

The End of Democracy in Europe?
How the European Union (As Currently Designed)
Restricts Political Competition

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FIRST DRAFT – 18 April 2003

1. Introduction

The debate over the so-called ‘democratic deficit’ in the European Union (EU) has mainly focussed on how the EU can produce more efficient, effective, transparent and accountable policies. But, democracy is more than simply policy outputs in the interests of citizens. Democracy is also about the ability of voters to choose between rival groups of elites, with rival candidates for political leadership and rival programmes for public policy. This competition not only allows voters to reward or punish leaders for their actions, but also promotes policy debate, deliberation, innovation and change. Without such democratic contestation, voters are not only disenfranchised, public policies also stagnate.

The problem for Europe is that the EU polity, as currently designed, presents severe constraints on the process of political competition. Policy outputs from the EU are relatively centrist: a moderately-regulated market, with a moderately-monetarist macro-economic policy regime. And, because there are multiple veto-players in the EU decision-making process, these EU policies are hard to change. The result is a set of constraints on political competition. Parties on the left cannot promise high social protection or expansionary spending policies, and parties on the right cannot promise labour market deregulation or tax cuts. The choice, then, is either to accept the constraints of the EU polity or to advocate radical reform of, or withdrawal from, the EU.

The constraints of the EU polity may be fine in the short-term. The centrist policy regime is probably close to the preferences of the median voter in most EU member states. However, in the long term, this form of ‘enlightened despotism’ is a recipe for disaster. A debate cannot be had about how the EU should best tackle some of the intractable structural problems in the EU economy, as there will be no incentives for policy innovation or for the development of optimal policy trade-offs in a single programme for government. Also, as

voters realise that their electoral choices will not make any difference to the basic socio-economic policy regime, voters will rationally start to be turned off from politics: with declining party membership and declining voter turnout, and declining support for European integration and the EU institutions. In response, parties will try to find other issues to compete over: such as immigration, crime, and other socio-political rather than socio-economic issues.

To investigate these ideas, this paper is organised as follows. The next section discusses the existing literature on the nature of democratic competition and the EU democratic deficit. Section three then develops an alternative theoretical argument and a set of propositions about the relationship between EU integration and democratic political competition. Section four explains how these propositions can be operationalised in a statistical analysis. Section five presents the statistical results. Section six contains the conclusions. The main finding of the research is that if European democracy is to be saved a new democratic contest over the direction of EU policies is vital.

2. The Relationship Between EU Democracy and Political Competition

2.1. Political Competition and Modern Democracy

Political competition is central to the ‘modern’ liberal-democratic conception of democracy. At the beginning of the last century, Weber (1918) observed that mass democracy means the inevitable ‘professionalisation’ of politics through the machines of competitive political parties. In a similar vein, Schumpeter (1943) argued that mass elections work because they produce competition between rival groups of elites for control of the political agenda. On one hand, competition provides incentives for elites to develop rival policy ideas and propose rival

candidates for political office. On the other hand, competition provides voters with a mechanism to punish politicians who fail to implement their electoral promises or who are dishonest or corrupt (cf. Fearon, 1999). Like a perfect economic market, perfect ‘political’ competition leads to optimal outcomes: with a choice for voters between political products, which forces politicians to respond to changes in voters’ preferences and to engage in policy product innovation.

Like markets, however, elections by themselves do not guarantee perfect competition. At one extreme, political markets can be oligopolistic. For example, in the 1940s, Schattschneider (1960), among others, criticised American elections for producing ‘unresponsive’ parties, who neither advocated different policy positions nor behaved in an accountable way once elected. The problem, as he saw it, was too few incentives for parties to articulate rival voters’ interests (what he called to ‘mobilise bias’), which meant that the Democrats and Republicans pursued identical policy positions. One result of these criticisms was the introduction of the primary system, which created new incentives for intra-party competition, and which reinvigorated American democracy.

At the other extreme, political markets can be too fragmented for clear ‘winners’ to emerge. For example, Sartori (1976) criticised the ‘polarised pluralism’ of the Italian party system. This had two inter-related yet contradictory consequences: permanent capture of the government by parties in the centre of the political spectrum, yet increasing votes for extreme parties in protest against the dominant cartel. So, by failing to produce effective competition for the formation of government, the Italian party system had a centrifugal effect on voter’s electoral choices. Consequently, after the collapse of the Italian party system in the early 1990s, Sartori advocated the introduction of electoral rules that would produce effective competition for executive office and discourage voters from supporting extreme parties.¹

¹ Ironically, however, because of a regional heterogeneity of voters’ preferences in Italy, the introduction of the single-member-simple-plurality system produced more rather than less parties, as Cox’s (1987) theory clearly

In other words, democracy is not only about producing outputs in the interests of citizens. Enlightened despots can also produce policies close to the preferences of the median citizen. What distinguishes democracy from enlightened despotism is the input side of the process: the contest between rival elites with rival policy agendas over the chance to control the reigns of power for a limited period. This democratic competition produces two main public goods. First, political competition guarantees that outputs cannot stray too far from voters' preferences. Second, in a more Habermasian sense, political competition is a vehicle for promoting political debate and deliberation, which in turn promotes the formation of 'public opinion' around specific policy positions. Without this second element, there would be no way for voters to form their preferences on complex policy issues.

Perhaps even more grandly, without this 'formative' aspect of political competition, democratic identities ('demoi') would not develop and evolve. For example, in the history of American and European democracies, the replacement of local identities by national identities occurred through the process and operation of mass elections and party competition (e.g. Key, 1961; Rokkan, 1999). In the EU context, rather than assuming that a European 'demos' is a prerequisite for genuine EU democracy, a European democratic identity could only form through the praxis of democratic competition for control of the EU policy agenda; where citizens accept being on the losing side in one particular contest in the expectation that they will be on the winning side in the not too distant future.

2.2. The Output-Centric Analysis of the EU Democratic-Deficit

Surprisingly, however, the academic debate about the so-called 'democratic deficit' in the EU has not paid much attention to the issue of competition for control of the EU policy agenda.

The focus has been almost exclusively on the output side of the EU polity.

predicts. To create a competitive two-party system, with rotation of government and centripetal tendencies, Italy should have stuck with proportional representation and introduced a high electoral threshold or smaller district magnitude – as has worked in Germany, Austria, Sweden, Greece, Spain and Hungary!

In the ‘standard version’ of the democratic deficit, the basic problem of the EU is that control over political outputs has shifted from the parliamentary systems of government at the domestic level to the executive-centred system of government at the European level (e.g. Weiler et al., 1995). In the EU system, the ‘executive’ branches of government, in the EU Council and the European Commission, are the main decision-makers. These bodies are secretive, and beyond the control of national parliaments. A standard solution, as advocated by numerous scholars and commentators, is to increase the power of the European Parliament: over the selection and scrutiny of the Commission, and in the legislative process vis-à-vis the Council (e.g. Lodge, 1989; Williams, 1991; Corbett et al., 2000). Increasing the power of the European Parliament, from this perspective, is a direct compensation for the loss of control of national parliaments over policy outcomes.

