

This paper is a combination and adapted version of several chapters from my book manuscript “Losing Hearts and Minds: Public Euroskepticism and the Future of European Integration” prepared for EUI workshop, May 2015

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## “Should I Stay or Should I Go?” A Reference-Point Dependent Theory of EU Preferences

Should I stay or should I go now?  
*If I go there will be trouble*  
*And if I stay it will be double*  
So come on and let me know

The Clash, 1982

Bruised by the Eurozone crisis, large parts of the public have come to doubt the competence and integrity of their political and financial masters in Brussels and at home. The Eurozone crisis proved a real stress test for the Europe. While recovery may be on its way, the great recession has left a mark on popular opinion. What many citizens have learnt from the recent struggles over the Euro and the Monetary Union is not to blindly trust politicians and technocrats who blithely promise that more Europe will automatically deliver economic prosperity and stability. The idea of an ever-closer Union that benefits all has become increasingly under attack, albeit for different reasons. In Southern countries like Greece, Italy, France and Spain, the EU is blamed for imposing punitive austerity measures that have left millions out of work, while in countries in Northern Europe such as Germany, the Netherlands or the United Kingdom the EU is blamed for being too lax with highly indebted

member states, and held responsible for the stark influx of cheap labour from the East. Again in some Eastern European countries like Hungary or Bulgaria the EU is blamed for interfering with domestic issues like minority rights for example. Whilst economic recovery may be on its way, the rise in Eurosceptic sentiment is no longer a phenomenon tied to small segments of society, extremist political parties or to specific economic cycles. Rather Euroscepticism seems to constitute something of a popular revolt against what is perceived to be dictates from Brussels or even a return to nationalist rhetoric as the heated debate about potential German war reparations to Greece illustrates. Indeed, the first president of the Council Herman van Rompuy in his speech on the 9<sup>th</sup> of November 2010 in Berlin warned: “We have together to fight the danger of a new Euro-skepticism. This is no longer the monopoly of a few countries. In every member state, there are people who believe their country can survive alone in the globalized world. It is more than an illusion: it is a lie.” Feelings of discontent and anger over Brussels’ lacklustre response to economic downturn and waves of intra-EU migration allowed public support for the European project to plummet to an all time low.

So far, the popular perception; this study aims to examine if the extent to which public opinion towards European integration can today indeed be best described as “Eurosceptic”, how it is distributed across the Union and changes over time, and finally how worried national and European elites should be. In order to do so, I first carefully define Euroscepticism. Many scholars to date have made excellent contributions to this respect, yet one important element has been largely overlooked in my view, that is that Euroscepticism is inherently *reference-point dependent*. The notion of reference-point dependent preferences was popularized in economics and psychology by the seminal work on prospect theory by Kahneman and Tversky (1979, 1992). Following insights from prospect theory, I suggest that EU preferences are

based on counterfactual reasoning by which an individual (or group of individuals) compares the utility they derive from their country being part of the Union with the utility they would derive from their country being outside. These are essentially unknown quantities and therefore largely subjective in nature. Whilst the objective competitive advantage of the EU is difficult to quantify, people do have a general perception of the benefits they derive from being part of the EU or outside which are influenced by their socio-economic characteristics and the views of media and party opinion leaders (Gabel 1998, Hooghe and Marks 2005, Steenbergen et al 2007). If people perceive the benefits from being part of the Union to be smaller than the benefits from being outside, they are characterized as Euroskeptic, whereas when perceived benefits from being part of the EU exceed those from being outside, are described as Eurosupportive. Yet, EU preferences are not only characterized by support or skepticism, but also inherently complex. By combining work on political support by Easton (1965, 1975) and a distinction between different types of EU issues by Bartolini (2005), I distinguish between membership preferences that tap into people's views about the EU's constitutional arrangements, and outcome preferences that relate to evaluations about policy outcomes originating from the EU level. This distinction between different types of EU preferences is important as they coincide with very different views about what kind of reforms are needed at the EU level and support for parties that propose different EU solutions.

I will outline my reference-point dependent theory of EU preferences by first reviewing the literature on public opinion towards Europe, then introducing the idea of reference-point dependent preferences and subsequently outlining my typology of EU preferences. In the last part of this paper, I will provide empirical support for my typology, outline the major

developments in EU preferences in the last decade and discuss implications for support for reform of or exit from the Union.

*Euroskepticism and -Support: What Do We Know and Why Does It Matter?*

In the midst of the Euro crisis sweeping across Europe, public support for European integration seems more important than ever. Although the EU has experienced crises before, the current situation breaks with past experiences in at least one vital respect: future steps in the integration process can no longer be taken without popular consent. The days that European integration could be pushed forward without public scrutiny are over. Until the late 1980s European integration was largely uncontested in the eyes of the general public. In the early years, the European project was conceived as a technocratic and elite-driven project that allowed national elites to secure national interests. This period was characterized as the time of the “permissive consensus” (Lindberg and Scheingold 1970). As long as national elites could serve national interests through the establishment of European institutions, integration could be seen as nothing to worry about. During the past decades the EU has moved away from a largely elite-led diplomatic project to a system of multilevel governance in which member states share policy-making with supranational institutions, such as the Commission, the European Central Bank (ECB) and the European Parliament (EP). This shift in the power balance between national governments and supranational institutions has not gone unnoticed by the public, especially not during the current crisis. At present, we are witnessing increased public contention over European matters in election and referendum campaigns, as well as party and media discourse (De Vreese, 2003; De Vries, 2007, De Vries and Edwards, 2009; Van der Eijk and Franklin, 2004; Hobolt, 2009; Hooghe, Marks and Wilson, 2002; Kriesi et al., 2006, 2008; Steenbergen, Edwards and De Vries, 2007; Tillman, 2004, 2012, to name a few). Questions are being raised about

where the train of European integration is heading, who is in the driver's seat, and if member states are getting a return on investment.

Public opinion towards Europe has interested scholars for over three decades now. Yet, the majority of this work has focused on the determinants of support, rather than on the concept as such. Within the extensive literature on public opinion towards the EU and the process of European integration, three perspectives on the origins of support dominate: the utilitarian, the identity and the cues explanations (Hooghe and Marks 2005, Hobolt 2012). Utilitarian theory is reliant on self-interested or macro explanations of political attitudes, and suggests that citizens are more likely to support integration if it results in a net benefit to the national economy or to their own pockets (Anderson and Reichert, 1995; Eichenberg and Dalton, 1993; Gabel, 1998; Gabel and Palmer, 1995). The second perspective highlights identity considerations as a decisive force shaping support for the EU (Bruter, 2005; Carey, 2002; Carey and Lebo, 2001; Diez Medrano, 2003; Hooghe and Marks, 2005; McLaren, 2002). Specifically, people with a more exclusive national identity are less likely to support European integration. Finally, authors suggest that given that on average citizens do not have a large store of knowledge about politics, let alone about the EU, they aim to overcome for these informational shortfalls by relying on cues. Especially, cues presented by political elites can provide citizens with cognitive shortcuts that help them decide what is in their interests (Ray 2003, De Vries and Edwards, 2009, Gabel and Scheve 2007, Ray 2003, Steenbergen et al 2007).

Although it is of crucial importance to understand the determinants of support, we might first want to ask: what does it actually mean to support or be skeptical about the EU? Most authors define Euroskepticism simply as the anti-pole of EU support (see Hooghe and Marks 2005). Support or skepticism can thus be largely understood as a point ranging on a scale ranging from

pro- to more anti-EU stances. This raises some questions. First, what is the cut-off point to coin an individual (or group of individuals) Euroskeptic or Eurosupportive? Proksch and Lo (2012) in their study of party positions suggest that Euroskepticism versus Eurosupport might be best understood as categorical in nature and relate to a difference in kind rather than degree. Szczerbiak and Taggart (2002, 2008a, b) who also study party positions suggest that Euroskepticism is a even more complex than previously assumed and is at least a two-dimensional concept including “hard” and “soft” Euroskeptics. Hard Euroskepticism is the opposition to membership of, or the existence of, the EU, whereas the soft variant is support for the existence of, and membership of, the EU, but with opposition to specific EU policies. Second, do people hold clear-cut opinions about an object as complicated and diverse as the EU? Recent scholarly work suggests that they might not (De Vries and Steenbergen 2013, Boomgaarden et al 2011). While traditionally scholars have assumed public opinion to reflect fixed attitudes, recently De Vries and Steenbergen (2013) suggest that these attitudes as inherently variable, reflecting differential degrees of certainty and ambivalence while Boomgaarden and colleagues (2011) suggest that a one-dimensional approach to attitudes towards the EU is insufficient and should be replaced by a multi-dimensional understanding including a performance, identity, affection, utilitarianism and strengthening dimension. What both of these recent approaches have in common is that they allow for situations in which citizens may support some aspects of European integration, while simultaneously opposing others. Attitudes characterized by such complexity are held with less certainty, are retrieved from memory with more difficulty and, overall, tend to be less stable over time (Huckfeldt and Sprague, 2000; Zaller, 1992). What is more, this type of ambivalence of attitudes not only makes citizens more vulnerable to persuasion (Zaller, 1992), but also makes them more driven by whatever considerations are salient at that moment (Lavine, et al.

1998). By consequence, EU preferences are characterized by uncertainty and complexity.

