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WORKING PAPER 2

More “Europe”, less democracy?

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Disclaimer

This working paper is based on the paper “More ‘Europe’, Less Democracy: Institutions, Budgets and Democratic Satisfaction”, presented on the conference “Europe at the Cross-Roads: Challenges of the EU for National Politics” held at Instituto de Ciências Sociais da Universidade de Lisboa, in October 15, 2018, a partnership between Institute of Public Policy, MAPLE, and FLAD. In this working paper we evaluate the consequences of the changing role of ‘Europe’ for the national decision-making process within European states. Our dominant hypothesis can be stated succinctly as follows: the greater the presence of ‘Europe’ in the national decision-making of European states, the greater citizen dissatisfaction with democracy in these states. What do we mean when we refer to ‘Europe?’ We see the term as a short-hand for that complex of supranational institutions that intervene in the domestic political affairs of European states, including “[The] IMF (International Monetary Fund), along with the Eurozone authorities, i.e. the Euro group (Committee of the Finance Ministers of the Eurozone), the European Commission, and the European Central Bank” (Lewis-Beck and Lobo, 2017, 609).

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Working Paper

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1. “Europe” and democratic dissatisfaction

Conceived of as this mix of supranational institutions in Europe, why should we expect ‘Europe’ to encourage democratic dissatisfaction in European countries? The main reason is that the EU lacks a sufficient democratic mandate, since the electoral mechanisms for registering citizen desires are weak to non-existent. In other words, when ‘Europe’ imposes policy decisions on national governments, these decisions suffer from a ‘democratic deficit’.

The term, ‘democratic deficit,’ surfaced in the 1970s, and has been attributed to British MP and Oxford scholar, David Marquand (1979). Some argue that this democratic deficit can be good (Moravcsik, 2002), other scholars take an ostensibly more neutral stance (Schneider and Slantchev, 2018). Still others are not so temperate. Reflecting on the troika’s intervention during the Greek crisis, Varoufakis – the Greek finance minister at the time – denounces the intervention in the following words: “[W]hat is at stake. French democracy, Spanish democracy. British democracy. Italian democracy. Democracy throughout Europe” (Varoufakis, 2017: 483).

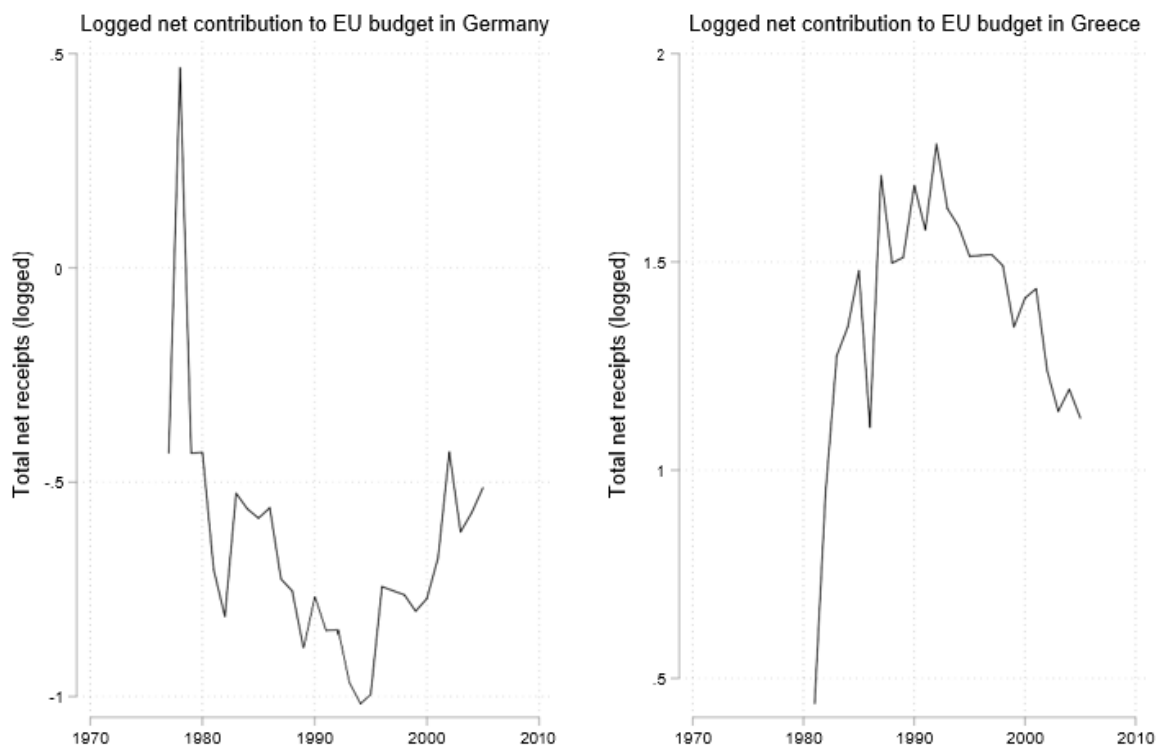
Our goal is to assess the validity of Varoufakis’ claims. That is, does more ‘Europe’ and a larger impact of ‘Europe’ in the decision-making in Europe countries threaten European democracies? To capture this element of threat, we focus on the extent to which citizens in different European countries are satisfied with how democracy functions in their country.

