

Governance and Eurobonds. Did the crisis affect preferences for integration?

Abstract

The Eurocrisis has generated a wave of new institutions and policies. Yet, the agenda for the reform of the Monetary Union has no lack of measures waiting for member states approval. During the crisis, however, a substantial cooling of the public opinion in favour of more integration has been observed. Against this background, the paper seeks to clarify if and to what extent the Eurocrisis has affected preferences for further fiscal integration through a country-level panel dataset built on 10 waves of Eurobarometer data, and 2 different forms of fiscal integration: Eurobonds and strengthened economic governance. The models investigate the relationship between preferences and integration in a multilevel setting, looking into individual determinants as well as regional and national aggregates. In general, we find evidence supporting the view that higher moments of economic and financial distress are correlated with higher preferences for further fiscal integration. However, the lack of synchronization between the financial-economic cycles across EU members implies that only particularly acute EU-wide crises succeed in shaping a generalised preference for further integration.

Governance and Eurobonds: did the crisis affect preferences for fiscal integration?

1. Introduction

Since the outbreak of the Eurocrisis, in 2010, the European Union and the EMU in particular have witnessed no lack of integration. The Euro Area has introduced nothing less than: three new Treaties (Treaty on Stability, Coordination and Governance-TSCG; the European Stability Mechanism treaty; the Intergovernmental Agreement on the Resolution Fund); one treaty amendment aimed at weakening the no-bail-out rule; two new procedures (European Semester, Excessive Imbalances Procedure); the first two pillars of a Banking Union; a change in mandate of the ECB. In spite of all new institutions introduced, the Brussels' appetite for further integration has not substantially decreased, as witnessed by the 2012 Four Presidents' Report and the 2015 Five Presidents Report. A key question, however, remains largely unanswered: to what extent the preferences of citizens and governments have evolved, during the Eurocrisis, to back further integration? While many scholars have explored the effects of the crisis on general attitudes towards the EU, only a few studies have attempted to provide a specific answer concerning preferences for fiscal and economic policy integration; furthermore, those lack, either a sufficiently comprehensive breath to fully catch the multi-dimensional nature of the phenomenon, or a sufficiently extended time dimension. Against this background, this paper analyses the impact of the Eurocrisis on preferences with a quantitative approach. Panel level econometrics is used to,

study the impact of the Eurocrisis on citizens' preferences for further integration on two alternative forms of fiscal integration: the strengthening of Economic Coordination and the introduction of Eurobonds., a specific form of fiscal integration for which data have been coherently collected over time. In both cases, data are obtained from pooling together 12 Eurobarometer data series, from 2011 to 2015. The evidence here presented supports the view that periods of economic distress (such as the Eurocrisis) strengthen, in general, the citizens' preferences for further economic integration, national peculiarities notwithstanding. Domestic distress, both on the fiscal and economic side, seems to increase preferences for Eurobonds and financial supervision; however, rises in unemployment rates usually yield a different result. Furthermore, "shared" European experiences (such as the 2015 Greek crisis or the spikes in the EU-wide Systemic Risk Index) have a diffused effect across all countries.

The paper is organised as follows: section 2 lays down the theoretical framework and the leading hypotheses of the study; section 3 discusses data and methodological issues; section 4 analyses and discusses the results of the Eurobarometer data on the two dependent variables; section 5 provides the overall conclusions.

2. Theoretical framework

2.1 the structural dimension of preferences for integration: Neo-neofunctional and Postfunctional dynamics

A common adage often cited by European integration scholars is that "integration advances through crises"; originally attributed to Jean Monnet (Monnet, 1978) and echoed by Romano Prodi (Prodi, 2001), the idea that economic crises and European integration proceed hand in hand is a cornerstone in both historical institutionalism (Pierson, 1996) and Neo-neofunctionalism (Schmitter, 2002). The original Neofunctional logic, as proposed by Haas (1958) implies that, as crises threaten the performance of institutions legitimated on the Output side (Scharpf, 1998), a preference would emerge towards further integration in order to re-establish the effectiveness of integrated policies and institutions. In other words, the leading reasoning in support of a Neofunctional interpretation of the crisis relies on the idea that, as the crisis sheds lights on the limited effectiveness of the existing institutions, such a failure of output legitimacy (Scharpf, 2009;2014) should create the required consensus for further integration. While the original Neofunctionalist setting concerned, in particular, the change in élites' preferences, later accounts (labelled as Neo-neofunctionalism- Schmitter, 1970; 2002) theorized that once integration were to "spill"

into fiscal policies, a “transformative cycle” would emerge and mass-involvement in EU politics would begin (Schmitter 2002: 35-36). Following the Neo-neofunctionalist understanding, therefore (and differently from the original Neo-functionalist approach) public opinion becomes relevant when integration touches upon core elements of national sovereignty, such as fiscal policy, whose integration may initiate a transformative cycle. At this regard, the Eurocrisis seems to be a suited candidate to initiate a “transforming cycle”, provided that the new areas of integration touch upon economic and fiscal issues, key elements of the democratic process domestically. However, whether further integration, albeit being planned (Five Presidents Report, 2015), will actually be implemented is still an open question.

The Neo-Neofunctional hypothesis is matched by a post-functionalist hypothesis inspired by the seminal contribution of Hooghe and Marks (2009) . According to the Postfunctional account, exclusive national identities prevent the creation of a common European polity (Hooghe and Marks, 2009: 12) thus constraining the degree of input-legitimacy of the process of integration. Following Hooghe and Marks reasoning, while a crisis would still create the “functional need” for integration (ibid.:2) the public opinion reaction would be determined by identities and economic preferences; In Hooghe and Marks own words “identities as well as economic preferences underlie jurisdictional architecture”. Therefore a crisis-would create –by increasing economic insecurity and by producing cross border distributional effects—the conditions for political entrepreneurs to mobilize the public opinion over identarian and anti-systemic frames, thus constraining preferences for further integration (Hooghe and Marks, 2009: 13).