After having established that Eurosupport or Euroskepticism might be complex concepts that entail a variety of elements, the question becomes does this matter? Are certain manifestations of support or skepticism more or less damaging for the integration process as such? Only if this is the case, does it seem worthwhile to distinguish between several types of EU preferences. In order to address this question I draw like others before me on the seminal work by Easton (1965; 1975). Easton pioneered the study of public support for systems of government. In Easton's words (1975; 436) political "support refers to the way in which a person evaluatively orients himself to some [political] objects through either his attitudes or his behavior" (1975: 436). On the basis of his classical distinction we can differentiate between two different modes of political support: *specific* and *diffuse*. Whereas diffuse support refers to general value-orientated attachments, specific support is based on a cost-benefit analysis and refers to instrumental evaluations. Diffuse support is thus indicative of public agreement with the system for its own sake irrespective of specific policy performance of this system. Specific support, however, is expected to vary with popular evaluations of the outcomes of public policy (see also Dalton, 1999). Indicators to capture the degree of diffuse support are for example the adherence to the values of democratic government, political rights and trust in the political system. Specific support can be operationalized by reviewing citizen agreement with policy outcomes, types of public good provision or evaluations of specific elites.

According to Easton specific support is by definition more variable than diffuse support as it reflects the evaluations of policy outcomes and elites of the day. Temporal variability in specific support or even a decline in it, albeit over a short time-span, might therefore not be problematic. Diffuse support, in Easton's view however, is much more crucial for the survival of

the political system. It serves as a reservoir of favorable attitudes that aids people to tolerate disappointment about specific outputs. Within a system of representative democracy policy disappointments will almost always spring up as the policy-making process rarely yields Pareto-efficient outcomes, that is to say no change to a different allocation would make least one individual better off without making any other individual worse off. Rather policy-making by majoritarian democratic rule will always create winners and losers. As long as the losers display affective ties and support for the general principles and the formal rules that underpin decision-making diffuse support for the system is secured. Although these two different types of political support serve different functions, they are also closely interlinked. Specific support based on utilitarian considerations may ultimately lead to affective support for the system as such. Positive evaluations about the functioning of political institutions are likely to contribute to the emergence of trust in and affective ties to the system. Reversely, a growing dissatisfaction with policy outcomes or specific elites if prolonged may ultimately lead to declining levels of trust the system. Building on Easton a system of governance like the EU needs to secure a fairly constant level of medium high diffuse support in order to secure its survival, whereas specific support might display short-term fluctuations without affecting the functioning of the system as such. In the EU context, we could apply the Eastonian framework developed in the national context in the following way. Diffusive support would related to what Bartolini (2005) coins *constitutive issues*, that is to say questions of membership, delegation of competencies and institutional design, whilst specific support refers to *isomorphic issues* relating to specific policy proposals and outcomes that closely mirror policies discussed at the national level, such as typical left/right issues or immigration policy and law and order. In order to determine the degree to which Euroskepticism might harm or support might aid the Union, it seems crucial to establish EU



preferences for both constitutive and isomorphic issues. To differentiate between the two types of EU preferences, I introduce the distinction between *membership* and *outcome* preferences. Membership preferences tap into people's diffuse and long-lasting support or skepticism towards the EU's constitutional arrangements, while outcome preferences relate to specific support for or skepticism of the policies originating from the EU level. Negative outcome preferences that nonetheless coincide with positive membership preferences allow the Union to weather periods of public dissatisfaction or crisis; as long as these periods are fairly short-lived. The existence of both negative membership and outcome preferences are much more problematic for the Union to deal with and may even threaten its very survival.

Hobolt (2012) points out that “[t]his poses a challenge to the EU, since most citizens feel less emotionally attached to the EU than to their member states.” Hence, the EU may lack a buffer against bad policy outcomes. A similar view is advocated by Scharpf (2014). In his earlier work, Scharpf (1999) distinguishes between input and output legitimacy. Input legitimacy, in his view, refers to public support for the functioning and machinery of an institution: how members are selected, the procedures by which decisions are made and power exercised. It relates to the question of how to organize ‘government by the people’ and how to arrange the political system if decisions should emanate as directly as possible from the equal participation of all. Output legitimacy, however, refers to the public assessment of the relevance and quality of an institution's performance. Accordingly, output-oriented legitimacy arguments emphasize “government for the people” and the system is legitimate if and because it effectively promotes the common welfare of the constituency in question (Scharpf 1999: 6). Given that the central purpose of the existence of the EU over the years has become the development of a single market and the regulation of increasing economic

cooperation, Scharpf (2014) argues that the EU's democratic legitimacy predominantly rests on its policy outputs rather than on procedural propriety. The EU in his view would be democratically legitimate when it strikes the appropriate balance between market liberalization whilst not jeopardizing social protection at the national level. The Eurozone crisis, so Scharpf (2014) has argued recently, considerably weakened the EU's democratic legitimacy. Outcome preferences may deteriorate further as the Eurozone crisis deepens. Since all elites, be they national or European, will occasionally fail to meet public expectations, short-term policy failures must not directly erode membership preferences. The precise dynamics of EU membership and outcome preferences is ultimately an empirical question.

*Integrating the European and the National: Introducing The Notion of Reference-Point-Dependent EU Preferences*

Although many journalists, politicians and pundits currently argue that the public is increasingly skeptical of further steps towards integration, I have suggested that some scholars have qualified this claim to suggest that public opinion towards Europe is best described as uncertain or ambivalent (De Vries, 2013, De Vries and Steenbergen 2013, Boomgaarden et al 2014). We seem to be witnessing a process of growing uncertainty about the future scope and depth of the integration process. The fact that support for European integration proves to be variable rather than clear-cut highlights the importance of not only establishing and explaining the central tendency of support, but also exploring its multifaceted nature. By combining insights on political support of Easton (1965, 1975) and the distinction between constitutive and isomorphic issues by Bartolini (2005), I suggested that it is important to distinguish between two types of EU preferences, those relating to membership and others relating to outcomes. Here I argue that one additional important element has been largely overlooked by scholars of

public opinion towards Europe is that EU preferences are inherently *reference-point dependent*.

The notion of reference-point dependent preferences was popularized in economics and psychology by the seminal work on prospect theory by Kahneman and Tversky (1979, 1992). Prospect theory is a behavioral economic theory that describes the way people choose between probabilistic alternatives that involve risk. The theory states that people make decisions based on the potential value of losses and gains rather than the final outcome. These losses or gains dependent on a reference-point. People consider lesser outcomes than the reference-point as losses and greater ones as gains. Moreover, losses hurt more than gains feel good, a phenomenon coined loss aversion. This differs from traditional expected utility theory, in which a rational agent is indifferent to the reference-point. In addition to the reference-point, Kahneman and Tversky (1979, 1992) show that people tend to overreact to small probability events, but underreact to large probabilities. This interplay of overweighting of small probabilities and loss aversion leads to a fourfold pattern of risk attitudes. People tend to be risk-averse when gains have moderate probabilities or losses have small probabilities and are risk-seeking when losses have moderate probabilities or gains have small probabilities, see Table 1.

**Table 1:** Risk Attitudes Based on Prospect Theory

	<i>Gains</i>	<i>Losses</i>
<i>High Probability</i>	Risk-Averse	Risk-Seeking
<i>Low Probability</i>	Risk-Seeking	Risk-Averse

How does this framework aid us in understanding EU membership and outcome preferences? I suggest that EU preferences are based on

counterfactual reasoning whereby people weigh up the utilities of two potential outcomes, their country being part of the Union versus not, against each other. Both utilities are unknown and uncertain. In order to derive at some potential estimate of the utility of each outcome, people will compare the current EU status quo to the potential losses or gains based on the alternative status quo, their on their national reference-point. If the utility from being outside the Union is equal to or exceeds the utility from being part people can be described as Euroskeptic. This is most likely the case when people's evaluations of the their own country are much more positive than their evaluations of the EU both in terms of membership or outcomes. Conversely, if people's evaluations of EU membership or outcomes exceed their evaluations of their own country and its policy outcomes, they can be described as Eurosupportive. As such, even though we know that people are on average risk-averse and would therefore prefer the status quo over the unknown and uncertain outcomes of policy reform or even exit, we might expect Euroskeptics to nonetheless favor change, or support parties that do, as they find themselves in a domain of gains and are risk-seeking. These have little to lose from the current EU status quo, but much to gain from the alternative status quo based on their national reference-point. In prospect theory terms, they are in a domain of gains and faced with a low probability event (the probability of reform or exit is low) and are risk-seeking. Alternatively, the opposite is true for Eurosupporters who stand to gain from the current EU status quo as they are not very satisfied with their own country. In prospect theory terms, they are in a domain of losses, also faced with a low probability event (the probability of reform or exit is low), and thus will display risk-averse behavior.

Previous work most notably by Anderson (1998), Sanchez-Cuenca (2000) and Rohrschneider (2002) also highlight the importance of national conditions or the national context for understanding public opinion towards

the EU, yet they include support for or evaluations of the national level as an explanation of EU support (Sanchez-Cuenca 2000, Rohrschneider 2002) or as an informational heuristic (Anderson 1998). Regardless how evaluations of the national level are conceptualized theoretically, empirically they feature as independent variables explaining dynamics in EU support. This raises considerable concerns over the direction of causality (endogeneity). Does support for the national system make people support the EU or is it the other way around? Given that politics in Europe is nowadays characterized by a complex multi-level interplay between European and national politics (Hooghe and Marks 2001), it seems almost impossible to establish for a one-sided flow of causality. Clearly, opinions, support and evaluations of European and national levels of government are inherently intertwined. My theory of EU preferences argues that the national reference-point forms an essential part of the decision-making calculus that people employ when deciding what to think about EU membership and outcomes. As I will show in the next sections the integration of the national reference-point is crucial for understanding temporal and regional variation in EU preferences and leads to the differentiation of very different types of membership and outcome preferences.

