

# Forging an Integrated Europe

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## CHAPTER 8

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### Nordic Accession: An Analysis of the EU Referendums

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The intent was clear: in domino fashion the Nordic countries would fall into the ranks of the European Union. The timing of the Nordic referendums was designed in such a fashion as to ensure that the most enthusiastic potential member, Finland, would set the stage and generate the momentum to help convince Swedish and Norwegian voters of the need to follow suit. The outcome was not as planned. While Sweden followed the Finnish example, the Norwegian electorate proved obstinately opposed. This chapter argues that timing was not the most relevant determinate of outcomes in the three Nordic countries. Rather, we ask whether the nature of each country's economic integration (or lack thereof) with the European Union might provide better guidance for interpreting the variation in referendum outcomes.

On October 16, 56.9 percent of voting Finns declared their support for Finnish membership in the European Union in an advisory referendum. While the aggregate numbers showed support for membership, their geographic distribution suggests that the country was severely split on the issue. Indeed, 70 percent, or 326, of the 445 municipalities (*kommuner*) were opposed to membership. Of the supportive counties (*län*), all of them lay in the urban-dominated southern part of the country (see fig. 8.1). The county surrounding the capital city, Helsinki, voted 73.6 percent in favor of membership. The northern counties were all opposed to membership, with the strongest opposition found in Uleåborg (56.1 percent opposed) and Vasa (55.6 percent opposed) counties.

A similar story unfolded in Sweden just a month later: on November 13, Swedes supported EU membership by 52.3 percent. Whereas the number of counties opposed to membership was equal to the number that supported it



Fig. 8.1. Nordic referendum outcomes, percentage of no votes

(12), there was large variation among counties: from the 66 percent of the electorate in Malmöhus Län, which supported membership, to the 72 percent in Jämtland, which opposed it. As in Finland, opposition to the referendum was more concentrated in the northern, more rural part of the country (see fig. 8.1). The pattern was similar in Norway but with a different result. On November 28, the Norwegian electorate narrowly (52.2 percent) opposed membership. As in the other two Nordic countries, the yes votes were heavily concentrated in the urban centers, with the northern and western counties providing strong opposition. Of Norway's 19 counties, 14 contained majorities that op-

posed membership, with Finnmark fylke—in northern Norway—opposing membership by 75 percent.

There are a myriad of potential explanations for the variance in outcomes.<sup>1</sup> Opinions about membership in the European Union have been influenced by a number of elements, several of which were not even conceivable just a handful of years ago. Worse, membership itself crosses many issue areas and crosses several of the traditional cleavages in the Nordic body politic. Because of the complex nature of the decisions, explanations of the referendums threaten to be ideographic and ad hoc.

How do we begin to understand these variations at both the national and regional levels? We propose a parsimonious political economy explanation. Our working hypothesis is that variations among and within the Nordic countries can be explained by their unique economic relationship with the European Union. In particular, the more economically integrated a nation, region, or individual is with the European Union, the more likely it will support Union membership in the respective referendums. In order to test this hypothesis, we examine economic structures and attitudes at three different levels of analysis: national, county, and individual.<sup>2</sup>

This chapter is divided into four sections, wherein each level of analysis is prioritized. After a brief introduction on integration, the second section compares the economic structure and export dependence of each of the Nordic countries vis-à-vis the European Union. Each economy relies on different export structures, which are more or less dependent on markets within the European Union. While the Norwegian economy is shown to be the most integrated with European export markets, the nature of its export (oil) and its relative wealth make it insensitive to membership pressures.

In the third section, the same questions are analyzed at the regional level by employing a series of simple regressions on county-level data. County-level aggregate data are used to establish that the arguments supported at the national level can be sustained at the regional level. We hypothesize that those counties that are more dependent on sheltered sector incomes would be less likely to support membership, and the regression evidence in this section suggests that the economic integration argument is supported at the county level as well. Indeed, the political economy hypothesis finds its strongest support at the county level.

In the fourth section, we attempt to provide microfoundations for the premises worked out in the previous two sections. It is, after all, individuals who vote. The individual-level data only grudgingly support the conclusions of the previous two sections. While economic factors were frequently used to

support membership attitudes, they were not the only factors mentioned, nor were they always the most significant.

We conclude by arguing that an economic integration argument goes some distance in explaining Nordic EU membership aspirations but that the effect of that integration is not always or forcefully apparent in the individual responses of voters. There appears to be a strong political economy argument in effect at the country level, moderate support at the national level, and more nuanced and varied support at the individual level. The results of the individual-level analysis should not be surprising: individual attitudes are affected by a variety of factors. Even in the individual responses that name ideological or political variables as significant in determining their position with respect to EU membership, it is likely that political economy factors nevertheless lie beneath these responses.

### 1. Integration

Our story begins by assuming that each of the Nordic countries would rather *not* join the European Union. Our justifications for doing this are threefold. First, membership entails too many political constraints on national sovereignty to be attractive in its own right. Second, small neighboring states under the European Economic Agreement (EEA) umbrella have the potential for free riding on European solutions. Finally, as members, the potential influence of each of the Nordic states (individually) is relatively small. Instead, we assume that small neighboring nations might be willing to bear the costs of membership—given a greater degree of national economic integration with the European Union. Economic integration, from this perspective, functions as a justification for membership. But what is the relationship between economic and political integration?

Unfortunately, most of the political integration literature is of little utility when trying to explain the incentives for *entering* (as opposed to building) a relatively integrated market.<sup>3</sup> Nor can we expect assistance from the ranks of trade theorists. Although much of contemporary trade theory recognizes a relationship between economic dependence and political affiliation, it positions the causal arrow in a direction pointing *from* political affiliation to economic integration. Trade, in these models, follows the flag.<sup>4</sup> Nevertheless, literature from both the integration and trade theory traditions can be modified to account for enlargement incentives. In particular, we intend to explain membership expansion in terms borrowed from industrial organization theory, cognitive theory, and neofunctionalism.

It is our proposition that the flag follows trade, at least in the case of small open economies on the margins of Europe. This is so for at least three reasons. First, an integrated market is developing and has developed in Europe, and Nordic firms—to varying degrees—are participants.<sup>5</sup> Second, economic integration functions as a sort of communicative interactionism<sup>6</sup> in which exchange interactions form communities. Whereas Karl Deutsch (1953, 1968) originally posited that security communities formed as the result of increased communication (mail flows, telephone calls, tourism, etc.), the same sense of community may be formed by economic exchanges. Finally, and concomitantly, economic integration may have its own spillover effects. Generally, as economic integration accelerates and spreads it can potentially encroach further and further into the political realm, so that political integration might be built on the cognitive foundations of the interactive community. From these generalizations we can form a specific hypothesis: the more economically integrated an entity is with the EU, the greater the likelihood that the entity will desire membership in the Union.

### 2. National Level

The next stage of the puzzle is operationalization. Whereas support for EU membership is easy to gauge from the recent referendums, indicators for economic integration are more amorphous. At the national level, we propose to measure levels of economic dependence along three fronts: general economic well-being (i.e., autonomy or the lack of dependence), foreign direct investment flows, and trade exposure. As we only need to establish relative levels of integration among the three countries, this measure should be sufficient.

Along the first front, economic autonomy, we assume that wealth encourages autonomy. In other words, the poorer a country, the greater the likelihood that it will prefer membership. There are at least two justifications for this assumption. First, and most simply, membership in the European Union is costly for the richer countries.<sup>7</sup> Richer countries can expect to pay more into Union coffers than they receive in return (via such things as larger VAT and GNP resource contributions). Although we are not talking about very much in terms of overall European GDP (under 1.7 percent), these are not insignificant transfers for individual nation-states. Second, membership in the EU and its accompanying designs for economic and monetary union entails significant constraints on national economic policy. In particular, countries that have serious inflation and budget, debt, or exchange rate problems can use member-

ship in the European Monetary System as a means of providing an ambitious external source of legitimacy for national policies. Economic policies suffering a legitimacy deficit are more likely to benefit from membership.<sup>8</sup>

In the second area, we are interested in investment flows. We expect that countries that are experiencing a large outflow of foreign direct investment into Europe would be more likely to join the European Union.<sup>9</sup> High levels of outward FDI could be important for EU membership, even if the investments are going outside of Europe. Continual exit by investment capital weakens the resolve of nation-states, weary from growing unemployment levels. In these cases, outward-oriented multinational corporations are seen to pull their respective countries into the European Union. The more national capital flight into Europe, the stronger the pull on the nation-state to follow.<sup>10</sup>

The final area of economic integration is the most straightforward. We expect to find that the more trade dependent a country is on the EU for its export market the more likely it is to support membership. Increased trade integration is expected to facilitate community building and undermine the initial resistance to membership. In other words, given the referendum outcomes, we would expect that the Norwegian economy was less export dependent on the EU than either the Swedish or Finnish economy.

