# A Glass Half-Full: Electoral Effects of Regional Investment Funds in National and European Elections

*Abstract: Through one of the largest subsidy programs in the world, the EU's regional policy allocates billions of Euros each year to foster economic and social cohesion. While plenty of research investigates economic and attitudinal effects of this policy, we still don't know whether these funds produce tangible electoral effects in favor of the EU. Leveraging the new EU-NED (NUTS-level election dataset) and regression discontinuity models, this paper investigates the causal link between fiscal transfers in the form of structural and investment funds for less developed regions and electoral support for Eurosceptic political parties in national and European elections. I also replicate results for economic outcomes for recent funding periods, focusing on the under-investigated effect of convergence between regions. The analysis shows that highly funded regions display lower levels of Eurosceptic voting, an effect which is statistically significant for European elections, but not national elections. I also find the electoral effect is much larger for historically well-compensated regions, indicating that political effects of fiscal transfers may compound overtime.*

Author: Ioannis Vergioglou, ETH Zürich

Email: vioannis@ethz.ch

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## Introduction

Fiscal transfers directed towards European regions are essential instruments of European Union (EU) cohesion policy and key redistributive tools of the European budget. In recent decades, these investment funds have seen considerable growth in economic and political salience, making them some of the most long-standing and expensive EU policies, growing larger with each new funding period. The main selling point behind the initiation and gradual expansion of the policy is twofold, economic and political: First, cohesion policy aims at dealing with inequality in levels of development between regions of the EU. Second, regional investment is intended to display the tangible and direct benefits of EU membership, to foster political support in the so-called "less favoured" regions, and to maintain enthusiasm for regional integration in the EU context. Insofar as the EU's future rests on public support, the latter is crucial for an ever closer Union, as many regions run the risk of falling behind in the context of regional integration and contemporary crises. Simply put, regional redistribution is necessary to alleviate economic disparities, which in turn is necessary for political support.

Indeed, over past decades, anti-globalization and anti-regional integration political movements have gained considerable traction in electoral races throughout the western world by leveraging, among other things, the frustrations and negative outcomes of being "left behind" as an outcome of integration policy. In Europe, such opposition towards regional integration and globalization typically materialize though the electoral success of Eurosceptic parties (Kriesi, 2008), which has become a stable characteristic for political systems across the old continent. Research on this trend proposes that less developed but well-funded regions may be resistant to developing such sentiments compared to counterfactual regions. Recently, Schraff (2019) and Borin et al. (2021) show that EU financial transfers have mitigated the rise of Eurosceptical attitudes and that citizens in recipient regions recognize the beneficial role of the EU as the source of funding. Similarly, Albanese et al. (2022) find that EU financing hiders populist voting in Italy, and Chalmers and Dellmuth (2015) ague that funding is enough to positively affect EU support even among voters with low political awareness. Arguably, one of the main causal mechanisms for the aforementioned

effects is the economic success of the policy in increasing growth and reducing unemployment, which is highlighted in the seminal papers by Becker (2008, 2010, 2012).

Be that as it may, the regional investment policies are not without their critics. A growing body of literature highlights a number of failures and shortcomings, including political and economic ineffectiveness in many contexts (Fidrmuc et al., 2016; Senninger, 2021), as well as connections with corruption and white collar crimes (De Angelis et al. 2018). In addition, there is an argument to be made about fund allocation itself, which leaves many regions undercompensated (Schraff, 2018), which could be counterproductive in the long-term. This paper contributes to the debate by investigating the causal link between EU fiscal transfers towards regions and electoral outcomes in European Parliament (EP) and national elections. By doing so, I tests if economic and attitudinal effects reported above are indeed translated into tangible electoral outcomes that increase political support for the EU, and under which conditions. I also introduce the new EU-NED dataset to this literature, which provides election results on disaggregated levels of the statistical territorial units with unprecedented consistency and temporospatial scope.

The policy's assignment mechanism gives special funding status to a number of so-called "less developed" regions based on a sharp threshold, which enables us to use a regression discontinuity (RD) design to estimate the Average Treatment Effect for Treated regions (ATET) around said threshold. I find strong and consistent evidence that well-funded regions display lower levels of Eurosceptic voting compared to counterfactual regions, an effect which is particularly strong for European elections. I also find that in certain cases there is effect heterogeneity based on how well-funded the region has been historically, which suggests that under-compensation of some regions might be a problem of current allocation strategy.

The paper is structured as follows. First, I introduce the public policy in question, as well as plausible links between fiscal transfers towards less developed regions and electoral outcomes, presenting the argument that highly-funded regions should be infertile ground for Eurosceptic parties compared to counterfactuals, but also discuss literature that challenges this notion. I continue by explaining the data and research design, underlining the assignment mechanism and identification strategy related to it. After that,

I present empirical findings of the analysis. I close the paper with a discussion of the results and policy implications for the EU's distributive spending on the regional level.

# How Fiscal Transfers Influence Elections

## Regional Investment Policy

The EU's investment policy developed a truly regional dimension during the 1990s, establishing the basis of investment funds targeting "less developed" regions as we know it today. For the first time in EU policy history, criteria for funding eligibility did not contain any reference to the level of development of the respective member states to which they belong. Most importantly, the regulation[1] allowed no discretion for member states when it came to the classification of funding status for regions and did not mention any national quotas.

