

# Mind the Gap: Southern Exit, Northern Voice and Changing Loyalties since the Euro Crisis

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## Abstract

In this article, we examine whether the EU's unequal encroachment on its northern and southern members' core state powers since the Euro crisis – manifested in highly uneven burdens of economic adjustment and the reversal of intra-EU migration dynamics – has in turn affected individual European identity. Using individual-level data from Eurobarometer pooled over time, we investigate the micro-foundations of EU citizens' continued sense of belonging, be it shared (national or EU) or exclusive (national). Though a steady majority of EU citizens continues to identify at least partially as European, we observe a rather puzzling North–South divergence in identity among the young and a widening skills gap overall. We argue that the Euro crisis triggered dynamics of southern exit (through surging South–North migration), northern voice (based on EU adoption of policies preferred in the North) and shifting national versus European loyalties, which may have consequences for the changing nature of European identity research.

**Keywords:** euro; exit; identity; loyalty; north–south gap; voice

## Introduction: The Euro Crisis and Individual Identity Formation in North and South

After a decade of strife over European integration – over the euro, migration, security and democracy – the issue of European identity is back at the top of the EU agenda. In response to a series of economic and political crises, EU leaders inadvertently empowered supranational institutions in Brussels and Frankfurt with greater oversight than before and a myriad of new tools for economic policy. This put the EU directly in the political crosshairs of its member states (Bauer and Becker, 2014). Starting in 2011, both the European Commission and the European Central Bank began to intervene much more actively in what some scholars refer to as the core state powers of its member countries (Genschel and Jachtenfuchs, 2014, 2018). While this has made the EU overall a more salient everyday presence than before, this presence has not been experienced to the same degree in the Eurozone's North and South. While the EU's involvement in southern 'peripheral' economies was palpable and had direct consequences for national welfare and standards of living, its influence was much less noticeable, and hence less controversial, in northern core economies (Matthijs, 2017).

It is hard to imagine that this differential treatment would not have had a differential impact on individuals' sense of European identity in both parts of the eurozone. Without a doubt, there is considerable conceptual ambiguity around European identity – both individual and collective. Scholars continue to debate whether identity is mostly rational, primordial or constructed, and there are many problems of operationalizing and measuring the concept, which have often led to a state of confusion in EU identity research

(Kaina and Karolewski, 2013). We have good reason to believe, however, that the uneven effect of the Euro crisis has had a strong impact on Europeans' identity and it is likely to shape the debate on the EU's future integration path, for better or worse. In a sense, the Euro crisis provides us with the closest thing to a natural experiment, as these two groups of countries were very differently affected by the same external shock. Hence, our basic aim is to examine the impact of the EU's uneven encroachment on the core state powers of its southern and northern members since the Euro crisis, in terms of individuals' national and European identities.

The eurozone debt crisis laid bare deep structural differences between a relatively more prosperous northern core – Austria, Belgium, Finland, France, Germany and the Netherlands – and a lagging southern periphery – Greece, Ireland, Italy, Portugal and Spain.<sup>1</sup> The brunt of the burden of economic adjustment fell on the periphery countries, which adopted EU-sanctioned austerity measures and structural reforms in an attempt to stave off pressure from financial markets. These orthodox economic policies contributed to declining living standards, quickly rising levels of youth unemployment, falling wages, lower pensions and cuts in public services in the euro periphery (Matthijs, 2016). In response, large numbers of young people emigrated from the eurozone South to the eurozone North (and to the UK), in search of better economic opportunities. The crude net migration rate turned negative – signalling net emigration – in Ireland in 2009, in Greece in 2010, in Portugal in 2011 and in Spain in 2012.<sup>2</sup>

This dynamic is visible in the substantial increase in inflows of people from the eurozone South to the eurozone North (see Figure 1a). While the inflows had been steadily decreasing between 2000 and 2007, the Euro crisis triggered an abrupt reversal of that trend. Immigration to the North from Greece, Ireland, Italy, Portugal and Spain almost tripled between 2007 and 2013. Only since 2014 have inflows started to slowly level off, though they continue at much higher levels than those seen prior to the crisis. The counterpart of this massive southern recourse to exit is a significant deterioration in the ability, especially of Mediterranean European countries, to attract new or retain existing talent, as measured by the World Economic Forum's brain drain index (Figure 1b).<sup>3</sup>

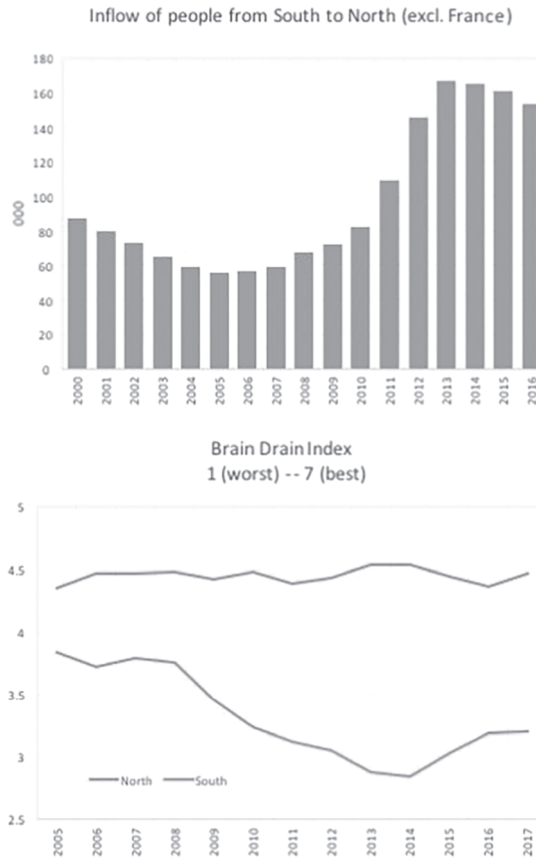
While the best and the brightest left, using the EU as an escape door, those who could not afford to leave – be it due to their relatively older age, lack of foreign language abilities or lower skills and human capital – remained stuck in crisis-torn countries. They resorted to using their voice by punishing their governments, which they held responsible

<sup>1</sup>Note that we included France in the North, even though it shares certain key characteristics with its Mediterranean neighbours, including high unemployment and low growth, but during the Euro crisis it was mostly treated by financial markets as a creditor rather than a debtor country. Note also that we included Ireland in the South even though it is obviously not in the Mediterranean, but it was treated by financial markets as a debtor country and often included in the periphery (sometimes under the acronyms PIIGS or GIIPS).