Clearly, Neo-neofunctionalism and Postfunctionalism differ in their expectations concerning public opinion reaction in front of a major crisis. The former expects an increase in tensions, and, ultimately, the emergence of a preference for a “functional” reallocation of competences. The latter, instead, would predict an increased opposition to further integration, since a major crisis- by increasing economic insecurity and generating distributional effects across constituencies- would strengthen the leverage of political entrepreneurs relying on identarian and anti-system frames.

As suggested by Nicoli (2017), as the EU lacks effectiveness, it lacks sufficient output legitimacy; lacking output legitimacy, citizens are unwilling to transfer additional powers; but without additional powers, effectiveness (and therefore output legitimacy) remains out of reach. In fact, the nature of the expected integration is deemed to affect preferences on a systemic level: integration of redistributive policies without appropriate democratic procedures and/or without sufficiently developed common identity is likely to be opposed by citizens, generating a paralysis (Nicoli, 2017). This “circular illness” can be addressed only by integration of policies for which popular consent through referenda is not needed. Under this neo-neo functional hypothesis (Schmitter, 2002) we may expect an increase in preferences for integration following the crisis, but, simultaneously, a growing opposition against measures with redistributive implications.

2.2. the individual dimension of preferences for integration: identity versus self-interest

Much of the current literature, instead of focusing on the broad effects of crises on preferences, anchors the study of preferences for integration into individual (rather than structural) phenomena. Emphasis is put on two particular processes: on the one hand, the degree of “nationalism” of the individuals; on the other, economic self-interest. The fundamental logic of rational choices approaches is that either citizens support European integration because they experience or expect material gains (losses) from integration, or because their sense of belonging to a particular community (or their understanding of their identity) alter their utility functions by adding a non-material compensation that makes up for the deviation from the choice that would maximise material gains.

Several studies find a prominent role for non-material factors relating to status, identity and community affiliations (Hooghe, 2003; Hooghe and Marks, 2005; McLaren, 2006; Betchel et al, 2014). In particular Betchel et al. (2014) explore how attitudes towards redistribution, socialization and political partisanship affected the German public opinion towards bail-out programmes; they find that group identity and cosmopolitanism, rather than individual perceptions about costs and benefits, are the real drivers of the attitude towards bailouts. Other studies stress the actual and expected costs and benefits of integration on their effect on preferences (Gabel and Palmer, 1995; Gabel, 1998 Kuhn and Stoeckel, 2014). A common problem with this setting, however, is that identity and economics are assumed to be reciprocally independent. However, economic factors contribute, in some extent to shape individual

identities, both directly (as individuals tend to identify with values and communities that bring them direct advantage) and indirectly (through socialization processes). In other words, from a rational-choice perspective, individuals may support further integration because they enjoy material gains from it, or because they identify with it; but the latter is partially endogenous to the former. The embeddedness of self-interest and economic factors into self-identification variables limits the explanatory power of setting based on purely individual responses.

Whether grounding in self-interest or in identities the source of attitudes towards Europe, literature on preferences is also entangled with the body of work exploring the origins of Euroscepticism; a considerable amount of work has been done, at this regard, to understand the effect of the crisis on citizens' attitudes towards Europe (for instance Serricchio et al. 2013) and on the support for hard-line Eurosceptic parties (Hernandez and Kriesi, 2015; Nicoli 2016b). More broadly, many have used Eurobarometer data to explain the effect of the crisis on "support for the European Union" (for instance Armingeon and Ceka, 2014; Braun and Tausendpfund, 2014). While the use of Eurobarometer's individual data allows for a precise understanding of attitudes towards integration, however, it shall be noted that "trust in the EU" (and other examples of general questions assessing attitudes towards Europe, such as measures of "Europeanised" identities or "image" of the EU), constitute differentiated concept from "preferences" for further integration in the economic governance, which constitute a more specific and technical issue¹. In fact, the nature of the phenomenon adds an additional set of problems, namely that individuals may have little or no idea of what certain governance measures entail. Three main studies deal with the impact of the crisis on preferences for economic integration. First, Betchel et al. (2014) study the evolution of attitudes towards bail-outs in Germany, stressing the role of group identity and cosmopolitanism. However, their work is geographically delimited to Germany (and thus unable to catch the possible effects on the "losers" of integration); moreover, they tend to inflate their results by claiming that attitudes towards one-off, bail-out programmes hint to more general preferences in favour of more/less international redistribution (which, however, is not quite what bail-outs programmes and funds like the European Stability Mechanism are about). More

¹ This may, indeed, give the rise to problems of external validity, as citizens may not be aware of what a specific measure of integration entails. However, provided that a "don't know" option is present in the survey, it is safe to assume that respondents have at least a generalized idea of what the measure in question implies

specifically concerning the impact of the crisis for preferences for further integration is the work done by Kuhn and Stoeckel (2014). However, their study—being grounded in a single Eurobarometer wave conducted in late 2011—lacks the temporal depth required for a full understanding of how the crisis affected preferences over time. The same limitation applies to the competing study of Daniele and Geys (2015), which also relies on the 2011 Eurobarometer to assess preferences for fiscal integration. On a similar page, but in a different context, Hobolt (2014) finds evidence that core countries tend to have a structural preference in favour of further integration. Against this background, the paper aims to explore whether a neo-functional or a post-functional interpretation of the impact of the crisis on preferences for further integration is more appropriate.

2.3. *working hypotheses*

Building on the surveyed literature, this paper aims to fill a gap in current scholarship. The model should investigate (1) the effects of the Eurocrisis (in its different components) on preferences for further economic integration; adopting (2) a multi-year approach, thus enabling a dynamic understanding of the crisis; (3) providing insights that could shed light on the structural processes of European integration, thus providing empirical evidence towards either “grand” theory of integration.

In order to do so, we put forward several hypotheses derived by the literature. In particular, we are interested to explore whether the relationship between economic factors and preferences for integration seems to fit into a “Neo-neofunctional” paradigm, whereby – in front of economic hardship— a preference for further integration emerges in order to fill the “output” deficit, or rather into a Post-functionally-inspired paradigm, whereby economic turnout provides the conditions for a worsening of public attitudes towards integration. As a baseline hypothesis (H.1) we maintain that, following the Neo-neofunctional scheme, the emergence of an economic crisis signals a dysfunctional allocation of competences across government layers, thus posing the condition for further integration in the concerned fields to fill the “performance deficit”. According with H.1, we expect that the intensity of the crisis (measured by GDP, unemployment and financial distress) *increases* the demand for further integration in the governance sphere. In particular, following the Neo-neofunctional hypothesis we expect that (h.1.1) countries

and regions experiencing (stronger) crisis would have stronger preferences for integration, and (1.2) that the general (EU-wide) dynamics of the crisis (measured by EU-wide economic performance) would also impact on preferences.