#### *A Typology of Reference-Point-Dependent EU Preferences*

I have suggested that EU preferences can be best understood as a form of counterfactual reasoning whereby people weigh up the utilities of two potential outcomes:  $U_{eu}$ , the perceived benefits derived from one's country being part of the Union, and  $U_{nat}$ , the perceived benefits derived from one's country *not* being part of the Union. This can be formalized as follows:

$$EU \text{ Differential} = U_{eu} - U_{nat} \tag{1}$$

These utilities are unknown quantities. Individuals will thus rely on the perceived/subjective rather than the objective benefits. These subjective evaluations are likely influenced of people's background characteristics, socio-economic status and the political environment in which they find themselves, i.e. party and media opinion leaders provide them with cues (Gabel 1998, Marks and Hooghe 2005, Steenbergen et al 2007, Hobolt 2012). One can think about this *EU differential* in the following way. Every individual (or group of individuals) derive some benefits from their country through the provision of public goods, such as roads, public television, national defence, etc. Yet, some public goods may require international cooperation to be delivered efficiently as they benefit from scale advantages, think trade for example, or need transcend borders and require international cooperation, such as the environment. Being part of the EU allows for the  $U_{nat}$  to be topped up by the  $U_{eu}$ . Put differently, being part of the EU institutional architecture may deliver unique possibilities for individuals to benefit that their national level cannot. To give a concrete example, the Netherlands lacks a constitutional court that individuals can appeal to, but due to their country being part of the Union they can now rely on the Court of Justice of the European Union to provide them with this opportunity. In these cases, the EU differential is greater than zero, in other words the benefits derived from the country being part of the Union ( $U_{eu}$ ) are bigger than the benefits derived from the country not being part of the Union ( $U_{nat}$ ). Put differently, one's country being part of EU provides individuals with goods (or services) that they would not have access to otherwise which constitutes the EU's added advantage. These individuals can be characterized as Eurosupporters:

$$\text{Eurosupport} = U_{eu} > U_{nat} \tag{2}$$

Yet, the EU differential can also be negative. Taking up the example of the European Court again, member states that have strong national constitutional courts can be overruled by the European Court which might be perceived as yielding less benefits to individuals, think of the conflictual relationship between the European and German Federal court for example. Moreover, the discussions especially in Northern European countries like Germany and the Netherlands about net contributions to the Union or bailouts of other member states in the context of the Eurozone crisis underline the idea that the EU differential is negative. The taxpayers in these countries need to pay for goods and services that they themselves might not directly enjoy, or at least not reap the benefits of in the short term. The same is often argued in the case of migration flows in the Union and their strains on the provision of social benefits and services at the national level. The perceived benefits from one's country not being part of the Union may outweigh those from being part. Euroskepticism can be defined as a perceived EU differential that is equal or smaller than zero, in other words when the perceived benefits derived from the country being part of the Union ( $U_{eu}$ ) are smaller than the perceived benefits derived from the country not being part of the Union ( $U_{nat}$ ):

$$\text{Euroskepticism} = U_{eu} \leq U_{nat} \quad (3)$$

One could object to my conceptualisation of EU preferences as outlined in equations 2 and 3 that the EU and national utilities are interdependent. The EU has forged tremendous change and harmonization of institutions, policies and practices. Hence, there is often something European about national benefits, and therefore the two utilities cannot be realistically disentangled. This is surely true, yet as I mentioned earlier these are subjective rather than

objective benefits. It is virtually impossible to objectively establish the EU's added value or lack thereof, yet this may not stop people (or pundits or political elites for that matter) to hold opinions about the extent to which the EU differential is positive or negative. People's EU preferences, either supportive or skeptical, will by definition be subjective in nature.

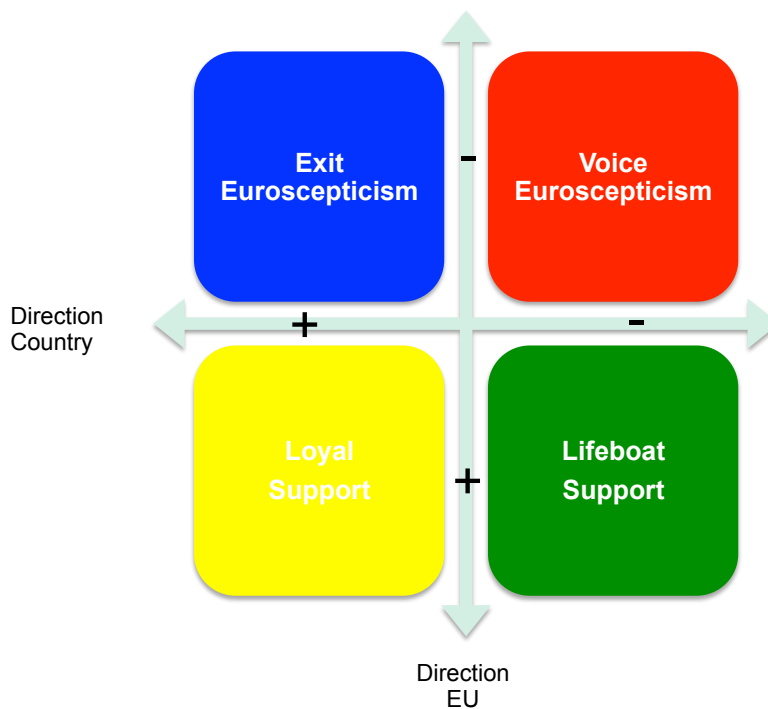
Recall that in previous sections I introduced the distinction between EU membership and outcome preferences. Membership preferences tap into people's support for or rejection of their country being part of the Treaty structure of the Union. If people perceive the EU differential to be equal or greater than zero they should support their country's membership in the Union and *vice versa*. Hence, membership preferences can be captured by a survey question asking people about their evaluations of their country's membership in the Union.

Outcome preferences relate to people's support for or skepticism of the policy outcomes originating from the EU level versus those that could have been achieved outside the Union. This is slightly more difficult to empirically capture as it involves a counterfactual. Moreover, we lack appropriate data to capture people's evaluations of specific outcomes, this may be partly because evidence suggests that people's knowledge of politics in general and specific outcomes in particular are sketchy at best (Zaller 1992, Delli Carpini and Keeter 1996). By consequence then, researchers often rely on general evaluations of the state of the country and/or the economy (see Kinder and Kiewit 1984, Anderson and Guillory 1997 for example). Following these insights, I tap into outcome preferences by comparing and contrasting questions about people's evaluations about the policy direction in which their country or the EU is moving. By definition, outcome preferences provide a two-dimensional structure (see Figure 1 below): one may like the direction in which one's country is moving, but not that of the EU, see the upper-left quadrant. One may dislike both the direction one's country and the EU are



moving towards, see the upper-right quadrant. I characterize both these cases as Euroskeptic as the EU differential is equal or smaller than zero. Yet, one may like both the direction in which one's country and the EU are moving, see lower-left quadrant, or dislike the direction in which one's country is moving, but like the direction in which the EU is moving, the lower-right quadrant. Both these latter types are form of Eurosupport as the EU differential is greater than zero.

Let me discuss these four different types of outcome support and scepticism slightly more in depth. As I outlined earlier all elites, be they national or European, will occasionally fail to meet public expectations as short-term policy failures are inevitable, hence some degree of Euroskepticism based outcomes is a normal by-product of the political process (see also Scharpf 2014). Yet, either skeptical or supportive outcome preferences can express themselves in very different ways, see the upper and lower rows in Figure 1. I will rely on the seminal work by Hirshmann (1970) to conceptualize how people are able to express (dis)content in political terms.



**Figure 1:** A Typology of Reference-Point Dependent EU Preferences

In his book *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* Hirschman develops a model about the responses of consumers to declining quality of a consumer product. Due to incomplete information, the supplier does not learn immediately about this decline so s/he can only observe it through changing consumer behavior. Consumers who experience the decline in quality have two means of response: they may either switch to another supplier of the product (“exit”) or they may aim to address the problem by informing their current product supplier (“voice”). A third, residual option is to remain inactive. Consumers’ decision-making will be a function of a series of factors involving costs-benefit calculations. An important factor here is the degree of consumer “loyalty”. If consumers remain loyal to their suppliers, voice is more likely as breaking a bond of loyalty implies significant psychological costs. If loyalty is low exit is more likely. Another important factor are the number of exit options. If attractive exit options exist, exit is likely to prevail and voice less likely as consumers

have to endure opportunity costs when choosing a less attractive supplier. I argue that the distinction between exit and voice as well as the role of loyalty aids us to understand the complexity of people's EU outcome preferences. When short-term policy failures do not satisfy public demands, elites might not be immediately aware of such failures and partially rely on public dissatisfaction to be response (see for example Wlezien 1996, Erikson et al. 2002, Stimson 2004). This may especially hold true for the EU characterized by a weaker electoral connection and a higher level of technocratic governance compared to the member-state level (Føllesdal and Hix 2006). Yet, the type of Euroskepticism that evolves depends crucially on the national reference-point. If people perceive that national outcomes would be equally bad or even worse, people lack an "alternative supplier" for their policy outcomes, whereas if people perceive that national outcomes would be better than the EU ones, they do have an exit option through an alternative supplier for policy outcomes, namely their own country. Therefore I coin the EU outcome preferences in the upper-left quadrant *Exit Euroskepticism* and those in the upper-right quadrant *Voice Euroskepticism*. This distinction is crucial as we can expect people within these quadrants to favor very different solutions to the policy failures they are dissatisfied with. Whereas Voice Euroskeptics would demand more and/or EU solutions to the policy failures as they are skeptical about what their country could provide instead, Exit Euroskeptics favor the exact opposite.