<sup>2</sup>The crude rate of net migration plus adjustment is defined as the ratio of net migration (including statistical adjustment) during the year to the average population in that year. Data are from Eurostat: see <https://ec.europa.eu/eurostat/web/products-datasets/-/tps00019>.

<sup>3</sup>This index is taken from the World Economic Forum's annual global competitiveness report. To construct the time series of this indicator, we have collected data from the WEF's Global Competitiveness Report published annually. Until the 2012-13 edition, the relevant indicator was labelled "7.08 Brain Drain;" starting from the subsequent 2013-14 edition, the relevant indicator is labelled "7.08 Capacity to Retain Talent." In 2019, the format of the report changed, so our series stops with the 2017-18 report. The reports are available in PDF format from the WEF website at [weforum.org](http://weforum.org). The index ranges from 1 ("worst," i.e. lowest capacity to retain talent) to 7 ("best," i.e. highest capacity to retain talent).

Figure 1: Eurozone North versus South: (a) Emigration and (b) Brain Drain



Source: Authors’ calculations based on Organisation for Economic Co-operation and Development and World Economic Forum data (2018)

for the economic pain inflicted, and flocked to anti-establishment and eurosceptic parties of both the left and the right.

According to survey data from Eurobarometer, trust in national governments and the EU in the South fell to all-time lows in 2013 (from a peak in 2007) and had only partially recovered by 2018. In the North, on the other hand, trust in national governments and the EU has been much more stable over time, but since 2010 trust in national institutions has actually been higher than trust in the EU. This suggests, among other things, that the citizens of northern countries feel that their economic and political models have been vindicated during the crisis, of which they did not suffer the fallout (Matthijs, 2017); see Figure S1.

While systematically falling levels of trust in national and EU institutions do not necessarily have consequences for political identity formation, these are worrying signs for EU officials keen on fostering a European demos. The core question we ask in this article is whether the asymmetric nature of the eurozone crisis has had different effects on individual European versus national identity formation in the North and South, given these

conflicting economic and migratory dynamics. We know from previous research (for example, Fligstein, 2008; Fligstein *et al.*, 2012; McNamara, 2015) that those who participate actively in Europe are more likely to develop and subsequently keep a European identity, while those whose perspectives are mostly local are likely to continue to hold a more national identity. But are these identities, once formed and established, really that permanent over time? Or can they change, and if so, under what conditions?

We here assess how EU citizens' self-identification has evolved over the past 15 years in light of the effects of the eurozone debt crisis on European integration, especially given the accelerating encroachment of EU institutions onto core state powers and its unequal effect on domestic economies, which in turn has set into motion new migration patterns. For the purposes of this article, we have in mind those core state powers that mainly deal with fiscal and financial affairs, that is, taxation, banking supervision and public administration. In the southern periphery the erosion of national discretion over those domains has been more visible and contested, and hence politicized. While the Euro crisis saw a tightening of rules for all EU member states, including the assumption of more oversight and regulatory powers by the European Commission and the European Central Bank in fiscal and financial matters, respectively (which were formerly the exclusive domain of national governments), the southern periphery experienced more direct and heavy-handed interference by the EU than the northern core.

We follow Martin Kohli (2000, p. 116) in that we see individuals as holding multiple identities rather than one single identity. While individuals can relate to different group memberships and social positions, our focus is on individual political identity with a territorial dimension. For us, this political territorial identity is the product of individual perceptions of their material conditions as well as the result of the social construction of collective identity over time. We are fully aware of the fact that this latter collective identity is context dependent, often highly disputed, situational and not fixed (Cram, 2012). Hence, to understand the relationship of collective identities and core state powers (Kuhn and Nicoli, 2020), we believe it to be a useful exercise to drill down into the micro-foundations of identity and consider questions of *individual* self-identification, rooted in people's perceptions of their material conditions. This is especially salient if one wants to discover whether individual identity can change in response to an exogenous shock that directly affects a person's well-being, like the Euro crisis. After all, we have strong reasons to believe that factors like geography, skill level and relative youth all played a role in whether an individual's identity evolved into being more European or more exclusively national as a result of that crisis.

In what follows, we examine eurozone North–South dynamics by asking four main questions about individual EU or national identity formation: (1) how has the identification of young citizens with the EU in the North and the South evolved since the mid-2000s; (2) what has happened to the relative influence of the educational gap in determining EU citizens' identities since the crisis; (3) what has been the impact on citizens' identity of perceived domestic economic conditions; and (4) how do individual preferences of economic priorities play into their EU versus national identity formation? These questions are explored using individual data from the European Commission's Eurobarometer surveys.

Our central claim is that the response of EU elites and national leaders to the Euro crisis has set in motion different identity dynamics for different groups of people in North

and South, with particularly strong effects on the young and the less skilled, who bore the brunt of the crisis. Our theoretical framework proposes a substantial twist on Albert O. Hirschman's (1970) *Exit, Voice, and Loyalty*, resulting in a few central hypotheses that we will test empirically. Our bottom line, somewhat counter-intuitively, is that we expect the young in the South to identify more strongly as European post-crisis, as they needed the exit option that the EU grants them through the single market and the free movement of people, while we expect the young in the North to identify less strongly as European post-crisis, as they gave credit to their national governments' policies for growing economic opportunities and did not give the EU any credit for any increase in their personal welfare. We also expect that more highly skilled individuals, who have more voice in the EU, to identify more as European and less as exclusively national since the crisis, while we expect the reverse for the less skilled. As a corollary, we also examine how other input factors, like individual economic policy preferences, and output factors, like macroeconomic performance, played into individual identities post-crisis.

