

Mind the Gap:

Southern Exit, Northern Voice, and Changing Loyalties since the Euro Crisis

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Abstract

In this paper, we examine whether the EU's unequal encroachment on its Southern and Northern members' core state powers since the euro crisis – resulting in highly uneven burdens of economic adjustment and a reversal of intra-EU migration dynamics – had a knock-on effect on collective European identity formation. Though Euroscepticism has been rising everywhere, a steady majority of EU citizens continues to identify at least partially as “European.” While we see a widening educational gap across the Eurozone, we also observe a puzzling North-South divergence in identity among the young. Using individual-level data from Eurobarometer pooled over time, we investigate the micro-foundations of whether EU citizens continue to have a ‘shared’ (national/EU) or ‘exclusive’ (national) sense of belonging. We argue that the euro crisis triggered new dynamics of Southern ‘exit’ (through surging South-North migration), Northern ‘voice’ (based on EU adoption of policies preferred in the North), and shifting national vs. European ‘loyalties.’

Key words: European Union, euro, exit, identity, loyalty, North-South gap, voice.

1. The Euro Crisis, Core State Powers, and Identity Formation in North and South

After a decade rife with integration strife – over the euro, migration, security, and democracy – the issue of European collective identity is back on top of the EU agenda. In their response to various economic and political crises, EU leaders inadvertently empowered the supra-national institutions in Brussels and Frankfurt with a whole series of new economic policy tools and oversight, putting EU institutions in national political crosshairs (Bauer and Becker 2014). Both European Commission and European Central Bank have begun to interfere much more actively with what some scholars refer to as countries’ “core state powers” since 2011 (Genschel and Jachtenfuchs 2014, 2018). This has made the EU a much more salient and scrutinized actor in all member states, but not to the same degree in North and South. While the EU’s involvement in Southern ‘peripheral’ economies was much more discernable with direct consequences for national welfare and standards of living, its influence was much less noticeable and hence less controversial in the Northern ‘core’ economies (Matthijs 2017).

The euro crisis in particular had very uneven effects on the EU’s member states. It is therefore hard to imagine that this gap in both input and output legitimacy (Schmidt 2013) – little policy choice and rapidly worsening standards of living in the South vs. more discretion and better economic outcomes in the North – would not have had a qualitatively different impact on the formation of European collective identity (ECI) in both parts of the Eurozone. Even though there exists considerable conceptual ambiguity around ECI, including problems of operationalization and measurement that has often led to confusion in EU identity research (Kaina and Karolewski 2013), we have good reasons to believe that the political salience of the euro crisis mattered a great deal for ECI formation and will likely shape the debate on the EU’s future integration path. In this paper, we set out to examine the impact of the European Union’s uneven encroachment on the core state powers of its Northern and Southern members since the euro crisis – given its disparate effects on domestic economic outcomes and intra-EU migration patterns – on ECI.

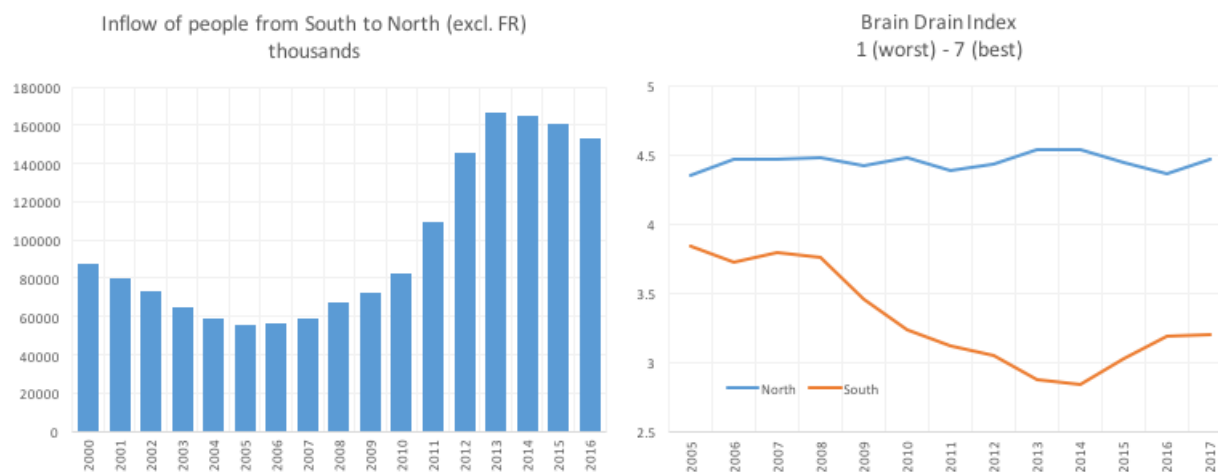
The Eurozone’s crisis laid bare deep structural differences between a more prosperous “Northern” core – Austria, Belgium, Finland, France, Germany, and the Netherlands – and a lagging “Southern” periphery – Greece, Ireland, Italy, Portugal and Spain.¹ The brunt of the burden of economic adjustment fell 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 – signaling net *emigration* – in Ireland in 2009, in Greece in 2010, in Portugal in 2011, and in Spain in 2012.² This dynamic is also visible in the substantial increase

¹ Note that we include France in the “North” even though it shares certain key characteristics with its Mediterranean neighbors, including high unemployment and low growth, but during the euro crisis was mostly treated by financial markets as a ‘creditor’ rather than a ‘debtor’ country. Note also that we include Ireland in the “South” even though it is obviously not in the Mediterranean, but was treated by financial markets as a ‘debtor’ country and often included in the ‘periphery’ (sometimes under the acronym ‘PIIGS’ or ‘GIIPS’).