The existence of possible exit options for alternative policy outcomes via the national level also leads me to distinguish between two types of Eurosupport: *Loyal Support* and *Lifeboat Support* (see the second row in Figure 1). Whereas Loyal Eurosupporters have a possible exit option for policy outcomes through the national level which they evaluate positively, Lifeboat Eurosupporters do not. By consequence, Lifeboat Eurosupporters should remain loyal to the EU in even dire times as they lack an alternative supplier

to secure more favorable policy outcomes. Hence, we would expect Lifeboat Euros supporters to favor even more and/or EU solutions to the policy problems compared to Loyal Euros supporters.

These different types of EU outcome preferences coincide with different preferences for EU reform. Recall that based on the insights from prospect theory outlined in a previous section we expect that the demand for change in the current EU status quo is high for Euroskeptics as they risk-seeking as they have little to lose from the EU current status quo, whereas the demand for change is much lower among Euros supporters who tend to be risk-averse as they stand to gain from the current status quo. Yet, based on the national-reference point the different types of Euroskeptics and – supporters would support very different types of change. Whereas Voice Euroskeptics and Lifeboat Euros supporters who are dissatisfied about their national level prefer EU reforms, Exit Euroskeptics and Loyal Euros supporters are satisfied about the national level and would national over EU reform, although this is more likely the case for Exit Euroskeptics. These expectations are summarized in Table 2.

**Table 2:** Relationship between Outcome Preferences and Demand for Reform

<i>Preferred Level</i>	<i>Demand for Change</i>	
	Low	High
National	Loyal Support	Exit Euroskepticism
EU	Lifeboat Support	Voice Euroskepticism

In the following two sections, I empirically examine the contours of these different types of EU membership and outcome preferences across time and space as well as the ways in which they relate to demand for future

reform using the 2004, 2009 and 2014 European Election Study and Eurobarometer Survey data.

*The Dynamics in EU Preferences across Time and Space*

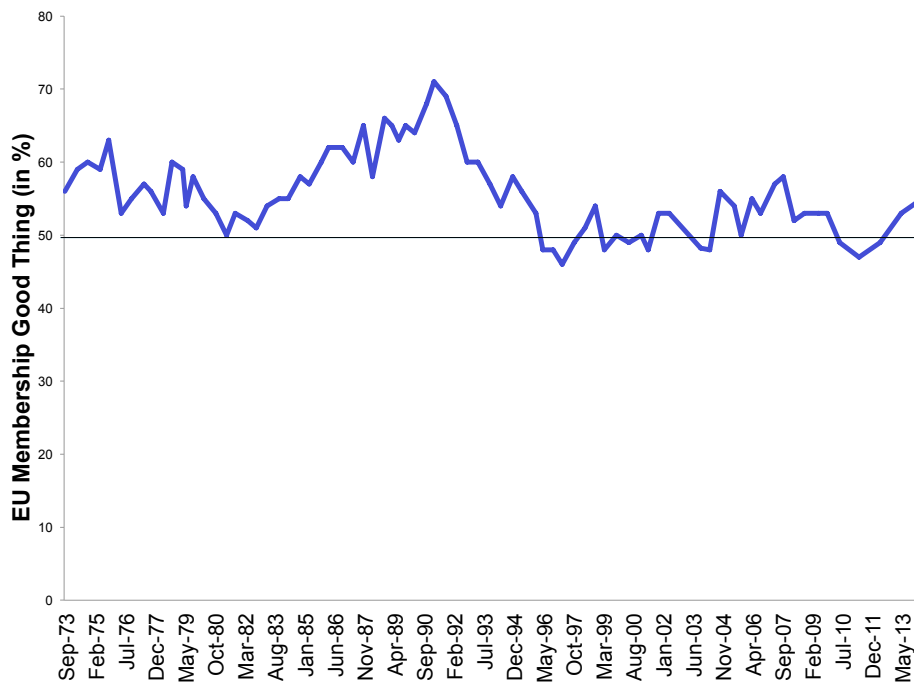
So far I distinguished between two types of EU preferences, those relating to membership and those relating to outcomes. Moreover, building on the work of Easton (1965, 1975) and Scharpf (2014), I suggested that while we can expect and actually want outcome preferences to be inherently variable as they reflect people's response to policy performance and provide elites with impetus to craft policies that better meet the needs of the public, membership preferences tap into people's diffuse and long-lasting views about the EU's constitutional arrangements, i.e. the Treaty basis. As a result, they should provide a buffer against dissatisfaction with short-term policy failures. If however, bad outcomes endure over a long period of time and people fail to perceive an appropriate policy adjustment by political elites, negative outcome preferences may spill-over into more negative membership preferences. This may in the long run undermine popular legitimacy of the Union.

This might be especially the case for a supranational organization like the EU. Contrary to national systems of government which may not be perfect but have become generally accepted over a long period of time, the supranational form of policy-making which sits between national and international systems of government and displays many federal while at the same time confederal features does not easily fit national political traditions. The instinctive popular reaction may perhaps be to reject the unfamiliar political beast or to at least feel uneasy about it compared to national systems of government. This lack of what one could coin loyalty in Hirshmann's terms means that public preferences towards the EU predominantly rest on policy outcomes rather than on procedural propriety of its constitutional

arrangements (see also Scharpf 2014). In the current times of the Eurocrisis, the heydays of Eurosupport in the 1980s and early 1990s seem almost forgotten. But clearly the opposite scenario of course may also come true. Satisfaction with policy performance that brings about positive outcome preferences may further induce the development of positive membership preferences. Before I carve out the possible relationship between membership and outcome preferences, let me begin by exploring the dynamics in each of them in turn.

Figure 2 below provides an overview of average EU membership preferences within the Union across time. Specifically, I plot the share of respondents who replied that they believe their country's membership in the Union to be a 'good thing' based on the biannual Eurobarometer (EB) surveys from 1973 until the end of 2011 and complement it with data from the European Election Survey (EES) for 2014. Although politicians, journalists and pundits suggest that Euroskepticism is on the rise throughout the Union, the trend in membership preferences displayed in Figure 2 suggests that this might not necessarily be true. Across the entire time series a country's membership in the EU is perceived as a good thing by the majority of the EU population, even so in the Eurozone crisis period after 2009. The share of respondents claiming that membership is a good thing never drops below the 45-percentage points mark. Surely, if we would compare average membership preferences of the EU population in 2014 to those in the late 1980s we would have to conclude that they have deteriorated. Yet, the recent fluctuations in preferences closely mimic those in the 1990s and the current level of positive membership preferences resembles that of the mid-1970s. This is quite remarkable as today's EU preferences are no longer characterized by a permissive consensus in which people entrusted national elites with an almost blind confidence that what they would negotiate in Brussels would be beneficial for their country and for them, but rather by a

much closer scrutiny of elite EU cooperation through media and party discourse (Hooghe and Marks, 2009). Although the Eurozone crisis might have made people slightly question EU solutions to important political problems, membership preferences remain by-and-large positive.

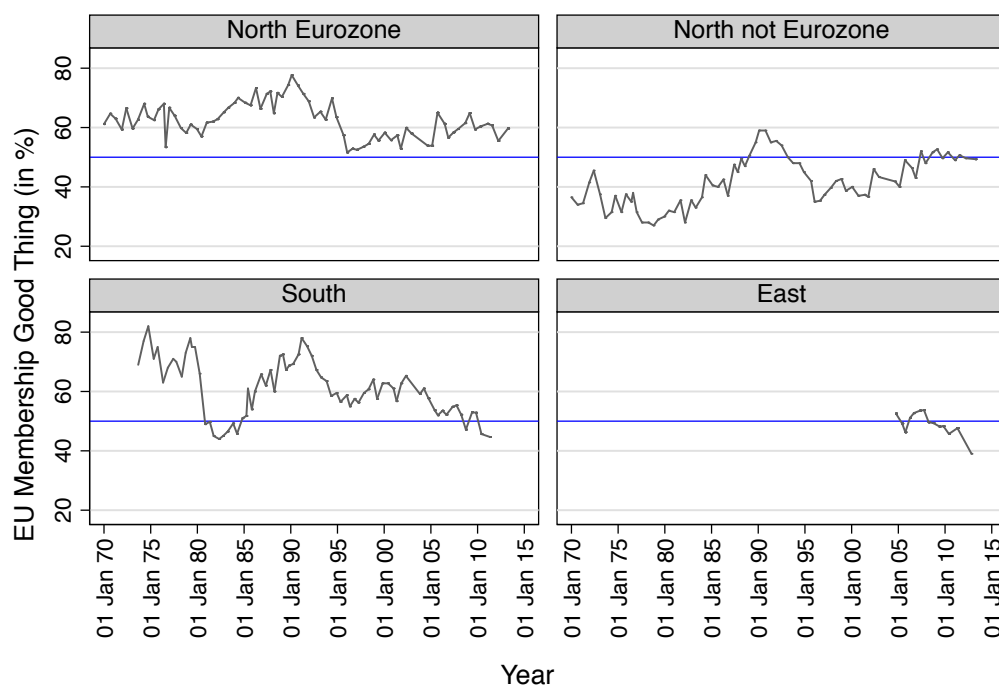


**Figure 2:** EU Membership Preferences Across Time

Yet, the evidence presented in Figure 2 could mask some important regional variation. Surely, the effects of the Eurozone crisis, enlargement or deepening of the Union in recent decades are not symmetrically distributed across member states. Figure 3 therefore displays the same trend in membership preferences but now broken down by different four different regions: the Eurozone North, non-Eurozone North (Denmark, Great Britain and Sweden), South (Cyprus, Greece, Italy, Malta, Portugal, and Spain) and East (all post-communist countries).