Before we get to our theoretical model and proposed hypotheses, however, the next section briefly reviews some key findings in the existing literature on the issue of European identity. That will allow us to locate a few gaps in that literature we aim to fill with this article.

## II. Literature Review

The issue of whether and how a European identity could be constructed has been at the centre of EU scholarship since the early days of the European project. The link between economic benefits, identities and political allegiance featured prominently in early works on supranational integration (Haas, 1958, 1964; Etzioni, 2001) as well as in the European Commission's own research agenda (European Commission, 2012). Over the past few decades European collective identity has been shaped by important EU symbols and practices in everyday life – including the use of a single currency (the euro), the burgundy EU passports, cultural and economic exchanges and common historical narratives – giving the EU an almost banal authority (McNamara, 2015). But, though the Euro crisis was experienced all over the EU, it had radically different macroeconomic effects on the North and South and may therefore have influenced identity formation differently in core and periphery countries.

While some have argued that social identities are relatively 'sticky' over long periods of time, heavily shaped by the processes of early socialization (Mols and Weber, 2013), we wondered whether a seminal event like the Euro crisis may have affected those social identities. Such a negative shock could also be crucial in shaping individual identity, especially for the young in their formative years (Rekker, 2018). In general, we found that the existing EU literature on individual preferences does not interact as much with the EU literature on identity as we believe it should. More generally, our understanding of how identification with – and support for – Europe is shaped by national contexts is still partial, despite the relevance of these issues at a time when the Euro crisis and the migration crisis have increased the salience of EU matters in national political discourses (De Vries, 2018; Hobolt and de Vries, 2016). Moreover, while many EU scholars have used identity as a key independent variable to explain various aspects of EU integration, our article contributes to the literature that treats identity as a dependent variable, which is

multidimensional and influenced by national socioeconomic and political processes and individual characteristics, as well as more collective European understandings (Boomgaarden *et al.*, 2011).

Anticipating the increased salience of European issues in domestic political discourse, Risse (2006) pointed to evidence that socialization into European identity works not so much through transnational processes or through exposure to European institutions, but on the national level in a process whereby European-ness is gradually embedded in understandings of national identities. Focusing on the single currency, Risse (2011) further suggested that causality actually runs in both directions. On the one hand, the introduction of euro coins and notes affected euro area citizens' identification with the EU and Europe by providing a visible link from Brussels to the daily routines of its citizens (see also McNamara, 2015). On the other hand, existing collective identities pertaining to the nation-state explained how comfortable people felt using the euro. As mentioned earlier, Fligstein *et al.* (2012) showed that those who actively participate in Europe were more likely to develop a European identity. But Fligstein and Polyakova (2015) pointed out that because of the global financial crisis, the EU had pushed citizens to value their national identities *more* and to look to their national governments for protection.

Petkanopoulou *et al.* (2018) looked at Spain and Greece to understand whether perceived inequality and disparities in wealth between EU countries predicted disidentification with Europe. Their study suggested that this was indeed the case, and that the relationship between economic inequality in the EU and disidentification with Europe was mediated by the fear of losing national sovereignty and of Europe losing its fundamental values. Galpin (2017) examined to what extent the Euro crisis had affected the construction of European identity – through political and media discourse – in countries with different identities and national experiences of the crisis. Looking at Germany, Ireland and Poland, Galpin argued that the crisis had served to reinforce competing discourses on European and exclusive national identities and reinvigorated old national stereotypes of profligate 'sinners' and frugal 'saints' that in turn have reinforced divisions along North/South and core/periphery lines (see also Matthijs and McNamara, 2015).

An area in which more work could still be done is in studying the relationship between European identity formation and the domestic context in the form of macroeconomic policy preferences combined with differing personal opportunities for economic advancement. The main mechanism by which macroeconomic conditions have an impact on personal identity formation is that different situations create different winners and losers. In other words, the varying rates of national economic dynamism and government economic priorities can lead to various cleavages within their populations, for example of young versus old, high versus low skilled, or urban versus rural. Furthermore, elite narratives about the benefits and costs of European integration can create different perceptions about the EU in different national contexts.

Recent research using micro and individual-level data has been able to cast a new light on the issue of preferences and on the link between the domestic context and preferences for supranational policymaking. Beaudonnet (2013) found that preferences for a European social policy are generated by limited social protection, a lack of allegiance and a bad economic situation at the national level. This appears to have been reinforced by the economic crisis. Kleider and Stoeckel (2018) analysed voters' preferences on

international transfers, finding a strong association between voters' cultural orientations (that is, their cosmopolitanism) and their position on transfers, as well as an important role of voters' left–right orientations in economic matters. Franchino and Segatti (2017) analysed experimental survey data from Italy to understand what drove individual attitudes towards a potential eurozone fiscal union. Unsurprisingly, they found that high-income, right-leaning individuals with a weak European identity and a negative assessment of EU membership were more likely to oppose it. However, high-income respondents also displayed a greater willingness to pay to keep the euro, whereas low-income participants were more willing to consider ditching the euro if the monetary union did not deliver the goods.

In the next section, we advance our own theoretical framework as to why individuals with certain characteristics in both North and South of the eurozone identify more or less with the EU or their national institutions. We show differences stemming from the asymmetric adjustment they experienced since the Euro crisis and the perceived emigration opportunities or immigration threats that the European single market brings with it, as well taking into account individual skill levels and democratic input and economic output factors.

### III. Changing Dynamics of European versus National Identity in North and South

In order to understand the impact that individual characteristics and preferences have on collective identity in the context of the eurozone crisis, our model of identity formation builds on the work of David Laitin (1998, p. 21). His theory of how identities change over time tried 'to account for both the impressive power of identity groups to give their adherents a sense of natural membership and the equally impressive power of individuals to reconstruct their social identities'. For us, identity is first and foremost the product of individual circumstances and personal material conditions. But we want to emphasize that we very much believe it also to be part of a larger package of socially constructed collective realities that are influencing and structuring the individual's identity at the same time. Seminal events – like the Euro crisis – have the potential to drastically restructure both material conditions and how people experience their collective identity.

