# Globalization by the rules: Attitudes towards economic integration in the wake of the eurozone crisis

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**Abstract**

Following the global financial crisis, there are concerns that support for international economic integration is declining. Indeed, studies have found that poor economic performance decreases public support for economic integration. However, polls suggest that support for monetary union within the EU remains high in countries hit by the eurozone crisis, while support for other forms of integration, such as globalization, has dropped considerably. I argue that this puzzle can be explained by differentiating between integration in the form of liberalization, in which the role of governance over market forces is reduced, and harmonization, in which it is maintained. Following a crisis, citizens are more sensitive to the risks associated with free market forces, reducing support for liberalization. By contrast, support for harmonization is maintained, as citizens view this type of economic integration as safer in times of crisis. Findings from a regression analysis of survey data from before and after the outbreak of the eurozone crisis support my argument, suggesting that citizens only continue to support globalization during the deepening crisis if they believe in the ability of governance to curb the negative effects of liberalization. By contrast, support for the euro increases as the crisis worsens, regardless of citizens' beliefs about the effectiveness of governance in liberalization.

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The eurozone crisis ravaged the economies of Greece, Ireland, Portugal, and Spain, resulting in recession and a series of controversial bailout loans granted by the European Union (EU) and the International Monetary Fund (IMF). The crisis was particularly devastating for Greece, which was brought to the edge of bankruptcy several times and was required by the EU to adopt a raft of austerity measures in order to reduce its deficit and receive loans. These requirements were deeply unpopular among Greek citizens and politicians, leading to violent protests against the government, the EU, and the IMF.[1] Politicians denounced the terms of the bailout agreements as "occupation" and "dictatorship" by Greece's international lenders.[2] In a 2015 referendum on the conditions for a new bailout agreement, a decisive majority of Greek voters rejected the bailout.[3]

The eurozone crisis is commonly considered a factor in explaining increasing nationalist and eurosceptic sentiment across Europe.[4] It is puzzling, therefore, that popular support for European monetary union (in the form of the euro as a single currency) has been maintained throughout the crisis. In fact, in countries hit hardest by the crisis – Greece, Ireland, Italy, Portugal and Spain – average support for the euro increased slightly, from 67.4% in 2008 to 68.2% in 2012. Meanwhile, support for another form of economic integration – globalization – has decreased substantially in these countries within the same time frame, from 61.9% to 48.9%.[5]

Why has the euro maintained popular support in crisis-struck countries, in contrast to other forms of economic integration? This puzzle cannot easily be explained with reference

[1]Niki Kitsantonis and Rachel Donadio, "Greek parliament passes austerity plan after riots rage," *The New York Times*, 12 February 2012, `http://www.nytimes.com/2012/02/13/world/europe/greeks-pessimistic-in-anti-austerity-protests.html`.

[2]See, for instance, "LAOS dismisses prospect of commissioner in Greece," *Athens News Agency*, 29 January 2012, and "Karatzaferis sends letter to EU institution leaders, criticises measures proposed for Greece," *Athens News Agency*, 31 January 2012.

[3]Ian Traynor, John Hooper and Helena Smith, "Greek referendum no vote signals huge challenge to eurozone leaders," *The Guardian*, 5 July 2015, `https://www.theguardian.com/business/2015/jul/05/greek-referendum-no-vote-signals-huge-challenge-to-eurozone-leaders`.

[4]See, for instance, Christopher Alessi and James McBride, "The Eurozone in Crisis," Council on Foreign Relations, 11 February 2015.

[5]European Commission, Eurobarometer 69.2 and 77.3, March-May 2008 and May 2012, Ann Arbor, Michigan: ICPSR.

to the literature on public opinion and economic integration. Studies examining popular support for globalization and regional economic integration show that support for these policies is lower under poor macroeconomic conditions.[6] This suggests that citizens in countries hit hardest by the eurozone crisis should be less favourable towards monetary union following the outbreak of the crisis – the opposite of what actually occurred.

In order to answer the question posed above, I develop a conceptual framework focusing on a key distinction between the eurozone's single currency and other types of economic integration: the role of governance in these processes. I argue that the difference in the effect of the crisis on attitudes towards globalization on the one hand and monetary union on the other hand can be explained by the fact that citizens perceive globalization as undermining governance over market forces, while monetary union is seen as maintaining governance. I characterize processes of economic integration that undermine governance as liberalization, and processes that maintain governance as harmonization. In times of crisis, citizens become more wary of free market forces, fearing the associated risks. As such, support for processes of liberalization decreases. By contrast, citizens appreciate the level of governance associated with processes of harmonization more, meaning support for these processes is not undermined.

I test the applicability of my framework in the case of the eurozone crisis by conducting regression analyses on Eurobarometer data from before and after the outbreak of the crisis (2008-2012). My empirical analyses suggest that citizens who do not believe that international governance can solve the problems associated with globalization are less likely to support globalization after the outbreak of the crisis, while they are more likely to support harmonization. This suggests that the perceived role of governance in processes of economic integration plays a role in shaping attitudes towards different types of integration. More broadly, my analysis points to a need to differentiate between anti-internationalism

[6]For instance, Juan Díez Medrano and Michael Braun, "Uninformed citizens and support for free trade," *Review of International Political Economy* 19.3 (2012): 448-476 and Matthew Gabel and Guy Whitten, "Economic conditions, economic perceptions, and public support for European integration," *Political Behaviour* 19.1 (1997): 81-96.

and sentiments of anti-liberalization when exploring motives behind economic nationalism.

## Economic nationalism in public opinion

The current international economic order rests on the willingness of publics to support a liberal framework of economic exchange across borders and resist the temptation to pursue nationalist or isolationist strategies that could undermine international economic cooperation.[7] As such, public opinion towards policies that promote integration into the global economy (or a regional subset thereof) is an important topic for those who study International Political Economy (IPE). While popular support for a liberal international economic order in advanced economies has been somewhat taken for granted in the past, developments in the last few decades have challenged this complacency considerably. While the 1990s saw opposition against the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA), discontent with policies of economic integration became more mainstream in advanced economies in the wake of the global financial crisis of 2008 and the eurozone crisis in Europe. Eurosceptic parties and politicians advocating for increased national control over economic cross-border flows have gained support throughout Europe, culminating in the UK referendum on EU membership, which the opponents of European integration won unexpectedly. Perhaps the most notable sign of the shift in public sentiment is the fact that popular candidates in the 2016 US presidential election openly advocated for protectionism.