Although regional funding has operated under changing rules throughout the years, the fundamental principle of placing emphasis on "less developed" regions[2] under 75% of the EU average has remained stable. This 75% threshold is important, as regions under this threshold receive the lion's share of the total budget. Currently, over 70% of total investment is directed to these special regions. Regions bellow this threshold also receive preferential treatment when it comes to the co-funding of projects as well as flexibility on priorities that need to be met (EU Regulation No 1301/2013). For example, they only need to earmark 50% of their spending to priority themes defined by the EU and can get co-financing for up to 85% of the overall program costs. For comparison, "more developed" regions have a co-financing ceiling of 50%. It has been empirically observed that projects carried out by beneficiaries in less developed regions are also

[1] In particular, Article 8(1) states that "regions eligible under Objective 11 should be NUTS (Nomenclature of Territorial Unions for Statistical Purposes) Level II, with per capita gross domestic product in purchasing power parities under 75% of the Union Average". This is the first reference of the 75% rule, which became a stable feature of regional policy and the basis for redistribution in future funding periods.

[2] The regional policy uses NUTS2 regions' GDP per capita in purchasing power parity to decide on funding status. The nomenclature of territorial units for statistics (NUTS) is a system that delimitates the territory of the EU. NUTS2 areas currently describe 283 EU regions. These NUTS2 areas are the basic geographic units for the application of the EU's regional policy, which nevertheless correspond to relevant political and administrative denominations in their respective national contexts.

larger on average (Bachtrögler, Hammer, Reuter, & Schwendinger, 2019). As I explain in the , this threshold allows us to estimate causal effects of receiving this special funding status.

Finally, it is important to realize that even though NUTS regions are intended for statistical purposes, they reflect national territorial divisions that have great political and administrative relevance. For example, NUTS Level II regions reflect Provinces in Belgium and the Netherlands, Regions in France and Italy, Voivodeships in Poland, and so on. Therefore, regional investment policy establishes a direct and tangible connection between Brussels and politically relevant regions of Europe. In some countries like Greece, NUTS2 regions correspond to territorial units for both allocating investment funds and seats at the national parliament, thus making them particularly prominent politically.

**The Effect of Funding on Electoral Performance of Eurosceptic Parties**

Does this special funding status, and the large fiscal transfers which come with it, influence politics in the regions? This question brings us to the debate of redistributive transfers and their economic and political effects.

Since the early days of EU, competitive disadvantage of certain individuals and regions was anticipated in the context of further integration and globalization in general, therefore compensation in the form of redistribution policies became a quintessential policy tool for offsetting possible political consequences, including the rise of Euroscepticism. Drawing from the example of reforms at the forefront of EMU, Gabel (1998) points out that new policies in this direction are bound to disadvantage segments of the population. Therefore, the author proposes that elites should consider redistributive policies at the EU level so as to compensate economic "losers" of integration process, in order to avoid political opposition or even backlash. With this in mind, redistributive development policies could function as compensation towards the "losers" of present-day political and economic crises, under EU leadership.

Burgoon (2010) highlights structural and investment funds as EU instruments for managing the economic cost and political outcomes of globalization. Along the same lines, some have argued for a positive correlation between fiscal transfers and support for EU. Focusing specifically on the EU regional

investment policy, some scholars suggest that financial support alleviates macroeconomic pressure from targeted regions, hindering the development of anti-establishment attitudes and voting behaviors compared to regions that do not receive the support but face the same economic challenges. This is partly motivated by the fact that regional investment has been shown to be economically effective by increasing growth and reducing unemployment, at least in previous funding periods (Becker et al. 2008 and 2010). Recent evidence suggest that these place-based policies also reduce income inequalities between regions (Lang, Bischof, Redeker, Working Paper). Ergo, it is possible that these policy schemes hinder political success of Eurosceptic parties by promoting socio-economic cohesion and displaying willingness on behalf of Europe to support the ones lagging behind in economic development.

In this line of thought, Albanese, Barone and de Blasio (2022) find that populist voting is less prevalent in Italian municipalities that received generous funding from the EU between 2007-2013, compared to similar places that received far less due to the assignment mechanism described above. The authors hold that – based on the case of Italy – financial transfers toward lagging areas are able to reduce anti-establishment voting in the form of populisms, irrespective of the specific channels of funding. Simply put, the argument goes that money matters per se. Similar findings focusing on attitudinal outcomes are presented by Borin, Macchi and Mancini (2021), who find that EU transfers mitigate Eurosceptic attitudes across different socio-economic groups, including disadvantaged ones and Schraff (2019), who finds a similar effect on EU support between 2014-2019, but highlights that the current budget for the investment funds leaves many regions under-compensated, because the assignment regulation creates substantial differences between economically similar regions.