While we borrow the three key terms of Hirschman's (1970) *Exit, Voice and Loyalty*, we propose that the interaction between them is fundamentally different from that of his theory. In his classic work, Hirschman argued that both exit and voice were two traditional ways in which consumers of a product could signal their relative satisfaction to the producers of the good. In effect, these two possible responses applied equally to members of any organization (for example, a business, a political party, a nation or any other human grouping) who perceived that the organization was decreasing its quality or benefit offered to its members. 'Exit' implies a binary choice between withdrawing from the relationship or staying put. 'Voice' is a more active attempt to repair or improve the relationship through communication. In the case of citizens of a country, for example, they can respond to political repression or bad economic conditions either by emigrating to another country or by using various channels of protest. According to Hirschman, the way loyalty mitigated the choice between exit and voice was to affect the member's cost–benefit analysis of both options. Strong patriotism, for example, will work against

emigration (or exit) and in favour of using voice, even in cases where the latter is deemed to be relatively ineffective.

In the context of identity formation within the EU, we see the dynamics between exit, voice and loyalty playing out rather differently from what Hirschman claimed. Ever since the establishment of the single market European citizens have enjoyed frictionless movement between member states and the right to study, work and retire in any other member state. This fundamental freedom gives certain EU citizens – especially those who are relatively mobile, speak different languages and face few cultural barriers – the relatively easy option to leave their national labour markets in the case of poor economic conditions. For the purposes of this article, exit is therefore taken as the choice to emigrate from one's home member state (the individual's national context) to another EU member state, usually one with much better economic and job prospects. Voice is expressed in the eurozone context when citizens feel that their national governments are actively considering their economic preferences or focus on their policy priorities (on the input legitimacy side) and are delivering the goods when it comes to a prosperous economy, dynamic labour markets, high-quality public services and generous pensions (on the output legitimacy side) (Schmidt, 2013). Voice, in this case, is the effective communication of elected government to citizen, and vice versa.

Loyalty plays a central role in our framework by measuring whether citizens identify as more European (and are thus more likely to express a shared identity) or less European (and are more likely to hold an exclusively national identity). We expect EU citizens who do not have enough voice at the national level but can exercise the exit option by emigrating to identify as more European by switching their loyalties from the national context to the EU. We expect this to be the case both for people who leave and those who stay. At the same time, we would expect EU citizens who have neither much of a voice nor any realistic exit options to identify as less European and show stronger (and possibly exclusively) national allegiances. On the other hand, we also expect EU citizens who have both voice and exit options to identify as relatively more European (but not as much as the ones who do not have voice), while those who have voice but no realistic exit options to identify as less European. There are two basic hypotheses we propose and test in this article, and two additional factors we would like to consider.

*Hypothesis 1:* The first hypothesis deals with the age cleavage. Given the different economic conditions between the core and periphery brought about by the Euro crisis, we expect southern European youth (especially those who are highly educated) to be most likely to express a shared (national + European) identity, while northern European youth (especially the less educated) to be the least likely to express such a shared identity. In the South, a lack of voice (given the negative economic effects of austerity and structural reform) and high youth unemployment imply that the exit option is relevant and the EU holds the keys to the exit door. We therefore expect to see loyalties shifting from a more national to a more European level among southern Europe's youth. In the North, with relatively more voice and record low youth unemployment, there is less need or desire to exit. On the other hand, the EU is perceived in the North as (1) more prone to crisis than the domestic economy, (2) a burden (as exemplified by the fiscal bailouts received by the southern periphery, for which the North pays a relatively larger share), and (3) a potential threat for some (given immigration from the South). We therefore expect northern youth's loyalties to shift from being more European to more national. For the older parts of the population, we expect their



Table 1: Hypotheses I and II: Effect of Euro Crisis on Age and Skills Cleavage in Identity Formation

Hypothesis	Rationale	Empirical expectations
H1: Age cleavage	<p><i>South:</i> Lack of voice + record-high youth unemployment → exit option highly valued; EU holds keys to the exit door</p> <p><i>North:</i> More voice + record-low youth unemployment → no need to exit. EU brings costs (bailouts) and potential competition from migrant workers</p>	<p>Probability of expressing shared identity decreases with age generally, but more so in the South</p> <p><b>Probability of expressing shared identity higher among southern youth and lower among northern youth, post-Euro crisis</b></p>
H2: Skills cleavage	<p><i>Less educated:</i> Feel more disenfranchised in the EU (lack of voice) and do not have a realistic exit option, given language and cultural barriers</p> <p><i>Highly educated:</i> Enjoy either exit options or voice (or both), and will continue to move further away from an exclusively national identity</p>	<p>Probability of expressing a shared identity increases with level of educational attainment</p> <p><b>The gap between low and high skilled citizens, in terms of probability of expressing shared identity, deepens post-Euro crisis</b></p>

identities to become more uniformly national in both North and South, as the exit option has much less appeal, and either northern bailout fatigue or southern austerity resentments come into play (see Table 1).

*Hypothesis 2:* The second hypothesis addresses the skills cleavage. Here we expect the existing gap in shared identity to further grow uniformly after the Euro crisis between the highly skilled (or highly educated) and the less skilled (or less educated) across both North and South. The less educated group in general will feel that they have less voice in the EU and most of them do not have a realistic exit option, given substantial language and cultural barriers. Furthermore, their preferences (voice) will differ substantially from that of their national and pro-EU elites, alienating them further from the European project. So, we expect that, among the low-skilled group loyalties would become more strongly national and shift towards national elites with a much more anti-EU agenda than the centrist mainstream. The highly educated group will enjoy either exit options or voice, or both, and hence will continue to identify strongly with the European project and move further away from an exclusively national identity (see Table 1).