2. A trend towards more “Europe”

Key to our argument is the presence of a trend towards more ‘Europe’. Over time, European countries have transferred part of their decision-making power to supra-national institutions. This transfer and the subsequent loss of sovereignty, it is assumed, culminates in a democratic deficit within the EU.

The figures below offer examples of such transfer of power, in terms of relevant variables. In Figure 1, we show how the presence of Europe, in terms of countries’ budgets, varies over time. We focus on two countries to illustrate temporal and cross- national variation. The left-hand panel shows how Germany has become a ‘loser’ state, in terms of its net budget contribution to the EU. The figure to the right shows, by way of contrast, how Greece has become a ‘winner’ state, in terms of its net budget contribution to the EU.

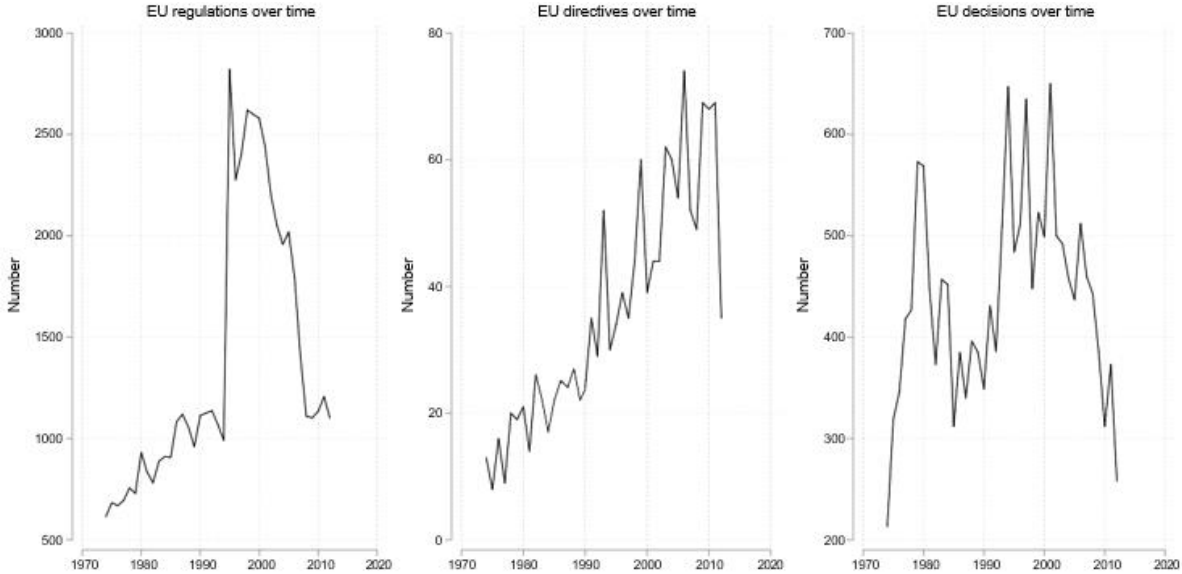
Figure 1 – Logged net contribution to the EU budget in German and Greece



Note: Graphs show the logged net contribution to the EU budget in German (left-hand panel) and Greece (right-hand panel) between 1970 and 2005. Source: Schneider (2013).