In theory, individuals tend to be supportive of European integration conditional on some individual or group level characteristics and related implications of regional integration. These need not be strictly objective, as subjective deprivation and perceptions of globalization as a cultural threat can also play an important role (Teney, Lacewell, & Wilde, 2014). De Vries and van Kersbergen (2007) argue that utilitarian self-interest and identity-based explanations capture different sides of the same coin when it comes to evaluating one´s perception towards regional integration and globalization. Generally, it appears that

determinants of support towards European integration coincide with support towards the overall process of trade liberalization and globalization as it is taking place in the European context. Looking at the mirror image of factors that explain support, one can begin to understand the roots of opposition on the individual as well as regional level. Simply enough, people find themselves on the "losing" side of regional integration processes and liberalization reforms, which in turn translates into negative attitudes towards that policy direction and the political institutions that advocate for it, if no care is taken to compensate them. Given that regional investment constitutes a visibly European project, one would expect it to play into the aforementioned calculation of "determining" one's perception of the EU. As stated by the most recent Commission factsheet on policy visibility "… a positive side effect, EU cohesion policy can contribute to strengthening public support for the European Union as a whole, by highlighting the positive impact that the many projects have in each of the regions across the Union".

On the other hand, a number of studies suggest there might be no effect of fiscal transfers on political outcomes or even uncover negative unintended consequences. Despite economic benefits, EU funding may be perceived by voters as a handout and a symbol of foreign dependence (Davies, 2016). More specifically, scholars have argued that in some contexts, such as the Brexit referendum, preferential funding did not lead to less Eurosceptic voting or lower anti-establishment attitudes. Crescenzi, Cataldo and Giua (2020) claim that money cannot buy love for the EU, and a similar conclusion is reached by Becker et al. (2017). Turnbull-Dugarte, Devine and Krumpholz (2022) who find that fiscal transfers directed towards regions in the context of EU COVID relief funds also failed to change citizen attributes in terms of trust in the EU, satisfaction with democracy or approval of the EU's handing of the pandemic. Finally, there is a line of theory that doubts the effectiveness of structural and investment funds altogether, suggesting that narrowly defined economic self-interest does not explain Eurosceptic attitudes and voting behavior. Proponents of this view also point out that political propaganda from Eurosceptic actors as well as scapegoating from local and national administrators could overshadow the positive effects of EU redistributive policies.

Finally, the nature of our methodology and identification strategy allows inferences for the regions close to the assignment rule cut point. Although this is a standard feature of RDD, in the case of our study

it allows for investigation of an interesting sub-population of middle income regions that are either overcompensated or undercompensated in the context of the arbitrary threshold. For example, there is indicative evidence that more developed areas below 75% are frequently favoured (Schraff, 2019). This is reasonable if we consider they have the same legal access to EU funds with the poorest regions, as they are all considered "less developed" but a much higher level of economic and administrative capacity to make efficient use of this opportunity. At the same time, areas just over the threshold have a similar need for compensation, but are cut off from the bulk of funding due to the sharp threshold. In line with the literature, due to sufficient compensation of treated regions compared to others, their constituents are less susceptible to Eurosceptic voting.

This paper contributes by introducing new data and updated methods to the debate, as well as by investigating effect heterogeneity. More specifically, the new NUTS-level election dataset allows for estimating quasi experimental models for the entire population of EU regions over many years. In addition, inferences[3] are made using local polynomial Regression Discontinuity (RD) point estimators with robust bias-corrected confidence intervals. The recent benchmark study by de Magalhaes et al. (2020) finds that RDD estimation using bias-correction and robust inference performs better in replicating experimental estimates and can be used for sub-sample analysis as well. Finally, this paper investigates possible sources of effect heterogeneity between different levels of cumulative funding over time and different types of elections.

# Methodology and Data

**Assignment Mechanism and potential outcomes around the threshold**

Before detailing our data and modeling strategy, I delve into the policy's assignment mechanism which allows for the regression discontinuity design. Estimating causal effects of the public policy in question can be problematic, because assignment of regions to "treatment" and "control" is entirely based

[3] procedures developed in Calonico, Cattaneo and Titiunik (2014a), Calonico, Cattaneo and Farrell (2018), Calonico, Cattaneo, Farrell and Titiunik (2019), and Calonico, Cattaneo and Farrell (2020).

on an administrative decision that does not employ randomization. Even more importantly, the assignment rule that regulates intervention is endogenous to the outcome of interest, given that regional economic development, especially in comparison to EU average, is expected to affect the behavioral outcome of Eurosceptic voting. Be that as it may, one can still work around this limitation by exploiting the arbitrary nature of this threshold.

In essence, the RD methodological toolset is based on the fundamental idea that assignment to treatment and control is "as good as random" around some arbitrary threshold (Angrist & Pischke, 2009; Lee, 2008; Imbens & Lemieux, 2008; Thistlewaite & Campbell, 1960). This guarantees continuity of average potential outcomes at the threshold and allows us to argue that units just below and just above this arbitrary cut-point can be seen as counterfactuals of each other, which brings us as close as possible to the experimental gold standard. This assumption is used to compensate for de-facto failure of random assignment and common support in settings similar to our own. There is – in principal – no point in the assignment variable where we can observe both treatment and control (Imbens and Lemieux, 2008). Therefore, unlike a proper experimental setting or a matching method, the probability of receiving the treatment cannot be assumed to be between 0 and 1, as it is fully determined by an endogenous variable (i.e. the assignment rule of 75%).