In this paper, I use the term "economic nationalism" to refer to attitudes against economic integration, whether in the form of free trade, foreign direct investment, international movement of labour, or adherence to rules and standards intended to facilitate cross-border economic exchange. Citizens who hold economically nationalist views are in favour of greater national control over cross-border flows of goods, services, capital and labour. Understanding

[7] Dani Rodrik, *The globalization paradox: Why global markets, states, and democracy can't coexist* (Oxford: Oxford University Press, 2011), 81-83.

what informs these views and how they change over time is important given their potential to influence economic policy-making and challenge the current international economic order. While the literature on economic nationalism has traditionally focused on policy-making, as economically nationalist voices become louder among citizens, it is increasingly important to examine economic nationalism in public opinion as well.[8]

## What drives attitudes towards economic integration?

Several studies have explored the question of what factors affect citizens' attitudes towards economic integration, exploring public opinion on different types of economic integration. In general, work on this topic differentiates between economic determinants of support for integration and ideological ones. On the ideological side, David Rankin argues that Americans' support for NAFTA is influenced by the extent to which they are attached to symbols of sovereignty and national identity.[9] In the context of European integration, authors such as Lauren McLaren and Liesbet Hooghe and Gary Marks explore the effect of citizens' sense of identity on support for the EU.[10] With regard to economic factors, most studies posit that support for economic integration is at least to some extent driven by economic self-interest, with individuals who are more likely to benefit from integration due to their education, age, occupation or location displaying more favourable attitudes towards it. For instance, in a cross-national analysis, Anna Maria Mayda and Dani Rodrik demonstrate that support for free trade is associated with employment in non-traded sectors, human capital, and relative economic status.[11] Going beyond this purely cost-benefit analysis, Juan Díez Medrano and Michael Braun argue that poor macroeconomic conditions make individuals feel more

[8] See, for instance, Eric Helleiner and Andreas Pickel, eds., *Economic nationalism in a globalizing world* (Ithaca: Cornell University Press, 2005).

[9] David Rankin, "Identities, interests, and imports," *Political Behavior* 23.4 (2001): 351-376.

[10] Lauren McLaren, "Opposition to European integration and fear of loss of national identity: Debunking a basic assumption regarding hostility to the integration project," *European Journal of Political Research* 43 (2004): 895-911, and Liesbet Hooghe and Gary Marks, "Calculation, community and cues: Public opinion on European integration," *European Union Politics* 6.4 (2005): 419-443.

[11] Anna Maria Mayda and Dani Rodrik, "Why are some people (and countries) more protectionist than others?" *European Economic Review* 49 (2005): 1393-1430.

vulnerable to the economic effects of free trade, thereby decreasing support for this type of integration.[12] Along similar lines, Matthew Gabel and Guy Whitten show that the more pessimistic individuals are about their own financial situation as well as the national economy, the less likely they are to support regional integration in the form of EU membership.[13] Taken together, this literature suggests that poor economic conditions (or negative perceptions of economic conditions) generally depress support for economic integration.

# Liberalization, harmonization & perceptions of governance

How can we square the fact that popular support for the single currency was maintained (and even increased) in countries most affected by the eurozone crisis with the findings in the literature that suggest a worsening economy should decrease support for economic integration? Below, I develop a conceptual framework that reconciles these contradictory findings. I argue that the key distinction between monetary union and globalization relates to the role that governance is expected to play in each of these processes. Following an economic shock such as a crisis, citizens will be more wary of unconstrained cross-border market forces, and instead favour forms of economic integration that maintain governance. This explains why the eurozone crisis has negatively impacted popular support for globalization (which is seen as eroding governance), but not monetary union (which is seen as maintaining governance).

Economic integration can take a variety of forms. Policies such as allowing goods and services to be traded freely across borders, allowing foreign companies to invest in domestic ones, allowing currency to be traded in international markets, and subjecting domestic production to international standards and monitoring all tie national economies more closely

[12] Díez Medrano and Braun, "Uninformed citizens and support for free trade."

[13] Gabel and Whitten, "Economic conditions, economic perceptions, and public support for European integration."

together. However, they differ on a number of dimensions, of which an important one is the extent to which governance over market forces is maintained. Policies of integration such as free trade are best conceptualized as processes of liberalization, in which previously held national rules on economic exchange are removed, but not replaced with an equally comprehensive set of rules at the international level. Liberalization thus strengthens free-market forces by reducing the role of governance in economic exchange. By contrast, policies of harmonization allow for closer integration among economies without decreasing the role of governance. In particular, harmonization involves shifting governance from the national to the international (or regional) level, by setting common rules or decision-making procedures to which parties (whether national governments or market actors) are expected to adhere. While harmonization and liberalization both imply less control by national governments over market forces, with harmonization, this loss of control is balanced by increased governance at the international level. By contrast, with liberalization, control at the national level is not replaced with similar levels of governance at the international level.[14]

Of course, liberalization and harmonization as described here are ideal-types, and it may be difficult to characterize policies of economic integration as strictly one type or the other. Modern free trade agreements, for instance, tend to blend liberalization and harmonization by setting complex regulatory frameworks for trade in certain sectors while reducing the stringency of national regulations for trade in other sectors. However, the relevance of liberalization and harmonization to my argument lies not in the objective classification of policies as one or the other, but rather in citizens' perceptions of the role of governance in different policies of economic integration. While it may be difficult (particularly for non-experts) to correctly classify various integration policies as either maintaining or eroding governance over market forces, citizens often form perceptions about the extent to which different processes

[14]In a similar vein, Dani Rodrik distinguishes between "global federalism," in which "politics need not, and would not, shrink: it would relocate to the global level," on the one hand, and the "golden straitjacket" of unregulated global economic exchange on the other hand. Dani Rodrik, "Governance of economic globalization," in *Governance in a globalizing world*, ed. Joseph Nye, Jr. and John Donahue (Cambridge, Mass.: Visions of Governance for the 21st Century, 2000), 355.

of integration favour market forces. For instance, according to a 2008 Eurobarometer survey, 61.4% of EU respondents believe that globalization is profitable for large companies, but not for citizens, suggesting a clear perception of globalization as favouring market forces.[15] These types of perceptions may or may not accurately reflect the extent to which governance over market forces is maintained or undermined in integration. Since I focus on changes in public opinion on economic integration, citizens' perceptions of the role of governance in integration are likely to be more important than "objective" classifications.

I argue that the extent to which citizens believe that governance is maintained or undermined in different processes of economic integration conditions the impact of a negative economic shock on their support for these processes. In times of economic insecurity, citizens are likely to be more wary of policies they perceive as liberalization. This is because they view these policies as strengthening market forces at the expense of governance. Due to the decentralized nature of markets, free market forces inherently carry with them uncertainty, which regulations and government oversight are intended to ameliorate.[16] This uncertainty offers both risks and opportunities. When economic prosperity is expected to continue for the foreseeable future, citizens are more attuned to the opportunities free markets can offer them and in a better position to bear the associated risks. By contrast, negative economic shocks not only clearly expose the risks inherent in free markets but also bring greater uncertainty about the future. As such, citizens are more likely to perceive ungoverned market forces as risky and therefore less desirable following a negative economic shock.