² 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 is from Eurostat, see: <https://ec.europa.eu/eurostat/web/products-datasets/-/tps00019>.

in inflows of people from the Eurozone South to the Eurozone North (Figure 1, left). While such inflows had been steadily decreasing between 2000 and 2007, the crisis triggered an abrupt inversion of that trend. Immigration into 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 seen prior to the crisis. The counterpart of this massive Southern recourse to *exit* is a significant deterioration in the ability of especially Mediterranean European countries to attract new or retain existing talent, as measured by the World Economic Forum’s “brain drain index” (Figure 1, right).³

Figure 1: Eurozone North vs. South: Emigration (left) and Brain Drain (right)



Source: Authors’ calculations based on OECD and WEF data (2018)

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 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 for the economic pain inflicted, flocking to anti-establishment and Eurosceptic parties of both left and right. According to survey data from Eurobarometer, trust in both national governments and the EU in the South fell to all-time lows in 2013 (from a peak in 2007), and only partially recovered by 2017. In the North, on the other hand, trust in their national governments and the EU has been much more stable over time, but since 2010 trust in their national institutions has actually been higher than trust in the EU, suggesting that the citizens of the 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).⁴

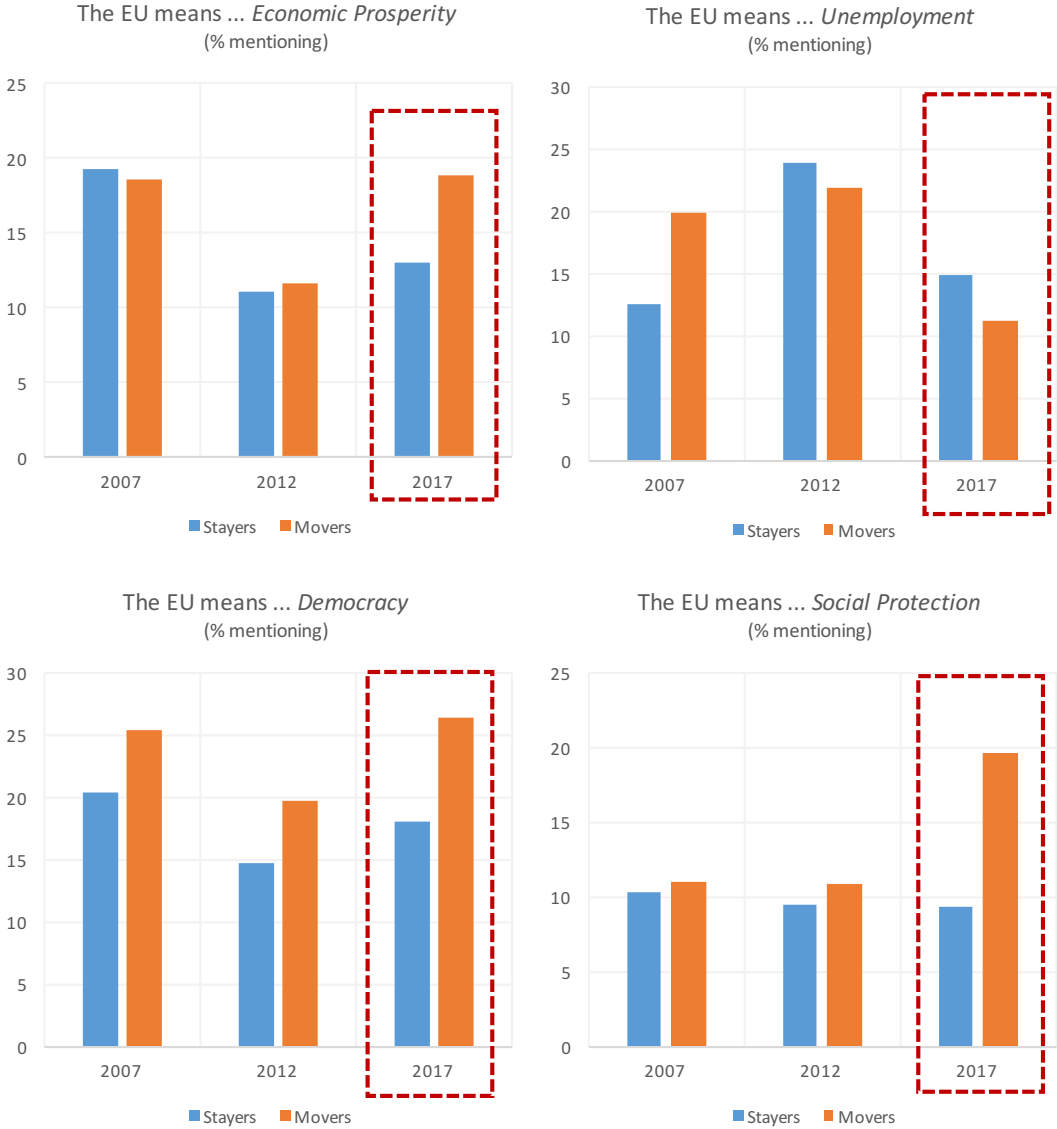
While systematically falling levels of trust in national and EU institutions do not necessary have consequences for European collective identity formation, these are worrying signs for EU officials keen on fostering a collective European *demos*. Moreover, attitudes towards the EU are very different among “movers” – i.e. Europeans from Southern EZ countries living in a country different than their country of citizenship – and “stayers.” Figure 2 shows answers to the Eurobarometer question “what does the EU *mean* to you personally?” for movers and stayers. The share of people associating the EU to ‘economic prosperity,’ ‘democracy,’ and ‘social security’ is

³ This index is taken from the WEF’s annual global competitiveness report.

⁴ See Appendix, Figure A1.

much higher among movers than among stayers, in 2017. Conversely, the share of stayers who associate the EU with ‘unemployment’ is higher than the corresponding figure for movers. As we will argue below, these gaps show that while movers see the EU as an avenue for improvement, stayers risk becoming stuck in an economically and socially impoverished environment.

Figure 2 – What does the EU mean to you personally?



Source: Authors’ calculations based on Eurobarometer data

The core question we are asking in this paper is whether the asymmetric nature of the Eurozone crisis has had different effects on collective European identity formation in North and South, given these conflicting economic and migration dynamics. We know from previous research (e.g. Fligstein 2008; Fligstein, Polyakova, and Sandholtz 2012) 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. We also know from the literature that only a small elite minority see themselves exclusively as

“Europeans,” but a significant part of the EU citizenry has at least a *partial* European or dual national/European identity (either mostly national or mostly European). Finally, it has been systematically shown that EU citizens are more likely to identify as “European” if they are younger, male, highly educated, speak multiple European languages, and are members of the professional classes who travel around the European continent for both work and leisure (Fligstein 2008, 123). But are these identities, once established, relatively sticky over time? Or can they change, and if so, under what conditions?