This fundamental assumption requires some randomness in the exact value of the assignment variable near the threshold, and that the units are not able to perfectly manipulate their own values. In our case, GDP per capita measured in Purchasing Power is a value derived though complicated calculations and takes into consideration a large number of factors that can vary from one calendar year to the next. It is not uncommon for different institutions to report different quantities of this indicator for the same unit in a given

year[4]. By this token, it would be difficult for regions to accurately manipulate[5] their GDP per capita with the intention of controlling their assignment status.

As mentioned above, the key feature of EU's regional investment strategy is explicitly targeting "less developed" regions, which receive, by far, the largest part of the budget and special legal treatment when it comes to spending and co-financing conditions for projects. The European Commission calculates a three-year average of GDP per capita at purchasing power parity (PPP) and assigns the "less developed" funding status to regions that fall below 75% of the EU average for each funding period. This constitutes an interesting phenomenon in EU's policy making that scholars have exploited to conduct regression discontinuity studies in the past. So far, these studies have used publicly available GDP data to calculate funding eligibility, which is not congruent with the data the EU Commission had available when calculating funding eligibly of regions. Moreover, there were some minor issues of non-compliance in early funding periods, mainly due to miscalculations in the GDP data (Becker, Egger, and von Ehrlich 2010). These issues of non-compliance are tackled by using fuzzy RDD, were the confounded treatment is instrumented by the assignment rule. Because such a fuzzy RDD comes with additional assumptions on instrument validity, this can be avoided by using unique GDP data acquired from the EU Commission Archive. Specifically, I was able to obtain the historical GDP statistics the EU Commission used to calculate funding eligibly for the period 2007-2020. This provides precise data on funding eligibility for our running variable and allows us to estimate sharp RDD regressions under perfect compliance.

**Dependent Variable – Eurosceptic Party Success**

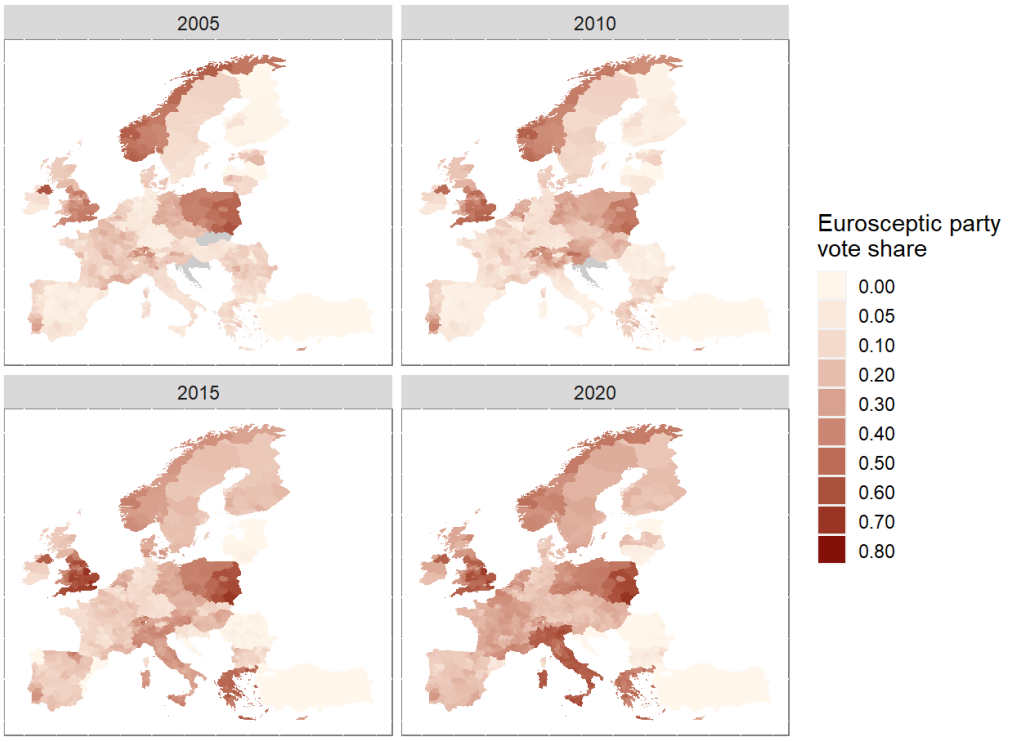
The main outcome of interest in this study is Eurosceptic parties' electoral success on the regional level. Even though subnational context is important in European electoral studies, current comparative data

[4] As an illustration, for Switzerland, in 2017 the International Monetary Fund reports Int$61,360 per capita and the World Bank reports Int$65,006. This is not a large difference in practical terms but it is a difference nonetheless, especially in the context of a strict threshold.

[5] On the other hand, regional and national authorities are confronted with significant incentives to manipulate the funding category of regions, given the sizable difference in available budget for "less developed" regions. Because the assignment rule is public knowledge long before information is collected, it is possible that local or national authorities systematically underestimate GDP to secure preferential treatment. To check for evidence of this type of sorting we employ the McGrary test for running variable density distribution in the Appendix.