This argument parallels existing research on citizens' perceptions of the economy and political attitudes. Previous analyses have noted a relationship between macroeconomic conditions and attitudes towards, for instance, the welfare state.[17] However, in combination with the liberalization-harmonization dichotomy discussed above, it sheds light on the less

[15] European Commission, Eurobarometer 69.2.

[16] Jens Beckert, *Imagined futures: Fictional expectations and capitalist dynamics* (Cambridge, Mass.: Harvard University Press, 2016), 35-60.

[17] For a discussion of this literature, see Clem Brooks and Jeff Manza, *Why welfare states persist: The importance of public opinion in democracies* (Chicago: The University of Chicago Press, 2007), 100-102.

extensively studied issue of changes in economic nationalism among citizens. In the context of economic integration, an economic shock such as a crisis also negatively affects citizens' support for certain types of policies that are perceived as strengthening cross-border market forces and eroding governance. Unregulated cross-border market forces are likely to be seen as even more risky (and therefore undesirable) than domestic market forces in the wake of a crisis, given the additional exposure to contagion effects, increased competition, and unpredictable international financial flows. In this way, support for economic nationalism increases in periods of economic uncertainty, provided that citizens perceive economic integration as liberalization.

By contrast, I argue that support for integration processes perceived as harmonization is not affected in the same way by a negative economic shock. Citizens see these processes as maintaining governance over market forces, thereby not exposing them to additional market risks. While governance in harmonization no longer comes solely from national governments, citizens will perceive processes of integration as harmonization if they believe that common rules (such as international agreements) or decision-making bodies (such as intergovernmental organizations) regulate cross-border market forces sufficiently. Since such processes are not seen as introducing more risk, citizens are less fearful of this type of integration compared to liberalization in the wake of a negative economic shock, and may even view it more favourably than before due to the increased desire for stability amid economic uncertainty. In this way, a negative economic shock can have a different effect on support for one type of integration policy than on support for another type, depending on the perceived role of governance involved in each type.

## Explaining the euro's post-crisis popularity

The difference in the effect of negative economic shocks on support for different types of economic integration theorized above can help explain the puzzle of why support for the single currency did not decrease – and, indeed, increased slightly – in countries most affected by the eurozone crisis, at the same time as support for globalization dropped significantly. By distinguishing between monetary union and certain other forms of economic integration based on citizens' perceptions of the role of governance over market forces each of them involves, my analysis offers a way to reconcile the divergent effects of the crisis on levels of support for monetary union as opposed to globalization.

There are a number of reasons why the popularity of monetary union in countries that were battered by the eurozone crisis is puzzling in the first place. First, as noted above, previous studies have found that support for various types of economic integration is lower under poor macroeconomic conditions. The dramatic effect of the eurozone crisis on the economies of the countries in question – particularly Greece and Spain, in which unemployment rates increased by 19 and 16 percentage points, respectively, between 2008 and 2013 – would suggest that support for the single currency in these countries should be significantly lower in 2012 than it is in 2008.[18] In addition, support for globalization and for the EU itself fell following the outbreak of the crisis, putting the sustained support for monetary union at odds with other trends in public opinion.[19] Popular discontent with the EU since the onset of the crisis has been particularly strong in Greece and Spain, manifesting itself in large-scale protests aimed at the EU and IMF. One would therefore expect that European monetary union, as an EU integration policy, would also become less popular during this time. Finally, it is notable that several economists have suggested that the existence of the single currency exacerbated the crisis in the countries in question, arguing that citizens in these countries would be in a better position if their governments had not joined the monetary union.[20] It

[18] "The impact of the economic crisis on euro area labour markets," ECB Monthly Bulletin, October 2014, 50.

[19] The percentage of Eurobarometer survey respondents in Cyprus, Greece, Ireland, Italy, Portugal and Spain who indicated that they "tend to trust the EU" fell from 57.0% in 2008 to 25.2% in 2012. As noted above, support for globalization also fell, by roughly 20 percentage points. European Commission, Eurobarometer 69.2 and 77.3.

[20] Paul Krugman, "Ending Greece's bleeding," *The New York Times*, 5 July 2015, `http://www.nytimes.com/2015/07/06/opinion/paul-krugman-ending-greeces-bleeding.html?_r=0`, and Marie de Vergès, "Portuguese bestselling book recommends leaving the euro," *The Guardian*, 4 June 2013, `https://www.theguardian.com/world/2013/jun/04/portuguese-bestseller-leave-euro-eurosceptic`.

would therefore not be surprising if citizens also came to believe that the single currency was a mistake and no longer supported it. Given this confluence of factors, the continued support for the euro in crisis-struck countries is perplexing.

According to my conceptual framework, citizens will continue to support integration policies following an economic shock if they perceive these policies as harmonization; that is, if they do not perceive these policies as reducing governance over free market forces. I argue that there is reason to believe that citizens view monetary union as a process of harmonization, rather than liberalization. After all, while from a citizen's perspective it is easy to see how free trade agreements or foreign direct investment could make it easier for market actors to circumvent national regulations to the detriment of citizens' welfare, the same cannot be said of the single currency. The euro has merely replaced national currencies, shifting governance to the regional level rather than changing the balance between governance and market forces. Governance of the single currency at the regional level is highly visible in the form of the European Central Bank, which imitates national systems in which currencies are managed by central banks. This means citizens are unlikely to view monetary union as reducing regulation on market forces.

As I argue above, citizens are likely to become less supportive of policies they perceive as liberalization following a negative economic shock, but their support for policies perceived as harmonization is unlikely to be affected in the same way. In the wake of the eurozone crisis, support for globalization among citizens declined considerably in countries that were affected most by the crisis. This makes sense in the context of my framework: globalization is often equated with deregulation on market forces, particularly in popular discourse, making it likely that citizens perceive it as liberalization.[21] As such, it is unsurprising that the sense

[21] As noted above, a majority of EU respondents believe that globalization is only profitable for large companies. For opinion pieces on globalization as liberalization, see, for instance, John Gray, "Goodbye to globalisation," *The Guardian*, 26 February 2001, https://www.theguardian.com/world/2001/feb/27/globalisation, Tina Rosenberg, "Globalization," *The New York Times Magazine*, 18 August 2002, http://www.nytimes.com/2002/08/18/magazine/globalization.html?mcubz=3, and Thomas Piketty, "We must rethink globalization, or Trumpism will prevail," *The Guardian*, 16 November 2016, https://www.theguardian.com/commentisfree/2016/nov/16/globalization-trump-inequality-thomas-piketty.

of economic uncertainty generated by the crisis would be associated with more scepticism towards globalization. At the same time, support for monetary union was maintained, which is also consistent with my framework: if citizens perceive monetary union as harmonization rather than liberalization, as argued above, they are likely to view it as desirable even in times of heightened economic uncertainty. In this way, the apparently contradictory effects of the crisis on support for monetary union as opposed to support for globalization can be explained with reference to the perceived role of governance in these policies of integration.

