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Europe's Great Divide. A geo-economic-political map

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Europe's Great Divide. A geo-economic-political map

Francesco Farina* and Roberto Tamborini**

Abstract

It is now widely agreed that an important driver of the European economic crisis has been the faulty original design of the Monetary Union, and that substantial steps are urgently needed towards the creation of truly European fiscal institutions. The notorious stumbling block along this path is political will. By cross-referencing the results of the 2014 elections of the European Parliament with Eurobarometer opinion polls and an indicator of economic pain, we argue that Europe experiences an unresolved tension between "more Europe" and "less Europe" *at the level of European peoples*. Data analysis at the country level reveals a surge of what we call Europe's Great Divide, a geo-economic-political cleavage across the EU and across the EZ as well. This is more complex, and perhaps worse, than the simplistic divide between "North" and "South" or "Core" and "Periphery", and it seriously undermines support for 'more Europe' "from below".

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Europe's Great Divide. A geo-economic-political map

1. Introduction

Europeans are largely aware that Europe is going through its most troubled times since World War II. Seven years after the outbreak of the Great Recession in the Western world, and the initial illusion of "being different", there is widespread consciousness that the European Union (EU) as a whole, and the Euro Zone (EZ) more acutely, have suffered comparatively worse economic conditions and are recovering at slower pace. Deep social and political repercussions have resulted, that are shaking the entire edifice with unprecedented intensity.

Several indicators warn that an increasing number of European citizens are highly disappointed by Europe. Contributing to this disappointment are on an equal basis the weak democratic underpinnings of the EU decision process and the inability to fight the economic crisis and the spectre of stagnation. In the 2014 electoral campaign for the EU parliament the idea itself of European membership was challenged by openly anti-European parties and movements. True, their success in the polls was poorer than predicted by the media, and the traditional pro-European political families still hold the large majority in the parliament. Yet the very fact that the success of anti-European forces was *expectable* is indicative of the critical situation in which elections took place. Moreover, these forces are gaining ground in their home countries.

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On inspecting the results more closely, we shall see that the prospects are indeed highly critical for the EU, and will remain so.

Our research motivation is in particular the prospective evolution (or involution) of the EZ on the way towards "Completing Europe's Economic and Monetary Union" (Juncker 2015); on the premise, however, that this will be conditioned by, and will be of key importance for, the evolution (or involution) of the EU as a whole. Indeed, the distinction between countries within and outside the EZ becomes increasingly important. The EZ citizens share the same key political institution with the other EU citizens, but they have an experience of EU integration which is significantly different (Bertsou 2014, Hobolt and Wratil 2015). As a matter of fact, the EZ has been the epicentre of the economic crisis and of its continental propagation (Croci Angelini, et al. 2015, Tamborini 2015), and at the same time it represents the most advanced frontier of sovereignty devolution in the EU.

As far as the political and institutional challenges raised by the economic crisis are concerned, in section 2 we outline two main views. The first, which has been put forward and enforced by the European Commission and the leader countries, derives from the "national responsibility" doctrine on which the Maastricht Treaty rests with regard to all economic policy matters, except monetary policy. According to this view, if on the one hand governments are subject to a set of constraints on their budget policy, on the other the economic performance of their countries eventually depends on their policy choices within those constraints, so that compliance with the fiscal rules *per se* can by no means be deemed responsible for poor economic results. The European Commission's policy recommendations pave a failsafe way to marry fiscal rigour with growth. Put simply, the European economic crisis is the result of a collection of failures by governments 'to do their homework'.

Over time, a second view, mainly supported by independent economic and political scholars, has gained ground. According to this view, the blame for the crisis should also, if not mostly, be borne by serious faults in the institutional design of the Monetary Union. The most critical fault is epitomized by the asymmetry between a supranational monetary institution responsible for the single monetary policy and many independent national fiscal authorities constrained by a set of fixed rules. This has resulted in a blatant macroeconomic mismanagement of the crisis, a self-defeating "country-by-country" approach lacking clear identification and pursuit of *Europe's collective goals*. In order to fix this fault, it is argued that "more Europe" is needed, which means substantial strides towards further *political* integration starting from the fiscal sphere. This second view has eventually been subscribed to by the top EU institutions, as testified by the so-called "Four Presidents Report" drawing the road "Towards a Genuine Economic and Monetary Union" (European Council 2012), followed by a new report under the authorship of the Commission (Juncker 2015), and by speeches of the President of the European Central Bank (e.g. Draghi 2014a, 2014b, 2015).

However compelling economic analyses may be, the notorious stumbling block on the way to this grand (re)design is political will. A well-established narrative explains the oddities in the Maastricht Treaty as a compromise between the so-called "French view" of the Monetary Union as a booster of political integration, and the "German view" that would instead reverse the order of factors. As a matter of fact, almost all national governments of different political colours have repeatedly proved unwilling to devolve more sovereign powers. Even under the pressure of the crisis, partial and painful progress has only been made in the field of common banking regulation, disappointing the hope for "progress through crises" that Jean Monnet viewed as a way for unification to grow (Monnet 1976).

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There is a tendency to blame the appetite for power of politicians. However, the political science literature highlights a two-way causality nexus whereby the political parties influence national public opinions, and vice versa (Bølstad 2015). In democratic regimes politicians are, quite legitimately, sensitive to the public opinion, which gives the public opinion a leverage to steer political choices. We therefore address the problem of the political will for "more Europe" in the field of economic policy "from below" by looking at recent evidence on the European citizens' attitudes provided by the 2014 general elections for the EU Parliament and some concomitant Eurobarometer opinion polls.

In section 3, we first substantiate the view of a political stalemate in the choice of "more" *versus* "less Europe". We represent this *impasse* as a trilemma posed by the constitutive dimensions of Europe: "European integration", "National sovereignty", "Democratic control". A critical tension has been growing over the past decade, at the social and political levels, between the pursuit of European integration and concerns for National sovereignty and Democratic control. Considering the positioning of the major European political groups in this trilemma, we argue that the elections have not resolved the tension between "more" or "less Europe".

To show this, in section 4 we examine citizens' sentiments towards Europe as reported by the first Regular Eurobarometer survey after the elections (Autumn 2014). Moreover, we consider the release of the Special Eurobarometer of July 2014 more specifically aimed at detecting judgements regarding home countries *vis-à-vis* the EU. This is in fact particularly informative on the issues at stake, because the attitude towards more EU integration has to be framed in comparison with the alternative represented by the home country. On this account, differences do emerge between

residents in the EZ and the others (No-EZ).¹ The former are to a large extent negative towards *both the EU and their own country*, whereas the latter are negative towards their own country but positive towards the EU. A third area is positive towards both the EU and the home country, but this consists of a minority of EZ residents. A fourth, tiny area is negative towards the EU but positive towards the home country. It seems that the euro is a liability for sentiments towards the EU – though not necessarily towards the euro *per se*, as we shall see. On the other hand, this evidence of a fourfold distribution of countries according to the attitude of citizens along the EU/H dimension warns that i) the tension between "more" or "less Europe" is not an absolute one but is conditional upon the alternative of "more" or "less my own country"; ii) ignoring the EU/H and EZ/No-EZ dimensions and the related country mapping may yield misleading assessments of the support for further integration.

Since economic conditions are regarded as a major driver of citizens' opinions and votes (though perhaps less than expected: see Ward 2015), the European crisis has quite naturally spurred research on possible changes in the attitude towards the EU in general or towards specific issues such as the common currency or transfers of competences to the EU (recent examples are Guiso et al. 2014, Kuhn and Stöckel 2014, Hobolt and Wratil 2015). In this paper, we do not present yet another statistical test of the relationship between the crisis and Eurobarometer opinions. In fact, for the two reasons stated above, our main focus is not on the economic determinants of opinions *per se*, but on the extent to which the map of (the intensity of the) crisis adds further characterization to our four quadrants.² To this end, for each country we present a simple index of economic pain over the five years from the outbreak

¹ Country locations between EZ and No-EZ refer to 2014, i.e. Lithuania is not included into the EZ.