In this paper, we assess how EU citizens’ self-identification has evolved over the past fifteen years, in light of the effects of the Eurozone debt crisis on European integration, especially given the accelerating encroachment of EU institutions onto what are usually seen as ‘core state powers’ and the knock-on and unequal effects on domestic economies that have set into motion new migration patterns. For the purposes of this paper, we have in mind those core state powers that mainly deal with fiscal and financial affairs, i.e. taxation, banking supervision, and public administration. In the Southern periphery the erosion of national discretion over those domains has been more visible, contested, and hence politicized. While the euro crisis saw a tightening of the rules for all EU member states, including more oversight and regulatory powers for the European Commission and the European Central Bank in fiscal and financial matters (that used to be the exclusive domain of national governments), the Southern periphery experienced a more direct and heavy-handed interference of the EU institutions in domestic affairs compared to the Northern core.

We follow Martin Kohli (2002, 116) in that we see individuals as holding multiple identities rather than one single identity. They can relate to different group memberships and social positions, but our focus is mostly on individuals’ political identity with a territorial dimension. We are also fully cognizant of the fact that collective identities are context dependent, often highly disputed, situational, and not fixed over time (Cram 2012). To that extent, we examine the North-South dynamics of four dimensions of EU identity formation over time: (1) how young citizens’ identification with the European Union in North and South has evolved since the mid-2000s; (2) what has happened to the existing 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 concerning economic priorities play into EU vs. national identity formation? These questions will be explored using data from the European Commission’s *Eurobarometer* survey.

We conclude that the euro crisis has set in motion different dynamics for different groups of people in North and South, with particular effects on the young and the less skilled, who bore the brunt of the crisis. Accordingly, our theoretical framework proposes a substantial twist to Albert O. Hirschman’s original insights in *Exit, Voice, and Loyalty* (1970), resulting in a few central hypotheses to be tested empirically. But before that, the next section will briefly review some key findings of the rich existing literature on the issue of European identity. That will allow us to identify a few gaps we are aiming to fill with this paper.

2. Literature Review

The issue of whether and how a European identity could be constructed has been at the center of EU scholarship ever since the early days of European integration. The link between economic

benefits, identities and political allegiance featured prominently in early works on supranational integration (Haas, 1958; 1964; Etzioni, 1969 [2000]) as well as in the European Commission's own research agenda (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, burgundy colored 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 European Union, it had radically different macroeconomic effects on North and South, and may therefore have influenced ECI formation differently in core and periphery countries.

While some have argued that social identities are relatively sticky, heavily shaped by processes of early socialization, and tend to stay stable over longer periods of time, we wonder if a seminal event like the euro crisis could not affect those social identities (Mols and Weber 2013). Such a negative shock could also be crucial in shaping ECI especially for the young, who are in their formative years (Rekker 2018).

In general, we find that the existing EU literature on 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 (Hobolt and de Vries 2016). While many EU scholars have used identity as a key *independent* variable to explain various aspects of EU integration, our paper aims to contribute to the literature that treats identity formation as a *dependent* variable, which is multi-dimensional and often seen as influenced by ‘national’ social, economic, and political processes, as well as more collective ‘European’ understandings (Boomgaarden et al, 2011).

Prescient of today's increased saliency 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) argued that those who actively participate in ‘Europe’ were more likely to develop an ECI, while those whose economic and social lives are essentially local were more likely to hold nationalist identities. But Fligstein and Polyakova (2015) pointed out that the EU had pushed citizens to value their national identities *more* and to look to their national governments for protection after the global financial crisis.

Petkanopoulou et al. (2018) looked at Spain and Greece to understand whether perceived inequality and disparities in wealth between EU countries predicted dis-identification with Europe. Their study suggested that this was indeed the case, and that the relationship between economic inequality in the EU and dis-identification with Europe was mediated by fear of losing national

sovereignty and of Europe losing fundamental values. Galpin (2017) asked 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 ‘sinners’ and ‘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 domestic macroeconomic policy preferences combined with differing personal opportunities for economic advancement. The main mechanism through which macroeconomic conditions have an impact on personal identity formation is that different situations create different winners and losers. In other words, national economies’ varying rates of dynamism and their governments’ economic priorities can lead to various cleavages among the population, for example of young vs. old, high vs. low skilled, or urban vs. rural. Furthermore, elite narratives about the benefits and costs of European integration can create different perceptions about the EU in different national contexts.

Some scholars did consider member states’ macroeconomic preferences and their effect on EU policymaking. Writing in the early days of European monetary unification, Otmar Issing (2001) argued that relinquishing sovereignty in such an important field as monetary policy was to be seen as a move towards the creation of a kind of “European state-hood.” This transfer of sovereignty showed “a convergence of political will and demonstrate[d] that EMU members ha[d] achieved a high degree of harmony in monetary policy attitudes and preferences.” With the advent of the euro crisis, however, things changed rather radically, as it appeared to reveal a stark contrast in EMU members’ interpretations of the causes of the crises, and in the ensuing preferences for crisis resolution. Csehi and Puetter (2017) even went as far as to argue that the crisis called for a revisiting of the very analytical concept of preference formation.

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 loyalty, and a bad economic situation at the national level. This mechanism appeared to have been reinforced by the economic crisis. Kleider and Stoeckel (2018) analyzed voters’ preferences on international transfers, finding a strong association between voters’ cultural orientations (i.e. their ‘cosmopolitanism’) and their position on transfers, as well as an important role of voters’ economic left-right orientations. Franchino and Segatti (2017) analyzed 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 the measure. However, high-income respondents also displayed a greater willingness to pay to keep the euro, whereas lower-income participants were more willing to consider ditching the single currency if monetary union did not deliver.

In the next section, we develop our own theory as to why individuals with certain characteristics in both Northern core and Southern periphery of the Eurozone identify more or less with the EU

or their national institutions as a result of the asymmetric adjustment they experienced since the euro crisis, and the perceived emigration opportunities or immigration threats the European single market brings to EU citizens.

