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Editorial

Dear reader,

it is with gratitude and enthusiasm that we present to you the second edition of the *Young Journal of European Affairs (YJEA)*. Having founded the journal in 2020, we admittedly feel very proud, as such a young journal, to be able to share the work of our team and our authors in this year's issue for the second consecutive year. While we greatly benefitted from our experiences in publishing the very first issue of the journal about a year ago, this new publication did not come without its complications. In this year's editorial, we want to shed light on some of the challenges our authors, and consequentially we as a student journal, have faced in bringing together what you are reading in this very moment.

When we started our studies and wrote our first research papers at the University of Munich, none of us was quite aware of the existence of student journals. Only through individual and lengthy research did we find the few existing, genuine student publishing opportunities. This still holds true for most students, only a minority knows about us and others, and even fewer consider submitting their manuscripts. Of those submitted, only a few actually reach the point at which we can decide whether to publish it or not. As every seasoned scholar will confirm, publication processes are often lengthy and time-consuming. Peer-reviewing and revision can take months or even years. For students, these timelines mean that classes, internships, side jobs or voluntary commitments necessarily take priority over some distant and unclear possibility of a publication. If not for the support of individual members of staff at universities, contributing to the field as a student is difficult. Moreover, due to the lengthy review process, students often finished their studies and have entered the job market by the time the reviews get back, making a student publication an even more subordinate priority.

Changing these systemic logics of academic publishing is nearly impossible and not necessarily always the sensible solution. Long timeframes for publications, for instance, are often required to prioritise quality over quantity. However, university curricula could adapt to better cater for the challenges faced by research-interested students. Why not offer elective, year-long research classes in which students solely work on an original project under the supervision of a member of staff and subsequently, supported by their teachers, try to publish their work in student journals? Integrating publishing into degree programmes could take

the strain off students to pursue publications in their spare time, support students in their desire to enter academia full-time and equip them for the job market they are bound to enter upon graduating. Our vision is, whether it is the YJEA or any other journal, that every interested student receives the support they require to present their work to the world. Why? Because student research can introduce interesting perspectives and make valuable contributions to their respective fields. We certainly will continue to offer this possibility.

In light of these remarks, it is our great pleasure to introduce the fruits of this year's labour by our team and our authors. After last year's interview with Dr Fabian Zuleeg, director of the European Policy Centre (EPC), we are pleased to open this year's edition with some insights into feminist foreign policy by Nina Bernarding, Co-Founder and Co-Executive Director of the Berlin-based Centre for Feminist Foreign Policy (CFFP). The topics covered by the articles in this issue range from an analysis of the pros and cons of a centralised European military through the lens of fiscal federalism, to a study of EU citizens' attitudes towards fiscal policy and what explains their preferences, to a paper presenting exploratory research into the question of how foreign nationals living in the UK for more than five years have been affected by Brexit.

Finally, as last year, it remains to us to express our gratitude to our authors and everyone who entrusted us with their work, to all of our supporters and peer reviewers who have taken interest in our endeavours from the very beginning, to the Geschwister-Scholl-Institute of Political Science at the University of Munich for their continued financial and ideational support, to LMU's University Library team for hosting our publishing website and, last but most certainly not least, to our wonderful team, Myriam Aichinger, Benjamin Brown, Angelo Krüger, Clara Praschl, Jakob Rindermann, Mirjam Seiler and Leonard Xu, for all the energy they have poured into this journal over the past years. It is for their relentless work that you are reading this magazine today.

With this, and on behalf of the YJEA team and our authors, we hope you will enjoy the second edition of our journal and continue to follow our work.

Lara Breitmoser and Florian Lenner

Co-Founders and Co-Editors in Chief

Table of Contents

How do you advocate for a feminist foreign policy, Nina Bernarding?

This interview was conducted by Lara Breitmoser, Co-Founder and Co-Editor in Chief of the Young Journal of European Affairs (YJEA).

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Nina Bernarding is Co-Founder and Co-Executive Director of the Centre for Feminist Foreign Policy (CFFP) in Berlin. Before founding the CFFP, she was a Mercator Fellow and worked for the Berghof Foundation. She earned her undergraduate degree in History and Political Science at the University of Heidelberg and holds a master's degree in Conflict, Security and Development from King's College London.

YJEA: We would like to start our interview by talking about your studies. How did you become interested in the topics and what motivated you to start your studies?

Nina Bernarding: For my bachelor's, I studied History and Political Science in Heidelberg, and I did my master's degree in Conflict, Security and Development at King's College London. Before my studies, I had already been interested in international affairs in a broad sense. When I started with History and Political Science, I got more and more interested in the question of why the world is the way it is and how you can change it. I then realised that I would like to work on making the world a more peaceful place, which is why I studied Conflict, Security and Development for my master's.

At that time, did you already have a clear plan in mind of what you wanted to do after your studies?

Back then, I think I saw myself working for the United Nations or another established organisation – but did not have a more concrete plan in mind.

When did you become interested specifically in women's rights and female empowerment?

My interest in these topics only came up after my studies. When I started my first official job, as many other women do, I realised that women are not being treated equally. This

made me really angry, and I wanted to change it. I also realised that gender equality did not play a role in my day-to-day work, although we worked on transforming violent conflict and addressing root causes of conflict.

What were your first steps and experiences in the professional career world?

After my studies, I did a lot of mostly unpaid internships and in total, after graduating, it took me about two years to find a proper job. After completing the German fellowship program 'Mercator Kolleg für Internationale Aufgaben', I finally found a job in peace mediation.

"When I started my first official job, as many other women do, I realised that women are not being treated equally. This made me really angry, and I wanted to change it."

Did the internships play an important role for finding a proper job?

Unfortunately, yes. They allowed me to gain and demonstrate work experience. In the end, I opted for an internship that was paid, which however was not my first choice in terms of what I would be doing – but I could not continue working for free, even though I come from a very privileged background. In hindsight, it was good for me to see what is out there and what I like — but of course, it is very problematic that you must do so many unpaid internships.

How did your previous positions prepare or influence you for co-founding and working at the Centre for Feminist Foreign Policy (CFFP)?

Most importantly, my previous positions gave me connections. It also helped me understand what kind of institutions there are and how they work together. I interned, for example, with Human Rights Watch, the Ministry for Economic Cooperation and Development, and the Bundestag. My internships helped me navigate the field of international relations, and to get to know people. They helped me understand how NGOs work together and against the government. I also gained fundraising and donor reporting skills, which I now use every day.

Can you tell us how the idea for the CFFP emerged and how you got it off the ground?

Originally, Marissa Conway who is one of the co-founders had the idea for CFFP in London. She launched a Twitter account during her master's degree because she was frustrated with the limited feminist perspective in international relations. She wanted to do something different. Then she met Kristina Lunz, the other co-founder, who was very keen on bringing the CFFP to Germany. Kristina and I got to know each other through common friends. We quickly decided that we would join forces and together build CFFP. In 2018, CFFP was officially founded. In the beginning, Kristina and I both

worked different full-time jobs, and we worked for CFFP in the evenings or at the weekend. In early 2019, we had fundraised enough money that we could afford a very small salary for Kristina and me, which allowed us to work full-time for CFFP.

Not everybody might be familiar with the term feminist foreign policy. Could you explain how you understand and define it?

The feminist approach to foreign and security policy recognises power imbalances in our international system. The imbalances can be between countries but also within countries, e.g., between genders. A Feminist Foreign Policy tries to shift the power imbalances to make the world a better and more just place. To do so, a feminist policy looks at the perspectives and the needs of the most marginalised people (for example women, BIPoC, people with disabilities, and people identifying as LGBTQIA+). Feminist foreign policy recognises that everyone needs to be safe — but everyone needs different things to feel safe.

"The feminist approach to foreign and security policy recognises power imbalances in our international system."

Can you give us a concrete example where a feminist foreign policy offers a different perspective or an additional benefit to the mainstream perspective on a foreign policy issue?

We know from studies that peace negotiations last longer when women have a say. This is not because women are better humans or because they make smarter choices, but because they represent 50% of the population. At a peace negotiation, you are normally trying to end a war or a conflict, but you are also trying to rebuild or lay the foundation for what comes next. If you want to do this well, you need to listen to everyone involved. If you are only listening to 50% of the population, then you are only building a society for 50%, and that does not work. So, this is why, everyone needs to be able to shape political decisions that impact them.

Which challenges did you face during the founding process of the CFFP or are you still facing within your work at the CFFP?

One of the biggest challenges is that people – especially in Germany – still do not understand what feminism is. A lot of women are still scared to use the term because they are afraid that "it could scare off the men". Another big issue is fundraising. There is very little money for civil society in general, even less for women's rights or feminist work, and much less for women-led organisations, both in Germany and internationally. Another challenge is that in international relations, the realistic paradigm is still very present among students but also teachers and political decision-makers. When we offer our vision for a more peaceful and just world, which includes, for example, a demilitarised society, you are often being told that you are naïve. Especially in times of

the Russian war in Ukraine, you are often not taken seriously if you are advocating for an end to nuclear sharing. Nuclear sharing means that NATO members agreed to support NATO's policy on nuclear deterrence politically but also logistically. Germany is hosting nuclear weapons on German territory. In case of conflict, Germany has committed itself to using those bombs in cooperation with NATO. We argue that you should end nuclear sharing, because it makes us less and not more safe.

To reach your goal of advocating for a feminist foreign policy, what are concrete actions that the CFFP is taking?

We do a range of different things. We do political advocacy work – so we meet a lot of decision makers to explain to them what we want to do and to give them ideas of what can be done differently. We regularly publish briefings, reports, and interviews, which you can also find on our website. We also implement concrete projects. For example, currently, we are working with civil society organisations across the EU to come together and find ways of countering the anti-feminist international movement. Or we work on why the risk of gender-based violence should be a criterion in the decisions of whether or not to export weapons to other countries.

What are your concrete tasks at the CFFP?

I am one of the executive directors and as such I need to make sure that the organisation continues to live, which is unfortunately highly dependent on money. So, we spent a lot of time on fundraising, which includes conceptualising new project ideas and submitting applications. I am also line-managing our employees, which includes helping them grow and support them in implementing our projects. Further, I try to establish and consolidate connections with decision-makers. I also do administrative tasks like setting up the office we've just moved in. I do a lot of different things. That is the good thing about being an executive director — you get to do everything.

Success could be defined in very individual ways. What are the criteria for defining success of the CFFP?

In terms of output, we would hope that more and more countries adopt a truly feminist policy (in a way that we would say is feminist) — that would be amazing. In terms of our institution, I would think that success would be that we have long-term financial stability for our employees for the next five or ten years and that we are not as overworked as we currently are.

What was the most positive experience or biggest success within your work at the CFFP?

Germany is pursuing a Feminist Foreign Policy now, and we can certainly claim some credit that this is the case. We did a lot of lobbying over the last year, so that was a great success for us. Other moments of success for me are stories from people using our

resources and wanting to work with us. That our work matters, is personally a big success for me.

Speaking of applications, what skills and qualifications do students or young career professionals need to get a job at the CFFP?

The most important criterion for us is being kind-hearted and a team worker. We are always looking for someone who fits the team, who shares our spirit and who knows that we are not a huge organisation but a small NGO that tries to survive. Of course, it is also important to have a feminist understanding of international relations. As it is the willingness to help other people learn and grow. Ideally, you also bring specific expertise that complements our work, such as expertise on international trade. You must be able to speak and write in English, and German is a great asset as is any other language. Willingness to learn and to accept criticisms are also important criteria.

How important would you consider developing an area of expertise already at an early career stage?

I don't think, it is very important, because it changes so much. When started my career, I wanted to go into the field of international development and now I do so much more. My suggestion would be to go with what you like and what you are interested in because it will change anyway.

"Be critical, ask questions, ask why. Even if people think that something is taken for granted, ask the questions."

How can individuals contribute to supporting a feminist foreign policy and pushing governments to make a change in this area?

Be critical, ask questions, ask why. Even if people think that something is taken for granted, ask the questions. Be critical about why we need nuclear deterrence, be critical about why we need 100 billion for the German army. And do not let anyone tell you because you are using feminist knowledge, which is not mainstream, that it is not important. It is as important, or in my opinion more important, than any other school of thought.

Do you have a reading recommendation regarding feminist foreign policy or feminism in general?

I would recommend the book "Sex and World Peace" by Valerie Hudson. It is really great because it shows the interconnection between states' peacefulness and the level of gender equality. The more equal women are, the more peaceful the state is.

Do you have any general piece of advice that you would like to give to students – or particularly female students – interested in a career in international relations?

Build networks! If you want to survive the field of international relations — specifically as a young woman — you need allies, really strong feminist allies. Do not see yourself as a competition to the other young women out there. See each other as a potential for support and solidarity. I wish, I would have learned this earlier.

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(Un)settled? – How German students with settled status experienced the United Kingdom leaving the European Union

Abstract

This paper explores the experiences of three German students living in the United Kingdom (UK) post-Brexit. The study focuses on a specific subset of citizens of the European Union (EU) who have lived in the country for more than five years and thus received settled status under the Brexit Withdrawal Agreement, which grants them the continued right to live, study and work in the UK. Using semi-structured online interviews and thematic analysis, this study finds that the participants did not change their career plans and did not face higher tuition costs because of Brexit. However, despite the limited effects of Brexit on their legal status, all three participants recounted experiences of uncertainty, inbetweenness and discrimination that contributed to their unsettledness. This paper contributes to the literature on the experiences of EU citizens in the post-Brexit UK by emphasising that EU citizens are not a homogenous group. Their experiences differ substantially depending on their legal status under the withdrawal agreement. Moreover, the study illustrates the emotional impact of the referendum.

Keywords: Brexit, EU students, Qualitative Research

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Introduction

Several recent surveys have found that fewer EU citizens are choosing to study in the UK. Universities and Colleges Admissions Service figures show a 43% drop in applications from EU students in 2021 compared to 2020 (Dedman and Rigby, 2021). The British Council (2021) also found that Brexit negatively impacted young Germans' intention to study in the UK. Existing explanations of this trend have neglected that EU nationals are not a homogenous group or equally affected by Brexit. Unlike other EU citizens who face higher tuition fees, visa applications and National Health Service (NHS) surcharges, students with settled status are unaffected by these bureaucratic and financial hurdles. Nevertheless, recent data published by the Independent Monitoring Authority for the Citizens' Rights Agreements (2021) suggests that one in ten EU citizens with protected rights consider leaving the UK. This is confirmed by Falkingham et al. (2021, p. 139), who find that "EU students are significantly more likely than non-EU students to plan on leaving the UK upon graduation" following the announcement of the UK triggering Article 50. To explore this group's motivations and experiences, I interviewed German students in the UK with protected rights.

The Brexit Withdrawal Agreement set out the rights of EU citizens living in the UK after Brexit. It created special protection for those living in the UK before the end of the transition period on 31 December 2020. The agreement distinguished between three groups: (1) those who had lived in the UK for more than five years were granted settled status, (2) those with less than five years of permanent residency were granted pre-settled status, which protected their rights for a limited time, and (3) EU nationals without prior residence were not granted protected rights. The first (settled status) group is unique since Brexit did not legally affect them in the same way as their fellow citizens: they continue to enjoy freedom of movement and the right to work and live in the UK indefinitely. Therefore, while the negative reaction of EU citizens living in the UK to Brexit and its disruptive impact on their lives has been widely established (Lulle, Moroşanu and King, 2017), the experience of this subgroup of EU citizens requires further investigation. The research question for this project is thus: How do German students with settled status experience the United Kingdom after it has left the European Union?

The article proceeds as follows: Firstly, I summarise the previous findings on the experiences of EU citizens in the post-Brexit UK from the literature and theorise how these might apply to the German students in my sample. Secondly, I outline the data collection and analysis methods used in this article, focusing specifically on research ethics and reflexivity. Thirdly, I summarise the findings from my interviews, focussing on the prominent themes of uncertainty, inbetweenness and discrimination, and tie these back to the literature in the subsequent discussion section. The findings are consistent with the argument that Brexit has had little material impact on German students with settled status living in the UK: the interviewees did not change their plans because of Brexit or consider leaving the UK. However, the study highlights a strong emotional impact of the referendum on the sense of belonging in the UK within the sample, which was, in some cases, shaped by experiences of marginalisation or

discrimination. Due to the limited sample size, this study should be seen as a first step that identifies blind spots in the literature and illustrates ways forward, particularly in methodological terms. The conclusion summarises my findings and outlines the study's limitations and avenues for future research.