EU membership preferences have been fairly high stable and markedly above a 50 percentage points mark within the Northern member states that are part of the Eurozone. In the non-Eurozone members of the North membership preferences were

characterized by skepticism until the mid-eighties, followed by steady growth of positive preferences until the early 1990s and again a deterioration after that. To this date, however, membership preferences in this region hover around 50 percentage points. In the Southern member states the trend is overall positive with two exceptions, a decline in the early eighties most notably due to accession of Greece, Portugal and Spain where public opinion was more sceptical at first, and a more steady deterioration in the years of the Eurozone crisis. Yet, even slightly more negative views about membership can be found in the East, especially in the Czech Republic and Latvia where only about 30 per cent of respondents view membership to be a good thing. Although EU membership preferences are positive overall even after the Eurozone crisis, people from Southern and East Central European member states have become slightly more weary of membership at the present day.



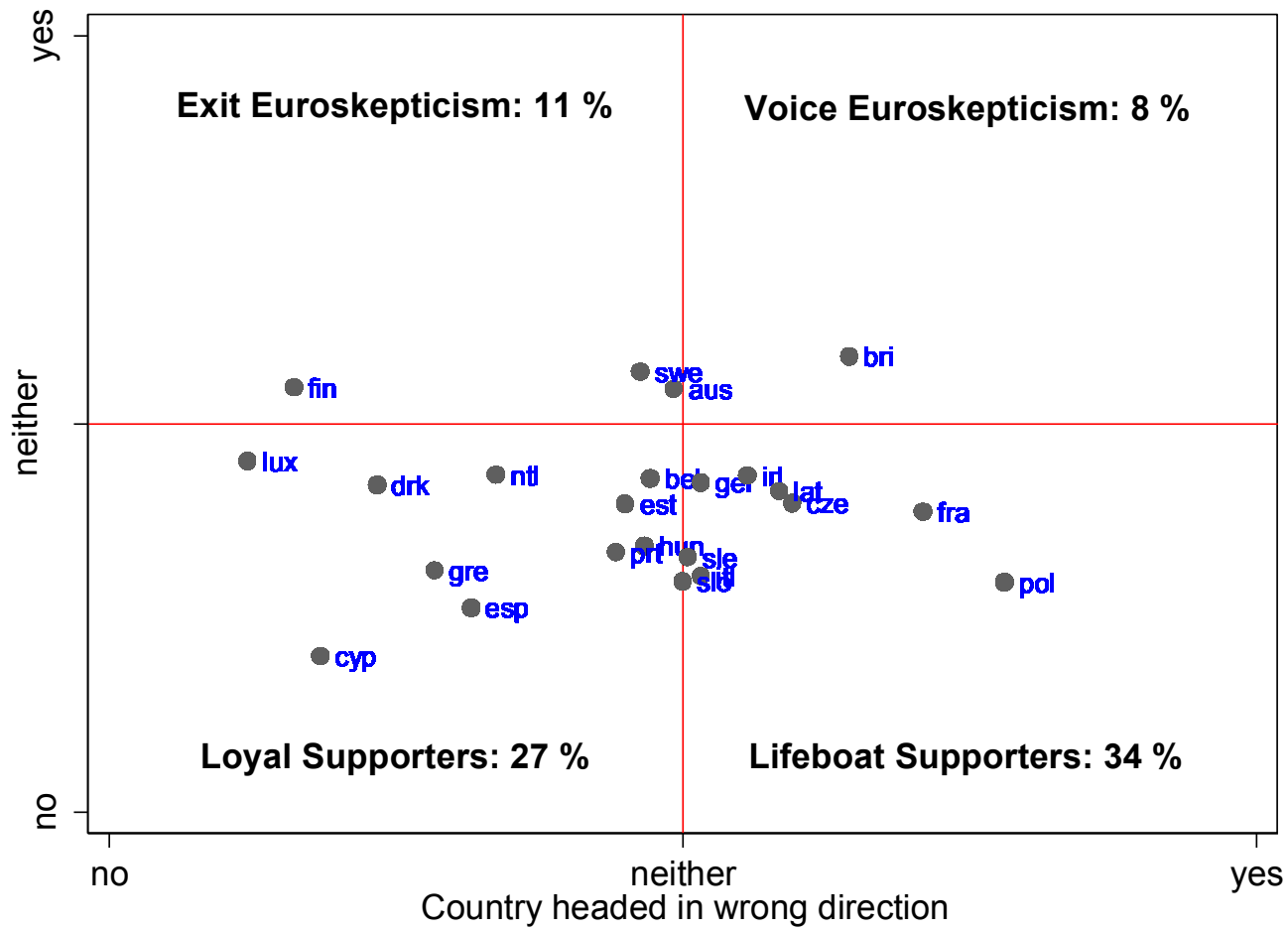
Graphs by region

**Figure 3:** EU Membership Preferences Across Time and Regions

What about EU outcome preferences? How have these evolved over time and across member states? Outcome preferences refer to an individual's



(or group of individuals') evaluations of the policy outcomes originating from the EU level compared to those that could have been achieved from a country being outside the Union. As I noted earlier, these preferences are difficult to capture as they ultimately involve a counterfactual. Moreover, people's knowledge of specific policy outcomes is found to be sketchy at best (Zaller 1992, Delli Carpini and Keeter 1996), and we lack specific data to track people's evaluations of specific outcomes in a comprehensive manner. As a result, I will rely on people's general evaluations of the state of the country and the EU (see Kinder and Kiewit 1984, Anderson and Guillory 1997 for example). Specifically, I use survey questions tapping into people's evaluations of the overall policy direction of their country or the EU or satisfaction with outcomes at the different levels as entailed in the 2004, 2009 and 2014 rounds of the EES. This allows me to monitor changes in the period before, during and for some countries even after the Eurozone crisis (this is of course clearly not the case in Greece which is still in the midst of extensive economic turmoil). Figures 4 through 6 provide an overview of the average outcome preferences within each of the 28 member states across this time period. These evaluations of policy outcomes at the national and EU level allow me to distinguish between the four different types of outcome preferences in 2004, 2009 and 2014 respectively. First, Exit Euroskeptics who like the direction in which one's country is moving, but disapprove of the EU direction, see the upper-left quadrant in each figure. Second, Voice Euroskeptics who dislike both the directions in which their country and the EU are moving (see the upper-right quadrant). Third, Loyal Supporters who are satisfied with both the policy directions of their country and the EU (see lower-left quadrant). And finally, Lifeboat Euroskeptics who disapprove of the policy direction in which their country is moving, but like the direction in which the EU is moving (the lower-right quadrant).