² We do not claim that characterization is causation.

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of the crisis to the last year prior to the Eurobarometer survey (2009-13). It consists of the loss of GDP growth, the loss of real per capita income, the increase in unemployment, and the dosage of austerity. The association of the economic dimension with our fourfold distribution of countries is quite nuanced and far from being straightforward. The bottom line is that the area of global discontent is also characterized by high economic pain, though economic pain is not systematically associated with global discontent. One might think that people in this area split the blame for the crisis between the EU and their own governments, and that they are ready to endorse major economic-political changes, but probably not in the way enforced by the EZ authorities and rules. Our geo-economic map suggests political implications that add qualifications to other studies that will be discussed in section 4.

Then in section 5 we cross these sentiments with the actual electoral results, and an even more problematic geo-economic-political map emerges. The above-described four areas of divergent European sentiments have also expressed consistently different electoral results. Apparent behind Europe's political stalemate is *Europe's Great Divide* between countries favouring the *status quo* (though possibly for different reasons) and others calling for a change (albeit in a disorderly manner). The former tend to prefer centre-right political parties; in the latter centre-left or Euro-critical parties tend to prevail. The emerging picture is more complex and tangled than the more usual one based on "North" and "South" or "Core" and "Periphery".

Our main conclusion, which we set out in section 6, is that this geo-economic-political map, though not entirely surprising, is worrisome. A perverse loop has been created between the economic crisis and its crippling political implications. Far from prompting support for further integration, the legacy of the crisis, and of its misleading "country-by-country" management in the

EZ, seems to push towards dis-integration of the European political space in tandem with the economic one. In other words, there is a tendency to 'nationalize' the conflicting policy options concerning causes and remedies of the crisis, and the reform of the European institutions. The different options are no longer perceived *trans*-nationally along the left/right political spectrum, but rather through the lenses of *national* identity and interest. In Strasbourg national flags become more and more important than political ones. Europe's political stalemate on the way to progressive integration is now rooted in the citizens' will, and its resolution can hardly be expected to come 'from below'.

2. National responsibility vs. institutional design

With regard to the prospective evolution (or involution) of the EU, a special role should be attributed to the EZ. As of 2015, 19 out of the 28 EU members and 65% of their total population belong to the EZ. The latter includes the largest and most advanced continental economies, and it is on the frontier of sovereignty devolution in the EU. In various respects, the EZ was the epicentre of the worldwide Great Recession of 2008-09 in Europe, and in the medium run its performance has been worse than that of both the United States, where the crisis originated, and the No-EZ countries (Tamborini 2015). The economic performance of the EZ, and the policy decisions of its institutions and member states inevitably affect all the other members. The EZ citizens have an experience of EU integration different from that of the others, but quite naturally, the attitude of citizens towards the EU is largely conditioned by the EZ.

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Reactions to and reflections on the mounting threats of a general failure of the Monetary Union initially followed two different approaches. One, endorsed by the EZ policy institutions and some governments led by Germany, remained faithful to the doctrine of *exclusive national responsibility* in all economic matters, except monetary policy, on which the Treaties rest.³ In this view, in a context where monetary policy is committed to maintaining price stability, each member country is required to comply with the fiscal rules established by the Treaties, and with the policy recommendations put forward by the Commission. The performance of each country, whether good or bad, is mostly seen as the result of its own responsibility. In the end, there is no such a thing as the EZ, which is just the statistical average of what the single countries are doing. If the EZ as a whole has performed poorly, it is only because too large a number of members have been unable to manage their economies successfully and to follow rules and prescriptions faithfully. Consequently, the need for reforms is mostly placed at the level of single countries, whereas the general institutional setup is kept out of discussion.

In the other approach, more largely adopted by economics and politics scholars worldwide, the "misbehaviour" of some members is only part of the story – probably the minor part. The institutional design of the EZ is instead at centre stage. Indeed, it has been matter of lively debate ever since its conception. Criticisms have been revived, and to a large extent vindicated, by the crisis.⁴ The fundamental fact is that the EZ is by no means a simple collection of separate economies, plus a single market built up through the *acquis communautaire* and a common currency. Quite the contrary: economic, financial and monetary integration generates reciprocal externalities which

³ See e.g. the yearly "Report on Public Finances" by the European Commission, *European Economy* series. For an instance of particularly outspoken support for this view see e.g. Sinn (2014). More balanced argumentation can be found in some Commission papers such as Buti and Carnot (2013), Kuenzel and Ruscher (2013).

⁴ More recent noteworthy studies are De Grauwe (2013), Wyplosz (2013).

heavily condition the macroeconomic performance of each member. Likewise, incentives, or disincentives to national reforms, their choice and success cannot be conceived as being independent of the common institutions. As a consequence, the national responsibility doctrine rests on shaky foundations as both a normative principle and a guide for policy.

The first weakness is the asymmetry between devolution of monetary sovereignty to a single central bank and retention of fiscal sovereignty at the national level. This asymmetry had (and still has) strong political roots in the unwillingness to surrender fiscal sovereignty; it also received some academic support from advocates of the so-called "monetary dominance" as a shield for the central bank's independence against "fiscal dominance".⁵ However, critics point out that the ability of the EZ as a whole to deliver macroeconomic stability and "cohesion" is seriously impaired. A second, related criticism is that the set of fixed fiscal rules envisaged by the Maastricht Treaty and the Stability and Growth Pact was badly conceived and, more importantly, cannot be taken as a substitute for true fiscal policy coordination. The key point, mentioned above, is that the fiscal rules ignore cross-country externalities, whereas the thrust of policy coordination among countries belonging to a common currency area is the internalization of externalities in pursuit of the common good. This misconception of the fiscal rules is seen as the crucial factor in the substantial failure of the so-called "austerity" policies imposed on the EZ countries, according to a "country-by-country" approach lacking a clear identification and pursuit of *Europe's collective* goals. A third poisoned fruit of the national responsibility doctrine, justified with ubiquitous "moral hazard" problems, is the lack of truly supranational governance and risk-sharing mechanisms in the financial sector. This was indeed where all

⁵ Examples are Beetsma and Uhlig (1999), Dixit (2001), Dixit and Lambertini (2001).

began: the contagion from the US to the EZ banking systems, the contagion within the EZ, the contagion from private to public financial distress.

While the line of thought and policy faithful to the national responsibility doctrine is still alive, the idea that the core of the EZ problems lies in its institutional original sin has gained ground and has eventually been endorsed by the highest representatives of the EU institutions (European Council 2012, Juncker 2015, Draghi 2014a, 2014b, 2015). These ambitious documents essentially take stock of all the critical points recalled above. The challenging message is that the EZ, and the EU as a whole, must make a leap forward in the *political* integration process as a means to foster better economic *policy*. This message is not entirely novel, however. The designers of the Monetary Union, and the political leaders who signed the Maastricht Treaty, were well aware that a monetary union without a fiscal and political union is impaired and cannot go far. The bet was that progress in the economic and monetary dimension, albeit imperfect, would prompt progress in the others too, either on the wings of success or under the pressure of resolving crises (Padoa Schioppa 2004; Spolaore 2013). So far, the bet has not been won. Will it be in the foreseeable future? To address this question we should delve into its political dimension.