## Testing the argument using Eurobarometer survey data

As my framework focuses on popular support, I am primarily concerned with the attitudes of individuals. Evidence from survey responses is therefore useful in evaluating the individual-level factors that condition the effect of the crisis on attitudes towards different forms of economic integration. In order to test the argument outlined above, I use Eurobarometer survey responses from five surveys conducted at different time points over the 2008 to 2012 period, during which the eurozone crisis arguably hit its peak.[22] As my analysis focuses on citizens who have experienced a negative economic shock, I only examine responses for citizens of eurozone member states that were hit hardest by the crisis: Greece, Ireland, Italy, Portugal and Spain.

### Hypotheses

Above, I argue that the difference in the effect of the eurozone crisis on support for monetary union as opposed to support for globalization is due to citizens' perceptions of the role of governance in these policies of economic integration. In order to test this argument, I compare the effect of the worsening crisis on support for monetary union and globalization for two different types of citizens: those who believe that governance can prevent the negative

[22] The five surveys include: Eurobarometer 69.2 (2008), Eurobarometer 71.3 (2009), Eurobarometer 72.4 (2009), Eurobarometer 73.4 (2010), and Eurobarometer 77.3 (2012).

effects of liberalization, and those who do not. Comparing these two groups of citizens sheds light on the importance of the role of governance in monetary union and globalization. If citizens perceive globalization as a process of liberalization that undermines governance over market forces, they should only continue to support globalization after the outbreak of the crisis if they believe that governance at the international level can compensate for the erosion of governance at the national level without harming national interests. By contrast, citizens should continue to support monetary union as the crisis deepens regardless of their belief in the ability of international governance to prevent the negative effects of liberalization. This is because citizens perceive monetary union as a process of harmonization, in which governance over free market forces is maintained. As such, my expectations for the way in which the belief that international governance can temper the effects of liberalization conditions the relationship between the worsening crisis and support for economic integration differ for monetary union compared to globalization. By uncovering conditions under which citizens continue to support globalization through worsening economic conditions, and exploring support for monetary union under these conditions, I am able to identify the perceived lack of governance over market forces as a driving force behind economic nationalism.

If my framework is applicable in the case of the eurozone crisis, I would expect to find support for the following hypotheses:

*H1: For citizens in crisis-struck countries who believe that international governance can prevent the negative effects of liberalization, support for globalization (liberalization) will remain constant or increase as the crisis worsens.*

*H2: For citizens in crisis-struck countries who do not believe that international governance can prevent the negative effects of liberalization, support for globalization (liberalization) will decrease as the crisis worsens.*

*H3: For citizens in crisis-struck countries, support for monetary union (harmonization) will remain constant or increase as the crisis worsens, regardless of whether they believe that* *international governance can prevent the negative effects of liberalization.*

If these hypotheses are supported, it suggests that the difference in the effect of the crisis on citizens' support for monetary union as opposed to globalization is related to the differences in the perceived role of governance in these processes of economic integration. This is because support for globalization hinges on whether or not citizens believe that governance at the international level can mitigate the effects of liberalization, while support for monetary union is maintained no matter what, as harmonization is not perceived as undermining governance to begin with.

## Key variables

In this analysis, I have two outcome variables: *support for monetary union* and *support for globalization*. I operationalize support for monetary union as survey responses indicating whether respondents are in favour of a European monetary union with one single currency, the euro. Similarly, I operationalize support for liberalization as survey responses indicating whether respondents agree that globalization is an opportunity for economic growth.[23]

My two key explanatory variables are *severity of crisis* and *confidence in international governance*. I measure the severity of the crisis at the time point of each survey interview by matching the survey respondent to the yield of the ten-year government bond for the country in which the survey was held using the survey interview date.[24] As the eurozone crisis was considered chiefly a sovereign debt crisis, increasing yields on government bonds were a primary cause for concern among policy-makers, economists and observers, since they indicated financial markets' perceptions of the unsustainability of these countries' sovereign debt. At the high point of the crisis in 2011-2012, yields on government bonds in crisis-

[23] While this only captures perceptions of one dimension of globalization (economic effect), I argue that since my argument is about forms of economic integration rather than cultural globalization, this measure is valid for my argument.

[24] For three of the surveys, exact dates of survey interviews are not provided. For these surveys, I measure the severity of the crisis by averaging the yields of ten-year government bonds over the approximately two-week period during which fieldwork for each survey was conducted in each country.

struck countries reached twenty-year highs, generating high levels of economic volatility and uncertainty in the countries in question.[25] As my theoretical framework focuses on the effect of economic uncertainty on citizens' attitudes, measuring the severity of the crisis by yield of the ten-year government bonds is appropriate.

*Confidence in international governance* is captured by responses indicating whether or not respondents agree with the statement that globalization requires common rules or international governance. Importantly, this is not an indicator of lack of confidence in globalization *per se* – confidence in international governance is positively correlated with support for globalization – but rather an indication of a respondent's belief that common rules can ameliorate the problems generated by globalization.

Figure 1 below shows the percentage of respondents who support globalization at different stages of the crisis, as measured by yields on sovereign debt ranging from 3.78 to 28.7. As the figure shows, at higher yields – indicating deeper crisis – support for globalization declines, in line with the literature suggesting a positive correlation between macroeconomic conditions and support for economic integration. By contrast, as Figure 2 shows, support for monetary union appears to increase slightly at higher yields. The simple descriptive statistics presented here show a clear difference in the effect of the deepening crisis on support for globalization as opposed to support for monetary union.

## The models

Moving beyond the descriptive statistics shown above, I perform two logistic regressions; one using support for globalization as the outcome variable, and the other using support for monetary union as the outcome variable. I interact *severity of crisis* with *confidence in international governance* in order to test the implications of my conceptual framework, as I expect the effect of the worsening crisis on support for globalization to be conditional on

[25] See, for instance, C. Randall Henning, "The ECB as a strategic actor: Central banking in a politically fragmented monetary union," in *The political and economic dynamics of the eurozone crisis*, eds. James A. Caporaso and Martin Rhodes (Oxford: Oxford University Press, 2016), 167-199.

citizens' belief that international governance can ameliorate the problems associated with globalization.