If these hypotheses are accurate, we should expect to find that these three elements of economic integration are correlated with the outcomes in Finland, Sweden, and Norway. The Norwegian economy should be the least integrated in the European market, the Swedish and Finnish economies more.

## 2.1. General Economic Conditions

The first measures of integration to consider are those that depict the general economic health of each of the three Nordic countries. As we argue that membership in itself is not attractive for nations with stronger economies, measuring the relative strength of each economy should provide a rough indicator of membership attitudes. The difficulty comes in trying to operationalize strength. As credibility concerns play a role in this decision, we think it most useful to measure each Nordic country's record in terms of the EU's so-called convergence criteria. If a country intends to use EU membership as a means of introducing economic frugality, we would expect the most enthusiastic members to have the worst record in terms of these criteria. In addition to the four traditional criteria, we have listed a fifth—percent unemployed—to give a better all-around picture of the economic health of each of the economies (see table 8.1).

TABLE 8.1. Convergence criteria plus unemployment, 1993

	Inflation	Deficit	Interest Rate	Debt	Unemployment
EU criteria	<2.9%	<3.0%	<9.46%	<60.0%	—
Finland	2.2 <sup>a</sup>	10.8	8.9 <sup>a</sup>	37.0 <sup>a</sup>	18.0
Norway	3.7	3.4	7.2 <sup>a</sup>	43.3 <sup>a</sup>	6.0
Sweden	4.5	13.0	8.8 <sup>a</sup>	53.0 <sup>a</sup>	8.2

Sources: European Commission 1996; Nordisk Råd 1995.

Note: Annual change in consumer prices should not exceed by more than 1.5 percent above the three lowest EU inflation rates. The general government budget deficit as a percentage of GDP should not exceed 3 percent. The yields of long-term government bonds should not exceed the yields on the three lowest inflation countries by more than two points. The general government debt as a proportion of GDP should not exceed 60 percent.  
<sup>a</sup>Convergence criteria have been met.

Although these figures only offer a slice of time (1993), the picture that develops is as follows. Despite the fact that Finland satisfied the greatest number of convergence criteria in 1993, it had a phenomenally large unemployment problem. The Swedish economy was also experiencing great difficulties, though these were of a different nature. Swedish debt figures were growing at such a rate that they would soon be outside the criteria's margins, and the deficit, at 13 percent, was frighteningly large. Generally speaking, then, the Norwegian economy seems to be the strongest. Not only was Norway's unemployment level lower than the other two, but it was fairly close to meeting both the deficit and inflation criteria.

## 2.2. Foreign Direct Investment

Immediately after the Swedish EU referendum, a large Swedish firm, Ericsson Ltd., took out full-page ads in several pan-European newspapers to declare that Sweden had finally followed Ericsson's lead in joining the European Union. This advertisement is indicative of the attitude that several internationally oriented Nordic firms took toward the European Union. In the run-up to the referendums, Nordic firms exercised explicit threats of exit (to the European Union) if the national referendums should result in opposition to membership. Several internationally oriented firms had already taken up residence in Europe to defend against that possibility.

Figures 8.2–8.4 show the degree to which capital was already flowing from each of the Nordic economies in the run-up to the referendums.<sup>11</sup> As is evident in all three figures, the EU share of FDI from each of the countries is significant, though it is less so in Finland than in the other two countries. In both

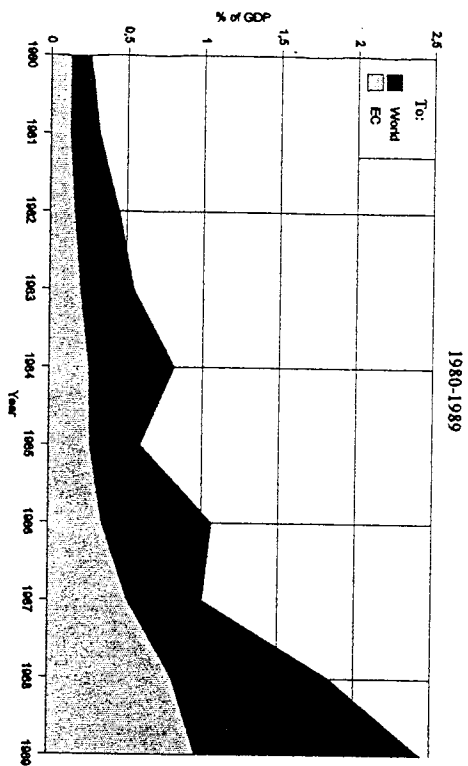


Fig. 8.2. FDI from Finland. (Data from Karlsten 1990 and IMF 1994.)

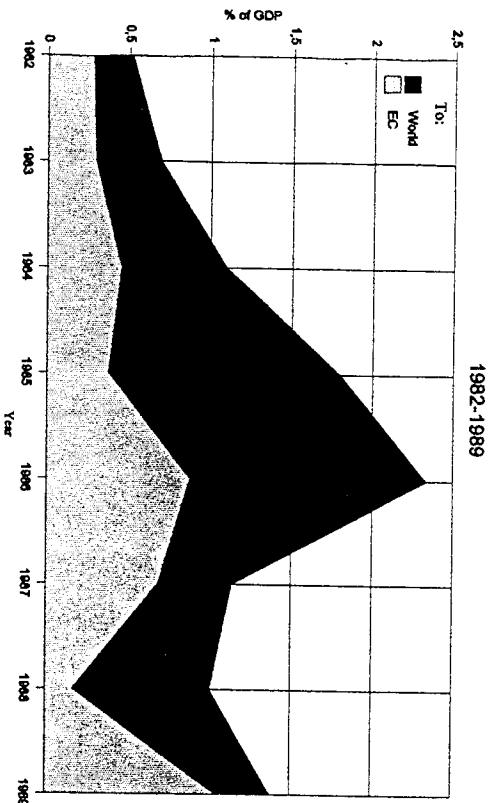


Fig. 8.3. FDI from Norway. (Data from Karlsten 1990 and IMF 1994.)

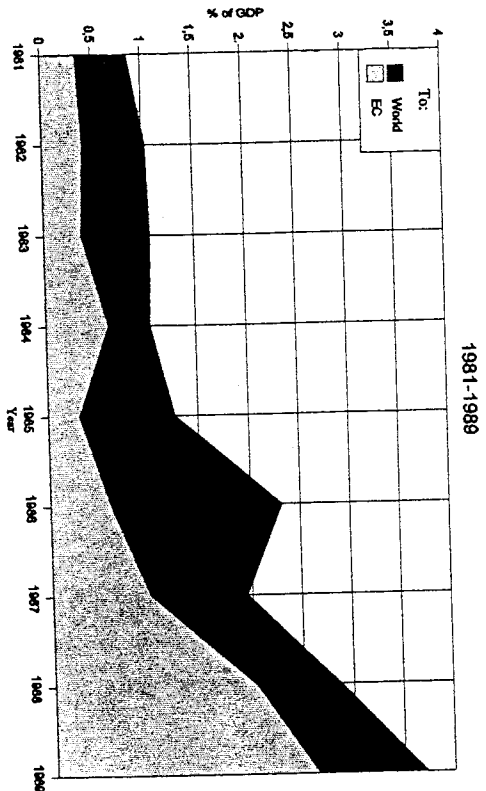


Fig. 8.4. FDI from Sweden. (Data from Karlsten 1990 and IMF 1994.)

Finland (fig. 8.2) and Sweden (fig. 8.4) the EC share of their world FDI is actually decreasing over time, while in Norway (fig. 8.3) the EU share of its world FDI has grown enormously since 1988. These figures reveal two patterns. First of all, outbound FDI is increasing rapidly in all three countries—to both world and EU markets. Second, the rate of growth (for the EU/world share) varies between Norway, on the one hand, and Sweden and Finland on the other. Either Swedish and Finnish capital has reached its saturation limit in terms of European FDI shares (unlikely) or there is some other explanation for the growth rates of European-directed FDI.

The Norwegian figures halheartedly challenge our working hypothesis. As a larger (relative) share of Norwegian outward FDI is landing in Europe (larger than is the case in either Sweden or Finland), and because the relative growth of the Norwegian EU/world share of direct investment is higher than in either of the other two countries, we might expect that Norway would be more likely than the other two to entertain membership ambitions. On the other hand, outward FDI is of a larger magnitude (in terms of percentage of GDP) for both Finland and Sweden than is the case in Norway. Thus, it would appear that Sweden and Finland are more susceptible to the threat of capital flight.