The baseline hypothesis is contrasted with a Postfunctionalist-derived hypothesis (H.2) according to which the “failure of output legitimacy” implied by the crisis, by creating the conditions for socioeconomic insecurity and dissatisfaction with the political structures (Hooghe and Marks, 2009: 13) would open new spaces for activating popular discontent; therefore reducing preferences for integration. Therefore, according with the Postfunctionalist-derived hypothesis reduces preferences for further integration. In line with H.2, we expect that higher levels of crisis are matched with lower preferences for integration; especially when economic data are matched with identity data.

Finally, a mixed hypothesis can be derived by matching the Neo-neofunctional and Postfunctional approaches (h.3): following H.3, an economic downturn domestically would correlate with higher preferences for integration (in line with Neo-neofunctionalist logic); however, this general effect is expected to be moderated by those elements of the crisis which increase divide and polarization across the Union, contrasting different economic identities. In that instance, a Postfunctionalist reaction takes place as citizens of a given country would perceive further integration against their own interests and economic identity, thereby increasing polarization (in line with a Postfunctionalist logic). Following the mixed hypothesis, citizens of a given country will favour further integration when they are in a situation of crisis, but will otherwise tend to minimize the negative spillovers of the crisis from *elsewhere* to their country. Therefore, the expectation (h.3.1) is that, when the discussed form of integration requires mutualisation of financial resources (such as Eurobonds), *relatively worse performance abroad* (especially in debt and deficit data) *would associate with lower preferences for integration* (and the opposite). Since citizens of surplus countries try to minimize their own costs; similarly, (h.3.2), when the discussed form of integration concerns additional regulation or control (such as in the Governance index) *a relatively worse performance abroad would associate with stronger preferences for integration* as citizens of surplus countries tend to prefer solutions minimizing contagion to their own countries.

3. Methodology

3.1 Operationalisation

Operationalisation is, to some extent, limited by data availability and structure. A rational-choice approach to study of preferences would require data at individual level. While Eurobarometer does provide data on individuals and it is routinely used for comprehensive, cross-sectional studies on preferences towards integration (see, for instance, Hobolt 2014), investigating the effects of the crisis requires a time dimension which is not currently available at individual level. While some have chosen a multilevel approach (for instance, Braun and Tausenpfund 2014; Armigeon and Ceka 2014) in studying public opinion, such setting prevents to test some of the country-level hypotheses that we put forward. A possible solution would be to compute territorial averages over time. Such an approach, albeit useful, presents two main limitations. First, it spoils the opportunity of testing classical rational choice hypotheses on individual conditions: the effect of the crisis, instead of being apparent on the individual level, is approximated by nation-wide macro data. Furthermore, simply aggregating data at national level, while may help in creating a coherent panel and would provide the necessary level of information, would be subject to possible ecological fallacy as it would try to fit aggregate economic data to explain individual (but aggregated) behaviour.

Since individual data and regional data (NUTS-1) are also available in the Eurobarometer data series, in this study we complement the national-level aggregate data with regionally-aggregated data and individual data. National and regional dataset use panel-level econometrics with a continuous dependent variable (the share of respondents favouring a given policy); the individual level, instead- due to the lack of proper panel- pools all Eurobarometer waves together. At individual level we collapse the range of positive/negative positions towards a given policy solution into a binary variable, and then run a pooled logit model with country variables and cluster (time) robust standard errors. While our main hypotheses are tested at the national level, the regional disaggregation, as well as

the individual analysis, helps in assessing the degree of ecological fallacy implicit in our model, providing additional robustness to the overall analysis.²

Finally, adding a time dimension to the aggregate analysis generates a further issue in terms of Dependent Variables (DVs) selection: a comprehensive approach grounded on multi-component “governance index”, as adopted by Kuhn and Stoeckel (2014), is possible only if the time-component of the Eurocrisis is not included. In fact, the several Eurobarometer time series upon which the governance index is built are not reproduced with sufficient frequency to allow for the upgrading of the dataset into a full-fledged panel.³ The first indicator is thus derived by the data series on preferences concerning Eurobonds, the only question of interest asked coherently throughout the entire period. A second indicator could be built by combining data on preferences for Eurozone Economic Policy Coordination (covering years 2011-2013) and on preferences for the creation of a Eurozone Financial Minister with powers of approval on national budgets (covering years 2013-2014).

3.2. Dependent variables

Against this background, a series of regressions on two separate DVs is run.

The first DV concerns the specific preference for Eurobonds, for which data are available through almost the full time series from Q2 2011 to Q4 2015. At regional and national levels of aggregation, the DV is the share of respondents “very much in favour” and “fairly in favour” of the establishment of Eurobonds; at individual level, it is a binary variable taking value 1 for respondents “fairly” and “very much” in favour, and 0 otherwise.

² It must be noted that the individual predictors are similar, but not identical, to the variables used in the aggregated model: for instance, individual level includes personal employment situation and opinion about the economy (national, European); aggregated information are, instead, unemployment rate and GDP.

³ Annex 1 reconstructs, semester after semester, the availability of data on questions related to preferences concerning the economic crisis in the Eurobarometer.

the second DVs built by combining data on preferences for Eurozone Economic Policy Coordination and for the Creation of a Financial Minister. Together, the two data-series cover the full period from 2011 to 2014; for the year 2013, characterised by an overlap, the average of national averages is taken.⁴

3.3. Independent variables

The independent variables (IVs) are selected to capture the multi-dimensional nature of the Eurocrisis. The ECB's Composite Indicator of Systemic Stress (CISS) originally developed by Holló et al. (2012) is included to capture the diffused financial dimension of the crisis. Moreover, the Crisis Intensity Index, which provides a multidimensional analysis of the Eurocrisis based on interest rate and Euroscepticism, is obtained from Nicoli (2016a). Alternative measures on crisis intensity include growth rate, debt accumulation, differentials in debt levels from the European average; unemployment rate and interest rate (the two components of the Crisis Intensity Index) are also included individually.