FIGURE 1: *Support for globalization by severity of crisis*

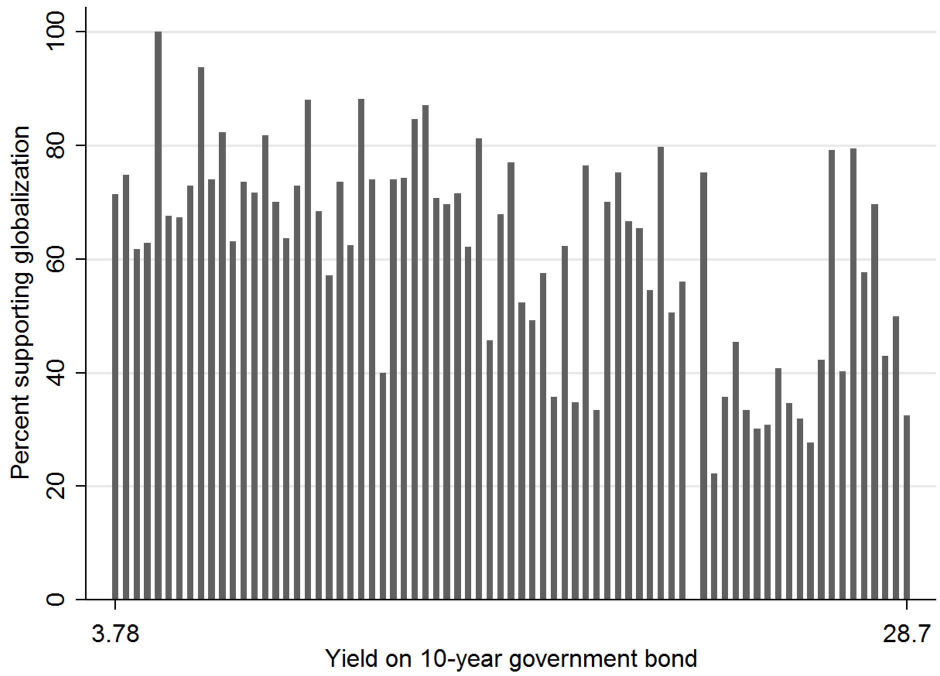
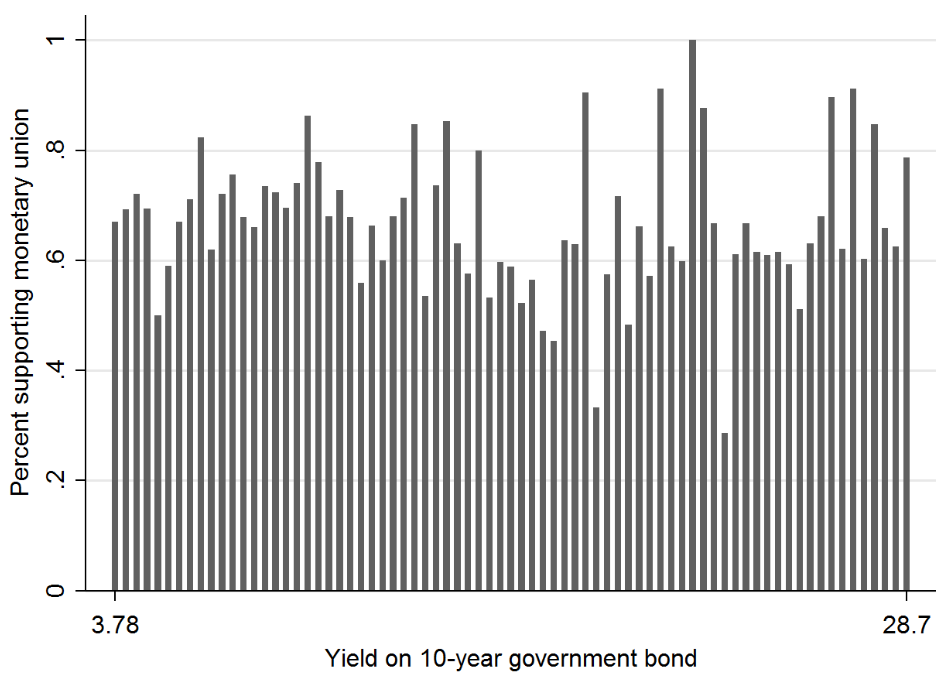



FIGURE 2: *Support for monetary union by severity of crisis*



I include a number of control variables in both sets of analyses. One of these is *image of EU* (measured by survey responses indicating the extent to which respondents have a positive or negative view of the EU). Support for the EU is likely to make citizens more favourably inclined towards economic integration (as the European project is centered around integration), but may also give them higher confidence in international governance (due to the positive EU example). Expectations about future economic developments may also affect one of my key explanatory variables and outcome variables: *expectations for household financial situation*, *expectations for national economy*, and *expectations for EU economy* may influence citizens' attitudes towards economic integration in general and the extent to which they have confidence in international governance (citizens who are more pessimistic about future economic developments may, for instance, be less likely to support integration in any form if they see it as the status quo).[26] Finally, I include a number of demographic control variables: *age*, *education*, whether a respondent is *female* and whether they live in an *urban* environment.[27] These factors have been found to affect support for EU policies in previous studies, and may therefore affect both *support for monetary union* and *confidence in international governance*.[28]

## The evidence

Table 1 below shows the coefficients generated by multilevel logistic regression using support for globalization as the outcome variable (with individual-level data nested in country-level data). I report results for three different model specifications: the first (basic model) includes

[26] *Expectations for household financial situation*, *expectations for national economy*, and *expectations for EU economy* are measured by survey responses indicating whether respondents expect that their household financial situation, the national economic situation, or the economic situation in the EU will improve, stay the same, or worsen over the next twelve months.

[27] *Education* is coded as an ordinal variable that takes the value "0" if the respondent stopped education at age 15 or earlier, "1" if the respondent stopped education between the ages of 16 and 19, and "2" if the respondent stopped education after the age of 19. *Urban* is coded as an ordinal variable that takes the value "0" if the respondent is from a rural area or village, "1" if the respondent is from a small/middle town and "2" if the respondent is from a large town.