## 2.3. Trade Dependence

By international standards, all of the Nordic countries are fairly reliant on trade. In 1993, export incomes were above 23 percent of GDP in all three countries, with Norway exporting at about the 31 percent level. In terms of imports, all three countries are relatively equally dependent. However, when we begin to look at the degree to which each economy relies on the European Union as a receptor of its export products, we find more variation in the degree of dependence. On the import side, all three countries receive about half of their imports from the European Union. Finland appears to be the least dependent in this regard, with only 47 percent of its 1993 imports originating in the EU. On the export side, however, Norway appears to be more dependent on the European market than any of the other countries, with 67 percent of its 1993 world exports heading toward European markets.

By disaggregating the figures even more, we can get some idea about which specific countries are the primary target markets for Finnish, Swedish, and Norwegian export goods. Table 8.2 lists the top five export markets for the Nordic countries in 1993. All three countries focused their exports in EU markets, with the United States and Norway being the only non-EU markets to make it among the top five. Curiously, Norway was the only country to have all of its top five export markets in the EU. Both Sweden and Finland are relatively dependent on the American market—Sweden, in particular, with 10 percent of its total export share going to the U.S. market. Table 8.2's overall figures suggest that the Norwegian export market is most concentrated in the EU (63 percent), while the markets for Finnish and Swedish exports are less densely concentrated (either in Europe or generally).

Generally, the trade picture presented in table 8.2 is not encouraging for our working hypothesis. More than either Finland or Sweden, the Norwegian economy is dependent on the European market as a receptor for its exports. In both the aggregate figures and its export concentration, Norway would seem to be most integrated into the European goods market. There are two potential explanations for this. First, it may be that Norwegians opposed membership despite the consequences in terms of market integration. Alternatively, the specific nature of Norway's trade relationship with the European Union might not have been affected by membership. The first possibility has been accounted for in the preceding section. Norway's relative economic strength allows it a cushion of autonomy. The latter possibility can be entertained by examining the sorts of products on which each country depends for the majority of its

TABLE 8.2. The Top Five Export Countries, 1993 (Percentage of world exports, ranking)

To	From		
	Finland	Norway	Sweden
Denmark		8 (5)	7 (5)
France	5 (5)	13 (2)	14 (1)
Germany	13 (1)	8 (4)	
Netherlands			8 (4)
Norway		9 (3)	
Sweden	11 (2)	8 (4)	10 (2)
United States	8 (4)	25 (1)	8 (3)
United Kingdom	10 (3)		
Total	47	63	47

Source: Nordisk Råd 1995.

export income. Quite possibly, the nature of Norway's export income makes membership less enticing.

Table 8.3 lists the five most important export items, at the two-digit Standard International Trade Classification (SITC) level, for each of the three countries. This table introduces two important types of information. First, it is interesting to note that the Finnish and Swedish export economies rely heavily on paper and paper products, whereas the Norwegian export economy relies primarily on petroleum. In other words, all three export economies are heavily reliant on natural resource extraction. Second, there are important differences in the degree of concentration for each export economy. The Norwegian export economy is by far the most concentrated in that 70 percent (4) of its total export earnings are concentrated in the top five sectors, with petroleum taking the lion's share.

Thus, while the Norwegian economy is most dependent on European markets as receptors for its exports, the specific nature of its export economy make it less susceptible to economic blackmail. The importance of oil and petroleum imports to the European economies makes it highly unlikely that they will close off their markets to Norwegian exports. Because of this, Norwegian voters may have decided against membership despite their export dependence on Europe.

Obviously, these oil incomes are largely responsible for Norway's relative economic strength mentioned in the first section. It would appear, then, that oil incomes have become a determinate factor in influencing Norwegian atti-

**TABLE 8.3. The Five Most Important Export Items at the Two-Digit SITC Level (Percentage of Total Exports, Ranking)**

Product Group	Finland	Norway	Sweden
03 Seafood and seafood preparation		7 (3)	
24 Cork and wood	5 (5)		
33 Petroleum and its products		44* (1)	
34 Gas, natural and manufactured		7 (2)	
64 Paper and paper products	25 (1)		
67 Iron and steel	6 (2)		10 (2)
68 Nonferrous metals		7 (4)	6 (5)
72 Specialized industrial machinery	6 (3)		
74 General industrial machinery			7 (3)
76 Telecommunications equipment	5 (4)		6 (4)
78 Road vehicles			12 (1)
79 Other transportation equipment		5 (4)	
Total	47	70	41

Sources: Nordisk Rad 1995; SSB 1995.

\*The Norwegian petroleum export figures in the Nordisk Rad 1995 are obviously incorrect. The yearbook would have that sector representing only 4 percent of Norway's export earnings.<sup>1</sup> The figures in the table have been replaced with those from SSB 1995.

tudes on membership. Despite Norway's export dependence, and the rate at which Norwegian capital is leaving for the continent, it would seem that the Norwegian economy—in the eyes of the Norwegian electorate—floats unaffected on its oil revenues. Norwegians apparently feel that they can afford to remain outside the Union.

Generally, the political economy hypothesis finds only moderate support at the national level. To understand Norway's hesitant attitude toward EU membership, we have to go beyond simple integration arguments and look at the specific nature and structure of its economy. In short, the hypothesis only holds with ad hoc modification.

### 3. County Level

#### 3.1. Integration

An extension of the economic integration argument formulated in the first section might be generated to explain variations within each of the Nordic countries. If economic integration can explain membership attitudes at the national level, we would expect that these pressures would be just as effective at the county level. In short, our hypothesis at this level of analysis can be

formulated as follows: counties that harbor more sheltered economic sectors are more likely to oppose membership in the EU. Or, in other words, sectors and/or counties that are heavily involved in European trade and investment should be more pro-EU than not.

It is our intent in this section to trace the relationship between some of the economic conclusions in the previous section against data collected at the county (*fylke* or *län*) level in all three countries.<sup>12</sup> Unfortunately, the cross-national data at this level are scant and patchy. Whereas it is possible to obtain low-level data (municipal) in the Norwegian case,<sup>13</sup> many of the polling and political economy variables are not available in a comparative format for the remaining two countries. It is because of these difficulties that we have pursued our hypothesis at a variety of levels. Still, despite the limited nature of the data, some relationships can be tested.

This section is divided in two. The first part takes all of the county-level data from the three Nordic countries and runs a series of regressions on the most interesting employment variables. The aggregate data set includes 55 observations: for 12 Finnish, 19 Norwegian, and 24 Swedish counties. The remaining part runs two dummed regressions, which allow us to control for specific sectoral effects within each of the three countries. Together, these regressions should help us to evaluate the degree to which there was some linear relationship between the dependence of a given county on a specific sector (in terms of percentage of the population employed in that sector) and that county's referendum outcome.

As a sector's importance in income terms is different than what it is in employment terms, and as these county-level variables look at the *employment* strength of various sectors, table 8.4 shows Nordic employment strength and distributions by sector. In all three countries, the social services, sales, and manufacturing sectors are the strongest employers. The primary sector, despite its strong showing in the export incomes of Norway and Finland, is a small employer in all three countries. From the economic integration hypothesis, we would expect that those employed in either the sales or manufacturing (i.e., exposed) sectors would support membership, whereas those employed in the more sheltered sectors (such as social services) would be opposed. There are two justifications for this expectation. First, the sheltered sectors—by definition—are less affected by foreign influences and can be expected to prioritize domestic policy autonomy at the expense of integration. Second, we can assume that EU membership will help both import-export traders directly and the commercial sectors more generally.

With the data available, we have been able to operationalize five sectoral

TABLE 8.4. Employment, by Sector 1993, Single-Digit SITC (percentage of total employment, ranking)

Industrial Branch	Finland	Norway	Sweden
1 Agriculture, hunting, forestry, and fishing	9	6	3
2 Mining and quarrying	0.2	1	0.3
3 Manufacturing	19 (2)	15 (3)	18 (2)
4 Electricity, gas, and water	1	1	0.9
5 Construction	6	6	6
6 Wholesale and retail trade	15 (3)	17 (2)	14 (3)
7 Transport, storage, and communications	8	8	7
8 Financing, insurance, and business services	9	8	9
9 Community, social, and personal services	33 (1)	39 (1)	40 (1)

Source: Nordisk Råd 1995.

variables (at the single-digit SITC level). They represent the percentage of the population employed in the: (1) primary sector (PRIMSEC),<sup>14</sup> (2) public sector (PUBSEC), (3) manufacturing sector (MANUF), (4) oil extraction, mining, and quarrying industries (OIL), and (5) wholesale and retail trade (TRADE). Each variable has been run in a series of bivariate and multivariate equations in both the aggregate and national batches.

### 3.2. Aggregate Data

Whereas the mean vote was fairly similar in all three countries, the spread varied significantly across countries in all three countries. Table 8.5 lists the significant descriptive statistics for the batches. Not surprisingly, the country with the strongest opposition to EU membership was in Norway; the weakest opposition was found in Finland. On this data, four different multivariate batches were run, in addition to several bivariate regressions. The bivariate regressions were used to check the robustness of specific relationships and appear only in parenthetical references.