The presence and impact of ‘Europe’ in domestic politics cannot only be quantified in terms of the budget, but also with respect to legislative work. Using the dataset that Dimitri Toshkov has compiled, we illustrate in Figure 2 the over-time trends in the raw numbers of EU regulations (left panel), EU directives (middle panel) and EU decisions (right panel), which are the three forms that EU legislation can take. We see that, while there appears a tendency for these numbers to increase over time that is not always so, e.g., after 2000 it seems, respectively, that the pattern may be either down, up, or flat, depending on the type of legislation examined.

Figure 2 – Raw number of EU regulations, directives and decisions over time



Note: Graphs show raw number of EU regulations (left), EU directives (middle) and EU decisions (right) between 1970 and 2012. Source: www.dimitier.eu/Eurlex.html

3. Democratic deficit within the EU: The debate moves from elites to the people

The data that we presented in Figures 1 and 2 suggest a trend towards more 'Europe'. But are such power transfers actually perceived by the people? And, if so, what are the consequences for domestic politics, in particular for democratic functioning? Did the notion of European integration change from a positive image to a negative image, with consequences for the internal workings of decision-making from state to state? Did it go from cooperation to conflict or, in the words of Hooghe and Marks (2009), "From permissive consensus to constraining dissensus." (see also, Tallberg, 2004). Our special charge concerns the consequences for domestic politics, in particular democratic functioning.

We begin with the question of when 'Europe' emerged as a distinctive issue in mass publics, illustrating the process with the pivotal case of France. On September 20, 1992 less than 51% of the valid votes exercised by the French electorate said "Yes" to ratification of the Maastricht Treaty, a *petit oui* and a surprising setback for President Mitterrand. "[T]he outcome of the referendum seemed to pit one section of the mass electorate against the established political elite....The fine line that has appeared between the elite-driven commitment to Europe and the demands of the significant anti-European element in the electorate is one that will prove difficult to maintain in the coming years" (Appleton, 1996: 302). According to Ross (2000: 87), this close division of the popular vote should not have been a surprise, since "The French electorate never allowed European integration to go forward in a state of 'permissive consensus'" Ross (2000: 87) further indicates that since the presidential election of Chirac in 1995 "European integration ceased being external to French domestic politics". At least from the 1990s onwards, then, 'Europe' has been politicized in the French context.

But did this intrusion of 'Europe' into domestic politics show up in French public opinion? Reynié and Cautrès (2001: 87) refer to the "Construction européenne: le mythe du grand projet." Mayer and Tiberj (2004: 36) examine this question empirically by studying issue saliency in national opinion surveys before the 1995 and 2002 French presidential elections (first round). Focusing on the salience of 'European Union Construction', their results indeed suggest that 'Europe' might be but a myth, as it ranked dead last (by far) in terms of issue importance.

Despite the low saliency of the EU issue, however, citizens' opinion on the EU had a statistically significant effect on voting in the French presidential elections of 1995, 2002 and 2007 (Lewis-Beck et al., 2012: 110-111). In addition, in the first two (1995 and 2002, first round) of these elections, moderate candidates (left or right) gained votes from pro-EU feeling, while extreme candidates (left or right) gained votes from anti-EU sentiments. By 2007, however, this pattern began to change, "with the right (both moderate and extreme) benefitting more from European attitudes than the left....An implication is that the right is coming to 'own' the issue of Europe, struggling to take it away from its past owner, the left" (Lewis-Beck et al., 2012: 111).