Literature Review and Theoretical Framework

The Brexit referendum marks a turning point for EU citizens living in the UK, who fear the reversal of their status as equal citizens into that of migrants (D'Angelo and Kofman, 2018; Guma, 2020). A rich literature has explored the experiences of EU citizens following the referendum, asking how it has affected their sense of feeling at home in the UK and whether they are likely to stay in the country (Lulle, Moroşanu and King, 2018; Botterill and Hancock, 2019; Guma and Dafydd Jones, 2019; Lulle et al., 2019; Ranta and Nancheva, 2019; Sredanovic, 2022). Three themes have emerged in the literature: uncertainty, belonging, and discrimination. Each of the themes is discussed in turn.

Brexit has been linked to great uncertainty among EU citizens regarding their ability to continue to live and work in the UK (Lulle, Moroşanu and King, 2018; Guma and Dafydd Jones, 2019; Lulle et al., 2019; Ranta and Nancheva, 2019). For many EU citizens, the result of the referendum vote was a shock that triggered a strong emotional response (Lulle, Moroşanu and King, 2018; Botterill, McCollum and Tyrrell, 2019; Guma and Dafydd Jones, 2019; Ranta and Nancheva, 2019). This emotional response has been interpreted as a sign of the emotional toll and shattered sense of security among EU citizens after Brexit (Botterill and Hancock, 2019; Mas Giralt, 2020; Zontini and Però, 2020). Moreover, Teodorowski et al. (2021) find that Brexit and the associated uncertainty have negatively impacted the mental health of EU citizens living in Scotland.

Guman and Dafydd Jones (2019) argue that Brexit should be understood as a process of othering that affects EU migrants' sense of identity and belonging. Similarly, Mas Giralt (2020, p. 29) finds that Brexit has disrupted the sense of belonging among EU citizens living in the UK through two processes: "the acquisition of 'migrantness' and the non-recognition of the contributions and efforts made to belong." However, Brexit has not only disrupted EU citizens' sense of belonging to the UK but has also led to greater consolidation of this group and a shared European identity (Ranta and Nancheva, 2019; Vathi and Trandafoiu, 2022).

There is an emerging consensus that Brexit has increased the hostility and violence faced by EU nationals living in the UK (Virdee and McGeever, 2017; Guma and Dafydd Jones, 2019; Rzepnikowska, 2019). Some have argued that this discrimination had built up over a long period of time and was only exacerbated by Brexit (Balch and Balabanova, 2016; D'Angelo and Kofman, 2018). Many Western Europeans experienced discrimination for the first time following the Brexit referendum (Lulle, Moroşanu and King, 2018; Rzepnikowska, 2019; Brahic and Lallement, 2020). Still, not all EU citizens

have encountered discrimination. Instead, hostility towards migrants appears to be stratified based on nationality, race, and class (Kilkey, 2017; Benson and Lewis, 2019; Botterill, McCollum and Tyrrell, 2019; Lulle et al., 2019). Fox, Moroşanu and Szilassy (2012) find that Eastern European migration in particular has been racialised through the UK government's immigration policy and tabloid journalism.

All three factors have raised questions among EU citizens and especially students about whether they should remain in the UK. The effect of Brexit appears particularly strong for the future plans of young EU citizens living in the UK, who are more able to move (Lulle, Moroşanu and King, 2018; Falkingham et al., 2021). Lulle, Moroşanu and King (2018, p. 1) find a diversity of plans among Irish, Italian and Romanian young people living in London: they choose "either to stay put using 'tactics of belonging,' or to return home earlier than planned, or to move on to another country." An increase in the public display of xenophobia and discrimination has been shown to deter international students from applying to UK universities (Dennis, 2016) and incentivise those already in the country to leave the UK upon graduation (Falkingham et al., 2021). Moreover, uncertainty over tuition fees, funding opportunities and the economic consequences of Brexit are likely to influence students' perceptions of the UK as a destination for higher education (Falkingham et al., 2021; Mayhew, 2022) and have led many to question whether they want to stay in the UK (Sime, 2020).

The empirical data supports these findings: Amuedo-Dorantes and Romiti (2021) find that Brexit has lowered application numbers from EU students to UK universities by 14%, and Falkingham et al. (2021, p. 140) find that following the triggering of Article 50, "EU students are about 18 percentage points more likely than non-EU students to plan [on] leaving the UK upon graduation." However, Brexit has been found to trigger the opposite reaction among some EU citizens who have considered applying for UK citizenship to protect their rights (Godin and Sigona, 2022; Sredanovic, 2022). Godin and Sigona (2022, p. 1135) argue that naturalisation is "framed by many EU citizens as a response to a perceived loss of status (defensive narrative) and threat (protective narrative)." Their main incentive, according to the study, is to avoid a hostile environment and being labelled an immigrant (Godin and Sigona, 2022). However, many EU citizens remain ambivalent about applying for UK citizenship and question the desirability of remaining in the UK (Sredanovic, 2022).

A problem with the existing literature on the effects of Brexit on EU citizens living in the United Kingdom is that it neglects the heterogeneity within this group. As Mas Giralt (2020, p. 42) points out, "a diversity of personal characteristics and circumstances will have a bearing on their experiences in the context of Brexit and its aftermath as well as their opportunities to negotiate or resist forms of exclusion and im/mobility." For instance, not all EU citizens face uncertainty regarding their legal status. As Sumption and Fernández-Reino (2020, p. 7) explain, "people who have lived in the UK for at least five years are eligible for 'settled status', which entitles them to live permanently in the UK and later apply for UK citizenship if they choose to." The impact of Brexit on EU students living in the UK has been particularly neglected. Given that most EU citizens living in the UK are young and highly educated (Sumption and Fernández-Reino, 2020),

understanding the effect of Brexit on this group of students is crucial for understanding the wider dynamics of movement among EU citizens post-Brexit. Moreover, Mas Giralt (2020) suggests that further research considering socio-economic backgrounds and residence periods is needed to explore this diversity of experience.

How might the experience of German students in the UK be different from that of other EU citizens in a way that warrants studying this group? Firstly, as D'Angelo and Kofman (2018, p. 338) point out, EU citizens with settled status, like the German students in the sample, "continue to enjoy equality of treatment in relation to employment and welfare benefits." Existing research has found that the formal recognition of migrants and their rights to work and live in the country indefinitely is conducive to their sense of security and belonging (Alexander, Edwards and Temple, 2007; Ervine, 2008). However, as Burrell and Schweyher (2019, p. 194) point out, some questions have been raised over how reliable the protections offered by settled status are, given the "evidence of ingrained and calculated Home Office incompetence and illiberal instincts when interpreting laws and guidelines." This is exacerbated by efforts of the UK government to incorporate EU citizens under existing and more restrictive immigration rules (D'Angelo and Kofman, 2018). Thus, in-depth interviews are needed to understand the complex relationship between the security created by having obtained settled status and the uncertainty created by hostile government actions.

Secondly, there is some indication that time spent in the United Kingdom is positively correlated with the likelihood of staying even after Brexit (McCarthy, 2019). Given the time these students have spent in the UK, especially during their formative years, their feeling of belonging to the UK might be stronger than that of other EU nationals living in the UK. Furthermore, Tyrrell et al. (2019) find that young people born in Central and Eastern Europe who belong to the 1.5 migrant generation living in the UK experienced a sense of inbetweenness after Brexit. Given the length of time the participants in my sample have spent in the UK, we might expect them to experience similarly conflicted feelings of belonging.

Thirdly, an extensive literature has considered how inequalities of nationality, race and educational background create different experiences among migrants. Antonucci and Varriale (2020) find that core-periphery inequalities among European migrants feed into forms of racialisation that frame Western European migrants living in the UK as superior and more culturally similar to the UK. Similarly, Fox, Moroşanu and Szilassy (2012) suggest that stigma is unequally distributed among Central and Eastern Europeans, with Romanian EU migrants particularly vulnerable to stigmatisation. Since all three participants in my sample are white and German citizens, the literature would suggest that they are less likely to be exposed to discrimination. Moreover, Lulle et al. (2019, p. 1) find "diverging trajectories between the more highly skilled and high-achieving EU citizens and the more disadvantaged low-skilled labour migrants" in their ability to deal with the consequences of Brexit. Given the high educational achievements of the interviewees, we can thus expect them to be more able to handle bureaucratic hurdles and avoid marginalisation. Universities in particular have been found to create a protective bubble for students and staff, in which they are shielded from many of the

negative consequences of Brexit (Luthra, 2021). However, Luthra (2021, p. 203) suggests that "even highly skilled migrants […] experience vulnerability and a feeling of unwelcome in response to the 2016 referendum" (p.203).

Moreover, even those EU citizens previously considered privileged, such as the Polish population in the UK, are affected by anti-immigrant sentiments exacerbated by the Brexit vote (Botterill and Hancock, 2019; Rzepnikowska, 2019). Similarly, Burrell and Schweyher (2019, p. 193) explore how Polish citizens living in the UK, who have been "cushioned by Europeanness, whiteness and the special rights and freedoms of EU citizenship, but also increasingly exposed to an intensifying illiberal immigration policy impetus," have experienced Brexit. The authors find that despite their secure migration statuses, Brexit has had a strong emotional effect on Polish citizens living in the UK (Burrell and Schweyher, 2019). In-depth interviews are needed to explore whether these findings hold for German students with settled status.

The study adds to the existing literature on the diverse effects of Brexit on EU citizens by evaluating its impact on German students. The participants had a great degree of privilege: they are white and highly educated and might thus experience greater cushioning from the negative effects of Brexit than the EU citizens interviewed in previous studies. Moreover, the participants' settled status entails even greater protection of their legal status in the UK and an increased sense of belonging since they have lived in the country for at least five years.

Methods

Data Collection

I conducted semi-structured interviews as they are particularly suitable for gaining insights into the personal experiences and decision-making of the participants in a more flexible way (Opdenakker, 2006). The interviews were held in German since the advantage of using participants' native language has been widely established, particularly for culturally sensitive topics (Barnes, 1996; Twinn, 1997). Conducting the interviews on Zoom allowed me to interview students studying in different cities across the UK, which is a unique advantage of such methods (Howlett, 2021). Additionally, it enabled me to follow social distancing guidelines.

Participants were recruited via a Facebook group for German students studying in the UK with 1100 members. From the group of volunteers, interview partners were selected based on the time they had spent in the UK to ensure the richness of the data, thus combining convenience and purposive sampling. Given the sought-out group consisted of young people, recruiting via social media did not impose as significant sample bias as it might have for older populations (Hamilton and Bowers, 2006).

To be included in the study, participants had to be current students who moved to the UK for educational purposes. The study was restricted to participants with settled status

due to the permanent nature of their status. Moreover, those with settled status have lived in the UK for a much longer period and might thus have stronger cultural ties. Participants had to be under the age of 35 to ensure they had experienced free movement in Europe for most of their lives. German students with dual British nationality were excluded. All participants were PhD students who had studied in the UK before their current degree.

The sample was well-suited for this project for two reasons. Firstly, in 2016 German students formed the largest group of EU students in the UK, with 13,640 students attending university there (Higher Education Student Statistics, 2021). Understanding the experience of German students is thus essential for putting survey data on EU students' educational choices into context. Secondly, all participants were from cities with a sizeable German student population that are popular destinations for German citizens studying in the UK (Simon, 2016).

The small sample size was determined before the commencement of data collection. Sim et al. (2018) suggest that this is problematic because an a priori approach, among other things, makes use of inappropriate statistical assumptions. However, prior studies have shown that qualitative studies can reach "saturation within a narrow range of interviews [...], particularly those with relatively homogenous study populations and narrowly defined objectives" (Hennink and Kaiser, 2022, p. 1). This is likely to be the case here due to the stark homogeneity of the studied group in terms of age, educational background, degree level, location, and time spent in the UK as well as the small overall population of German students in the UK that fulfil the requirements for settled status. Moreover, assessments of when saturation is reached have varied significantly across time and disciplines, and some have argued that as little as three participants can be sufficient (Dukes, 1984; Parse, 1990; Smith, 2000). Nevertheless, the sample size significantly limits generalisability, and the study should thus be seen as a first step that identifies blind spots in the literature and illustrates avenues for future research, particularly in methodological terms, through subgroup analysis.

Ethics and Reflexivity

While participants were not explicitly asked about experiences of discrimination, such incidents were mentioned in all three interviews. Interviewees were reminded that they had the option to interrupt or withdraw from the interview at any point. Moreover, following Currier's (2011) suggestion, I decided to omit one emotionally charged event experienced by a participant from the analysis because it could easily be misconstructed. To ensure confidentiality, all references to names, degree programmes or institutions were removed. Since the research involved the collection of participants' political opinions, data security was a particular concern. Thus, all data related to the project was encrypted, and personal information was stored separately. Following Kvale's (2012) suggestion that "written agreement on the informed consent of the interviewee to participate in the study and the future use of interviews" is preferable, I sought written

consent from all participants via email in advance and reaffirmed this at the start of each interview.

As a German citizen with pre-settled status who has lived in the UK for over three years, I was aware that I would likely share some of the experiences of the interviewees. As Townsend-Bell (2009) suggests, one's identity as a researcher can strongly affect both the assumptions that guide one's research and the questions one asks, as well as how interview participants perceive the interviewer. In this case, my nationality, academic background, and age likely had the strongest effects.

Since the interviews were conducted in German, the nationality I shared with the participants was particularly salient. Given the recruitment strategy, participants also knew that we were members of the same scholarship programme. This in-group connection was especially strong with one participant since we had both done competitive debating at university, even though we had not known each other before the interview. This was reflected in her use of debating jargon and references during the conversation. This poses the problem that participants might have answered the questions in a more socially acceptable way (Paterson, 1994; Qu and Dumay, 2011). However, it might have meant that they were more willing to share negative attitudes towards the UK and Brexit with me than they would have been with a British person or when answering in English. I was aware of the power disparity created by the difference in age and educational level. Participants were between 3 and 12 years older than me and were advanced PhD students. As Ortbals and Rincker (2009) argue, power disparities can affect data collection and results. While this can create ethical dilemmas (Fujii, 2012), the dynamic was counterbalanced by the in-group factors mentioned above.

Data Analysis

The audio of all interviews was recorded, manually transcribed, translated, and subsequently analysed using thematic analysis. Thematic analysis was chosen because it is particularly suited to capture experiences, meanings, and participants' lived reality (Braun and Clarke, 2006). Following Attride-Stirling's (2001) framework of constructing thematic networks, I developed basic themes based on the repeated reading of the transcripts. These basic themes were grouped into organising themes, which ultimately formed the global theme (Attride-Stirling, 2001). I adopted Fereday and Muir-Cochrane's (2006) hybrid approach of inductive and deductive coding and theme development, which involved developing, testing, and then applying both data- and theory-driven basic themes to the remaining transcripts. To ensure transparency, I included the codebook in the appendix, which provides a detailed account of the analytical process (Saldaña, 2015).

Findings

Throughout the interviews, three common themes emerged. The participants had experienced both positive and negative *discrimination*, their sense of belonging was one of *inbetweenness*, and while the settled status addressed some of the *uncertainties* they faced, others remained. These findings are illustrated in figure 1.

