# Big politics, small money – Euroscepticism's diminishing return in EU budget allocations

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Tal Sadeh, School of Political Science, Government and International Affairs, Tel Aviv University, 58 Chaim Levanon st., Tel Aviv 69978, Israel. Email: talsadeh@tauex.tau.ac.il.

Yoav Raskin, School of Political Science, Government and International Affairs, Tel Aviv University, 58 Chaim Levanon st., Tel Aviv 69978, Israel

Eyal Rubinson, Institut Barcelona d'Estudis Internacionals (IBEI), Ramon Trias Fargas 25-27, Barcelona 08005, Spain.

**Abstract**

This study is motivated by the puzzle of diminishing gains in European Union budget bargaining for governments with a Eurosceptic domestic audience, even as Euroscepticism is increasingly represented in national legislatures. Engaging literature on fiscal federalism in the European Union and the institutionalist politics of its budgetary process, we argue that European integration diminishes the ability of member states' governments to leverage Euroscepticism to extract concessions from the European Union budget. This is because Euroscepticism is becoming less exceptional, and greater differentiation in integration reduces the will to reward those seen as systematically less committed to integration. Running panel-corrected standard errors regressions on Operating Budgetary Balances since 1977, we find that in intergovernmental bargaining, domestic popular Euroscepticism is an advantage, but parliamentary Euroscepticism is not.

**Keywords**

Bargaining; Euroscepticism; Fiscal transfers; Integration; Responsiveness

**Corresponding author**

Tal Sadeh, School of Political Science, Government and International Affairs, Tel Aviv University, Tel Aviv 69978, Israel. talsadeh@tauex.tau.ac.il

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## Introduction

The main research question of this article is whether Eurosceptic voters and parties influence the allocation of the European Union (EU) budget among its member states, and how European integration affects this relationship. The rise of Eurosceptic domestic political parties since the signing of the treaty of Maastricht is reflected in the general (even though uneven) increase in representation of Eurosceptic attitudes in national legislatures after 1992, in old and new member states (see the Appendix).

One area of particular interest for Eurosceptic politicians should be the EU budget. Operating Budgetary Balances (OBBs) – national benefits from the EU budget minus contributions into it – are easy and convenient to communicate to voters as a zero-sum game. It can be expected that the growing influence of Eurosceptic parties will spill into EU-level bargaining over OBBs, either because these parties hold government positions in some member states, or because electoral competition, boosted by the multiple crises that the EU has been facing, forces even mainstream parties to be responsive to increasingly Eurosceptic voters. If so, the relationship between national OBBs and representation of Eurosceptic preferences in the national legislature should have strengthened in the post-Maastricht period. However, as Figure 1 demonstrates, this relationship has puzzlingly reversed.[1]

[1] Linear fit lines in red, slope and its statistical significance levels indicated. Pre-Maastricht, a rise of 0.32 in the index of Parliamentary Euroscepticism (its standard deviation) was associated with a rise of 0.32×0.55=0.18 percent of GDP in OBBs. Difference between slopes is significant at $p$=0.003 (see the Appendix).

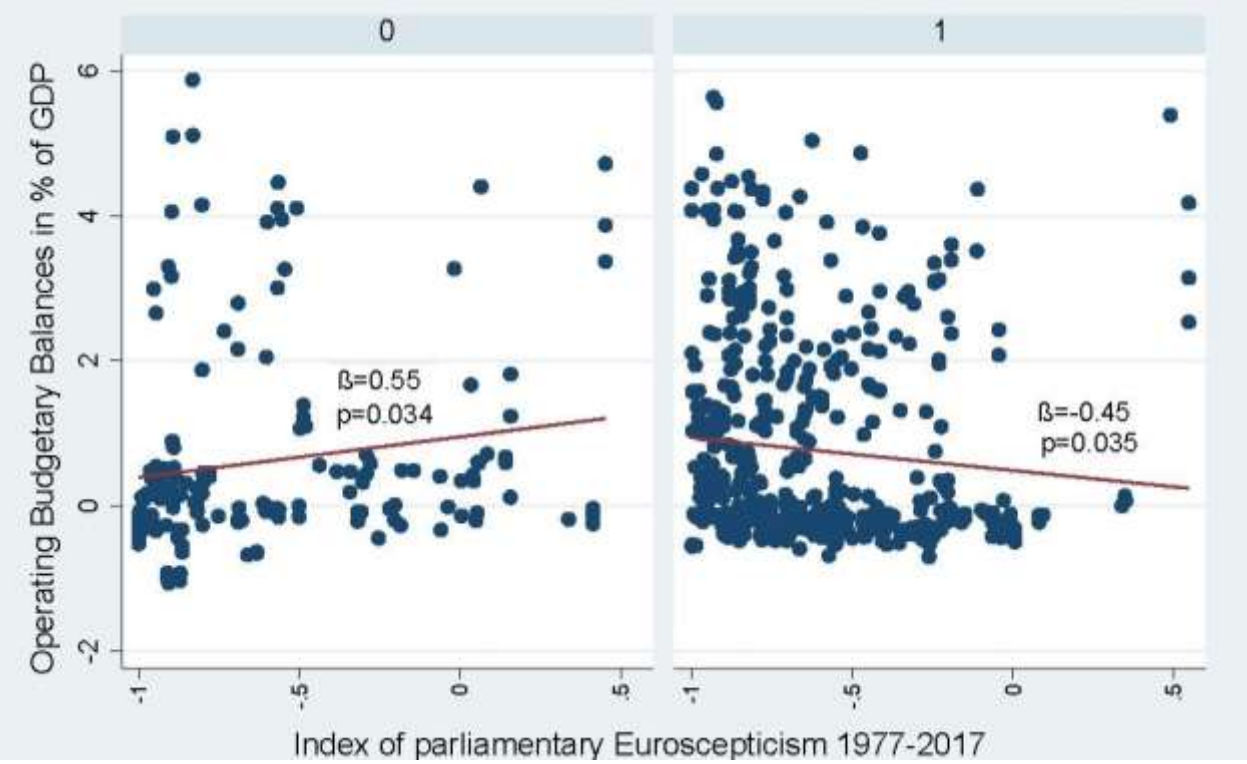


**Figure 1.** Diminishing fiscal return on parliamentary Euroscepticism.

*Note:* Each dot represents a particular country-year.

International redistribution was always part of the EU's economic governance. Fiscal transfers are important to support structurally weak economies in the Single Market, and especially in the Euro Area. While the EU budget is modest relative to national budgets, and the appropriate extent of fiscal transfers is widely debated (Lehner and Wasserfallen, 2019), redistribution has greatly expanded in recent years through the Euro Area's crisis bailouts and the European recovery plan in response to the COVID-19 pandemic. Fiscal integration also intensified with the growing centralization of fiscal policy following the Euro crisis. The European Semester strengthened fiscal discipline procedures, which enabled EU institutions to increasingly shape core national schemes such as pensions (Guidi and Guardiancich, 2018) and social policies (Seikel, 2016).

This process has inspired a literature on the politics of fiscal federalism in the EU, dealing with how transfers are decided (Hobolt and Wratil, 2020; Schneider, 2013; 2018). While eligibility benchmarks matter in the allocation of EU funds, party systems, electoral behavior, party competition, decentralization, partisanship and administrative/state capacity to effectively absorb EU funds affect allocation too (Bouvet and Dall'erba, 2010; Charron, 2016). Governments use EU funds to reward voters and loyalists (Dellmuth and Stoffel, 2012; Schraff, 2014). Governments bargain harder and receive larger budget shares in pre-election years. Budget shares also increase with voting power, but fall for new member states (Schneider, 2013). Small member states are particularly successful, because they are over-represented in EU institutions (Rodden, 2002). Holding the Council presidency brings significant agenda control and information advantage to the member state, yielding more EU funds (Aksoy, 2010).

Exclusive national identity and Euroscepticism have received ample scholarly attention as hindrance of legitimacy of fiscal federalism (Armingeon, 2021; Bechtel et al., 2014; Ciornei and Recchi, 2017; Franchino and Segatti, 2019; Kanthak and Spies, 2018; Kleider and Stoeckel, 2019). However, much less attention has been paid to their role in deciding EU transfers (Kemmerling and Bodenstein, 2006). The institutionalist literature shows that the annual EU budgetary process is political – notwithstanding multi-annual agreements and formal eligibility criteria for its constituent program – and is centered in the Council of the EU (Council). We argue that member states with strong domestic Eurosceptic electoral base (many ardent Eurosceptic voters) enjoy a bargaining advantage in negotiating their OBBs because their disagreement values are higher, even if the government is pro-EU. Assuming forward looking (anticipatory) representation, popular Euroscepticism (as measured in Eurobarometer surveys) matters more than parliamentary Euroscepticism (represented by party manifestos). We further argue that European integration

diminishes the ability of member states' governments to use Euroscepticism to extract concessions from the EU budget, for two reasons. First, at high levels of integration, Euroscepticism becomes more common among the member states, and as such does not provide the same bargaining advantage as before. Second, at high levels of integration, differentiation in integration among the member states increases too, and member states are reluctant to reward those seen as systematically less committed to political integration.

We compile data on OBBs since 1977 and run panel-corrected standard errors (PCSE) regressions. We find that a rise of one standard deviation in popular Euroscepticism is associated with a rise of 10 percent in OBB ratios on average, but as much as 17 percent when parliamentary Euroscepticism is at its lowest, and 55 percent when variation in popular Euroscepticism is at its highest. We also show that at high levels of integration popular Euroscepticism does not affect OBBs, and that parliamentary Euroscepticism may actually reduce OBB ratios. Finally, we find that that OBB ratios actually fall (by as much as 18 percent) in response to higher parliamentary Euroscepticism under high levels of differentiation in core policy areas.

We contribute to the literature on fiscal federalism in the EU by explaining the bargaining advantages (and weaknesses) that Euroscepticism provides to national governments, by focusing on how popular and parliamentary Euroscepticism interact with each other in affecting budget allocations, and by studying how European integration interacts with the Eurosceptic effect on the budget. Our main findings are that OBBs increase on average with popular Euroscepticism, but not with parliamentary Euroscepticism. At high levels of integration, and for countries with many treaty opt-outs, popular Euroscepticism does not affect OBBs, and parliamentary Euroscepticism is actually associated with lower OBBs.

## The politics of the annual EU budgetary process

The national allocations of the EU budget are the result of an annual political process. Since 1988, seven-year Multiannual Financial Frameworks (MFFs) lay down the maximum amounts by major headings of expenditure, within which the annual budgets must be established. However, an MFF is not a multi-annual budget. The annual budgetary procedure is essential to determine the actual level of expenditure beneath the ceilings and in particular to allocate amounts between the various budget lines.

The EU budget consists mostly of eligibility-based programs, such as the common agricultural and fisheries policies and the structural funds, but the criteria are the product of political bargaining over the Council acts that set them (Blom-Hansen, 2005). As demonstrated by the launching of new programs and the tweaking of existing ones following each EU enlargement, redistribution among the member states is no less important than programs' stated goals (Kauppi and Widgrén, 2004). The programs contain multiple exceptions and complex rules, which encourage political influence. Public authorities and societal actors within member states are involved in preparing and operationalizing regional development plans, pursuing their own interests, using EU funds to reward voters and loyalists. The European Commission (Commission) is interested in spending the funds, being responsible for programs' effectiveness and credibility, and implicitly trades off eligibility against absorption capacity in funds' allocation. Counties or regions may lose structural funds if they struggle to co-finance them (Bouvet and Dall'erba, 2010; Charron, 2016; Dellmuth and Stoffel, 2012; Schraff, 2014). Indeed, Kauppi and Widgrén (2004) find that voting power measures in the Council are much more important than eligibility variables such as per capita income and agriculture shares in output in explaining the annual allocation of EU spending. Finally, the member states are in full control of the implementation stage, which determines actual

OBBs. The Commission can only set non-binding guidelines, it cannot technically ensure that grants are not replacing national development aid, and it cannot sanction non-criminal non-compliance (Blom-Hansen, 2005).

If the annual budgetary process is political, how is it determined? Article 314 of the Treaty on the Functioning of the EU (TFEU) states that the Council and the European Parliament (EP) establish the annual budget, elaborates a sequence of intermittent Council and EP readings, and ultimately a conciliation committee – through which they negotiate amendments until a joint text is agreed and adopted.[2] Formally, both institutions can veto the draft in the process, none having an advantage over the other (Crombez and Høyland, 2015).[3] Before the Treaty of Lisbon, the

[2] See analyses by Benedetto and Høyland (2007), Citi (2015), and Crombez and Høyland (2015). The Commission plays a non-political facilitating role, submitting a proposal that must satisfy the Council's qualified majority and the EP's main political groups (Crombez and Høyland, 2015: 78; Oztas and Kreppel, 2021), and then mediating between these institutions. The Commission is especially unlikely to push any OBBs-related agenda, as it has historically rejected the importance of OBBs (European Commission, 2019: 72), and began reluctantly publishing them only after the 1999 Berlin European Council insisted. Indeed, Citi (2015) finds no empirical effect of the Commission's ideological position on budget change.

[3] If a joint text is agreed in conciliation, the EP has theoretical advantage over the Council, as it can later veto the joint text, while the Council cannot. However, if the Council anticipates such an eventuality, it can veto the draft prior to conciliation, or block compromise during conciliation. All Council members sit in the Conciliation Committee, and a qualified majority among them there is required for a joint text to be agreed, just as it would be when they later

budgetary process included no conciliation, and formally the Council had the final decision over compulsory spending (mostly agricultural funds) while the EP had the final decision over non-compulsory spending (Article 272 of the consolidated versions of the Treaty establishing the European Community (TEC) before the Treaty of Lisbon; Benedetto and Høyland, 2007).

However, in practice the Council dominates budgetary politics, especially in the allocation of OBBs. The requirement for a qualified majority in the Council is a tighter constraint in the budgetary process than obtaining a majority in the EP; a coalition that satisfies the first requirement in practice tends to satisfy the latter too (Crombez and Høyland, 2015, 81; Kauppi and Widgrén, 2004). In addition, the EP is highly fragmented, consisting of hundreds of members, divided into (currently) five political groupings, composed of dozens of national parties. EP groupings cannot discipline their members and national party elites, whose career ambitions remain mostly domestic (Wratil, 2019). Thus, EP members are not consistently loyal to their European party, and especially on distributional issues such as OBBs may identify with their home country, mirroring Council politics. Indeed, empirical studies find that the EP's formal veto right has little impact on policy (Crombez and Høyland, 2015), and that changes in the Council's voting rules and national weights are fundamental in enabling changes to EU budget composition (Citi, 2015).

How does the Council decide on the annual EU budget? Council acts are the product of bargaining among national governments. Evidence points to considerable disagreement among member states in the Council (Arregui and Thomson, 2014; Thomson, 2011), even if final votes are mostly consensual (Finke, 2017; Wratil, 2018) due to back-room logrolling (Bailer, Mattila and

convene as the Council (Article 314(5)). Crombez and Høyland (2015, 68) cite more studies that are skeptical that the EP has any real advantage over the Council.

Schneider, 2015; Novak, 2013). The rotating Council presidency customarily sends the draft act to the Council only after it had eliminated any blocking minority through bilateral meetings. Member states use this non-transparent process to bargain with each other, indirectly, over the final draft (Arregui and Thomson, 2014; Novak, 2013).

In contrast to the EU's Inter-Governmental Conferences and constitutional grand bargains (Hug and König, 2002) the EU's day-to-day legislation process is not a two-level game (Bailer and Schneider, 2006). This is because once adopted, secondary legislation (EU budget included) immediately becomes legally binding, without any possibility of a referendum or even a national-parliamentary vote. The budget is also adopted by qualified majority, so member states in minority must abide by it even if their negotiators or domestic groups disprove. Domestic groups still try to influence the process, but they must do so before the budget is adopted and depend on access to their government for effective lobbying. One way to lobby is through parliamentary EU-affairs committees, if they have sufficient influence on the government's negotiating mandate and tactics. However, such powerful committees are not very common and perhaps not very effective, even if controlled by the opposition (Bailer and Schneider, 2006; Genovese and Schneider, 2020; Rauh and De Wilde, 2018; Winzen, 2020). Otherwise, the government will be responsive only to those voters and groups that it deems worthy of its responsiveness, especially if it expects their support to be likely and important to maintaining its office until and after the next election.

The Schelling conjecture of the strength of weakness is nevertheless indirectly relevant to the annual budgetary process because governments that are concerned about losing office may be able to use their weakness as a bargaining advantage. This is especially likely when the government is domestically weak (minority government, bad polls, proximate elections) and national legislatures have formal oversight power over government behavior at the EU level (Dellmuth and Stoffel,

2012; Hagemann, Bailer and Herzog, 2019; Schneider (2013), although Rauh and De Wilde (2018) found less debate about the EU during national election campaigns). This tactic can be successful if a blocking minority can be formed in the Council with other national governments who consider the troubled government as a more valuable asset than its likely replacement. This is likelier for governments challenged by Eurosceptic parties, as we discuss below.

Bargaining power in Council negotiations – the ability to draw the outcome closer to one's ideal point – rises with the disagreement value, which is the value of no deal given the reversion point. Member states indifferent to the prospects of no deal can extract concessions from those more anxious about no deal. If the reversion point is the *status quo*, bargaining power is greater for governments that have least to gain from greater integration (Degner and Leuffen, 2019; Finke and Bailer, 2019; Frieden and Walter, 2019; Hagemann, Hobolt and Wratil, 2017; Lundgren et al., 2019; Schimmelfennig, 2015).