Overall, from this review of the literature, we can conclude that 'Europe' has mattered for voters – at least the French voter – for some time. What about elections in other countries,

especially the ‘bailout’ countries? Between 2010 and 2012, Greece, Ireland, and Portugal were subject to sovereign bailout programs by ‘European’ agencies. Spain and Italy also had to institute harsh austerity programs. As we have written elsewhere, “[T]he policy mix which was administered by incumbent governments was similar (...) This external constraint placed politicians across all countries considered in a very difficult position: namely, they had to impose austerity policies to fulfill the external commitments, to an electorate that naturally was suffering the pains of such policies. This was a difficult predicament for political elites, and as expected, incumbent governments suffered a heavy toll at the polls” (Lewis-Beck and Lobo, 2017: 610).

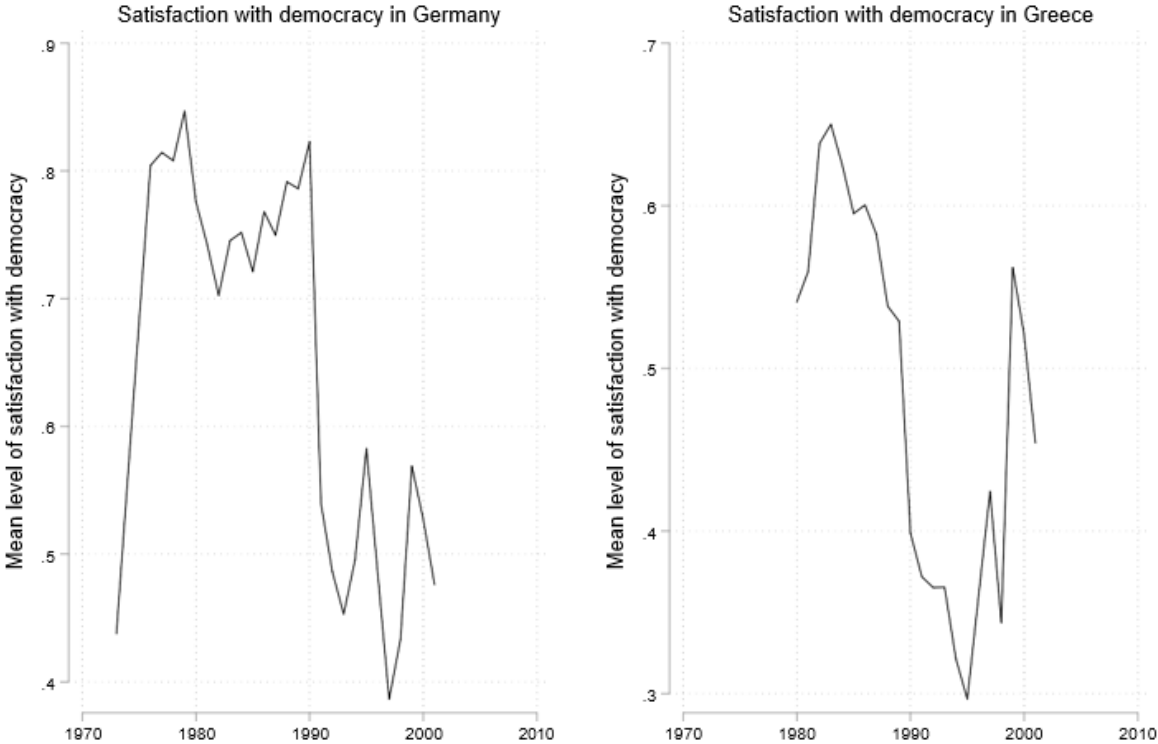
Furthermore, this was not merely economic voting as usual, which routinely occurs in sovereign states where governments are regularly punished for bad economic performance: “this crisis occurred in the context of a monetary union, and the states that were involved did not have full control of their fiscal and monetary instruments, due to the fact that they had entered the Eurozone in 2001 (Lewis-Beck and Lobo: 610). The situation was most severe in Greece. For that country, the consequences for future democratic elections appeared dire. Varofakis (2017: 482) has warned that “If our democratic, Europeanist, progressive challenge was strangled, the deepening crisis would produce a xenophobic, illiberal, anti-Europeanist nationalist international. This is exactly what transpired after the crushing of the Greek Spring”. Indeed, the requirements of the Greek case provided an ominous warning, when German finance minister Wolfgang Schäuble declared about them: ‘Elections cannot be allowed to change economic policy.’ (Varofakis, 2017: 237).