Giandomenico Majone (1996, 2000, 2002a, 2002b) also focuses on the output side of the EU polity, but from a different angle (cf. Dehousse, 1995). Majone argues that the EU is essentially a ‘regulatory state’, and so does not engage in redistributive or value-allocative policies. He also argues that because regulatory policies are, by definition, pareto-efficient rather than redistributive, the making of these policies should be isolated from the standard processes of democratic politics – in the same way that courts should be independent of legislatures and executives, and central banks should be independent from the vagaries of the ‘political business cycle’. What Majone believes the EU system might lack, however, is political ‘accountability’. By this he means transparent decision-making, *ex post* review by courts and ombudsmen, greater professionalism and technical expertise, procedures that protect the rights of minority interests, and better public scrutiny by private actors, the media, and parliamentarians at both the EU and national levels. From this perspective, the problem for the EU is less not a ‘democratic’ deficit, but rather a ‘credibility’ or ‘legitimacy’ deficit.

In stark contrast to Majone, yet also focussing on the outputs of the EU, Fritz Scharpf (1999), and others, see a democratic deficit because EU policies are systematically biased against the centre-left (e.g. Streeck and Schmitter, 1991; Leibfried and Pierson, 1995; Streeck, 1996). Because of the structure of preferences of the member states relative to the status quo, the EU is more able to create a market for Europe by removing barriers to trade and national regulations ('negative integration'), than to re-regulate the market at the European level ('positive integration') (Scharpf, 1996). Moreover, the institutional design of EU decision-making, with multiple veto-players, 'locks in' these sub-optimal neo-liberal policy outcomes (e.g. Scharpf, 1988). As a result, whereas the EU has been able to force governments to open up domestic markets to competition, the EU has not been able to re-establish social regulations at the European level. The solution, from this perspective, is to make it easier for the EU to adopt social policies, via more majority voting in the Council this policy area and flexible macro-economic rules, which would allow national governments to compensate domestic losers from EU market creation and integration. Without these changes, EU policies will be systematically to the right of the preferences of the median voter in most EU member states.

Andrew Moravcsik (2002) presents the most extensive critique to date of these output-oriented versions of the democratic deficit. Against the argument that power has been centralised in the 'executives' at the EU level, Moravcsik points out that from the point of view of the voters, national government leaders are the most directly accountable politicians in Europe. So the fact that national governments run the EU should be seen as a democratic feature of the EU. Against the critique that the executives are beyond the control of representative institutions, Moravcsik points out that the most significant institutional development in the EU in the past two decades has been the increased powers of the European Parliament against the Council and the Commission.

Against Majone's argument that the problem is the legitimacy and credibility of EU regulators, Moravcsik points out that EU policy-making is more transparent than most domestic policy-making processes, the technocrats are forced to listen to multiple societal interests, there is extensive judicial review of EU actions by both the European Court of Justice and national courts, and the European Parliament and national parliaments have increasing scrutiny powers, which they are not afraid to use (as was shown in the European Parliament censure of the Santer Commission in May 1999). Finally, against Scharpf's critique that EU policies are systematically biased against the median voter, Moravcsik argues that with the EU's elaborate system of checks-and-balances ensures that an overwhelming consensus is required for any policies to be agreed, and, in any case, radical neo-liberals are just as unhappy with the centrist EU policy regime as socialists.

Moravcsik consequently contends that the empirical evidence clearly refutes the theoretical and normative claims of the democratic-deficit advocates. The EU polity works well, in that it produces centrist policy outcomes in the interests of the overwhelming majority of Europe's citizens.²

3. Theoretical Argument

3.1. How EU Outputs Constrain Political Competition

The problem with Moravcsik's conclusion, however, is that, as discussed, an 'enlightened' regime (one that produces policy outcomes close to the median voter) is not necessarily a

² Moravcsik's analysis of the EU democratic deficit is a logical extension of his 'liberal-intergovernmental' theory of European integration. In this theory, European integration proceeds through consensus between the EU governments, and because the governments have good information about their preferences and effective control over their supranational agents, there are few 'unintended consequences' of intergovernmental bargains. Hence, there is no gap between the preferences of the elected governments and final EU policy outcomes – so, the EU is not undemocratic.

democracy. Democracy means more than simply consensual policy outcomes, made by an open and accountable political process. Enlightened despotisms can produce consensual policies, but this does not make them democratic. The problem for the EU is that the input side of democracy is completely absent.

Representatives at the EU level are elected, and so can formally be ‘thrown out’. However, the processes of electing national politicians and even the Members of the European Parliament are not contests about the content or direction of EU policy. National elections are about domestic political issues, where the policies of different parties on issues on the EU agenda are rarely debated. Similarly, European Parliament elections are not in fact about Europe, but are ‘second-order national contests’: fought by national parties on the performance of national governments, with lower turnout than national elections, and hence won by opposition and protest parties (e.g. Eijk and Franklin, 1996). At no point do voters have the opportunity to choose between rival candidates for executive office at the European level, or to choose between rival policy agendas for EU action, or to throw out elected representatives for their policy positions or actions at the EU level.

One could argue that if the EU continues to produce ‘good’ policies, and the process of political competition in domestic democracies ultimately filters through to the EU level, then there is little for EU citizens to worry about.

However, the EU policy regime has a powerful indirect impact on the process of domestic political competition. The single market rules governing the production, distribution and exchange of goods, services, capital and labour restrict micro-economic policy options. Similarly, Economic and Monetary Union (EMU), the Growth and Stability Pact and the multilateral macro-economic surveillance restrict national budgetary and fiscal policy options. As a result, parties on the left (who accept the EU regime as legitimate) cannot promise high levels of social protection or expansionary budgetary policies. Equally,

parties on the right cannot promise further deregulation of labour, product or capital markets or major cuts in public expenditure.

Again, one could contend that restricting policy choices to the centre-ground of politics is in the interests of the median voter, and so is inevitably supported by either a centre-left or a centre-right majority in most member states. In contrast, more radical policies to the left or right of the centre do not, by definition, command the support of a political majority.

But, this argument ignores two important aspects of political competition. First, if parties advocate identical policies, voters will be indifferent about which group of elites is elected to power. This gives incumbents a huge advantage, as they have the added advantage of a track record of implementation of these policies. The only choice voters have, if the incumbents are not incompetent or corrupt, is to judge the personalities of the rival party leaders. So, policy debate is replaced by a political beauty contest.

