

Measuring European Economic Integration

Jörg König

Abstract

The three essays of this dissertation contribute to the measurement of European economic integration and investigate the welfare effects of the European countries. The first study presents a newly developed index – the EU Index – which measures the extent of economic integration into the European Union for the EU-15 member states over the period 1999–2010. The principal component analysis assigns accurate weights to the 25 indicators used in the index. Large heterogeneities are found between the member states with respect to overall integration and to various sub-indices. By using cluster analysis, it is also shown that the prevailing economic heterogeneities have been shaping a ‘core group’ of countries and a ‘multi-speed Europe’, which challenge the present and future steps of European integration.

The second study uses the EU Index for an empirical assessment and analyzes whether European citizens have become more or less satisfied with life due to increased economic integration. With more than 180,000 observations, ordered logit estimations as well as a two-stage OLS procedure reveal significant positive impacts on reported well-being. Especially increasing economic activity in the EU single market and increasing economic homogeneity among the member states show the largest marginal effects. The ‘love-of-variety’ approach and the existence of a high inequality aversion among the European citizens are some possible explanations, which imply that the EU should take further action in that regard.

The effect of the size of a country on economic growth is investigated in the third study. By analyzing panel data of the EU-27 countries over the period 1993–2012, the first regressions suggest that the size effect seems to be negligible and that mostly the standard neoclassical growth variables are important in determining economic growth. However, size does matter when the old and new member states are explored separately, though, the effect of country size decreases as market integration increases. Particularly in the light of the large and increasing number of small member states, further completion of the EU single market should stay at the forefront of the future European integration process.