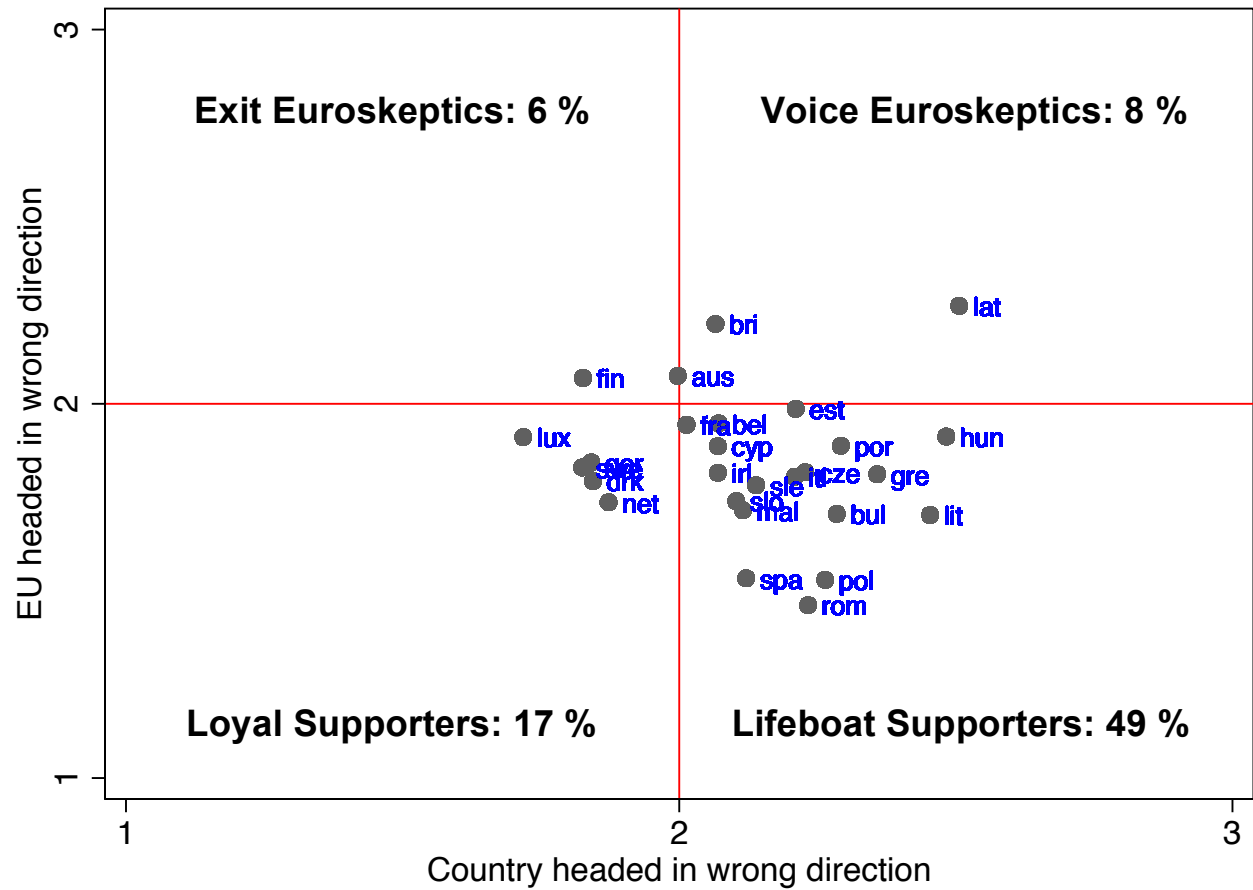


Figure 5: EU Outcome Preferences in 2009

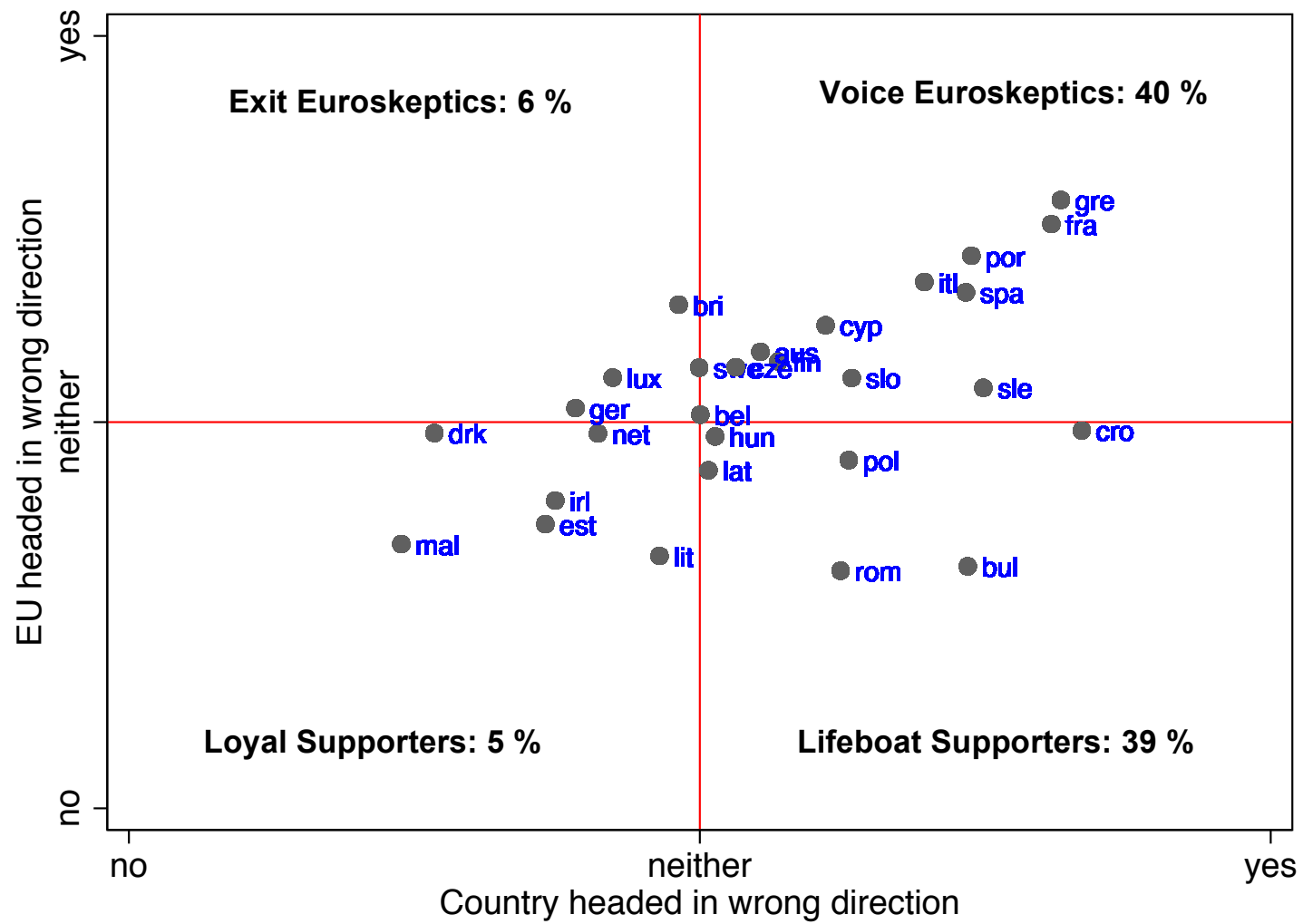


Figure 6: EU Outcome Preferences in 2014

A closer inspection of Figure 4, the distribution of outcome preferences in 2004, shows that by-and-large people were satisfied about the overall policy direction of the EU, 61 per cent of respondent across the different member states can be classified as either Loyal or Lifeboat Supporters. Only the populations of four countries, Austria, Finland, Sweden and the United Kingdom, fall in the Euroskeptic categories, yet just about. Also, they are all not that satisfied with the policy direction in their own country either, with the exception of Austria.

By 2009, we see that there have been clear movements in people's outcome preferences as displayed in Figure 5. Although still a clear majority of the EU population is Eurosupporters, 66 per cent, we have witnessed a deterioration of outcome preferences, especially concerning the national level in the Southern member states (like Cyprus, cyp, Greece, gre, Portugal, por, or Spain, spa). This may indicate a response to the economic turmoil following the collapse of Lehman brothers in the US and the banking crisis that quickly followed after. One interesting movement is Latvia (lat) which population by mid-2009 is best characterized as Voice Euroskeptic, dissatisfied with policy performance both at the national and EU level. This is not surprising given that in 2008, after years of booming economic success, the Latvian economy took one of the sharpest downturns in the EU and across the globe as GDP shrunk with over ten-percentage point in the last quarter of 2008. In February 2009 the Latvian government asked the IMF and EU for an emergency bailout loan of 7.5 billion Euros which was granted in December of 2008. The bailout was important as a possible collapse of the Latvian economy could potentially weaken investor confidence in East-Central Europe even further (Peet and La Guardia 2014). Other countries in the East, like Hungary for example, also received bailouts in late 2008 or early 2009. By mid-2009 when the EES survey was conducted, the Eurozone crisis had not yet manifested itself, hence national government experienced the largest share of the blame. This was still

well before the 16<sup>th</sup> of October 2009 when the newly elected prime minister George Papandreaou announced that the previous government had left a huge hole in the budget and his finance minister George Papaconstantinou disclosed that the Greek deficit would soar to almost 12.7 per cent of gross domestic product in 2009 (Peet and La Guardia 2014: 43). At this time, the majority of people were more likely to express discontent with their own government rather than with the EU. This would change by 2014 when the Eurozone crisis was in full swing for years already.

Indeed, Figure 6 shows that on average Euroskeptical preferences increased from 34 in 2009 to 46 per cent in 2014. By 2014 the ratio of outcome Euroskeptics to Eurosupporters is almost 1 to 1. Yet, it is important to note that this rise is almost entirely due to an increase in Voice Euroskeptics, that is to say those who disapprove both of the policy performance of their country as well as the EU. The share of Exit Euroskeptics has actually almost halved since 2004. Yet, we do see overall higher levels of dissatisfaction with the policy direction of the EU in 2014 compared to previous years, in 2004 evaluations of the EU policy direction were much closer to the mid-point of the scale. The rise in Voice Euroskeptics consists of primarily Southern European populations who in 2004 were Loyal Supporters. By 2009 at the start of economic turbulence across Europe they first updated their performance evaluations of their own governments, but by 2014 after being adversely affected by the Eurozone crisis became equally negative about EU policy performance. Interestingly, the other clear example of a bailout-battered country, Ireland (irl), moved from Loyal Support to Lifeboat Support in 2009 in that its population became on average more negative about their national government, but by 2014 as the Irish economic climate and growth seems to be recovering moves back to Loyal Support. For Cyprus, Greece, Spain or Portugal this is clearly not the case.

Another interesting movement across the different types of outcome preferences is that of Germany (ger). Germany moves from Lifeboat Support in 2004, to Loyal Support in 2009 to just about a member of the Exit Euroskepticism category in 2014. This movement seems to closely reflect the economic trajectory of the country economy which is a stark contrast to the average EU developments. While in 2003 and 2004 Germany faced largely negative growth, by 2009 and sustained throughout the period until 2014 the German economy clearly outperformed its European counterparts. Perhaps not surprisingly then do we witness a steady increase in approval of the policy performance of the German government across the time-period. By 2014, the debates about the legitimacy about past and future bailouts, especially concerning Greece, and the tax burden these might put on ordinary Germans had gained full swing in the popular media and parliament. At the same time, more negative views about increasing European solidarity and a questioning of the added value of the Euro started to slowly emerge (see Bechtel et al 2015). This seems reflected by the fact that in terms of outcomes the average German in 2014 can be classified slightly Euroskeptic, but very satisfied about their own government. Yet, at the same time the average German display very favorable EU membership preferences with almost 67 per cent of respondents stating that their country's membership in the Union is a good thing. This demonstrates the importance of distinguishing between EU membership preferences on the one hand and outcome preferences on the other.

To provide a more general look at the distribution of membership and outcome preferences within each individual country, Table 3 below pits the percentage of people stating that their country's EU membership is a good thing against the type of outcome preferences the average population holds in 2014 for each member state separately. This table illustrates that one can find very diverse combinations of outcome and membership preferences.