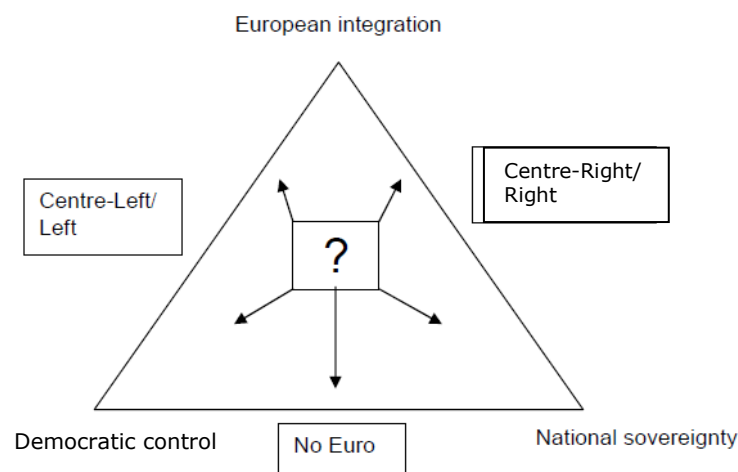
3. Europe's stalemate

Throughout the post-war march towards "ever increasing European integration", an economic stumbling block was, in the famous words of Tomaso Padoa Schioppa, the "Impossible Quartet" consisting of free trade, free capital movements, monetary policy autonomy, and fixed exchange rates

(Padoa Schioppa 1988). With the creation of the Monetary Union, the decision was taken to give up monetary sovereignty and keep the other "public goods". This has created a special relationship among the EZ countries and with the EU institutions. Nonetheless, the EZ citizens share the same key EU institutions, e.g. the Parliament and the Commission, with all the other citizens. Today, the EZ countries find themselves in an institutional trilemma that involves the EU as a whole, though perhaps with peculiar intensity.

At the vertexes of a triangle (see Figure 1) we can place the constitutive dimensions of Europe: "European integration", "National sovereignty", and "Democratic control". "European integration", *as it has developed over the past decades*, is increasingly perceived as conflicting with the autonomy of governments in deciding on matters of national interest (the vertex "National sovereignty"), and with national institutions which are direct expression of people's will (the vertex "Democratic control"). The EZ fiscal rules, largely blamed for the negative consequences of austerity, are emblematic, but complaint about the EU generation of bureaucratic rules on almost all other matters is high outside the EZ as well.

Figure 1. Europe's stalemate



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In an effort to organize ideas into a stylized picture, at the cost of some simplification, along the sides of the triangle we can also map three main political aggregations, Centre-Right/Right (CR/R), Centre-Left/Left (CL/L) and No Euro (NE, meaning both "no euro" or, more radically, "no Europe"), according to their traditional preferences and concerns. Thus, in the pursuit of European integration, the CR/R is particularly concerned with losses of National sovereignty, the CL/L with losses of direct Democratic control over the EU institutions, whilst the NE has a strong preference for preserving both National sovereignty and Democratic control at the expense of European integration. In the triangle, Europe's stalemate corresponds to a point situated at an equal distance from the three vertexes.

Table A1 in the Appendix reports the electoral results of these three aggregations in terms of seats won in the European Parliament (EP) in the general elections of March 2014 on the basis of official statements and agreements for parliamentary groups. As we shall see hereafter, the stalemate arises for two main reasons. One is that no political aggregation seems to have gained enough power to lead the entire EP, let alone the whole of political Europe. The other, perhaps more important, reason is that each political force in itself seems unable to devise a consistent road map, being instead paralyzed by internal disputes on the direction to head to. In fact, the true political scenario is even more crippled than appears in our triangle.

To begin with, the political area pointing more to the base than to the tip of the triangle is larger than our NE. Some parties outside the official agreements (classified as Others) are definitely anti-euro and anti-Europe (e.g. the Northern League in Italy and the *Front National* in France). NE + Others reach 13.3% of seats. Moreover, the respective right and left wing of the CR/R and CL/L aggregations are similarly opposed to the European limitations on

popular sovereignty and national interests, and they are exposed to the NE's political pressure on their constituencies. According to Treib (2014), the Eurosceptic parties can be credited with up to 30% of the European Parliament. The flip side of the coin is that they are heterogeneous in many other respects. Thus official parliamentary groups constituted by Eurosceptic parties weigh as little as 6% (see Table A1). In the end, they contribute to paralysis, since they are unable to form a political coalition favouring the dissolution of the EU integration process, while possessing sufficient power, in the EP and in society, to hamper any progress (Bertsou 2014).

The CL/L parties not only have minority seats but they have also gathered heterogeneous discontent with and protest against the current state of affairs by promising to "change Europe". One ingredient of the recipe is a relaxation, if not renegotiation, of the EZ fiscal rules. Some leaders also press for an accelerated move towards a full-fledged democratic and federalist Union, pointing to the top-left side of the triangle, with acceleration on the "communitarian method". However, it is not clear how swiftly their electorate will follow. To give an example, the creation of a supranational fiscal authority has been at the top of the agenda of governance reforms for many years. How should this authority be appointed, with what legitimacy and powers, and with what enforcing instruments *vis-à-vis* single countries? The CR/R parties won the elections by offering protection to national interests and fears (especially in the North), rather than more Europe and cooperation (with the South). They thus tend towards the bottom-right side of the triangle. But it is not clear whether they will allow for more integration in small homeopathic doses filtered through the "intergovernmental method", or whether they will simply defend the *status quo* by vetoing any reform of the existing institutional architecture of the EU, and first and foremost of the EZ.

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At present, therefore, few chances seem to exist to move towards the tip of the triangle from any side. As Guiso et al. (2014) aptly depict the situation of Europeans, "there is no desire to go backward, no interest in going forward, but they cannot stay still" (p. 6). The joint analysis of opinions, sentiments and votes expressed by EU citizens that we present in the next sections will substantiate our notion of Europe's stalemate, and in particular that the 2014 elections have not resolved it, and may have even aggravated it, revealing what we call Europe's Great Divide along a geo-economic-political dimension.

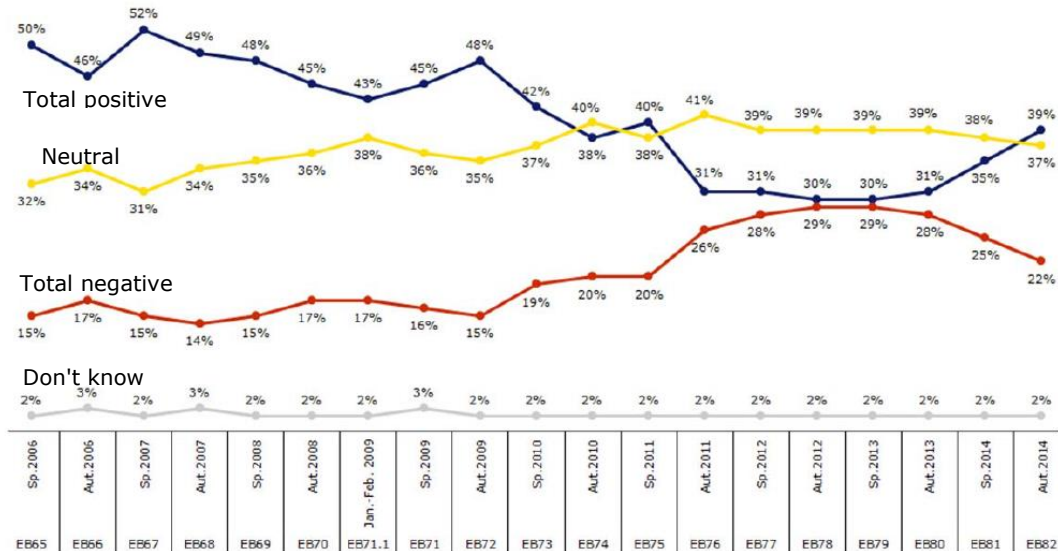
4. Europe, home countries and the crisis

Our data source is Eurobarometer, the public opinion survey service conducted by Eurostat on behalf of the European Commission. It provides a great deal of information about citizens' opinions and sentiments on European matters which is largely employed in applied political economy research.

