingdom						
Greece		0.879**		-0.865**		-0.942**
Spain						-0.825*
Portugal						

Where: \* =  $p < 0.05$       \*\* =  $p < 0.01$

In relation to the hypothesised determinants of Euroscepticism the inflation rate appears to be the principal associated variable with EP turnout where its main adverse effects include unfairness whereby social groups such as those on fixed incomes lose while others in strong bargaining positions gain, redistribution between borrowers and lenders, distortion of economic behaviour and imposition of costs upon economic agents (Dawson, 1992). Hence, the impact of such forces could have driven electors to lose faith in the ability of politicians and more recently (independent) central banks, particularly with the latter represented by the ECB thereby shifting focus onto eurozone-wide economic management. The next key indicator is the level of national debt where it is correlated with turnout as hypothesised in Germany, France, Italy and Greece. Although as previously discussed the notion of national debt could seem somewhat distant from the perceptions of most citizens/voters, the attempt to control and reduce this in light of the TEU/SGP criteria, let alone bailouts via the EC/ECB/IMF Troika and subsequent austerity would appear to provide a linkage to Euroscepticism. Finally, a statistically significant relationship between the time trend and EP turnout is found for the majority of countries, but interestingly not for Denmark or the UK who are frequently viewed as being higher on the Eurosceptic spectrum. Thus, although a persistent feature of the EP elections has been the frequently poor turnout, this group of countries would hardly be categorised as 'awkward partners' of a Eurosceptic tendency. Consequently, as previously indicated in Tables x.2-x.5 these findings signal a potentially problematic occurrence for the EU in terms of dissatisfaction/Euroscepticism.

## 5. Conclusion

This chapter has sought to explore the relationship between economic performance and Euroscepticism; first, through discussing the changing nature of EU-related economic competences that initially formed around issues such as trade and budgetary contributions, which have now broadened to include the SIM and the current TEU/SGP/ECB macroeconomic policymaking framework of the eurozone. Second, it presented a brief overview of the recent economic crisis, particularly focusing upon its impact on those economies most severely affected. Third, it sought to develop an objective quantitative approach to the phenomenon of Euroscepticism through measuring it in terms of strategic non-voting reflected by EP election turnout before providing an insight into the association between this and various economic indicators.

Although the analysis revealed a number of statistically significant relationships between the hypothesised macroeconomic indicators and EP turnout/Euroscepticism, data limitations are prevalent given the five-yearly cycle of EP elections thereby severely curtailing the number of Member States realistically available for analysis. Moreover, it is likely that for most of the post-1979 period EU citizens have possessed little recourse to consider the impact of the EU policymaking upon their economies when voting in EP elections; hence, the established notion of them as second-order elections (Reif and Schmitt, 1980). Rather, in all likelihood, the notion of them becoming first-order will only have become probable since the introduction of the euro as interest rates were delegated to the ECB and national fiscal policymaking was subject to TEU/SGP constraints. However, the initial eurozone years generally brought prosperity such that it was not until the Global Financial Crisis triggered the Great Recession and the eurozone sovereign debt crisis that the potential for the EU's process of monetary union to become a millstone was apparent to many citizens. Hence, although the findings presented should be treated with caution they are supported by the well-established stylised facts concerning both EP turnout per se (see Tables x.2-x.7) and the economic contraction (see Figures x.2-x.4).

Ultimately, the key issue is whether the associations in this analysis are the first signs of a longer-term trend or merely a temporary phenomenon, thereby requiring the differentiation between impulse and propagation mechanisms. The former refers to the initial shock that was arguably the Great Recession/eurozone sovereign debt crisis, while the latter encompasses forces that magnify the initial effect of the shock over time; for example, the austerity-based policies adopted to resolve the crisis that have hailed the new economic reality of secular stagnation (Teulings and Baldwin, 2014) and pressure upon the European Social Model (Whyman et al., 2012). Indeed, it has been argued that a linked yet unintended consequence of such policies has been a distinct shift in the political landscape of several countries with the advent of growing dissatisfaction/Euroscepticism (Baimbridge, 2015) illustrated by support for either the far-right (e.g. Golden Dawn), protest parties (e.g. Five Star Movement), anti-euro parties (e.g. Alternative for Germany Party), anti-EU parties (e.g. UKIP, True Finns) or loss of confidence in the notion of 'ever closer union' (e.g. the renegotiation and referendum process in the UK that led to Brexit). Combining these outcomes with the further prominent decline in turnout in 2014 suggests a growing body of evidence for the hypothesised combination of direct and indirect support paths of Euroscepticism. However, only the passage of time will reveal whether these developments will endure to signal a tectonic shift in Europe's political landscape.

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## Notes

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<sup>1</sup> The data in Tables x.1 and x.2 excludes Croatia who joined the EU on 1 July 2013 and Lithuania is not counted as a eurozone country since they entered EMU on 1 January 2015.

<sup>2</sup> For the calculation of EP election turnout the initial 'out of sequence' EP elections of accession countries are counted as per the immediate prior EP election. Otherwise these results would be omitted from the quinquennial calculations.

<sup>3</sup> Excludes Lithuania since they entered the eurozone following the 2014 EP elections.

<sup>4</sup> This excludes those Member States that have joined the EU since 2004 who have only participated in a maximum of three EP elections so as to avoid bias in the subsequent analysis.

<sup>5</sup> The misery index, created by Okun (1978), is calculated by adding the unemployment rate to the inflation rate; whereby it is assumed that higher rates of both variables create economic and social costs for a country.

<sup>6</sup> Although this is somewhat of an arbitrary cut-off, this is already a small sample size in statistical terms. Luxembourg is omitted from this analysis due to missing observations.