Second, and more significantly for the future of the European society and economy, restrictions on policy competition undermine policy innovation. Without the possibility of debating rival or new policy promises, outside the short-term boundaries of the EU policy regime, solutions to the long-term structural problems of the European economy are unlikely to be found.

For example, many economists and policy-makers argue that a radical deregulation of labour markets, at least for small and medium-sized enterprises, is the only way to reduce structural unemployment in Europe. Structural unemployment is particularly acute in EMU, because governments cannot use monetary or fiscal policies to inflate the economy at the bottom of the business cycle. The EU has policy instruments to introduce labour market reform in Europe: for example, the Commission could propose a Directive harmonising rules on the hiring and firing of workers for companies with less than a hundred employees.

However, such a proposal would be politically explosive, as this would involve a radical shift from the policy status quo for most member states. As a result, the governments have tried to encourage each other to introduce labour market reforms through the ‘softer’ process of the ‘Open Method of Coordination’ (OMC). But, faced with entrenched vested interests against labour market reform, domestic political parties have no incentive to follow the informal agreements made through OMC, or to act unilaterally, as radical labour market regulation in the absence of EU legislation would probably be in breach of the current social policy rules.

The problem for the EU, in this case, is that there is no vehicle for encouraging a European-wide debate about structural reform of the European economy. If such a debate could be held, opposing policy positions could be advocated, a particular majority could form in favour of one of these positions, and a mandate for action at the EU level could be taken. If this majority is in favour of labour market deregulation some of these issues could be resolved. But, even if the winning majority is opposed to labour market deregulation (on the grounds that it would undermine the ‘European model of capitalism’), the parties who advocates this position would have to put together a package of other policies that would resolve the issue of structural unemployment (such as public funding of retraining programmes, incentives for companies to hire employees through the tax system etc.). In either case, a pareto-optimal policy regime would evolve.

The theoretical argument can hence be summarised as follows. The EU policy regime is indeed centrist, as Moravcsik claims. But, this regime also constrains domestic policy choices to only minor variations from this regime. This is a problem for EU citizens because there is no political competition over the direction of the EU policy agenda, which would promote policy innovation in the EU regime or enable optimal policy package alternatives to develop. As a result, Europe is locked-in to existing policy status quos, and there is no incentive for political elites at the domestic or EU levels to change this situation. The result is

declining party competition at the domestic level, increased voter apathy, growing distrust of governments and political elites, and soaring antipathy towards European integration. If this theory is correct, the long-term consequences could be disastrous for the EU polity!

3.2. Empirical Propositions about the EU and Political Competition

Several empirically verifiable propositions can be derived from this argument – such as the relationship between European integration and voter apathy, or the relationship between increased policy constraints and declining support for European integration and the EU institutions. However, I will focus the rest of the paper on the central proposition of the theory. This can be summarised in the following hypothesis:

H1. EU integration has led to a decline in domestic political competition on the main (economic) left-right dimension of politics.

As European integration is primarily about the delegation of executive, legislative and judicial powers to European level institutions in the area of economic policy-making, the main effect of European integration should be felt in the sphere of domestic economic policy contestation. This hypothesis can be operationalised by looking at the level of competition between the main political parties in each member state on the ‘economic’ left-right dimension of politics, and testing whether EU integration has the effect of reducing the distance between parties on this dimension, controlling for other factors.

But, the theory makes several other claims about specific policy constraints as a result of EU integration. First, parties are constrained in their micro-economic policy choices by the establishment and regulation of the single market. Second, parties are constrained in their macro-economic policy choices as a result of the monetary policies of the EU Central Bank

and the process of macro-economic policy coordination within EMU. These hypotheses can be stated as follows:

H2. The single market has lead to a decline in domestic political competition on regulatory policies.

H3. Economic and Monetary Union has lead to a decline in domestic political competition on macro-economic policies.

These hypotheses can be tested by looking at the distance between the positions parties take on regulatory and macro-economic policies, and testing whether the timing of the single market and EMU effect this distance.

Finally, the theory suggests that EU integration does not restrict all policy choices. For example, EU policies do not constrain most domestic socio-political policy choices, such as abortion rights, crime prevention measures, or the rights of homosexuals – although the EU has changed domestic policies on the rights of women and ethnic minorities and how states treat asylum seekers. Hence, this null-hypothesis can also be tested:

H4. EU integration has NOT lead to a decline in domestic political competition on the liberal-authoritarian, or 'social left-right', dimension of politics.

This hypothesis can be tested by looking at the distance between party positions on the socio-political dimension, and testing whether EU integration has any impact on this distance.

4. Operationalisation: Estimating the Effect of the EU on Domestic Political Competition

4.1. Dependent Variables: Policy Distance in 16 EU Party Systems

An obvious question is how to measure ‘political competition’ over time and across states.

The theoretical claims suggest a particular definition of competition: *the policy distance between the positions of the ‘main’ political parties* (those parties who expect to be the leading parties in the formation of government and the subsequent shaping of policy outcomes). This definition excludes extremist or minority parties, on the grounds that they are unlikely to be in a situation to shape government policy outcomes, often seek more radical policy changes including opposition to the EU, and so should not be too constrained by the EU policy regime.

This is not an unproblematic definition. It could be argued that any policy distance between the main competitors for the formation of government is ‘competition’. Also, a very large policy distance between political competitors can have a destabilising rather than reinforcing effect on democracy. Nevertheless, if parties are close together on a policy dimension, one can expect that they will only express minor policy differences. And, if we focus the analysis on only those parties who expect to be the main governing parties, then it is unlikely that these parties would stray too far from the centre, and so produce destabilising centrifugal effects on the polity. Hence, absolute distance between parties is a reasonable proxy for measuring competition: the smaller the distance, the less vigorous the policy debate will be, the greater the distance, the more vigorous this debate will be.

In the current British context, for example, Conservative Party leaders believe that their best strategy for defeating the Labour government is to highlight the ‘clear blue water’ between themselves and Tony Blair. All party leaders understand that straying too far from the median-voter in the British system is electoral suicide. However, Conservative leaders are

also acutely aware that if their policies are indistinguishable from those of Labour, then voters will be indifferent between the two products on offer, and so will favour the incumbent party. Hence, emphasising the policy distance between the two main parties in British politics is essential for democratic contestation in the British context.

TABLE 1 ABOUT HERE

I consequently look at political competition sixteen party systems: the fifteen EU member states plus the two separate party systems in Belgium as two separate cases of political competition. The parties included in each of these systems are listed in Table 1. I then take each general election in each of these systems between 1960 and 1998 as a separate case of political competition. This leads to a total of 170 cases, which is an average of 10.7 cases per member states.