Member states with a pivotal position have strong bargaining power. Under the qualified majority rule, the pivotal member state is the one necessary and sufficient for all minimum winning coalitions, which is likely to be large (higher formal voting weight) and/or close to the mean preference. Member states with more extreme positions are less successful in bargaining, because they are less cooperative and compromising (Cross, 2013; Frieden and Walter, 2019; Lundgren et al., 2019). Some studies have identified the left-right cleavage as an important dimension of conflict within the Council (Hagemann and Høyland, 2008), driving governments' initial negotiation positions (Wratil, 2018), as well as the size of transfer of regional funds from the EU budget (Bouvet and Dall'erba, 2010; Kemmerling and Bodenstein, 2006). Opposition to the majority in the Council is likelier for extreme-left of extreme-right governments (Hagemann and Høyland, 2008). However, various scholars find only moderate or qualified left-right ideological

effects (Bailer, Mattila and Schneider, 2015; Hagemann, Hobolt and Wratil, 2017; Hosli, Mattila and Uriot, 2011; Thomson, 2011; Veen, 2011).

Large member states should be more successful in Council bargaining also because they can offer more economic resources in return for support and have more bureaucratic resources to prepare and manage negotiations, acquiring better information to guide their bargaining (Cross, 2013; Golub, 2012; Thomson, 2011). Yet, empirical evidence on the effects of economic size on bargaining gains in the Council is mixed (Cross, 2013). Small states are overrepresented in the Council (Kauppi and Widgrén, 2004; Rodden, 2002), which offers logrolling benefits (Aksoy, 2010) and may represent a smaller cross-section of domestic interests, enabling their representatives to articulate more coherent positions. These may operate as norm entrepreneurs (Golub, 2012).

Network capital is another bargaining resource, built among fellow negotiators, owing to authority, skill, and experience (Huhe, Naurin and Thomson, 2018; Lundgren et al., 2019). Long membership periods breed expertise in ministries and EU delegations. Rich member states can buy the support of poorer member states for their preferred outcomes (Aksoy, 2010; König and Junge, 2011). Holding the Council presidency (and thus, having access to agenda control) enables states to shape negotiated outcomes (Aksoy, 2010; Häge, 2017; Hosli, Mattila and Uriot, 2011; Lundgren et al., 2019).

**Euroscepticism, European integration and bargaining over OBBs**

Eurosceptic challenger political parties resist a supranational European polity (De Vries and Hobolt, 2020; Raskin and Sadeh, 2021), regarding all of the EU institutions and its entire political and bureaucratic elite as illegitimate. Such parties, and citizens with Eurosceptic attitudes who may be attracted to vote for them, constrain the ability of policymakers to agree on expanding integration into more policy areas (scope), transferring more authority to central institutions (deepening) and enlarging the EU. Mainstream Pro-EU parties must compete with Eurosceptic parties, and occasionally have to compromise with them as coalition partners. This has forced even governments dominated by mainstream parties to signal to voters that they are sensitive to at least some Eurosceptic concerns when they bargain with other member states' governments over EU policy, especially in the Council (Mariano and Schneider, 2022; Schneider, 2018; Schneider and Slantchev, 2018). When the public is more Eurosceptic, and when EU issues are salient, governments tend to object to EU legislation that involves greater pooling of authority (Hobolt and Wratil, 2020; Wratil, 2018). Some scholars found that integration-independence is a major policy-dimension that structures actor behavior in EU policymaking (Veen, 2011), although others disagree (Thomson, 2011; Bailer, Mattila and Schneider, 2015).

Electoral competition between mainstream and Eurosceptic parties, and the need it generates to be responsive to voters' preferences in the next election (anticipatory representation; see Franchino, Kayser and Wratil, 2022; Hagemann, Hobolt and Wratil, 2017), create a mechanism through which Euroscepticism is uploaded to EU-level policymaking. However, the politicization of European integration varies over time and place, thus, it is important to distinguish between popular Euroscepticism – resistance among the general public to European integration – and parliamentary Euroscepticism – the extent to which such attitudes are represented by parties in the legislature

(Mariano and Schneider, 2022; Pircher and Farjam, 2021). Figure 2 demonstrates that parliamentary Euroscepticism tends to rise with popular Euroscepticism but the correlation between them, although statistically highly significant, is not very large (see the Appendix for more details).

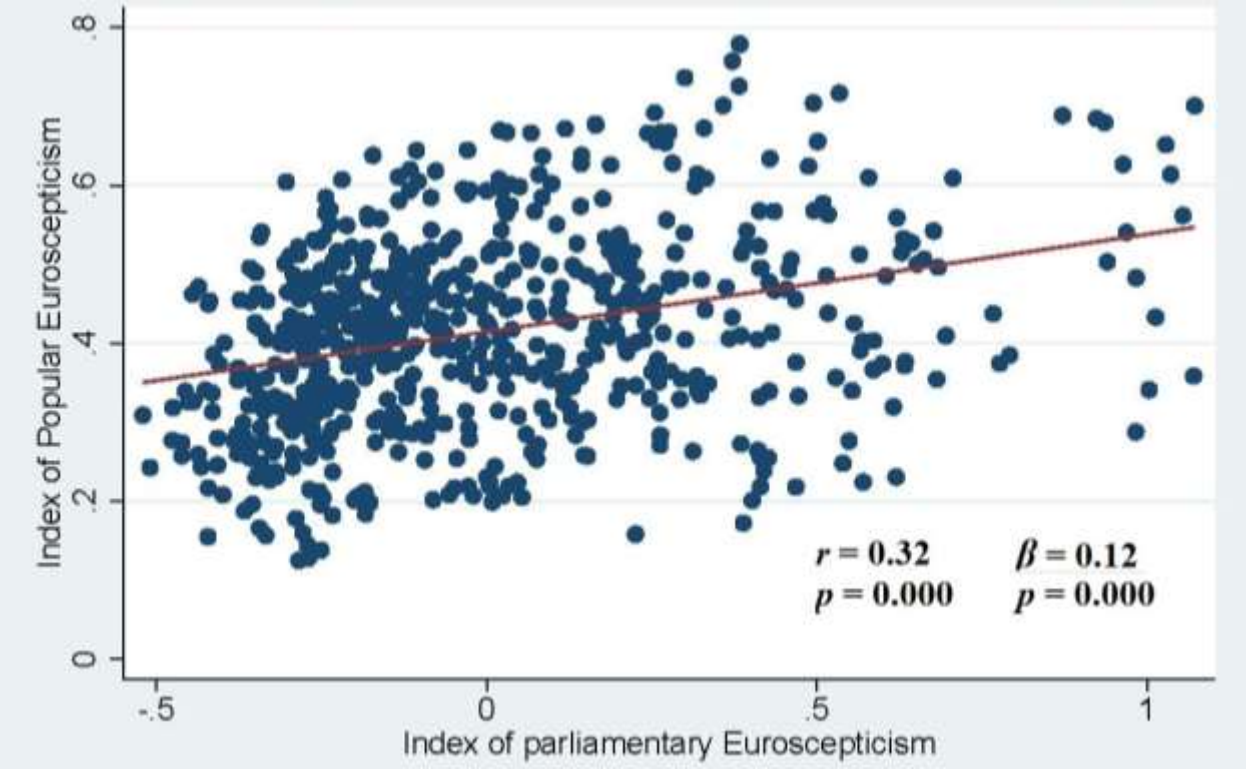


**Figure 2.** Popular and parliamentary Euroscepticism (1977-2017).

*Note:* Each dot represents a particular country-year.

Attempts by politicians to signal responsiveness to voters have often centered on the EU budget in general, and OBBs in particular. Prominent examples of Eurosceptic politicians communicating on the EU budget date back to demands for a rebate made in the early 1980s by British Prime Minister Margaret Thatcher. More recent examples include Prime Minister Boris Johnson's red bus during the Brexit referendum campaign in 2016 and repeated high-profile clashes over the budget between Hungary and Poland on one side and the other member states. Prime Minister

Viktor Orbán often responds to EU attempts to cut payments to Hungary by accusing the EU of colonialism and interference in Hungary's internal affairs and boasting in Hungary's legislature about the funds he has received from the EU (Danaj et al., 2018).[4]

Contributions into and benefits out of the common budget are easily communicated to voters because, in contrast to other policy areas with allocative implications, no prior knowledge of intricate policy is required to participate in a simplified discussion of amounts paid or received. As taxpayers, voters may also be more interested in budget discussions than in sector-specific legislation. However, the politicization of OBBs is particularly attractive to Eurosceptic voters because the EU budget is broadly fixed relative to the EU's aggregate economic size, thus, by its nature it is a zero-sum game among the member states. This makes it a convenient arena for politicians who seek to promote an exclusive national identity, those with a grudge against foreigners in general and transnational institutions in particular. Additionally, while the money transferred can seem immense to individuals, it is quite small, even miniscule relative to national economies. For a pro-EU government that does not face a Eurosceptic electorate, it is much more effective to promote national and business interests through market-regulations, which potentially have a much greater economic and financial impact than OBBs. Such governments can yield in bargaining over the budget in return for gains in other issue areas. In contrast, a government driven by Eurosceptic politics and zero-sum games is likelier to insist on and win financial compensation. Finally, annual EU budget negotiations offer regular occasions for politicians to be responsive to

[4] See for example, speech in 11 February 2013 available at: https://www.parlament.hu/web/guest/orszaggyulesi-naplo-elozo-ciklusbeli-adatai (accessed 22 March 2020)

Eurosceptic voters. This is particularly relevant to Eurosceptic politicians whose appeal to their voters is based on repeated confrontation with distrusted EU institutions, accusing them of threatening national identity. In short, the EU budget is small money but big Eurosceptic politics. Eurosceptic politicians have certainly kept a high profile on other EU policy areas too, notably immigration, euro-area-related policies, and the rule of law, but none offer the full package of simplicity and relevance for voters, zero-sum games, low stakes for pro-EU governments, and regularity.

How can Euroscepticism influence EU policy, specifically OBBs, through intergovernmental negotiations at the Council? The bargaining advantage of governments of member states with strong domestic Eurosceptic electoral base is that their actual or potential voters are likelier to regard the frustrating of EU policies as an achievement in itself, which leads to high disagreement values on their part (Hagemann, Hobolt and Wratil, 2017). Such governments can take advantage of other governments that are supported by Europhile voters in national elections and who may expect their politicians to compromise in intergovernmental negotiations in order not to block further integration (König, 2018). For governments with Eurosceptic preferences this logic is straight-forward. However, we argue that Eurosceptic voters also provide a bargaining advantage for mainstream parties. We assume that such parties are office-seeking, and we note that the pro-integration and anti-integration divide cuts across the traditional left-right divide, with some traditional voters of mainstream parties adopting Eurosceptic preferences (Mariano and Schneider, 2022). It follows that mainstream parties cannot ignore Eurosceptic voters – they must signal some responsiveness to their preferences.

We suggest that current popular Euroscepticism level is a rough guide to the electoral potential of the Eurosceptic vote in the next election, while parliamentary Euroscepticism is necessarily a

lagging variable, a reflection of the mobilization of Eurosceptic voters in the previous election. We assume that forward-looking politicians focus on how to win the next election, and thus calibrate their signal responsiveness to trends in popular Euroscepticism (anticipatory representation). As a result, we expect that popular Euroscepticism affects the government's bargaining position more than current parliamentary Euroscepticism level, and indeed more than the current level of Euroscepticism of parties in government or in opposition.

*H1:* Rising popular Euroscepticism increases OBBs on average.

We further argue that parliamentary Euroscepticism diminishes the effect of popular Euroscepticism on OBBs. In other words, a combination of high popular Euroscepticism and low parliamentary Euroscepticism is the most rewarding in terms of OBBs because the potential Eurosceptic turn in the next election is large, and so is the pressure on the government to be responsive to Eurosceptic voters. This generates a bargaining advantage for the government. In contrast, when the legislature is already quite Eurosceptic, how much more Eurosceptic can it become in the next election?[5]

*H2*: Rising parliamentary Euroscepticism reduces the rise in OBBs associated with a rise in popular Euroscepticism.

[5] Mariano and Schneider (2022) suggest that only pro-EU governments with Eurosceptic publics are likely to achieve successful legislative outcomes in the Council, because of empathy from other governments. However, as we show, OBBs rise with popular Euroscepticism even regardless of the governments level of Euroscepticism and thus regardless of empathy.

We next argue that European integration diminishes any bargaining advantage that governments derive from Euroscepticism (popular or parliamentary) for two reasons. First, at high levels of integration, Eurosceptic politics become influential in more member states, eroding the relative bargaining advantage that Euroscepticism once offered to an outlier member state. As the European integration project expanded in scope, depth and membership (henceforth integration rising), Eurosceptic voices grew louder even among the six founding member states, which have been traditionally pro-integration. Emblematic of this were the rejections of the Constitutional Treaty in 2005 in France and in the Netherlands. Rising anti-integration attitudes, especially following the euro crisis, were notable in Germany and Italy too. Thus, these countries joined the historically less euro-enthusiastic Denmark and United Kingdom, which have received opt-outs from the Maastricht Treaty. As the EU was enlarged, the number of member states in which Eurosceptics had gained influence on policy grew, notably in Eastern Europe. In early years, only a few governments could credibly claim that they have to be responsive to voters' Eurosceptic attitudes. As the number of similarly responsive governments increased, asymmetric politicization fell (Schimmelfennig, Leuffen and Rittberger, 2015), Eurosceptic-driven disagreement values converged among the member states in negotiations over OBBs, all else being equal. As a result, Euroscepticism now no longer provides the same bargaining advantage as before (high disagreement values balance each other around the table).

*H3*: Rising European integration reduces the change in OBBs associated with a rise in Euroscepticism.

*H4*: Falling variation among EU member states in levels of Euroscepticism, reduces the change in OBBs associated with a rise in Euroscepticism.

Second, at high levels of integration, constitutional horizontal Differentiated Integration (DI) among the member states has increased too, and member states may have become reluctant to reward those seen as systematically less committed to political integration. Horizontal DI is the differential validity of EU law among the member states. It is a response to the increasing scope, size and diversity of the EU, as well as to asymmetric politicization across member states (Leruth and Lord, 2017; Schneider, 2009; Schimmelfennig, 2016; Schimmelfennig and Winzen, 2014; Schimmelfennig, Leuffen and Rittberger, 2015). Horizontal DI can be instrumental, part of the enlargement of the EU, involving the temporary exclusion of the new (poorer) member states from market pressures, motivated in part by efficiency and distributional concerns (Schneider, 2009).

In contrast, constitutional DI is the long-term exclusion of existing Eurosceptic member states from further centralization of core state powers, as agreed in treaty revisions. The excluded member states extract identity gains to assuage domestic popular concerns about sovereignty in exchange for signing the revised treaty (Schimmelfennig and Winzen, 2014; 2019). Constitutional differentiation institutionalizes the status of the exempted member state as one not fully committed to European integration, as the other member states define it. It may also signal a more perfunctory approach to integration ('cherry-picking' or even zero-sum attitude).[6]

All else being equal, we expect that in budget negotiations member states with such permanent opt-outs face a more perfunctory approach than the other member states, which are less tolerant of

[6] Schimmelfennig, Leuffen and Rittberger (2015) expect horizontal DI to fall when variation in politicization across countries (asymmetric politicization) falls, but this is likelier for instrumental differentiation, which is transitory, than for constitutional differentiation, which is a legacy.

Euroscepticism in the exempted countries. Member states may regard concessions as appeasement, rewarding Euroscepticism rather than preventing it. Their disagreement values will thus increase, as the failure of budget negotiations, if indeed they fail, may serve to uphold core principles of European integration. This should reduce any bargaining advantage that Euroscepticism would otherwise offer and perhaps even turn it into a liability.

*H5*: Rising constitutional differentiation in EU law reduces the change in OBBs associated with a rise in Euroscepticism.

## Research design

Our country-annual dependent variable is the logarithmic transformation of the ratio of the national allocation of the EU's operating expenditure (i.e. excluding administration) to the adjusted national contribution to the EU budget.[7] In other words, we take the log of the national fiscal return (see the Appendix for descriptive statistics). To test our hypotheses, we run PCSE regressions, with autoregressive AR(1) process, and country fixed effects. We also include fixed effects for the different framework programs, and a dummy for the last year in each framework, when the next

[7] Data on OBBs since 2000 available at: http://ec.europa.eu/budget/figures/interactive/index_en.cfm (accessed 18 October 2020). Earlier data is available since 1977 and taken from Schneider (2013).

framework was negotiated. We specify the logarithmic transformation of the number of member states in each year to account for the rising number of panels over time.

We measure popular Euroscepticism (*PopEurosceptic*) based on Eurobarometer surveys, selecting the most sceptic response to any of the three recurring questions about respondents' general attitude towards the EU and European identity. A positive coefficient for *PopEurosceptic* would support *H1*. We measure parliamentary Euroscepticism (*ParlEurosceptic*) with a country-annual index of the legislature's position on European integration, according to the manifestos of the political parties in it, weighted by their shares of seats in the legislature (see the Appendix for more details). This index does not necessarily represent the government's nor the opposition parties' level of Euroscepticism, to avoid any selection bias (Eurosceptics selecting into or out of government). We nevertheless did calculate separate average measures for government and opposition parties and demonstrate in the Appendix that while (as expected) opposition parties have consistently been more Eurosceptic than government parties, they are correlated. In the regression analysis we subtract the annual EU average among the member states from the country-annual value. A negative coefficient for the interaction of *PopEurosceptic* with *ParlEurosceptic*, coupled with marginal effects analyses, would support *H2*.