**Table 3: Outcome and Membership Preferences each Member State in 2014**

<i>Country</i>	<i>Outcome Preference Type</i>	<i>Membership Preference in %</i>
Austria	Voice Euroskepticism	48.2
Belgium	Exit Euroskepticism	68.4
Bulgaria	Lifeboat Support	52.5
Croatia	Lifeboat Support	48.2
Cyprus	Voice Euroskepticism	38.2
Czech Rep.	Voice Euroskepticism	30.1
Denmark	Loyal Support	61.9
Estonia	Loyal Support	70.0
Finland	Voice Euroskepticism	55.6
France	Voice Euroskepticism	56.0
Germany	Exit Euroskepticism	66.7
Greece	Voice Euroskepticism	43.8
Great Britain	Exit Euroskepticism	42.6
Hungary	Lifeboat Support	46.5
Ireland	Loyal Support	69.3
Italy	Voice Euroskepticism	41.5
Latvia	Lifeboat Support	44.0
Lithuania	Loyal Support	65.3
Luxembourg	Exit Euroskepticism	76.8
Malta	Loyal Support	68.4
Netherlands	Loyal Support	69.8
Poland	Lifeboat Support	64.4
Portugal	Voice Euroskepticism	41.6
Romania	Lifeboat Support	70.0
Slovenia	Voice Euroskepticism	47.1
Slovakia	Voice Euroskepticism	46.9
Spain	Voice Euroskepticism	60.0
Sweden	Exit Euroskepticism	61.6



Only in a small subset of countries, namely Austria, Cyprus, the Czech Republic, Greece, Great Britain, Italy, Portugal, Slovakia and Slovenia (shaded in light or dark grey in Table 1), do negative outcome preferences coincide with negative membership preferences. Yet, in only one country, Great Britain (shaded in dark grey in Table 1), do negative membership preferences coincide with Exit Euroskepticism, that is to say a perception that the EU policy performance is worse compared to national performance.

The populations in 9 out of 28 member states hold negative views both about EU membership and outcomes, hence these countries may lack a buffer against bad policy performance that is needed to secure public legitimacy of the EU. That said, in 8 out of these 9 countries people perceive that they lack an attractive policy alternative to the EU as they are not very satisfied about national policy performance either. Only in Britain where people are negative about both EU membership and outcomes, yet positive about national policy performance, could we say that the public legitimacy of the EU project might be seriously endangered. Against this backdrop, it may not be entirely surprising that the newly re-elected prime minister David Cameron feels the need to put his country's membership in the Union up for referendum and to negotiate a new relationship with Brussels.<sup>1</sup> The outcome of both the negotiations and the referendum are of course uncertain, but if any country could credibly flirt with exit perhaps to gain concessions of the other member states, it would have to be Britain.

Finally, in three Central-East European countries, Croatia, Hungary and Latvia, do we find that membership preferences that are below the 50 percentage point mark. The outcome preferences in these countries can be classified as Eurosupportive. While on average slightly skeptical about membership, the average view in these countries is much more negative

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<sup>1</sup> <http://www.theguardian.com/world/2014/mar/16/david-cameron-eu-reform>

about the policy performance of their own countries than about the EU's performance, i.e. they are Lifeboat Supporters of the EU. As such, no viable exit options seem to exist.

Overall, the in-depth look into the temporal and regional variation in membership and outcome preferences suggests that although the Eurozone crisis seems to have left an imprint on public opinion, it has predominantly resulted in a deterioration of outcome preferences. By-and-large the majority of EU citizens is positive about their country's membership in the Union, but at the same time this majority is increasingly worried about the direction in which the EU is moving. Even though only 1 in 6 Euroskeptics view their national government as a more attractive supplier for policy outcomes, and only the British display both more positive views about their own country's policy performance and only low support for membership by 2014. As such, we can expect people's diffuse and long-lasting support for the EU's constitutional arrangements, i.e. the current Treaty basis, as well as the lack of better policy performance at the national level to act as buffers against demands for an EU exit, at least in the short term. Yet, this does not imply that people do not wish to see change at the EU level. The demand for policy change in 2014 seems greater than ever before. This demand for policy reform is the topic of the last empirical section.

#### *How EU Preferences Coincide with Demand for Reform*

In a final step, I wish to explore how people's EU preferences relate to their demand for policy change at the EU level. This topic is not easily addressed as we lack comprehensive data on people's preferences about possible reform. A survey including an elaborate conjoint experiment designed by the Bertelsmann foundation and myself is currently in the field to explore people's reform preferences more in-depth, meaning that for now I need to rely on existing surveys. I will rely on the EES 2014 that includes some

relevant questions. The lack of data may not be entirely problematic as large-scale Treaty reform as gauged through the 2015 Bertelsmann/De Vries survey is unlikely to happen in the near future. Recently, even German Chancellor Merkel has suggested that whole-scale Treaty reform is unlikely due to potentially very high domestic political costs.<sup>2</sup> Many EU leaders face challenger parties in domestic elections that are gaining traction for mobilizing Euroskeptic sentiment (Van Der Wardt et al 2014, Hobolt and De Vries 2015). Moreover, past Treaty changes, most notably the Constitutional Treaty, was met by widespread domestic opposition in referenda, even in a largely Eurosupportive country like the Netherlands.

Table 4 below explores the demand for policy change at the EU level amongst the European citizenry differentiated by the type of outcome preferences outlined in the previous section. Demand for change might not only express itself through specific reform preferences, but also through electoral support of parties who wish to see changes at the EU level. The second column in Table 4 explores the electoral support for Euroskeptic parties (a classification of parties can be found in the appendix) in the 2014 EP elections. The results show that Euroskeptic party support is most pronounced amongst Exit and Voice Euroskeptics, and further analysis reveals that the difference between skeptics and supporters is also statistically significant (t-test  $p < .01$ ). Interestingly, only for Exit Euroskeptics do we find also a significant difference between the support for right-wing versus left-wing Euroskeptic parties. Right-wing parties receive slightly stronger support among Exit Euroskeptics. This right-wing leaning is also reflected in the fact that when we compare the policy outcomes that Exit versus Voice Euroskeptics care about most, Exit Euroskeptics care predominantly about immigration whereas Voice Euroskeptics care both about immigration and

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<sup>2</sup> See for example <http://www.theguardian.com/world/2015/jan/07/merkel-call-eu-reform-agenda-talks-merkel>

the economy (see columns 3 and 4 in Table 4). Given that the majority of Exit Euroskeptics are from richer member states in the North, Belgium, Great Britain or Sweden for example, this might not be entirely surprising. These countries have witnessed less sharp economic downturns compared to countries especially in the South, yet saw an influx in migrant workers from especially East-Central Europe. In the 2015 general election in the UK for example, the right-wing challenger party, the UK Independence Party (UKIP), as well as the mainstream right Conservative party have campaigned on the restriction of intra-EU migration.

Voice Euroskeptics, consisting predominantly of citizens from the bailout-battered, South care equally much about the economy and migration as policy areas, yet display the strongest preference for the introduction of financial transfers throughout the EU. The much higher support for EU-wide fiscal transfers indeed statistically differentiates Voice from Exit Euroskeptics (t-test,  $p < .01$ ).

**Table 4:** EU Outcome Preferences and Demand for Reform in 2014

<i>Outcome Preferences Type</i>	<i>Demand for Change</i>			
	Euroskeptical Party Support	Economy Saliency	Immigration Saliency	EU Transfers
Exit Euroskepticism	<u>10</u> (R: 6 /L: 4)	12	<u>26</u>	45
Voice Euroskepticism	9 (R: 5 /L: 4)	<u>18</u>	19	<u>59</u>
Loyal Support	6 (R: 3 /L: 3)	14	17	30
Lifeboat Support	7 (R: 4 /L: 3)	17	16	47

The evidence presented in Table 4 suggests that Exit and Voice Euroskeptics differ in their preferences for what type of policy change they wish to see at the EU level. While Exit Euroskeptics care predominantly about

the restriction of intra-EU migration, and support Euroskeptic parties of the UKIP variety that advocate this, Voice Euroskeptics care deeply about the economy and especially favor EU-wide fiscal transfers. The fact that parties aiming to bring about this type of change at the EU level, such as Syriza and Podemos, can count on a strong base of electoral support in predominantly Voice Euroskeptic countries like Greece and Spain seem a reflection of this different sentiment. Whilst Exit Euroskeptics favor policies that would lead to a repatriation of powers, Voice Euroskeptics favor policies that require further integrative steps.

These findings provide some initial support for my expectations about how the demand for policy reform may coincide with people's outcome preferences (see Table 2). Recall that I expect the overall demand for change of the current EU policy status quo to be higher for Euroskeptics compared to Eurosupporters, as the latter group stand to gain from current policy outcomes and are thus risk-averse. That said, due to different the national-reference points, I expect Voice Euroskeptics and Lifeboat Eurosupporters who are dissatisfied with their national governments to prefer more EU level policy solutions, whilst Exit Euroskeptics and Loyal Eurosupporters, who are satisfied about the national level, favor national over EU reform (although this is more likely the case for Exit Euroskeptics). The differences in Euroskeptics versus –supporters can be gauged by their differential support for parties that favor changes to the EU policy status quo, while the differences due to varying national reference-points lead the different type of Euroskeptics to favor reforms that either require a scaling-up of EU competences, like the introduction of EU-wide fiscal transfers supported much more strongly by Voice Euroskeptics, or the scaling-back of EU competences, such as the restriction of intra-EU migration as favored by Exit Euroskeptics. The differences between Eurosupporters are perhaps less clear-cut, although Lifeboat Supporters are significantly more likely to support the

introduction of fiscal transfers compared to Loyal Supporters (t-test,  $p < .01$ ) which might indicate that they favor EU policy solutions over national ones.