To measure the policy distance between the main parties in these 170 elections, I use the Party Manifestos Research Group dataset (Budge et al., 2001). This dataset contains information on the positions taken by political parties in twenty-five democracies in their election manifestos for all general elections between 1950 and 1988.

I use this dataset to calculate four dependent variables, each measuring the policy distance between the main political parties on a different set of issues (the numbers in parentheses refer to the codes in the party manifestos dataset):

- *Economic Left-Right* (free market vs. interventionism) – where a party's position is calculated as the sum total of its manifesto statements in favour of 'free enterprise' (per401), 'protectionism: negative' (per407), 'economic orthodoxy' (per414), 'welfare state limitation' (per505), 'labour groups: negative' (per702), and 'middle class and

- professional groups' (per704), *minus* the same party's manifesto statements in favour of 'tax and wage incentives' (per402), 'market regulation' (per403), 'economic planning' (per404), 'corporatism' (per405), 'protectionism: positive' (per406), 'Keynesian demand management' (per409), 'controlled economy' (per412), 'nationalisation' (per413), 'welfare state expansion' (per504), and 'labour groups: positive' (per701);
- *Regulation* (deregulation/privatisation vs. regulation/public ownership) – where a party's position is calculated as the sum total of its manifesto statements in favour of 'free enterprise' (per401), 'protectionism: negative' (per407), *minus* the same party's manifesto statements in favour of 'market regulation' (per403), 'corporatism' (per405), 'controlled economy' (per412), 'nationalisation' (per413), and 'environmental protection' (per501);
 - *Macro-economics* (monetarism/orthodoxy vs. Keynesianism/growth) – where a party's position is calculated as the sum total of its manifesto statements in favour of 'economic orthodoxy' (per414), 'welfare state limitation' (per505), and 'education limitation' (per517), *minus* the same party's manifesto statements in favour of 'tax and wage incentives' (per402), 'economic planning' (per404), 'Keynesian demand management' (per409), 'productivity' (per410), 'controlled economy' (per412), 'welfare state expansion' (per504), and 'education expansion' (per506); and
 - *Social Left-Right* (social conservatism vs. individual liberty) – where a party's position is calculated as the sum total of its manifesto statements in favour of 'military: positive' (per104), 'political authority' (per305), 'national way of life: positive'

(per601), ‘traditional morality: positive’ (per603), ‘law and order’ (per605), ‘social harmony’ (per606), ‘multiculturalism: negative’ (per608), *minus* the same party’s manifesto statements in favour of ‘peace’ (per106), ‘freedom and human rights’ (per201), ‘democracy’ (per202), ‘social justice’ (per503), ‘national way of life: negative’ (per602), ‘traditional morality: negative’ (per604), ‘multiculturalism: positive’ (per607), and ‘underprivileged minority groups’ (per705).

The level of ‘political competition’ on each of these variables is then calculated as the distance between the furthest ‘left’ and furthest ‘right’ mainstream party on the particular dimension. As Table A2 in the Appendix shows, there is some correlation between parties’ positions on the ‘Economic Left-Right’ dimension and the ‘Regulation’ and ‘Macro-economics’ dimensions. But, as one can see from the way the measures are constructed, the regulation and macro-economic dimensions are really sub-dimensions of the main economic left-right dimension. As a result, there is only moderate correlation between parties’ positions on the ‘Regulation’ and ‘Macro-economics’ dimensions, and almost no correlation between parties’ positions on the three economics dimensions and their positions on the ‘Social Left-Right’ dimension.

FIGURE 1 ABOUT HERE

To give an idea of the main empirical regularities in these dependent variables, Figure 1 shows the trends in the level of political competition on the economic left-right dimension in Germany, France and Britain, compared to the United States. As the figure reveals, in the United States, the level of contestation over economic policies between the Democrats and Republicans has remained moderately stable, with some decline in the 1990s. In contrast, in

these three European states, the distance between the main parties peaked in the late 1970s and early 1980s at a considerably higher level than in the United States (at least in Britain and France), and then declined rapidly to the end of the 1990s. If the theory is correct, this decline in competition in Europe is at least partially explained by these states' integration in the EU.

4.2. Statistical Models and Right-Hand-Side Variables

To estimate the relationship between EU integration and the four measures of domestic political competition I use a series of linear regression models, with fixed-effects for each EU state. These models take the following basic functional form:

$$Y_{es} = \beta_1 EU_INTEGRATION_{es} + \beta_2 CONTROL_{es} + \beta_3 STATE_e + \varepsilon_{es}$$

where $e = 1, \dots, t$, and $s = 1, \dots, 16$, and each election is indexed by e , each state by s , and t is the number of elections in each state. The models are estimated using the standard ordinary-least-squares technique.

The key independent variables are contained in the EU_INTEGRATION element of the function. This element is a vector of four variables measuring different aspects of EU integration. The first variable is **EU membership**. This is a dummy variable, which takes the value 0 for every election before a state joined the EU and 1 for every election after a state joined the EU. Second, to capture the idea that EU membership imposes increasing constraints (as European integration deepens and the *acquis communautaire* increases), and that there are more constraints if a state joins later rather than earlier, the second variable is the interaction term **Trend*EU membership**. The 'Trend' element of this variable starts from 1 in 1960 and increases by 1 unit in every subsequent year. So, if a state joins the EU in

1973, the Trend*EU membership variable jumps from 0 in 1972 to 14 in 1973. But, if a state joins in 1995, the Trend*EU membership variable jumps from 0 in 1994 to 36 in 1995.

Third, to capture the specific effect of the Single Market Programme as well as the operation of the single market, the variable **Single Market** takes the value 0 for every year up to and including 1986 and 1 thereafter. Fourth, to capture the effect of macro-economic convergence in the build up to EMU as well as the launch of the single currency, the variable **EMU** takes the value 0 for every year up to and including 1992 and 1 thereafter.

The CONTROL element of the function is a vector of several variables that control for other causes of increasing or declining party competition. Here, the controls account for three main possible intervening factors. First, a major cause of change in parties' policy positions is the strategic context in which parties operate. On one side, changes in voters' preferences, cleavage structures, and the policy positions of other parties in the system cause parties to shift their positions (e.g. Kitschelt, 1994). On the other side, changes in the institutional rules of the game, such as the electoral system, force parties to change their electoral behaviour (e.g. Cox, 1996). Putting these two sides together, the simplest way of controlling for change in the overall strategic context of party competition is to look at the number of parties in the party system, as this captures both the dynamics of voters' preferences and the effects of changes in the electoral or institutional system (as in the case of Italy). So, the first control variable is the **Effective No. of Parties**. This is calculated (at the electoral rather than parliamentary level) for each of the 170 elections as follows, where v is the vote share of a party i :³

$$EFFECTIVE_NO_OF_PARTIES = \frac{1}{\sum v_i^2}$$

³ The data for the Effective Number of Parties in each election between 1960 and 1990 was taken from Lijphart (1994), and between 1990 and 1998 was calculated by the author from the information on: <http://www.electionworld.org>.