We begin with an overview of the evolution of the general attitude towards Europe and the EZ as reported by the first available issue of the Standard Eurobarometer after the EP elections (n. 83, Autumn 2014). As shown by Figure 2, concerning the "image" of the EU, respondents with positive image declined markedly over the previous seven years: from 50% in 2006 to the all-time low of 2013, when the positive and negative image scored almost the same 30% of respondents. 2014 was a year of recovery of respondents with a positive image, who rose to 39%, while those on the opposite front recoiled to 22%. Another question concerning "trust" in political institutions (QA8a)

yields a similar declining trend for the EU, shared, however, with national parliaments and governments, and with no sign of recovery. As regards either optimism or pessimism for the future of the EU (QA22), optimists plunged from 69% in 2006 to 48% in 2011 and regained ground up to 56% in 2014. Overall, while 2014 showed some positive signs, the decline of pro-EU sentiments over the medium term remains substantial.

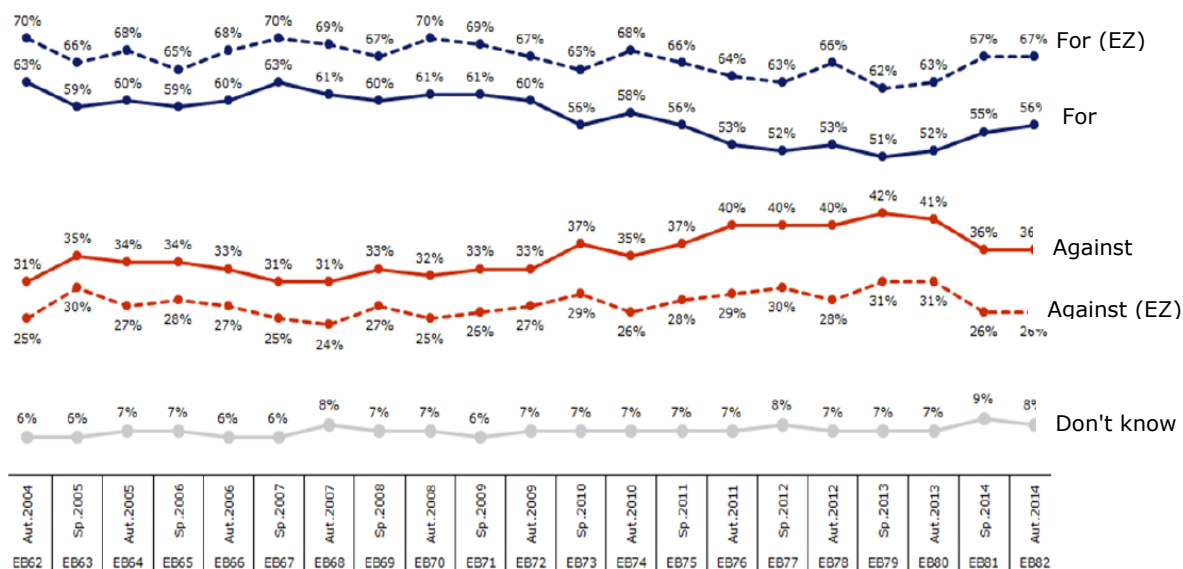
Figure 2. QA9. In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image? (% of EU)



Source: Standard Eurobarometer (No. 83, Autumn 2014).

By contrast, Figure 3 shows that the barometer of attitudes towards the Monetary Union has remained fairly stable over time: between 60% and 70%, with only a slight decline of "for" respondents during the crisis, and the remarkably persistent feature that EZ residents are more "for", and less "against", than No-EZ ones. Against this background, we now examine more specific information regarding the issue discussed in this paper: the tension, *at the level of public opinion*, between the national and the supranational dimensions.

Figure 3. QA19.1. Please tell me whether you are for or against a European Economic and Monetary Union with one single currency, the euro (% of EU)



Source: Standard Eurobarometer (No. 83, Autumn 2014).

4.1 A map of four quadrants

Relevant information is provided by two questionnaires in the Special Eurobarometer No. 415, July 2014. The first (QA13) elicits the attitude towards a stronger Europe by means of two statements. The statement "*We need a united Europe in today's world*" collects 75% of agreement against 19% of disagreement. The statement "*More decisions should be taken at the EU level*" collects 45% of agreement and 46% of disagreement. This apparent inconsistency reveals a tension between the *ideal* of a united Europe, which seems to withstand the crisis headwind, and the willingness to take the necessary step of power devolution to *this Europe* here and now.⁶

The second questionnaire (D73) provides further important information about this tension. Respondents were asked to answer a two-faceted question

⁶ According to Guiso et al. (2014), not only the current EZ crisis, but also earlier major steps towards European integration in easier times have *reduced* pro-European sentiments.

eliciting a possible divergent opinion between how Europe as a whole, *vis-à-vis* the respondent's own country, is behaving: "*At the present time, would you say that, in general, things are going in the right direction or in the wrong direction, in the European Union / in your country?* "

The questionnaire is designed so that there are four possible choices: EU-R(ight), EU-W(rong), H(ome)-R, H(ome)-W. This partition is important because the attitude towards more EU integration has to be framed in comparison with the alternative represented by the home country. We present the data in different formats. Table A2 shows the data by country: each column gives the responses to each of the four choices in percent points.⁷ Table A3 presents the descending ranking of countries according to responses for each choice. The tables also include the average values for the EZ countries, the No-EZ countries and the EU as a whole.

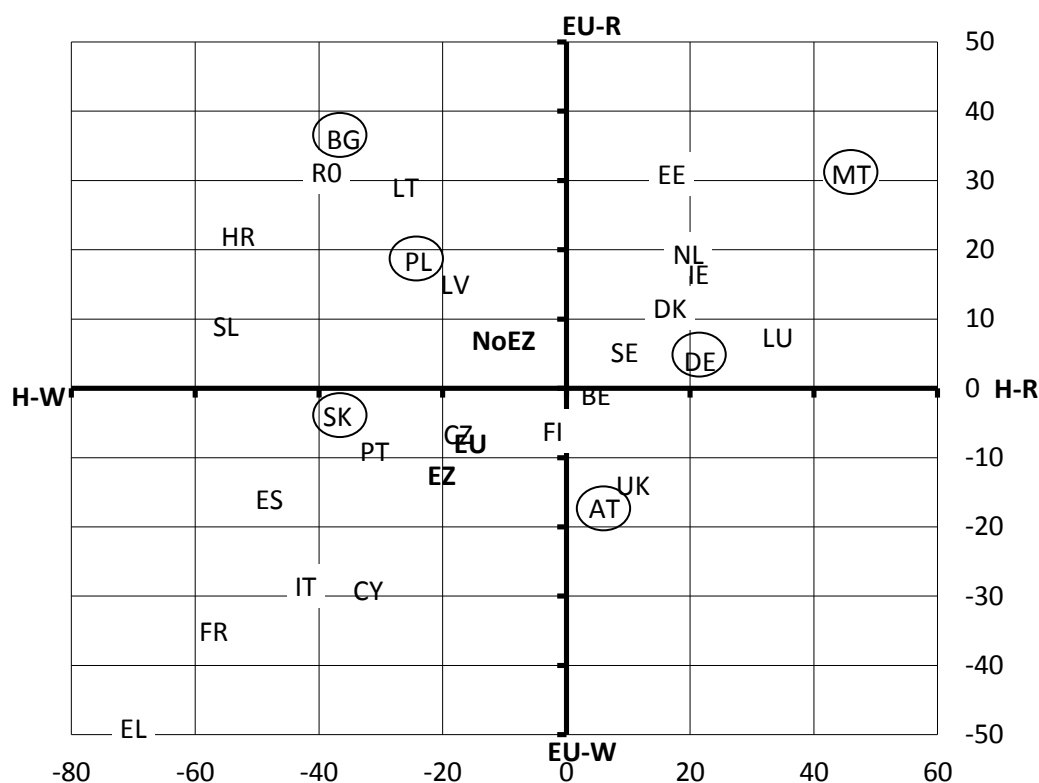
As can be seen, the top EU-R countries are Bulgaria, Estonia, Romania, Croatia, Denmark, Poland, and Lithuania. Except Denmark, these are all new accession countries, with a possible "honeymoon" effect with the EU, and none of them belonged to the EZ in 2014. Indeed, the EZ ranks much lower than the No-EZ. By contrast, the top EU-W countries are all EZ countries (Greece, France, Cyprus, Italy, Austria, Spain, Finland, and Belgium) so that on this dimension the EZ ranks much higher than the No-EZ. It therefore seems that the EZ is a liability for the feelings towards Europe. The attitude towards the home country is more mixed geographically, but the EZ as a whole ranks lower than the No-EZ for positive judgements, and higher for negative ones. These data are open to two different interpretations. One regards the majority of the EZ public opinion as subscribing to the