Uncertainty

For all three participants, the outcome of the Brexit referendum was unexpected and created emotional confusion. Participant 1 recalled a moving address by Scotland's First Minister and leader of the Scottish National Party Nicola Sturgeon that illustrated this state of emotional uncertainty:

> *P1: "I remember the Scottish government did a campaign after Brexit […], where Sturgeon stood up and addressed the international students and said, 'we want you here, don't let anyone tell you otherwise […].' I remember being incredibly touched by that, [although] I'm not usually so responsive to soppy empathy messages."*

All participants mentioned worries over continued access to rights and services, such as the ease of travel and the ability of friends and family to visit (*"Will there be anything going on with the borders? Will my parents need a visa if they want to come here?"* - P1). Participant 1 was particularly worried about her continued access to the NHS:

> *P1: "I was mostly worried about the NHS, my health insurance. I was afraid that they would kick me out of the health insurance."*

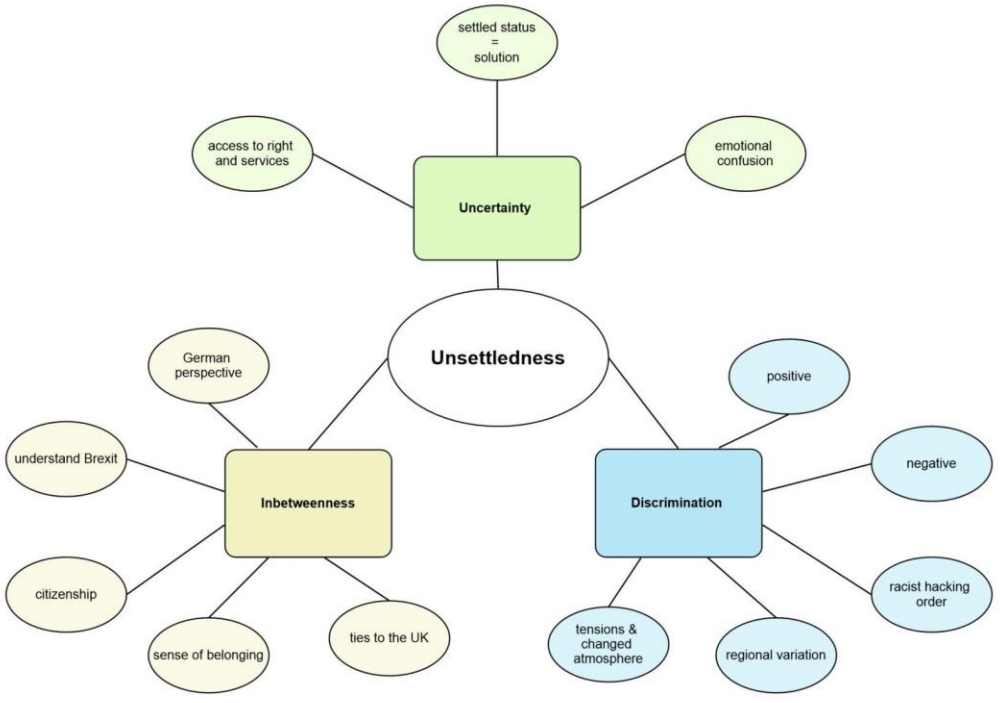

Figure 1: Thematic Map

Being granted settled status took these worries away, although Participant 2 expressed concerns about the durability of the status *("It is only a current decision, a political decision that can be changed if necessary"* - P2). The settled status as a solution became particularly clear in the following interaction:

> *I: Did you also feel this uncertainty yourself when you thought about what to do next?*
>
> *P3: Yes, for a while. I really didn't know what would happen next and that's why I thought about where I might continue my academic or professional career afterwards. […] And fortunately, these uncertainties […] were then relatively quickly taken out of the world with this settled status.*

Inbetweenness

All three participants had strong ties to the UK, such as close friendships, and expressed an affinity for the country (*"I stayed because I really liked England"* - P3). Participant 1 had particularly strong ties to the UK:

> *P1: "I come from Hannover, the school has always had a lot to do with Great Britain. The school I went to was built by the British military."*

Some of the interviewees felt more at home in the UK than others. For instance, Participant 1 stressed that she had spent all her early adult life in the UK and *"was never an adult in Germany,"* while Participant 2 described her experience as one of *"a warmly welcomed guest."* Nevertheless, all three participants wanted to apply for dual-UK citizenship. Reasons for this were both administrative *("it just makes admin so much easier - it sucks [...] to do this paperwork"* - P1) and emotional *("it's really more of an emotional thing for me"* - P3).

All three participants had some understanding of why British people voted for Brexit. However, they all recounted experiences of dissonance between British and German discourse on UK politics that made them feel *"in between"* the two countries:

> *P1: "Germany made fun of it when they planned this one airfield as a lorry parking lot for the border. A friend of mine planned that. He came to me at some point and said, 'For God's sake, what are you discussing right now?' [...]. That's an example of how I stand in between, where I think that somehow this is not just my country, these are my friends."*

While all three participants stated that this inbetweenness did not affect their future plans substantially and all of them were considering staying in the UK, this feeling was reinforced for Participant 2 by a loyalty to the European project.

> *I: "Did Brexit influence your future plans in any way?"*
>
> *P2: "That's a difficult question. Well, my first answer would be no, on the one hand. On the other hand, I think I feel a bit more at home in the EU. And that's just not the case in the UK. It's difficult to say, objectively no, predominantly no, but there is this small emotional factor."*

Discrimination

Experiences of discrimination varied among participants. The most severe instances of discrimination were experienced by Participant 1, who recounted instances of negative comments from other students.

> *P1: "A lot of people were like - not like a hate crime - but more like 'Yeah, we don't need your fucking Volkswagen.' Things like that. So much more subtle, stupid shit and stuff like that. But when it piles up, it's a lot of microaggressions all the time."*

These comments were part of a larger change in the social atmosphere that made it more "tense". All three interviewees stated that what was acceptable to say had changed (*"I think that after Brexit, the tolerance level has somehow risen, and it has become more acceptable to express that."* - P2).

The participants acknowledged that their experiences were likely affected by the social environments they were in (*"Cambridge is an island, a very multinational, open-minded island, where one particular social class is heavily over-represented."* - P2). This led to a stark contrast between the public debate in tabloids and what they experienced privately.

All three interviewees also experienced positive discrimination based on their citizenship status or university (*"I simply benefited from being in Cambridge" – P2)*. Most noticeably, all three participants expressed a firm belief that they would not get kicked out of the country but that this might be different for other EU citizens. Some of them described this as a clear *"racist hacking order"* which affected them less because they were German:

> *P1: "I had always thought quite honestly that on the hacking order of people they kick out, I think I am so far down… I'm not getting kicked out here! I'm highly educated, white, German, female, of marriageable age. I won't get kicked out."*

Discussion

The three interviews provide a rich understanding of the Brexit experience of German students with settled status. The study has shown that the participants have experienced few material changes as a result of Brexit: they did not change their career plans and did not face higher costs. This stands in stark contrast to the findings by Lulle, Moroşanu and King (2017), who argued that Brexit had a disruptive impact on the lives of EU citizens. This is consistent with findings in the wider literature that EU citizens living in the UK are not a homogenous group. Instead, the findings suggest that the interviewees did not face the same material consequences as the participants interviewed in earlier studies. Furthermore, the sample showed no evidence that EU students are now more likely to leave the UK upon graduation (Falkingham *et al.*, 2021) or of EU citizens with protected rights considering leaving the UK (IMA, 2021). Finally, the findings are consistent with Simon's (2016) argument that German students study in the UK due to British universities' reputation and close supervision.

However, the interviews have illustrated the emotional impacts of the referendum. All three interviewees had questioned their sense of belonging in the UK and recounted an experience of inbetweenness. Moreover, some participants experienced discrimination in a tense societal atmosphere, ranging from unpleasant experiences to microaggressions. This extends to Tyrrell et al.'s (2019) finding that Brexit has created a mixed identity and feeling of "in-between-ness" among young Central and Eastern Europeans by outlining the explicit experiences that have led to this feeling.

Thus, the experience of the participants in this study is one of *unsettledness*. While they face few material consequences, the uncertainty and tension surrounding Brexit have made them question their sense of belonging. This need for belonging might be one

explanation for their wish to apply for citizenship, an issue further research should explore.

The variation of experience in the sample was notable. One possible reason for this is that the participants were perceived differently by their environments. For instance, Participant 2 described an experience of being British-passing (*"you can't see or hear that I'm not British. If I don't spell my first name, then no one knows that I'm not English, even from my accent, and that's unusual"*). It was not possible to consider this during sampling, but future studies could explore how the experience of EU citizens varies depending on their accents.

The requirement to conduct interviews online imposed some limitations on the study. As Deakin and Wakefield (2014) point out, while online interviews allow for greater flexibility, they come at the risk of disruptions depending on the interviewees' environment. Such disruptions occurred in two of the three interviews due to connection issues and a message that the participant had to respond to. While these interruptions were short, they distracted the participants and disrupted the natural flow of the interview.

The results were affected by the identity of the researcher, and the use of thematic analysis might have led to an overstatement of the coherence of experiences among the participants (Lamont and Swidler, 2014). Language ambiguity was a further issue since the word for uncertainty and insecurity is the same in German and required interpretation during the translation. The participants all live in the Southeast of England. While this is representative of the German student population, a greater diversity of participants would have likely provided richer data. Given Sim et al.'s (2018) argument that determining qualitative sample size a priori is an inherently problematic approach, future studies should explore this research question using a larger sample to reach saturation. Moreover, comparisons with the experiences of students with pre-settled status or visas might prove interesting, as would comparisons with EU students of other nationalities.

Conclusion

While settled status appears to have protected the German students in the sample from the material impacts of Brexit, such as higher tuition fees, loss of access to the NHS and the right to live, work and study in the UK, it did not protect them from the emotional effects of the referendum result. All three participants had a strong emotional reaction to the outcome of the referendum, experienced a feeling of inbetweenness and considered applying for UK citizenship to further reduce the uncertainty they faced. This was partially exacerbated by negative experiences of marginalisation and discrimination. Nevertheless, all three participants acknowledged that their unique position as highly educated university students and Western Europeans cushioned the impact Brexit had on them. This is consistent with the wider literature, which suggests that while settled status and positions of privilege can offer some protection from the

negative effects of Brexit, this protection in no way precludes the emotional impact of Brexit on EU citizens living in the UK (D'Angelo and Kofman, 2018; Burrell and Schweyher, 2019; Luthra, 2021). It suggests that while EU citizens' experience of Brexit is not homogenous, the emotional impact of the referendum on this group might be more similar than the literature has argued thus far. Further studies that compare the experiences of different groups of EU citizens are needed to explore this in depth.

The findings add to our understanding of the impacts of Brexit by highlighting the separate pathways, material and emotional, through which the referendum has taken an uneven toll on EU citizens living in the UK. Given the continued debate over the effects of Brexit in the higher education sector (Falkingham *et al.*, 2021; Mayhew, 2022), this study provides additional insights into the thought processes of German students studying at British universities. The variation within the sample highlights the importance of qualitative studies for understanding the multitude of factors that contribute to the heterogeneity of experiences. This study offers the first step in this direction by highlighting the different experiences of a particular subgroup, German students with settled status living in the UK after Brexit, and how they compare to the existing findings in the literature. The findings highlight the need for a more comprehensive understanding of 'affectedness' and how it interacts with degrees of privilege.

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Let's talk about debt baby, let's talk about EU and me – Explaining EU Public Opinion on Fiscal Policy

Abstract

What drives individuals' fiscal preferences, and what are these preferences even? This paper investigates whether the public prefers Keynesian or cyclical management by linking economic performance to the public's attitude to government deficits and borrowing. Common EU debt through the NextGenerationEU package marks a remarkable shift in how the EU's founding treaties are interpreted and opens the door to even further centralisation of fiscal policy. Hence, a large-scale quantitative study that investigates the drivers of public opinion and aggregates opinions regarding debt across the bloc is salient. A large-scale quantitative analysis indicates that public opinion has largely been cyclical in the past decade, but the effect depends on how economic performance is operationalised. GDP growth is the most potent factor in affecting fiscal preferences, and opinions based on growth follow a cyclical trend. Ideology also plays a role in affecting attitudes, with left-wing individuals more likely to elicit a preference for Keynesian policy.

Keywords: Public Opinion, Fiscal Policy, Economic Policy, Political Economy

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Introduction

In a decade of unemployment, uncertainty, and austerity in the aftermath of the Great Recession, public deficits have become a central question both for political elites and in public conversation within the European Union. However, the link between government spending and public opinion is contentious, characterised by high complexity, elite and media framing, and subjective perceptions (see, for example, Barnes and Hicks, 2018; Stanley, 2014; Pierson, 1993). The causes of shifts in public preference for cyclical or countercyclical fiscal policy are still up for debate. What is clear, though, is that public opinion is dynamic and varies across country and context (Barnes and Hicks, 2021; Barnes and Hicks, 2018; Stevenson, 2001; Modigliani and Modigliani, 1987). Public perceptions of fiscal policy also have electoral and social consequences, with incumbents often punished for policy that does not fit the public's perception of how the economy is doing (Kriesi, 2012; Bojar et al., 2021).

The pro- versus countercyclical debate has been one of the defining conversations of the decade of austerity in Europe. It has split opinions among the political and academic elites, as well as within the electorate (Helgadottir, 2016; Blyth, 2013; Barnes and Hicks, 2018). Countercyclical economic policy is one of the key theoretical tenets of Keynesian macroeconomic management (Skidelsky and Fraccaroli, 2017). It posits that in times of reduced economic activity, government stimulus is needed to sustain aggregate demand within the economy, and deficits should be reduced in boom times (Skidelsky and Fraccaroli, 2017). The opposite, cyclical economic policy, implies that in hard times when aggregate demand falls, the government should tighten its belt and reduce expenditures or increase taxes, and instead spend when the economy is doing well.

The issuance of common debt in the EU through the NextGenerationEU package marks a remarkable shift in how the EU's founding treaties are interpreted and opens the door to even further centralisation of fiscal policy. Given EU states' commitment to democratic government, they – at least in theory – must act within constraints set by the electorate. Elite opinion alone is not enough to set policy; public consent is also needed (Kriesi, 2012). Thus, taking into account the fickle nature of public opinion, my aim in this paper is to investigate *what causes shifts in public opinion regarding public deficits in EU member states and whether the public prefers pro- or countercyclical fiscal policy*.

To investigate the systematic determinants of public preferences, I conducted a time-series, EU-wide quantitative study investigating the relationship between input factors (economic context, ideology) and whether or not the public considers deficit/debt reduction a priority or not. These input factors are particularly salient when investigating public attitudes to debt in the 2010s, as debt and recovery dominated public conversation following the 2010 European debt crisis.

This paper begins with a review of relevant literature in the fields of public opinion and fiscal policy. Next, I explain the methodology and mathematical foundations of the

analysis, after which the results are presented and visualised. This is followed by a discussion of the implications and relevance of my findings. Finally, the paper concludes with an evaluation of the potential policy implications of the research, as well as detailing possible avenues for future research.

Literature Review

Does the public react to the 'objective' economic context?

Walter Lippmann famously claimed that reality is wildly different from "pictures in our heads" in arguing that the public is irrational and out of touch (Lippmann, 1922). This has been a subject of considerable study in more recent public opinion studies. There is some reason to believe the public is capable of forming educated opinions on the economy. For one, several papers on "economic (policy) mood" have consistently shown a congruence between 'real' economic performance and public opinion, particularly during times of economic distress (for example, Anderson and Hecht, 2014; Duch et al., 2000; Stevenson, 2001). In fact, the public seemed to perceive the Great Recession before it was officially declared a recession in the USA in December 2007 (Anderson and Hecht, 2014). Bojar et al. (2021) find that during decreasing unemployment, the public does not punish incumbents for fiscal consolidation, but if unemployment rises or remains stable, government support experiences a dramatic drop. All this suggests that there may be an 'informed public' that can, despite its shortcomings as a rational actor, accurately perceive 'real' economic indicators and form opinions based on these perceptions.

Concurrently, economic opinion-formation is biased by many factors, muddling the link between the 'real' economy and individual attitudes. The individual errors in evaluations of the national economy are not random but systematic, meaning drivers other than economic context also influence public opinion (Duch et al., 2000). This has been a subject of much of the recent public opinion-political economy literature. The main drivers apart from macroeconomic context that have been identified and studied include media coverage, heuristics, information asymmetries, and wars and crises (Anderson and Hecht, 2014). Barnes and Hicks (2021) show that both mass media and framing have the potential to shape attitudes to a much greater extent than the 'objective' macroeconomic context. Regardless, this does not change the fact that individuals have pictures in their heads – objective or not – that condition their thinking on economic matters. Whether these translate into opinions on policies remains to be investigated.

Is the public Keynesian?

The literature on public preferences regarding government spending has a long history that can be split into two main strains. Traditionally, voters have been found to be debt-

averse "fiscal conservatives" (for example, Modigliani and Modigliani, 1987; Peltzman, 1992; Wlezien, 1995; Stevenson, 2001). However, more recent research has found public opinion to be more susceptible to change through framing and context and the public to be countercyclical "Keynesians" (Rehm, 2011; Barnes and Hicks, 2018; Anderson and Hecht, 2014).

According to the resource-based theory, individuals tend to lose willingness to fund public resources when the economy is in a downturn due to increased scarcity (Alt, 1979). This is consistent with traditional models of rational choice, where individuals maximise their own utility – in this case, by saving scarce resources for personal consumption that derives more personal utility than public projects. This has been found to hold in several contexts and time periods (for example, Sihvo and Uusitalo, 1995) and is consistent with studies finding that the public is less averse to spending the better the economy is doing (Stevenson, 2001; Wlezien, 1995). The public in the UK and EU was more in support of government spending before the Global Financial Crisis (GFC) than after, in accordance with the theory that voters tend to hunker down and swing right in the immediate aftermath of an economic crisis (cf. Barnes and Hicks, 2015; Lindvall, 2014). Overall, there is evidence that the public prefers cyclical macroeconomic policy.