3. *Exit, Voice, and Loyalty*: Changing Dynamics of European vs. National Identities in North and South

In order to better understand individual preferences and its impact on identity formation in the context of the Eurozone crisis, we borrow the three terms key terms of Albert Hirschman's *Exit, Voice and Loyalty* (1970), but propose a rather radically different interaction between the three. 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, the two possible responses equally applied to members of any organization (e.g. a business, a political party, a nation, or any other human grouping) who perceived that the organization was demonstrating a decrease in quality or benefit to its members. 'Exit' implied a binary choice between withdrawing from the relationship or staying put (maintaining the status quo). 'Voice' was a more active attempt to repair or improve the relationship through communication or complaint. In the case of citizens of a country, for example, they could respond to political repression or bad economic conditions by either emigrating to another country or by using various channels of political protest. According to Hirschman, the way 'loyalty' mitigated the choice between exit and voice was to affect the cost-benefit analysis of both options. Strong patriotism, for example, will work against emigration (or exit), and in favor of using voice, even in cases where the latter is deemed to be relatively ineffective.

In the context of the European Union, we see the interaction between exit, voice, and loyalty playing out rather differently than Hirschman did. Since the establishment of the Single Market, European citizens enjoy frictionless movement between member states and the right to study, work, and retire in any member state they choose. This fundamental freedom gives certain EU citizens – especially the ones who are relatively mobile, speak different languages, and face fewer cultural barriers – the relatively easy option to leave their national labor markets in the case of poor economic conditions. For the purposes of this paper, 'exit' is therefore 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' comes into play 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 labor markets, high quality public services, and generous pensions (on the output legitimacy side) (Schmidt 2013).

The way 'loyalty' plays a role in our framework is by measuring whether citizens identify as 'more European' (and are 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 for both people who leave and people 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 more likely 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 the ones who have ‘voice’ but no realistic ‘exit’ options to identify as less European. There are two basic hypotheses we propose and test in this paper, and two additional factors we would like to consider.

Hypothesis 1 deals with the age cleavage. Given the radically different economic conditions between core and periphery brought about by the euro crisis, we expect Southern European youth (especially the highly educated) to be most likely to express a shared (national + European) identity, while Northern European youth (especially the lowly 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 shifting loyalties from more ‘national’ to more ‘European’ 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 (1) as more prone to crisis than the domestic economy, (2) as a burden (as exemplified by the Southern periphery being the recipient of fiscal bailouts for which the North pays a relatively larger share), and for some (3) as a potential threat (given immigration from the South). We therefore expect Northern youth’s loyalties to shift from more ‘European’ to more ‘national.’ For the older parts of the population, we expect their identities to become more uniformly national in both North and South, since the exit option has much less appeal, and either Northern bailout fatigue or Southern austerity resentment will have come into play (see table 1).

Table 1: Hypotheses I and II: Euro Crisis Effect on Age and Skills Cleavage in ECI

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 to express shared identity decreases with age generally, but more so in the South</p> <p><i>Probability to express shared identity among Southern youth higher and lower among Northern youth, post-euro crisis</i></p>
H2: Skills Cleavage	<p><i>Less Educated:</i> Feel more ‘dis-enfranchised’ 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 strongly identify with the EU, and move further away from an exclusively national identity.</p>	<p>Probability to express a shared identity increases with level of educational attainment</p> <p><i>The gap between low and high skilled citizens, in terms of probability to express shared identity, deepens post-euro crisis</i></p>

prima facie evidence for our framework can be found by looking at the data of Eurobarometer’s question on whether EU citizens trust EU or national institutions. While in the South, trust in the EU is always and unambiguously higher than trust in national governments, the picture for the North varies for people of different age and education. The elderly (65 years and older) on average have been trusting their national government 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, in a similar vein as people in the South. But those who are at the bottom of the skills ladder – i.e. left full-time education at 15 – displayed a behavior similar to that of the elderly between 2011 and 2015.⁵ This fits with our theoretical 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. This leaves them exposed to the low wage competition of migrants from the less prosperous South, enabled by the EU's single market. These factors combine into a shift of loyalty away from the EU towards their own national institutions, as the EU is increasingly seen as a threat.

Some of our expectations dovetail with the recent work of Catherine de Vries (2018), who observed that Euroscepticism has been steadily on the rise in countries that have benefited the most from euro and single market membership and weathered the debt crisis relatively well. De Vries argued that Euroscepticism was more likely to develop when national conditions were good, because people believed that they had alternatives to EU membership, while they tended to give credit for the good conditions to their national governments (rather than to the EU). On the other hand, when economic conditions were relatively poor, stronger EU support was the most likely outcome since no real viable alternative to EU membership existed.

In what follows, we show how EU citizens' systematic identification as shared "European" and "national" (or exclusively "European") has been remarkably stable over time across both North and South (between 60 and 70 percent of EU citizens had '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 explain our methodology in greater detail in the section four below, and will then present our results in section five, before drawing some conclusions in section six.

4. Methodology

To get a better sense of which key factors are at work in defining 'European-ness,' we analyze demographic, socio-economic and other aspects of identity formation at the *individual* level. Who is most likely to feel at least *partially* European, i.e. 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 pulled together 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 respondent-level data in a binary outcome logit model.⁶

4.1 *Dependent Variable: Identity*

⁵ See Appendix, figure A2.

⁶ The original EA12, excluding Luxembourg due to size. The "North" makes up Austria, Belgium, Finland, France, Germany, and the Netherlands; the "South" includes Greece, Ireland, Italy, Portugal, and Spain.

Our dependent variable is a dummy that equals 1 for individuals expressing a ‘shared identity,’ and 0 otherwise. We include as shared identities respondents who do 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 are 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 A1 in the appendix for more details on the coding) is available. The correlation between our measure of shared identity constructed out of Q1 with the equivalent constructed out of Q2 is 58% over the period 2004-06, so we believe that Q2 is therefore a good substitute for Q1 in 2006. However, since we also lack the questions we use to measure the effect of EU input legitimacy in 2006, we will only use Q2 in descriptive terms (Figure 3 below) but we will drop 2006 in the econometric analysis, and limit our pre-crisis period to 2004-05. While we would prefer to also include 2006, the 2004-05 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 to include in our analysis because it is when the Eurozone crisis enters its peak phase. After Greece and Ireland had asked for bailouts in 2010, Portugal also loses market access in 2011, and Italy and Spain come under very strong market pressure during the summer. In light of these facts, we think we cannot safely drop 2011 from the econometric analysis. We therefore resort to an alternative available question (Q3 below). The correlation between our measure of shared identity constructed out of Q1 with the equivalent constructed out of Q3 is 49% over the period 2010-13. Although we would prefer it to be higher, we think that using Q2 in place of the (missing) Q1 in 2011 is nonetheless justifiable and not problematic for the overall analysis, because it is only one of 4 years in our ‘crisis’ period.