Furthermore, we expect output and input legitimacy factors (Schmidt, 2013) to play a role in individual identity formation as well. Output legitimacy refers mostly to whether governments are delivering better outcomes when it comes to standards of living and prosperity. Input legitimacy refers to whether individual citizens feel that their preferences are taken into account by their respective governments and the EU. Firstly, on the output legitimacy side, we look into the relationship between an individual's assessment of the state of the domestic economy and individual identity formation. In principle, we see two options: (1) fair-weather Europeans who identify more as European in good times, but revert to nationalism in bad times, and (2) foul-weather Europeans, whose common

identification as Europeans increases when things are perceived to be bad. Secondly, on the input legitimacy side, all things being equal, we expect those who feel relatively more empowered vis-à-vis the EU to be more likely to express a shared identity. In other words, all else constant, the probability of expressing a shared identity should be higher for those who think their voice counts in the EU than among those who do not. This effect should, in theory, be the same across North and South.

Preliminary and prima facie evidence for our framework can be found by glancing over the data of Eurobarometer's question on whether EU citizens trust the EU or their national institutions. While in the South, trust in the EU is universally higher than trust in national governments, the picture for the North varies for people of different ages and education levels. The elderly group (65 years and older) on average have trusted their national governments more than the EU ever since the beginning of the crisis in 2011. The youngest cohort (15–24 years old) is split. Those who are highly educated trust the EU more than their national government, like people in the South. But the beliefs of those who are at the bottom of the skills ladder – that is, who left full-time education at the age of 15 – were similar to that of the elderly group between 2011 and 2015 (see Figure S2). This fits our framework. Uneducated young people in the North have no realistic exit option in a time of crisis, because they are unskilled and already live in countries that are relatively better off, leaving them exposed to the competition of low-wage migrants from the less prosperous South. These factors combine into a shift of loyalty back towards their own national institutions, as the EU is increasingly seen as a threat.

EU citizens' systematic identification as shared European and national (or exclusively European) has been remarkably stable over time across both the North and South (between 60 and 70 per cent of EU citizens had a shared identity), despite the very different perceptions of input legitimacy ('does my voice count in the EU?') between North and South, as well as individuals holding distinctive macroeconomic priorities. We maintain that certain peculiar dynamics of exit and voice in North and South among different parts of the population have developed since the Euro crisis and can explain this identity (or loyalty) puzzle. We think that the only way to understand what is going on is to dig much deeper into the wealth of Eurobarometer data, and move our focus from the aggregate to the individual level. To that end, we first explain our methodology in greater detail in the next section.

#### IV. Methodology

To get a better sense of which key factors are at work in defining European-ness, we analyse demographic, socioeconomic and other aspects of identity formation at the *individual* level. Who is most likely to feel at least partially European, that is, to express a shared identification, as opposed to those with an exclusively national identity? And can we observe any systematic North–South differences when it comes to this self-identification process and its drivers? To measure identification, we have assembled 14 waves of Eurobarometer individual-level data, covering annually the period from 2005 to 2017. We focus on 11 of the 12 early eurozone members and use the respondent-level data in a binary outcome logit model.<sup>4</sup>

<sup>4</sup>The original EA12 (Euro Area 12), excluding Luxembourg due to size. The North is made up of Austria, Belgium, Finland, France, Germany and the Netherlands; the South includes Greece, Ireland, Italy, Portugal and Spain.

*Dependent Variable: Identity*

Our dependent variable is a dummy that equals 1 for individuals expressing a shared identity, and 0 otherwise. We included as shared identities respondents who did not see themselves as exclusively nationals of their own country – even when they still see their national identity as dominant. For most of the years included in our empirical analysis (2004–05; 2010; 2012–17), we were able to rely on the following question (Q1):

Q1: Do you see yourself as ...?

- 1 [NATIONALITY] only
- 2 [NATIONALITY] and European
- 3 European and [NATIONALITY]
- 4 European only

Q1 was not asked in 2006 – although a different question (Q2 below, see also Table S1 for more details on the coding) is available. The correlation between our measure of shared identity constructed from Q1 with the equivalent constructed from Q2 is 58 per cent over the period 2004–06, so we believe that Q2 is therefore a good substitute for Q1 in 2006. However, as we also lacked the questions we use to measure the effect of EU input legitimacy in 2006, we only use Q2 in descriptive terms (Figure S3) but we have dropped 2006 from the econometric analysis, and limited our pre-crisis period to 2004–05. While we preferred to include 2006, the 2004–05 period still gives us 22,818 observations, which is more than enough to estimate the model safely.

Q2: Do you ever think of yourself as not only (NATIONALITY), but also European? Does this happen often, sometimes or never? (ONE ANSWER ONLY)

- 1 Often
- 2 Sometimes
- 3 Never

Q1 was not asked in 2011 either, a key year for inclusion in our analysis because it is when the eurozone crisis entered its peak phase. After Greece and Ireland had asked for bailouts in 2010, Portugal also lost market access in 2011 and Italy and Spain came under very strong market pressure during the summer. In light of these facts, we thought we could not safely drop 2011 from the econometric analysis. We therefore resorted to an alternative available question (Q3). The correlation between our measure of shared identity constructed out of Q1 with the equivalent constructed out of Q3 is 49 per cent over the period 2010–13. Although we would have preferred it to be higher, we thought that using Q2 in place of the (missing) Q1 in 2011 was nonetheless justifiable and not problematic for the overall analysis, because it is only one of 4 years in our crisis period:

Q3: You feel you are a citizen of the EU (per cent)

- 1 Yes, definitely
- 2 Yes, to some extent
- 3 No, not really
- 4 No, definitely not

Unfortunately, no directly comparable question was asked in 2007, 2008 and 2009 – so we excluded those years from our analysis. While Q1, Q2 and Q3 all deal with a similar concept of identification (based on nationality/citizenship), the only question available in 2007–09 was one asking respondents whether they felt any attachment to the EU – a very different concept. We therefore preferred to drop those 3 years for the sake of keeping our dependent variable as consistent as possible over time.

As mentioned earlier, if one looks at the evolution of our dependent variable over time, one observes that identification as European (partly or exclusively) has remained remarkably constant – at around 60 per cent of respondents – and that in aggregate terms the gap between North and South has been very narrow (see Figure S3a). The resilience of Europeans' self-identification as European is striking, especially in light of the deterioration of perceived input legitimacy of the EU in the South since the crisis. Aggregate Eurobarometer figures also show that the share of respondents stating that their voice counts in the EU was slightly lower in the South than in the North before the crisis, but it subsequently dropped by a staggering 20 percentage points between 2010 and 2013. Despite a recent rebound, perceived input legitimacy in the South remains low, with around 35 per cent who believe their voice counts in the EU against a much more robust corresponding figure for the North of close to 60 per cent (see Figure S3b).