On the other hand, Rehm (2011) – basing his analysis on similar rational-choice reasoning – proposes that public opinion shifts towards a more Keynesian preference when the economy contracts. This is due to the increased risk of unemployment in an economy in recession, meaning a rational individual expects more utility from a social safety net (Rehm, 2011). Results consistent with this risk-based assessment of policy demands can be found in Iversen and Soskice (2001), Soroka and Wlezien (2005), and Ansell (2014), both in relation to unemployment and housing. This highlights the central dichotomy between micro-level theoretical hypotheses – there are two competing strands of theories, both of which can be backed with evidence from different times and places.

Recent empirical studies evaluating the policy mood of the 2010s have found rather contrasting results. The UK public had Keynesian leanings for much of the period between 2014 and 2017 but held procyclical views from the onset of the crisis in 2007 to 2014 (Barnes and Hicks, 2015; Barnes and Hicks, 2018). Anderson and Hecht (2014) find that high social spending leads to a less intense dip in economic mood during a crisis. The counterfactual tested in the paper implies that stimulus and a social safety net during crises improve perceptions of the economy, suggesting a countercyclical economic mood in Europe following the GFC. Although this is a result based on counterfactual extrapolation, it does fit the narrative reproduced in other studies conducted during the same time period and geographical area. Based on a study of four countries, austerity measures in European countries during the early 2010s triggered protests and other public mobilisation in opposition to them (Kriesi, 2012). This, again, suggests that austerity measures have been unpopular in Europe in the past ten years and that there is a certain appetite for Keynesian policy in European countries.

Ideology

In complex opinion-formation, individuals turn to easily accessible cues that roughly represent their attitudes – such as ideology or party identification (Rugeley and Gerlach 2012). The classic ideological left-right dichotomy of the political economy has been found to be an important determinant of how individuals evaluate economic performance, government debt, and social spending (Blinder and Krueger, 2004; Pitlik et al., 2011). Self-reported left-wingers are less averse to debt and more resistant to social spending cuts. Conversely, centrist and right-wing individuals are more hawkish about the government budget and generally less averse to austerity measures (Pitlik et al., 2011).

Counterintuitively, ideology as an explanatory variable can be traced back to rational-choice literature. Despite the *homo economicus* – the ultimate rational being – supposedly only concerning itself with rational decision-making that maximises personal utility, the inclusion of ideology in a rational-choice-based literature makes sense. Downs (1957) posits that the effect of an individual voter on the election outcome is negligible, and it is thus rational not to be constantly informed of the ins and outs of policymaking. Instead, individuals subscribe to a political-economic ideology as a heuristic to the complex process of opinion formation (Downs, 1957; Pitlik et al., 2011). The logical conclusion that follows from these assumptions is that ideology is an input variable that systematically affects individual preferences on economic policy.

Busemeyer and Garritzmann (2017) find evidence for this hypothesis. Individuals identifying ideologically as right from centre are more likely to oppose debt-financed social investment. This finding is consistent with Pitlik et al. (2011), who found left-wing individuals to be extremely reluctant to cut from social spending. However, do the findings translate to the conversation about whether to engage in Keynesian fiscal policy?

Collective opinion is generally thought of as irrational in behavioural psychology, largely due to the heuristics applied (Kahneman, 2002; Kuklinski and Quirk, 2000). However, the same research concedes that while the mass public does not have the capability to form educated opinions on every policy by weighing up a rational and balanced response, people instead support or oppose specific policies (Kuklinski and Quirk, 2000). What this implies is that heuristics (in this case ideology) leads people to make simple judgements of whether there should be more or less of a policy. In applying stereotypes about an ideology to policy judgements, it is reasonable to expect – supported by empirical evidence – that individuals on the left side of the political divide will prefer higher government spending.

Ultimately, there is a distinct lack of recent systematic studies of pan-European public opinion on government spending. Whether the risk- or resource-based view holds is up for debate. This analysis sheds light on the extent to which each of the theories hold when measured over a long period of time and across a variety of countries, with both controlled for.

Theoretical Framework

Rising unemployment may be seen through a frame of increasing personal risk – stimulus becomes preferred to insure against this risk. This line of thought aligns with results in Barnes and Hicks (2015) and the theoretical mechanism of Rehm (2011). It aligns with the behavioural expectation of individuals as risk-averse decision-makers and is rooted in micro-level theories of opinion formation (Kahneman, 2002).

It remains unclear whether ideological bias extends to views on how the economy should be managed in a changing economic context. Both Krugman (2017) and Blyth (2013) argue that the Keynesian-stimulus versus consolidation-austerity debate is largely an ideological one. While this ideological debate is being played out in academia and the high offices of political elites, ideological heuristics and elite cueing may provide the link between public opinion and scholarly dialectic. There is evidence that right-wing governments engage in harsher fiscal consolidation than left-wing governments (Hübscher, 2016). This provides further information and cues on parties' ideological and political standpoints to the public. Since political-economic thinking is driven by heuristic information processing, it should follow that through taking shortcuts, left-wing voters would follow the elite cueing and tend towards Keynesian rather than cyclical opinions.

This leads to the following hypotheses:

> H_1: *The EU public, on aggregate, holds countercyclical attitudes.*
>
> H_2: *Individuals that see themselves as left-wing are more countercyclical than centrist or right-wing individuals.*

Methodology

Both economic and public opinion are measured through quantitative time-series data, lending themselves to multiple regression analysis. Multiple regression, in simple terms, means statistical analysis that uses several input terms to predict the value of a single outcome variable. This method allows for investigation of multiple variables over time, the use of control variables, and robust statistical analysis that draws out significant correlations (Coppedge, 2002). The regression analysis plots the policy mood, based on survey answers, against 'real' economic data – either GDP growth or unemployment – at set times over a ten-year period. This creates an overview of how (counter)cyclical preferences shifted over time.

However, such large-N analysis with a vast amount of aggregated data may lead to regression to the mean, meaning some years may yield more extreme results due to statistical 'noise' and be closer to the mean in others, without apparent explanation.

Data

The data used in the analysis was survey data from Eurobarometer and economic data from Eurostat and the Organisation for Economic Co-operation and Development (OECD). The dependent variable measures the level of concern individuals hold over government debt and deficits. Since May 2010, Eurobarometer has asked respondents to evaluate their agreement with the statement "Measures to reduce the public deficit and debt in (COUNTRY) cannot be delayed" or its counterpart "Measures to reduce the public deficit and debt in (COUNTRY) are not a priority for now". The answers to these questions were indicated on a 4-point Likert scale indicating (dis)agreement with the statement, and then harmonised to ensure an internally consistent scale.

These questions were fielded at six-month intervals during the period between 2010 and 2018. However, in the past three years, these questions have become a more sporadic part of Eurobarometer waves and were only asked thrice between the beginning of 2018 and the end of 2020. Thus, Eurobarometer currently has 19 waves of surveys, ranging from 2010 to 2019, that have asked the question that allows for evaluation of the public's pro- or countercyclical attitudes. Eurobarometer surveys take a sample of around 1,000 individuals per country per wave, producing a total sample of 486,687, roughly 20,000 responses per wave. The samples were weighted to better represent each country's sex, age, and regional variations, as well as variation in population sizes between countries.

The subjective economic perceptions variables also come from Eurobarometer surveys. These form the independent variable in the model measuring whether subjective economic perceptions shape opinions. Each survey wave posits the same questions about economic perceptions to each respondent. Specifically, the survey asks how the respondent judges the current situation of the (COUNTRY) economy. Again, answers are given on a 4-point Likert scale, this time indicating the level of satisfaction with current economic performance.

The left-right self-placement data also come from Eurobarometer. The left-right variable indicates the self-reported ideological placement of the individual on a 10-point scale of the classic left-right axis of political ideologies. To enable testing of H_2, I recoded this variable to only contain three categories instead of ten – left-wing, centrist, and right-wing. Stevenson (2001) finds a strong congruence between models built on left-right self-placement and other models plotting policy mood against ideological preferences.

The economic indicators used as a proxy for objective economic performance are GDP growth and unemployment.[1] Inflation is often grouped as the third indicator alongside

[1] Widely used in previous literature as the benchmark measures for how the 'real' economy is doing (for example, Stevenson, 2001; Anderson and Hecht, 2014).

the two I utilised in this paper, but in the interest of brevity and simplicity, I have limited my analysis to growth and unemployment.[2]

The data on unemployment rates comes from Eurostat. It is measured quarterly as a percentage of the total labour force and is seasonally adjusted. The GDP growth rates, on the other hand, come from the OECD and, in line with previous research, are quarterly seasonally adjusted, and adjusted for inflation. While the OECD dataset on economic growth is the most complete data available, it does not include rates for Malta, Cyprus, or Croatia. Comparable data for these countries are not readily and reliably accessible. Therefore, these countries are omitted from my analysis. This means the total number of countries included in the analysis is 25.[3]

Empirical models

To test the propositions outlined in Chapter 2, I matched the quarterly economic data to the corresponding time period of the survey waves. I then created several multivariate regression models that mirrored the hypotheses.

Objective Model

The relationship between economic performance and public opinion on fiscal consolidation was operationalised in accordance with the equation:

$$AntiDeficit_{i,t} = \alpha_{o,t} + \beta_t^C \times Economy_t \times SurveyWave_t + \beta^Q \times Question_{i,t} + \varepsilon_{i,t},$$

in which i indexes the individual in a survey and t represents the time/wave of the survey. The intercept is represented by $\alpha_{o,t}$. $AntiDeficit_{i,t}$ represents the recoded numerical responses to the deficit attitudes question. $Economy_t$ represents the economic context of the time, operationalised either through GDP growth or the unemployment rate. $Question_{i,t}$ is a dummy variable indicating which of the two deficit questions the respondent got. The error term is represented by $\varepsilon_{i,t}$. When the economy is doing well and the public prefers contractionary fiscal policy, β_t^C should take on a positive value – indicating a countercyclical preference. In evaluating unemployment, I reverse-coded the results for consistency across models, ensuring that higher values indicate a higher level of countercyclicality.

[2] Kriesi (2012) found that unemployment, growth, and budgetary balance are the most important determinants of economic voting and preference formation. This may indicate that the public assigns reduced salience to inflation as a proxy for economic performance.

[3] Austria, Belgium, Bulgaria, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Latvia, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK (The UK is included as it was a part of the EU for most of the analysed period and may affect EU policy despite no longer being a member).

Subjective Model

As economic performance varies along many more indicators than raw growth and employment numbers, I decided to also test the effect of subjective perceptions of the economy, rather than the 'objective' indicators only. Thus, I am investigating whether people react to objective or subjective perceptions of the economy or to neither. Using subjective evaluations of the economy could improve the credibility of the results, as "people's perceptions of the economy provide the channel by which it should primarily influence their attitudes" (Barnes and Hicks 2021:8). To test whether perceptions work better than the objective factors in informing policy preferences, I evaluate the equation,

$$AntiDeficit_{i,t} = \alpha_{o,t} + \beta_t^C \times EconEvaluation_{i,t} \times SurveyWave_t + \beta^Q \times Question_{i,t} + \varepsilon_{i,t},$$

in which the rest of the terms are defined identically to the equation above, apart from the $EconEvaluation_{i,t}$ term. This denotes the evaluation of the economy by respondents of the Eurobarometer surveys. Again, a positive β_t^C coefficient indicates a countercyclical public at time t, and $\varepsilon_{i,t}$ denotes the error term.

Ideology

To test the effect of ideology on (counter)cyclical preferences, I conducted two further regression analyses. The first investigates whether objective economic context and ideological position interact to affect attitudes towards debt and deficits. The second investigates the same relationship but uses the subjective rather than objective data on the economic context. These are operationalised through the equations:

$$AntiDeficit_{i,t} = \alpha_{o,t} + \beta_t^{CI} \times Economy_t \times Ideology_{i,t} + \beta^Q \times Question_{i,t} + \varepsilon_{i,t}$$

$$AntiDeficit_{i,t} = \alpha_{o,t} + \beta_t^{CI} \times EconEvaluation_{i,t} \times Ideology_{i,t} + \beta^Q \times Question_{i,t} + \varepsilon_{i,t},$$

in which $Ideology_{i,t}$ denotes the ideological position of the respondent on the 3-point left-centre-right scale. The rest of the variables remain identical to the equations above. A negative (positive) β_t^{CI} coefficient would thus imply that right-wing (left-wing) individuals are more cyclical (countercyclical) than their counterparts.[4]

Each model includes several control variables: the frame used in the question about debt, the respondents' country and age, and the constitutive terms of each interaction effect. By controlling for the country-level differences and framing – and using data from such a long time period – the research design teases out the specific, country-independent effect of GDP and unemployment on fiscal attitudes in Europe. This is a key advantage of conducting such a large-scale study.

4 The constitutive elements of each interaction effect are also included as variables in each regression model to ensure validity, as per Brambor, Clark, Golder (2006).

Results

To interpret the results, I constructed a model that calculates and plots the Average Marginal Effects (AMEs) of the explanatory variables on the output variable over time. This follows precedents set by academic papers investigating similar topics (for example, Barnes and Hicks, 2021). AME is the movement of the output variable that correlates with a unit change in the input variable, ceteris paribus. The advantage of using AMEs is that they isolate the effect of a single variable in a multiple regression model and integrate the constituent parts of an interaction effect to produce a readily interpretable coefficient (Leeper, 2021).

In all models, both in those examining countercyclicality generally, and in those focussing on whether ideology plays a role, the most important determinant of opinions was the framing of the question. Age, on the other hand, did not play a significant role. Country-level fixed effects played a mixed role and would warrant an analysis of their own in a separate article.

Economic context

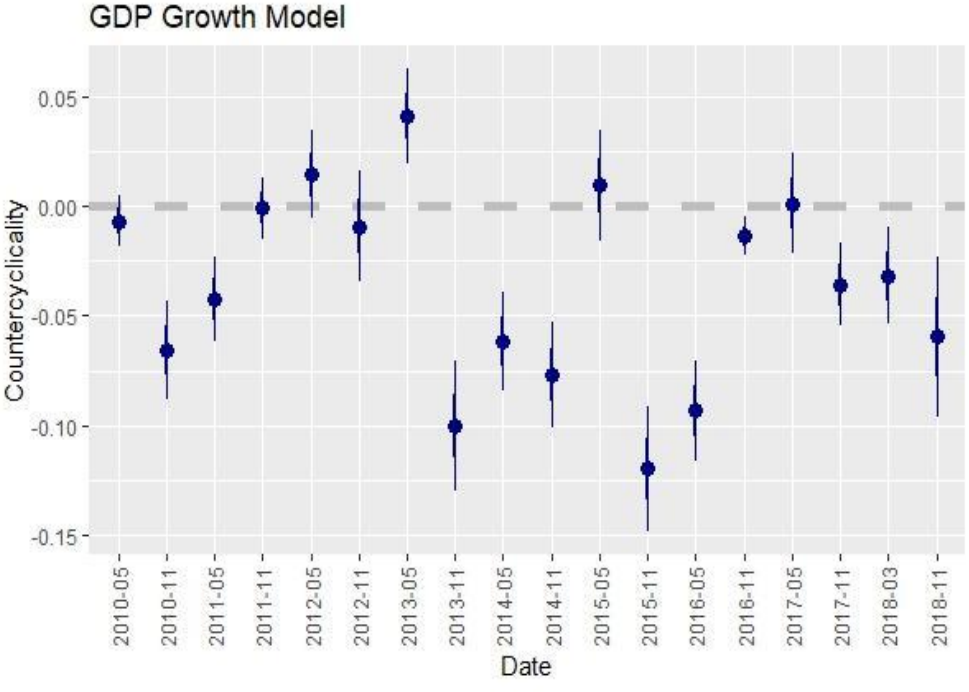

Figure 1: Estimated relationship between GDP growth and anti-deficit attitudes over time[5]

[5] Note: the intervals between surveys were irregular between November 2017 and June 2019

Attitudes relating to GDP growth are clearly cyclical, as 11 out of 19 points are statistically significant with a coefficient below zero. Compared to only two out of 19 significantly above zero, the general trend over the past decade is clear. There are isolated peaks in which the public clearly held countercyclical attitudes on aggregate, but these are few and far between compared to the general cyclical trend. Furthermore, there is no apparent overarching trend pointing towards a systematic shift either up or down throughout the decade. Interestingly, the last survey, conducted in June 2019, came back with countercyclical results. Whether this was another isolated peak or a more permanent shift remains to be seen until more up-to-date Eurobarometer data is released. It comes at an interesting time though, right before the Covid-19 pandemic, which, due to its cataclysmic effect on the functioning of society and the economy, may spell a more dramatic and permanent shift in attitudes, regardless of direction.