In sum, there is quite some evidence that voters are translating preferences about ‘Europe’ into political behavior, i.e., party choice in a national election (even in an election whose results might be overturned). While the examples of France and Greece are illustrative, comparative work confirms that the EU issue has the potential to guide voters’ behavior in national elections (de Vries, 2007). These ‘Europe’ consequences for national political behavior could be expected to spill over into fundamental attitudes about the system, namely satisfaction (or dissatisfaction) with democracy, the central object of our study here.

4. How does “Europe” shape democratic satisfaction?

Our argument, stated simply, says more ‘Europe’ causes citizens to form (divided) opinions on ‘Europe’, and those opinions shape domestic attitudes towards democracy. We are motivated, in part, by our concern over an emerging crisis of democracy in European countries. Figure 3 below offers illustrative examples, again focusing on the German and Greek cases. In the left-hand figure, we observe satisfaction with democracy in the German public rose to heights in the 1980s, then began to fall in the 1990s, after which it was up and down to the early 2000s. In Greece, by way of contrast, satisfaction with democracy fell to a low point in the mid-1990s, after which it began a rough upward climb to 2000, from which it took a noteworthy drop. That is to say, we observe considerable variation in satisfaction with democracy, and such variation we seek to explain.

Figure 3 – Satisfaction with democracy in Germany and Greece



Note: Graphs show mean level of satisfaction with democracy in Germany (left) and Greece (right) between 1973 (1980 in Greece) and 2001. Source: Mannheim Eurobarometer trend file (ZA study 3521). Satisfaction with democracy is measured on a 4-, 10- or 11-point scale and was rescaled to run from 0 to 1.

In terms of expectations, we pose some general propositions, and specific hypotheses, about how certain ‘Europe’ organizational forms and policy outputs result in changing levels of satisfaction with democracy.

First, we focus on the organization forms of 'Europe', in terms of institutions and major agreements and evaluate how these affect satisfaction with democracy in European states. We formulate three hypotheses, focusing on the role of the Schengen area, the Eurozone, and the Maastricht treaty:

Hypothesis 1a: Membership in the Schengen Area means less satisfaction with democracy.

Hypothesis 1b: Membership in the Eurozone means less satisfaction with democracy.

Hypothesis 1c: After Maastricht, satisfaction with democracy declines in EU countries.

Second, we evaluate the impact of the policy-making power of 'Europe', in terms of the importance of 'Europe' in countries' national budget and in terms of the legislative decision-making power of Europe. We formulate three hypotheses:

Hypothesis 2a: The larger a country's share of the EU budget, the more satisfaction with democracy.

Hypothesis 2b: The larger a country's contribution to the EU budget, the less satisfaction with democracy.

Hypothesis 2c: The more legislative decisions in the national parliament are shaped by 'Europe', the less satisfaction with democracy.

Besides these organizational and policy variables, we would expect satisfaction with democracy to be influenced by other factors, which we bring into the model as control variables. These controls include economic growth (Clarke et al., 1993), electoral system type (Anderson and Guillory, 1997), and national level turnout (Ezrow and Xezonakis, 2016).

5. Data and measures

We present the results of preliminary analyses, for which we utilize the Mannheim Eurobarometer trend file¹. The trend file includes the Eurobarometer public opinion surveys that were conducted in European countries and covers the period 1970-2002.²

The dependent variable, satisfaction with democracy (SWD), is tapped by the following item: ‘On the whole, are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the way democracy works (in your country)?’ Satisfaction with democracy is hence measured by means of a four-point scale, except in 1975, 1976, 1977 (when 11-point scales were used) and 1988 (when a 10-point scale was used). We recoded the SWD variable as a dichotomous variable that takes the value of 1 for ‘very satisfied’ and ‘fairly satisfied’, 0 otherwise.