At this regard, h.1 assumes that, overall, the impact of the crisis variables shapes upwards preferences for integration: the more intense is the crisis and the worse is domestic economic performance, the higher are preferences for integration; h.2, on the contrary, expects a negative reaction to the crisis. Finally, h.3 assumes that bad performance abroad, especially in terms of debt performance, would correlate with lower preferences for integration in the countries faring comparatively better.

At individual level, we are constrained by the common questions collected in the different Eurobarometer waves. In modelling the economic situation of the respondents, we use the set of questions concerning the interviewee's opinion concerning their personal, national employment situation (4 categories from "very good" to "very bad") and the national, European economic situation (equally 4 categories). We also use age and degree of Europeanised identities as predictors.

⁴ Annex 2 reports the evolution of the three indicators; while all countries experience a progressive drop in preferences over time, important differences continue to exist. While at first glance, the trend appears shaped downwards, it is worth noting that the intensity of the Eurocrisis has also decreased since its heights in 2012.

Table 1
Variables' lists

<i>Variable Name</i>	<i>Description</i>	<i>Data source</i>
<i>Dependent Variables</i>		
<i>Eurobonds (DV_1)</i>	Aggregate level: Share of “strongly effective” and “fairly effective” answers to the question “do you think that Eurobonds would be effective in tackling the crisis”? individual level: 1 if respondent answers “strongly effective”, “fairly effective”, 0 otherwise	<i>Eurobarometer (2010-2015)</i>
<i>Governance Index (DV_2)</i>	Average share of “strongly effective” and “fairly effective” answers to the questions “do you think that stronger coordination of the EMU countries would be effective in tackling the crisis”?, “do you think that an European Finance Minister would be effective in tackling the crisis”?, and “do you think that European approval of national budgets would be effective in tackling the crisis”?	<i>Eurobarometer (2010-2015)</i>
<i>Independent Variables/individual level</i>		
Situation of the National economy	Assessment of the national economic situation. 4 categories and 2 categories.	<i>Eurobarometer (2010-2015)</i>
Situation of the European economy	Assessment of the European economic situation. 4 categories and 2 categories.	<i>Eurobarometer (2010-2015)</i>
National employment situation	Assessment of the National employment situation. 4 categories and 2 categories.	<i>Eurobarometer (2010-2015)</i>
Personal job situation	Assessment of the personal job situation. 4 categories and 2 categories.	<i>Eurobarometer (2010-2015)</i>
age	Exact age of the respondent	<i>Eurobarometer (2010-2015)</i>
European identity	Assessment of one own's identity. 4 categories	<i>Eurobarometer (2010-2015)</i>
<i>Independent Variables/aggregate level</i>		
EuroArea	The country is member of the Eurozone	European Commission
Precrisis EuroArea	The Country was already member of the Eurozone prior to the crisis	European Commission
Growth Rate	The economy growth rate in the survey's semester	Eurostat
Crisis Index	Score on the Crisis indicator in the survey's semester	Nicoli, F. (2016a)
crisisBaseline	Pre-crisis score on the Crisis indicator	Nicoli, F. (2016a)
Greek Crisis	Dummy variable for the first semester 2015	
unemployment	The unemployment level in the survey's semester	Eurostat
Interest rate	Average yield on the 10-years public bond in the survey's semester	ECB
Fiscal balance	Fiscal surplus/deficit in the year of the survey	Eurostat
Banking Union Index	Progress index of Banking Union	Nicoli, F. (2016a)
Fiscal Union Index	Progress index of Fiscal Union	Nicoli, F. (2016a)
EU Integration index	ECB EU integration index, standardized	Dorucci et al.,(2015)
Core country	Core Eurozone countries: Austria, Benelux, Germany, France.	n/a
Nordic country	Nordic country: Baltics, Denmark, Sweden, Finland	n/a
New country	New country (2004 & 2007 enlargements)	
smallcountry	The country has less than 2 million citizens	Eurostat
Programme country	The country has been subject to an economic adjustment programme in the framework of the Eurocrisis	ECB
debt	Level of public debt in the survey's year	Eurostat
Eudebt	Average EU debt in the survey's year	Eurostat
Debt differential	Differential between domestic and EU debt level in the survey's year	Eurostat
Systemic Risk Index	ECB Composite Index for Systemic Stress	Holló et al. (2012-2016)
Nationalism	“only national” and “more national than European” answers to the Eurobarometer question “how do you see yourself in the near future”	<i>Eurobarometer (2010-2015)</i>

Semester	Whether the survey has been conducted in the Autumn (0) or Spring (1) semester	Eurobarometer
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Control variables include the country size, the regional distribution, membership of the Monetary Union, and the progress achieved in European integration during the period under scrutiny; the latter is assessed through several variables: first, a standardized version of the Index of Regional Economic Integration of the ECB (Dorucci et al., 2015); second, through a set of dummy variables which capture the entrance into force of key decisions on fiscal and financial governance. Finally, the last set of variables uses share of “only national” answer to the Eurobarometer question “how do you see yourself in the near future” to approximate the level of restrictive nationalism in each country (all variables are reported in table 1).

3.4 *The model(s)*

As discussed above, our data are organised at 3 levels: individual, regional, and national. At individual level, the full panel is composed by 178.000 observations over the 2011-2015 period (semester frequency). Since the data lack a panel structure (different individuals are interviewed each year) we opt of a pooled logistic model with year fixed effects. At aggregated national level, the strongly balanced panel is composed of 208 observations covering 26 countries (the EU28 minus Croatia and Estonia, for which data on interest rate on public debt are not available) from the second semester 2011 to the first semester 2015. At aggregated regional level, instead, the database covers 91 NUTS-1 regions on a yearly basis (since disaggregated quarterly or semester economic data for regions do not exist).