In the multivariate regressions we found a strong negative correlation between the PRIMSEC and TRADE variables, such that inclusion of them both as independent variables was problematic. This was especially true for the Finnish and Norwegian data. To control for this, we had to decide which of the two to include. This was no simple matter, as they both had their advantages in all of the models. Eventually, we decided to run two models (A and B) for each set, but in our analysis we rely most heavily on the TRADE variable model (A), as

	TABLE 8.5. No. Vote in Referendums (Percentages)			
	Mean	Standard Deviation	Minimum	Maximum
Finland	47	8	30	56
Sweden	50	9	34	72
Norway	56	12	33	75
Aggregate	52	10	30	75

TABLE 8.6. Aggregate Regression Coefficients (t-statistics, Percentage of no votes)

Variable	Model A	Model B
PUBSEC (β)	.250 (.98)	1.30 (5.59)*
MANUF (δ)	-.577 (-2.18)*	.291 (1.48)
OIL (θ)	3.91 (3.05)	3.89 (3.68)*
TRADE (ε)	-1.67 (-3.53)*	1.63 (6.27)*
PRIMSEC (α)	.764 (4.6)	-1.28 (-1.13)
Constant	.37	.57
R <sup>2</sup>		

Note:

Model A  $Y_{NO} = \alpha + \beta(\text{PUBSEC}) + \gamma(\text{MANUF}) + \delta(\text{OIL}) + \epsilon(\text{TRADE}) + u$ Model B  $Y_{NO} = \alpha + \beta(\text{PUBSEC}) + \gamma(\text{MANUF}) + \delta(\text{OIL}) + \epsilon(\text{PRIMSEC}) + u$ 

\*Significant at the 95 percent confidence level. PUBSEC, MANUF, OIL, TRADE, and PRIMSEC represent the percentage of the population employed in the public sector, manufacturing, the oil extraction, mining and quarrying industries, the wholesale and retail sales sectors, and the primary sector, respectively.

this sector is more important, in employment terms, in all three countries. It is important to note that the two models produce somewhat different outcomes. Table 8.6 presents the findings of our multivariate aggregate batch regressions. In these regressions, national disturbances were overlooked in order to focus on the common political economy determinants of EU opposition among the Nordic countries. In model A, we found statistically significant relationships for three of the four explanatory variables, MANUF, OIL, and TRADE. For the MANUF and TRADE variables we find a fairly strong and statistically significant relationship between the relative strength of employment in those sectors for a given country and its support in the EU referendum. As the MANUF and TRADE sectors are the most outward-oriented sectors of the economy, these findings are consistent with our hypothesis. The same can be said, in

reverse, for the findings with respect to the OIL variable.<sup>15</sup> Indeed, all of the coefficient signs in this model are consistent with our theoretical expectations.

In model B, the TRADE variable was replaced with one representing employment strength in the primary sector, PRIMSEC. This model is statistically more robust, with very strong *t*-scores and an *R*<sup>2</sup> of .57. Together models A and B support our general hypothesis. Countries that are heavily reliant on sheltered sector employment tended to oppose membership, while those employing more integrated sectors tended to support membership.

### 3.3. National Data

The next set of regressions employed a series of dummy variables to capture the relationships *within* each country, the results of which can be found in table 8.7. In general, what is most noteworthy is the apparent relationship between TRADE and/or PRIMSEC strength and support for Union membership across all three countries. The regression results in this section are generally consistent with our hypothesis.

The Finnish data show a significant relationship between a country's dependence (in employment terms) on the primary sector and its tendency to oppose the referendum. The same can be said, in reverse, of the TRADE variable's relationship to EU support. In the bivariate regressions run on these two variables (TRADE and PRIMSEC), both regressions explained over half of the proportion of the referendum variance.<sup>16</sup> Among the Finnish variables, there were few surprises. In model A, the only significant variable remained TRADE, though its significance declined relative to the bivariate regressions. In model B, both the PUSSEC and PRIMSEC variables were significant.

The same story could be told for Norway. Here the coastal and northern counties, which rely heavily on fishing, farming, and hunting for their livelihoods, were strongly opposed to membership. In the model B variant, the PRIMSEC, PUSSEC, and OIL variables are all statistically significant, the first two being quite robust. In model A, the TRADE and PUSSEC variables remain statistically significant.

Finally, the Swedish case was—quite possibly—the most interesting.<sup>17</sup> Sweden was the only country that did not show a significant PRIMSEC coefficient in either the bivariate or the multivariate regressions (i.e., model B). This suggests that the primary sector counties in Sweden were less engaged in opposing EU membership than in the other two countries. For example, Gotlands Län, a county where 12 percent of the population is employed in the

TABLE 8.7. National Regression Coefficients (*t*-statistics, percentage of no votes)

Variable	Finland	Sweden	Norway
Model A			
PUSSEC (β)	.632 (1.728)	.125 (287)	1.33 (2.58) <sup>a</sup>
MANUR (γ)	-.359 (-.982)	-.347 (-1.21)	.094 (2.15)
OIL (δ)	-1.62 (-1.07)	4.21 (2.06) <sup>a</sup>	1.16 (1.06)
TRADE (ε)	-3.58 (-3.19) <sup>a</sup>	-2.87 (-3.69) <sup>a</sup>	-4.73 (-7.72) <sup>a</sup>
Constant (α)	.885 (3.65) <sup>a</sup>		
R <sup>2</sup>	.75		
Model B			
PUSSEC (β)	2.40 (3.34) <sup>a</sup>	1.98 (3.94) <sup>a</sup>	2.00 (4.15) <sup>a</sup>
MANUR (γ)	.702 (1.84)	.803 (2.67) <sup>a</sup>	.817 (1.87)
OIL (δ)	-14.89 (-1.06)	4.65 (2.02)	3.01 (2.46) <sup>a</sup>
PRIMSEC (ε)	1.59 (3.39) <sup>a</sup>	.689 (1.15)	2.21 (5.92) <sup>a</sup>
Constant (α)	-.466 (-2.10)		
R <sup>2</sup>	.68	.24	.19
N	55	12	19

Note:

$$\text{Model A} \\ Y_{No} = \alpha + \beta_1(PUSSEC \cdot D_{No}) + \beta_2(PUSSEC \cdot D_J) + \beta_3(PUSSEC \cdot D_N) \\ + \gamma_1(MANUR \cdot D_{No}) + \gamma_2(MANUR \cdot D_J) + \gamma_3(MANUR \cdot D_N) \\ + \delta_1(OIL \cdot D_{No}) + \delta_2(OIL \cdot D_J) + \delta_3(OIL \cdot D_N) \\ + \epsilon_1(TRADE \cdot D_{No}) + \epsilon_2(TRADE \cdot D_J) + \epsilon_3(TRADE \cdot D_N) + u$$

$$\text{Model B} \\ Y_{No} = \alpha + \beta_1(PUSSEC \cdot D_{No}) + \beta_2(PUSSEC \cdot D_J) + \beta_3(PUSSEC \cdot D_N) \\ + \gamma_1(MANUR \cdot D_{No}) + \gamma_2(MANUR \cdot D_J) + \gamma_3(MANUR \cdot D_N) \\ + \delta_1(OIL \cdot D_{No}) + \delta_2(OIL \cdot D_J) + \delta_3(OIL \cdot D_N) \\ + \epsilon_1(PRIMSEC \cdot D_{No}) + \epsilon_2(PRIMSEC \cdot D_J) + \epsilon_3(PRIMSEC \cdot D_N) + u$$

<sup>a</sup>Significant at the 95 percent confidence level. PUSSEC, MANUR, OIL, TRADE, and PRIMSEC represent the percentage of the population employed in the public sector, manufacturing, the oil extraction, mining, and quarrying industries, the wholesale and retail sales sectors, and the primary sectors, respectively. *D*<sub>No</sub>, *D*<sub>J</sub>, and *D*<sub>N</sub> are dummy variables for Norway, Sweden, and Finland, respectively.

primary sector (the most in Sweden), narrowly opposed EU membership in aggregate. Indeed, among the rest of the 55 cases, the only other country to support membership with a strong primary sector was St. Michels Län in Finland.

In concluding this county-level study, our findings provide some support for the political economy hypothesis. Employment in the sheltered sectors was highly and significantly correlated with opposition to EU membership in all three countries. In all of the countries, both the TRADE variable (in model A) and the PUSSEC variable (in model B) were significantly correlated with the referendum outcomes. In model B's results, the PRIMSEC variables were significant in both the Finnish and Norwegian cases.