To test *H3*, we use dummies for the post-Maastricht period, and for membership in the Euro Area (*EA*). Negative coefficient for the interactions of these dummies with the Euroscepticism index would support *H3*. For testing *H4*, we calculate simple variation among the member states in their levels of popular Euroscepticism (*VarPopEurosceptic*). This measure, similar to Schimmelfennig, Leuffen and Rittberger's (2015) asymmetric politicization, is a year fixed effect. On average, variation in popular Euroscepticism almost halved in the post-Maastricht period compared with the pre-Maastricht period (the difference in means is also highly significant at $p$=0.0000 – see the

Appendix for descriptive statistics). A positive coefficient for the interaction of this variation with the Euroscepticism index, coupled with marginal effects analyses, would support *H4*.

To test *H5*, we measure the horizontal DI rate for each member state (Schimmelfennig and Winzen, 2020). The DI rate is the number of integrated policy areas in which the member state has treaty exemptions, divided by the total number of integrated policy areas in the EU in the particular year (DI opportunities). We calculate this for policy areas that relate to core state powers (*DI-Core*), which we interpret as a form of constitutional differentiation. We contrast this with the DI for all other policy areas (*DI-Other*), which we interpret as relating mostly to instrumental differentiation. *DI-Core* levels increased from zero in the pre-Maastricht period to 0.21 on average in the post-Maastricht period. In contrast, *DI-Other* levels almost halved in the post-Maastricht period compared with the pre-Maastricht period (the difference in means is significant at $p$=0.0054). A negative coefficient for the interaction of *DI-Core* with the Euroscepticism index, coupled with marginal effects analyses, would support *H5*. All of these variables are operationalized as stationary variables (see unit root tests in the Appendix).

We specify a battery of control variables to account for alternative sources of bargaining power. We measure the right-wing bias of member states (*Right-Wing*) with a country-annual index of the legislature's position on economic issues, according to the manifestos of the political parties in it (Volkens et al., 2018). We use the rile measure, which subtracts the percentage of left-wing oriented manifesto references from the percentage of right-wing oriented ones and divides this difference by the sum of the percentages. We then weigh party scores by their shares of seats in the legislature. We convert these data to annual frequency in the same method used for parliamentary Euroscepticism and subtract the annual EU average among the member states from the country-annual value.

We specify *Veto power* as a proxy for veto power – the percent of the votes required to veto relevant Council decisions (see the Appendix) – and a proxy for country size. To control for network capital, we specify *Wealth* – Gross Domestic Product (GDP) per capita in constant 2010 US dollars, minus the EU annual average (Pircher and Farjam, 2021; Data from the *World Development Indicators*, unavailable for pre-1970 Germany). Older member states may be more active in negotiations than newer ones, because they have had more time to learn the complex EU bureaucracy and develop relevant skills. *Tenure* is the logarithmic transformation of the number of years of membership in the EU. To account for agenda control, we include *Presidency*, which is a dummy for holding the rotating Council presidency (Pircher and Farjam, 2021). *Elections* and *PreElections* are country-year dummies. Governments with unexpectedly large deficits may be more anxious and bargain harder to receive fiscal support. *Deficit* is a dummy for a public deficit that is larger than the annual EU average in percent of GDP (based on the "Net lending (+) / Net borrowing (-)" series from the International Monetary Fund and Eurostat).

Member states may bargain more intensively over domestically high-salience policies (Hobolt and Wratil, 2020; Wratil, 2019). *Salience* is an index of salience of EU budget redistributive issues among survey respondents (Wratil, 2019; see the Appendix). *EP seats* is the share of the seats of a member states in the EP and operationalizes their potential to secure their OBBs in that arena, if looming battles with and within the EP affect Council negotiations (Wratil 2019 is skeptical of this). *Oversight* is Winzen's (2020) index of national parliamentary powers on EU legislation, which can increase the government's responsiveness to voters (Hagemann, Bailer and Herzog, 2019). *Fragmentation* is the conventional index of fragmentation of the national legislature (one minus the sum of squared party shares by seats) based on Volkens et al. (2018). A fragmented

legislature is likely to yield unstable coalition governments, which are likely in turn to be more responsive to voters (Hagemann, Bailer and Herzog, 2019).

**Bargaining over EU budget allocations since 1977**

We start by estimating the effect of the two types of Euroscepticism – popular and parliamentary – on OBBs. Figure 3 shows that OBB ratios rise with popular Euroscepticism, supporting *H1*, but as we expect, not with parliamentary Euroscepticism. In the Appendix we also show that levels of Euroscepticism in government or opposition parties have no significant effect on OBBs, as we expect.[8] Substantively, according to Figure 3 (based on Regression 1), a rise of one standard deviation in popular Euroscepticism (0.12 ) is associated on average with a rise of $0.86 \times 0.12 = 0.10$ in the dependent variable, or about 10 percent rise in OBB ratios. The average value for OBB ratios in our data is 1.66, so this effect would raise it to $1.66 \times 1.10 = 1.83$ (see further analysis of Regression 1 in the Appendix).

[8] This conforms to Pircher and Farjam's (2021) finding that on economic and financial affairs Eurosceptic governments are somewhat likelier to formally dissent in the final Council vote, which may be a signal of their frustration with the Act (voting typically takes place after the Council presidency is satisfied that a qualified majority exists).

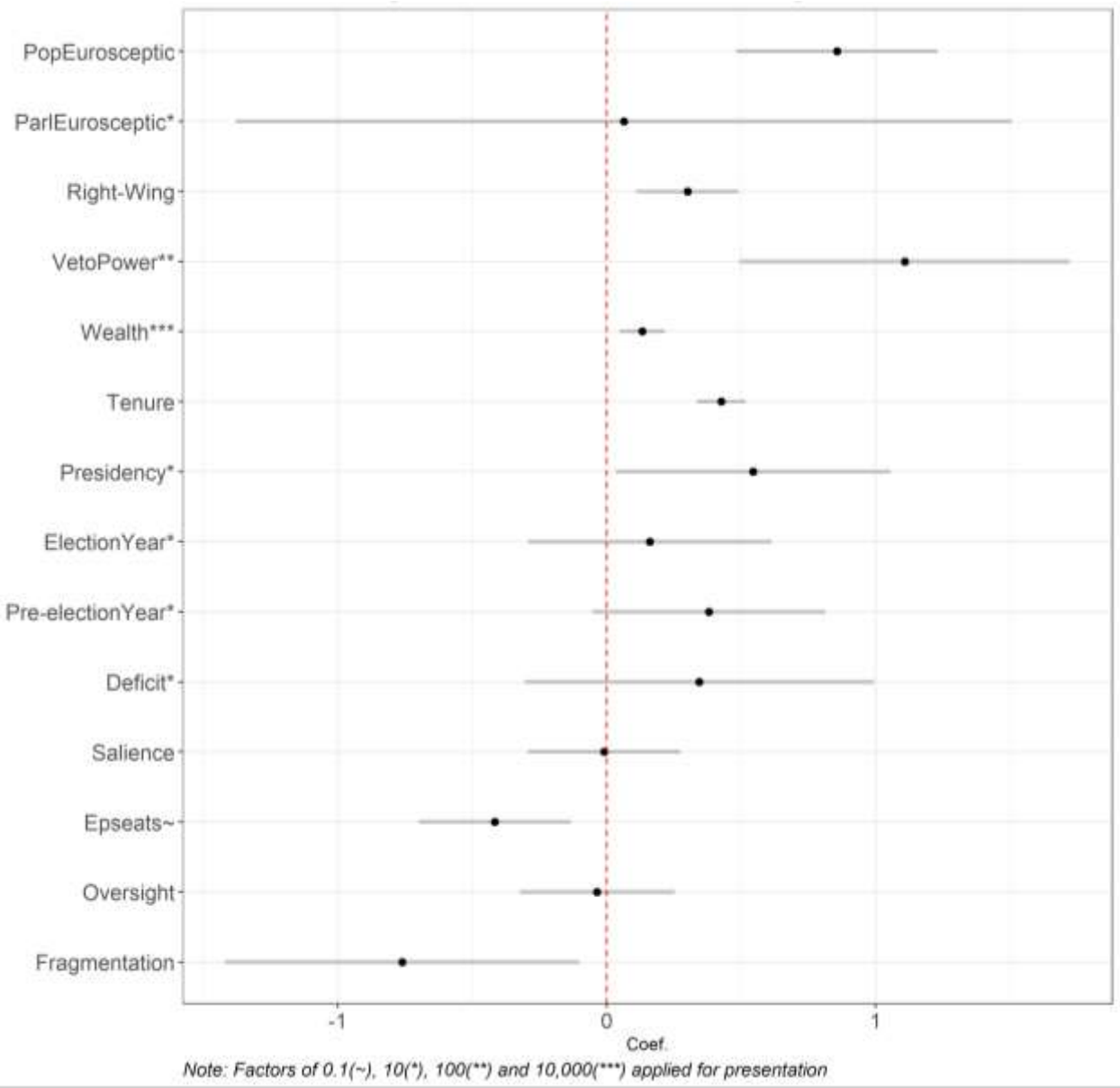


**Figure 3.** Coefficient plot for Regression 1.

**Table 1.** Euroscepticism and budgetary balances (1977-2017).

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| *PopEurosceptic* | 0.86 *** (0.19) | 0.85 *** (0.20) | 1.52*** (0.38) | 1.41*** (0.23) | | |
| *ParlEurosceptic* | 0.01 (0.07) | 0.39 ** (0.15) | | | 0.26** (0.13) | 0.04 (0.09) |
| *PopEurosceptic* × *ParlEurosceptic* | | -0.87 ** (0.36) | | | | |
| *Post-Maastricht* | | | -0.02 (0.19) | | -0.45*** (0.09) | |
| *PopEurosceptic* × *Post-Maastricht* | | | -1.15*** (0.44) | | | |
| *ParlEurosceptic* × *Post-Maastricht* | | | | | -0.39*** (0.13) | |
| *EA* | | | | 0.50*** (0.18) | | -0.11** (0.05) |
| *PopEurosceptic* × *EA* | | | | -1.52*** (0.37) | | |
| *ParlEurosceptic* × *EA* | | | | | | -0.09 (0.17) |
| Control variables: | | | | | | |
| *Right-Wing* | 0.30 *** (0.10) | 0.30 *** (0.10) | 0.30*** (0.09) | 0.29*** (0.09) | 0.30*** (0.10) | 0.30*** (0.10) |
| *Veto Power* | 0.011 *** (0.003) | 0.011 *** (0.003) | 0.009*** (0.003) | 0.010*** (0.002) | 0.011*** (0.003) | 0.011*** (0.002) |
| *Wealth* | 1.3e-5 *** (4.3e-6) | 1.3e-5 *** (4.3e-6) | 1.1e-5*** (3.9e-6) | 1.0e-5*** (3.9e-6) | 1.1e-5*** (4.1e-6) | 1.1e-5*** (4.2e-6) |
| *Tenure* | 0.43 *** (0.05) | 0.42 *** (0.05) | 0.45*** (0.04) | 0.46*** (0.04) | 0.44*** (0.05) | 0.43*** (0.05) |
| *Presidency* | 0.05 ** (0.03) | 0.05 ** (0.03) | 0.05** (0.02) | 0.06** (0.02) | 0.05** (0.02) | 0.05** (0.02) |
| *Election Year* | 0.02 (0.02) | 0.01 (0.02) | 0.01 (0.02) | 0.02 (0.02) | 0.02 (0.02) | 0.02 (0.02) |
| *Pre-election Year* | 0.038 * (0.022) | 0.037 (0.022) | 0.035* (0.019) | 0.034* (0.020) | 0.035* (0.020) | 0.035 (0.022) |
| *Deficit* | 0.03 (0.03) | 0.03 (0.03) | 0.02 (0.03) | 0.03 (0.03) | 0.04 (0.03) | 0.04 (0.03) |
| *Salience* | -0.01 (0.14) | 0.00 (0.15) | -0.02 (0.12) | -0.05 (0.13) | 0.03 (0.13) | 0.02 (0.14) |
| *EP seats* | -4.17 *** (1.44) | -4.36 *** (1.46) | -4.11*** (1.38) | -2.85** (1.35) | -4.16*** (1.40) | -3.93*** (1.46) |

| | | | | | | |
|---|---|---|---|---|---|---|
| *Oversight* | -0.04<br>(0.15) | -0.05<br>(0.15) | -0.16<br>(0.13) | -0.06<br>(0.13) | -0.07<br>(0.14) | 0.07<br>(0.15) |
| *Fragmentation* | -0.76 **<br>(0.34) | -0.83 **<br>(0.34) | -0.67**<br>(0.30) | -0.76**<br>(0.30) | -0.97***<br>(0.35) | -0.89***<br>(0.34) |
| $R^2$ | 0.67 | 0.67 | 0.66 | 0.69 | 0.65 | 0.64 |
| Observations | 660 | 660 | 660 | 660 | 660 | 660 |

*Note:* Results from PCSE regressions, with autoregressive AR(1) process, country fixed effects, fixed effects for the different multi-annual fiscal framework programs, a dummy for the last year in each framework, and log-transformed number of member states; these as well as the constant are suppressed for presentation. Dependent variable is the log-transformed ratio of benefits to contribution to the EU budget. * $.05 < p \leq .10$. ** $.01 < p \leq .05$. *** $p \leq .01$.

In Table 1 (Regression 2), we interact popular and parliamentary Euroscepticism and find that parliamentary Euroscepticism diminishes the effect of popular Euroscepticism (the coefficient of the interaction term is negative), supporting *H2*. Figure 4 uses the results of Table 1 (Regression 2) to plot the marginal effect of the popular Euroscepticism on OBB ratios, for different levels of parliamentary Euroscepticism. The vertical axis is measured in exponential coefficients, such that a value of 1 corresponds to 72 percent (=exp(1)-1) higher OBB ratios. The dashed lines represent 95 percent confidence intervals. Values of parliamentary Euroscepticism for which the zero-effect line (the horizontal axis) lies between the dashed lines are associated with statistically insignificant relationship between popular Euroscepticism and OBBs. A histogram of parliamentary Euroscepticism is overlaid.

Figure 4 shows that when parliamentary Euroscepticism is at its lowest, an increase of one standard deviation in popular Euroscepticism is associated with a 17 percent rise in OBB ratios. In contrast, when parliamentary Euroscepticism exceeds 0.383 popular Euroscepticism has no significant effect on OBBs. For example, in Estonia in 2012, 47 percent of respondents to the Eurobarometer surveys provided Eurosceptic answers, which was more than the EU average for that year. However, the legislature was extremely Europhilic (*ParlEurosceptic* = -0.44), and Estonia enjoyed the highest OBB ratio in the EU (5.4 euro in benefits per 1 euro in contributions). In contrast,

Denmark in 2000, with a similar level of popular Euroscepticism, but extreme parliamentary Euroscepticism (*ParlEurosceptic* = 0.98) received only 0.95 euro in benefits per 1 euro in contributions (see the Appendix for further analysis of Regression 2).

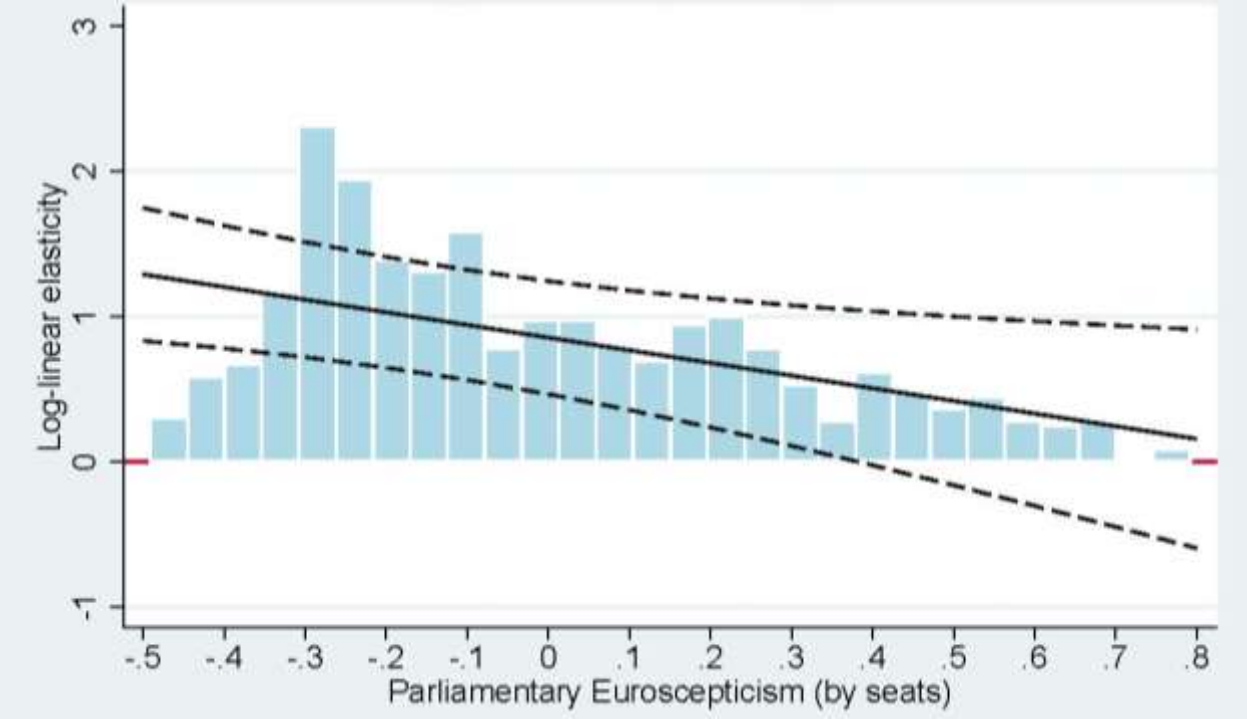


**Figure 4.** Marginal effect of popular Euroscepticism on OBB ratios by parliamentary Euroscepticism.

*Note:* Based on Regression 2; 95% confidence intervals in dashed lines.