Although the panel structure of the data provides additional information in respect to previous analysis carried out by Kuhn and Stoeckel (2014) and Daniele and Geys (2015), it also requires additional constraints in term of modelling choices. Three main alternative approaches can be used when looking at panel data: fixed effects, random-effects and pooled OLS. A fourth possibility is the Hausman-Taylor endogenous variables regression, which combines fixed effects and random effects.

As time-invariant known factors may play an important role in shaping preferences for further integration, the primary choice would be constituted by a random-effects model, provided that the robust version of the Hausman test is passed, therefore not violating the hypothesis that panel-specific errors are not correlated with the IVs. It

follows that, for each of the 3 DVs, results are reported for random-effects models when consisted with the Robust version of the Hausman test; fixed effects, or -if appropriate- Hausman-Talyor results are reported otherwise.

For all three DVs, we are interested in the specific effect of the IVs capturing the effect of the crisis (1): *Growth Rate*, *EUdebt*, *debt_differential*, *Unemployment*, *interest_rate*, *deficit*, *crisis index*, and *Systemic Risk Index*. At this regard, the baseline Neofunctional hypothesis is that the higher the crisis intensity, the stronger the preference for further integration. Moreover, we are also interested in the possible effects of already-pursued integration (2): *integration_index* attempts to capture the evolving nature of European integration in times of crisis. Also, we expect, we expect to have a negative coefficient for the various measures of already-achieved integration, capturing, to some extent, an “integration fatigue”.

However, an interaction term between the level of integration (captured by an index) and crisis intensity is also included, so it is the interaction between crisis intensity and the reported feeling of nationalism; we expect the first to be positively correlated with preferences for integration, as it suggests that existing integration has been not sufficient in addressing the crisis. Finally, a set of controls (3) is added, including *Euro Area* and *precrisis Euro area* membership, *programme country*, *Southern country*, *Central-Eastern Europe*, *core Europe* and *Nordic country*. We don't have particular expectations for most controls, with the exception of *Euro Area*, which we expect to be positively correlated with preferences for integration, and *programme country*, which we expect to be negatively correlated.

4. Results

4.1 Preferences for Eurobonds

The second DV concerns the preference for the creation of Eurobonds. This particular question is the only one featuring in each Eurobarometer from the second half of 2011 to 2015, indicating a persistent interest of the European Commission and of the European Parliament in the matter. Several different specifications have been tested, both at individual (Table 2) and aggregated (regional, national- table 3) level.

The individual level. At individual level, our modelling of the crisis is constrained by the limited number of questions evenly asked through the Eurobarometer waves. We test four specifications: model A1 with country-group dummies and 4-categories economic predictors; model A2 with binary predictors; model A3 with individual country dummies; model A4 with country dummies and binary predictors. The domestic economic performance is significant only when the country-specific effects are excluded, and positively correlated with preferences for Eurobonds: the worse the domestic economy, the stronger the preference.

		A1	A2	A3	A4	Country effects	
						A3	A4
national economy	Rather good	0.104 (3.93)***		-0.040 (1.17)		BE 1.165 (6.38)***	1.131 (6.08)* **
	Rather bad	0.229 (3.93)***		-0.083 (0.81)		BG 0.935 (6.05)***	0.906 (4.92)* **
	Very bad	0.202 (2.31)**		-0.161 (1.22)		CY 0.617 (4.16)***	0.491 (2.43)* *
	DK	0.139 (3.27)***		-0.062 (1.23)		CZ 0.488 (21.47)***	0.460 (19.26) ***
bad_economy (dummy)		0.091 (1.73)*		-0.133 (1.79)*		DE -0.540 (2.25)**	-0.521 (2.07)* *
European economy	Rather good	-0.516 (8.98)***		-0.363 (7.81)***		DK 0.514 (2.80)***	0.467 (2.34)* *
	Rather bad	-0.806 (8.82)***		-0.619 (9.22)***		EE -0.004 (0.02)	-0.030 (0.19)
	Very bad	-1.006 (9.29)***		-0.786 (10.20)***		EL 1.363 (11.73)***	1.276 (9.08)* **
	DK	-0.785 (8.37)***		-0.605 (7.26)***		ES 1.145 (2.96)***	1.031 (2.50)* *
bad_Eueconomy (dummy)		-0.284 (5.20)***		-0.253 (5.88)***		FI 0.188 (1.14)	0.178 (1.08)
personal employment	Rather good	0.074 (3.54)***		0.049 (2.06)**		FR 1.058 (3.84)***	0.959 (3.12)* **
	Rather bad	-0.024 (0.91)		-0.066 (3.23)***		HU 0.709 (4.59)***	0.693 (4.20)* **
	Very bad	-0.122 (3.75)***		-0.134 (6.69)***		IE 1.259 (9.19)***	1.177 (7.01)* **
	DK	-0.049 (1.19)		-0.049 (1.48)		IT 1.132 (4.99)***	1.078 (4.65)* **
bad_employment (personal, dummy)		-0.085 (2.43)**		-0.127 (4.00)***		LT 0.517 (2.18)**	0.489 (1.86)*
	Rather good	-0.048		-0.110		LU 0.613	0.559