#### 4. Individual Level

Moving from aggregate-level analyses to the individual level implies a change of perspective in more than one sense. First, the reflections of the average voter are rather vague, obscure, and particularistic compared with the hypotheses we have discussed so far. Second, we must take into account that some voters may experience cross-pressures: for instance, some may think of membership as an asset to the country but as a setback to their personal economy. Third, the economic effects of membership may have only a marginal impact on the EU vote compared with other considerations, especially if the economic aspects of membership are too complicated to be grasped. In aggregate-level analyses, these types of phenomena tend to disappear as "noise" in the data. A few well-informed "ideologues" are sufficient to produce substantial aggregate-level correlations if attitudes in the general public are randomly distributed. In microlevel analyses, we have to take all voters into consideration.

This part of the chapter is divided into three subsections. So far, we have taken for granted that the voters in the three countries were familiar with their countries' economic situations as well as their personal economic conditions. In the first section, we simply ask: is this a viable assumption? Do voters hold opinions on these questions? Are Norwegians more content with their economic conditions than are Swedes and Finns? Our purpose here is to evaluate further some of our earlier findings and interpretations.

In the second subsection we explore the links between: (1) an individual's position in the economic structure, (2) his or her perceived personal and national economic interests, and (3) his or her EU vote. As far as possible, we will investigate the same key variables as in our country-level analysis. Unfortunately, we will have to rely exclusively on data from Norway for most of this inquiry.

In the final subsection, we seek to assess the relative importance of economic considerations on the EU vote compared with other aspects of the issue (national sovereignty, international cooperation, cultural integration, etc.). We do so by exploring the voters' answers to an open-ended question on the reasons behind their positions on the issue.

##### 4.1. Perceptions of the Personal and National Economy

In the first part of the chapter we argued that Norwegians were more likely than Finns and Swedes to feel economically independent of EU membership due to a stronger national economy and the petroleum industry. If this is the

TABLE 8.8. Subjective Retrospective Change over the Previous Two or Three Years (Percentages)

	In National Economy			In Personal Economic Condition		
	Norway	Sweden	Finland	Norway	Sweden	Finland
Improved	49	5	5	33	24	12
The same	28	7	10	50	41	38
Worse	17	86	84	17	34	49
Don't know	6	3	1	1	1	1
Total	100	101	100	101	100	100
N	(2,947)	(1,807)	(1,559)	(2,947)	(1,807)	(1,559)

Note: The questions asked were: (1) "According to your judgment, how has the economy changed in the last two or three years? Has it improved, stayed the same, or has it worsened?" and (2) "If you compare your personal economic condition with the situation two or three years ago, has it improved, stayed the same, or has it declined?"

case, we might expect Norwegians to be relatively more satisfied than Swedes and Finns are with their country's economic development. We expect the perceptions of change in personal economic conditions to display the same pattern, though to a lesser extent, as a substantial portion of the population in the three countries are protected from the ups and downs of the national economies.

In table 8.8, we have displayed the one-way distributions of responses to identical questions asked in the three countries.<sup>18</sup> As we expected, there are significant differences. More than 80 percent of the adult population in Finland and Sweden judge the national economy to have worsened in the past two or three years. Only 5 percent in both countries had the impression that the economy had improved. The contrast to the Norwegian situation is striking. Fifty-one percent of the Norwegians believe their nation's economy has improved. In Finland and Sweden, few respondents report no knowledge on the issue. The results so far strongly support our interpretation: economic recovery was a far more important concern to Finns and Swedes compared with Norwegians in the fall of 1994. However, we must also take one's personal economic condition into consideration.

The "personal economic conditions" results are similar to those for the "national economy," but the differences are less remarkable, and the Swedish case seems to fall somewhere between the two (Norwegian and Finnish) extremes. Nearly half of the Finns consider themselves to be less well off than two or three years ago. In comparison, only 17 percent of the Norwegian sample falls into the same category. The Finnish result may well reflect the high unemployment rate in Finland (18 percent in 1993; see table 8.1). When it

TABLE 8.9. Subjective Prospective Change (Percentages)

	In National Economy			In Personal Economic Condition		
	Norway	Sweden	Finland	Norway	Sweden	Finland
Improved	28	50	44	26	27	23
No change	44	28	30	58	47	49
Worse	13	16	23	12	22	24
Don't know	14	6	4	4	4	4
Total	100	100	101	100	100	100
N	(2,947)	(1,803)	(1,599)	(2,947)	(1,807)	(1,559)

comes to their personal economy, only 1 percent in each country was unable to make a judgment. Although the results in table 8.8 are in line with our expectations, they cannot be considered a critical test of our assumptions. Comparing distributions from different countries tells relatively little about the accuracy of individual impressions.

The answers to our retrospective questions yield important insights, but they tell only half the story. Just as important are expected economic changes in the near future. These evaluations are hardly based on hard evidence, but they reveal important information on the psychological state of the electorate. If, for instance, Finns and Swedes have—in addition to past hardship—given up hope of economic recovery, they might start looking for radical solutions. In other words, they may have jumped on the EU bandwagon in hopes of a rapid economic recovery. The results reported in table 8.9 suggest that this was not the case for the majority in either country.

The electorates in all three countries seem to be rather optimistic, Swedes in particular. Every second Swede expected an improvement in the national economy within the coming two or three years. The number was almost as high in Finland: 44 percent. The expectations seem to have been more modest in Norway, as was to be expected from the recent past (many Norwegians were well aware of the situation in the neighboring countries), but 27 percent hoped for an improvement, while 13 percent feared economic decline.

Voters in Sweden and Finland seemed to be less optimistic when it came to the question of future changes in personal economic conditions. The personal-level distribution for Norway comes close to the results for perceived future national economy. On average, the Swedes and Finns are slightly less optimistic than are the Norwegians with regard to their future personal economy. More striking, however, is the gap between expected change in national and personal economy. Both Swedes and Finns harbor higher hopes for the national econ-

omy than for their future personal prosperity. This finding mirrors the perceptions of past economic developments reported in table 8.8. There seems to be a general tendency among voters to envision the changes in the national economy as more dramatic than changes in personal economic condition.<sup>19</sup>

One of the main concerns of the EU is to promote economic growth and wealth in its member nations. The reports in the mass media in the Nordic countries have given a rather mixed impression of the EU's achievements in this field. When asked to rate future economic development within the EU, voters in Norway and Finland gave slightly different answers (reported in table 8.10). In both countries, however, the median answer is "no change." Evaluations in the Finnish electorate seem to be more polarized partly due to frequent "don't know" answering in Norway. In other words, the EU is not considered an economic miracle in the eyes of the average voter. However, to people distressed by economic hardship, "no change" within the EU may stand out as a favorable option.

So far, we have not looked into the key question: did EU membership really matter to personal and national economies in the eyes of the voters? The results to this question, reported in table 8.11, are rather mixed. In all three countries, a majority of the voters believe EU membership will make a difference to the national economy. In Finland and Sweden majorities believe that membership will improve the economies of their respective countries. In Norway, 31 percent believe membership will lead to economic decline on the national level, whereas 28 percent consider membership an advantage to Norway's economy. These results are in line with the outcome of the referendums and our findings at the other two levels. Voters in Norway and Sweden are less likely to believe membership to have consequences for their personal economic conditions. Again, the results indicate that the economic well-being of the nation may have been of greater concern to many voters than their personal pocketbooks.

Relatively few respondents gave "don't know" answers to these two questions. This may come as a surprise. In Norway, for instance, leading economists were ambivalent and divided over the issue. When many experts failed to give straight answers to these two questions, how did the common voter come up with an answer? Many, but not all, voters belong to groups with well-defined economic interests, for instance, through employment in the primary sector or industries heavily dependent on the European market. We will discuss this in the next subsection. Others, and especially the more extreme on both sides of the debate, may well have formed an opinion on the basis of their general attitude toward EU membership, the "logic" being that since EU membership

TABLE 8.10. Subjective Prospective Economic Change in EU Countries (Percentages)

	Norway	Sweden	Finland
Improved	15	Question not asked	24
No change	41		42
Worse	21		29
Don't know	23		13
Total	100		99
N	(2,947)		(1,559)

TABLE 8.11. Subjective Prospective Change in Personal and National Economies under EU Membership (Percentages)

	Norway		Sweden		Finland	
	Personal	National	Personal	National	Personal	National
Improved	5	27	17	52	63	63
No change	71	35	58	23	18	18
Worse	17	32	15	20	14	14
Don't know	8	7	10	5	5	5
Total	101	101	100	100	100	100
N	(2,947)	(2,947)	(1,804)	(1,799)	(1,559)	(1,559)

Note: The wording of the personal question was: "If we become an EU member, do you believe your personal economic condition will improve notably or decline notably compared with our standing outside the EU, or do you believe your economic condition will not be influenced whether we get into the EU or not?" The national question was: "How do you suppose membership in the EU would influence the development of the country in the following fields? . . . the economy."

is good or bad for everything else, it must be good or bad for the economy as well. The multivariate analysis in the next subsection will throw further light on this question.