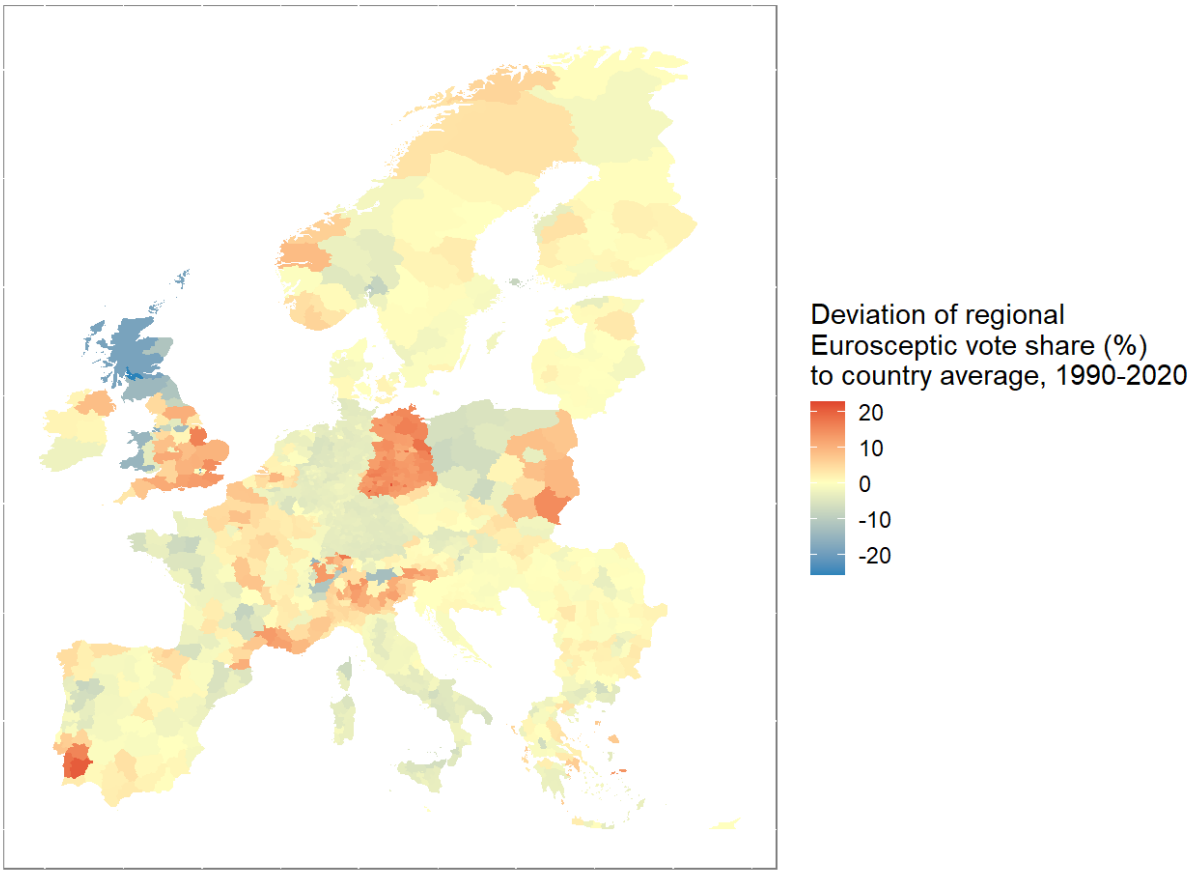
is very limited in its geographic and temporal coverage. I rely on the newly published NUTS-level election dataset (EU-NED), which is the first readily available dataset to consistently provide election results on the level of European territorial statistical units. Despite the political and economic importance of NUTS statistical units, electoral data for this unit of analysis has been surprisingly unconsolidated and patchy, with data often unavailable at the relevant level of a number of EU policies, including the one investigated in this paper. Furthermore, the dataset allows for seamless merging with the Party Facts data universe.

To define Eurosceptic parties, I rely on the PopuList (Rooduijn et al., 2019), a dataset that uses expert surveys to classify European parties as Eurosceptic, populist and far-right. Map 1 illustrates variation in the dependent variable for each region over the period 2005-2020.




*Map 1: Eurosceptic party vote share across European regions. EU-NED*

Because the development, history, and political trajectory of Eurosceptic parties is influenced on path dependency on the national level, I focus on deviation from country average to capture their regional electoral success, which is our main outcome of interest.




*Map 2 Average Eurosceptic party regional electoral success, measured as deviation from country average between the period 1990-2020. Eurosceptic party classification relies on PopuList and electoral data on EU-NED.*

**Effect Heterogeneity**

**T**his papers also seeks to investigate theoretically driven sources of effect heterogeneity. Historic payment data provided by the EU Commission uncovers that certain regions have been particularly well compensated compared to the country average over many funding periods, regardless of their funding status. This could be due because some regions are simply better at absorbing investment funds over several funding periods, by adapting their local bureaucracy to make the most out of this policy instrument. For example, this is likely true for some eastern European regions which have developed their subnational administrative units with the regional investment policy in mind. In addition, even though the EU employs strict rules on fund allocation, national and regional governments appear to maintain some flexibility to

benefit certain localities over others. (Dellmuth and Stofell, 2012). The way spending is implemented reinforces this possibility: once funds have been allocated for regions based on the assignment mechanism, regional governments and the national executive manage the funds' distribution to projects across the regions, which allows them to focus their attention on their “favorites”. Dellmuth et al (2016) argue that there have been attempts in vote buying with EU funds in regions of Italy and France, as spending in these regions during 2007-2013 funding is statistically associated with government party success in previous elections.