As for the control variables, right-wing bias, veto power, wealth, tenure and holding the rotating Council presidency are all associated with higher OBBs, as expected. In contrast, election years, deficits, salience of EU budget redistributive issues, and national parliamentary oversight do not significantly affect OBBs. Having a larger national quota in the EP actually reduces OBBs. Perhaps in contrast to Wratil's (2019) expectation the EP does counterbalance the Council.

Fragmented legislatures are associated with lower OBBs – perhaps governments try to be more responsive under such circumstances but are too weak to win concessions from other governments.

The negative coefficients of the interaction terms of Euroscepticism and the integration dummies in Table 1 support *H3*. According to Table 1 (Regressions 3 and 4), in the post-Maastricht period and inside the Euro Area respectively, a rise in popular Euroscepticism barely affects OBB ratios, as the coefficient of the interactive term cancels out the coefficient of popular Euroscepticism. We estimate a similar effect for parliamentary Euroscepticism in the post-Maastricht period (Table 1, Regression 5).

In Table 2, the positive coefficients of the interaction terms of the variation on popular Euroscepticism support *H4*. A marginal effects analysis of Table 2 (Regression 7) demonstrates that when variation in popular Euroscepticism is at its highest, an increase of one standard deviation in popular Euroscepticism is associated with a 55 percent rise in OBB ratios (see the Appendix). In contrast, when variation in popular Euroscepticism falls below 0.12 popular Euroscepticism has no significant effect on OBBs.

Table 2 provides partial support for *H5*. In Table 2 (Regression 9), the coefficient of the interaction term is not statistically significant, but a marginal effects analysis demonstrates that at high core DI rates popular Euroscepticism does not significantly affect OBBs (see the Appendix). An exemplary country is the United Kingdom in 2015: more than 62 percent of respondents providing the most Eurosceptic answer to Eurobarometer surveys, but a core DI rate of 0.9 and only 0.34 euros in benefits per 1 euro in contributions. In contrast, Ireland in 1990, had a similar rate of popular Euroscepticism, but with zero core DI rate it received more than 6 euros in benefits per 1 euro in contributions.

**Table 2.** Variation in popular Euroscepticism, DI and budgetary balances (1977-2017).

| | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|
| *PopEurosceptic* | -0.33<br>(0.25) | -0.38<br>(0.26) | 0.90***<br>(0.19) | 0.50***<br>(0.16) | | |
| *ParlEurosceptic* | | | | | 0.13<br>(0.08) | 0.04<br>(0.08) |
| *Post-Maastricht* | -0.10<br>(0.14) | | | | | |
| *PopEurosceptic × Post-Maastricht* | -0.44<br>(0.31) | | | | | |
| *ParlEurosceptic × Post-Maastricht* | | | | | | |
| *EA* | | 0.11<br>(0.14) | | | | |
| *PopEurosceptic × EA* | | -0.81 ***<br>(0.29) | | | | |
| *ParlEurosceptic × EA* | | | | | | |
| *VarPopEurosceptic* | 2.49 **<br>(1.22) | 2.34 *<br>(1.23) | | | | |
| *PopEurosceptic × VarPopEurosceptic* | 8.53 ***<br>(2.77) | 9.79 ***<br>(2.88) | | | | |
| *DI-Core* | | | 0.15<br>(0.27) | | -0.01<br>(0.13) | |
| *PopEurosceptic × DI-Core* | | | -0.59<br>(0.62) | | | |
| *ParlEurosceptic × DI-Core* | | | | | -0.84***<br>(0.26) | |
| *DI-Other* | | | | -4.68***<br>(1.04) | | -0.60<br>(0.43) |
| *PopEurosceptic × DI-Other* | | | | 8.47***<br>(2.49) | | |
| *ParlEurosceptic × DI-Other* | | | | | | -0.44<br>(0.86) |
| $R^2$ | 0.66 | 0.69 | 0.68 | 0.67 | 0.65 | 0.66 |
| Observations | 660 | 660 | 660 | 660 | 660 | 660 |

*Note:* See notes to Table 1. Estimates for the control variables are not reported to save space.

In Table 2 (Regression 11), the coefficient of the interaction of core DI rate is statistically significant. Marginal effects analysis shows that OBBs fall in response to higher Euroscepticism

when the core DI rate is high. At maximum core DI rate, a one standard deviation rise in parliamentary Euroscepticism is associated with a fall of 18 percent fall in OBB ratios. For example, Denmark in 2013, with high parliamentary Euroscepticism (*ParlEurosceptic* = 0.59) and high core DI rate (0.8) received only 0.48 euro in benefits per 1 euro in contributions. In contrast, in 1978, with an even higher rate of parliamentary Euroscepticism (0.63) but with zero core DI rate, Denmark received more than 6 euros in benefits per 1 euro in contributions.

At high rates of core-DI, the effect of parliamentary Euroscepticism on OBBs becomes negative because it provides a weak bargaining advantage to begin with. Moreover, high core-DI rates institutionalize the status of the exempted member states as not fully committed to European integration, which turn concessions into appeasement of a Eurosceptic opposition or a Eurosceptic government, rewarding it rather than preventing it. The other member states' disagreement values will thus increase, as the failure of budget negotiations, if it came to that, may serve to uphold core principles of European integration.

We contrast these results with the opposite effect that the DI rate has in other issues. Such DI increases the effect of popular Euroscepticism on OBBs (Table 2, Regression 10) but has no significant effect regarding parliamentary Euroscepticism (Table 2, Regression 12). This makes sense if instrumental horizontal differentiation is low when asymmetric politicization (variation in Euroscepticism in our study) is low (Schimmelfennig, Leuffen and Rittberger, 2015), and if it does not represent a perfunctory approach to European integration.

## Conclusions

In this article, we investigate whether Eurosceptic voters and parties influence the distribution of the EU budget among member states and how European integration mediates this effect. The representation of Eurosceptic attitudes in national legislatures has been increasing after 1992, and OBBs are easy and convenient for Eurosceptic politicians to sell to voters as a zero-sum game. It can thus be expected that Eurosceptic parties will increasingly influence EU-level bargaining over OBBs. If so, the relationship between national OBBs and representation of Eurosceptic preferences in the national legislature should have strengthened in the post-Maastricht period. However, this relationship has surprinsingly reversed.

While exclusive national identity and Euroscepticism have received ample scholarly attention as hindrance of legitimacy of fiscal federalism, much less attention has been paid to their in allocating EU transfers. We argue that member states with a strong domestic Eurosceptic electoral base enjoy a bargaining advantage in negotiating their OBBs because their disagreement values are higher, even if the government is pro-EU – since their (potential) voters are likelier to regard the frustrating of EU policies as an achievement. Assuming forward looking (anticipatory) representation, popular Euroscepticism (as measured in public opinion polls) matters more than parliamentary Euroscepticism (as measured by party manifestos). The former foretells future electoral behavior while the latter reflects mostly past mobilization. We further argue that European integration diminishes the ability of member states' governments to use Euroscepticism to extract concessions from the EU budget, for two reasons. First, at high levels of integration, Eurosceptic politics become more common among the member states, Eurosceptic-driven disagreement values in EU negotiations among the member states converge, and the associated bargaining advantage erodes. Second, at high levels of integration, DI among the member states has increased too, and member

states may have become reluctant to reward those seen as systematically less committed to political integration.

We show that a rise of one standard deviation in popular Euroscepticism is associated on average with a rise of 10 percent in OBB ratios. However, parliamentary Euroscepticism indeed does not affect OBBs, and even diminishes the effect of popular Euroscepticism on OBBs. We also find that at high levels of integration popular Euroscepticism does not affect OBBs, and parliamentary Euroscepticism actually reduces OBB ratios. Furthermore, we show that falling variation among EU member states in levels of popular Euroscepticism, reduces the change in OBBs associated with a rise in such Euroscepticism. Finally, we find that that OBB ratios actually decrease (by as much as 18 percent) in response to higher parliamentary Euroscepticism under high levels of differentiation in core policy areas.

We contribute to the literature on fiscal federalism in the EU by explaining the bargaining advantages (and weaknesses) that Euroscepticism affords to national governments, by focusing on how popular and parliamentary Euroscepticism interact with each other in affecting budget allocations, and by studying how European integration interacts with the Eurosceptic effect on the budget. Future qualitative case-studies can demonstrate the dynamic we identify.

Our findings imply that popular Euroscepticism and parliamentary Euroscepticism may play different roles in the EU policy process, the former being the more important of the two. This means that 'acting-up' may not be a successful strategy for Eurosceptic governments. Only popular trends of Euroscepticism can reap more budget allocations, regardless of the Eurosceptic bent of either government or parliamentary opposition parties. However, at least in distributional conflicts Euroscepticism provides a diminishing bargaining advantage, and the EU policymaking may grow immune to it. While scholars and commentators commonly expect more Euroscepticism to lead to

more gridlock in the EU budgetary process, we show that Euroscepticism is debased as it becomes more common and may lose its potency. Whether negotiating over the regular EU budget or the recovery and resilience facility, we thus expect fewer attempts by governments to implement this strategy. Member states may yet want to contain the rise of Eurosceptic politics within them (Mariano and Schneider, 2022) but this will no longer be possible in zero-sum settings. Rather, signaling responsiveness will be likelier with non-rival benefits, such as external policies.

These implications can travel to the global level: both mainstream and extreme governments can benefit from populism and anti-globalization sentiments when bargaining in other multilateral organizations, but with diminishing returns. The prevalence of populist preferences among the public may matter more than their current representation in the legislature (in parliamentary democracies).

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## Appendix

### Contents

# Eurosceptic attitudes in national legislatures and among the public, calculation of indices of Euroscepticism

## Parliamentary Euroscepticism

For parliamentary Euroscepticism, we calculate an index that ranges from -1 (fully Europhile) to 1 (fully Eurosceptic) for each party in the national legislature, based on its manifesto ahead of each election (Hobolt and Wratil, 2020; Volkens *et al*., 2018). The index subtracts the share of Europhile quasi-sentences in the party's manifesto (per_108) from the share of Eurosceptic quasi-sentences in it (per_110), and then divides the difference by the sum of these shares: (per_110 - per_108) / (per_110 + per_108). The legislatures' Euroscepticism score is an average of the individual parties' scores, weighted by their share of their seats in the legislature (weighting by their votes did not return meaningfully different results). It is then copied to the post-election period in monthly frequency, but is linearly interpolated in the 12 months preceding the next election, to arrive at the legislature's new Europhilia score. This method assumes that manifestoes are rewritten only ahead of new elections. Values from the last election with available coding are assumed for the remaining months until the end of our data period. These country-monthly values are then converted to annual frequency by averaging the 12 months within each calendar year. Malta is not included for lack of manifesto coding. Coding is also missing for elections in Belgium (2014), Denmark (2015), Finland (2015), Lithuania (2016), Poland (2015) and Slovenia (2014). Missing values are coded for these and consecutive country-years.

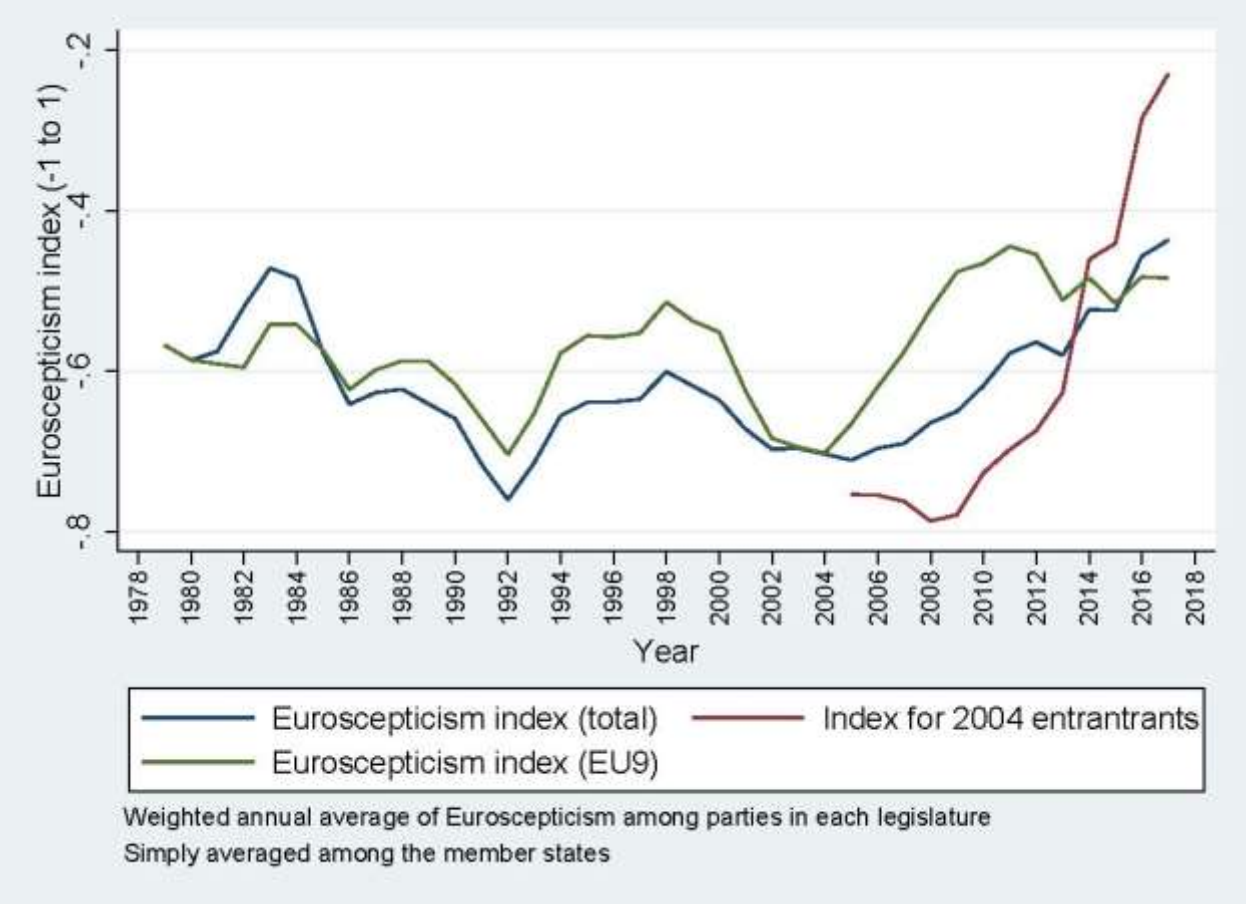


**Figure A1.** Parliamentary Euroscepticism by seats.

Figure A1 shows a general rise in parliamentary Euroscepticism since the enthusiasm of the early 1990s. However, the main index, weighted by seats, is affected by waves of enlargements. An average index for the EU9 shows that levels of Euroscepticism for these groups are higher since the late 2000s than they were in the early 1980s. The member states that joined the EU in 2004 demonstrate an even starker trend. Similar and perhaps starker trends are apparent when weighting Euroscepticism by votes (Figure A2).