[28] Matthew Gabel, "Public support for European integration: An empirical test of five theories," *Journal of Politics* 60.2 (1998): 333-354.

only *severity of crisis*, *confidence in international governance*, and the interaction term; the second (demographic model) adds the demographic variables; and the third (full model) adds *image of EU* and the variables measuring economic expectations. The interaction term *severity of crisis x confidence in international governance* is positive and statistically significant at the 95% confidence level across all three specifications. *Severity of crisis* is negative and statistically significant, while *confidence in international governance* is positive and statistically significant. This suggests that while the estimated effect of the deepening crisis on support for globalization is negative for citizens who have little confidence that international rules can prevent the problems caused by globalization, this negative effect is weakened when citizens believe in international governance as a solution to these problems. As I show below, this conditioning effect of confidence in international governance is estimated to be substantial.

The control variables with consistently statistically significant coefficients are *age*, *image of EU*, *expectations for national economy* and *expectations for household financial situation*. In line with previous work, the results suggest that older citizens are less likely to support globalization. Citizens who have a favourable image of the EU and who have more positive economic expectations are estimated to be more likely to support globalization, as expected.

In order to help interpret the results of the interaction between my two key explanatory variables, Figure 3 below shows the conditional marginal effect of *severity of crisis* on *support for globalization* at different levels of *confidence in international governance*, with all other variables held at their mean or mode. As the figure shows, a one-unit increase in government bond yields is associated with a 0.009 decrease in support for globalization for citizens who have little confidence in international governance. A shift from the low to the high point of the crisis is therefore associated with a 22% decrease in likelihood of supporting globalization for this group of citizens. By contrast, a one-unit increase in yields is associated with a 0.005 increase in support for globalization for citizens who have the highest level of confidence in international governance. A shift from the low to the high point of the crisis is estimated to

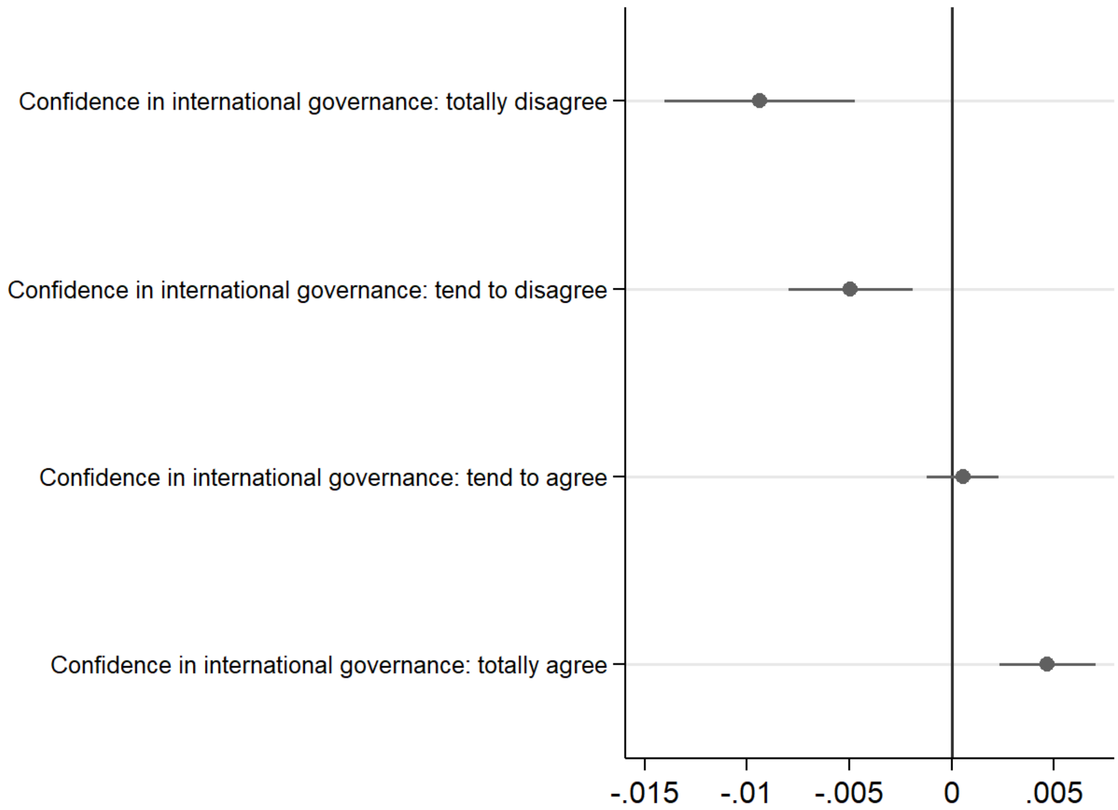
Table 1: *Coefficients for likelihood of support for globalization*

| | Basic model | Demographic model | Full model |
|---|---|---|---|
| Severity of crisis | -0.06* | -0.07* | -0.04* |
| | (0.01) | (0.01) | (0.01) |
| Confidence in international governance | 0.62* | 0.6* | 0.48* |
| | (0.03) | (0.04) | (0.04) |
| Severity of crisis x confidence in international governance | 0.02* | 0.02* | 0.02* |
| | (0.004) | (0.005) | (0.005) |
| Urban | | 0.02 | 0.04 |
| | | (0.02) | (0.02) |
| Age | | -0.002* | -0.004* |
| | | (0.001) | (0.001) |
| Education | | 0.14* | 0.02 |
| | | (0.03) | (0.03) |
| Female | | -0.06 | -0.03 |
| | | (0.03) | (0.04) |
| Image of EU | | | 0.62* |
| | | | (0.02) |
| Expectations for national economy | | | 0.09* |
| | | | (0.03) |
| Expectations for household financial situation | | | 0.13* |
| | | | (0.04) |
| Expectations for EU economy | | | 0.05 |
| | | | (0.03) |
| Intercept | -0.57* | -0.56* | -2.0* |
| | (0.23) | (0.25) | (0.26) |
| Variance: country intercept | 0.25 | 0.26 | 0.27 |
| | (0.16) | (0.17) | (0.17) |
| Observations | 19,664 | 17,697 | 15,918 |
| Countries | 5 | 5 | 5 |
| AIC | 23,276 | 20,948 | 17,793 |
| BIC | 23,315 | 21,018 | 17,893 |

Notes: Robust standard errors clustered at country level in parentheses; *$p<0.05$

result in a 12% increase in the likelihood of supporting globalization, provided that the rate of change is constant. As such, we can see that the estimated effect of the deepening crisis goes in opposite directions depending on citizens' level of confidence in international governance as a means of ameliorating the problems generated by liberalization, supporting H1 and H2.

FIGURE 3: *Conditional marginal effects of severity of crisis on support for globalization, by level of confidence in international governance*




Notes: Figure shows conditional marginal effects with 95% confidence intervals. Conditional marginal effects were calculated setting all control variables to their mean or mode.