If certain regions are indeed historically better compensated compared to others in the same country, one would expect that it would be even harder for Eurosceptic parties to establish an electoral foothold. Taking everything into account, I investigate the possibility of effect heterogeneity stemming from variations in historical payments towards regions compared to the country average, by looking into the subset of highly funded regions.

**Model Specification**

Following the latest advances in regression discontinuity methodology, estimation is based on local polynomial and partitioning methods using the rdrobust package in R (Cattaneo, Idrobo, and Titiunik 2019). The recent benchmark study by de Magalhaes et al. (2020) finds that RDD estimation using bias-correction and robust inference performs better in replicating experimental estimates and can be used for sub-sample analysis as well. This also allows to account for using multiple elections in our models, by clustering standard errors at the local level (NUTS-2).

# Results

How did funding status effect Eurosceptic vote share in recent years? In the following section I present empirical results. For each relevant model, visual evidence is shown by plotting the discontinuity, and estimate the treatment effect using the model specification laid out above. Before looking into electoral outcomes, I present economic effects of the funding policy, focusing on growth and economic convergence

between regions, which motivates the policy in question and contributes to the causal mechanism behind electoral effects (for more detailed economic analysis see Appendix A). Table 1 at the end of this section summarizes the exact RD estimates using the specification described above. Figure 1 shows the regression discontinuity plot for funding status on average GDP growth during the funding regions. There are clear evidence that barely treated regions (on the right side of the horizontal line) show higher levels of growth compared to economically similar, yet untreated, regions. Using the RD specification outlined above the effect is 1.7% additional growth for treated regions, which is statistically significant at conventional levels. This confirms the findings of Becker et al. using new data and a sharp RD setting.

A more striking effect is found by looking into the convergence between regions. Figure 2 illustrates the effect of treatment on each region's relative economic position between the beginning and end of the funding period. A region's economic position is determined by the per capita purchasing parity compared to the EU average, so positive position change means that regions increase their economic development compared to the EU average. Between 2007-2020 regions that receive treatment status increase their relative economic position by 9 percentage points compared to the EU average. This effect is particularly interesting considering that during the financial crisis and subsequent Eurozone crisis many economically challenged regions saw their economies decimated. However, treated regions seem to have at least maintained their relative position compared to EU average.

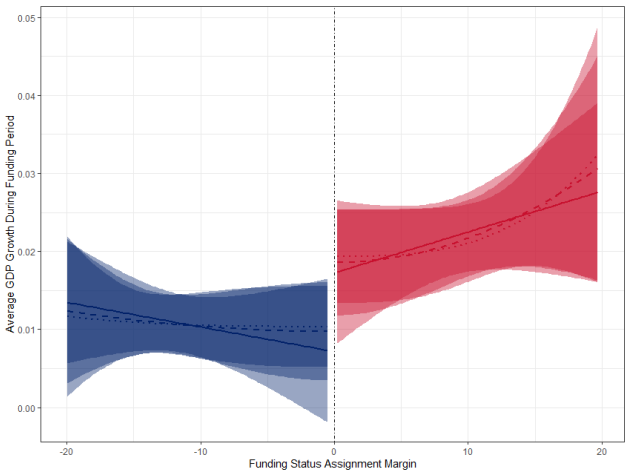



*Figure 1: Regression discontinuity plot for effect of funding status on GDP growth. Solid, dashed, and dotted line types correspond to linear, quadratic and cubic models fitted to check for robustness. Values > 0 on the x axis mean treatment is assigned.*

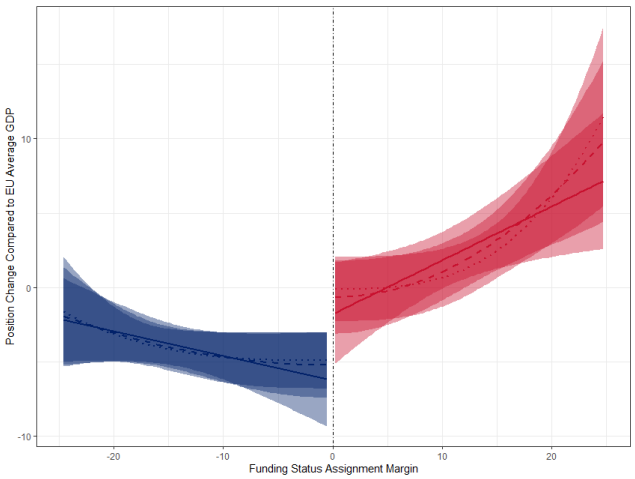



*Figure 3: Regression discontinuity plot for effect of funding status on position change compared to average. Solid, dashed, and dotted line types correspond to linear, quadratic and cubic models fitted to check for robustness. Values > 0 on the x axis mean treatment is assigned.*