Second, political competition can be expected to be particularly ferocious at times of severe economic strife and social conflict. To control for this effect, the variable **Misery Index** is included, which is calculated as the inflation rate multiplied by the unemployment rate in each state at the time of each election.⁴

Third, political competition may decline because of the effects of increasing global trade and financial integration. The standard wisdom is that increased global economic interdependence presents severe restrictions on domestic party competition, particularly for parties on the left (e.g. Milner and Keohane, 1996; Frieden & Rogowski, 1996; cf. Boix, 1998; Garrett, 1998). If parties on the left are forced to become more centrist as a result of increased globalisation, the distance between the main centre-left and centre-right parties will decline, independently of the effects of EU integration. I consequently include two variables to control for increasing globalisation: (1) **Global Trade** is calculated as the volume of exports of a state as a percent of Gross Domestic Product in the election year;⁵ and (2) because trade data are missing for several election years and some states, and because the volume of trade increased for all states, I include the variable **Trend** as a proxy for increased trade. This variable takes the value 1 in 1960 and increases by 1 in every subsequent year (see above).

Because I could not obtain complete data for the Misery Index and Global Trade, I estimate a variety of models, with these variables included in some models and excluded in others.

Finally, regarding the STATE element of the function, because the theory makes predictions about political competition *within* rather than *between* states, all the models

⁴ The 'economic misery index' was calculated by the author from the data in the 2003 edition of the Statistical Compendium of the Organisation for Economic Cooperation and Development (OECD).

⁵ The volume of exports as a percent of GDP was calculated by the author from the data in the 2003 edition of the Statistical Compendium of the OECD.

include a fixed-effect for each party system in the analysis: in other words, sixteen dummy variables, which take the value 1 for an election in that party system and zero for all other elections. Strictly speaking, then, because a constant is not included, these are Analysis of Variance (ANOVA) models.

Descriptive statistics for all the variables are contained in Table A1 in the Appendix.

5. Statistical Results

Table 2 contains the results of the regression models. The central hypothesis (H1), that EU integration has led to a decline in political competition on economic issues, is broadly confirmed by the results. In models 1, 2 and 3, the EU integration variables are generally associated with a decline in the distance between parties' positions on the economic left-right dimension in each EU member state. The direction of the effect is as predicted for nine of the twelve variables. Only the progressive effect of EU membership on domestic political competition, with the Trend*EU Membership interaction term, is in the opposite direction to the one expected. However, combined with the result for the EU membership variable (which does not vary for six of the member states, who joined the EU before the start of the period under analysis), these results suggest that EU membership, per se, did not start to have an effect on domestic competition until later in the period under analysis. This effect is then captured by the Single Market and EMU variables more than by the EU membership and Trend*EU Membership variables.

TABLE 2 ABOUT HERE

In model 3, for example, the EU membership and Single Market variables, controlling for changes in the strategic context of party competition and increased globalisation (with the ‘Trend’ variable), both produce average reductions in the distance between the main parties in each member state on the economic left-right scale of almost 10 points, against an average base-line distance between the main parties of approximately 25 points (the mean size of the base-line coefficients on the sixteen party system dummy variables). EMU appears to have a smaller and, hence, not significant effect. Also, the combined effects of EU membership, the Single Market and EMU out-way the opposing effects of the Trend*EU Membership interaction term.

There is also some support for the second and third hypotheses, relating to the specific effects of the single market and EMU on regulatory policy and macro-economic policy competition, respectively. In models 4, 5 and 6, the direction of the effect of the Single Market variable on party competition over market regulation/deregulation and public ownership/privatisation, as measured by the Regulation dependent variable, is in the predicted direction. Similarly, in models 7, 8 and 9, the direction of the effect of the EMU variable on party competition over macro-economic policies is in the predicted direction. But, these relationships are only statistically significant in the case of the effect of EMU on macro-economic competition in model 9. Again, this lack of significance is probably a result, firstly, of the crudeness of these dummy variables, and, secondly, of the small number of cases, particularly where the EMU variable is concerned, which only affects the 19 elections between 1993 and 1998 (11 percent of the cases).

Finally, the fourth hypothesis, that EU integration should *not* lead to a *decline* in political competition on non-economic issues, on the ‘social left-right’ dimension, also appears to be confirmed. In models 10, 11 and 12, the relationship between the EU integration variables and political competition on this dimension is only significant in one of

the twelve cases. Also, ignoring the levels of significance, the EU Membership and Single Market variables correspond with an increase, rather than decrease, in the level of political competition on the social left-right dimension. This does not suggest that EU integration has directly increased competition on these issues in the domestic arena. However, it does reveal that as competition on economic issues in the face of EU integration has declined, from the 1980s onwards, parties have been forced to compete on non-economic issues, such as crime and immigration. Put this way, EU integration has had an *indirect* effect on competition on the social left-right dimension, in a positive direction.

Overall, there is some evidence to support the theory that EU integration restricts particular types of democratic contestation. One interesting general result, though, is that the progressive effects of EU integration, as measured by the Trend*EU Membership variable, are not in the expected direction. In models 1, 3, 7 and 9, the cumulative effects of EU membership appear to *increase* rather than *decrease* competition on the economic issues. This result may suggest that parties ‘learn’ to deal with EU integration. For example, parties accept the basic constraints, but then find a way to redefine their policy differences. Garrett (1998) and Boix (1998) make similar arguments about the effects of global economic interdependence on parties, where globalisation forces party competition on economic issues to shift from a focus on demand-side/fiscal policies to supply-side/regulatory policies. However, the EU polity presents significantly greater constraints on domestic supply-side policies than globalisation. So, how far parties can ‘learn’ new ways of competing within the constraints of the EU is limited.

However, there are some important caveats to these inferences. First, because these are fixed-effects models, the ‘real sample size’ is small: with approximately eleven elections in each member state. As a result, it is not surprising that so few of the relationships are significant at normal levels. Second, using the Party Manifestos Research Group data is not

unproblematic, as the method of the group assumes a particular ‘saliency theory’ of party competition. Many scholars question this theory, and consequently propose alternative methods for extrapolating policy positions from political texts (e.g. Laver and Garry, 2000; Laver, Benoit and Garry, 2003). Hence, the evidence from the party manifestos data should be supplemented with different measures of political competition.