Table 2 below shows regression results using a similar model with support for monetary union as the outcome variable. As with the previous regression analysis, the interaction term for the two key explanatory variables is positive and statistically significant at the 95% confidence level across all three model specifications, suggesting that the deepening crisis is associated with higher levels of support for monetary union for citizens who have confidence in international governance than those who do not. While the results for the interaction term are similar to the ones shown in Table 1, importantly, the coefficient for severity of crisis is positive (and statistically significant), rather than negative. This suggests that even for citizens who have little faith in the ability of international governance to alleviate problems caused by globalization, support for monetary union increased as the crisis became more severe, in contrast to support for globalization.

Table 2: *Coefficients for likelihood of support for monetary union*

| | Basic model | Demographic model | Full model |
|---|---|---|---|
| Severity of crisis | 0.02* | 0.02* | 0.06* |
| | (0.006) | (0.006) | (0.01) |
| Confidence in international governance | 0.41* | 0.37* | 0.21* |
| | (0.03) | (0.03) | (0.04) |
| Severity of crisis x confidence in international governance | 0.01* | 0.01* | 0.02* |
| | (0.004) | (0.004) | (0.004) |
| Urban | | 0.06* | 0.09* |
| | | (0.02) | (0.03) |
| Age | | 0.003* | 0.003* |
| | | (0.001) | (0.001) |
| Education | | 0.45* | 0.37* |
| | | (0.03) | (0.03) |
| Female | | -0.23* | -0.22* |
| | | (0.04) | (0.04) |
| Image of EU | | | 0.91* |
| | | | (0.02) |
| Expectations for national economy | | | 0.11* |
| | | | (0.04) |
| Expectations for household financial situation | | | 0.08* |
| | | | (0.036) |
| Expectations for EU economy | | | -0.02 |
| | | | (0.04) |
| Intercept | -0.27 | -0.46 | -2.54* |
| | (0.28) | (0.27) | (0.30) |
| Variance: country intercept | 0.37 | 0.33 | 0.38 |
| | (0.23) | (0.21) | (0.25) |
| Observations | 19,641 | 17,698 | 15,914 |
| Countries | 5 | 5 | 5 |
| AIC | 21,646 | 19,318 | 15,575 |
| BIC | 21,685 | 19,388 | 15,675 |

Notes: Robust standard errors clustered at country level in parentheses; *p<0.05

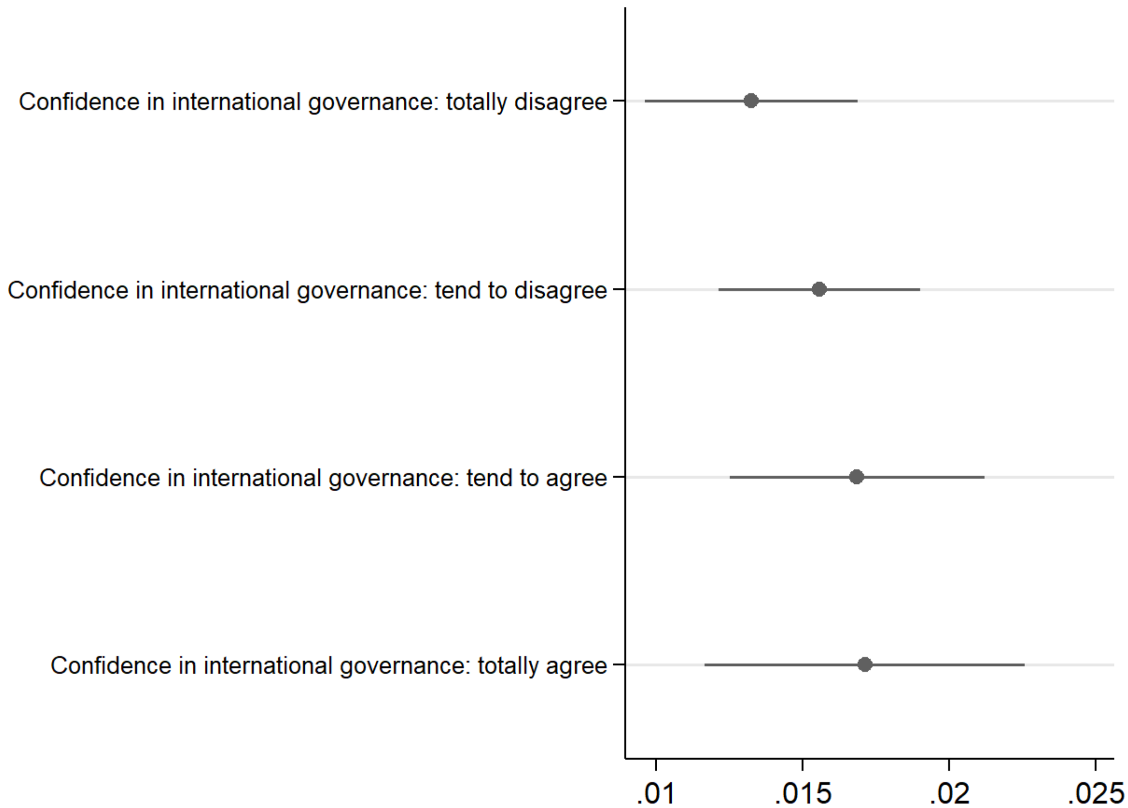
The coefficients for the control variables are all statistically significant, with the exception of *expectations for EU economy*. In line with existing literature, citizens who live in more urban settings and are more educated are more likely to support monetary union, while women are less likely to. Surprisingly, the results suggest that older citizens are more likely to support monetary union, even though support for EU policies has traditionally been higher among younger citizens. As expected, a more positive image of the EU and more positive economic expectations are associated with higher support for monetary union.

Figure 4 below provides more detailed evidence for the estimated effect of *severity of crisis* at different levels of *confidence in international governance*. Across crisis-struck countries, the conditional marginal effect of *severity of crisis* is positive for each level of *confidence in international governance*. Furthermore, the effect is estimated to be large, ranging from 0.013 to 0.017. This means that a shift in yields on 10-year government bonds from the minimum to the maximum is associated with an increase in likelihood of supporting monetary union ranging from approximately 32% to 42% (provided the rate of change is constant).

Overall, the evidence lends support to H3 and stands in contrast to the conditional marginal effect of the deepening crisis on support for globalization shown above, for which the severity of the crisis was associated with a decrease in support for globalization when citizens had no confidence in international governance, and an increase in support when they did.