⁷ The complement to 100 corresponds to figures related to the other possible answers: "neither the one nor the other" and "don't know".

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Commission's message that each country is mostly responsible for its own problems and solutions. The other points out that the EZ governments' sovereignty is a fiction, since they are actually unable to deliver what they promise within the EZ straitjacket. Overall, these data suggest that the EZ is an area of bitter discontent *both* with the EU *and* with own home countries.

Figure 4. Country distribution of respondents along the four choices in Table A2



Source: Elaborations on Table A2. Circled countries have a positive economic MTI (see Table A5 and section 4).

In Figure 4 we provide, in a single snapshot, the country distribution of respondents along the four dimensions of the questionnaire: that is, European Union/Home (EU/H), Right/Wrong (R/W). We have rearranged the data as follows. First we have selected the EU/H dimensions. For each of the two we have computed the *difference* between respondents choosing R and W; hence a positive (negative) figure indicates the prevalence of R over W (of W over R)

and *its intensity*. Then each country has been inserted into a scatterplot divided into four quadrants.

The EU-R/H-R quadrant displays countries where the majority of respondents appear supportive of the current state of affairs both the EU and the national level. The popular belief that these are mainly people in the "German block" is supported by the data. At the opposite pole we find the EU-W/H-W quadrant: that is, countries with people largely angry with both the EU and their home country. Again, these are mostly EZ countries. The EU-R/H-W quadrant mainly hosts new accession "honeymoon" countries: here the majority of people may view Europe (as-it-is) as a positive driver of change of the national evils.⁸ Finally, the last quadrant EU-W/H-R, with prevalent pro-national feelings, seems less quantitatively significant, though it contains, perhaps unsurprisingly, the UK, the most influential country outside the EZ.

To gauge the quantitative dimension of the four quadrants, in Table A4 we present the size of the population of each of them relative to the active population (age 15-64) of the EU and, for the relevant countries, of the EZ. As can be seen, the EU-W/H-W quadrant of (prevalent) global dissatisfaction accounts for 42% of the EU population and for a remarkable 61% of the EZ population, almost twice the population of (prevalent) global satisfaction. Europe is largely an angry continent.

4.2 Adding the economic dimension

It is reasonable to think that one main driver of the responses examined above along the four options of the questionnaire is the perception of the crisis at the

⁸ It is worth noting that, as also reported by Guiso et al. (2014), this was the majority attitude in several countries (like Italy, Spain, Portugal, Greece) *before* they joined the EZ, and that have now moved to the EU-W/H-W "angry club".

national level. This hypothesis is relevant for two reasons. The first is that *differences* in the intensity of the crisis and its perception within the EU may account for differences in judgments and attitudes towards the EU. The second is that if there is a *sustained and generalized* recovery in the near future, the picture provided by the Eurobarometer data may change.

Abundant research is available with tests of the hypothesis that economic variables can explain the Eurobarometer opinion polls data. Among recent relevant examples, Guiso et al. (2014) perform a panel regression analysis of the drop in the EU consensus mentioned above on a set of economic variables during the crisis at a fairly disaggregate level. They find that unemployment is a major explanatory variable, but also, as expected, that differences across countries matter. The negative shift in judgments has been more marked in the Southern countries, where people also seem to have attached greater weight to the perceived unfairness of EU-level policies as a cause of their worse economic conditions. This finding is consistent with Hobolt and Wratil (2015), who claim that the crisis has also changed the main driver of the attitude towards (or against) the EU from national identity to the so-called "utilitarian view" based on the personal assessment of costs and benefits of EU integration and policies. If this is the case, Hobolt and Wratil suggest that national identity may become less of an obstacle for further integration provided that better economic results are delivered. Somewhat at odds with the general tendencies that we presented at the beginning of this section are the results obtained by Kuhn and Stöckel (2014), according to which the crisis has more strongly shocked the support for EU integration in general than for EU economic governance in particular.⁹ Moreover, they argue that support for EU economic governance has been more robust in economically weaker

⁹ As far as we can understand, the authors do not clarify whether "support" means that the EU *ought to be* the right policy maker in the face of the crisis or whether it means that the EU policy has been the right one.

countries and classes afraid of losing welfare state protections. On this view, resistance to further integration may come from stronger countries and classes.

These studies share three main insights. The first is that the attitude towards stronger integration is the result of multifaceted factors. The second is that national differences matter in the composition and relative weights of factors. The third is that these factors have been changed by the crisis. Against this background we introduce the economic dimension into our analysis not as a determinant but as a further characterization of the distribution of majority national opinions in our four quadrants.

To this end, we have elaborated a simple index of "economic pain" for each country. The purpose of the index is to yield a summary measure of the intensity of the crisis. Among the economic variables that may be considered, we have chosen four: growth rate, per capita real disposable income, unemployment rate, and "austerity" as given by a restriction of the public primary budget relative to GDP.¹⁰ Whilst all these variables are consistent with academic definitions of crises, what is more relevant to our purposes is that they have an impact on personal lives, and that the relevant information is commonly accessible to ordinary people via the media. Note that our choice has been driven not only by economic principles, but also by the subjective "perception" of the economy and of an economic crisis by ordinary people (Nilsson and Svensson 1986, Baron 1994, Nicotra et al. 2001).¹¹

¹⁰ Unless otherwise stated, the single source of data is the AMECO database of Eurostat.

¹¹ For instance, the growth rate and the level of per capita income have almost the same economic content, but they are different at the perception level. The former is not perceived directly at the personal level but affects the "image" of the country (or of the government) as doing well or badly. The latter is instead closer to the personal perception of well being.