Third, the EU integration variables in this analysis are rather crude. The nuanced effect of EU integration cannot be captured by a small number of dummy variables. Also, the EMU variable is unlikely to have any effect simply because it appears so late in the period under study. So, to capture the real effects of EU integration, more sophisticated and qualitative methods need to be developed, for example by looking at the exact dates of particular EU policy regimes – such as harmonised environmental standards, harmonised rules governing temporary and part-time employees, gender equality legislation, liberalisation of the energy industry – and seeing how domestic actors then alter their policy stances to take account of these regimes.

6. Conclusion: Wither European Democracy?

The essence of democracy is political choice. If the political marketplace does not provide a choice, the connection between voters’ preferences and policy outcomes relies on the luck of the elites and institutions. So far the EU has been lucky. Because of the independence and design of the agenda-setter (the Commission), EU policies tend to be centrist, and because of multiple veto-players, policy change is difficult. But, as the EU faces some fundamental questions – about how to reform the European economy, what role Europe should play in the world, and how to deal with Europe’s new multiethnic society – the EU’s luck may run out.

Moravcsik (2002: 616) contends that issues on the EU agenda are simply not salient enough for voters to be interested in EU policy questions – what Schattschneider would have called ‘biases to be mobilised’. Hence, Moravcsik invokes Schmitter’s (2000) argument that genuine European ‘cleavages’ would only develop if the EU was given significant redistributive powers, such as a guaranteed minimum-income for the poorest third of European citizens. And since these powers are undesirable, Moravcsik concludes that the institutional status quo is preferable to full-blown democracy.

I sympathise with Schmitter’s argument about the need for contestation, but do not accept that new cleavages need to be created. Issues in on the EU agenda are already highly salient: such as whether regulation of the single market should be based on a neo-liberal or a social democratic model; whether the European Central Bank and the EU Finance Ministers should pursue a monetarist or a neo-Keynesian macro-economic strategy; how Europe’s labour markets should be reformed to reduce structural unemployment; whether Europe should promote ‘free trade’ or ‘fair trade’; whether Europe should have a liberal or conservative immigration policy; and what Europe’s global role should be in relation to the United Nations and the United States. These are the key issues of modern politics in Europe.

But, because the policy competences for tackling these issues are now at the European level, these issues have been removed from domestic political competition. The empirical evidence suggests that not only has domestic party competition on the main dimensions of politics declined since the 1970s, but a major factor in this decline has been the constraints imposed by the EU single market and Economic and Monetary Union. As a result, in the domestic arena, voters are simply no longer able to make democratic choices about which policies they prefer to the EU status quo. And, because representation in the EU institutions is highly indirect, voters cannot make choices about what should happen at the EU level either.

So, the ‘enlightened despotism’ that is the current EU may produce relatively moderate and benign policies. But, when Europe is now faced with a need to reform the basic policy status quos, Europe’s elites are trapped. Acting collectively through the EU institutions they are not able to move either to the left or to the right of the policy status quo without alienating large sections of their electorates, and have no incentive to undertake policy innovations and to sell these innovations to their publics.

In a fully democratic polity, in contrast, tough policy decisions are resolved through the process of competitive elections. This process has a powerful inducing effect. On complex issues, voters’ preferences are endogenous to the electoral process; as new preferences form in response to new information, new arguments and new considerations about the long-term sustainability of existing status quos. A new majority is then formed in favour of policy change in one direction or another, and this majority is given a chance to see if this policy strategy works.

The only solution for the EU, then, is a genuine contest for political leadership at the European level – for example through some form of majoritarian election of the Commission President and/or new Council President (e.g. Hix, 2002). Because there are a high number of veto-players in the EU policy process, such a contest would only have a limited impact on current policy status quos. However, as the EU starts to tackle the more fundamental problems facing our continent, a contest for political leadership at the European level would provide the necessary safety-valve for a debate to be aired, new preferences to be formed, competing positions to be taken, a democratic choice to be made, and a new policy to be developed with full democratic authority. Only through such a genuine contest could European democracy be reinvigorated at both the national and European levels. Without such a contest, the democratic future of Europe could be bleak!

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Table 1. The Main(stream) Political Parties in the EU Party System

Party System	Parties (Left to Right)	Elections (N)	Joined EU	Joined SEM	Joined EMU
Belgium-Flanders	Socialists (SP), Christian Democrats (CVP), Liberals (PVV)	1961-1995 (12)	1958	1993	1999
Belgium-Wallonia	Socialists (PS), Christian Democrats (PSC), Liberals (PRL)	1961-1995 (12)	1958	1993	1999
France	Socialists (PS), Giscardians (UDF), Gaullists (RPR)	1962-1997 (10)	1958	1993	1999
Germany	Social Democrats (SPD), Christian Democrats (CDU/CSU)	1961-1998 (11)	1958	1993	1999
Italy	Communists/Left-Democrats (PCI/PDS), Christian Democrats/Forza Italia (DC/FI)	1963-1996 (10)	1958	1993	1999
Luxembourg	Social Democrats (POSL), Christian Democrats (PCS), Democrats (PD)	1964-1994 (7)	1958	1993	1999
Netherlands	Labour (PvdA), Christian Democrats (CDA), Liberals (VVD)	1963-1998 (11)	1958	1993	1999
Denmark	Social Democrats (SD), Liberals (V), Conservatives (KF)	1960-1998 (16)	1973	1993	--
Great Britain	Labour (LAB), Conservatives (CON)	1964-1997 (11)	1973	1993	--
Ireland	Fine Gael (FG), Fianna Fail (FF)	1961-1997 (12)	1973	1993	1999
Greece	Socialists (PASOK), New Democracy (ND)	1974-1996 (9)	1981	1993	2002
Portugal	Socialists (PS), Social Democrats (PSD), Popular Party (PP)	1975-1995 (9)	1986	1993	1999
Spain	Socialists (PSOE), Democratic Centre (UDC), Conservatives (AP/PP)	1977-1996 (7)	1986	1993	1999
Austria	Socialists (SPÖ), Christian Democrats (ÖVP)	1962-1995 (11)	1995	1995	1999
Finland	Social Democrats (SDP), Centre (KESK), National Coalition (KOK)	1962-1995 (10)	1995	1995	1999
Sweden	Social Democrats (SAP), Conservatives (M)	1960-1998 (13)	1995	1995	--