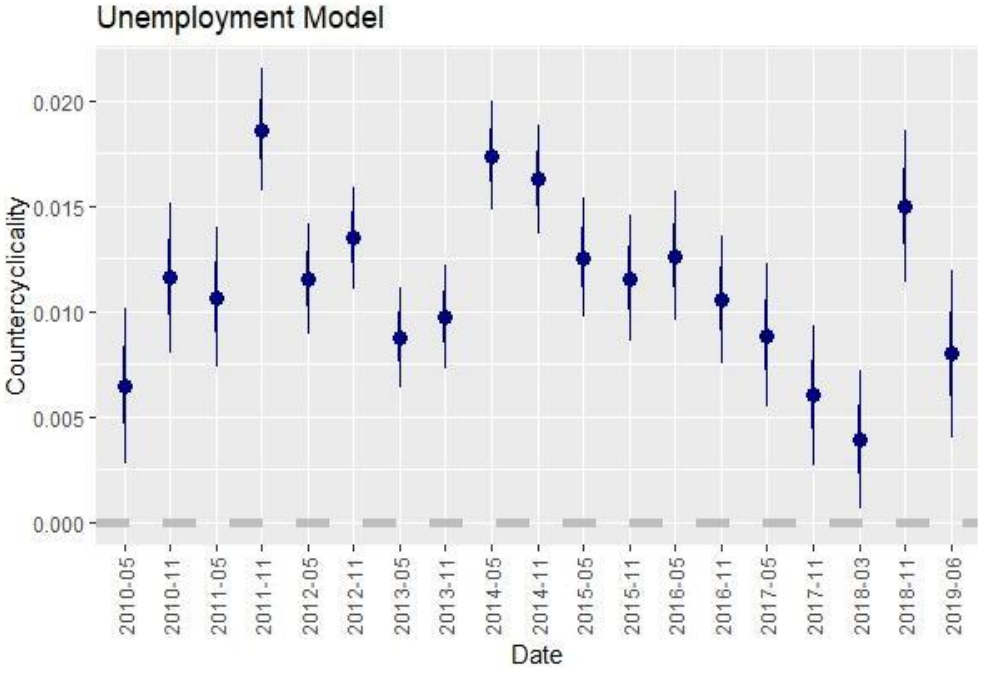

Figure 2: Estimated relationship between unemployment and anti-deficit attitudes over time

As opposed to the model based on GDP growth, unemployment is significantly less potent in predicting attitudes. The marginal effect sizes of unemployment on attitudes are remarkably low, never rising above 0.02. The results paint a significantly different picture to GDP growth, however. Attitudes have been consistently countercyclical throughout the entire decade, albeit to varying degrees. While these results also imply a mainly countercyclical public due to the positive coefficients, the coefficients on their own are too small to draw realistic inferences about the effect or general attitudes. To illustrate with an example: a dramatic ten percentage point increase in unemployment in 2019 due to a hypothetical public health crisis that decimates the economy would lead to a 0.06-point shift towards Keynesianism – barely noticeable on the 4-point scale.

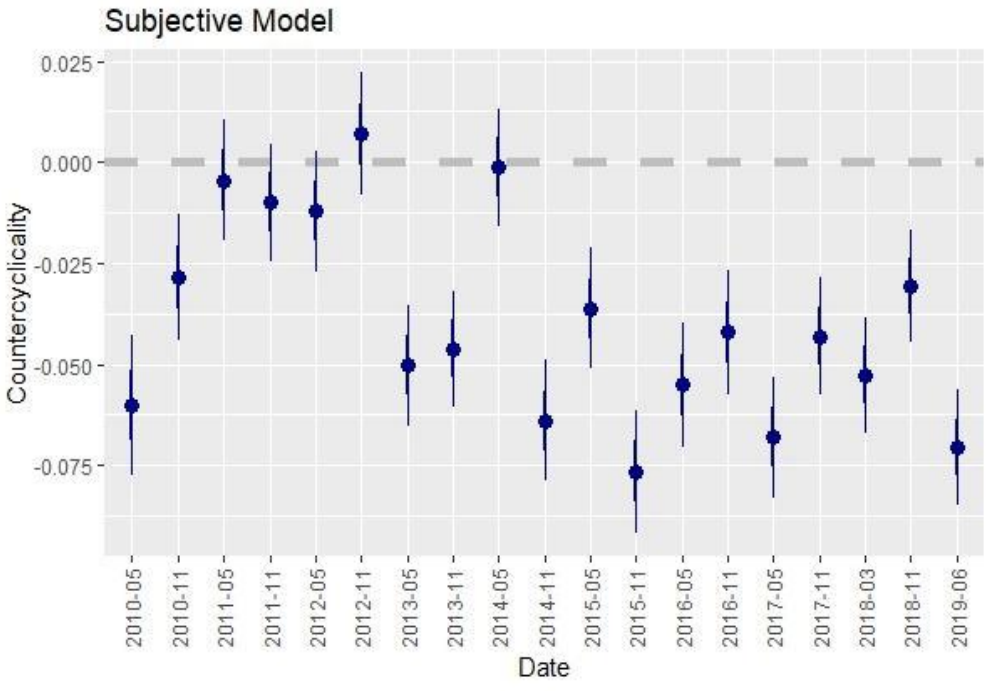

Figure 3: Estimated relationship between Subjective Evaluation of the economy and anti-deficit attitudes over time

This model shows that while there are minor similarities to the GDP growth model – especially between 2010 and 2013 –, these are not obvious, and differences become major and obvious in the latter part of the decade. Similarly to the unemployment model, the effect is weak. A one-point shift in economic evaluation represents a large-scale change in attitudes on how the economy is doing but would only trigger a 0.075-point shift in attitudes on fiscal policy.

In sum, all three models that plot economic variables against anti-deficit attitudes over time generate different results. This evidences a lack of reliability across models, as especially the 'objective' models were expected to behave relatively similarly. Whether these results do provide evidence of a systematic causal relationship between the economic context and fiscal preferences will be discussed in chapter 5.

Ideology

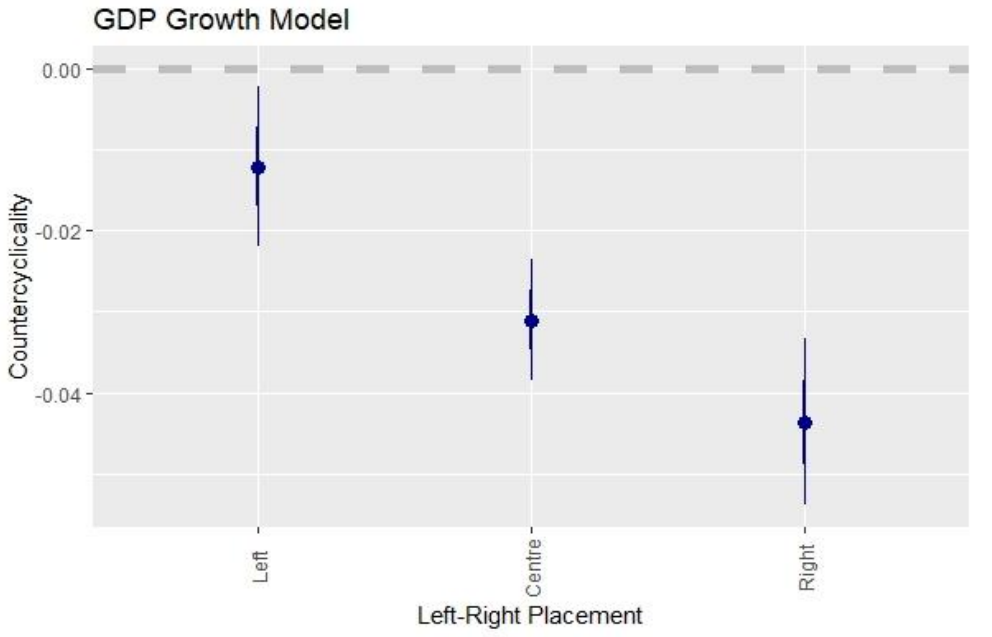

Figure 4: Estimated effect of left-right placement on countercyclicality, GDP model

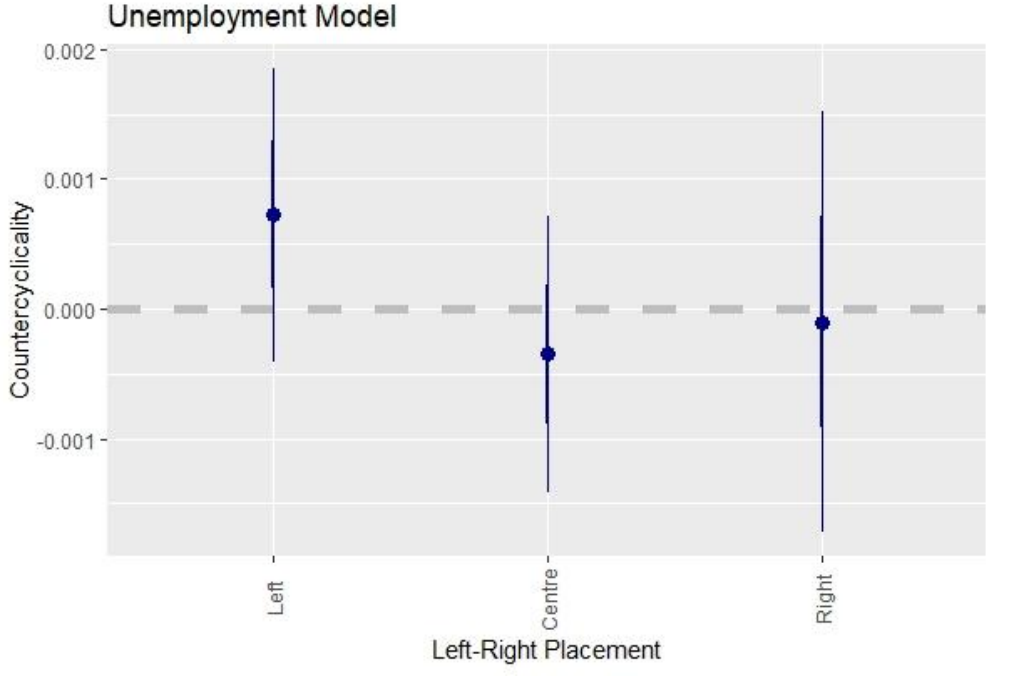

Figure 5: Estimated effect of left-right placement on countercyclicality, unemployment model

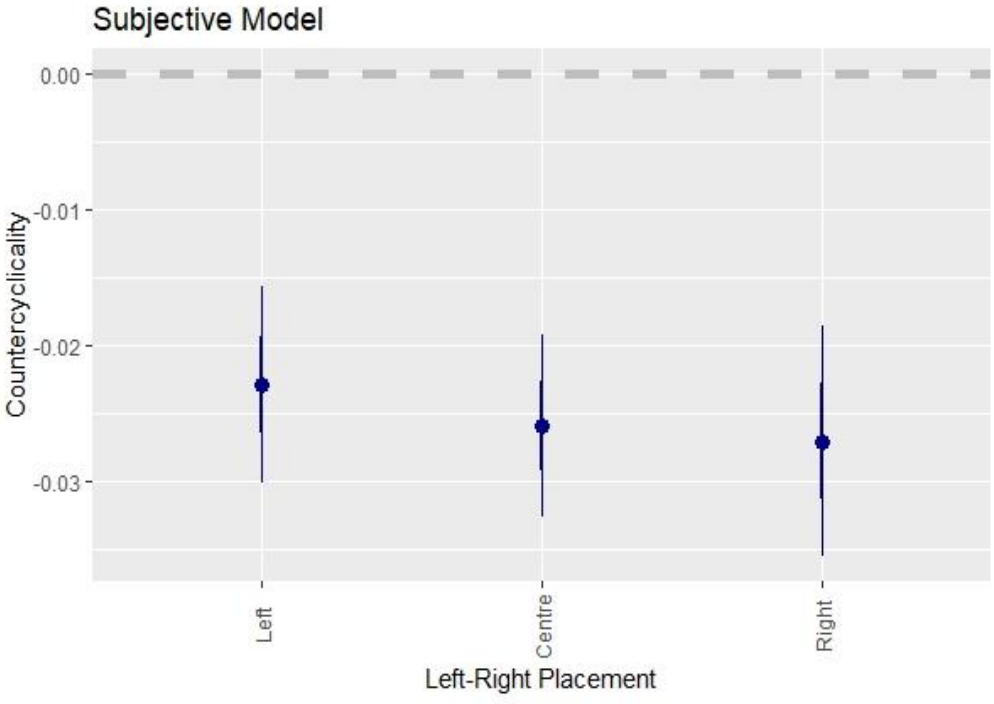

Figure 6: Estimated effect of left-right placement on countercyclicality, subjective model

As with the economic context models, operationalising the economy through the GDP growth rate triggers the most significant effects. As expected, leftists are more countercyclical, although they do still exhibit a preference for cyclical policy. Regardless, the difference between leftists and centrists/rightists is significant enough to portray a difference in attitudes, despite the rather small differences between groups.

The unemployment model elicits similar results, although the differences between the groups all fit within the standard error. The lack of significance is exacerbated by the small effect size, which leaves all three group coefficients within 0.0015 points of each other. What is notable, however, is that left-wing attitudes are – on aggregate – countercyclical, while centrist and right-wing ideologies do not provide conclusive evidence of a causal relation in either direction.

The subjective perceptions model again proves insignificant. There is no notable difference in attitudes between groups, and marginal effects remain small. This continues the trend from the economic context models in highlighting the rather large difference in results of the objective and subjective models.

Results of OLS Models 1 - 3			
	Dependent variable:		
	(GDP Growth)	antidef (Unemployment)	(Subjective)
defsplitb	0.58***	0.58***	0.58***
	-0.003	-0.003	-0.003
gdp	-0.03***		
	-0.01		
unemp		-0.01***	
		-0.002	
econcurrent			-0.06***
			-0.01
f(date)2010-11	0.04***	0.08***	-0.03
	-0.01	-0.02	-0.03
f(date)2011-05	-0.04***	0.02	-0.12***
	-0.01	-0.02	-0.02
f(date)2011-11	0.07***	0.22***	-0.002
	-0.01	-0.02	-0.02
f(date)2012-05	0.07***	0.15***	-0.01
	-0.01	-0.02	-0.02
f(date)2012-11	0.05***	0.15***	-0.07***
	-0.01	-0.02	-0.02
f(date)2013-05	-0.06***	0.03*	-0.02
	-0.01	-0.02	-0.02
f(date)2013-11	-0.01	0.05***	-0.02
	-0.01	-0.02	-0.02
f(date)2014-05	0.08***	0.23***	-0.01
	-0.01	-0.02	-0.02
f(date)2014-11	-0.46***	-0.35***	-0.45***
	-0.01	-0.02	-0.02
f(date)2015-05	-0.10***	0.01	-0.10***
	-0.01	-0.02	-0.03
f(date)2015-11	-0.12***	-0.04**	-0.04
	-0.01	-0.02	-0.03
f(date)2016-05	-0.14***	-0.05***	-0.11***
	-0.01	-0.02	-0.03
f(date)2016-11	-0.14***	-0.07***	-0.13***
	-0.01	-0.02	-0.03
f(date)2017-05	-0.17***	-0.10***	-0.07***
	-0.01	-0.02	-0.03
f(date)2017-11	-0.13***	-0.13***	-0.14***
	-0.01	-0.02	-0.03
f(date)2018-03	-0.16***	-0.14***	-0.10***
	-0.01	-0.02	-0.03
f(date)2018-11	-0.15***	-0.08***	-0.16***
	-0.02	-0.02	-0.03
f(date)2019-06	-0.19***	-0.14***	-0.07***
	-0.01	-0.02	-0.03
f(ctrycode)BE	0.05***	0.08***	0.05***
	-0.01	-0.01	-0.01
f(ctrycode)BG	-0.09***	-0.04**	-0.12***
	-0.01	-0.02	-0.02
f(ctrycode)CZ	0.08***	0.08***	0.07***
	-0.01	-0.01	-0.01
f(ctrycode)DE	0.10***	0.09***	0.10***