		(0.95)		(2.19)**			(2.64)***	(2.23)*
national employment	Rather bad	-0.045 (1.26)		-0.218 (4.42)***		LV	-0.025 (0.14)	-0.041 (0.22)
	Very bad	-0.092 (2.02)**		-0.329 (3.75)***		MT	0.900 (1.66)*	0.793 (1.48)
	DK	0.001 (0.02)		-0.077 (0.69)		NL	0.323 (1.31)	0.319 (1.40)
bad_employment (national, dummy)			-0.127		-0.184	PL	0.735	0.664
			(1.86)*		(2.71)***		(3.69)***	(2.88)* **
	national and european	0.529	0.547	0.495	0.512	PT	1.553	1.499
		(13.33)***	(6.75)***	(13.18)***	(6.54)***		(4.61)***	(4.15)* **
identity	European and national	0.606	0.614	0.579	0.586	RO	1.031	0.973
		(5.48)***	(3.41)***	(4.76)***	(3.04)***		(5.84)***	(5.07)* **
	European Only	0.440	0.419	0.378	0.359	SE	0.203 (1.23)	0.137 (0.80)
year	2013	(3.07)*** -4.294 (1.23)	(2.03)** 1.358 (76.67)***	(2.58)*** -4.342 (1.24)	(1.67)* 1.409 *	SI	0.450 (42.07)** (4.87)***	0.444 (5.67)* **
	2014	-4.973 (1.51)	0.356 (62.50)***	-5.055 (1.53)	0.369 (31.37)** *	SK	0.720 (10.16)***	0.702 (9.55)* **
	2015	11.720 (1.62)	0.406 (74.62)***	11.916 (1.64)	0.410 (67.28)** *	UK	0.419 (2.75)***	0.338 (1.70)*
programmecountry		0.395 (4.43)***	0.401 (4.78)***					
Eurozone		0.029 (0.30)	0.005 (0.05)					
CISS		-18.634 (1.58)		-18.959 (1.61)				
core		-0.369 (2.37)**	-0.330 (1.91)*					
CEE		-0.285 (2.31)**	-0.232 (1.83)*					
nordic		-0.310 (27.86)***	-0.316 (14.08)***					
_cons		7.147 (1.68)*	-0.257 (3.71)***	6.815 (1.58)	-0.766 (5.44)***			
	N	119,634	119,634	119,634	119,634			

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

On the opposite side, the economic performance at EU level, and the self-assessment of personal and national employment situation, indicate a decrease in support for Eurobonds as the situation deteriorates. Among countries and country groups, the only countries with a very clear negative preference for Eurobonds are DE and AT (almost all countries perform better than AT); southern countries (and programme countries in particular) have a higher probability of supporting Eurobonds across all specifications.

The aggregate level. As noted, aggregation is enacted both at regional and national level. Although the aggregated variables differ somewhat from the individual variables, catching the structural (rather than perceived) nature of the crisis, results are, overall, consistent from the individual to the regional and national level.

Specification B1 reports the growth rate, unemployment and the Systemic Risk Index measures of the crisis (national level, quarterly); specification B2 is very similar, but with the addition of country effects instead of group dummies; B3 and B4 reproduce the model at regional level (NUTS-1- 94 panels); B5 is included to allow for comparison across the two DVs, and B6 introduces data on nationalism from Eurobarometer. In specifications B1, B2, B5, the independence hypothesis held and therefore random-effects estimates are reported; in specification B3, B4 and B6 however, the model failed to pass the robust version of the Hausman test, and therefore fixed-effects estimates (or pooled OLS for B4) are reported.

Overall, preferences for Eurobonds seem to depend primarily on the general (European-wide) perception of living through particularly strong crisis times (the Systemic Risk Index; the 2015 Greek crisis episode), with a second component depending on domestic performance (positive performance tends to decrease the sentiment for debt mutualisation); finally, the total level of European debt acts as a moderator to these effects.

More in detail the growth rate is always negatively correlated and statistically significant in 3 specifications at national level, suggesting that the better the domestic economy performs, the weaker is the perception that the EU needs to mutualize debt, therefore supporting h.1. It must be noted that the effect is not significant at regional level, and consistent with the positive sign of the perceptions concerning the economy in the individual model. Such an explanation is complemented by the ECB's Systemic Risk Index, that is significant and positively correlated to the DV. The Neo-neofunctional explanation is somehow moderated by the estimations on the effect of the EU debt levels: the higher the European debt (always statically significant and negative), the lower the appetite for sharing the burden; together, they seem to support h.3.1 rather than h.1. The simple level of national debt is however not significant, nor it is the differential. The dummy identifying the 2015 Greek crisis episode (the long negotiations between the Greek government led by Syriza and the so-called Troika (EU, ECB, IMF) on the third bailout package in S1 2015), which suddenly reignited the Eurocrisis when it was broadly perceived as settled, is strongly negatively correlated, suggesting that the Tsipras' government hard-line stance to renegotiate

better terms was not taken positively by Europeans. Economically distressed countries, however showed generally higher support for the proposal: the baseline value of the indicator (CrisisBaseline) is significant at 5%/10% level depending on the specification, and its positive coefficient suggests that countries struck earlier by the crisis have maintained their preference for fiscal integration. The additional elements of the crisis, such as the interest rate or the unemployment rate (specification B4) generally fail to be statistically significant, with the exception of unemployment at 10% level for specification B4. The same applies to several Euro Area interactions, suggesting that- concerning preference for Eurobonds- the crisis had no appreciably stronger effect on the Eurozone's public opinion (specification not shown).

Table 3
preferences for Eurobonds: national and regional level

	B1 (re)	B2 (re)	B3 (fe, regional)	B4 (pooled OLS with cluster- robust errors, regional)	B5 (re) (comparative)	B6 (fe) (identity)	country dummies (model B2)
Growth rate	-1.318 (3.16)***	-1.697 (3.43)***	-0.124 (1.01)	-0.136 (0.54)	-1.018 (2.51)**	-0.633 (1.10)	be 25.819 (7.61)***
EU debt	-4.390 (9.05)***	-3.354 (8.27)***	-0.018 (5.12)***	0.006 (0.56)	-3.722 (9.02)***	-6.525 (7.08)***	bg -6.115 (0.48)
Greekcrisis	-5.710 (4.19)***					-9.070 (4.89)***	cy -9.368 (1.83)*
Unemployment	-0.010 (0.02)	0.501 (0.69)	-0.002 (0.56)	0.009 (2.55)**			dk -3.722 (0.55)
Programme country	5.726 (0.87)						fi -15.501 (2.96)***
Fiscal balance	-0.016 (0.04)	-0.191 (0.45)	-0.002 (0.98)	-0.012 (1.78)*	-0.124 (0.32)		fr 8.400 (2.90)***
EuroArea	0.761 (0.33)			0.042 (0.80)		0.558 (0.32)	de -16.693 (10.45)***
Systemic risk index	14.552 (2.64)***	24.246 (4.32)***	-0.094 (1.67)*	0.439 (1.49)		34.042 (1.85)*	el 17.341 (1.10)
debt		-0.192 (1.21)	-0.001 (0.70)	-0.001 (1.04)		0.032 (0.15)	hu 10.033 (2.85)***
small country/region					0.343 (0.06)		ie 19.814 (3.51)***
Core state	-0.062 (0.01)			0.007 (0.13)			it 15.767 (2.29)**
Central_ eastern Europe	2.948 (0.67)			0.074 (1.89)*			lv -16.610 (1.52)
nordic&baltic				-0.095 (1.83)*			lt -3.899 (0.38)
federal countries				-0.151 (4.00)***			lu 4.324 (0.40)
crisisBaseline					2.840		mt 15.745 (4.57)***
							nl -6.363