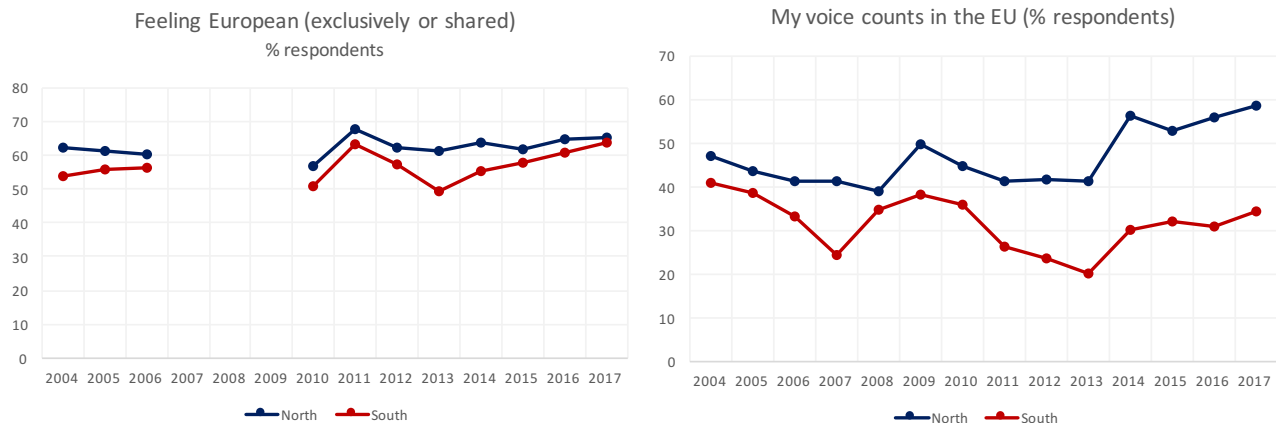
Q3: For each of the following statements, please tell me to what extent it corresponds or not to your own opinion. You feel you are a citizen of the EU (%)

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 exclude 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 is one asking respondent whether they feel any “attachment” to the EU – a very different concept. We therefore prefer to drop those three years, for the sake of keeping our dependent variable as consistent as possible over time.

Looking at the evolution of our dependent variable over time in figure 3a, it immediately suggests that identification as “European” (partly or exclusively) has remained remarkably constant – at around 60 percent of respondents – and that in aggregate terms the gap between North and South has been very narrow. 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. Figure 3b shows that the share of respondents stating that ‘their voice counts in the EU’ was slightly lower in the South than in the North already 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 percent who believe ‘their voice counts in the EU’ against a much more robust corresponding figure for the North of close to 60 percent.

Figure 3: European Identity (a) vs. EU Input Legitimacy (b)



Source: Authors’ calculations based on Eurobarometer data

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, and Figure A3 in the Appendix shows the percentage of people mentioning specific terms – such as unemployment, inflation, government debt or immigration – as a response. While not being an exact measure of macroeconomic preferences, these questions give us a rough indication of what aspects of the overall

macroeconomic 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 people in the North – which rhymes with the direction of pre-crisis intra-Eurozone inflation differentials. After the crisis, North and South traded places, to then converge in 2014-15, coincidentally with the start of the ECB’s program of Quantitative Easing. In a similar vein, the North was much more concerned about unemployment than the South was, up until 2007. 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 this data is available – and has been decreasing steadily in the North ever since.

5.2 Independent Variables

This apparent disconnect between stable aggregate identity expressions and changing input legitimacy perception on 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/individual level. Our independent variables can be divided in five groups:

- Demographics: age, gender, marital status, type of community where the respondent lives
- Socio-Economic Factors: education, employment status
- Input Legitimacy Factors: perception of whether own voice ‘counts’ in the EU
- Output Legitimacy Factors: assessment of domestic economic situation (not available for the 2004/6 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 only available from 2012 on, so we exclude it because we would not be able to compare with the pre-crisis period.

We also include a “North-South” dummy. The North includes Austria, Belgium, Germany, Finland, France, and the Netherlands, while the South includes Spain, Greece, Ireland, Italy, Portugal. We also include 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 will be dropped in 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 (demographics, socio-economic factors, input and output factors et c.), $north_i$ is our geographical group variable, $north_i * X_j$ are interactions of a subset of variables in X with our geographic dummy, and $year_t$ is a year fixed effect. We estimate this model on 3 sub-periods: a pre-Euro-crisis period (2004-

2005);⁷ a Euro-crisis period (2010-2013); and a post-crisis period (2014-2017). The estimated coefficients from the logit models are reported in the Appendix in Table A2. In the next section, we will discuss the marginal effects that we are most interested in, in light of our proposed hypotheses and additional factors of interest in the previous section.