Continued and stable identification with Europe is also surprising in light of the fact that citizens of northern and southern countries have differing views about the most important issues facing their countries. The Eurobarometer surveys include a set of questions asking respondents to identify the most important issues facing their country, including unemployment, inflation, government debt or immigration.<sup>5</sup> While they are not an exact measure of macroeconomic preferences, the answers to these questions give us some indication of what aspects of the overall policy mix Europeans in different countries would consider most important at a certain point in time.

Eurobarometer shows that before the crisis inflation was more of a concern for people in the South than for those in the North, which corresponds to the direction of pre-crisis intra-eurozone inflation differentials. After the crisis, the North and South traded places, subsequently converging in 2014–15, coinciding with the start of the European Central Bank's programme of quantitative easing. In a similar vein, up until 2007 the North was much more concerned with unemployment than the South. Again, North and South traded places after the crisis and the ensuing rapid increase of unemployment in the euro periphery. Concern with government debt has instead been stable in the South since 2012, the first year for which these data are available, and has been decreasing steadily in the North ever since.

<sup>5</sup>Figure S4 shows the percentage of people mentioning specific terms.

### *Independent Variables*

The apparent disconnect between stable aggregate identity expressions and changing input legitimacy perception on the one hand, and economic priorities on the other, constitutes – in our view – a very strong rationale for moving the focus of the analysis to the micro or individual level. Our independent variables can be divided in five groups:

- Individual characteristics: age, gender, marital status, type of community where the respondent lives
- Socioeconomic factors: education, employment status
- Input legitimacy factors: perception of whether one's own voice counts in the EU
- Output legitimacy factors: assessment of domestic economic situation (not available for the pre-crisis period)
- Macroeconomic priorities: three dummy variables identifying respondents who mention inflation or unemployment as important issues for their own countries. The same question for government debt is available only from 2012 onwards, so we excluded it because we could not compare it with the pre-crisis period.

We include a North–South dummy and also incorporate the interactions of this dummy with some of the independent variables to understand whether specific factors have a different effect in the two geographical groups. All specifications also include year fixed effects. Not all these variables are available consistently for the whole time series – for example, the question about debt in the macroeconomic priorities section was only asked starting in 2012 and assessment of the economic situation is missing in 2008 (so 2008 was dropped from the estimation). We start by running the following model:

$$y_{i,t} = \beta_0 + \beta * X + north_i + north_i * X_j + year_t + u_{i,t}$$

where  $y_i$  is our binary dependent variable (shared identity),  $X$  is a set of covariates (individual characteristics, socioeconomic factors, input and output factors etc.),  $north_i$  is our geographical group variable,  $north_i * X_j$  are interactions of a subset of variables in  $X$  with our geographical dummy, and  $year_t$  is a fixed effect year. We estimated this model on three sub-periods: a pre-Euro-crisis period (2004–05)<sup>6</sup>; a Euro-crisis period (2010–13); and a post-crisis period (2014–17). The estimated coefficients from the logit models are reported in Table S2. In the next section we will discuss the marginal effects that we are most interested in, in light of our proposed hypotheses related to youth and skills, as well as additional input and output factors.

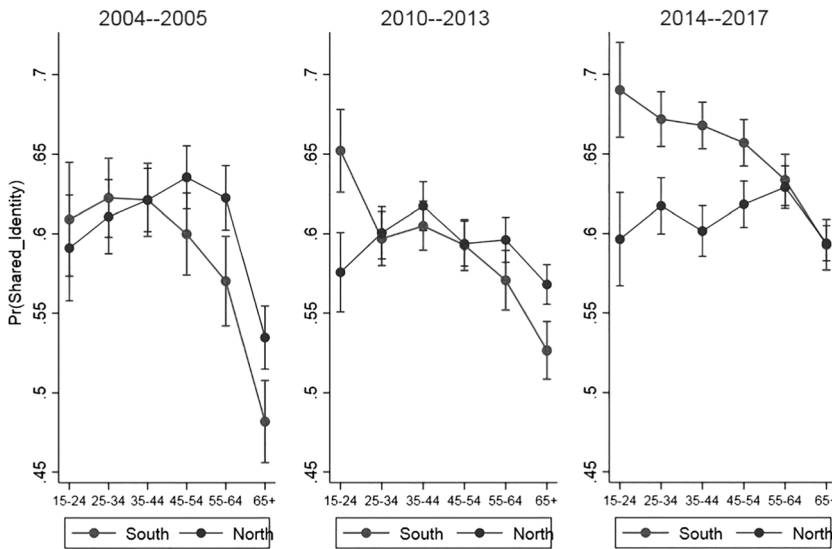
## **V. Results**

The most striking result from our analysis of individual-level attitudes concerns the age of the respondents. Figure 2 shows the predicted probability that respondents in North and South would express a shared identity, depending on their age and holding constant all other factors – both before (Figure 2a), during (Figure 2b), and after the crisis (Figure 2c).<sup>7</sup>

<sup>6</sup>As explained above, 2008 was dropped due to lack of data for one of the independent variables.

<sup>7</sup>As several of the variables included in our model are not available for 2008 and 2004, the pre-crisis period covers 2005, 2006 and 2007. The crisis and post-crisis period cover the years from 2010 until 2017.