					(2.66)***			(2.22)**
Debt differential					-0.012		pl	6.340
					(0.19)			(0.96)
Precrisis EuroArea					3.310		pt	19.462
					(0.79)			(2.56)**
Nationalism						8.476	ro	6.541
						(1.18)		(0.82)
nationalism*crisis						-1.116	sk	2.538
						(1.08)		(0.28)
long-term unemployment	0.000	0.000					si	-4.927
	(2.17)**	(1.83)*						(1.44)
construction share	0.541	-0.334					es	0.538
	(0.49)	(0.40)						(0.04)
Semester					-0.010		se	-12.541
					(4.81)***			(1.54)
2012				-0.073			uk	-4.664
				(2.26)**				(2.32)**
2013				0.031			cz	-1.285
				(1.21)				(0.19)
_cons	419.365	337.973	2.131	-0.131	539.307	595.544		
	(9.84)***	(9.45)***	(6.58)***	(0.13)	(13.98)***	(7.94)***		
<i>N</i>	208	208	450	450	208	130		
Robust Hausman	passed	passed	<i>failed</i>	-	Passed	failed		

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

Data on identities return a mixed profile. Eurobarometer data series on nationalism, and its interactions with crisis measures, are not significant nor have an appreciable effect on other variables once introduced in the regression model (specification B6).

Country groups fail, in general, to be statistically significant at national level (but are at regional). Model B2 (which includes country dummies) shows clearly that a group of countries (UK, Finland, Germany, the Netherlands, and surprisingly Cyprus) have a clear and statistically-significant preference against Eurobonds (also considered that the base category is Austria, another core country); conversely, Portugal, Italy, Ireland, France, Malta (and, surprisingly, Hungary) have a statistically-significant preference in favour of Eurobonds; results are consistent with the individual level. The country divide, only in part pictured by the classical core-periphery cleavage (Cyprus on the one side, Belgium and France on the other), seems to point towards h.3.1, supporting the idea that preferences for Eurobonds are moderated by the generalised vision of one country's interests.

Governance Index

The second DV tested in this study is a composite index of the answers to several different questions concerning stronger governance in the fiscal and macroeconomic field. Provided that we aggregate the responses over different questions, the individual analysis is not feasible here without substantially changing the indicator, however, the overall consistency between individual and aggregated dimension is supported by results on DV-1. The first question, covering the years from the first semester of 2011 to the second semester 2013 asked the respondents to assess how effective would be, in addressing the Eurocrisis, to introduce enhanced Eurozone coordination of fiscal and macroeconomic policies. The second question, present in Eurobarometer between the first semester of 2013 and the second semester of 2014, asked the respondents to assess how effective it would be to have the Union to approve the budgetary laws of member-states. Finally, the third question, present in the Eurobarometer only in 2013, required the respondents to assess the effectiveness of the creation of a European Union's Finance Minister, proposed, among others, by the German finance minister W. Schauble (Böll and Von Hammerstein, 2012; Karagiannis and Guidi, 2014; Enderlein and Haas, 2015). Similarly to DV-1 and DV-2 this variable is built on the average share of respondents responding to "fairly agree" and "strongly agree" with the effectiveness of each of the solutions. Of course, for the years 2011-2012 DV-3 is equal to the answers to the first question, while for the year 2014, to the answers to the second question. For 2013, DV-3 is equal to the average share of positive replies over the three variables considered.

Six different specifications have been run. Specification C1 includes only the basic elements of the model: growth rate, country size and Euro Area membership. C2 includes additional elements of the crisis besides growth rate, such as unemployment, debt differentials, and deficit; it also includes the ECB's index of European integration and a full set of country controls; C3 interacts pre-crisis Euro membership with the crisis components (GDP and unemployment in particular). C4 includes the Crisis Intensity Index and the Systemic Stress Index instead of the unemployment rate and the interest rate. Again, C5 is included to allow comparison across DVs and C6 includes identity measures. The Robust Hausman test failed for specifications C4 and C6, so, fixed-effects estimates are reported instead of the usual random-effects.

The estimated effects of the explanatory variables are in line with the results of the previous two DVs. The growth rate is significant at 1% in specification C1, C4 and C5, and at 10% in C2, with a negative coefficient as expected: lower growth rates are generally associated with higher preferences for strengthened fiscal and economic governance. However, when interaction effects with Eurozone membership are included (C3) the statistical significance of the effect seems to fade. Against the straightforward neofunctionalist explanation, specifications C2 and C3 show that higher levels of unemployment are negatively correlated with the governance index (the higher the unemployment, the lower the preference for a constrained economic policy). The opposite applies to higher fiscal balance (the smaller the deficit, the less countries seem to be in favour of strengthened control).