To test our hypotheses, we include a set of independent variables. First, to test hypotheses 1a, 1b and 1c, we include dummy variables that reflect whether a country was a member of the Eurozone, a member of Schengen, and whether it was an EU-country post the Maastricht treaty. Further, to evaluate the impact of ‘Europe’ in national budgets, we include a measure of the EU member's annual budget receipts (*Total net logged receipts*) and a measure of the share of overall annual EU budget commitments (Share EU budget (%)). Both of these measures are taken from Schneider (2013). Finally, to capture the EU impact in legislative decisions we include the natural log of the total number of norms (i.e., regulations and directives), using Toshkov's data.

The control variables included in our analyses are GDP growth (taken from The Conference Board³), the electoral system (i.e., proportional systems, mixed systems and majoritarian systems, using data from IDEA⁴) and national-level turnout in the most recent legislative election (taken from IDEA). We also control for a country's year of entry to the European Union and for whether or not European Parliament elections were held in a particular country-year.

¹ For access see <https://www.gesis.org/eurobarometer-data-service/search-data-access/eb-/trends-trend-files/mannheim-eb-trend-file/>

² The main limitation of relying on the trend file is the time frame, which does not include the most recent period (in particular, the post-2008 financial and economic crisis that hit European countries).

³ For access see <https://www.conference-board.org/data/economydatabase/index.cfm?id=27762>

⁴ For access see <https://www.idea.int/advanced-search>

6. Results

To test our hypotheses, and to validate the robustness of our analyses, we relied on two different empirical strategies. In a first step, we carried out analyses of the individual-level survey data (over 500,000 cases). To account for the nested structure of the individual-level dataset, we estimated random intercept models, with individuals nested in country-years nested in countries (Gelman and Hill, 2006). We estimate linear probability models, and limit the analyses to the EU-15 countries. In addition to the control variables that were listed in the previous section, the individual-level analyses also include controls for respondents' age and sex.

Second, because of the rather low number of higher-level units in the multilevel models, we also verify whether conclusions hold when aggregating the data and estimating time-series cross-sectional (TSCS) models (of 283 country-years). These models are estimated using ordinary least squares (Model 1 in Table 2) and by means of a Prais-Winsten regression (Model 2 in Table 2), in which first order autocorrelation was specified and in which standard errors were adjusted to account for the panel-structure of the data.

Table 1 summarizes the results of the random intercept models. To reduce multicollinearity, we present five different models. All models include the institutional control variables, but the budgetary and decision-making variables are tested separately (in Models 1 to 4) before including all variables simultaneously.

We observe firm, statistically significant effects of 'Europe' organizational reforms on satisfaction with democracy, at the micro-level of the European citizen (in Eurobarometer survey data (1970 - 2002)). In particular, membership in Schengen and the Eurozone significantly impact democratic satisfaction, the former having negative effects, and latter having positive effects. Further, the results in Table 1 suggest that satisfaction with democracy went into significant decline after the 1992 Maastricht treaty.

These results sustain themselves, when we turn to the aggregate, TSCS analysis (results reported in Table 2). Also, across both levels of analysis, the control variable of economic growth makes a significant difference, with more growth leading to more satisfaction. Perhaps surprisingly, the policy variables of budget share, net receipts, and legislative regulation do not achieve statistically significant effects, at either level of analysis. Finally, besides economic growth, we observe effects from some other controls (e.g., age and gender), but not all (e.g., the electoral system, voter turnout fail to achieve statistical significance).