5. Results

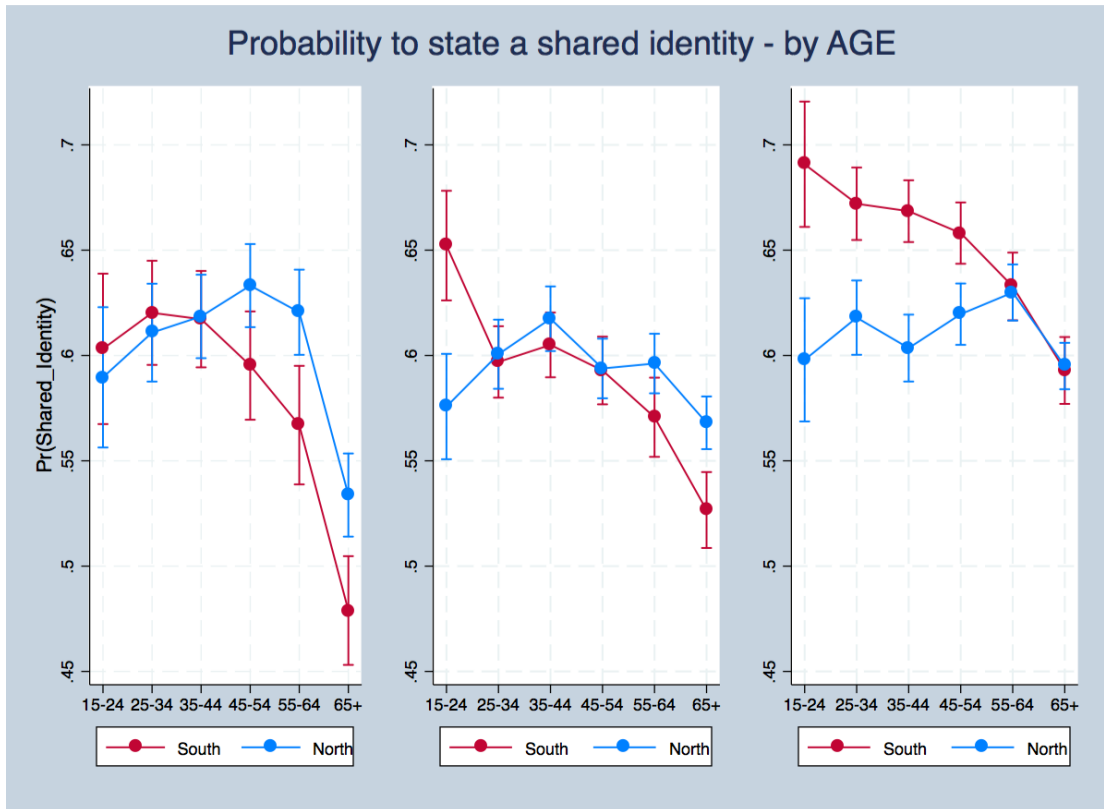
The most striking result from our analysis of individual-level attitudes concerns **age** of the respondents. Figure 4 below shows the predicted probability that respondents in North and South express a shared identity, depending on their age and holding constant all other factors – both before the crisis (left panel), during the crisis (center panel) and after the crisis (right panel)⁸. Before the crisis, we observe that the probability to express 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 to feel European. During the crisis, a gap started opening up between the youngest cohorts in North and South, but all other age groups appeared to be drawn 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 of the euro crisis as a ‘shared catastrophe’⁹ – with the exception of the youngest generation.

Figure 4

⁷ As explained above, 2008 is dropped due to lack of data for one of the independent variables.

⁸ Since several of the variables included in our model are not available in 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.

⁹ See Merler and Nicoli 2018 for a discussion of the literature on this.



Things are very different when looking at the 2014-2017 period. Controlling for all the other factors included in our model, respondents who are over 55 years old have the same predicted probability (between 60 and 65%) to express a shared identity in the post-crisis period, regardless of geography. But the gap is now increasing inversely to age. North and South have been pushed again further apart. The probability to express 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 reaches 10 percentage points between the youngest generation in the South – which is the *most* likely to express a shared identity across all people in our dataset – and the youngest generation in the North – which is the *least* likely to express a shared identity.

These results strongly support our H1, as we indeed find Southern European youth to be most likely to express a shared identity, while Northern European youth is least likely to express such a shared identity. As we argued, in the South, a lack of voice in a deteriorating economic context made the ‘exit’ option offered by the EU single market more important, whereas in the North, with more voice and less need to exit the national labor market, the EU was not perceived to have brought any visible value added during the crisis.

The effect of **education** (which we use as a proxy for skills) on the propensity to express a shared identity has also changed over time. Figure 4 shows the predicted probability that respondents express a shared identity, at different levels of education, before and during/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 4

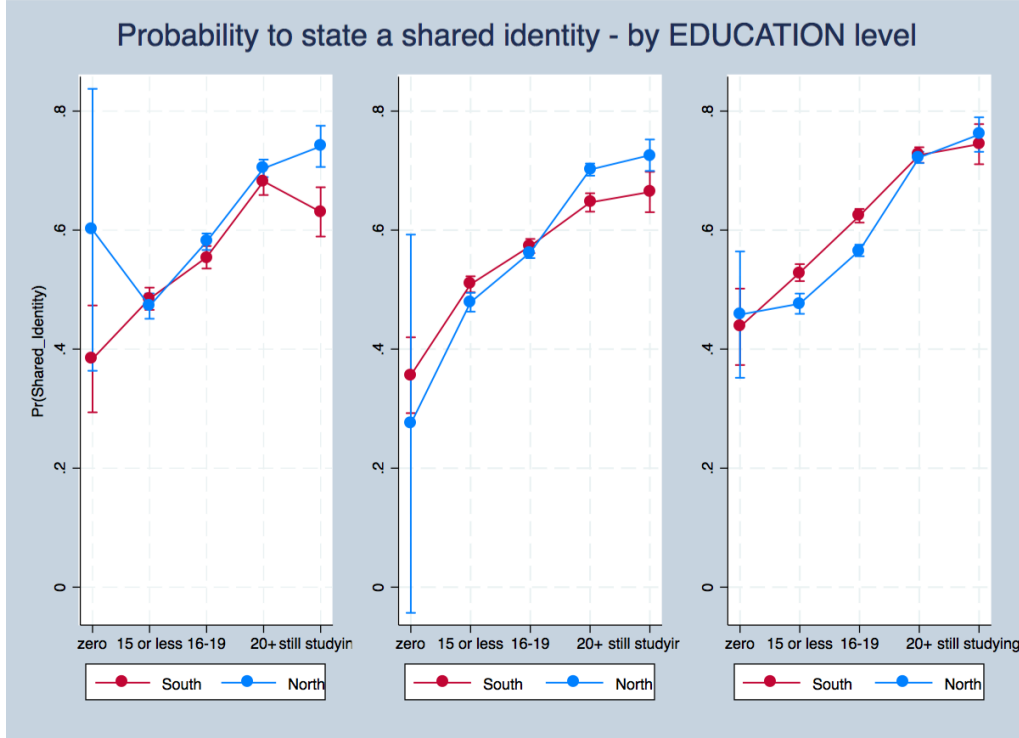
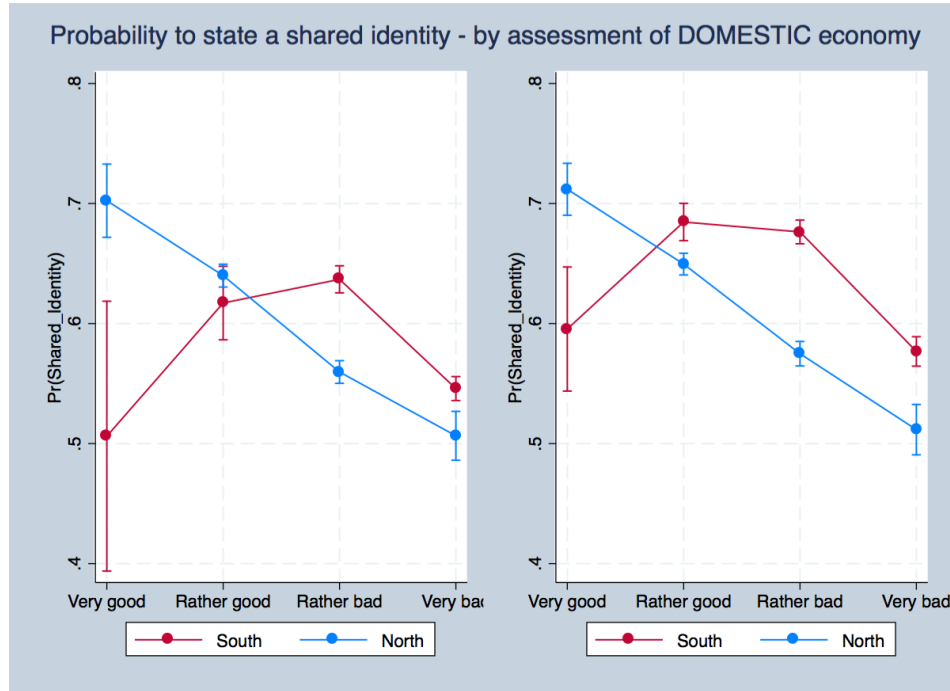