I have argued that support for the monetary union reflects specific economic attitudes, not support for the EU more broadly. To evaluate this claim, I perform a multilevel ordered logistic regression substituting *image of EU* for *support for monetary union* as the outcome variable. As Table 3 below shows, the coefficient for the interaction term *severity of crisis* x *confidence in international governance* is not statistically significant. This suggests that the results for *support for monetary union* are not simply reflecting attitudes towards liberalization within the EU.

Figure 4: *Conditional marginal effects of severity of crisis on support for monetary union, by level of confidence in international governance*




Notes: Figure shows conditional marginal effects with 95% confidence intervals. Effects were calculated setting all control variables to their mean or mode.

Overall, the evidence from my analysis of Eurobarometer survey data supports all three of my hypotheses and is consistent with my argument that citizens' support for different types of economic integration under worsening economic conditions is dependent on the perceived role of governance over market forces in these processes of integration. As expected, the extent to which citizens believe in international governance conditions the relationship between the deepening crisis and support for globalization, with increased support among citizens who have high levels of confidence in international governance and decreased support among citizens who have low levels of confidence in international governance. By contrast, although

Table 3: *Coefficients for likelihood of supporting EU*

| | Image of EU |
|---|---|
| Severity of crisis | -0.05* |
| | (0.006) |
| Confidence in international governance | 0.42* |
| | (0.03) |
| Severity of crisis x confidence in international governance | -0.0006 |
| | (0.003) |
| Expectations for national economy | 0.09* |
| | (0.03) |
| Expectations for household financial situation | 0.31* |
| | (0.03) |
| Expectations for EU economy | 0.43* |
| | (0.03) |
| Urban | -0.07* |
| | (0.02) |
| Age | 0.008* |
| | (0.001) |
| Education | 0.30* |
| | (0.02) |
| Female | -0.11* |
| | (0.03) |
| Observations | 16,613 |
| Number of groups | 5 |

Notes: Robust standard errors clustered at the country level in parentheses; * $p<0.05$

the strength of the effect differs slightly by level of confidence in international governance, the severity of the crisis is associated with an increase in support for monetary union across all categories. This indicates that the difference in the perceived role of governance involved in monetary union as opposed to globalization can help explain the difference in the effect of the eurozone crisis on citizens' support for these two processes.

# Conclusion

With greater economic integration among countries come questions over the governance of cross-border economic exchanges. While "governing globalization" has been a subject of considerable debate among both academics and policy-makers, there has been little attempt at a nuanced assessment of citizens' views on this topic, with non-governmental organizations often considered in lieu of citizens.[29] With economic nationalism arguably on the rise across the West, it is becoming even more important to understand citizens' preferences on economic integration and the forms of governance it entails.

In this paper, I argue that we can better understand how citizens' attitudes towards economic integration change by paying attention to their ideas about the role of governance in integration processes. In particular, negative economic shocks have different effects on citizens' support for economic integration based on whether citizens view the integration policies in question as undermining or maintaining governance over market forces. In economically uncertain times, citizens become more concerned with maintaining stability and limiting the risk associated with unconstrained market forces. Support for processes perceived to be undermining governance over market forces (liberalization) falls, whereas support for processes that are seen as shifting governance from the national to the international level (harmonization) is maintained.

There are notable limitations to this analysis. First, it does not necessarily allow us to draw conclusions beyond the European context. The level of integration achieved in the EU is famously unique, and European citizens may also hold unique attitudes towards economic integration. Further research in other areas of the world – examining attitudes towards equivalent examples of liberalization and harmonization – is needed in order to determine whether the findings presented here are generalizable. Second, we need a more thorough understanding of how citizens' perceptions of different forms of economic integration are

[29]For examples of literature on governing globalization, see Miles Kahler, "Complex governance and the new interdependence approach (NIA)," *Review of International Political Economy* 23.5 (2016): 825-839, Robert Feenstra and Alan Taylor, eds., *Globalization in an age of crisis: Multilateral economic cooperation in the twenty-first century* (Chicago; London: Chicago University Press, 2014), Edward Fogarty, *States, non-state actors, and global governance: Projecting polities* (London; New York: Routledge, 2013), Miles Kahler and David Lake, eds. *Governance in a global economy: Political authority in transition* (Princeton: Princeton University Press, 2003), Robert Keohane, "Governance in a partially globalized world," *American Political Science Review* 95.1 (2001): 1-13, and Aseem Prakash and Jeffrey Hart, eds., *Globalization and governance* (London: Routledge, 1999).

formed, and which processes of integration are perceived as liberalization as opposed to harmonization.

In my framework, economic nationalism is driven by inadequate measures of assurance in the face of economic uncertainty. Citizens' support for economic integration only wanes if they view it as a policy that leaves them more exposed to risks associated with market forces. Evidence of anti-liberalization sentiment among citizens does not necessarily indicate evidence of anti-internationalism *per se*, as support for economic policies depends on the perceived role of governance over market forces rather than their international character. This suggests that appropriate governance in integration (from a citizen's point of view) is crucial for avoiding an increase in economic nationalism in hard times. As such, posing the question of how to govern cross-border economic exchanges in an increasingly connected world should also entail asking how citizens perceive governance in integration.

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# Appendix

Question wording for survey data:

*Support for globalization*

“Please tell me to what extent you agree or disagree with each of the following statements.
- Globalisation is an opportunity for economic growth.”

*Support for monetary union*

“What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.
- A European economic and monetary union with one single currency, the euro.”

*Confidence in international governance*

“Please tell me to what extent you agree or disagree with each of the following statements.
- Globalisation requires common global rules (‘worldwide governance’).”

*Image of EU*

“In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?”

*Expectations for national economy*

“What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
- The economic situation in (OUR COUNTRY).”

*Expectations for household financial situation*

“What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
- The financial situation of your household.”

*Expectations for EU economy*

"What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
- The economic situation in the EU."

*Education*

"How old were you when you stopped full-time education?"

*Age*

"How old are you?"

*Urban*

"Would you say you live in a . . . ?
- Rural area or village; small or middle sized town; large town."

TABLE I: *Means and variances for outcome, explanatory and control variables*

| | Mean | Standard deviation |
|---|---|---|
| Support for monetary union | 0.70 | 0.46 |
| Support for globalization | 0.60 | 0.49 |
| Confidence in international governance | 2.01 | 0.83 |
| Severity of crisis | 6.09 | 4.91 |
| Image of EU | 2.35 | 0.94 |
| Expectations for EU economy | 0.86 | 0.76 |
| Expectations for national economy | 0.68 | 0.75 |
| Expectations for household financial situation | 0.86 | 0.66 |
| Education | 0.81 | 0.75 |
| Urban | 0.97 | 0.81 |
| Female | 0.54 | 0.50 |
| Age | 46.79 | 18.01 |