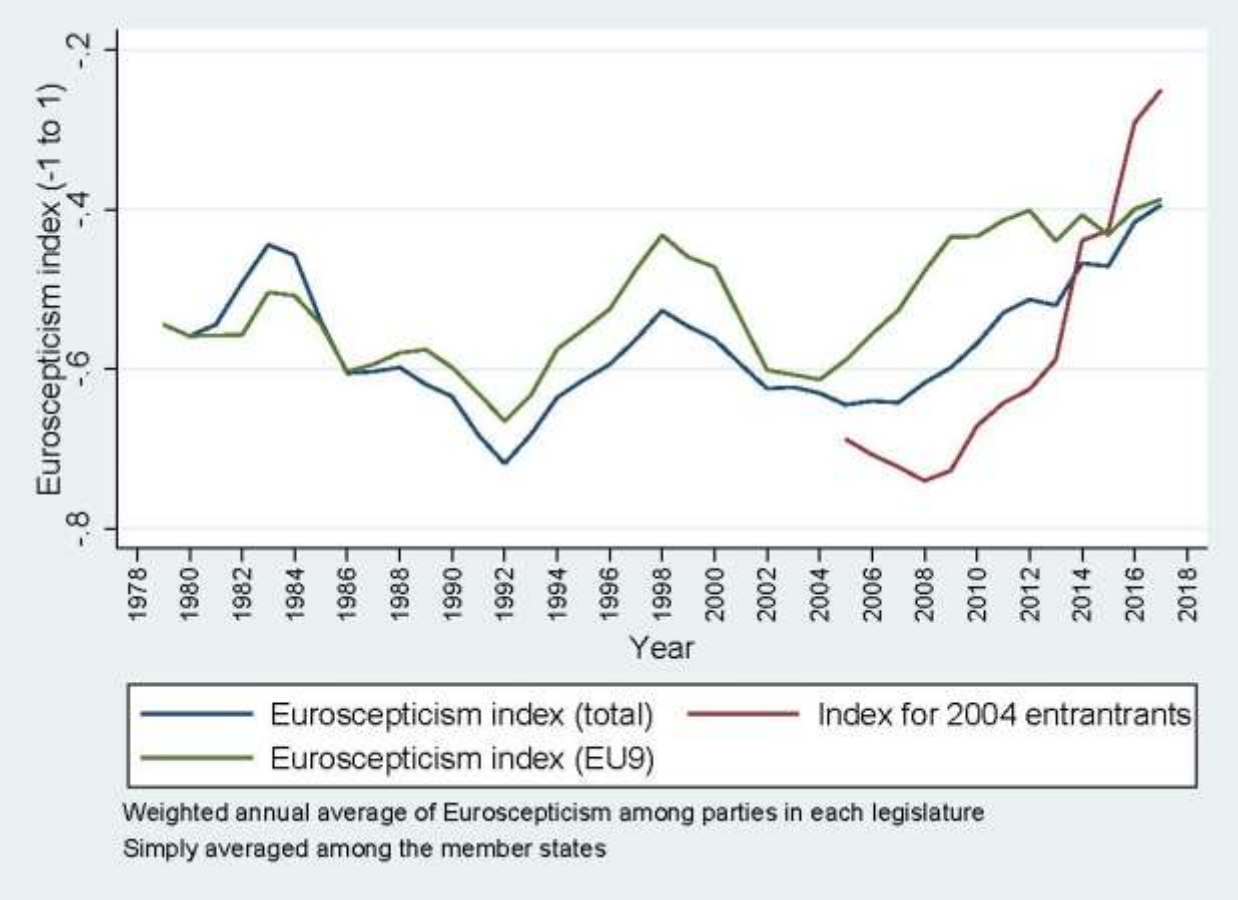


**Figure A2.** Parliamentary Euroscepticism by votes.

Lowe *et al*. (2011) suggest calculating policy positions based on a log odds-ratio, such that the scale has no upper or lower bounds, and adding another quazi-sentence in favor or against a policy has a diminishing, rather than linear effect on the score. As an alternative to the above conventional linear measure of policy positions, we also calculated a log-odds-ratio one, based on their formula. Specifically: ln[(EuroscepticCount + 0.5) / (EurophileCount + 0.5)], where EuroscepticCount and EurophileCount are the actual count of Eurosceptic and EurophileCount quazi-sentences, rather than their percentages (Lowe *et al*. (2011) suggest adding half a count to each to smooth-out extreme outcomes). We then weighted parties' positions by votes or seats, and calculated annual averages following the same method above. Figures A3 and A4 demonstrate that the log-odds-ratio (scaled on the right vertical axis) almost overlaps with the conventional index. Specifying the log-odds-ratio in Regression 1 instead of the conventional measure returns near identical results (see below under *Further analysis of Regression 1*).

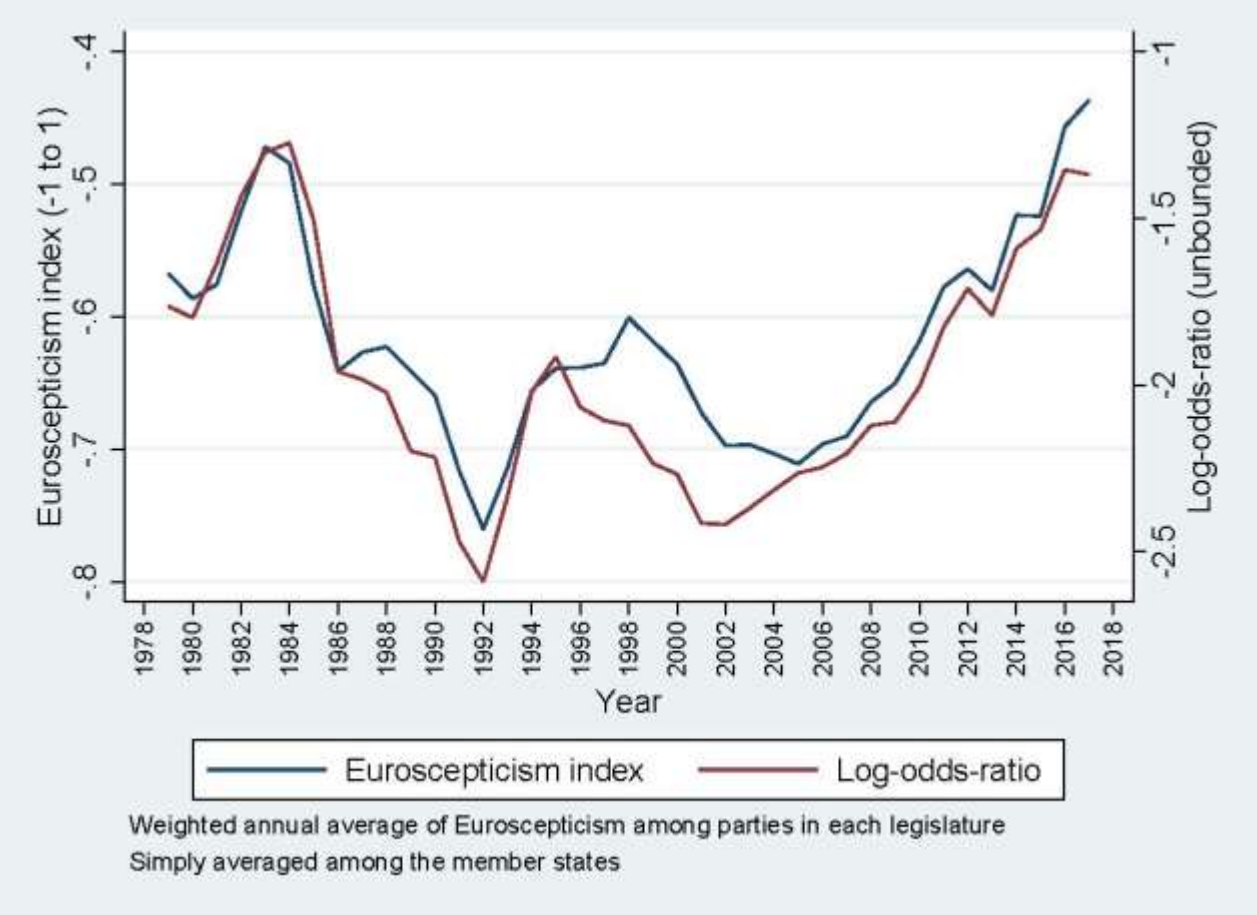


**Figure A3.** Parliamentary Euroscepticism by seats (log-odds).

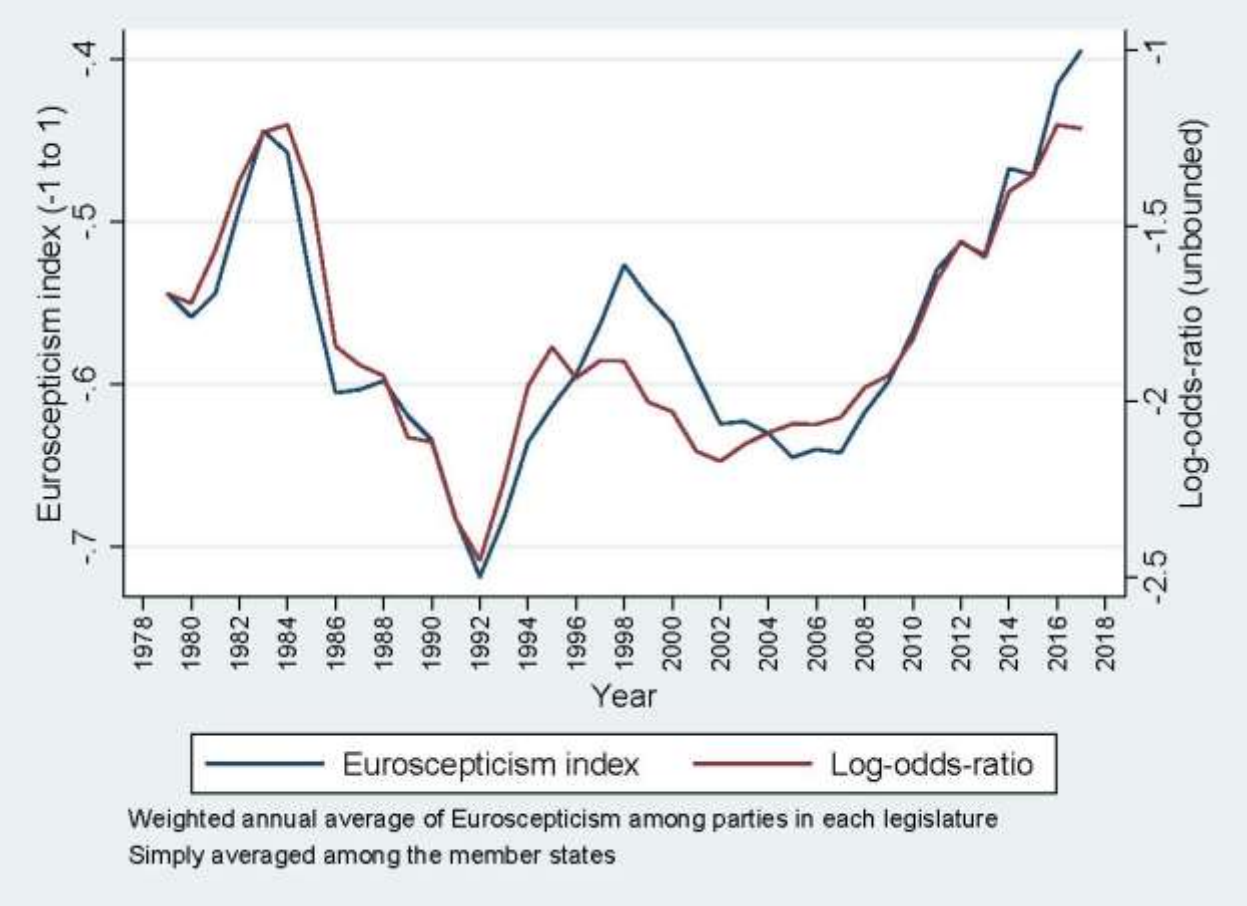


**Figure A4.** Parliamentary Euroscepticism by votes (log-odds).

While we prefer to measure the average level of Euroscepticism across each country's entire legislature to avoid selection issues, we did calculate separate (conventional) measures for government and opposition parties. Figures A5 and A6 demonstrate that while as expected opposition parties have consistently been more Eurosceptic than government parties, they have broadly followed similar trends. Unsurprisingly therefore, regression results are not meaningfully different for Euroscepticism in government or opposition (see below under *Further analysis of Regression 1*). We explain this with the ability of a Eurosceptic opposition to electorally challenge a pro-EU government and make it more responsive to a Eurosceptic electorate, especially if parties are forward looking and try to respond to evolving public opinion trends (see our discussion in the text of anticipatory representation). However, Regression 2c shows that in contrast to governmental Euroscepticism, Euroscepticism among opposition parties does not have a statistically significant interaction effect with popular Euroscepticism (see below under *Further analysis of Regression 2*). In other words, governments continue to bargain hard for OBBs when popular Euroscepticism is high even when the opposition is highly Eurosceptic. Since our measure of Euroscepticism among opposition parties does not consider their share of the legislature, this finding reflects governments' concerns that ardent popular Euroscepticism foretells electoral success to Eurosceptic opposition parties in the next election.

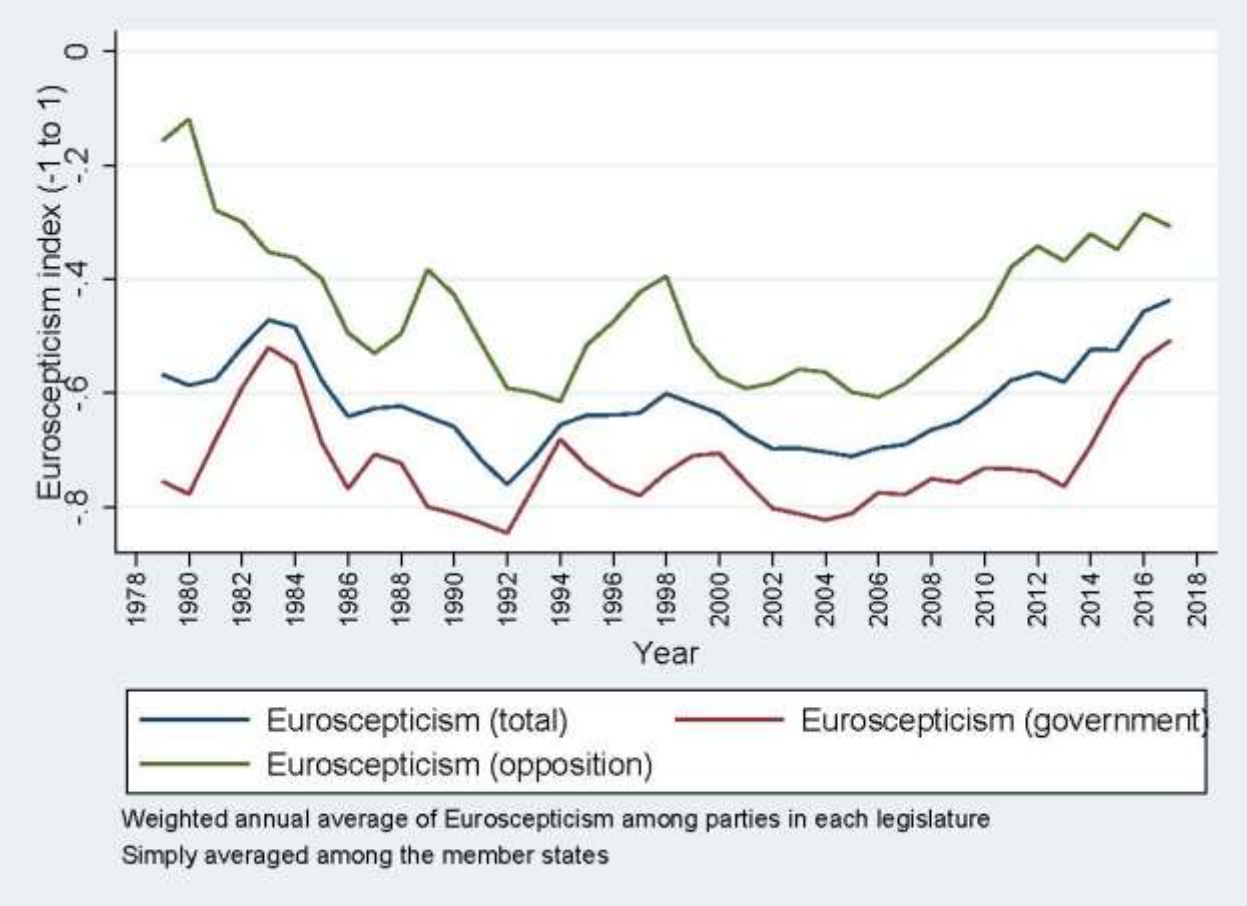


**Figure A5.** Parliamentary Euroscepticism by seats – Contrasting government and opposition.

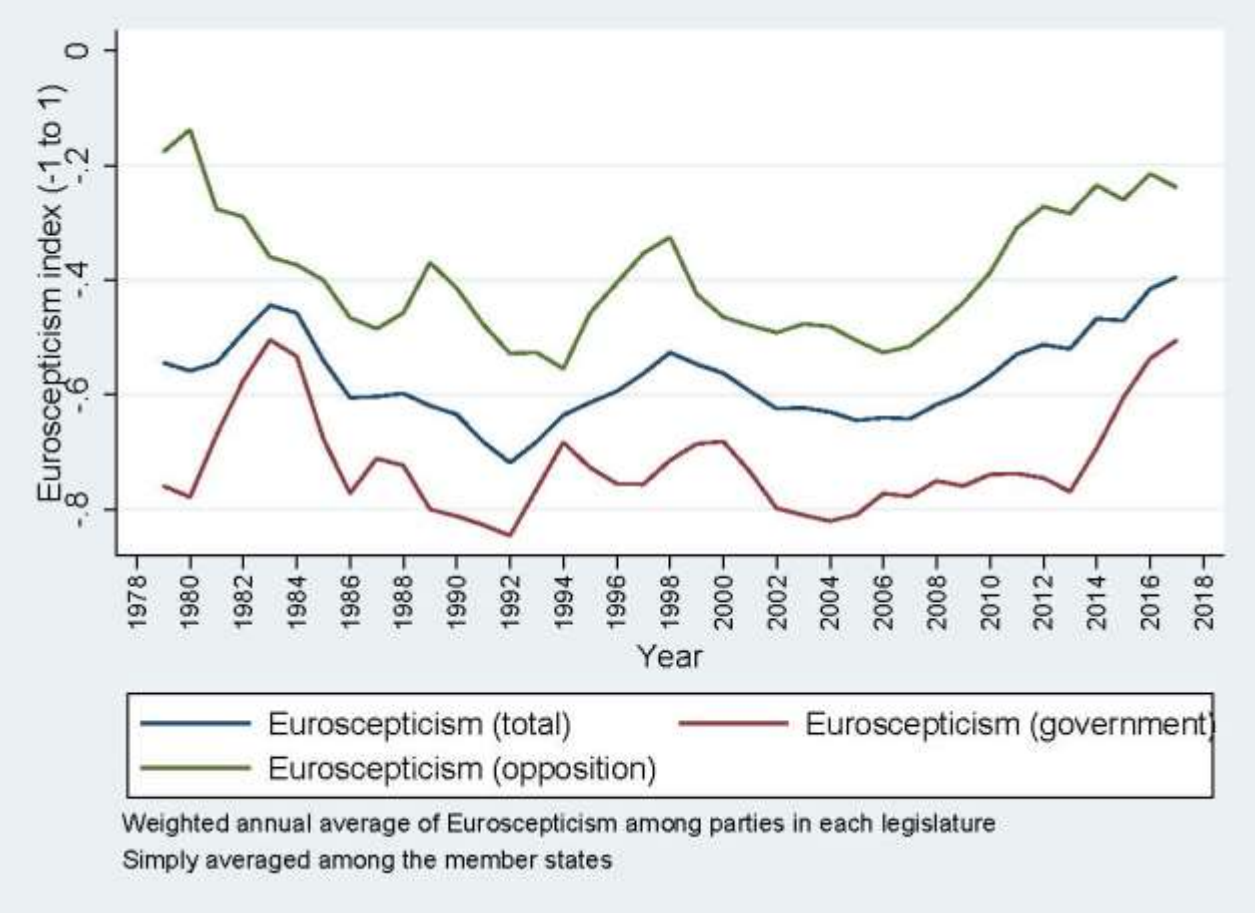


**Figure A5.** Parliamentary Euroscepticism by votes – Contrasting government and opposition.

Popular Euroscepticism

We use Eurobarometer surveys to construct a measure of popular Euroscepticism. Unfortunately, there is no single question that is consistently included in Eurobarometer surveys throughout our data years, but we identified three questions that are intermittently included in the surveys and all relate to respondents' attitudes on the pro/anti EU scale. In each question we take the share of respondents in each country-year that selected the most anti-EU answer:

Q1: "In the near future, do you see yourself as...?" A: "(NATIONALITY) only." Average share of respondents selecting this answer – 0.41; standard deviation – 0.10; median – 0.42. Number of country-year observations: 420.