	-0.01		-0.01		-0.01
f(ctrycode)DK	-0.03**		-0.02		-0.02
	-0.02		-0.02		-0.02
f(ctrycode)EE	-0.23***		-0.20***		-0.24***
	-0.03		-0.03		-0.03
f(ctrycode)EL	-0.09***		0.12***		-0.13***
	-0.01		-0.02		-0.01
f(ctrycode)ES	0.03***		0.21***		-0.01
	-0.01		-0.02		-0.01
f(ctrycode)FI	-0.04**		-0.01		-0.06***
	-0.02		-0.02		-0.02
f(ctrycode)FR	0.15***		0.20***		0.12***
	-0.01		-0.01		-0.01
f(ctrycode)HU	-0.10***		-0.06***		-0.11***
	-0.01		-0.01		-0.01
fctrycode)IE	0.03		0.10***		0.02
	-0.02		-0.02		-0.02
f(ctrycode)IT	0.07***		0.13***		0.03***
	-0.01		-0.01		-0.01
f(ctrycode)LT	-0.14***		-0.08***		-0.16***
	-0.02		-0.02		-0.02
f(ctrycode)LU	0.01		0.02		0.04
	-0.04		-0.04		-0.04
f(ctrycode)LV	0.02		0.09***		-0.004
	-0.02		-0.02		-0.02
f(ctrycode)NL	-0.002		0.001		0.001
	-0.01		-0.01		-0.01
f(ctrycode)PL	-0.07***		-0.03***		-0.07***
	-0.01		-0.01		-0.01
f(ctrycode)PT	0.002		0.08***		-0.03**
	-0.01		-0.01		-0.01
f(ctrycode)RO	-0.18***		-0.16***		-0.20***
	-0.01		-0.01		-0.01
f(ctrycode)SE	-0.01		0.01		-0.01
	-0.01		-0.01		-0.01
f(ctrycode)SI	-0.01		0.02		-0.04*
	-0.02		-0.02		-0.02
f(ctrycode)SK	0.04**		0.11***		0.02
	-0.02		-0.02		-0.02
age	0.001***		0.001***		0.001***
	-0.0001		-0.0001		-0.0001
gdp:f(date)2010-11	-0.03**	ue:f(date)2010-11	-0.01**	ecur:f(date)2010-11	0.03***
	-0.01		-0.002		-0.01
gdp:f(date)2011-05	0.0004	ue:f(date)2011-05	-0.004**	ecur:f(date)2011-05	0.06***
	-0.01		-0.002		-0.01
gdp:f(date)2011-11	0.01	ue:f(date)2011-11	-0.01***	ecur:f(date)2011-11	0.05***
	-0.01		-0.002		-0.01
gdp:f(date)2012-05	0.05***	ue:f(date)2012-05	-0.01***	ecur:f(date)2012-05	0.05***
	-0.01		-0.002		-0.01
gdp:f(date)2012-11	0.05***	ue:f(date)2012-11	-0.01***	ecur:f(date)2012-11	0.07***
	-0.01		-0.002		-0.01

gdp:f(date)2013-05	0.08***	ue:f(date)2013-05	-0.002	ecur:f(date)2013-05	0.01
	-0.01		-0.002		-0.01
gdp:f(date)2013-11	0.002	ue:f(date)2013-11	-0.003*	ecur:f(date)2013-11	0.01
	-0.02		-0.002		-0.01
gdp:f(date)2014-05	0.04***	ue:f(date)2014-05	-0.01***	ecur:f(date)2014-05	0.06***
	-0.01		-0.002		-0.01
gdp:f(date)2014-11	-0.02	ue:f(date)2014-11	-0.01***	ecur:f(date)2014-11	-0.004
	-0.01		-0.002		-0.01
gdp:f(date)2015-05	0.05***	ue:f(date)2015-05	-0.01***	ecur:f(date)2015-05	0.02**
	-0.01		-0.002		-0.01
gdp:f(date)2015-11	0.03**	ue:f(date)2015-11	-0.01***	ecur:f(date)2015-11	-0.02
	-0.02		-0.002		-0.01
gdp:f(date)2016-05	0.04***	ue:f(date)2016-05	-0.01***	ecur:f(date)2016-05	0.01
	-0.01		-0.002		-0.01
gdp:f(date)2016-11	0.04***	ue:f(date)2016-11	-0.004**	ecur:f(date)2016-11	0.02
	-0.01		-0.002		-0.01
gdp:f(date)2017-05	0.06***	ue:f(date)2017-05	-0.002	ecur:f(date)2017-05	-0.01
	-0.01		-0.002		-0.01
gdp:f(date)2017-11	0.01	ue:f(date)2017-11	0.0004	ecur:f(date)2017-11	0.02
	-0.01		-0.002		-0.01
gdp:f(date)2018-03	0.11***	ue:f(date)2018-03	0.003	ecur:f(date)2018-03	0.01
	-0.01		-0.002		-0.01
gdp:f(date)2018-11	0.02	ue:f(date)2018-11	-0.01***	ecur:f(date)2018-11	0.03**
	-0.02		-0.002		-0.01
gdp:f(date)2019-06	0.14***	ue:f(date)2019-06	-0.002	ecur:f(date)2019-06	-0.01
	-0.02		-0.002		-0.01
Observations	415,766		415,766		409,643
R^2	0.13		0.13		0.13
Adjusted R^2	0.13		0.13		0.13
Residual Std. Error	0.87 (df = 415703)		0.87 (df = 415703)		0.87 (df = 409580)
F Statistic	1,015.43*** (df = 62; 415703)		1,018.91*** (df = 62; 415703)		1,010.42*** (df = 62; 409580)

Note: f denotes as.factor, econcur is econ current, ue us unemployment *p<0.1; **p<0.05; ***p<0.01

Discussion

To summarise the conclusions from the previous chapter, there is some evidence in support of H_2, but nothing suggests that the null hypothesis of H_1 should be rejected. The economic context seems a relevant determinant of fiscal policy mood, at least if it is operationalised through GDP growth, but not when operationalised through unemployment or subjective perceptions. The evidence on economic context points towards a cyclical public, though this claim can also be questioned. Ideology seems to play a role in determining attitudes, although not one that is strong enough to be one of the most important determinants.

The varying responses to economic conditions

To address the question posed at the start of chapter 2, attitudes seem to shift in response to changes in GDP growth. The results from the objective models are in line with the results found in Anderson and Hecht (2014) and Stevenson (2001). Both papers report evidence that public opinion reacts to the objective economic context, suggesting a public that, if not perfectly informed, understands there is an economic context that is dynamic and needs to be accommodated for. GDP growth is highly correlated with more cyclical attitudes, while unemployment contributes to Keynesian attitudes, albeit to a lesser extent. With the subjective model falling between the other two, interpretations of a clearly (counter)cyclical public become difficult to justify. This shifts the focus of the question about the effect of the economy towards the theoretical mechanisms of how opinions are formed rather than what the aggregate opinion is.

Remembering the two main theoretical strands of literature, unemployment triggers Keynesian attitudes due to micro-level concerns, while growth triggers cyclical attitudes due to macro-level logic of resource allocation. As the results indicate growth to have a much larger effect than unemployment on public opinion, it seems that individual opinions, on aggregate, are defined by macro-level concerns of the economy.

While it is clear – based on my results as well as existing studies – that public opinion is dynamic, a foundation of this study was to investigate the underlying drivers of this change. The large fluctuations in opinions between periods, prevalent especially in the growth and subjective models, could be explained by the 'thermometer' mechanism first proposed by Wlezien (1995). This posits that public response to policy acts like a thermometer, indicating a preference for more or less of a policy rather than a fixed preference for a specific level of taxation, for example. To illustrate, the shift from an aggregate countercyclical preference to cyclicality over the course of 2013 may have resulted from the public preferring more stimulus over the harsh bailout and consolidation packages passed in most countries, although EU economies had largely

returned to growth over the course of 2013,[6] despite unemployment reaching record figures in many countries (Eurostat, 2021; Cabral et al., 2013).

This anti-Keynesian shift in 2013 is visible in the growth, unemployment, and subjective models. Of course, bailouts and IMF-led austerity were not a factor in most EU countries, but fiscal consolidation measures were implemented all over Europe in the early 2010s, and the news regarding their (lack of) success in the so-called PIIGS[7] countries may have led to a policy mood spillover to the rest of Europe. The collective movement of EU countries out of recession in 2013 may thus explain the relatively high level of countercyclical attitudes between 2011 and 2013 and the subsequent dip once growth returned to the bloc. Essentially, the public's preference for stimulus remained stable while the economic environment underwent a shift, highlighting a long-term dissatisfaction with austerity measures following the 2010 debt crisis.

The results of the Eurobarometer survey conducted in November-December 2020 – which, at the time of writing, are under embargo and thus unavailable for analysis – would be hugely important for the exploration of further insights. These would allow for the contextualisation of the June 2019 results and enable better inference of whether the 2019 swing was an anomaly or a more permanent trend. Additionally, the 2020 and later surveys would allow for the speculative interpretation of the effect of Covid-19 on policy mood, shedding light on how public opinion behaves when exposed to an era-defining non-financial crisis.

The systematic effect of ideology

As hypothesised, ideology shapes fiscal preferences, with left-wingers more countercyclical than the rest of the population. My results add to Stevenson's (2001) finding that left-right self-placement can predict attitudes towards policy, showing a systematic difference in attitudes between left- and right-wing individuals, and showing the direction of this rift is as expected. Leftists prefer a higher level of countercyclicality than rightists. This is a significant finding, as it implies a more sophisticated public understanding of policymaking than the classic presumption of left- and right-wing heuristics.

While Keynesianism is espoused as a leftist perspective in current macroeconomic conversation, it does also imply that state expenditures need to be cut during economic 'good times'. This contrasts with the logic traditionally adopted in everyday conversation about ideology, with the two absolutes usually representing big government spending or no government intervention. In showing that attitudes towards fiscal policy are contingent on economic performance, this paper demonstrates that individual attitudes – self-evaluation of ideology especially – take on more sophisticated

[6] Recession, with five consecutive quarters of negative EU-wide growth pre Q1-2013, followed by several years of positive growth figures. This is a trend at both EU-level, as well as in most individual member states.

[7] Portugal, Italy, Ireland, Greece, Spain

meanings than previously thought. However, this effect only takes place when operationalising the economy through growth rates, possibly because these are the most common figures cited in the media – and thus the most widely accepted benchmark metric by the public.

Limitations

Despite the relatively robust results delivered by the study, there are some limitations to note before making consequential inferences. The interpretations of results did not consider country-level differences other than as a control variable. Not only could country-level differences have presented interesting insights into how public opinion is formed, but aggregating figures across the EU may mask diverging results in different countries and contexts. While the models are powerful in drawing out general drivers, the more specific aspects of opinion-formation may have been lost due to this over-aggregation. In the absence of a unified EU demos with a common political-economic context, it is risky to suggest a cyclical policy mood across the bloc without considering country-level differences. This is something future research should aim to investigate

Finally, due to missing data, the models measuring the effect of ideology omitted data between 2011 and 2014. As data from three consecutive years is missing from the analysis – specifically three years in which drastic shifts in opinion occurred – there may be an unavoidable systematic bias built into the analysis.

Conclusions

To summarise, this paper aimed to address debates in current political economy and public opinion literature regarding the factors that affect public opinion on debt and deficits. Specifically, I aimed to answer two questions: (1) is the public generally pro- or countercyclical, and (2) does self-reported left-right ideology affect attitudes towards (counter)cyclical policy?

A range of theoretical explanations for the public's fiscal preferences have been suggested over the past decades. These include individual-level perceptive factors, such as unemployment risk, willingness to share scarce resources in the form of taxation and redistribution, and political ideology. However, more recent literature has emphasised the effect of media and elite framing. The effect of the business cycle on perceptions has been largely unclear, and it has remained up for debate whether the public perceives the economic context accurately and bases opinions on this. I sought answers to the debate of what drives changes in opinions about debt and deficits by conducting a large-scale OLS analysis of public opinion and economic data from the EU between 2010 and 2019.

The finding that growth is the most important driver of opinions and is correlated with cyclical opinions is consistent with the resource-based view of public opinion. This indicates that the 'tighten belts in hard times' narrative was consistent with the public's

views in the past decade. However, drastic shifts in nominal opinion may also occur as the dynamic economic environment changes. This could be seen in 2013, when a significantly more countercyclical public turned towards procyclical attitudes as economies began to grow again but unemployment remained at record highs, and austerity politics were in their heyday. This was not a true change in opinion, though, as the public remained pro-stimulus, but the economic environment changed.

The Covid-19 pandemic is exactly the sort of cataclysmic economic shift after which sharp swings in opinion could be possible or even expected; particularly if policy does not follow perceptions on the ground, and government stimulus is cut off before there is a widespread sense of recovery, or fiscal policy is not tightened before inflation becomes a long-term concern. These shifts may become even more drastic if elite opinions and cueing lead to significant changes to the decision-environment.

The second key finding – left-wing attitudes are more correlated with countercyclicality – is consistent with the classic view that Keynesianism is associated with left-wing attitudes towards macroeconomics. The finding also amplifies the narratives about austerity as a right-wing ideology that have been suggested by academics over the past decade, as well as the traditional view of government intervention being inherently leftist. Both have seemingly permeated public consciousness and are reflected in the heuristic-based view of the economy employed by the majority of the electorate.

These results may be of considerable interest to political strategists, especially at the EU level, as they evidence large-scale trends in opinion formation and provide information on what voters find important and when. There is a lesson to be learned from the 2013 swing in opinions. This can be interpreted as a warning signal of what could happen if rehabilitation efforts are ended too early. With the public lacking a sense of economic recovery, the policy mood may experience a drastic shift if policies are changed too swiftly. Hence, even in the presence of a swift return to modest growth following, governments and the EU should be hesitant about cutting spending before tangible effects of recovery are felt by the public – especially if electoral gains are seen as a short-term priority.

Future research into the field should look at the same or similar data to analyse country-level differences and the drivers of these, as alluded to in section 5.4. This would add to the construction of a more complete picture of the drivers of opinions, as well as a better model of public mood in the EU. While retaining the practical usefulness for EU-level decision-making, this would allow for more specific analysis of the effect of individual macroeconomic events on attitudes. A similar study looking at regional-level differences may be of similar interest, as it could uncover systematic differences in opinions based on inherent wealth or power inequalities within the EU.

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European Defence from the Perspective of Fiscal Federalism – A Case for Military Integration?

Abstract

The integration of EU Member States' militaries has come to the forefront of political discussions in recent years, especially since the Russian invasion of Ukraine on February 24th, 2022. This paper employs the theoretical lens of fiscal federalism to clarify and weigh the arguments for and against military integration in Europe. Centralised provision of deterrence would overcome many of the inefficiencies of European deterrence production, but Member States' diverging preferences for security production incentivise against integration. The paper finds nonetheless that interjurisdictional spill-over effects of military integration indicate that EU defence would be organised the most efficiently and with fair burden-sharing at the EU level. Such a development is nonetheless unlikely in the context of the current divergence of preferences among the Member States and a renewed focus on NATO.

Keywords: Common Security and Defence Policy (CSDP), European Military Integration, Fiscal Federalism, European Public Goods

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Introduction

The Russian neo-imperialist invasion of Ukraine is not only an attack on Ukraine's independence and democracy but also aims directly at the post-Cold War security architecture in Europe. It is "the West's biggest test since World War II" (Hirsh 2022), and will likely lead to a significant increase in military expenditures – German Chancellor Olaf Scholz's explicit commitment to the North Atlantic Treaty Organization's (NATO) two per cent spending goal as a case in point – and a reshaping of NATO and European Union (EU) policies to deter Russia in and beyond Ukraine. While the trans-Atlantic bond seems firm in its reaction to the Russian invasion, the political climate in the US is volatile.

As such, the Russian war against Ukraine also acts as a catalyst for discussions on the role of the European Union as a defence actor. These discussions, warranted by the US' strategic reorientation to the Asia-Pacific region, and the turbulences of the trans-Atlantic relationship under Trump, strongly recommended deepening military integration. Most exemplary here is the joint paper by the French and German Ministries of Finance, which has identified a common military market and culture as one of eight top priorities for the EU (Fuest and Pisany-Ferry 2019). With the renewed urgency of the question, this paper investigates the pros and cons of military integration from the lens of fiscal federalism.

Fiscal federalism seeks to identify the optimal level of provision of a public or semi-public good in a federal state structure (Oates 1972). The theory weighs the potential economies of scale – as an incentive for centralisation – and the degree of heterogeneity of preferences, to which a decentralised provision would be more responsive. Taking into account interjurisdictional externalities, the optimal level of government is identified according to fiscal correspondence, meaning that level of government where those benefiting from and those paying for a particular public good are congruent (Oates 1999). Translated back to the context of EU military integration, the paper asks *at which level – Member State or supranational – European defence can be optimally provided*.

The lens of fiscal federalism is fitting for the case of European defence: Defence is a classic example of a public good (Olson and Zeckhauser 1967, 25), and the EU as a supranational organisation *sui generis* represents a federal structure, even in relatively intergovernmental policy fields such as the Common Security and Defence Policy (CSDP): Since the Maastricht Treaty, the EU pursues a common defence policy, EU-level command infrastructure has been created at the Council, there has been partial harmonisation of defence procurement, and the EU has deployed over 30 joint missions through the CSDP framework (Gegout 2010).