Table 1. Random intercept linear
Democracy

probability models explaining satisfaction with

	(1)	(2)	(3)	(4)	(5)
Age	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)
Male	-0.003** (0.001)	-0.005*** (0.001)	-0.005*** (0.001)	-0.005*** (0.001)	-0.005*** (0.001)
Shengen	-0.059** (0.019)	-0.056** (0.019)	-0.056** (0.019)	-0.061** (0.021)	-0.061** (0.021)
Eurozone	0.043* (0.021)	0.046* (0.021)	0.045* (0.021)	0.047* (0.020)	0.047* (0.021)
Post Maastricht	-0.067*** (0.018)	-0.058** (0.019)	-0.058** (0.020)	-0.052** (0.019)	-0.059** (0.020)
EU entry year	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)
EP election year	0.008 (0.012)	0.006 (0.012)	0.006 (0.012)	0.008 (0.013)	0.008 (0.013)
Share EU budget (%)		-0.001 (0.002)			-0.001 (0.003)
Total net logged receipts			-0.002 (0.011)		-0.000 (0.012)
Norms (logged)				0.019 (0.035)	0.018 (0.037)
GDP growth t-1	0.010*** (0.002)	0.013*** (0.003)	0.013*** (0.003)	0.012*** (0.003)	0.013*** (0.003)
PR electoral system (ref: majoritarian)	0.031 (0.092)	0.014 (0.094)	0.021 (0.094)	0.031 (0.094)	0.015 (0.095)
Mixed electoral system (ref: majoritarian)	0.110 (0.097)	0.102 (0.099)	0.112 (0.098)	0.121 (0.098)	0.103 (0.100)
Turnout	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)
Year	0.005*** (0.001)	0.004* (0.002)	0.004* (0.002)	0.003 (0.002)	0.004 (0.002)
Constant	-11.942* (5.138)	-10.025 (5.582)	-10.434 (5.525)	-7.528 (5.659)	-9.042 (5.942)
σ^2 country-years	0.007	0.006	0.006	0.006	0.006
σ^2 countries	0.013	0.013	0.014	0.014	0.013
(N) individuals	552,045	524,966	524,966	540,036	524,966
(N) country-years	306	268	283	297	283
(N) countries	15	15	15	15	15

Note: Estimates and standard errors (in parentheses) of random intercept linear probability models explaining satisfaction with democracy. Significance levels: * $p < .05$; ** $p < 0.01$; *** $p < 0.001$. Source: Mannheim Eurobarometer Trend file.

Table 2. Explaining mean level of satisfaction with democracy in country-year

	(1)		(2)	
	<i>OLS regression</i>		<i>PSCE, AR(1)</i>	
Shengen	-0.067**	(0.022)	-0.042	(0.026)
Eurozone	0.053*	(0.021)	0.056*	(0.024)
Post-Maastricht	-0.059**	(0.020)	-0.065**	(0.023)
EU entry year	0.001	(0.002)	-0.002	(0.002)
EP election year	0.015	(0.013)	0.016	(0.010)
Share EU budget (%)	-0.001	(0.003)	-0.000	(0.003)
Total net logged receipts	0.000	(0.012)	0.002	(0.012)
Norms (logged)	0.031	(0.038)	0.029	(0.031)
GDP growth t-1	0.012***	(0.003)	0.006*	(0.003)
PR electoral system	0.016	(0.101)	-0.025	(0.079)
Mixed electoral system	0.104	(0.106)	0.064	(0.067)
Turnout	0.001	(0.002)	-0.000	(0.002)
Year	0.003	(0.002)	0.002	(0.002)
Country FE			Included	
Constant	-8.614	(6.206)		
(N) country-years	283		283	

Note: Estimates of OLS model (Model 1) and Prais-Winsten regression with first order autocorrelation and panel corrected standard errors (Model 2). Standard errors are reported in parentheses. Significance levels: * $p < .05$; ** $p < 0.01$; *** $p < 0.001$. Source: Mannheim Eurobarometer Trend file.

7. Conclusions

We began with consideration of the fact that ‘Europe’, contrary to some views (especially earlier ones) does influence citizen behavior, in particular by way of vote choice in national European elections. This condition reinforced our expectation that ‘Europe’ also influences fundamental political attitudes as well, namely satisfaction with democracy. Thus far, we have been able to uncover significant direct effects from organizational change in the EU, i.e., Schengen, the Euro Zone, Maastricht. However, we have been unable to uncover direct effects of ‘Europe’ policies (in particular on domestic budgets and regulations). This may simply be because there are none. However, we believe that, more likely, it is the lack of data beyond 2002 and beyond the EU-15 that have generated this null result. In that regard, our next tasks are to extend our analyses, making it more fully comprehensive in time and space.

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