In order to capture the perception of the crisis better, we have considered two results in this literature. The first is that an economic crisis is not just a single "bad year": perception is strongly reinforced by duration. The second is that perception is also the result of comparison between a contingent situation and a benchmark, e.g. memory of what is "normal" or of the previous situation. Therefore, we have chosen a well-defined time frame. First, we have identified 2009, when all countries fell into recession, as the beginning of the crisis. We have then set the five-year *post-crisis period* as spanning from 2009 to 2013, the last full year of official data before the Eurobarometer opinion poll.¹² Symmetrically, we have also set the five-year *pre-crisis period* as spanning from 2004 to 2008.¹³ Each variable except austerity enters the index as the difference between its average value in 2009-13 and in 2004-08. Austerity instead consists of the extent of post-crisis fiscal restrictions measured by the year average change in the primary budget/GDP ratio from 2010 to 2013. In the absence of strong *a priori* information on the relative importance of each variable, we have decided to weigh them equally; hence the index is the simple average of the four variables. This is called the "medium-term index" (MTI): *a negative figure indicates the extent of the crisis as a medium-run overall deterioration of the perceived economic situation with respect to the pre-crisis period.*

According to the so-called "peak-end effect" (Fredrickson and Kahneman 1993, Kahneman 2000), the perception of a painful experience is conditioned by the final state of the subject in comparison with the peak of pain rather than with the overall duration of the pain. Translated into our context, we may say that *if a substantial improvement* in the economic situation takes place, it may have a countervailing effect on the perception of the previous situation.

¹² As a consequence, we have excluded Croatia, which joined the EU in 2014, and we have excluded Latvia from the EZ, which it joined in 2015.

¹³ Some countries experienced an early recession in 2008, but this was mostly concentrated in the third or fourth quarter, and was of limited magnitude.

Hence, we have also computed a "short-term index" (STI) yielded by the change in the relevant variables from 2013 to 2014, the year of the Eurobarometer opinion poll. Table A5 displays the countries in descending order of economic pain according to both indexes.

The first information to be considered is that almost 78% (21/27) of the EU countries display a negative MTI, i.e. from 2009 to 2013 their citizens may have perceived a deterioration of their national (if not necessarily personal) economic situation with respect to the pre-crisis period. Yet, the extent of deterioration is quite different across countries. Greece's economic pain has been eight times worse than Belgium's and more than three times worse than the EZ average. On the other hand, almost all countries (except Slovenia, Cyprus, Greece and Denmark) experienced an improvement from 2013 to 2014. Note, however, that some of the countries with the worst MTI also have poor or negative STI (and vice versa): a finding reminiscent of the so-called "hysteresis effect" in macroeconomics. This effect may also operate at the perception level, so that a weak recent improvement may be insufficient to overcome the legacy of a negative economic experience.

The second information of interest concerns the intersection of economic pain with our subsets of the EU: EZ, No-EZ and the four quadrants of Figure 4. We see in Table A5 that, on average, the EZ has suffered almost twice the economic pain, and enjoyed less than half the recovery, with respect to the No-EZ. We also see that the EU-W/H-W quadrant of global discontent on average ranks very high on both indexes, i.e. severe economic pain in the past five years and feeble relief in the present. Its polar quadrant EU-R/H-R fares better, and the "honeymoon" quadrant EU-R/H-W even more so.

Europe's Great Divide

The mapping at the country level is also of some interest. See again Figure 4 for reference. With regard to the EU, the 21 countries with negative MTI are almost equally split between the majority of judgements for EU-W (10) and for EU-R (11). With regard to the home country, H-W prevails in 12 countries, whilst H-R does so in 9. As to the four quadrants, 8 of the 9 countries in the EU-W/H-W quadrant also display a negative MTI (the exception is Slovakia). However, note that these 8 countries are just a fraction of the 21 with negative MTI. In fact, also 6 of the 8 countries in the EU-R/H-R quadrant, and 5 of the 7 countries in EU-R/H-W, have a negative MTI, and quite a negative one in some cases (Ireland, Luxembourg, Estonia, Latvia, Lithuania).

The association of the economic dimension with our fourfold distribution of countries shows no systematic pattern and yields a quite nuanced picture. It seems however broadly consistent with, and adds further qualifications to, the common findings in the related studies mentioned above:

- 1) the economic pain generated by the crisis has been more severe in the EZ, in particular in the countries in the area of global discontent, and
- 2) the recent economic recovery of this group of countries has brought weaker relief than elsewhere; however,
- 3) economic pain is not systematically associated with global discontent: several countries affected by non-negligible economic pain show prevalent positive judgements towards the actions undertaken by their own country and/or by the EU.

Overall, in the light of our analysis we may also say that Figure 4 identifies a *geo-economic* cleavage of Europe carved by the crisis which is more nuanced and complex than the conventional one between "Core and Periphery" or "North and South", which at most, and quite roughly, captures the EZ

polarization between our quadrants of overall satisfaction (EU-R/H-R) and overall dissatisfaction (EU-W/H-W).

4.3 Political implications

This state of the public opinion makes the resolution of Europe's stalemate unlikely. In fact,

1) The EU-R/H-R countries' global satisfaction may well be supportive of the *status quo*. This hypothesis is corroborated by the argument put forward by Kuhn and Stöckel (2014) that support for further integration is weaker in (relatively) healthier countries.

2) People in the EU-W/H-W countries with global dissatisfaction may be ready to support major changes, but it is not clear *which* changes, *how* and *where*. For instance, Gros's (2014) interpretation of the electoral results as in the end supportive of pro-Europe parties *and policies* is questionable. The most significant success (if not the only one) of a pro-Europe party, the Italian Democratic Party, is explainable with a wish to change the country; but, in light of Italy's location on the map, not so much by the wish to change it as today's Europe dictates.¹⁴ Likewise, we find unpersuasive Kuhn and Stöckel's (2014) claim that the economically weaker countries and classes, largely present in this area, may welcome more integration as a shield for their interests. During the crisis, EU integration has mostly meant more "austerity" to them: that is, a serious threat to welfare state protections.

3) An interpretation *à la* Gros seems more appropriate for the EU-R/H-W countries, where Europe (as-it-is) may indeed be seen as a positive driver of the country's change.

¹⁴ Indeed, the winning slogan coined by the Democratic leader Matteo Renzi was "change Italy to change Europe".