Q2: "Do you ever think of yourself as not only (nationality), but also European? Does this happen often, sometimes or never?" A: "Never." Average share of respondents selecting this answer – 0.43; standard deviation – 0.09; median – 0.41. Number of country-year observations: 92.

Q3: "Generally speaking, do you think that (your country's) membership of the EU is ...?" A: "A bad thing." Average share of respondents selecting this answer – 0.14; standard deviation – 0.07; median – 0.12. Number of country-year observations: 582.

Given the near-identical parameters of distribution of the first two questions, we aggregated the shares of extreme responses to both by averaging them in each of the 40 overlapping country-years, or just taking the available one of the two. The thus combined series covers 472 country-years.

The share of Eurosceptic responses to the third question has different parameters of distribution, but is correlated with the share of Eurosceptic responses to the aggregated series of Q1Q2 ($r$=0.48). We rescaled the share of Eurosceptic responses to the third question, such that it assumed similar

parameters. We did this through a number of steps. In the first step, we log-transformed the data for both series. Next, we calculated country averages of these two log-transformed series (since 1991, when all three questions were intermittently asked) and calculated national ratios of these averages (Q1Q2/Q3). In the third step, in each country-year we multiplied the log-transformed value for Q3 by this ratio. Finally, we exponentially transformed the rescaled Q3 series, and took its value for 314 country-years in which the Q1Q2 series was missing. The parameters of the resulting indicator are: Average – 0.42; standard deviation – 0.10; median – 0.42. The combined Q1Q2Q3 series covers 786 country-years.[9]

As a robustness test we ran Regression 1 with a popular Euroscepticism measure that is based purely on Q3, which has the most extensive coverage among the three questions, without any rescaling or transformation. This specification does not result in meaningfully different estimates for our main variable of interest. Unfortunately, Q3 ends in 2011, so cannot replace our combined index (see below under *Further analysis of Regression 1*).

[9] A similar procedure without log-transformations occasionally produced values greater than 1.

# Diminishing fiscal returns on parliamentary Euroscepticism

**Table A1.** Tests for Figure 1.

| | Pre-Maastricht | Post-Maastricht | Entire period |
|---|---|---|---|
| Index of parliamentary Euroscepticism | 0.55 ** (0.26) | -0.45 ** (0.21) | 0.55** (0.26) |
| Post-Maastricht dummy | | | -0.44* (0.24) |
| Index × dummy | | | -1.00*** (0.34) |
| Constant | 0.93 *** (0.18) | 0.49 *** (0.15) | 0.93*** (0.19) |
| $R^2$ | 0.03 | 0.01 | 0.02 |
| Observations | 179 | 494 | 673 |

*Notes:* Results from simple linear regressions. Dependent variable is the OBB in percent of GDP. Standard errors in paretheses. * $.05 < p \leq .10$. ** $.01 < p \leq .05$. *** $p \leq .01$.

## Veto power

We measure the voting power of member states in the Council of the EU. Council voting rules have changed over the years, and at various times combined overlapping requirements for majorities by voting weights, population, and number of member states. In addition, the voting power of existing member states was repeatedly diluted by EU enlargements. Given this complexity of rules, it is simpler to calculate the power of member states to block decisions, selecting the criteria under which they wield the greatest such power, than to calculate their power to pass decisions, based on their share of votes (Panke, 2011). After all, member states can trade their veto power regarding a particular Council decision, to gain the support of member states on other Council decisions, or indeed in other EU institutions and policies (Aksoy, 2010; 2012; Schure and Verdun, 2008). We measure a member states' veto power as the percent of the votes required to veto single-market related Council decisions, under the most powerful criterion, as of the end of each year.

**Table A2.** Veto power.

| | 1958-1972 | 1973-1980 | 1981-1985 | 1986-1994 | 1995-2003 | 2004-2006 | 2007-2012 | 2013-2017 |
|---|---|---|---|---|---|---|---|---|
| Germany | 0.67 | 0.55 | 0.63 | 0.43 | 0.39 | 0.48 | 0.45 | 0.44 |
| France | 0.67 | 0.55 | 0.63 | 0.43 | 0.39 | 0.35 | 0.32 | 0.32 |
| UK | | 0.55 | 0.63 | 0.43 | 0.39 | 0.34 | 0.32 | 0.32 |
| Italy | 0.67 | 0.55 | 0.63 | 0.43 | 0.39 | 0.33 | 0.32 | 0.32 |
| Poland | | | | | | 0.30 | 0.30 | 0.29 |
| Spain | | | | 0.35 | 0.31 | 0.30 | 0.30 | 0.29 |
| Romania | | | | | | | 0.15 | 0.15 |
| Netherlands | 0.33 | 0.28 | 0.31 | 0.22 | 0.19 | 0.14 | 0.14 | 0.14 |
| Belgium | 0.33 | 0.28 | 0.31 | 0.22 | 0.19 | 0.13 | 0.13 | 0.13 |
| Czech | | | | | | 0.13 | 0.13 | 0.13 |
| Greece | | | 0.31 | 0.22 | 0.19 | 0.13 | 0.13 | 0.13 |
| Hungary | | | | | | 0.13 | 0.13 | 0.13 |
| Portugal | | | | 0.22 | 0.19 | 0.13 | 0.13 | 0.13 |
| Austria | | | | | 0.15 | 0.11 | 0.11 | 0.11 |
| Sweden | | | | | 0.15 | 0.11 | 0.11 | 0.11 |
| Bulgaria | | | | | | | 0.11 | 0.11 |
| Croatia | | | | | | | | 0.08 |
| Denmark | | 0.25 | 0.20 | 0.13 | 0.12 | 0.08 | 0.08 | 0.08 |
| Finland | | | | | 0.12 | 0.08 | 0.08 | 0.08 |
| Ireland | | 0.25 | 0.20 | 0.13 | 0.12 | 0.08 | 0.08 | 0.08 |
| Lithuania | | | | | | 0.08 | 0.07 | 0.08 |
| Slovakia | | | | | | 0.08 | 0.08 | 0.08 |
| Cyprus | | | | | | 0.08 | 0.07 | 0.07 |
| Estonia | | | | | | 0.08 | 0.07 | 0.07 |
| Latvia | | | | | | 0.08 | 0.07 | 0.07 |
| Luxembourg | 0.17 | 0.25 | 0.20 | 0.09 | 0.08 | 0.08 | 0.07 | 0.07 |
| Malta | | | | | | 0.08 | 0.07 | 0.07 |
| Slovenia | | | | | | 0.08 | 0.07 | 0.07 |

*Notes:* Member states sorted first by their veto power as of the end of the year (in percent points), then alphabetically. Veto power is the share a member state has in the minimum of votes required to block a Council decision in matters relating to the single market, under the most powerful criterion. As of the end of 2004, the Triple Majority rules of the Treaty of Nice applied. As of 1 November 2014, the Double Majority rules of the Lisbon Treaty entered force. However, until 31 March 2017, member states could still request to use the previous rules of Triple Majority, based on the Treaty of Nice. We assume that member states benefiting from the old rules (such as Poland, which demanded this transition) would have demanded them. Thus, we disregard the Lisbon rules. Cell shades indicate the most powerful criterion for each member state: Voting weights (blue), Population (green), or simple majority (yellow).

## Salience of EU budget redistributive issues

Wratil (2019) suggests that governments will trade their support for EU policies that are domestically low-salience, in return for support from other member states on domestically high-salience issues, which makes EU policy responsive to citizens in high-salience member states. We are interested in a method of measuring the salience of the OBB issue among voters, with sufficient country-year coverage. Following Wratil (2019) we constructed the salience index from Eurobarometer surveys. The salience of a particular policy for the public is one minus the share of "don't know" (DK) and refusal responses in all responses. Unfortunately, never have respondents been asked about OBBs (unsurprising, given the lack of Commission enthusiasm for this topic). We thus cast our net more broadly and code responses to questions about redistributive aspects of the EU budget. We want to know if respondents have opinions about winners and losers from the EU budget.

As a first resort, we coded questions on the legitimacy of the EU budget as a tool for international or interregional income redistribution. We found such questions in 16 years (we took the latest survey in each year if a similar question appeared in more than one survey during that year). As a second resort, we used questions on the appropriateness of using the respondent's taxes to fund the Common Agricultural Policy in the EU budget (emphasizing the fiscal aspect, not the legitimacy of the policy more generally), given that this policy is central to distributional conflicts among the member states. We found such questions in 4 years. If no such question was asked in a particular year we coded a question on the legitimacy of setting taxes at the EU level rather than at the national level (11 years). As a last resort we used a question on the appropriateness of the size of the EU budget (2 years). Below is the list of survey and questions used to code the member

states in each year (the full text of the questions can be accessed here: https://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org).

Since we are only trying to measure awareness, not any particular opinion, we believe this measure is sufficiently consistent for our purposes. To be safe, we normalized each country-year's value by the EU average for that year. This corrects for the possibility that respondents are systematically less opinionated about one particular question than another. The result is an index with positive values, ranging from zero to one for countries with lower saliency than the EU annual average for EU budget redistributive policies, or greater than one for countries with greater saliency than the average. In nine pre-1995 intermittent years we could find no relevant question in Eurobarometer surveys; such years' values were interpolated from adjacent years.

Since this is just a control variable, as a robustness test we dropped it from the specification of Regression. This did not result in any meaningfully different estimates.

**List of Eurobarometer questions with relevance to redistributive aspects of the EU budget**

ZA0990: Eurobarometer 6 (Nov **1976**) Twenty Years of the Common Market
Variable v71: REGIONAL DEVELOPM - EC/NAT DECISION [regions]

ZA0994: Eurobarometer 10 (Oct-Nov **1978**) National Priorities and the Institutions of Europe
Variable v64: REGIONAL DEVELOPMENT - EC/NAT DECISIONS [regions]

ZA1038: Eurobarometer 13 (Apr **1980**) Regional Development and Integration
Variable v26: AID TO REGIONS - TAXES USED EC WIDE [regions]

ZA1318: Eurobarometer 19 (Mar-Apr **1983**) Gender Roles in the European Community
Variable v192: Q271A EC COMMON POLICY: REGIONAL DIFF [regions]

ZA1542: Eurobarometer 24 (Oct **1985**) Entry of Spain and Portugal
Variable v33: EC COMMON POLICY REGIONAL DEVELOPMENT [regions]

ZA1712: Eurobarometer 27 (Mar-May **1987**) The Common Agricultural Policy and Cancer
Variable v339: AGRICULTURAL BUDGET EVAL - EC BUDGET [CAP]

ZA1715: Eurobarometer 30 (Nov-Oct **1988**) Immigrants and Out-Groups in Western Europe
Variable v400: Q267 EC AGRICULTURAL POLICY TAXPAYERS [CAP]

ZA1751: Eurobarometer 31A (Jun-Jul **1989**) European Elections 1989: Post-Election Survey
Variable v454: Q276B REGIONAL DEVELOPM - EC/NAT ACTION [regions]

ZA2031: Eurobarometer 35.0 (Mar **1991**) Foreign Relations, the Common Agricultural Policy, and Environmental Concerns
Variable v125: Q48 REGIONAL DEVELOPM - EC/NAT DECISION [regions]

ZA2346: Eurobarometer 39.0 (Mar-Apr **1993**) European Community Policies, and Family Life
Variable v382: Q58A9 EC COMMON POLICY RATES OF VAT [taxes]

ZA2639: Eurobarometer 43.1bis (May-Jun **1995**) Regional Development and Consumer and Environmental Issues
Variable v269: Q39 EU REGIONAL DEVELOPM POL – REQUEST [regions]

ZA2828: Eurobarometer 44.2bis (Jan-Mar **1996**) Policies and Practices in Building Europe and the European Union
Variable v125: Q21 BUILD EUROPE PROGRESS: ONE TAX SYST [taxes]

ZA2937: Eurobarometer 47.2 (Apr-Jun **1997**) Women and Cancer, the European Parliament and Expectations of the European Union
Variable v196: Q52 BUILD EUROPE PROGRESS: ONE TAX SYST [taxes]

ZA3085: Eurobarometer 50.0 (Oct-Nov **1998**) European Parliament and Radioactive Waste
Variable v223: Q36 EU COMMON POLICY: SUPPORT REGIONS [regions]

ZA3204: Eurobarometer 52.0 European Parliament Elections, The Single European Currency, and Financial Services October-November **1999**
Variable v527: Q34A EU COMMON POLICY: SUPPORT REGIONS [regions]

ZA3387: Eurobarometer 54.1 Building Europe and the EU, the European Parliament, Public Safety, and Defense Policy November-December **2000**
Variable v146: Q30A EU COMMON POLICY: REGIONAL SUPPORT [regions]

ZA3627: Eurobarometer 56.2 (October-November **2001**): Radioactive Waste, Demographic Issues, the Euro, and European Union Enlargement
Variable v138: Q30A EU COMMON POLICY: REGIONAL SUPPORT [regions]

ZA3693: Eurobarometer 58.1 (October-November **2002**): The Euro, European Enlargement, and Financial Services
Variable v144: Q25A EU COMMON POLICY: REGIONAL SUPPORT [regions]

ZA3938: Eurobarometer 60.1 (October-November **2003**) Citizenship and Sense of Belonging, Fraud, and the European Parliament
Variable v176: Q27 EU ROLE: TAXATION [taxes]

ZA4056: Eurobarometer 61 (February-March **2004**) The European Union, Globalization, and the European Parliament (30 Years of Eurobarometer)
Variable v183: Q28 EU ROLE: TAXATION [taxes]

ZA4411: Eurobarometer 63.4 (May-June **2005**) European Union Enlargement, the European Constitution, Economic Challenges, Innovative Products and Services
Variable v201: QA27 EU ROLE: TAXATION [taxes]

ZA4528: Eurobarometer 66.3 (November-December **2006**): Social Reality, E-Communications, Common Agricultural Policy, Discrimination and the Media, and Medical Research
Variable v1889: QD9 EU BUDGET FOR AGRICULTURE - ASSESSMENT [regions]

ZA4530: Eurobarometer 67.2: European Union Enlargement, Personal Data Privacy, the National Economy, and Scientific Research, April-May **2007**
Variable v203: QA20A EU COMMON POLICY: TAXATION [taxes]

ZA4744: Eurobarometer 69.2 (Mar-May **2008**) National and European Identity, European Elections, European Values, and Climate Change
Variable v364: QA35A EU COMMON POLICY: TAXATION [taxes]

ZA4999: Eurobarometer 72.5 (Oct-Nov **2009**) E-Communications, Agriculture, Geographical and Labor Market Mobility, and Knowledge of Antibiotic Use
Variable v331: QB13A EU BUDGET FOR AGRICULTURE - ASSESSMENT [regions]