Figure 2: Probability of Expressing a Shared Identity, by Age (0–1)



Before the crisis, we observe that the probability of expressing a shared European identity was lower for the oldest cohorts than for the youngest ones, but for each cohort these probabilities were very similar across North and South. The young cohorts in North and South were virtually identical – from a statistical standpoint – in their likelihood of feeling European. During the crisis, a gap started opening up between the youngest cohorts in the North and South, but all other age groups appeared to be drawing even closer together, and the oldest cohorts became *more* likely to express a shared identity both in the North and in the South. This supports the view that the Euro crisis was a ‘shared catastrophe’<sup>8</sup> – with the exception of the youngest generation.<sup>9</sup>

Things look very different for the 2014–17 period. Controlling for all the other factors included in our model, respondents who were over 55 years old had the same predicted probability (between 60 and 65 per cent) of expressing a shared identity in the post-crisis period, regardless of geography. But the gap is now increasing inversely to age. The probability of expressing a shared identity has not decreased among young respondents in the North, but young respondents in the South are now significantly more likely to express shared identities than their peers in the North. The difference in predicted probability

<sup>8</sup>See Merler and Nicoli, 2018 for a discussion of the literature on this.

<sup>9</sup>We also looked at whether there was difference between movers (people who live in a country different from their country of citizenship) and stayers (people who live in their country of citizenship). As only a very small percentage of respondents (1–2 per cent per year) is made up of movers, we were not able to estimate the full model. We did, however, run a baseline model including basic demographic characteristics and our results revealed two things. Firstly, movers are statistically identical across North and South in terms of their likelihood of feeling European. Secondly, the age profile of identification is markedly downward-sloping among stayers, while the relative position of cohorts has changed since the crisis. Before the crisis, when the need to emigrate was neither present nor pressing, young stayers were statistically identical across North and South. After the crisis, we observe that young stayers in the South were now markedly more likely to express a shared identity than their northern peers.

reaches 10 percentage points between the youngest generation in the South – which was the most likely to express a shared identity across all people in our dataset – and the youngest generation in the North – which was the least likely to express a shared identity. These results strongly support our H1, as we indeed find that southern European youth were most likely and northern European youth least likely to express a shared identity.

The effect of education (which we use as a proxy for skills) on the propensity of expressing a shared identity has also changed over time. Figure 3 shows the predicted probability that respondents expressed a shared identity, at different levels of education, before, during and after the crisis. The relationship is upward sloping. This means – as one would expect – that better educated people are less likely to express exclusively national identities. Figure 3c shows that people with tertiary education and those who are still studying have become even closer in terms of their European identification – across North and South since the crisis. But the probability of expressing a shared identity across all lower educational levels is now slightly lower in the North than in the South – consistent with the different trade-offs that we have identified in association with the skills distribution. These results generally confirm what we expected under our H2.

To establish the effect of output factors, we look at the predicted probability for respondents of expressing a shared identity on the basis of their assessment of the domestic economic situation – which unfortunately we were only able to do for the crisis and post-crisis period due to data availability. Figure 4a shows that the relationship between respondents’ assessment of the state of the domestic economy and their likelihood of feeling European differs across the North and the South. In the North this relationship is clearly downward sloping, which suggests that identifying as a European is a decreasing function of the perceived state of the economy. Northerners, in other words, are fair-

Figure 3: Probability of Expressing a Shared Identity, by Education (0–1) Note: ‘still study = still studying’

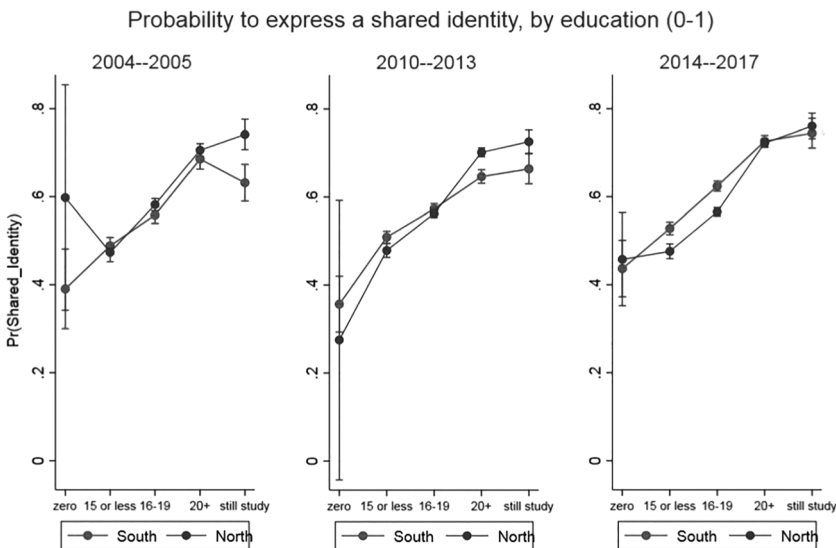
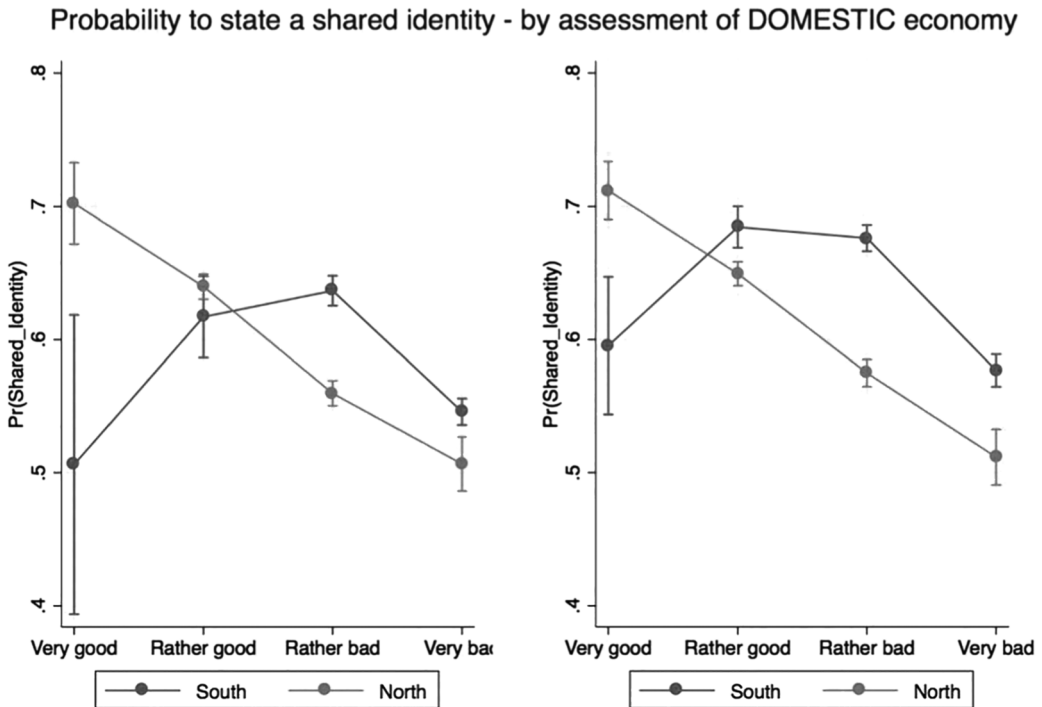