Figure 1. Political Competition in Europe and the United States, 1960s-1990s

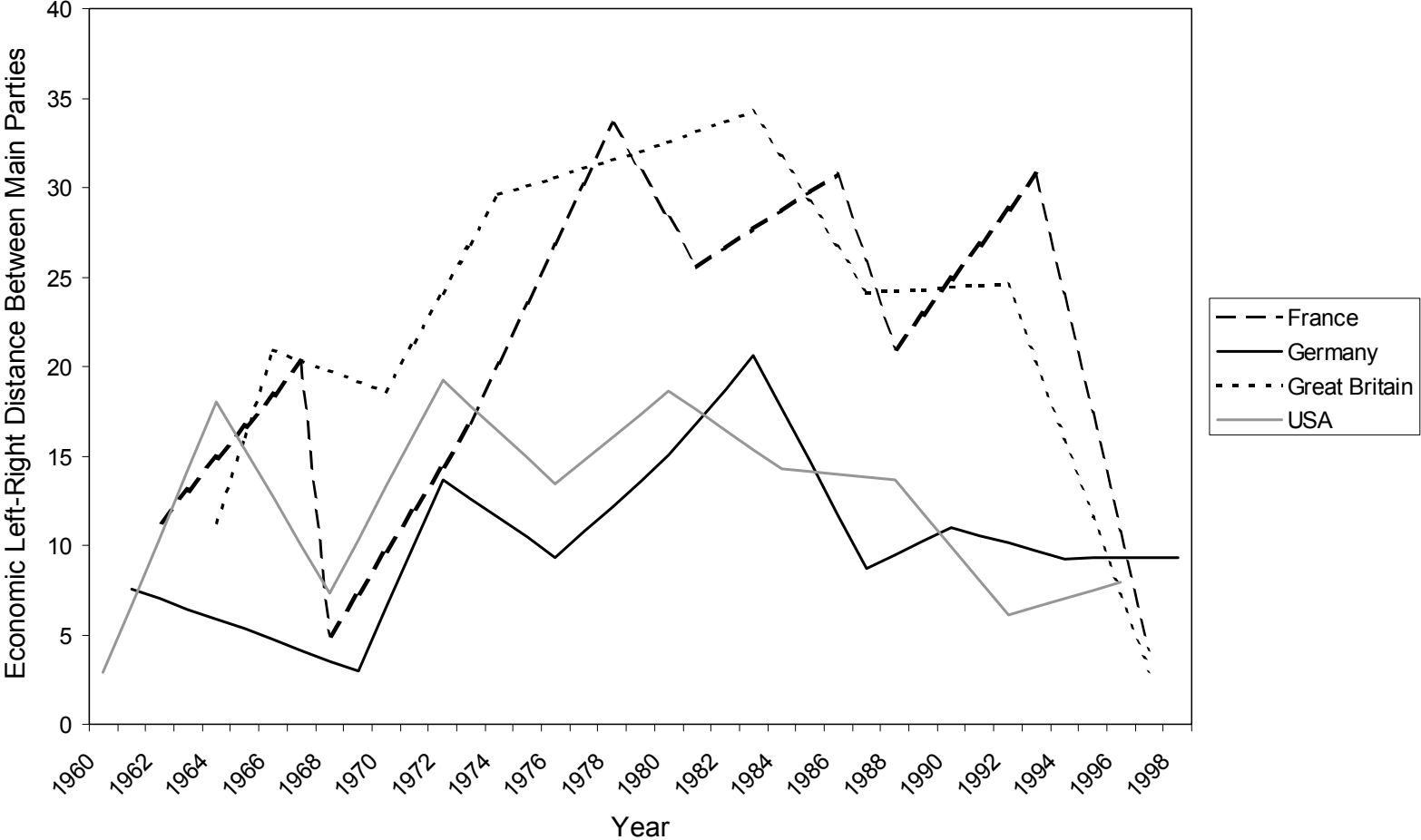


Table 2. Results

Dep.Var.: Indep.Var.	Econ. Left-Right			Regulation			Macro-economics			Social Left-Right		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
EU Memb.	-7.39 (7.63)	12.85 (12.22)	-9.87** (5.40)	3.61 (4.29)	7.58 (6.48)	-1.17 (3.08)	-7.65 (6.81)	-5.23 (11.39)	-8.29** (4.87)	.79 (6.37)	9.53 (11.06)	-.52 (5.46)
Trend*EU Memb.	.69** (.34)	-.13 (.50)	.72*** (.27)	-.02 (.19)	-.05 (.27)	.03 (.15)	.60** (.30)	.30 (.47)	.68*** (.24)	-.38* (.29)	-.55 (.46)	-.34 (.27)
Single Market	-6.22 (5.25)	-7.19 (6.65)	-8.66** (3.74)	-.43 (2.95)	-1.08 (3.53)	-1.48 (2.14)	.01 (4.69)	-1.95 (6.20)	-4.30 (3.38)	5.65 (4.38)	3.11 (6.02)	1.84 (3.79)
EMU	-2.79 (4.29)	-.45 (5.56)	-1.13 (3.65)	-1.58 (2.41)	.50 (2.94)	-1.16 (2.08)	-3.82 (3.83)	-5.58 (5.17)	-4.36* (3.29)	-2.25 (3.58)	-.83 (5.03)	-2.72 (3.69)
Misery Index	.06* (.04)	.00 (.07)		.03* (.02)	.05 (.04)		.09** (.04)	.05 (.07)		.05 (.04)	.05 (.06)	
Global Trade		-.22 (.43)			-.22 (.23)			-.16 (.40)			.27 (.39)	
Trend	-.58*** (.21)		-.55*** (.19)	.06 (.12)		.04 (.11)	-.70*** (.19)		-.61*** (.17)	.13 (.18)		.13 (.19)
Eff. No. of Parties	2.02* (1.42)	1.92 (1.73)	.26 (.92)	.30 (.80)	.05 (.92)	-.01 (.53)	.78 (1.26)	.83 (1.61)	.26 (.83)	.88 (1.18)	1.21 (1.57)	1.34* (.93)
Austria	19.97*** (5.95)	17.11 (13.99)	24.99*** (5.06)	9.23*** (3.35)	17.73*** (7.41)	11.07*** (2.89)	23.38*** (5.31)	12.58 (13.03)	24.45*** (4.57)	3.64*** (.97)	-3.18 (12.66)	3.35 (5.13)
Belgium- Flanders	14.20 (13.46)	1.98 (27.98)	34.78 (8.06)	4.39 (7.57)	14.74 (14.83)	11.64*** (4.60)	15.92* (12.01)	1.86 (26.06)	22.28*** (7.28)	9.29 (11.24)	-8.00 (25.33)	1.58 (8.16)
Belgium- Wallonia	2.11 (13.46)	4.88 (27.98)	25.89*** (8.06)	1.33 (7.57)	14.77** (14.83)	8.78** (4.60)	7.83 (12.01)	5.97 (26.06)	16.37** (7.28)	7.80 (11.24)	-9.14 (25.33)	11.35* (8.16)
Denmark	18.84** (8.80)	21.05* (15.85)	33.87*** (5.84)	4.20 (4.95)	14.12** (8.40)	11.28*** (3.33)	18.85*** (7.86)	9.84 (14.76)	25.31*** (5.27)	13.61** (7.35)	7.76 (14.34)	13.22** (5.91)
Finland	22.35*** (8.89)	18.66* (13.39)	33.55*** (6.62)	6.91* (5.00)	13.14 (7.10)	9.99*** (3.78)	28.43*** (7.93)	2.12 (12.48)	32.12*** (5.97)	22.74*** (7.42)	17.43* (12.12)	21.53*** (6.70)
France	15.04* (9.30)	12.15 (12.48)	27.67*** (7.05)	2.84 (5.23)	8.02* (6.61)	8.73** (4.02)	18.53** (8.30)	13.41 (11.63)	22.67*** (6.36)	21.97*** (7.77)	11.79 (11.30)	22.65*** (7.14)
Germany	10.10* (7.70)	5.45 (12.20)	18.94*** (6.01)	-.78 (4.33)	9.73* (6.46)	4.23 (3.43)	13.64** (6.88)	3.37 (11.36)	15.77*** (5.42)	12.57** (6.43)	17.94* (11.04)	13.51** (6.08)
Great Britain	20.31*** (6.46)	15.97*** (1.58)	28.35*** (5.13)	3.99 (3.63)	7.74 (5.61)	8.20*** (2.93)	13.93*** (5.76)	8.52 (9.86)	16.80*** (4.63)	11.75** (5.39)	5.08 (9.58)	13.22*** (5.19)
Greece	13.84* (8.51)		26.97*** (5.36)	-1.77 (4.79)		6.33** (3.06)	16.07** (7.60)		25.22*** (4.84)	23.50*** (7.11)		32.22*** (5.42)
Ireland	2.93 (8.59)		17.98*** (5.03)	-3.91 (4.83)		5.34** (2.87)	8.34 (7.67)		16.82*** (4.54)	-.75 (7.17)		14.27*** (5.09)
Italy	2.28 (9.06)	-1.96 (12.87)	16.78*** (6.76)	-1.89 (5.10)	-.96 (6.82)	4.94 (3.86)	9.36 (8.08)	2.06 (11.99)	16.72*** (6.10)	3.97 (7.56)	-4.26 (11.65)	6.89 (6.84)