ZA5234: Eurobarometer 73.4: Financial and Economic Crisis, the Future of the European Union, Globalization, and European Citizenship, May **2010**
Variable v340: QA22 EU COMMON POLICY: TAXATION [taxes]

ZA5481: Eurobarometer 75.3 (May **2011**) Europe 2020, Financial and Economic Crisis, European Union Budget, and the Common Agricultural Policy
Variable v347: QA20 EU BUDGET - APPRAISAL STATEMENT [budget]

ZA5598: Eurobarometer 77.2 (March **2012**) Economic and Financial Crisis, Helplines for Social Services, Railway Competition, Food Production and Quality, and Cyber Security

Variable qa9_2: EU BUDGET POLICIES: FINANC HELP CONDITIONAL [regions]

ZA5877: Eurobarometer 80.2 (November-December **2013**): Climate Change, Agriculture, Healthcare, and Physical Activity
Variable qb8: CAP FARMERS INCOME SUPPORT - ASSESSMENT [CAP]

ZA5932: Eurobarometer 82.3 (November **2014**): Europe 2020, Financial and Economic Crisis, European Citizenship, and Information on European Political Matter
Variable qc4_1: FINANC MARKET REFORM: TAX ON TRANSACTIONS [taxes]

ZA5998: Eurobarometer 83.3 (May **2015**): Europe 2020, Financial and Economic Crisis, European Citizenship, European Union Budget, and Statistical Literacy
Variable qe4: EU BUDGET - VALUE FOR MONEY APPRAISAL [budget]

ZA6788: Eurobarometer 86.2 (November **2016**): Priorities of the European Union, European Economy, European Citizenship, and Information on European Political Matters
Variable qc3_1: FINANC MARKET REFORM: TAX ON TRANSACTIONS [taxes]

ZA6939: Eurobarometer 88.4 (December **2017**) Fairness, inequality and inter-generational mobility, Sport and physical activity, and EU citizens, Agriculture and the CAP
Variable qc11: EU BUDGET FOR AGRICULTURE - PREFERENCE [CAP]

# Descriptive statistics

**Table A3.** Descriptive statistics.

| Variable | Obs. | Mean | Std. Dev. | Min | Max | Unit |
|---|---|---|---|---|---|---|
| *OBB per GDP* | 706 | 0.74 | 1.38 | -1.07 | 5.88 | Percent points |
| *OBB ratio** | 706 | 1.66 | 1.50 | 0.10 | 11.3 | Ratio |
| *PopEurosceptic* | 696 | 0.41 | 0.12 | 0.12 | 0.78 | Index |
| *IndParlEurosceptic* | 664 | -0.61 | 0.32 | -1.00 | 0.55 | Index |
| *ParlEurosceptic* | 664 | 0.00 | 0.31 | -0.52 | 1.07 | Index |
| *VarPopEurosceptic* | 696 | 0.11 | 0.04 | 0.07 | 0.24 | Index |
| *VarPopEurosceptic* (pre-Maastricht) | 170 | 0.17 | 0.04 | 0.10 | 0.24 | Index |
| *VarPopEurosceptic* (post-Maastricht) | 526 | 0.09 | 0.02 | 0.07 | 0.13 | Index |
| *DI-Core* | 706 | 0.16 | 0.23 | 0 | 0.91 | Index |
| *DI-Core* (pre-Maastricht) | 170 | 0.00 | 0.00 | 0 | 0.00 | Index |
| *DI-Core* (post-Maastricht) | 536 | 0.21 | 0.25 | 0 | 0.91 | Index |
| *DI-Other* | 706 | 0.03 | 0.06 | 0 | 0.33 | Index |
| *DI-Other* (pre-Maastricht) | 170 | 0.05 | 0.09 | 0 | 0.33 | Index |
| *DI-Other* (post-Maastricht) | 536 | 0.03 | 0.05 | 0 | 0.15 | Index |
| *PostMaastricht* | 706 | 0.76 | 0.43 | 0 | 1 | Dummy |
| *EA* | 706 | 0.40 | 0.49 | 0 | 1 | Dummy |
| *Right-Wing* | 664 | 0.00 | 0.17 | -0.41 | 0.59 | Index |
| *Veto Power* | 706 | 21.4 | 14.5 | 7.14 | 62.5 | Percent points |
| *Wealth* | 706 | -0.01 | 17,554 | -27,609 | 77,883 | Constant 2010 USD |
| *Tenure** | 706 | 23.7 | 16.5 | 1 | 60 | Years |
| *Presidency* | 706 | 0.12 | 0.32 | 0 | 1 | Dummy |
| *Election Year* | 706 | 0.28 | 0.45 | 0 | 1 | Dummy |
| *Pre-Election Year* | 706 | 0.27 | 0.45 | 0 | 1 | Dummy |
| *Deficit* | 706 | 0.43 | 0.50 | 0 | 1 | Dummy |
| *Salience* | 692 | 1.00 | 0.08 | 0.64 | 1.52 | Index |
| *EP seats* | 706 | 0.06 | 0.05 | 0.01 | 0.20 | Fraction |
| *Oversight* | 706 | 0.40 | 0.23 | 0 | 0.88 | Index |
| *Fragmentation* | 673 | 0.71 | 0.10 | 0.52 | 0.89 | Index |

| | | | | | |
|---|---|---|---|---|---|
| *Reported in further analyses in this ~~a~~Appendix* | | | | | |
| *ParlEurosceptic* (votes) | 664 | 0.00 | 0.28 | -0.51 | 0.99 Index |
| *PopEurosceptic* (Q3 only) | 539 | 0.13 | 0.08 | 0.02 | 0.49 Fraction |
| *LogOddsRatioEurosceptic* | 673 | -1.96 | 1.22 | -5.14 | 0.75 Index |
| *GovEurosceptic* | 664 | -0.72 | 0.41 | -1.00 | 1.00 Index |
| *OppEurosceptic* | 664 | -0.45 | 0.42 | -1.00 | 0.75 Index |
| *Debt* | 495 | 70.9 | 34.9 | 7.2 | 192.7 % of GDP |
| *Farming* | 580 | 2.36 | 1.26 | 0.21 | 7.38 % of GDP |
| *Net-Recipient* | 706 | 0.48 | 0.50 | 0 | 1 Dummy |

| Variable | Obs. | Mean | Std. Dev. | Min | Max | Unit |
|---|---|---|---|---|---|---|
| *OBB per GDP* | 706 | 0.74 | 1.38 | -1.07 | 5.88 | Percent points |
| *OBB ratio** | 706 | 1.66 | 1.50 | 0.10 | 11.3 | Ratio |
| *PopEurosceptic* | 696 | 0.41 | 0.12 | 0.12 | 0.78 | Index |
| *IndParlEurosceptic* | 664 | -0.61 | 0.32 | -1.00 | 0.55 | Index |
| *ParlEurosceptic* | 664 | 0.00 | 0.31 | -0.52 | 1.07 | Index |
| *VarPopEurosceptic* | 696 | 0.11 | 0.04 | 0.07 | 0.24 | Index |
| *VarPopEurosceptic* (pre-Maastricht) | 170 | 0.17 | 0.04 | 0.10 | 0.24 | Index |
| *VarPopEurosceptic* (post-Maastricht) | 526 | 0.09 | 0.02 | 0.07 | 0.13 | Index |
| *DI-Core* | 706 | 0.16 | 0.23 | 0 | 0.91 | Index |
| *DI-Core* (pre-Maastricht) | 170 | 0.00 | 0.00 | 0 | 0.00 | Index |
| *DI-Core* (post-Maastricht) | 536 | 0.21 | 0.25 | 0 | 0.91 | Index |
| *DI-Other* | 706 | 0.03 | 0.06 | 0 | 0.33 | Index |
| *DI-Other* (pre-Maastricht) | 170 | 0.05 | 0.09 | 0 | 0.33 | Index |
| *DI-Other* (post-Maastricht) | 536 | 0.03 | 0.05 | 0 | 0.15 | Index |
| *PostMaastricht* | 706 | 0.76 | 0.43 | 0 | 1 | Dummy |
| *EA* | 706 | 0.40 | 0.49 | 0 | 1 | Dummy |
| *Right-Wing* | 664 | 0.00 | 0.17 | -0.41 | 0.59 | Index |
| *Veto Power* | 706 | 21.4 | 14.5 | 7.14 | 62.5 | Percent points |
| *Wealth* | 706 | -0.01 | 17,554 | -27,609 | 77,883 | Constant 2010 USD |
| *Tenure** | 706 | 23.7 | 16.5 | 1 | 60 | Years |
| *Presidency* | 706 | 0.12 | 0.32 | 0 | 1 | Dummy |
| *Election Year* | 706 | 0.28 | 0.45 | 0 | 1 | Dummy |
| *Pre-Election Year* | 706 | 0.27 | 0.45 | 0 | 1 | Dummy |
| *Deficit* | 706 | 0.43 | 0.50 | 0 | 1 | Dummy |
| *Salience* | 692 | 1.00 | 0.08 | 0.64 | 1.52 | Index |
| *EP seats* | 706 | 0.06 | 0.05 | 0.01 | 0.20 | Fraction |
| *Oversight* | 706 | 0.40 | 0.23 | 0 | 0.88 | Index |
| *Fragmentation* | 673 | 0.71 | 0.10 | 0.52 | 0.89 | Index |

| | | | | | |
|---|---|---|---|---|---|
| *Reported in further analyses in this ~~a~~Appendix* | | | | | |
| *ParlEurosceptic* (votes) | 664 | 0.00 | 0.28 | -0.51 | 0.99 Index |
| *PopEurosceptic* (Q3 only) | 539 | 0.13 | 0.08 | 0.02 | 0.49 Fraction |
| *LogOddsRatioEurosceptic* | 673 | -1.96 | 1.22 | -5.14 | 0.75 Index |
| *GovEurosceptic* | 664 | -0.72 | 0.41 | -1.00 | 1.00 Index |
| *OppEurosceptic* | 664 | -0.45 | 0.42 | -1.00 | 0.75 Index |
| *Debt* | 495 | 70.9 | 34.9 | 7.2 | 192.7 % of GDP |
| *Farming* | 580 | 2.36 | 1.26 | 0.21 | 7.38 % of GDP |
| *Net-Recipient* | 706 | 0.48 | 0.50 | 0 | 1 Dummy |

*Notes:* * variable logarithmically transformed in regression analysis.

## Unit root tests for main variables of interest

**Table A4.** Unit roots tests.

| Variable | Inverse $\chi^2$ Statistic | *p*-value | Inverse normal | *p*-value | Inverse logit | *p*-value | Modified inv. $\chi^2$ | *p*-value |
|---|---|---|---|---|---|---|---|---|
| *OBB ratio* | 301.9 | 0.000 | -7.97 | 0.000 | -15.10 | 0.000 | 23.86 | 0.000 |
| *PopEurosceptic* | 82.0 | 0.008 | -2.86 | 0.002 | -2.77 | 0.003 | 2.70 | 0.004 |
| *ParlEurosceptic* | 96.5 | 0.000 | -3.27 | 0.001 | -3.44 | 0.000 | 4.09 | 0.000 |
| *VarPopEurosceptic* | 91.7 | 0.001 | -3.28 | 0.001 | -3.48 | 0.000 | 3.62 | 0.000 |
| *DI-Core* | 120.2 | 0.000 | -4.18 | 0.000 | -5.13 | 0.000 | 6.37 | 0.000 |
| *DI-Other* | 74.4 | 0.034 | -1.27 | 0.101 | -1.92 | 0.025 | 1.97 | 0.025 |

## Further analysis of Regression 1

**Table A5.** Regression 1 with alternative measures of Euroscepticism.

| | (1) | (1a) | (1b) | (1c) | (1d) |
|---|---|---|---|---|---|
| *PopEurosceptic* | 0.86 *** (0.19) | 0.85 *** (0.19) | 0.86*** (0.19) | 0.86*** (0.19) | |
| *PopEurosceptic* (Q3 only) | | | | | 1.79*** (0.36) |
| *ParlEurosceptic* | 0.01 (0.07) | | | | 0.06 (0.09) |
| *LogOddsRatio Eurosceptic* | | 0.01 (0.02) | | | |
| *GovEurosceptic* | | | 0.02 (0.04) | | |
| *OppoEurosceptic* | | | | 0.00 (0.05) | |
| Control variables: | | | | | |
| *Right-Wing* | 0.30 *** (0.10) | 0.29 *** (0.09) | 0.30*** (0.09) | 0.30*** (0.10) | 0.14 (0.12) |
| *Veto Power* | 0.011 *** (0.003) | 0.011 *** (0.003) | 0.011*** (0.003) | 0.011*** (0.003) | 0.009** (0.005) |
| *Wealth* | 1.3e-5 *** (4.3e-6) | 1.3e-5 *** (4.3e-6) | 1.3e-5*** (4.3e-6) | 1.3e-5*** (4.3e-6) | 1.8e-5*** (4.2e-6) |
| *Tenure* | 0.43 *** (0.05) | 0.43 *** (0.05) | 0.43*** (0.05) | 0.43*** (0.05) | 0.40*** (0.06) |
| *Presidency* | 0.05 ** (0.03) | 0.05 ** (0.03) | 0.05** (0.03) | 0.05** (0.03) | 0.07*** (0.02) |
| *Election Year* | 0.02 (0.02) | 0.02 (0.02) | 0.02 (0.02) | 0.02 (0.02) | 0.02 (0.02) |
| *Pre-election Year* | 0.038 * (0.022) | 0.038 * (0.022) | 0.038* (0.022) | 0.038* (0.022) | 0.040* (0.022) |
| *Deficit* | 0.03 (0.03) | 0.03 (0.03) | 0.03 (0.03) | 0.03 (0.03) | 0.04 (0.03) |
| *Salience* | -0.01 (0.14) | -0.01 (0.15) | -0.01 (0.15) | -0.01 (0.15) | 0.00 (0.14) |
| *EP seats* | -4.17 *** (1.44) | -4.21 *** (1.50) | -4.15*** (1.45) | -4.18*** (1.50) | -4.86** (2.08) |
| *Oversight* | -0.04 (0.15) | -0.04 (0.15) | -0.04 (0.15) | -0.03 (0.14) | -0.23 (0.22) |
| *Fragmentation* | -0.76 ** (0.34) | -0.78 ** (0.33) | -0.76** (0.33) | -0.76** (0.34) | -0.55 (0.40) |

| | | | | | |
|---|---|---|---|---|---|
| $R^2$ | 0.67 | 0.67 | 0.68 | 0.68 | 0.67 |
| Observations | 660 | 660 | 660 | 660 | 518 |

*Notes:* Results from Panel-Corrected Standard Errors (PCSE) regressions, with autoregressive AR(1) process, country fixed effects, fixed effects for the different multi-annual fiscal framework programs, a dummy for the last year in each framework, and log-transformed number of member states; these as well as the constant are suppressed for presentation. Dependent variable is the log-transformed ratio of benefits to contribution to the EU budget. *ParlEurosceptic* is reduced by its annual EU average. See Appendix 2 for alternative operational definitions of parliamentary Euroscepticism. * $.05 < p \leq .10$. ** $.01 < p \leq .05$. *** $p \leq .01$.

See explanations above under Eurosceptic attitudes in national legislatures and among the public, calculation of indices of Euroscepticism.

**Regression 1 with alternative measures of Euroscepticism and additional control variables**

Governments with large debts may also be more anxious and bargain harder to receive fiscal support. *Debt* is government consolidated gross debt in percent of GDP, from Eurostat (Pircher and Farjam, 2021). It is unavailable pre-1995. Given that a large part of the EU budget is spent on agricultural subsidies, we can also expect that large farming sectors are associated with higher OBB. *Farming* is the size of the framing sector, based on the World Bank's series Agriculture, forestry, and fishing, value added (% of GDP). Both data series are rarely available pre-1995, and their specification in regressions causes a significant loss of observations (some 150, or about a quarter of the data). We thus discuss results in the main text without them, but they are included in results reported, which are roughly similar to those reported above. It turns out that large deficits and debt are not significantly associated with OBB, but the size of the farming sector is positively associated with OBB.