Regarding electoral outcomes, the treatment has a negative effect on Eurosceptic vote share in EP elections, which is statistically significant. Figure 3 demonstrates visual evidence of a strong negative effect on Eurosceptic voting in EP elections. Indeed, receiving treatment leads to significantly lower levels of Eurosceptic voting with an effect size of 3 percentage points. In figure 4, the effect seems to almost double if focused on the subset of highest funded regions in each country. There seems to be a considerable effect heterogeneity between historically high funded and low funded regions compared to the country average, confirming our hypothesis that these "privileged" regions are much more resilient to Euroscepticism. In fact, the negative effect on Eurosceptic voting doubles is historical consider historically well compensated regions around the treatment threshold. This speaks to the idea that political effects compound overtime, if a region is systematically targeted by EU investment funds.

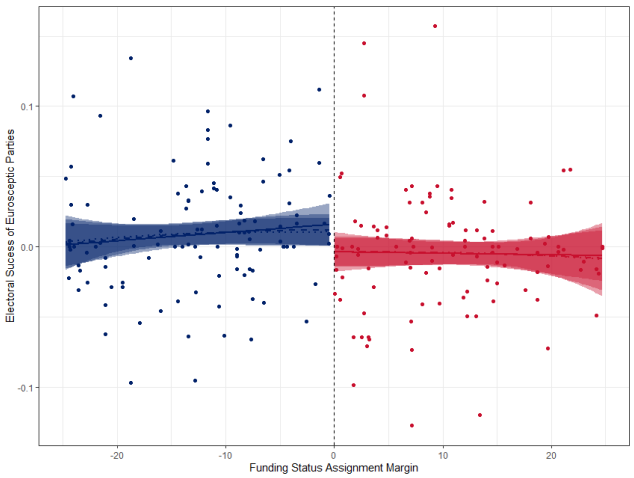



*Figure 4: Regression discontinuity plot for effect of funding status on Eurosceptic vote share compared to country average. Solid, dashed, and dotted line types correspond to linear, quadratic and cubic models fitted to check for robustness. Values > 0 on the x axis mean treatment is assigned.*

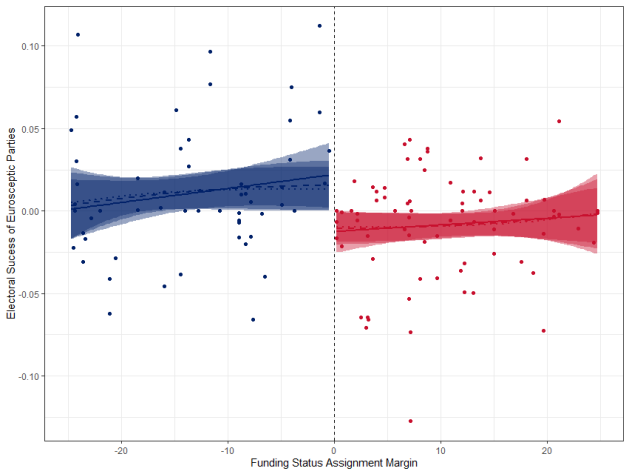



*Figure 2: Regression discontinuity plot for effect of funding status on Eurosceptic vote share compared to country average focusing only on historically well-compensated regions. Solid, dashed, and dotted line types correspond to linear, quadratic and cubic models fitted to check for robustness. Values > 0 on the x axis mean treatment is assigned.*

Interestingly, in national elections, there are no statistically significant effects. Figures 5 and 6 illustrate little to no evidence for a significant discontinuity around the threshold in national elections, neither in the full sample nor the subsample of highly funded regions. As seen in Table 1, RD models show estimated effects to be far from statistical significance at conventional levels. This is an interesting finding, as the type of election seems to be of great importance here. This effect heterogeneity regarding election type could be attributed to a number of factors and should be the subject of future research. On the one hand, it is not unlikely that voters' motivations for supporting Eurosceptics changes based on the type of election. On the other hand, the elections in our data take place around the same so such a large difference in the effect size and statistical significance is perplexing. It is possible that in the context of national elections, the effect of funding on EU attitudes is simply not strong enough to be translated to an electoral one, but in the context of EP elections voters take it into consideration.