Figure 4: Probability of Expressing a Shared Identity, by Assessment of Domestic Economy



weather Europeans. They are significantly more likely to express a shared European identity in good times than they would be in bad times. For southerners, the relationship is more complex and hump-shaped (Figure 4b). People who see the economy as rather good or rather bad have a higher likelihood to feel European than people who see the economy as being in a very good state. This appears to suggest that in the South, identification with Europe has become – at least for part of the distribution – an inverse function of the perceived state of the economy. Southerners feel significantly more European in (moderately) bad times than they do in very good times.

Coming to the input factors we included in our models – that is, perceived input legitimacy and macroeconomic preferences – our results are more mixed. There is a clear and strong marginal effect of perceived input legitimacy on respondents' likelihood of expressing a shared identity. Those who think their voice does not count in the EU have a markedly lower likelihood of identifying as European (even partially). These results are very similar across the North and the South. After the crisis, the difference between the North and South has increased (see Figure S4) with southern respondents today being more likely to feel European than northern respondents, holding perceived input legitimacy constant.

On our measures of macroeconomic preferences, the evidence is largely inconclusive. The marginal effects reported in Figures S5 and S6 suggest that those who are concerned with inflation at the country level are less likely to express a shared identity, whereas



those who are concerned with unemployment – at least after the crisis – are more likely to. This latter result is clearly evident in Figure S7, which shows how after the crisis those respondents who say that unemployment is one of the most important issues facing their country are more likely to feel European in the South but less likely to feel European in the North, compared with respondents who do not express concern about unemployment. This evidence is consistent with our framework in that it suggests that, particularly in the South, the EU seems to represent an implicit insurance against unemployment.

### **Conclusion: Mind the Gap**

Despite the mixed effects of the Euro crisis on the national economies of the eurozone, aggregate shared identification as European has remained remarkably stable over time, while the gap between North and South has remained relatively small. This has been the case despite very different perceptions of input legitimacy and a gap in ranking of macroeconomic priorities. In order to make sense of this puzzle we have completely transformed Hirschman's exit, voice and loyalty framework and applied it to the EU context. We found that a key determinant in individual European identity formation – or the factor that could explain the shifting loyalties between national and EU level – to be the relative importance of exit (emigration) versus voice (economic policy preferences) for different socio-demographic and socioeconomic groups.

We proposed two hypotheses and looked at two additional factors on the relationship between individual characteristics and shared versus exclusive identity formation within our framework, and came up with some striking results. Firstly, we found that a remarkable gap was opening up between young people in the eurozone North and South during the crisis, which seemed to persist after the worst of the crisis was over. The youngest age cohort in the South is now the most likely to express a shared European identity (even more so when highly educated), while the youngest age cohort in the North is now the least likely of all to express a shared European identity (even more so when they have less formal education).

Secondly, we found that the existing educational gap – in terms of individuals having a shared European identity – has widened even further since the Euro crisis. Better educated and higher skilled people are more likely to feel European than the less educated and lower skilled groups across both the eurozone North and South. Thirdly, one's personal assessment of the national economic situation has also had a differing impact in the North and South. In the South, EU citizens identify more strongly as European in hard times, making them mostly foul-weather Europeans, while in the North, EU citizens identify more strongly as European in better times, making them fair-weather Europeans. Fourth and finally, all citizens in the South who believe their governments should prioritize tackling unemployment are more likely to identify as European than those who do not, while this effect is much weaker in the North.

In sum, the Euro crisis has been a mixed blessing for EU elites and EU scholars who were hoping that the process of European integration would gradually create Europeans through crises.<sup>10</sup> While they may take to heart the finding that the youngest cohort in

<sup>10</sup>For a critical view of Jean Monnet's famous dictum, see Parsons and Matthijs (2015).

the South is now much more likely to have a shared national and European identity than before, they should worry about the fact that the youngest cohort in the North is now the least likely to hold such a shared identity. They should also be concerned about the ongoing widening gap between the less skilled and more highly skilled groups. Only if the economic situation of the low skilled group improves significantly will the appeal of eurosceptic movements to this group start to wane. EU policymakers also have to ask themselves whether the patterns of South–North migration within the eurozone – on top of the already well established East–West migration flows – are desirable in the longer run, as it risks exacerbating the existing divisions within the Union. Making sure all EU member states can share broadly in the fruits of economic prosperity in the future should probably be EU policymakers’ number one priority.

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## Supporting Information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Table S1: Eurobarometer Questions: Coding

Table S2: Baseline Model.

Table S3: Full Model (Available Only for Crisis and Post-crisis period).

Figure S1: Eurozone North versus South: Trust in National Government (Yellow) and EU (Blue). Source: Authors' calculations based on Eurobarometer data.

Figure S2: Eurozone North: Trust in National Government (Yellow) and EU (Blue). Source: Authors' calculations based on Eurobarometer data.

Figure S3: (a) European Identity versus (b) EU Input Legitimacy. Source: Authors' calculations based on Eurobarometer data.

Figure S4: Important Issues (Debt, Unemployment, Inflation and Immigration). Source: Authors' calculations based on Eurobarometer.

Figure S5: Probability of Expressing a Shared Identity; Voice 0–1.

Figure S6: Probability of Expressing a Shared Identity; Based on Concern with Inflation.

Figure S7: Probability of Expressing a Shared Identity; Based on Concern with Unemployment.