#### 4.2. Economic Interests, Considerations, and the EU Vote

So far, our individual findings are in line with the arguments in the first part of this chapter. The inhabitants of the three countries are aware of the economic situations of their respective countries, and the differences between the economies are in accordance with key indicators like unemployment, inflation, and the trade deficit. The distributions are more similar when it comes to prospective economic change with some important exceptions: the Finns and Swedes have on average greater expectations about future national economic develop-

TABLE 8.12. Percentage Voting "Yes" by Perception of Personal and National Economic Conditions

		Norway	Sweden	Finland
Retrospective: personal economy	Improved	55	63	64
	The same	48	56	60
	Declined	41 (14)	48 (15)	60 (4)
Retrospective: national economy	Improved	56	62	66
	The same	46	55	63
	Declined	37 (19)	55 (7) <sup>a</sup>	60 (6) <sup>a</sup>
Prospective: personal economy	Improve	57	59	69
	No change	50	54	62
	Decline	37 (20)	50 (9)	50 (19)
Prospective: national economy	Improve	63	62	69
	No change	48	48	57
	Decline	34 (28)	45 (17)	47 (22)
Prospective: development in EU countries	Improve	80	Question not asked	88
	No change	54		61
	Decline	20 (60)		25 (62)
Prospective: personal economy if EU member	Improve	75	81	Question not asked
	No change	58	57	
	Decline	9 (66)	27 (54)	
Prospective: national economy if EU member	Improve	84	78	78
	No change	53	33	31
	Decline	14 (70)	14 (64)	16 (62)

Note: Differences between yes votes in "improve" and "decline" groups are in parentheses.  
<sup>a</sup>Not statistically significant at the 5 percent level.

ments, and they have far more positive evaluations of the possible effects of EU membership than do the Norwegians.

Our next step is to investigate the associations between the different perceptions and EU vote. In table 8.12, we report the proportion voting "yes" in each subcategory in tables 8.8 to 8.11. Some voters may have thought of EU membership as a solution to national and personal economic problems, but they appear to be exceptions. Voters reporting past improvements and optimism for the near future are more likely to favor EU membership in all three countries. This pattern becomes more pronounced when we move from the retrospective to the prospective questions.

The statistical associations are impressive when we come to the questions on future economic development within the EU and possible economic effects of EU membership on personal and national economies. In Norway, for instance, those who believed membership would lead to economic progress were seven or eight times more likely to favor membership than those who feared economic decline. Indeed, these questions—when they address the likelihood of personal economic benefit from EU membership—come the closest to a test of our working hypothesis. If we can assume that people who feel most economically dependent on EU membership are those who expect their personal economic conditions to improve with membership, then we find very high support in the two countries where the questions were posed (Norway and Sweden). The problem, as we shall see, is that individual respondents may be letting their predisposed attitudes about EU membership color their expectations about national and personal economic benefit. Thus, though it may appear that the question of EU membership was first and foremost an economic issue, we are not yet ready to accept that conclusion. First, we have to establish the links between positions in the economic structure, perceived economic interests, and EU vote.<sup>20</sup>

One important aspect of the EU debate in Norway was the mobilization of interest groups. Both sides tried to define the economic interests associated with EU membership for different categories of voters and mobilize them. When the "no" side argued that cuts in public spending were one consequence of EU membership, the Labor government countered by guaranteeing the incomes of state pensioners. The leadership of the peak labor organization (the LO), dominated by members of the Labor Party, supported the "yes" alternative, but the extraordinary LO congress in the fall of 1994 opposed membership by a close margin. Public sector unions also overwhelmingly supported the no alternative. While spokesmen for the oil industry and the minister of energy, Stoltenberg, advocated membership, the union of oil workers was opposed.

TABLE 8.13. Multiple OLS regressions (N = 1,666)

	Model 1		Model 2		Model 3	
	B	t-value	B	t-value	B	t-value
Constant	.60	24.0	1.07	17.0	.49	5.7
PRMSEC	.36	.65	.35	6.5	.14	3.1
MANUF	-.06	-1.8	-.04	-1.2	-.04	-1.3
TRADE	-.10	-2.9	-.08	-2.4	-.06	-2.0
WORKCL <sup>a</sup>	.02	1.1	.03	1.3	.01	.6
PUBSEC	.09	2.8	.10	3.2	.06	2.5
INCOME <sup>b</sup>	-7.8 <sup>c</sup>	-7.6	-6.4 <sup>c</sup>	-6.3	-4.2 <sup>c</sup>	-4.8
RETROSP. NAT. <sup>c</sup>			-.02	-1.0	.01	.5
RETROSP. PRIV.			-.06	-3.4	-.03	-2.0
PROSPECT. NAT.			-.12	-6.7	-.00	-.1
PROSPECT. PRIV.			-.02	-1.3	-.03	-1.6
PROSPECT. EU					-.11	-6.6
PROSPECT. NAT. IF					-.26	-17.4
PROSPECT. PRIV. IF					-.13	-5.1
R <sup>2</sup>		.09		.13		.39

<sup>a</sup>The coding of this variable is based on Goldthorpe's class index (see Erikson and Goldthorpe 1992). Our variable WORKCL includes classes 6 and 7 in his typology.

<sup>b</sup>Income in Norwegian crowns.

<sup>c</sup>Favorable perceptions are coded high.

Thus, declaring one group's "true economic interests" to be either compatible or inconsistent with membership was a highly controversial matter.

To try and map the relationship between an individual's economic condition, interests/perceptions, and EU vote, we have regressed individual votes against professional, work skills, and income-related variables. Our dependent variable, vote in the EU referendum, has an almost perfect 50/50 distribution so we decided to apply standard ordinary least squares (OLS) regression in our multivariate analysis. The advantage is that the *B*-coefficients for the independent dummy variables can be interpreted as the percentage of change in the "no" vote directly. The regression was also performed as a logistic regression to make sure the *t*-values in the OLS regression were not misleading (see Aldrich and Nelson 1984).

The interpretation of the results in table 8.13 is relatively straightforward. Position in the economic structure explains relatively little of the EU vote (9 percent of the total variance). Two variables stand out as important: employment in the primary sector and income. Public employees are somewhat more

likely to vote "no" and those working in trade, finance, and private services are significantly more likely to vote "yes," but in both cases the differences are modest: 8 and 10 percent, respectively. These are all consistent with our country-level findings.

Adding perceptions of national and personal economic development (model 2) improves the explanatory power only marginally. It is important to note that only perceptions of national economic development have a significant impact on the EU vote. This result is in line with the "sociotropic" voting theory of Kinder and Kiewiet (1981, 1979). People who judge the national economy to have improved in the past and believe in future progress, are more likely to favor EU membership. The effects of the variables from the first bloc hardly changes from model 1 to model 2, with a possible exception for INCOME. In other words, perception of changes in the personal and national economy are not very different among the various interest groups. A closer look at the bivariate correlations confirms this interpretation.

The variables included in the third bloc improve the amount of variance accounted for by the independent variables significantly, but the effects may be disregarded as tautological. The effects of attachment to the primary sector and income are profoundly reduced in model 3, compared with models 1 and 2. Hence, people in the primary sector and people with low incomes are likely to believe the consequences of EU membership to be negative for themselves and the nation.<sup>21</sup> However, the three new variables in model 3 do much more than funnel the modest effects of position in the economic structure. The amount of variance explained has tripled from model 2 to model 3. How are we to account for this? We have already argued that some of the respondents may have answered these questions on the basis of their general attitude toward EU membership. In other words, model 3 is tautological. However, this is not the only possible explanation. The answers given to our questions may also reflect ideological predispositions and exposure to the campaign messages from the "yes" and "no" organizations and parties. Unfortunately, it is beyond the scope of this chapter to investigate these possibilities in detail.

#### 4.3. Relative Importance: Issue Salience

The results obtained in models 1 and 2 (presented in table 8.13) are far from impressive. Position in the economic structure and assessment of changes in national and personal economic conditions have only moderate effects on the EU vote. We suspect that the reason for this is simple. The question

of EU membership is complicated, and voters had to take a large number of arguments into consideration. During the campaign, the economic aspects of membership were not the main argument on either side. The experiences of the EU debate in 1972 restrained both camps.<sup>22</sup> To assess the relative importance of the economic arguments, we have categorized the answers to an open-ended question, which asked respondents to give personal reasons for their stands on the issue. Each respondent was allowed to give three reasons. The results for the "yes" and "no" voters are given in figures 8.5 and 8.6, respectively.