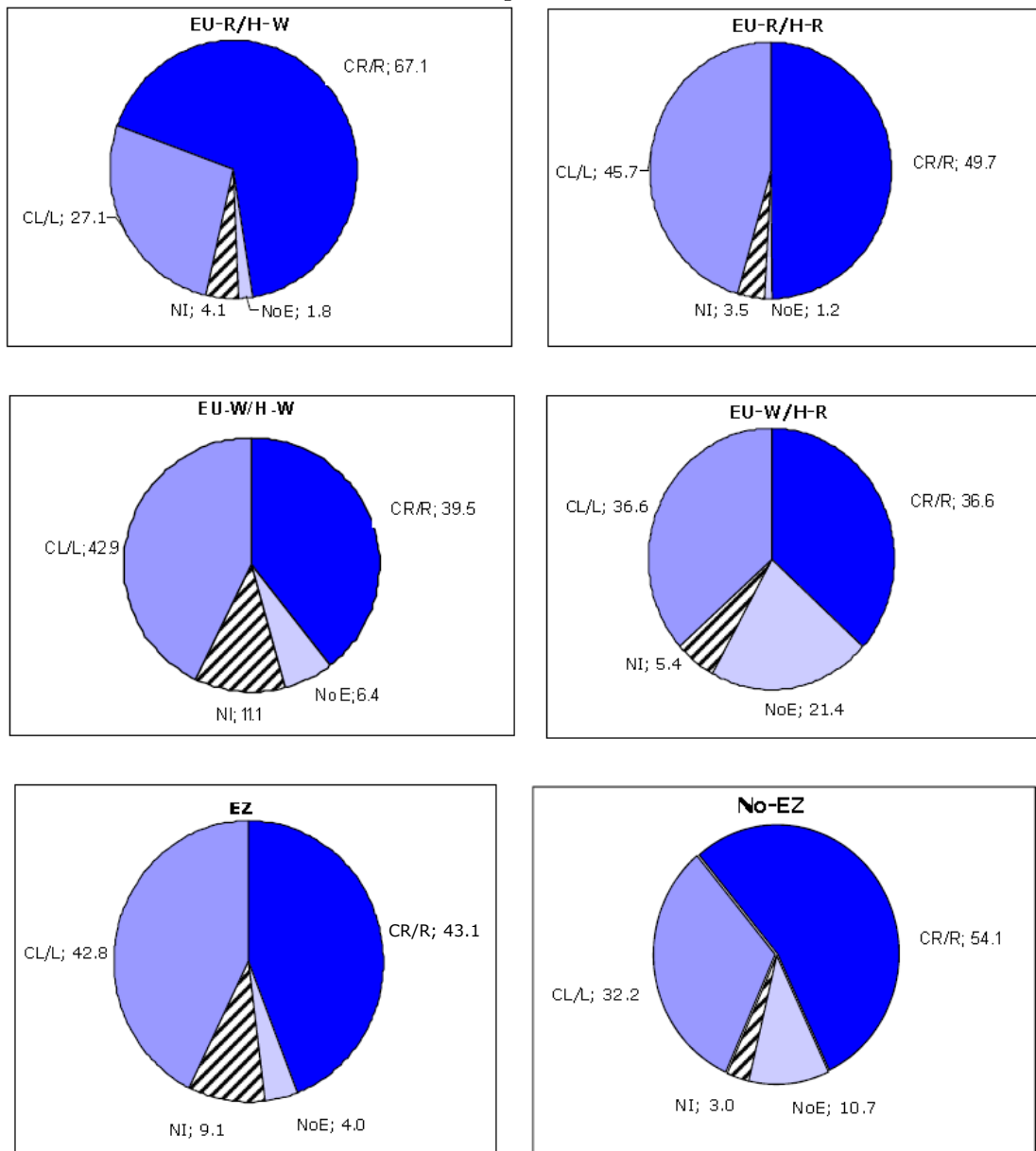
4) The shift from an identitarian to a utilitarian approach to EU integration highlighted by Hobolt and Wratil (2015) may remove the hurdle of national identity but may well spur demand for stronger protection from national governments to the extent that the EU policies are perceived as harmful, as has been the case with the EU-W/H-W countries.

5. From sentiments to votes

Sentiments and opinions matter politically as they are translated into votes and, above all, seats in the Parliament. Hence we have also mapped the electoral results of Table A1 onto our subsets of the EU, as can be seen in Figure 5. The overlap between our reading of opinions put forward in section 4 and the actual votes is remarkable and quite informative.

To begin with, let us consider the EZ *vis-à-vis* the No-EZ. In our previous analysis, the EZ was an area of harder economic pain and discontent than the EU as a whole. Actually, it assigned an almost balanced share of seats to the CR/R (43.8%) and to the CL/L parties (42.9%), whereas the former obtained the absolute majority of seats in the No-EZ countries (54.3%). Were there an EZ Parliament, it would differ from the existing one with greater weight of supporters of changes in European policies. Think of the Commission: while its composition barely reflects the electoral results of the EU as whole, the powers that it exerts in fiscal and monetary affairs are different for EZ and No-EZ citizens. If this *fact* is not acknowledged, the EZ citizens might start complaining that their political will has been distorted by people living *outside* the EZ, which is indeed a different institutional entity in some key prerogatives of sovereignty.

Figure 5. Distribution of Parliamentary seats in the four quadrants of Figure 4



The picture is even more complex if look at the four quadrants in Figure 4. We have argued that the majority of people in the EU-R/H-R quadrant may be in favour of the *status quo* at the EU level. Indeed, the CR/R parties obtained almost 50% of the seats in this area. CL/L stopped at 45.7%, whereas - unsurprisingly - NE had the worst performance. Approval for Europe (as-it-is) seems also consistently expressed by countries in the EU-R/H-W quadrant, which is where the CR/R aggregation achieved the largest success (67.1%) at the expense of all the others. By contrast, the EU-W/H-W quadrant expressing

global anger awarded the majority of seats to the CL/L parties (42.9%), but also a conspicuous 17.5% to NE and Others (NI). In the EU-W/H-R area, the two major aggregations obtained the same share of votes but well below than elsewhere (36.6%), and the NE obtained their largest number of seats (though this was almost entirely due to the success of the UKIP in the UK).

These figures state that the CR/R parties won the EU Parliament in the EU-R/H-W and the EU-R/H-R quadrants, that is, Germany and its historical North-Eastern satellites *across the EZ as well as the no-EZ*. But can these pro-Europe(as-it-is) votes be summed up? Do they come from, and do they approve, the *same* Europe? In future perspective, are countries in these two areas better EZ partners than the present ones? Maybe, or maybe not if in the long run the costs of being in the EU with the euro exceed the benefits from being in the EU without the euro (as some EZ citizens have perhaps come to believe).

Therefore, the geo-economic cleavage across Europe that we have found in the data also has a *political* dimension. We deem the resulting geo-economic-political map worrisome. It reveals the germs of Europe's dis-integration *at the level of national public opinions and electoral choices*, which jeopardizes the chances of "progress through crises" in force of pressure "from below".¹⁵ Some observers foresee that in the EU political space the traditional Left-Right spectrum will be replaced by the "insiders (establishment) *vs.* outsiders (anti-establishment)" or "pro-Europe *vs.* anti-Europe" divide (Bertsou 2014). We suggest a third possibility: a tendency to '*nationalize*' the conflicting policy options concerning causes and remedies of the crisis, and the reform of the

¹⁵ As it is well known, financial markets anticipated the dis-integration process (see e.g. Croci Angelini et al. 2015). After the launch of the euro, rapid financial integration boosted cross-border lending and portfolio diversification with negligible perception of country-specific factors. In 2009, cross-border lending suddenly stopped, and strong re-nationalization of financial portfolios occurred, mostly at the expense of the weaker countries.

EU institutions. What we mean is that e.g. the Italians who vote Left or Right do not want the same Europe as e.g. the Germans who vote Left or Right, whereas on European matters the distance between Left and Right within Italy and within Germany *is less than* between the Italian and the German Left, and between the Italian and the German Right (Berlusconi, Sarkozy and Merkel all belong to the same party in Strasbourg!). In Strasbourg the different political colours of Left and Right fade away, and the colours of the national flag become predominant.¹⁶

6. Conclusion

It is now increasingly agreed, up to the top EU institutions, that an important driver of the European economic crisis has been the faulty design of the Monetary Union. First and foremost its shaky foundations on the national responsibility doctrine are epitomized by the asymmetry between a supranational monetary authority and independent, un-coordinated fiscal sovereigns. The idea of overcoming this "original sin" through implicit coordination of fiscal policies enforced by fixed rules has not withstood the first hard stress test of the Great Recession. Indeed, the "country-by-country" approach ensuing from the national responsibility doctrine has led to serious mismanagement of the crisis. Accordingly, there is an urgent need for substantial steps towards further political integration, starting from the creation of truly European fiscal institutions *vis-à-vis* the ECB.

¹⁶ While we were completing this paper, the immigration crisis broke out. In all evidence, it is going to magnify this tendency to nationalize the European issues with devastating effects on the social, political and institutional fabric of the EU.

Europe's Great Divide

The stumbling block along this way has traditionally been seen as the lack of political will. We see the EU as caught in a stalemate that we have represented as a trilemma faced by the major European political forces among the goals of European integration, National sovereignty and Democratic control. The trilemma may be even more paralyzing for the EZ, given its larger investment in integration already in place. We have argued that the 2014 EU Parliament general elections have left the stalemate unresolved.

