

COUNTERING EUROSCEPTICISM: New evidence of the positive impact of EU cohesion policies

Fiscal transfers within the European Union (EU) can mitigate the rise of Euroscepticism and reduce political support for anti-EU parties. That is the main conclusion of research by **Alessandro Borin**, **Elisa Macchi** and **Michele Mancini**, to be presented at the annual congress of the European Economic Association in Manchester in August 2019.

What's more, their study shows, EU transfers improve perceptions of European integration within all social groups, including those that are most exposed to the negative effects of globalisation and technological change.

The future of EU integration ultimately depends on citizens' support, which has recently been dwindling. Over the past few years, citizens' resentment towards the EU has been spreading throughout Europe. Could redistributive policies revert this trend by improving the EU's image?

The authors show that between 2000 and 2014, EU transfers in the form of 'cohesion policy' funds have mitigated the rise of Eurosceptical attitudes and reduced political consensus for anti-EU parties, even among the most disadvantaged socio-economic groups.

The improvement in public support for the EU does not appear to be exclusively a result of the positive economic effect of funding. In addition, the authors find evidence of a 'reciprocity effect' channel: citizens in recipient regions recognise the beneficial role of the EU as the source of funding.

The authors comment:

'Our analysis relates to the heart of the topical debate on the shape of EU integration: we find that devoting more EU resources to redistributive fiscal policies and social security programmes improves how the EU is perceived by the recipients. Obviously, this comes at a cost for net contributors, which has to be taken into account.'

'Nevertheless, we think that our results challenge the idea that EU transfers do not play any role in shaping public attitudes towards Europe, a view that has gained popularity after the Brexit referendum.'

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The future of any institution hinges on citizens' support. Lately, the rise of populism and the spread of inward-looking agendas have challenged the very existence of supranational institutions, such as the EU.

In the EU, these tendencies have generated momentum towards reforms. One much debated element in the reform package is the proposal for a euro-area budget to strengthen the resilience of the Eurozone economy, allocating resources to promote competitiveness, convergence and stabilisation. While a large body of research has investigated the economic implications of fiscal transfer schemes, the potential political returns of such tools have been mostly disregarded by economists.

This study investigates whether EU transfers can buy public opinion support, both in terms of sentiment and political preferences. The analysis focuses on EU regional cohesion policy within which the *Convergence Objective* programme offers a quasi-experimental framework that makes it possible to single out a causal relationship between EU transfers and political outcomes.

The authors find that inclusion in the *Convergence Objective* programme – which corresponds to additional transfers of about €100 per person per year – increases individuals' positive attitudes towards the EU by about 0.5 points on a scale of 0 to 10, and decreases their propensity to choose parties with a more negative stance towards European integration by around 12 percentage points.

The authors show that EU transfers improve perceptions of European integration within all social groups, including those that are highly exposed to the negative effects of globalisation and technological change. This emerges despite the fact that Eurosceptic positions are more popular among these individuals both in advanced and less developed areas.

The results support the hypothesis that citizens recognise the specific role of the EU in providing financial support. A policy implication of this result is that EU institutions might gain popularity from designing or advertising interventions in a way to make their 'EU-origin' more recognisable.

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