Luxembourg	4.74 (9.83)		11.72** (6.75)	-1.40 (5.53)		4.35 (3.85)	11.68* (8.78)		11.18** (6.09)	9.91 (8.21)		9.09* (6.83)
Netherlands	15.55** (9.02)	12.25 (19.60)	25.81*** (6.79)	6.11 (5.07)	13.27*** (1.39)	11.42*** (3.87)	13.44** (8.05)	9.37 (18.26)	16.48*** (6.13)	13.64** (7.53)	-1.89 (17.75)	12.03** (6.87)
Portugal	14.15* (8.74)	9.09 (14.45)	26.75*** (5.62)	-.55 (4.92)	5.12 (7.65)	4.90* (3.21)	2.11 (7.80)	4.29 (13.46)	27.89*** (5.07)	12.89** (7.30)	3.32 (13.08)	18.39*** (5.69)
Spain	7.86 (9.00)	6.39 (11.77)	2.78 (6.02)	-1.79 (5.06)	-.87 (6.24)	4.95* (3.44)	3.51 (8.03)	-3.22* (1.96)	15.18*** (5.44)	-1.13 (7.52)	-5.25*** (1.65)	7.67 (6.10)
Sweden	28.85*** (6.65)	17.93 (18.10)	35.79*** (5.26)	13.73*** (3.74)	17.61** (9.59)	15.91*** (3.00)	27.28*** (5.93)	9.07 (16.86)	28.92*** (4.75)	3.63 (5.55)	-7.76 (16.38)	2.87 (5.33)
N	135	74	170	135	74	170	135	74	170	135	74	170
Adj. R-squ.	.717	.743	.747	.677	.749	.690	.635	.580	.650	.741	.746	.697

Note: Non-standardised beta coefficients. Standard errors in parentheses. * significant at 10%; ** significant at 5%; *** significant 1%.

Appendix

Table A1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Econ. Left-Right	170	.01	86.40	18.22	13.20
Regulation	170	.25	42.80	9.25	6.98
Macro-economics	170	.07	7.30	12.95	11.41
Social Left-Right	170	.08	7.40	16.20	13.04
EU Membership	170	.00	1.00	.69	.46
Trend*EU Membership	170	.00	39.00	15.84	13.70
Single Market	170	.00	1.00	.28	.45
EMU	170	.00	1.00	.11	.32
Misery Index	135	.65	205.55	41.52	45.07
Global Trade	75	12.02	69.06	3.09	14.98
Trend	170	1.00	39.00	2.87	1.51
Effective No. of Parties	170	2.26	1.41	4.47	1.77
Austria	170	.00	1.00	.06	.25
Belgium-Flanders	170	.00	1.00	.07	.26
Belgium-Wallonia	170	.00	1.00	.07	.26
Denmark	170	.00	1.00	.09	.29
Finland	170	.00	1.00	.06	.24
France	170	.00	1.00	.06	.24
Germany	170	.00	1.00	.06	.25
Great Britain	170	.00	1.00	.06	.24
Greece	170	.00	1.00	.05	.22
Ireland	170	.00	1.00	.07	.26
Italy	170	.00	1.00	.06	.24
Luxembourg	170	.00	1.00	.04	.20
Netherlands	170	.00	1.00	.06	.25
Portugal	170	.00	1.00	.05	.22
Spain	170	.00	1.00	.04	.20
Sweden	170	.00	1.00	.08	.27

Table A2. Correlations Between the Variables

	Econ. Left-Right	Regulation	Macro-economics	Social Left-Right	EU Membership	Trend*EU Membership	Single Market	EMU	Misery Index	Global Trade	Trend	Effective No. of Parties
Econ. Left-Right	1.000											
Regulation	.575**	1.000										
Macro-economics	.732**	.233**	1.000									
Social Left-Right	.179*	.004	.188*	1.000								
EU Membership	-.176*	-.162*	-.237**	-.125	1.000							
Trend*EU Membership	-.200**	-.147	-.231**	-.135	.780**	1.000						
Single Market	-.237**	-.136	-.199**	-.077	.422**	.792**	1.000					
EMU	-.174*	-.124	-.200**	-.086	.239**	.528**	.566**	1.000				
Misery Index	-.012	-.114	.084	.075	.176	.164	-.051	-.058	1.000			
Global Trade	-.103	.057	-.147	-.082	.329	.413**	.355**	.217	-.263*	1.000		
Trend	-.237**	-.051	-.240**	-.073	.304**	.747**	.731**	.517**	.182*	.466**	1.000	
Effective No. of Parties	.126	.093	.005	.098	.271**	.290**	.206**	.213**	-.104	.579**	.217**	1.000

Notes:

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).