Deeper military integration is, however, not a dichotomous yes-or-no question, but best understood on a continuum. The EU already engenders a military alliance since the Lisbon Treaty has come into effect, which represents a form of joint defence without any integration of military structures. Integration could be *partial*, focusing on the supply side of defence markets and procurement. *Full* military integration would entail the integration of the military forces themselves, including control and command

structures, and would represent a full supranationalisation of the EU military capabilities.

Fiscal federalism allows to weigh the potential efficiency gains of partial or full military integration against the reduction of the sovereignty of the Member States. The paper thus takes a step back and interrogates the desirability of military integration from a politico-economic perspective. It finds strong arguments for integration, as it could greatly increase the efficiency of European defence spending and deterrence production and distribute the burdens of defence spending more fairly. However, this crucially depends on the political coordination between Member States and NATO partners, to accommodate the diverging preferences of Member States.

The next section will quickly delineate the state of the art of European military integration, and present the leading theories in accounting for the recent rise in integration efforts, neofunctionalism and the research on the integration of core state powers. The third section shines a light on the individual elements of the theory of fiscal federalism: economies of scale in defence research, development, and procurement call for a centralised provision; the heterogeneity of threat perceptions and preferences concerning strategic national autonomy and the relationship with NATO that favour a decentralised provision; and the implications of spill-overs for fairness of burden-sharing and cooperation through common strategic culture. The paper ends with a discussion of the likelihood of military integration, and a conclusion.

European Defence Cooperation

During the Cold War, European defence cooperation was organised outside the EU framework through the Western European Union (WEU), which was however largely overshadowed by NATO during its existence. After the end of the Cold War, EU defence cooperation received new impetus that found its expression in the Treaty of Maastricht (1992), where Member States agreed on the creation of the Common Foreign and Security Policy, of which the CSDP became an integral part. The Treaty envisioned a military defence alliance and called for the EU to

> "assert its identity on the international scene, in particular through the implementation of a common foreign and security policy, including the eventual framing of a common defence policy, which might in time lead to a common defence." (Treaty of Maastricht 1992, Title 1.B)

Over the next two decades, the provisions for common European defence were strengthened further. The 1998 Franco-British Saint-Malo Declaration marked the starting point for transferring the tasks of the WEU to the EU under its CFSP structure. The EU created a European Rapid Reaction Force in 1999 (Bickerton et al. 2011), deepened the CSDP's institutional framework with the military staff committee and the military committee in the Council structure in Brussels (Gegout 2010), and conducted

its first CSDP missions in the Former Yugoslav Republic of Macedonia and the Democratic Republic of the Congo (Piccolino 2010).

These developments were further strengthened by the Lisbon Treaty, which took over the WEU's mutual defence clause, elevating CSDP to a proper military defence alliance and dissolving the remnant of the WEU into the EU (Treaty of Lisbon 2009, Art. 42). Furthermore, tentative steps at the integration of defence markets have been pushed for by the European Commission in this context. Through two directives on the intra-EU transfer of defence equipment and on Member States' defence procurements in 2009, the scope for the exclusion of defence procurement matters from common market rules, provided for under Art. 346 of the Lisbon Treaty, was limited (Fiott 2017; Weiss 2013). Blauberger and Weiss (2013) have documented how the Commission strategically used the threat of court-driven integration to cajole originally hesitant Member States into agreeing to the directives, indicating both the sensitive nature of defence cooperation and the increased profile of supranational institutions in it.

The latest significant defence initiative at the EU level was the 'defence package' in 2017 as part of the operationalisation of the EU's Global Strategy. For one, the Permanent Structured Cooperation (PESCO) envisioned by the Treaty of Lisbon was activated by a Council Directive in 2017, providing for the gradual deepening of defence cooperation through an increase in "joint and collaborative defence capability development projects" between the 25 Member States participating, with Denmark and Malta opting out (Council of the European Union 2017). This enhanced collaboration was substantiated by the Coordinated Annual Review on Defence (CARD), which seeks to take stock of existing defence capabilities and identify promising areas of cooperation (European Defence Agency n/d).

Member States also agreed to establish the European Defence Fund (EDF) to coordinate national research and development projects in the area of defence (Ianakiev 2019), which became operational in 2021 (European Commission 2021). Taken together, PESCO, CARD, and the EDF represent a significant step towards stronger EU defence cooperation and indicate a stronger role of supranational institutions such as the Commission in defence matters (Håkansson 2021). This lends further salience to an analysis of EU defence as provided through a federal structure.

The deepening of defence cooperation has been explained from a variety of theoretical lenses in the literature. In the long-dominant theory of European integration, neofunctionalism, integration dynamics are explained as the product of spill-over effects[1] from one policy field to another (Nicoli 2020). After a policy field has been integrated, the interdependence of policy fields creates integration pressure in another policy field because of the functional relationship between the policy fields and because it empowers supranational actors to pressure for further integration (Bergmann 2019).

[1] Note that neofunctionalist spill-over is different from spill-overs in fiscal federalism. In neofunctionalism, spill-overs refer to integration pressures stemming from the interdependence of policy fields, whereas fiscal federalism understands spill-overs as interjurisdictional externalities of a specific policy field.

In defence, this stems from the partial integration of foreign and defence policy, which reduces the ability to organise effective national policies while not allowing for effective decision-making at the European level (Håkansson 2021).

There are four types of spill-over effects: functional spill-over occurs when the goal of a more active role of the EU in security and defence matters could not be achieved without further integration, political spill-over when national elites can only resolve policy challenges at the supranational level and cultivated spill-over when supranational institutions act as the driver of integration for self-empowerment. Lastly, exogenous spill-over refers to outside factors that increase the overall demand conditions for integration (Håkansson 2021). Håkansson finds some evidence for these kinds of policy spill-over in defence policy, mainly exogenous driven by the US pivot to Asia, and cultivated as the Commission framed defence matters as questions of economics to allow itself to play a bigger role (Håkansson 2021, 590–92).

Another important contribution comes from the research agenda of Genschel and Jachtenfuchs (2013), which focuses specifically on the integration of core state powers. This theoretical focus identifies the particular demand and supply conditions that lead to drives for integration. In the case of military integration, these demand conditions are generally identified as the necessity to prevent free-riding through regulatory integration and to increase interoperability between European militaries. More generally, European militaries have reoriented towards smaller, more mobile and professional forces, which need to operate well in joint and cooperative missions. Another demand condition is the potential symbolic legitimacy of European military action that national-level activities often cannot provide (Mérand and Angers 2013).

These demand conditions of a collective action problem that "is so evident that it defies the mind" (Mérand and Angers 2013, 58) have only partly been met by the supply conditions, which refer to "actors capable and willing to effectively increase the level of integration" (Genschel and Jachtenfuchs 2013, 10). In defence cooperation, the supply side has mostly been driven by political or diplomatic objectives, such as the Franco-German Brigade, driven by Chancellor Helmut Kohl's and President François Mitterrand's desire to demonstrate reconciliation. Another driver supplying integration of defence has been non-majoritarian institutions such as military planners, who have used political momentum to establish benchmarks and provide a limited convergence on military structures, procedures, and norms (Mérand and Angers 2013).

Nonetheless, these efforts still fall significantly short of full or even partial military integration – Member States retain their own militaries, command structures, defence industries, and defence ministries. This does not per se pose a problem to the provision of common defence, which can be organised both through a military alliance as embodied in the Lisbon Treaty as well as by a partial or full integration of the militaries of Member States. The question is rather at which level of government – national or supranational – the public good of European defence can be provided in the *most efficient and fair way*.

The theory of fiscal federalism provides the right tool to answer this question. It partly corresponds to the supply and demand conditions identified by Gerschel and Jachtenfuchs,[2] but formulates them in a broader analytical frame which seeks to identify the right level of government for the provision of a specific public good. Defence is a clear example of a public good, with non-rivalry and non-excludability in consumption (Musgrave 1994; Samuelson 1954), and the theory of fiscal federalism is thus well equipped to map and evaluate the arguments in favour of the central or decentralised provision.

Fiscal federalism – determining the optimal level of government

The theory of fiscal federalism analyses the optimal level of government from a politico-economic perspective. Economies of scale lie on the supply side of this equation and compare the added value created by organising provision on a higher level of government. Similar to economies of scale in a factory, where larger production volumes mean that the production cost per unit falls, it is thus concerned with the level of government that can produce a specific good in the most cost-effective way (Oates 1972). Applied to the case of defence, economies of scale impact how effective one unit of military capabilities and capacities can be produced at the EU level, in comparison to the level of the Member States (Murdoch 1995).

The heterogeneity of preferences is the corresponding principle on the demand side of the provision of a mixed public good. If the individual federal entities have divergent preferences for how the mixed good should be provided, this strongly calls for a decentral provision – if entity A wants to provide the good in another fashion than entity B, they should each take care of their own provision of the good, broadly corresponding to the political principle of subsidiarity. With regards to the provision of defence, individual Member States may vary widely in what they perceive as a threat to their national security and in the way they deem appropriate for answering this threat.

The third element under consideration, spill-over effects, serve as a mediating factor between the demand side and the supply side. Spill-over effects, or externalities, describe how the benefits from the provision of a good in one Member State also benefit another Member State. If the provision of a good is too decentralised, this may lead to an underproduction of the good as the benefits to non-members of the entity are not taken into account. Moreover, spill-over effects may make a strong case for centralisation to ensure that those financing and making the decisions on a particular public policy correspond to those benefiting from the provision of the good (Oates 1972).

[2] Note that the supply and demand side of fiscal federalism concern the provision of the public good, and are different from the supply and demand conditions of the integration of core state powers, which concern the dynamics of integration.

Economies of scale – the supply side of deterrence provision

Economies of scale refer to the ways in which (military) spending becomes more efficient when organised at the federal level. The production of deterrence is cheaper if organised from the centre in larger production volumes, which would ease every Member State's budget constraint, allowing for an increase in deterrence or social spending. This is where significant economies of scale can be provided by pooling resources, which influences the price per unit of a military good. Pooling resources, therefore, allows all allies to either produce more military output with the same investment or to maintain the same military output while spending less on it.

This is all the more relevant as unit costs for production of and research into military goods have followed a steep upward curve ever since the end of the Cold War, while military budgets – particularly in Europe – have decreased (Hartley 1995, 2003, 2016). While the trend of decreasing military budgets seems to have reversed slightly, research and development spending will likely continue to increase at a faster pace, as disruptive and emerging technologies become a central asset in a security landscape that needs to answer hybrid and cyber threats not well-captured by conventional understandings of territorial defence (Béraud-Sudreau and Giegerich 2018).

Despite these pressures, the European defence market is still highly fragmented. National ministries of defence remain at the helm of procurement decisions. As a result, the wide array of weapons, ships, jets, and planes in use among the European countries is staggering: there are 17 different tanks (compared to one in the US military), 29 warships (compared to four) and 20 fighter planes (compared to six) in use among the EU Member States (Mogherini and Katainen 2017). This is highly inefficient as there are significant economies of scale at play in the procurement process: If the order is larger, the price per unit will drop.

Such economies of scale could be substantiated within a free and common European defence procurement market, where specialisation could take place and all Member States would benefit from the respective comparative advantages individual Member States hold (Olson and Zeckhauser 1967). Already, individual Member States are known to produce certain goods more effectively than others. In a common European market the best technology – German armoured vehicles, French combat aircraft, and Dutch naval escort forces, for example – would be available to all other Member States at the most competitive price (Hartley 2016). The European Commission estimates this deadweight loss in the procurement market alone around 30 billion € – more than a staggering 10% of the total military budget by EU Member States (Mogherini and Katainen 2017).

Similar economies of scale can be achieved in the area of research and development (R&D). Here, several developments amount to a significant potential increase in the output per euro spent. As mentioned above, the trend towards more high-end military technology will likely continue. This could potentially even lead to R&D spending below a necessary critical mass for the individual Member States – meaning that the spending would lose basically all effectiveness because of a level of funding that does not allow

efficient research or limit Member States' ability to adopt important military innovations (Ianakiev 2019).

Third, there are significant deadweight losses in duplication similar to those in the area of procurement, well-evidenced by the example of combat aircraft. Over the last ten years, three different types of combat aircraft have been under development in the EU: The French Rafale, the Swedish Gripen, and the British-German-Italian-Spanish collaborative Eurofighter Typhoon project. Had there only been one European combat aircraft development, and assuming that it would have realised the same amount of sales as the other three aircraft projects have, the R&D costs per unit would have decreased by 41 to 76% (Ianakiev 2019, 13).

There are significant potential economies of scale in procurement and R&D, and these economies of scale are available if resources in procurement and R&D are pooled, irrespective of whether the EU would also integrate its military administration and command structures. Even steps towards partial military integration, focused on integrating defence markets and engaging in joint procurement, however, have been complicated by the heterogeneity of preferences among the Member States in the past.

Preference heterogeneity – the demand side of deterrence provision

Having established that the economies of scale in the pooling of European military spending are sizeable begs the question of why it has not occurred. This concerns the demand on the side of the national governments, which concerns the political reasons for which these governments refrain from pooling their resources. There are three central arguments for Member States to retain their national military forces: protection of national key industries, heterogeneous threat perceptions and defence priorities, and the relationship of an integrated European military to NATO. They will each be presented in turn, showing that there is a strong heterogeneity of preferences that favour decentral provision of the military good of deterrence.

The protection of key industries has two facets: military self-sufficiency and electoral gains. Military self-sufficiency is a strong argument in this case because a common market for defence production foresees a specialisation, which is desired for economies of scale but may also mean that certain less competitive producers are forced out of the market even though they have a strong strategic value for national defence production (Olson and Zeckhauser 1967). Defence production always has a strategic component – it is obvious, for instance, that any nation A would not want to be dependent on imports from nation B for essential military products – otherwise, they would be left without essential military equipment if the relation between nations A and B worsens. Therefore, many governments protect their own industries through market entry barriers, preferential purchasing agreements, and technology transfer restrictions (Hartley 1995). Independence and security of supply weigh heavily when the goods in question are essential to state survival in the case of crisis.

Even if these concerns about national independence were done away with by strong alliance and mutual trust and reassurance, an electoral incentive remains for governments to maintain national industry protection: jobs. In 2014, the defence industry employed around 500,000 people directly, while indirectly generating 1,200,000 jobs. These jobs are not evenly dispersed, but mainly sit within Austria, the Czech Republic, France, Germany, Italy, Poland, Spain, Sweden, and the United Kingdom (Roth 2017). From these jobs, and the exports created in these industries, flows another important incentive against military integration – government revenues. Similar to the location of the defence industry, their relevance to government revenues also diverges significantly among the Member States.

While in any Member State the electoral incentive for governments is to protect their national markets against job loss and to maintain tax revenue, ultimately also shielding against potential consequences at the ballot box, this incentive is particularly high in countries where the market is characterised by Small and Medium-Sized Enterprises, such as Poland and the Czech Republic. In these countries, the respective importance of the defence industry for national GDP and employment is comparatively high, while their competitiveness in a common market is significantly lower than that of their Western and Northern European counterparts (Kolín 2015). In a situation where the relative wins and losses of integration are unevenly distributed, there are strong incentives for relative losers to oppose integration, even in the face of significant potential economies of scale.

The argument of strategic importance and electoral incentives are difficult to dissect, as any decision taken to protect jobs would also be framed in terms of strategic importance, and both arguments are likely at play in any such decision – whether in the Polish insistence on "indigenous production lines" (Kolín 2015, 8), or whether the Swedish government decided to develop the Gripen combat aircraft separately. In any case, these arguments present a strong case for national decision-makers to refrain from pooling defence resources at the European level.

A second argument concerns the divergent levels of threat perception. If a country identifies its main threat to be Russia, for instance, as Poland, Sweden, or the Baltic countries, or as Islamist terrorist groups, as has been the focus of French foreign military policy, requires divergent focus points of military investment and preparation. These divergent threat perceptions are best exemplified within the Visegrad Group, consisting of the Czech Republic, Hungary, Poland and Slovakia. Even though they act as a cohesive bloc on many European policy issues – e.g., migration, rule of law – their perspective of Russia could not be more different, with Poland itching about any rapprochement whereas Hungary and Slovakia had long entertained strong economic and politically friendly relations (Dangerfield 2012; Marton 2012).

In such a context where the Member States cannot be certain that their priorities will be met in a unified European military, the argument of national autonomy weighs even heavier, exacerbating the drive towards the decentral provision of defence. There is evidence that these different threat perceptions lead to different military spending, as well: While Nordic, Central and Eastern European Member States spend more on

traditional, territorial defence against Russia, Southern and Western Member States invest more on projective capabilities such as drones and maritime capabilities (Béraud-Sudreau and Giegerich 2018).