To substantiate this argument, we have approached the political will problem "from below". By comparing Eurobarometer opinion polls, an indicator of economic pain, and actual electoral votes at the country level, we have shown the surge of what we call Europe's Great Divide along a geo-economic-political cleavage. We have identified four groups of countries according to people's judgments about the EU and the home country in the present contingencies. The EZ is split between a group of global discontent with both the EU and the home country, and a group of global satisfaction with them. The largest part of the other EU countries, mostly new accession and emergent ones, fall in a third group with positive judgements towards the EU and negative ones towards their home country. The fourth group comprises a few countries with positive attitudes towards the home country and negative ones towards the EU. The disaggregation of electoral results into these four groups shows that the Centre-Right parties won the EU Parliament by gaining the absolute majority of seats in the second and third group of countries, and therefore consistently receiving support for the *status quo*. By contrast, Centre-Left parties prevailed in the first group of global discontent by promising a change of European institutions and their policies. If the EZ had its own parliament, it would be split equally between Centre-Left and Centre-Right. This landscape is more complex, and perhaps worse, than the simplistic one divided between "North" and "South" or "Core" and "Periphery".

Our analysis concludes that a vicious circle has been triggered between the economic crisis and its political repercussions. Far from prompting further integration, the crisis pushes in the opposite direction. The tendency has arisen to "*nationalize*" different policy options concerning the crisis's management and the reform of the European institutions. By this we mean that the policy options are no longer *trans*-national along the traditional Left/Right dimension; nor are they expressed by way of *trans*-national political groups as they appear on paper. The main political groups instead become the passive – if not complacent – vehicles to engage in an *inter*-national life or death struggle over the "national self" in the European arena. The political stalemate facing the choice between "more" or "less Europe" is now rooted in the citizens' will, so that it can hardly be resolved by pressure "from below" in a predictable future.

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Appendix

Table A1. Seats in the European Parliament, 2014

Centre-Right/Right	EPP, ALDE, ECR	358	47.7%
Centre-Left/Left	S&D, GREENS/EFA, GUE/NGL	293	39.0%
NE	EFD	48	6.4%
Others		52	6.9%
Total		751	100.0%

EPP = European People's Party, ALDE = Alliance of Liberals and Democrats for Europe, ECR = European Conservatives and Reformists, S&D = Progressive Alliance of Socialists and Democrats, GREENS/EFA = The Greens-European Free Alliance, GUE/NGL = Gauche Unitaire Européenne / Nordic Green Left, EFD = Europe of Freedom and Democracy (UKIP, 5STARS)

Table A2. "At the present time, would you say that, in general, things are going in the right direction or in the wrong direction, in the European Union / in your home country?" (% respondents per country)

	EU-R	EU-W	Home-R	Home-W
AT	25	42	35	29
BE	40	41	41	39
BG	49	13	18	54
CY	19	49	22	56
CZ	35	40	30	49
DE	33	31	46	24
DK	46	36	54	36
EE	49	18	45	28
EL	15	64	9	79
ES	26	42	18	66
FI	33	42	38	41
FR	21	56	15	72
HR	47	25	15	68
HU	39	23	27	43
IE	38	25	45	28
IT	15	45	13	58
LT	45	16	22	48
LU	39	31	53	22
LV	35	20	22	40
MT	43	12	54	13
NL	45	31	52	33
PL	46	27	29	53
PT	25	34	21	52
RO	48	20	18	62
SE	41	39	46	41
SL	32	23	9	64
SK	35	39	20	57
UK	20	34	39	31
EU-28	30	37	29	48
EZ-18	26	42	27	50
No-EZ	36	29	32	44

Source: Special Eurobarometer n. 415, July 2014.

Table A3. “At the present time, would you say that, in general, things are going in the right direction or in the wrong direction, in the European Union / in your home country?”. Descending ranking of respondents per country

Top EU-R		Top EU-W		Top Home-R		Top Home-W	
BG	49	EL	64	DK	54	EL	79
EE	49	FR	56	MT	54	FR	72
RO	48	CY	49	LU	53	HR	68
HR	47	IT	45	NL	52	ES	66
DK	46	AT	42	DE	46	SL	64
PL	46	ES	42	SE	46	RO	62
LT	45	FI	42	EE	45	IT	58
NL	45	EZ-18	42	IE	45	SK	57
MT	43	BE	41	BE	41	CY	56
SE	41	CZ	40	UK	39	BG	54
BE	40	SE	39	FI	38	PL	53
HU	39	SK	39	AT	35	PT	52
LU	39	EU-28	37	No-EZ	32	EZ-18	50
IE	38	DK	36	CZ	30	CZ	49
No-EZ	36	PT	34	PL	29	LT	48
CZ	35	UK	34	EU-28	29	EU-28	48
LV	35	DE	31	HU	27	No-EZ	44
SK	35	LU	31	EZ-18	27	HU	43
DE	33	NL	31	CY	22	FI	41
FI	33	No-EZ	29	LT	22	SE	41
SL	32	PL	27	LV	22	LV	40
EU-28	30	HR	25	PT	21	BE	39
ES	26	IE	25	SK	20	DK	36
EZ-18	26	HU	23	BG	18	NL	33
AT	25	SL	23	ES	18	UK	31
PT	25	LV	20	RO	18	AT	29
FR	21	RO	20	FR	15	EE	28
UK	20	EE	18	HR	15	IE	28
CY	19	LT	16	IT	13	DE	24
EL	15	BG	13	EL	9	LU	22
IT	15	MT	12	SL	9	MT	13

Source: Table A2.

Table A4. Size of the population of the four quadrants of Figure 4 relative to the active population (age 15-64)^a of the EU and, for the relevant countries, of the EZ.

	EU-R/H-W	EU-R/H-R	EU-W/H-R	EU-W/H-W
% of EU population	17.9	23.8	16.4	41.9
% of EZ population	1.2	32.0	5.9	60.8

^aEurostat database AMECO

Table A5. Country descending order of economic pain

MTI		STI	
GRE	-8.1	SLO	-1.0
IRE	-7.4	GRE	-1.0
SPA	-5.8	CYP	-0.6
LAT	-4.4	DEN	-0.3
CYP	-4.4	FRA	0.1
EST	-3.9	LUX	0.1
LUX	-3.7	ITA	0.1
ITA	-3.3	FIN	0.1
EU-W/H-W	-3.2	AUS	0.2
POR	-2.9	EST	0.4
LIT	-2.8	EZ-17	0.5
SLO	-2.7	EU-W/H-W	0.5
UK	-2.7	NET	0.5
DEN	-2.6	EU-W/H-R	0.6
EZ-17	-2.6	BEL	0.6
FIN	-2.3	SWE	0.6
EU-R/H-R	-2.2	EU-R/H-R	0.7
CZE	-2.2	GER	0.7
HUN	-2.1	ROM	0.7
No-EZ	-1.4	LAT	0.9
EU-W/H-R	-1.2	UK	1.0
FRA	-1.2	SPA	1.1
SWE	-1.0	No-EZ	1.2
NET	-1.0	BUL	1.4
BEL	-1.0	MAL	1.4
EU-R/H-W	-0.8	SLK	1.5
ROM	-0.3	EU-R/H-W	1.5
AUS	0.0	POR	1.5
BUL	0.5	CZE	1.6
MAL	0.8	LIT	1.7
SLK	1.1	POL	1.8
GER	1.4	IRE	2.2
POL	4.0	HUN	2.3

Source: Elaborations on Eurostat AMECO database.

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