Table 4
governance index

<i>Governance index</i>	C1 (re)	C2 (re)	C3 (re)	C4 (fe)	C5 (re) (comparatve)	C6 (fe) (identity)
crisis Baseline	0.0147 (1.50)	0.017 (1.75)*	0.017 (1.70)*		1.542 (1.94)*	
growthrate	-0.0105 (2.60)***	-0.004 (1.82)*	0.001 (0.14)	-0.007 (2.79)***	-0.729 (3.62)***	-0.006 (0.63)
smallcountry	0.0522 (2.20)**	0.035 (1.50)	0.033 (1.29)		2.995 (1.35)	
precrisis EuroArea	0.0587 (2.58)***	0.107 (3.06)***	0.100 (2.25)**		9.582 (3.78)***	
unemployment		-0.003 (1.92)*	-0.005 (1.71)*			
fiscal_balance		-0.004 (2.09)**	-0.004 (1.94)*	-0.003 (1.43)	-0.278 (1.66)*	-0.001 (0.54)
debt differential		-0.001 (1.35)	-0.001 (1.45)	-0.001 (1.11)	-0.093 (2.62)***	-0.000 (0.05)
EU debt		-0.011 (2.13)**	-0.011 (1.96)**	-0.007 (1.36)	-0.678 (1.60)	-0.086 (4.24)***
new country		0.018 (0.62)	0.017 (0.60)			
core country		-0.010 (0.31)	-0.008 (0.24)			
Integration Index		10.603 (6.67)***	10.676 (6.68)***	9.530 (6.12)***		
Systemic Stress Index				0.199 (6.31)***		0.121 (0.85)
Semester		-0.001 (10.72)***	-0.001 (10.58)***	-0.001 (8.89)***	-0.025 (8.85)***	0.000 (0.57)
EUR*gdpGrowth			-0.006 (1.11)			
EUR*unemployment			0.002 (0.71)			
Euro Area				-0.041 (2.20)**		-0.027 (1.10)
Crisis Index				-0.008 (1.19)		-0.025 (2.35)**

nationalism						0.108 (1.89)*
crisis*nationalism						-0.016 (1.98)*
_cons	58.255 (10.91)***	12.077 (11.89)***	12.173 (11.84)***	10.752 (9.70)***	587.020 (21.33)***	7.700 (5.47)***
Robust Hausman	Passed	Passed	Passed	<i>failed</i>	Passed	<i>failed</i>
N	208	208	208	208	208	130
* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$						

This seems to suggest that citizens favour European supervision of fiscal policy, but not when the country is troubled by high unemployment.⁵ In other words, the effect it may be explained by a diffused preference of citizens for the EU to keep their own domestic government on check; a preference, therefore, for the EU’s “external constraint” (Panagiotarea, 2014). With almost no exceptions across specifications, Euro Area membership, and the degree of pre-crisis economic distress (*CrisisBaseline*), are positively correlated with preferences for stronger governance. The only statistically significant and quantitatively large coefficient is attributed to the ECB’s index of European Integration. At this regard, however, a word of caution is worth mentioning: as the Index tends to increase over time (with only a few episodes of reduction over the 60 years’ timeline anyway not included in panel’s time frame) it tends to equally capture a general effect of the “flowing time”, and therefore may be biased as it may contain the effects of eventually omitted variables. Also, the size of the coefficient, appearing so large, can be misleading: being the index standardized (0-1), its actual values are extremely small, varying from a minimum of 0,04 to a maximum of 0,08.

Conclusions

Two key questions inspired this paper. On the empirical level, given the Brussels circles’ appetite for further integration, the paper sought to investigate the real effects of economic performance, in times of crisis, on citizens’ preferences for further integration. Conveniently, on a theoretical level, such an empirical answer may shed light on the interaction between the alleged Neo neofunctional dynamics of integration and the emergence of a Postfunctional dynamic of integration. The Neo-neofunctional dynamics of integration, driven by the need to re-establish the fading output legitimacy assumes that- when a crisis hits- preferences for integration tend to

⁵ This is confirmed by the positive coefficient and by the 1% statistical significance of the interaction between unemployment and fiscal balance, tested in a specification not presented in table 3 for succinctness

strengthen. Conversely, a Postfunctional integration dynamics implies that (i) democratic deficit becomes a driver of competences' allocation and that (ii) if a performance deficit is perceived, it would rather weaken preferences for further integration (Wijsman, 2016). At this regard, the Postfunctional hypothesis implies that crisis intensity and preferences for integration have a negative correlation. The baseline, Neofunctional hypothesis therefore assumed that crisis intensity and preferences for integration tend to be positively correlated; the Postfunctional hypothesis postulates, instead, that the correlation is negative.

Generally, the econometric results fail to confirm beyond doubt either h1 on Neo-neofunctionalism, or h2 on Postfunctionalism. We observe a general tendency in favour of the mixed interpretation offered by h.3, albeit with many nuances, with a slightly stronger weight attributed to its Neo-neofunctional component. The main crisis indicator – the economy's growth rate— clearly shows a strong and robust negative correlation with all three dependent variables, supporting the Neofunctional hypothesis. Other elements of the crisis, either considered together, such as within the Crisis Index, or separately, like debt, deficit, European debt and unemployment data, often fail to pass the significance threshold. When they succeed, they hold contrasting results. Higher European debt levels, as well as higher unemployment, show a negative correlation with preferences, supporting instead a Postfunctional interpretation of the crisis.

However, further support for the Neo-neofunctional interpretation is given by “soft” indicators of crisis intensity, such as the baseline level of crisis intensity (positively correlated with preferences for specific actions) and the dummy variables identifying countries under economic adjustment programmes. Moreover, if a Neo-neofunctional effect of the crisis on preferences for integration exists, it appears to be differentiated between domestic effects and European effects: domestic under-performance associates with higher preferences for integration, while under-performance abroad tends to depress preferences. All in all, data on preferences are not sufficient in determining whether the crisis, at its heights, generated the conditions for further integration in a classical Neo-neofunctional dynamics, and therefore the cooling of enthusiasm for further integration is due to the improving economic performance, or whether resentment for the EU failures in economic policy abroad translates, overall, in lower willingness for further transfer of competences.

Despite shedding lights on the impact of crisis intensity on the preferences for fiscal integration, however, the paper suffers from a major shortcoming, dictated by data availability. Lacking pre-2011 data on preferences for fiscal integration, the methodology here adopted is unable to show whether the crisis had induced an original “positive shock” in preferences, successively faded away once the effect of the crisis diminished, or whether pre-crisis preferences for fiscal integration were even higher. Unfortunately, in the absence of a longer, pre-crisis dataset, a final evaluation of the full effect of the crisis is not possible, although –as shown here – an assessment of the impact of crisis intensity is within reach. Furthermore, the aggregate analysis level may suffer from some degree of environmental fallacy, although this is limited by the consistency shown by the national aggregate level with the regional aggregates and the individual-level analysis.

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