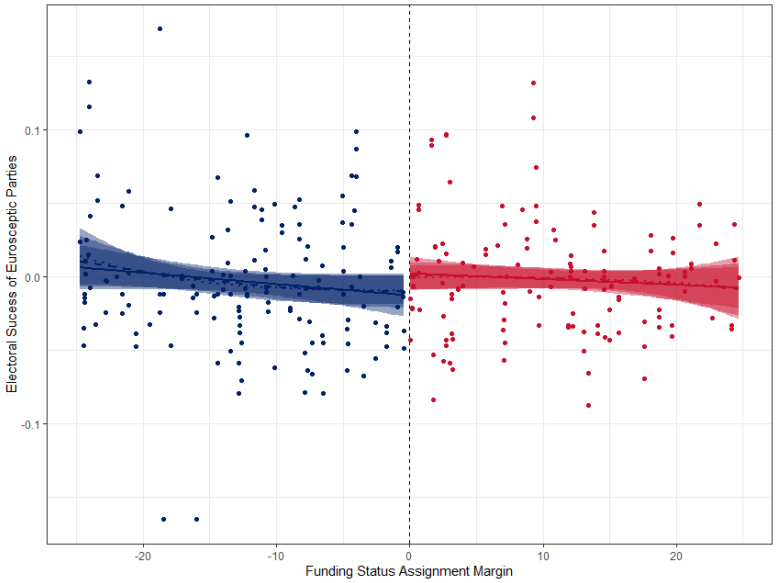



*Figure 3 Regression discontinuity plot for effect of funding status on Eurosceptic vote share compared to country average. Solid, dashed, and dotted line types correspond to linear, quadratic and cubic models fitted to check for robustness. Values > 0 on the x axis mean treatment is assigned.*

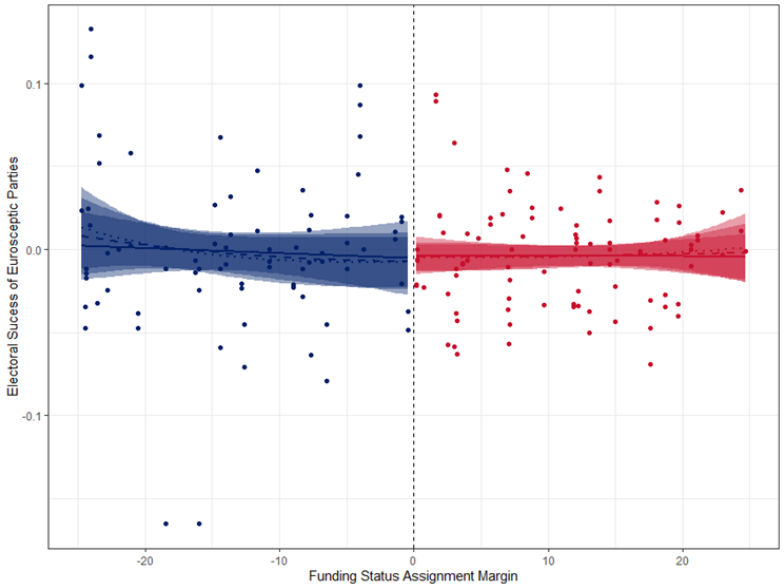



*Figure 4: Regression discontinuity plot for effect of funding status on Eurosceptic vote share compared to country average focusing on historically well-compensated regions. Solid, dashed, and dotted line types correspond to linear, quadratic and cubic models fitted to check for robustness. Values > 0 on the x axis mean treatment is assigned.*

Summary Table

| Sample | Effect Coefficient | Std. Err | p-value |
|---|---|---|---|
| *EP Elections* | ***-0.030*** | ***0.019*** | ***0.104*** |
| *EP Elections – Only Highly Funded Regions* | ***-0.059*** | ***0.015*** | ***0.000*** |
| *National Elections* | *0.010* | *0.013* | *0.438* |
| *National Elections – Only Highly Funded Regions* | *-0.013* | *0.015* | *0.363* |

*Table 1 Regression table summarizing RD model results. Coefficients and standard errors are estimated using the RDrobust package (see method section and Appendix for additional specifications).*

# Concluding Remarks and the Future of EU Investment

As some of largest investment projects in the world, European Structural Funds are extremely important for the economies they support, making up the majority of public spending in many cases. This paper investigates the relationship between regional success of Eurosceptic parties and fiscal transfers in the context of EU regional investment policy. Leveraging a novel dataset on European elections, I estimate robust regression discontinuity models for European Parliament and National elections. I find that fiscal transfers towards "less developed" regions have a large negative effect on Eurosceptic voting for EP elections, but not national elections. Equally important, this becomes even stronger if we only focus on historically highly compensated regions, providing some evidence that political effects may also compound overtime, as the "more favoured" regions between the ones lagging behind seem to drive the electoral effect.

These findings contribute to our understanding of electoral outcomes of fiscal transfers. This paper also complements research on attitudinal outcomes, by highlighting under which conditions people's preferences are translated into tangible voting behavior. Furthermore, the interesting differential between European and national elections opens up an interesting pathway for further research. This finding partly speaks to the literature about EU elections becoming more and more about European issues. For example, the issue of regional funding might come up in the debate around European elections, but could be overshadowed in national competitions, where other issues are more salient.

In terms of policy implications, and in light of previous studies, my findings suggest that the political success of EU investment is mixed, and therefore the policy is in need of reform. The glass is certainly half-full, considering the funds achieve important economic and political objectives in the regions they target, by improving electoral support for the EU through meaningful compensation. One could claim the glass is half-empty, however, considering the regions receiving positive political effects in some – but not all – contexts, are heavily targeted by the investment policy while other similarly lagging regions receive far less generous compensation. To overcome this, the EU could revise the assignment mechanism. A reformed assignment should still focus resources on less privileged regions, but in a proportional manner,

and also taking into account that a number of middle income regions in less developed countries are also struggling,

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