These divergent threat perceptions can undermine trust between the Member States, exemplified by the sluggish response to the Russian military build-up along the Ukrainian border before the invasion. While the Russian territorial aggression against Ukraine in 2014 had led to a streamlining of the perception of Russia as a military threat among the Member States (Béraud-Sudreau and Giegerich 2018), the early reluctance in Berlin and Paris to respond decisively to the military build-up has cost trust from Eastern European partners. This may reinforce the preference of the Baltic countries, Poland, and others to emphasise the provision of mutual security through NATO, fearing that increased military integration in the EU could fasten the withdrawal of the United States as a security actor in the European theatre (Howorth 2018).

Whether NATO and CSDP commitments are actually competing or complementing one another has been the focus of intense academic debate. Principally, the deepening of the EU security architecture has taken into account NATO commitments, granting that commitments to NATO must prevail over EU commitments in case the two are in contradiction (Perot 2019). In the 2000s, it also seemed like a working division of labour developed between NATO – providing hard security and leading military missions – and the EU, which spearheaded humanitarian and crisis response operations through the CSDP (Schleich 2014; Whitman 2004). There has also been plenty of formalised cooperation between the two organisations, culminating in announcing a *strategic partnership* focusing, *inter alia*, on hybrid threats, cyber defence, and some operational cooperation (Tangör 2021).

As such, deeper integration of European militaries must not at all come at a cost of NATO alliance coherence and stability. This is encapsulated in the idea of a "European pillar of NATO" in which the EU would assume more leadership within and also increase their contribution to NATO in the form of a joint EU capability (Domecq 2019; Guéhenno 2017). Such an institutional setup could potentially satisfy calls of the US that the Europeans need to invest more for their own security, while also alleviating concerns by Eastern and Central European Member States that EU military integration could alienate the US (Muti 2021).

However, irrespective of the potential complementarity between the two organisations, at present the ability of NATO to "keep the Americans in" remains the primary objective of the security and defence policy of several Member States (Terlikowski 2022). In this way, a divergent threat perception among the EU Member States also leads to different preferences for answering these threats and provides a strong case against the integration of European armies. Importantly, here not only does the actual complementarity between NATO and the EU's CSDP matter, but that the EU Member States identify this complementarity and feel that integration does not contradict their primary security interests. These concerns may be alleviated by consulting actively with the US, but are unlikely to dissipate in the context of Russian neo-imperialist aggression

and at times slow commitment by large EU Member States – Italy, France, and Germany – to the Western response.

Overall, the arguments for national strategic autonomy, diverse threat perceptions, and the doubt European military integration potentially casts on relations with NATO, demonstrate the heterogeneity of preferences among the EU Member States when it comes to the *how* and *for what* in the provision of military goods, making a strong case for decentralised provision. At the same time, it has been shown that the potential gains through economies of scale are considerable and important. The next section will therefore analyse spill-over effects to determine at which level of government European defence should be provided.

Spill-over effects: determining the optimal level for the provision of defence

The heterogeneity of preferences, most recently exemplified by divergent assessments of the threat of Russia and the appropriate response to it – even though it later coalesced around a common position – represents a strong argument against the full integration of European militaries. Defence is arguably the most *core* of core state powers, as questions of defence ultimately touch upon the ability of a state to ensure its survival, a state's primordial *raison d'être* in realist visions of international politics, which is the dominant frame of defence policy-making as well as analysis (Genschel and Jachtenfuchs 2016).

As such, the heterogeneity of preferences strongly suggests that European defence may better be provided on a national level through the military alliance envisioned by the Lisbon Treaty. As mentioned above, significant economies of scale could already be achieved by partial military integration, which would reduce duplications and make spending more efficient without fully integrating military forces and administrative structures. As the analysis of spill-over effects shows, however, there are further arguments in favour of a deeper, full integration of EU militaries.

The analysis of spill-over effects seeks to analyse the level of government at which those benefiting from the good – defence production – are congruent with those paying for it. Here, spill-overs may be unevenly distributed in a military alliance. To properly grasp these spill-overs, one needs to take a closer look at the provision of defence in a military alliance. Any one state *I* investing in its defence faces a budget constraint of

$$F^i = y^i + pq^i$$

where F indicates the fiscal space of country *I*, y its non-military spending, p represents a military good and q is the quantity in which the country produces it. If one now takes a look at the provision of deterrence across the multiplicity of Member States, the provision of any individual Member State also includes the provision of defence in another Member State within the military alliance. However, due to preference heterogeneity, this must not be a direct contribution – the other Member States may

produce defence goods that are irrelevant to the threats that any individual Member State faces (Murdoch 1995). The total defence output Z for country I then is

$$Z = pq^{i} + Z^{spill\text{-}over\ i},$$

where $Z^{spill\text{-}over\ i}$ represents the spill-over from other countries' military spending, and the deterrence produced by country I as a function of its military spending times the price per unit of deterrence. With the utility function [$U^{i} = U^{i}(y^{i}, Z)$] and under the budget constraint [$F^{i} = y^{i} + pq^{i}$], country I thus seeks to maximise its utility from both non-military spending and military spending – including the spill-overs from other countries.

The degree of the spill-over country I receives from other countries' military spending may, however, be unevenly distributed. We can identify this in the problem faced by all Member States when trying to maximise their utility from military and non-military spending, under their budget constraints that require a trade-off between spending on y and pq (Murdoch 1995):

$$Max_{y}\, i_{,q}\, i\ \{ U^{i}(y^{i}, f(q^{i}) + Z^{spill\text{-}over\ i} \},$$

where $Z^{spill\text{-}over\ i}$ represents the sum of spill-over of other countries' military spending that spills into country I (Murdoch 1995). It becomes clear from the utility function that the estimation of the spillover plays a central role in any country's policy choices. This is important because it indicates the moral hazard for the Member States to free ride and to focus on the security threats that are most relevant to itself, but not as important for the other Member States. The deterrence against a common threat would be provided by spill-over from other Member States' investments, and the country could maximise its output.

Such incentives can ultimately lead to an underproduction of deterrence. If too many Member States seek to free ride on other Member States' spending on a specific threat, the total amount of deterrence produced may fall below the expected necessary threshold to ensure deterrence due to a lack of coordination. At the same time, uncertainty about the precise amount of deterrence production by another Member State could also lead to the overproduction of a specific deterrence good – inefficient overspending that goes beyond the duplication discussed in the section on economies of scale.

The potential threat of Russia can exemplify this well. Basically, all EU Member States identify Russia as a threat to European security. However, the Baltic countries, Poland, and Finland are the only EU Member States with a direct land border with the Russian Federation. They are thus in a prime position to produce deterrence to this specific potential military threat. Accordingly, Northern and Central and Eastern European Member States invest significantly more to counter this threat in terms of conventional territorial defence (Béraud-Sudreau and Giegerich 2018).

This provides a clear spillover to other EU countries in Southern and Western Europe, as it provides deterrence against a common threat. The expenditures of Southern and

Western European Member States, focusing more on projectable capabilities, do not provide the same spill-over effect for Northern and Eastern European Member States, as these investments are directed towards threats less emphasised by those countries in the North and East of the Union. Apart from the potential for under- and overproduction, this also means that the costs of European defence are unequally shouldered, and Northern and Eastern European countries spend a higher share of GDP (Eurostat 2022) against a common threat.

Based on these elements, fiscal federalism suggests that defence should be organised at the supranational EU level. The integration of EU militaries could mitigate these types of military alliance market failures. The better the cooperation between alliance members, the higher the amount $Z^{\text{spill-over}}$ for any individual country, as uncertainty about other Member States' spending becomes lower and recognition of respective threat perception increases. Full military integration would be the maximum end of this continuum. Rather than potentially unevenly distributed spill-over effects, the defence would be produced and financed jointly, making producers and financers of deterrence production congruent.

In an integrated European military, threat assessment and strategic policy decisions would be taken jointly (Mogherini and Katainen 2017). This would allow the EU to project military power according to its geopolitical potential: Any individual Member State spends less on defence than China, Russia, or Saudi Arabia. Taken together, however, the EU – even without the UK, its previously largest military spender – would rival the military expenditure of China, and reach significantly higher levels than Russia, its closest geopolitical rival (Lye 2020).

This serves as an indicator of the potential geopolitical weight a unified European military would grant the EU – which would ultimately benefit all EU Member States in terms of greater protection and greater influence in the world. However, there is an important corollary to this argument. Even if European militaries were integrated, and hence seized all the available economies of scale, the geopolitical weight and its perception by third countries and systemic rivals depend, crucially, on the EU's credibility to act. This is a crucial point for the integration of European militaries, as the actorness of the European Union in foreign policy and defence matters has often been called into question. Full military integration would at least partially resolve this through common strategic culture. It would lock in cooperation among the EU Member States, create certainty about the intentions and capabilities of other Member States, and would make the respective spill-over effects an integral part of defence assessment.

Such a move to full military integration would, however, require significant political capital. While citizens' attitudes towards deepening defence integration may be stronger than one would assume in areas this close to national sovereignty (Bremer, Genschel, and Jachtenfuchs 2020), such an integrated military would also raise difficult questions, such as the deployment of military forces of any given Member State when military engagement is unpopular with national publics or national governments, or whether the Member States are willing to fully give up on certain defence prerogatives.

From the perspective of fiscal federalism, however, this would be a desirable end state of the current processes of reorganising the EU as a security and defence actor. Importantly, military integration would also respond to many of the identified demand conditions – interoperability, efficient technological innovation and transfer, and the ability to be more self-reliant in defence matters. To ensure fair burden-sharing in defence production and to prevent under- or overproduction of defence, EU militaries should be fully integrated. The decision to which degree these aspects outweigh the heterogeneous preferences among the EU Member States is, ultimately, to be calculated by European and national citizens and parliaments.

EU Military – a realistic prospect?

The analysis of the integration of EU militaries from the lens of fiscal federalism allows identifying both the potential gains, in terms of operational and spending efficiency, and the important fault lines between the Member States, whose heterogeneous preferences – at least in some Member States – strongly favour a decentralised provision of military power, be it out of security concerns, electoral incentives to protect domestic industry or both. Under these demand conditions, large-scale integration seems unlikely, and military integration will continue to advance slowly and incrementally, mainly through regulatory integration and specific joint projects, for instance through PESCO (Mérand and Angers 2013).

However, the demand conditions are currently shifting considerably in response to the ongoing Russian invasion of Ukraine, which may provide an important impetus for deepening the integration of EU militaries and efforts to strengthen the defence capabilities of the EU. The current war changes the cost-benefit analyses in many EU Member States and will strengthen the already nascent trend toward rising defence budgets. The German announcement to fulfil its two per cent target in the future with a special fund for the *Bundeswehr* attests to the fact that old-standing policy preferences and threat analyses are currently being overhauled. Also at the EU level, the Russian war against Ukraine overhauls long-held *modi operandi*, providing military assistance to Ukraine in a first-ever policy move (De La Baume and Barigazzi 2022).

These examples show that the European security architecture will likely undergo significant reforms in response to the Russian threat in the coming years. The accession of Finland and Sweden into NATO is the clearest example of this, as is the Danish referendum deciding to opt-in EU defence cooperation. The membership of the EU and NATO become more congruent, and NATO becomes "more European than ever" (Szumski and Basso 2022), potentially reducing the costs of cooperation between the two organisations. A "European pillar in NATO" could provide a good frame through which this new constellation of EU defence could be articulated in accordance with NATO.

In this vein, recent developments have also expedited the Strategic Compass, the EU's review of its security and defence policy that was adopted in the wake of the Russian

invasion of Ukraine. The Strategic Compass recognises the potential economies of scale in procurement and R&D, calling for further pooling of research to "jointly develop cutting-edge military capabilities" (European Union 2022, 4). It furthermore envisions the creation of an EU Rapid Deployment Capacity of 5,000 troops and commits to strengthening the command and control structure (European Union 2022). More generally, the Strategic Compass seeks to provide a joint threat assessment and to bring EU action "greater coherence and a common sense of purpose" (European Union 2022, 3), potentially alleviating the fault lines that determine the preference heterogeneity in the Member States.

Overall, the Strategic Compass represents a significant step forward in EU military integration, both on the supply and the demand side of the equation. As such, the Strategic Compass continues the path of gradual deepening in which the Russian challenge to the European security order provides a window of opportunity for acceleration. At the same time, the discordance between the Western European Member States advocating for closer defence cooperation, particularly France and Germany, and the Central and Eastern European Member States indicate that the heterogeneity of preferences has been reinforced, presenting an obstacle to further military integration.

France's and Germany's at times reluctant stance on concerted actions against Russia may lead to a significant loss of trust towards them in Central and Eastern European Member States. Coupled with the central role of the US in supporting Ukraine, Poland, the Baltics and other EU Member States will be extremely hesitant to support any military integration that may reduce the role of the US and increase the profile of France and Germany. Without properly addressing the EU-NATO relationship, Member State preferences will likely remain diverse and complicate the implementation of the Strategic Compass and further integration (Perissich 2021).

As such, the current "window of opportunity" for European defence integration will likely not significantly alter the speed of military integration in the EU. While the crisis of the European security architecture creates political momentum for a deepening of integration, the current crisis also reinforces the role of NATO in European security and in the defence strategies of EU Member States. The continuing inefficiencies in military spending, coupled with the political momentum of the defence dossier, provide incentives for pooling resources, particularly in the fields of procurement and R&D, comparably 'low-hanging fruit' in relation to the potential economies of scale. A holistic reform of EU defence policy towards military integration, however, seems unlikely given the divergence of preferences among the EU Member States.

Such a holistic reform would need to address some other stumbling blocks of integration that the present analysis does not fully account for. These include legal questions of arms exports and the use of force, where domestic regulations and laws would need to be harmonised or competencies conferred to the EU. While such aspects are omitted in the present analysis through the lens of fiscal federalism, they are equally important when it comes to creating a joint operational European military force and to increasing the actorness of the EU in defence policy. As such, they merit further investigation.

Conclusion

The integration of European militaries could resolve the cooperation problem of European defence in the most cost-effective and efficient way. While heterogeneous preferences weigh particularly heavy on matters such as defence that are closely linked with sovereignty, the present analysis allows making a case for integration. Irrespective of a full pooling of all defence matters, a common procurement market and collaboration in R&D can already significantly increase the efficiency of European military spending, which is currently plagued by duplication and diseconomies of scale. As any Member State's utility function is frustrated by a national budget constraint, standardising procurement and pooling research may already increase spending efficiency and create fiscal space.

There are also relevant arguments that favour decentralisation – currently, EU Member States often assess risks differently, leading to different priorities in defence provision. Mutual trust has taken a hit in the current crisis of the European security architecture provoked by the Russian military attack on Ukraine. While the Russian aggression has likely exacerbated worries in some Member States that further military integration risks rivalling NATO, it also creates the urgency and political space for potentially decisive steps toward military integration. A more efficient and effective EU security and defence architecture could ultimately be beneficial to the trans-Atlantic alliance as a whole. The desire to keep the United States in Europe will remain an important policy driver for many Member States, so coordination with NATO is key for organising any political will for further integration.

Even with an integrated procurement and R&D market, the burden of EU defence would still be shouldered unequally due to the interjurisdictional spill-over of defence production. These spill-over effects indicate that a fully integrated military would provide EU defence in the most efficient way, and would distribute the burden of specific security threats in a fair way. The lens of fiscal federalism strongly suggests *that European defence would be optimally provided at the supranational, EU level*. It becomes clear as well, however, that the degree of integration depends on the positive evaluation by parliaments and governments that more integration actually increases their security. This will only be the case if Member States do not perceive reforms to potentially rival transatlantic security or alienate the US from Europe, and therefore depends centrally on political coordination within and with NATO.

The analysis based on fiscal federalism has also helped to identify the central aspects which still require more research, to better understand the institutional framework in which European military integration can move forward. Most importantly, more research needs to be done on the potential of a European pillar in NATO, and the institutional framework of a European military. For instance, a comparative analysis of national laws regarding the use and deployment of military force could point to the basic tenets of the legal-institutional architecture and identify areas of divergence among the Member States.

In any case, the times when the EU could rely mainly on normative power are over. The Russian war against Ukraine is a watershed moment in the history of Europe, and for its security infrastructure in particular. The lens of fiscal federalism strongly suggests that military integration – with the corresponding economies of scale, rationalisation of redundancies, and a joint strategic culture – could be a central tenet of the EU's security architecture in the future, allowing the EU Member States to shoulder their share of responsibility for European defence jointly and equally.

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