Figure 4 (right) shows that people with tertiary education and people who are still studying have become even closer – in their European identification – across North and South, since the crisis. But the probability to express a shared identity across all lower educational levels is now slightly lower in the North compared to 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 depending on their assessment of the state of the domestic economic situation – which unfortunately we are only able to do for the crisis and post-crisis period, due to data availability. Figure 5 (left) shows that the relationship between respondents’ assessment of the state of the domestic economy and their likelihood to feel European is different across North and South. In the North, this relationship is clearly downward-sloping, suggesting that identification as Europeans is a decreasing function of the perceived state of the economy. Northerners, in other words, are good-weather Europeans: they are significantly more likely to express a shared European identity in ‘good times’ than they would be in ‘bad times.’ This somewhat challenges the conclusions in De Vries (2018). For Southerners, the relationship is more complex and hump-shaped. 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.

Figure 5



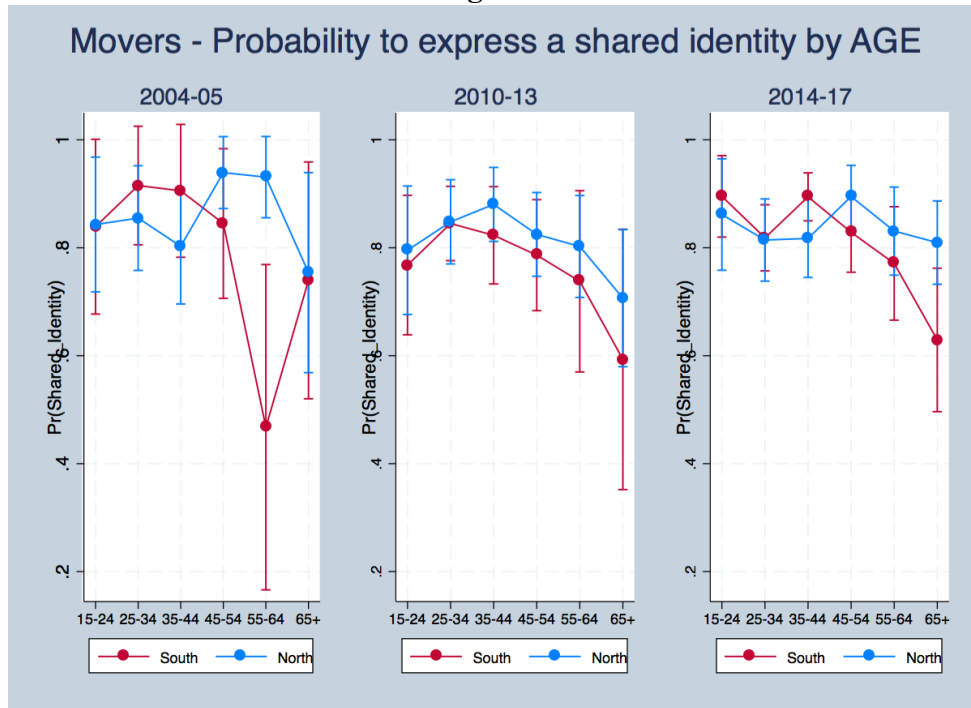
By far the most striking result we found is the opening of a gap in European identification between the young cohorts in the North and in the South. As the Eurobarometer geographical attribution of respondents is based on where they live (and where the interviews take place), the “North” and the “South” effectively correspond to respondents’ residency. In order to dig a little deeper, we move one step further and look at whether any difference exists between what we label “movers” (i.e. people who live in a country different than their country of citizenship) and “stayers” (i.e. people who live in their same country of citizenship). This will allow us to assess the validity of our exit/voice/loyalty framework, which implicitly assumes movers and stayers to be different when it comes to their identification as Europeans. Only a very small percentage of respondents (between 1% and 2% per year) is constituted by movers, so we are not able to estimate the full model estimated in section 5 because the movers sample would be too small. We therefore run a baseline model including basic demographic characteristics (age, gender, marital status, community type, employment status¹⁰), the North/South dummy and the interaction of the latter with age. Our aim is to understand whether the age effects we detected in Figure 3 vary across people who left their country and people who stayed put.