The evidence presented in Table 4 suggests that in aiming to address outcome discontent through policy reform, the EU will likely face a dilemma. Exit and Voice Euroskeptics favor quite different reforms. While Exit Euroskeptics perceive to have a credible and attractive supplier of policy outcomes, namely their own national government, and thus may wish to scale back parts of the integration process especially relating to the free movement of people, Voice Euroskeptics favor more European solutions as a way to make up for bad national government performance. Of course it is possible to find a middle ground between these divergent demands as some degree of fiscal transfers to poorer member states may limit future migration flows. Yet, this may prove a very difficult balance to strike politically, especially in the short term where national elites may face a skeptical electorate. EU-wide financial transfers require more fiscal harmonization and considerable financial contributions from the wealthier member states in the North, reforms that may prove difficult to 'sell' electorally. Restriction of intra-EU migration would limit the possibilities of the educated youth wishing to flee the bailout-battered South with enormous levels of youth unemployment and thus face popular opposition in Southern countries. Given that EU reforms today are part-and-parcel of national media and political debate, governments can expect to face enormous domestic opposition especially of challengers parties that may aim to drive a wedge between mainstream parties and their electorates (Van Der Wardt et al 2014). Therefore majorities in the Council may not be forged easily, especially not when large member states like Germany and the United Kingdom as well as Italy and Spain find themselves on opposing sides of these debates. Hence, although the half of the European public demands policy change, it seems rather difficult to satisfy the different constituents at the same time.

What could a lack in policy response from European elites mean for the development of EU preferences in the future? Although this question is impossible to answer as it ultimately relies on prediction of human behavior which is notoriously difficult, I want to present some evidence to suggest that a lackluster response to citizens' outcome demand may have serious consequences for membership preferences. Table 5 again summarizes data from the 2014 EES. Specifically, it shows the degree to which people with different types of EU outcome preferences feel that their voice counts in EU policy-making, and how this subsequently translates into their perception of their country's membership in the Union being a good thing. Table 5 clearly illustrates that on average Exit and Voice Euroskeptics are much less likely to feel that their voice is currently being heard in the Union. This is especially true for Voice Euroskeptics were only one-third feels that their voice counts in the EU.

**Table 5:** Relationship EU Outcome Preferences and Membership Preferences in 2014

<i>Outcome Preferences Type</i>	<i>Voice Counts</i>	<i>EU Membership Preferences</i>	
		<i>Voice Yes</i>	<i>Voice No</i>
Exit Euroskepticism	45	66.8	43.6
Voice Euroskepticism	33	78.6	51.6
Loyal Support	66	65.7	36.1
Lifeboat Support	50	72.7	40.0

This lack of political efficacy also translates into more negative opinions about membership. Specifically, the percentage of people suggesting that their country's membership in the EU is a good thing is significantly

lower when they perceive their voice not to count in the EU (t-test,  $p < .01$ ). This is not only the case for Euroskeptics, but also for Eurosupporters. Even though we might not be able to predict the exact consequences from a possible lack of EU policy reform, the evidence presented in Table 5 suggests that a lack of appropriate policy response may eventually lead to the deterioration of more diffuse and longstanding EU membership preferences, something that could seriously jeopardize popular legitimacy of the Union in the long run.

### *Concluding Remarks*

The study was dedicated to answering three sets of questions: Can public opinion towards Europe be classified as Euroskeptic, and if so, what do we mean by Euroskeptic? What are the dynamics in public opinion across time and space? And finally, what are the consequences of changing public opinion for the future of the European project? I demonstrated that public opinion towards Europe is inherently complex consisting of two important dimensions, membership and outcome preferences, and reference-point dependent. People form these opinions by comparing the benefits they derive from EU membership and policy outcomes to those they could achieve if their country was not part of the Union. I classify individuals (or groups of individuals) as Euroskeptic when they perceive the benefits from EU membership and/or outcomes are smaller than those that could be achieved if their country was not part of the Union. Whilst membership preferences are more stable and long-lasting, outcome preferences are inherently dynamic. This dynamic character of outcome preferences is a good thing as it provides political elites with much needed signals about the direction in which future policy should be moving. Moreover, the different types of EU preferences vary across space as well, with membership and outcome preferences by 2014 being most negative in the bailout-battered South and some of the rich



Northern European countries like Great Britain for example. Only 9 out of 28 member states combine both negative membership and outcome preferences, namely Austria, Cyprus, the Czech Republic, Greece, Great Britain, Italy, Portugal, Slovakia and Slovenia, something that could pose a threat to the popular legitimacy of the EU project. That said, in 8 of 9 of these countries are populations on average equally negative about the policy direction of their own country, hence they lack a credible exit options. Only in Great Britain should we perhaps worry about the contours of EU preferences as only a minority of Britons view their country's membership in the Union as a good thing and a majority is much more satisfied about the domestic policy direction compared to the European one. The outcome of the 2017 British referendum will tell.

Does this imply that the popular discussions about the steady rise in Euroskepticism are 'much ado about nothing'? I suggest not, especially not when we think longer term. Why? Although support for membership remains by-and-large substantial, by 2014 half of European citizens were not happy about the policy direction in which the EU is moving. Whereas as Exit Eurosceptics in the North are primarily worried about intra-EU migration, Voice Eurosceptics in the South express discontent with the lack of intra-EU fiscal solidarity and the absence of EU-wide transfers. The Eurozone crisis seems to have uncovered a rift between the North and the South in terms of EU policy preferences. It seems hard for the EU to satisfy both constituencies simultaneously, especially in the short run. Whereas the introduction of transfers would require a transfer of policy competences to the EU level, the restriction of migration would violate one of the core principles of integration, namely the free movement of people. Surely, it is possible to strike a middle ground between both demands by introducing some sort of transfer mechanism that would allow poorer economies to grow and thus limit the

demand for migration, yet the fruits of such reforms may only come to bear in the medium run and thus not tackle the immediate pressure of migrant flows. Given that national governments face re-election every four to five years and EU issues inform domestic vote choices as well as European ones (De Vries 2007, Hobolt et al 2009, De Vries et al 2011), government officials will most likely be focused on short term gains. If elites fail to address popular discontent over policy outcomes during a long period of time, my findings suggest that this may lead to a slow but steady dilution of the existing reservoir of good will towards the Union, expressed through membership support. If people feel that their voice is not heard in Brussels, they may turn against the project altogether. Hence, a lackluster response to some of the key policy problems that the EU faces today and that people care about, namely the economic and social consequences of structural imbalances and the intra-EU migration, may seem strategically beneficial to national governments in the short term, but the long term consequences may be disastrous and threaten the very existence of the Union.

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*Appendix: Eurosceptic Parties in the 2014 EP Elections*

Country	Parties*	Eurosceptic Left vote %	MEPs	Eurosceptic Right vote %	MEPs
Austria	Freedom Party [R], EUStop [R], Coalition for another Europe [L]	2.1	0	22.5	4
Belgium	Vlaams Belang [R]; PTB-GO! [L]	2.0	0	4.3	1
Bulgaria	VMRO-BND/Bulgaria without Censorship [R]**, National Front [R], ATAKA [R]	-	-	16.7	2
Croatia	Croatian Party of Rights [R]	-	-	**	1
Cyprus	Progressive Party of Working People [L]; ELAM [R]	27.0	2	2.7	0
Czech Republic	Communist Party [L]; Party of Free Citizens [R]; Dawn of Direct Democracy [R]	11.0	3	8.4	1
Denmark	Danish People's Party [R]; People's Movement against the EU [L]	8.1	1	26.6	4
Estonia	Conservative People's Party of Estonia [R]	-	-	4.0	0
Finland	Finns Party [R]	-	-	12.9	2
France	National Front [R]; Left Front [L]; France Arise [R]	6.3	3	28.7	23
Germany	Alternative for Germany [R]; Left Party [L]; National Democratic Party [R]	7.4	7	8.1	8
Greece	Syriza [L]; Golden Dawn [R]; KKE [L]; ANEL [R]; Popular Orthodox Rally [R]	32.7	8	15.5	4
Hungary	JOBBIK [R]	-	-	14.7	3
Ireland	Sinn Fein [L]	19.5	3	-	-
Italy	Five Star Movement [R]****, Northern League [R]; The Other Europe with Tsipras [L]	4.0	3	27.3	22
Latvia	National Alliance [R]; Union of Greens and Farmers [R]	-	-	22.5	2
Lithuania	Order and Justice [R]; LLRA [R]	-	-	22.3	3
Luxembourg	Alternative for Democratic Reform	-	-	7.5	0
Malta	-	-	-	-	-
Netherlands	Freedom Party [R]; Socialist Party [L]; CU-SGP [R]	9.6	2	21.0	6
Poland	Law and Justice [R]; Congress of the New Right [R]; United Poland [R]; Right Wing of the Republic [R]	-	-	42.9	23
Portugal	United Democratic Coalition [L]; Left Bloc [L]	18.6	4	-	-
Romania	People's Party - Dan Diaconescu [L]; Greater Romania Party [R]	3.7	0	2.7	0
Slovakia	Ordinary People [R]; Nova [R]; Freedom and Solidarity [R]; National Party [R]	-	-	24.6	3
Slovenia	United Left [L]; Slovenian National Party [R]	5.5	0	4.0	0
Spain	United Left [L]; Podemos [L]; Peoples Decide [L]	20.1	12	-	-
Sweden	Sweden Democrats [R]; Left Party	6.3	1	9.7	2
United Kingdom	UKIP [R]; Conservative Party [R]; Sinn Fein [L]; Democratic Unionist Party [R]	0.7	1	50.6	44
<i>Total MEPs</i>			<i>50</i>		<i>158</i>

*Note: Parties listed with more than 2% of the national vote share and/or at least one elected MEP*