Economic arguments are the most frequently given reason for voting "yes." However, this category of arguments is rather heterogeneous. Most of the arguments are clearly of an ideological nature and are not linked to specific interests, sectors, or industries. Most of these respondents favor the four freedoms of the EU, less state intervention, and so on. A substantial portion of the "yes" voters argue in favor of free access to the EU market. However, the economic arguments taken together (economic policy, employment, food, agriculture, and fisheries) add up to about one-third of the arguments mentioned for voting "yes."

National sovereignty and democracy are by far the largest category of "no" arguments. Arguments related to economic questions rank second.<sup>23</sup> As with the "yes" arguments, the category includes both ideological and more specific, interest-oriented arguments. The more ideological arguments are typically left-wing arguments favoring state intervention and market control and in some cases anticapitalist opinions. Others argue more practically and in defense of specific interests like the food-processing industry. Some also argue in favor of the EFTA agreement; in other words, they regard close economic relations with the EU to be in Norway's best interest, but they oppose political integration. The Christian People's Party and the "no" faction within the Labor Party advocated this position. Summing up, the economic arguments on the "no" side (economic policy, agriculture, employment, and fisheries) constitute close to one-third of the "no" arguments.

The individual-level data show a more nuanced picture of support for EU membership. In terms of our specific hypothesis, there was a very strong relationship between support for EU and the likelihood that one's personal economy would be strengthened by EU membership (table 8.12). If this can be interpreted as a surrogate for "economic dependence," we feel confident that our hypothesis was supported. But, by looking at the more open-ended questions about why individual voters supported EU membership (figs. 8.5 and

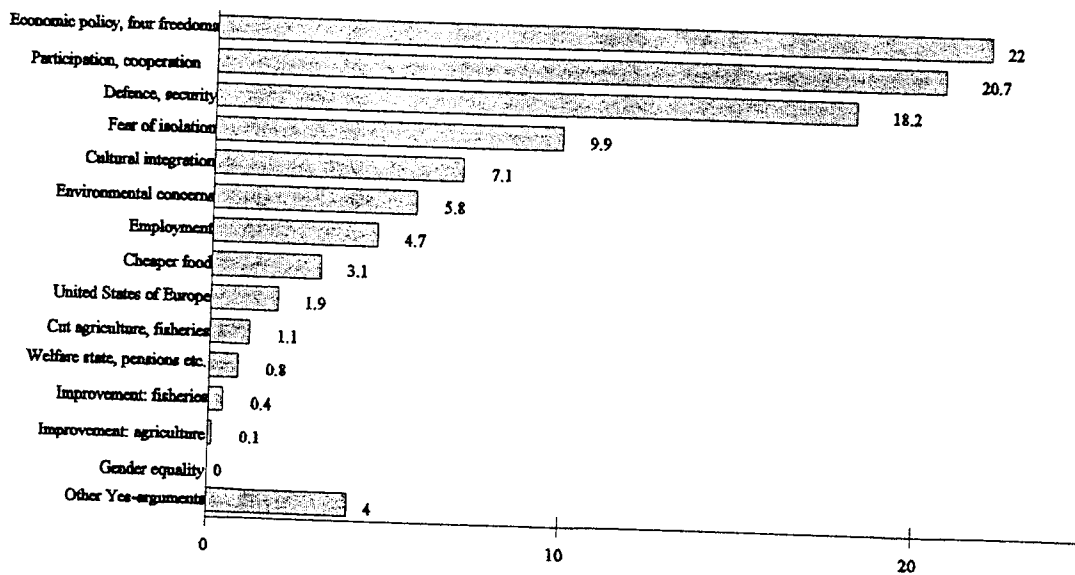


Fig. 8.5. Arguments given for voting "yes" to Norwegian membership in the European Union, percentages of all arguments

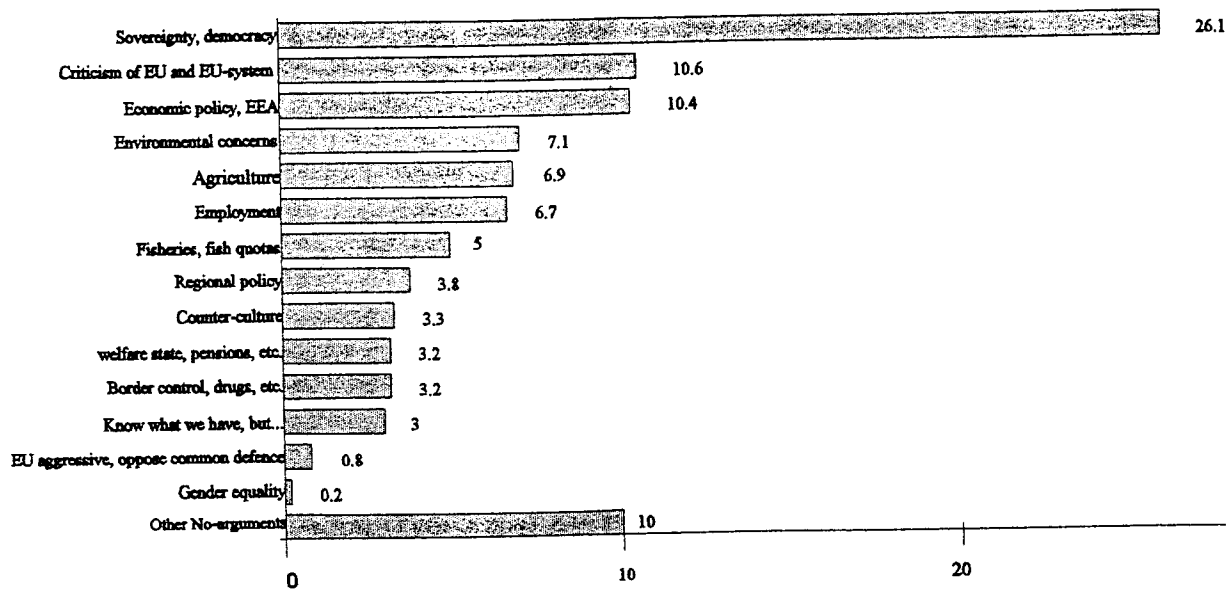


Fig. 8.6. Arguments given for voting "no" to Norwegian membership in the European Union, percentages of all arguments

8.6), it appears that several ideological, political, and social factors are also influencing voter attitudes.<sup>24</sup> This is not at all surprising in that EU membership entails choices across several issue areas.

## 5. Conclusion

In conclusion, we argue that a political economy hypothesis, based on a theory of economic integration, goes some distance in explaining the variation across the Nordic countries and among their respective counties. Support was strongest at the county level, while the national-level analysis required some modification. Economic integration alone was not sufficient to explain variations in the national referendum outcomes. At the individual level, several of our national- and county-level arguments were supported, but other explanations were also voiced in support of or opposition to membership.

At the national level, Norway's opposition to membership is best explained by its relative wealth and the nature of its export relationship to the EU. Despite the fact that Norway was more export dependent than either Finland or Sweden on European export markets, its relative wealth and export structure made it less susceptible to dependency pressures. Finland and Sweden are both heavily dependent on European markets (both goods and capital) and are economies in search of recovery. Arguably, membership in the European Union offered them this hope.

At the county level, a similar picture develops: Counties that harbored high employment levels in sheltered sectors (in particular, the primary and public sectors) were highly and significantly correlated with those counties' opposition to EU membership in the respective referendums. The opposite was the case for counties that employed heavily in the retail and wholesale trades. To the extent that trade and manufacturing sectors (though manufacturing was less statistically relevant in our county-level findings) can be assumed to be dependent on European markets, and to the extent that the sheltered sectors are less dependent, our hypothesis was supported in the county-level data.

The county-level findings can also be explained by contextual effects. Even if farmers (for example) make up a relatively small proportion of a county's total population, they may have a strong effect, in contextual terms, on the opinions of their neighbors. In this regard, living in a farm district may project more relevant information on a given voter's attitudes than knowing the specific occupation of that resident.

At the individual level, as expected, the findings were more varied. Al-

though many of our economic findings (from the national level) in terms of perceptions of economic strength and dependence were supported in the polling data, we are more cautious in interpreting this as support for our hypothesis. In particular, it is difficult to interpret the degree to which individuals felt economically dependent on EU membership. When asked the reasons for voting as they did, economic arguments played a significant role for those Norwegians who voiced support of membership, but they played a much smaller role in the ranks of the opposition.

Generally, it appears as though voters may have been most concerned about the effects of EU membership on their national (as opposed to individual) economies. The results in table 8.11 suggest that EU membership would bring to Finland and Sweden the promise of an improved national economy. Such a promise was lacking and less relevant for richer Norwegian voters. These findings bring us full circle and support the evidence presented in the two earlier sections.

No simple hypothesis can explain a phenomenon as multidimensional as support for EU membership. Still, we must begin somewhere. This chapter has proposed a simple political economy hypothesis as a first attempt at understanding the variation in Nordic referendum outcomes. This hypothesis found its strongest support in the county-level analysis, but it was consistent with many of the data in the other two levels of analyses. Considering the multifaceted nature of the issue, it is surprising to us both that a simple economic integration argument can explain so much of the variation at all three levels of analysis.