**Table A6.** Regression 1 with alternative measures of Euroscepticism and additional control variables.

| | (1e) | (1f) | (1g) | (1h) |
|---|---|---|---|---|
| *PopEurosceptic* | 0.42 ** | 0.43 ** | 0.43** | 0.43** |
| | (0.18) | (0.19) | (0.19) | (0.18) |
| *ParlEurosceptic* | -0.10 * | | | |
| | (0.06) | | | |
| *LogOddsRatio Eurosceptic* | | -0.01 | | |
| | | (0.01) | | |
| *GovEurosceptic* | | | -0.04 | |
| | | | (0.04) | |
| *OppoEurosceptic* | | | | -0.07* |
| | | | | (0.04) |
| Control variables: | | | | |
| *Right-Wing* | 0.47 *** | 0.45 *** | 0.44*** | 0.46*** |
| | (0.09) | (0.08) | (0.09) | (0.09) |
| *Veto Power* | 0.025 *** | 0.025 *** | 0.025*** | 0.024*** |
| | (0.004) | (0.004) | (0.004) | (0.004) |
| *Wealth* | -7.5e-7 | -4.8e-7 | -5.3e-8 | -1.1e-6 |
| | (6.9e-6) | (7.3e-6) | (7.1e-6) | (6.6e-6) |
| *Tenure* | 0.49 *** | 0.48 *** | 0.48*** | 0.49*** |
| | (0.05) | (0.05) | (0.05) | (0.05) |
| *Presidency* | 0.01 | 0.01 | 0.01 | 0.01 |
| | (0.03) | (0.03) | (0.03) | (0.02) |
| *Election Year* | -0.00 | -0.01 | -0.00 | -0.01 |
| | (0.02) | (0.03) | (0.02) | (0.02) |
| *Pre-election Year* | 0.01 | 0.01 | 0.01 | 0.01 |
| | (0.02) | (0.02) | (0.02) | (0.02) |
| *Deficit* | -0.02 | -0.02 | -0.02 | -0.02 |
| | (0.03) | (0.03) | (0.03) | (0.03) |
| *Salience* | 0.16 ** | 0.15 ** | 0.16** | 0.12* |
| | (0.08) | (0.08) | (0.08) | (0.07) |
| *EP seats* | 0.69 | 0.85 | 0.49 | 1.03 |
| | (1.95) | (2.01) | (2.07) | (1.86) |
| *Oversight* | 0.31 ** | 0.31 ** | 0.31** | 0.34** |
| | (0.16) | (0.16) | (0.15) | (0.17) |
| *Fragmentation* | -0.56 | -0.57 * | -0.59* | -0.53 |
| | (0.35) | (0.33) | (0.35) | (0.35) |
| *Debt* | -0.000 | 0.000 | 0.000 | -0.000 |
| | (0.001) | (0.001) | (0.001) | (0.001) |
| *Farming* | 0.10 *** | 0.10 *** | 0.10*** | 0.10*** |
| | (0.03) | (0.03) | (0.03) | (0.03) |
| $R^2$ | 0.88 | 0.87 | 0.87 | 0.87 |
| Observations | 459 | 459 | 459 | 459 |

*Notes:* See notes to previous table.

**Regression 1 with alternative measures of Euroscepticism and distinguishing net-recipient from net-contributing member states**

We next specify a dummy for net-recipient member states and interact it with each of the two measures of Euroscepticism; in all regressions the interaction returns an insignificant coefficient, which suggests that our findings are similar for net-contributing and net-recipient member states.

**Table A7.** Regression 1 with alternative measures of Euroscepticism and distinguishing net-recipient from net-contributing member states.

| | (1i) | (1j) | (1k) | (1l) |
|---|---|---|---|---|
| *Net-Recipient* | 0.73 *** (0.11) | 0.74*** (0.14) | 0.71*** (0.14) | 0.77*** (0.11) |
| *PopEurosceptic* | 0.76 *** (0.21) | 0.78*** (0.21) | 0.77*** (0.21) | 0.77*** (0.21) |
| *PopEurosceptic* × *Net-Recipient* | -0.31 (0.29) | -0.31 (0.29) | -0.30 (0.29) | -0.28 (0.29) |
| *ParlEurosceptic* | 0.09 (0.08) | | | |
| *ParlEurosceptic* × *Net-Recipient* | 0.01 (0.10) | | | |
| *LogOddsRatio Eurosceptic* | | 0.02 (0.02) | | |
| *LogOddsRatio Eurosceptic* × *Net-Recipient* | | 0.00 (0.08) | | |
| *GovEurosceptic* | | | 0.06 (0.04) | |
| *GovEurosceptic* × *Net-Recipient* | | | -0.02 (0.08) | |
| *OppoEurosceptic* | | | | -0.02 (0.06) |
| *OppoEurosceptic* × *Net-Recipient* | | | | 0.08 (0.06) |
| $R^2$ | 0.77 | 0.78 | 0.77 | 0.78 |
| Observations | 660 | 660 | 660 | 660 |

*Notes:* See notes to previous tables. *Net-Recipient* is a dummy. Estimates for the control variables are not reported to save space.

## Further analysis of Regression 2

**Table A8.** Regression 2 with alternative measures of Euroscepticism.

| | (2) | (2a) | (2b) | (2c) |
|---|---|---|---|---|
| *PopEurosceptic* | 0.85 *** | 0.46 | 0.43 | 0.79*** |
| | (0.20) | (0.37) | (0.31) | (0.25) |
| *ParlEurosceptic* | 0.39 ** | | | |
| | (0.15) | | | |
| *PopEurosceptic* × *ParlEurosceptic* | -0.87 ** | | | |
| | (0.36) | | | |
| *LogOddsRatio Eurosceptic* | | 0.09 * | | |
| | | (0.05) | | |
| *PopEurosceptic* × *LogOddsRatio Eurosceptic* | | -0.20 * | | |
| | | (0.12) | | |
| *GovEurosceptic* | | | 0.31** | |
| | | | (0.15) | |
| *PopEurosceptic* × *GovEurosceptic* | | | -0.58** | |
| | | | (0.28) | |
| *OppoEurosceptic* | | | | 0.07 |
| | | | | (0.10) |
| *PopEurosceptic* × *OppoEurosceptic* | | | | -0.16 |
| | | | | (0.22) |
| $R^2$ | 0.67 | 0.68 | 0.68 | 0.68 |
| Observations | 660 | 660 | 660 | 660 |

*Notes:* See notes to previous tables. Estimates for the control variables are not reported to save space.

### Further analysis of Figure 4

Figure 4, based on Regression 2, shows that when parliamentary Euroscepticism is at its lowest (relative to the annual average), the effect of popular Euroscepticism rises to a factor of 1.3, which means that an increase of one standard deviation in popular Euroscepticism is associated with an increase of $1.31 \times 0.12 = 0.16$ in the dependent variable, or about exp(0.16)= 17 percent rise in the OBB ratio.

## Marginal effects analysis of Regression 7

Figure A7, based on Regression 7, shows that at maximum variation in popular Euroscepticism, the log-linear elasticity is 1.41, meaning that a one standard deviation rise in parliamentary Euroscepticism is associated with a rise of 1.41×0.31=0.44 in the dependent variable, or about 55 percent rise in the OBB ratio.

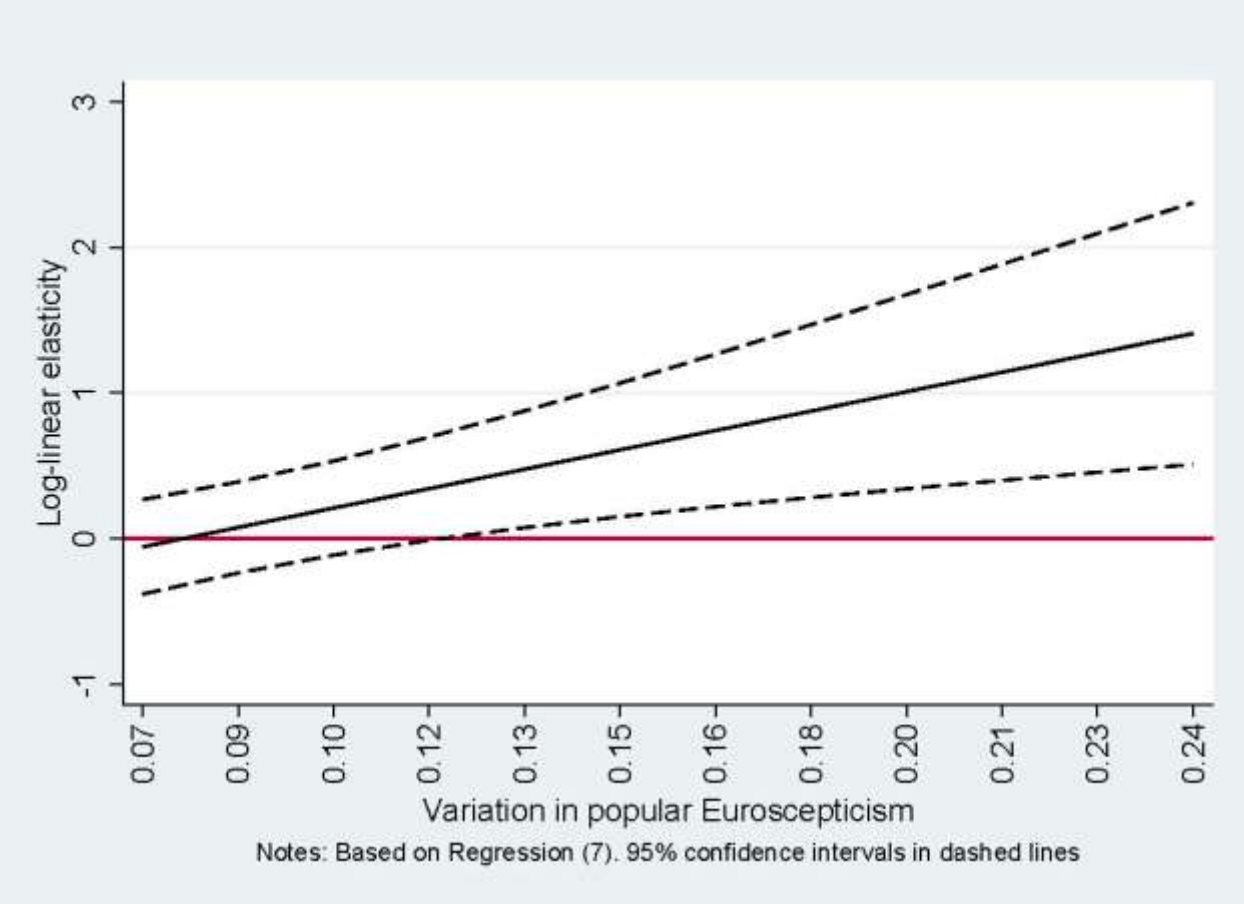


**Figure A7.** Effect of popular Euroscepticism on OBB ratio by variation in popular Euroscepticism. The effect is significant when variation in popular Euroscepticism exceeds 0.12 (191 observations).

## Marginal effects analysis of Regressions 9 and 11

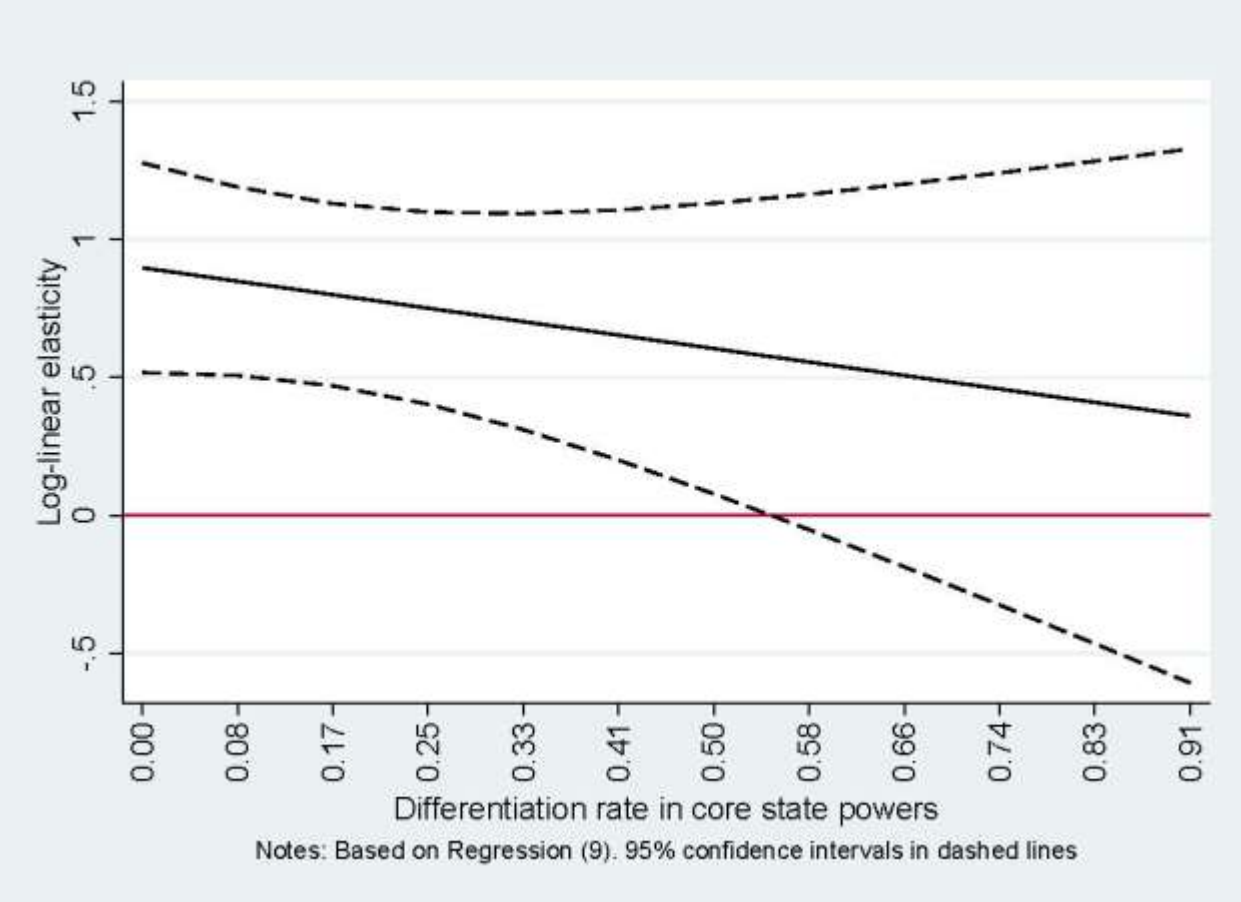


**Figure A8.** Effect of popular Euroscepticism on OBB ratio by core differentiation.

The effect is significant when variable core-DI exceeds 0.546 (70 observations).

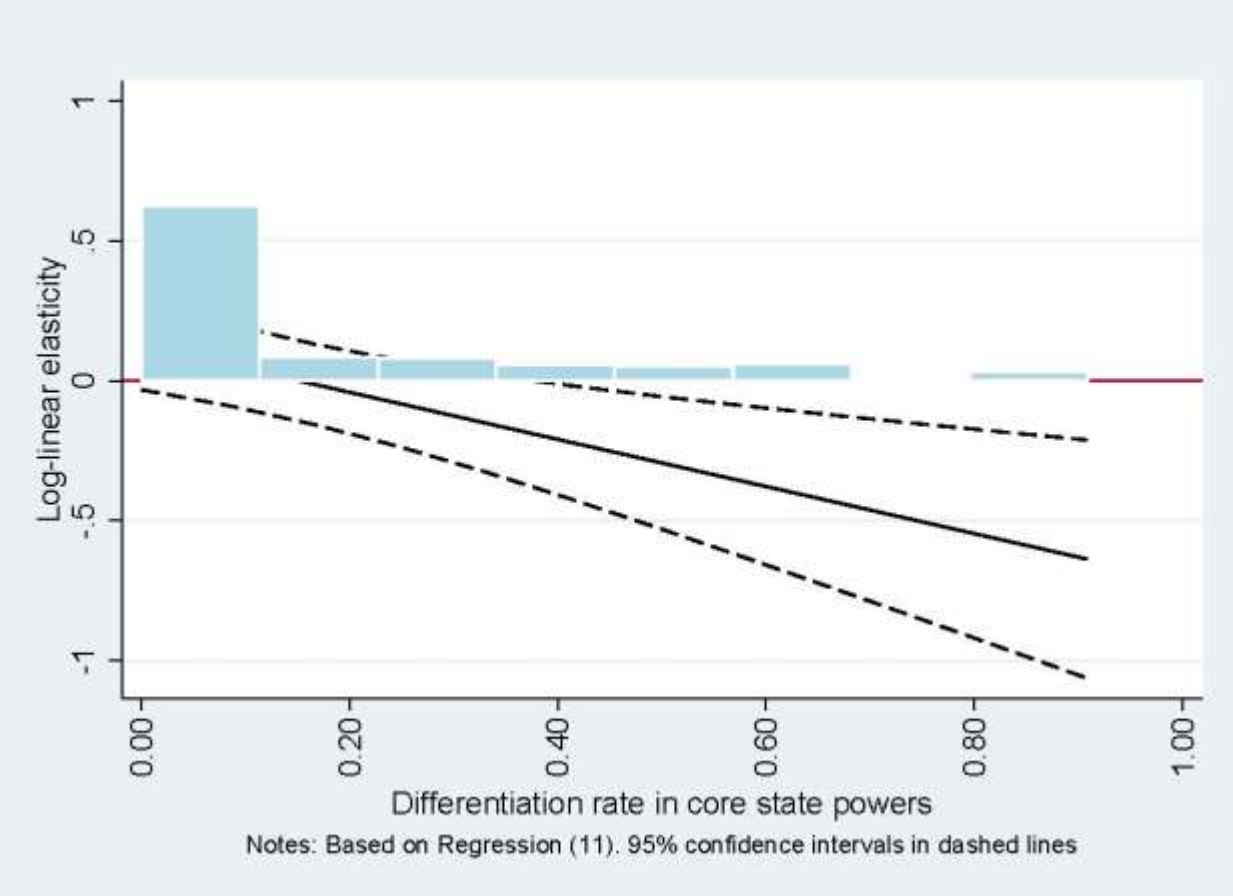


**Figure A9.** Effect of parliamentary Euroscepticism on OBB ratio by core differentiation.

Figure A9, based on Regression 11, shows that at maximum core DI rate, the log-linear elasticity is -0.64, meaning that a one standard deviation rise in parliamentary Euroscepticism is associated with a fall of 0.64×0.31=0.20 in the dependent variable, or about 18 percent fall in the OBB ratio.

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