## NOTES

The original essay was presented to the conference "The Political Economy of European Integration: The Challenges Ahead," held at the University of California, Berkeley, April 20-22, 1995. The interview data were collected by the survey division of Statistics of Norway. In addition, we would like to thank Henrik Oskarson at the University of Göteborg, and Pertti Pesonen at the University of Tampere for the data that they provided. The cross-national county-level data were generously provided by Norwegian Social Science Data Services. The authors would like to thank Jeff Frieden, Doug Rivers, Ron Rogowski, and Michael Wallerstein for their useful remarks and comments. Obviously, all responsibility remains with the authors.

1. See Arndt's contribution to this volume for a thorough description of relevant explainers for EU membership.

2. This three-level test imposes certain methodological constraints, as the as-

assumptions common to macrolevel analyses differ significantly from those common in microlevel studies. In particular, the assumption of rationality is often relaxed (or challenged) in individual-level analyses. We are aware of this potential conflict but feel that it is important to try and cross the analytical divide that separates behaviorists from macrocomparativists.

3. The integration literature is voluminous and largely ideological. Originally, federalists, functionalists, and neofunctionalists spent most of their energy arguing over how to integrate rather than why one might wish to integrate (see, e.g., Mitrany 1946 and Haas 1958). Realists and their intergovernmentalist brethren, on the other hand, recognized the potential costs of integration. However, these schools tended to focus on security or sovereignty costs, assuming that economic integration was largely beneficial—unless it encroached on economic policy autonomy (see e.g., Taylor 1983 and Keohane 1984, 1986).

4. Gova (1989) and Hirschman (1945) offer two variants. See Busch and Milner (1994) for an overview.

5. The expansion of foreign direct investment (FDI) into Europe can be explained by industrial organization and transaction cost theories. For influential examples, see Hymer 1976, Gaves 1982, and Teece 1986.

6. This term comes from Mutinier's (1994) characterization of Deutsch's work.

7. This proposition should be made delicately. There are several things that contribute to a nation's cost of membership. Britain's infamous 1979 row over the size of its budget contribution, for example, was the result of its taste for tariff-burdened imports (from beyond the EU) and its efficient farm sector (Dinan 1994, 109–15). Nevertheless, patterns do develop, and current national contributions to the EU budget are as follows: the United Kingdom, Germany, and France are net contributors; Italy and Netherlands are roughly in balance; and all other countries are net recipients. Each of the Nordic countries would have been net contributors (Nugent 1994, 343).

8. This sort of argument is prevalent among economists looking at the disciplinary incentives of the EMS. See, for example, de Grauwe 1989, Giavazzi and Pagano 1988, Giavazzi and Giovannini 1989, and Méltiz 1988.

9. To the (lesser) extent that FDI flows are coming *into* the respective economies, despite being outside the EU, we argue that these flows, *ceteris paribus*, will be unaffected by membership and therefore lay outside the focus of this analysis.

10. As Arndt's contribution to this volume argues, FDI can also be used as a surrogate for membership. Swiss firms needed membership less because they already had productive facilities in Europe. Instead, our argument is based on employment considerations. Norwegian firms investing in Brussels are not investing in Norwegian jobs. To the extent that these flows are a response to fear of a potential "Fortress Europe," they can be stopped with membership.

11. Unfortunately, more current figures are not available, as the EC-share figures are the result of a Herculean effort by Karl Karlson—who accumulated the data firsthand from the respective central banks.

12. The cross-national country-level data used in this section were generously provided by Norwegian Social Science Data Services.

13. For a current analysis employing these data, see Petersen et al. 1995.

14. In particular, this includes those employed in agriculture, fishing, forestry, and hunting.

15. Among the bivariate regressions, the strongest relationship was between OIL and the referendum outcomes, but the scatter plot on these regressions suggests that the relationship is heavily influenced by the pull of three outlier counties: Norrbottens Län in Sweden and Rogaland and Finnmark Fylker in Norway. On this variable there simply is not enough variation. Red flags are also tagged on the interpretive estimates in this model. The large beta-coefficient for the OIL variable suggests that the model is misspecified. Thus, great care should be taken when interpreting the significance of the OIL variable in these regressions.

16. The Finnish primary sector variable should be read with great care, as it includes the cleavage currently dividing the Finnish Center Party: both farming interests (which are opposed to membership) and timber interests (which generally support membership) are included therein.

17. What is perhaps most interesting about the Swedish case is not its uniqueness when compared with the other two countries but the contrasting story offered by the two different models. Here two particular differences present themselves. First, it is peculiar that the PUSSEC and OIL variables are significant in only one of the two models' results. The OIL findings can be explained by closer inspection of the Swedish bivariate scatter plots. It appears that the (apparently significant) relationship is being drawn by Norrbottens Län—which was both strongly opposed to membership and holds Sweden's highest proportion of workers in those sectors. When the Norrbotten case is removed, the rest of Sweden's counties are tightly packed around zero. There are not many oil, mining, or quarry workers remaining in Sweden.

Second, given our theoretical priors, it is surprising that the Swedish MANUR variable was not significant in the model A variant and was significant (but with the wrong sign!) in the model B results. Because of Sweden's heavy reliance on the export of manufactured goods, we might expect that counties with strong manufacturing sectors would be more likely to support membership. Closer inspection of the Swedish bivariate regression data reveals them to be heavily spread at the low end of the manufacturing scale. In other words, those counties with relatively small manufacturing bases are strongly opposed and strongly supportive of EU membership. Alternatively, at the other end of the scale, those counties that depend most heavily on manufacturing jobs seemed to split (at very close margins) over supporting EU membership. In other words, no clear linear relationship presents itself in the data.

18. The individual-level data used in this section were collected in a cross-national survey involving the Universities of Trondheim and Oslo in Norway, the University of Göteborg in Sweden and the University of Tampere in Finland. Anders Todal Jensen was the project coordinator.

19. One may object to these interpretations in that some of the respondents may have counted on EU membership when they answered our questions on prospective economic development. This may have been the case in Finland, where the opinion polls indicated a comfortable victory, but the outcomes of the referendums in Sweden and Norway were far from obvious at the time of interviewing.
20. For a more detailed description and analysis of this linkage, see Jønsen 1997.
21. A look at the bivariate correlations supports this interpretation.
22. In the Norwegian EU debate prior to the 1972 referendum, the "yes" side focused on the economic aspects of membership. Both the employers' organization (NAF), important industrialists, and the leading figures in the LO painted a rather gloomy picture of Norway's future economic situation if membership was rejected in the referendum. The "no" side countered by describing this as an effort to scare people into voting for EU membership. As it turned out, the 1972-78 period turned out to be prosperous. Whether this came as a result of the "no" victory or of growing oil incomes did not really matter. The "yes" side lost credibility in the eyes of many voters. Hence, the spokesmen of the employers' organization chose a different rhetorical style in the 1994 campaign.
23. The reader is advised to employ some caution in interpreting these figures, as there are aggregation fallacies involved. Several of the economic, ideological, and social factors could be combined in various ways to skew the distribution.
24. Interpreting the open-ended questionnaires is complicated by a debate within the discipline about the processes informing voter behavior. Our interpretation here is consistent with an "on-line," as opposed to a "memory-based," process. See Kahn et al. 1994 for a discussion.

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## CHAPTER 9

# Alpine Contrasts: Swiss and Austrian Responses to the EU

Sven W. Arndt

### Introduction

The European Community's<sup>1</sup> Single-Market project—popularly known as Europe 1992—was launched at a time of sluggish economic performance throughout Europe and of uncertainty about the future of the Community itself. Europeans spoke anxiously about "Euro-sclerosis" and fretted endlessly about competition from the United States and Japan. A major initiative seemed to be needed in order to reinvigorate the integration progress and generate the political will required to push it forward.

In introducing the project, the EC Commission released a series of studies showing that the customs union had failed to create a Single Market: Europe's goods and services markets, not to mention its factor markets, remained heavily segmented.<sup>2</sup> The proposed policy initiative would "complete" the internal market by eliminating costly border formalities and ridding the Community of policies and practices that stood in the way of fuller integration.

While the global objective of Europe 1992 was to enable European firms to compete more effectively with their Japanese and American rivals, its announcement rekindled anxieties among members of the European Free Trade Area (EFTA) about their own economic viability. These concerns were intensified as a succession of studies warned that Europe 1992 would create problems for the EFTA nations.<sup>3</sup>

These studies, as well as the Commission's own work, placed a great deal of emphasis on "nontraditional" sources of the gains from trade. Imperfect competition, economies of scale, and investment-led economic growth not only