Figures 6 and 7 below show the estimated probability to express a shared identity, for both movers and stayers, over the three periods that we used previously. Two interesting facts emerge, which confirm our theoretical expectations. First, movers are statistically identical across north and south, as far as their likelihood to feel European is concerned. The age profile of identification among movers also tends to be rather flat, suggesting that there is not much difference between young and old cohorts in terms of identification – among those who have left their country for whatever reason (Figure 6). Second and conversely, the age profile of identification is markedly downward-sloping

¹⁰ Unfortunately we are not able to add education to the independent variables, because the very small sample of movers does not allow us to estimate its effect.

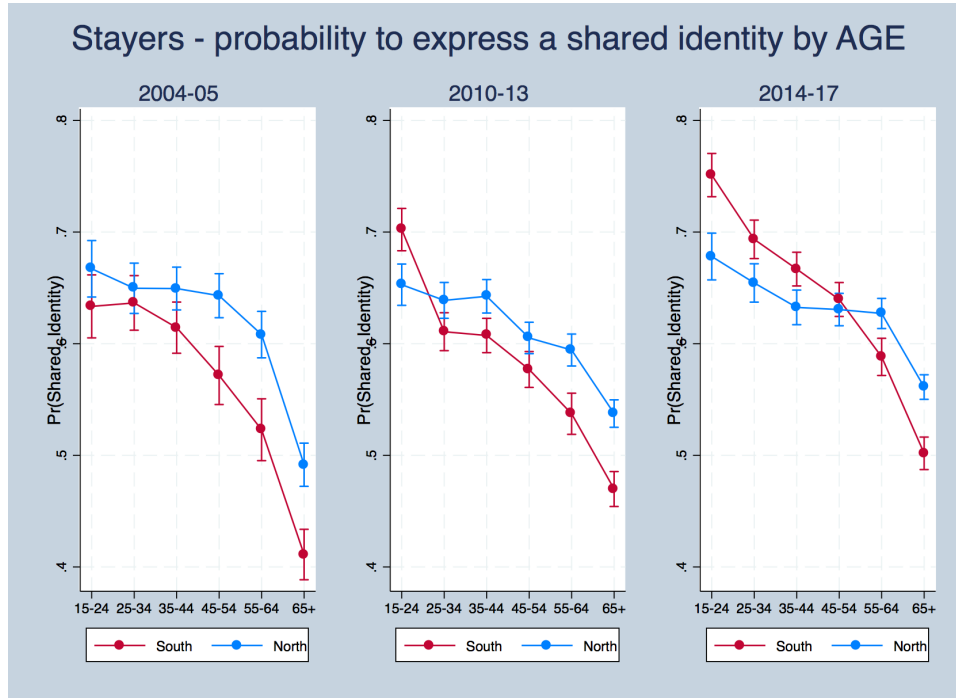
among stayers. This is perfectly consistent with our framework, as it reflects the fact that the young value the “exit option” a lot more than the old.

Figure 6



Moreover, the relative position of cohorts has changed across North and South 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, as far as their likelihood to feel Europeans is concerned. After the crisis, we observe that young ‘stayers’ in the south are now markedly *more* likely to express a shared identity than their northern peers. This is consistent with our theoretical expectation that being European has come to be seen by (part of) the youngest in the South as an invaluable opportunity for exit and by (part of) the youngest in the North as a threat of heightened competition by their Southern peers. By contrast, respondents who are 55 or older in the South are *less* likely to express a European identification than both the younger Southerners, and their peers in the north. This is also consistent, as we expect these respondents to be those who, because of their age and/or linguistic skills, are potentially the least mobile, and therefore those who stand to benefit the least from the exit option, and have been hurt by pension cuts.

Figure 7



6. Conclusion

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 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 transformed Hirschman’s ‘exit-voice-and-loyalty’ framework to the European Union context. We found that the key determinant in 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) vs. voice (economic policy preferences) for different socio-demographic and socio-economic groups.

We proposed two hypotheses and two additional factors concerning the relationship between individual factors and identity within our framework, and found the following things. First of all, we identified a remarkable gap that has opened up between young people in North and South of the eurozone during the crisis, which remained sticky after the crisis. The youngest cohort in the South is now the most likely to express a shared European identity (even more so when highly educated), while the youngest cohort in the North is now the least likely of all to express a shared European identity (even more so when lowly educated). When looking at movers vs. stayers, the we find validation of our hypothesis that Europe has come to be seen by (at least part of) the Southern youth as an invaluable exit opportunity, and by (at least part of) the Northern youth as an entry threat.

Second, we found that the existing educational gap in terms of 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 skills across both North and South. Third, personal assessment of the national economic situation also has had a differing impact in North and South. In the South, EU citizens identify more strongly as European in bad times, while in the North, EU citizens identify more strongly as European in good times. 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. This is 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 is gradually creating ‘Europeans.’ While they may take to heart that the youngest cohort in the South now is much more likely to have a shared national and European identity, 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 low and high skilled. Only if the economic situation of the low skilled improves significantly will the fertile soil for Eurosceptic movements start to wane.

Finally, EU policymakers have to ask themselves whether the patterns of South-North migration within the Eurozone – on top of the already established East-West migration flows – are sustainable in the longer run, as it will only exacerbate the existing divisions in economic prosperity within the Union. Making sure all member states can broadly share in the fruits of economic growth in the future should be their number one priority.

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APPENDIX

Table A1

Question	Years	Coding
<p><i>Q: Do you see yourself as ...?</i></p> <ol style="list-style-type: none"> 1. [NATIONALITY] only 2. [NATIONALITY] and European 3. European and [NATIONALITY] 4. European only 	<p>2004, 2005, 2010, 2012, 2013, 2014, 2015, 2016, 2017</p>	<p>1 if A = (1), (2) or (3) (shared identification)</p> <p>0 if A = (4) (exclusive identification)</p>
<p><i>Q: For each of the following statements, please tell me to what extent it corresponds or not to your own opinion. You feel you are a citizen of the EU (%)</i></p> <ol style="list-style-type: none"> 1. Yes, definitely 2. Yes, to some extent 3. No, not really 4. No, definitely not 	<p>2011</p>	<p>1 if A = (1) or (2) (shared identification)</p> <p>0 if A = (3) or (4) (exclusive identification)</p>
<p><i>Q: Do you ever think of yourself as not only (NATIONALITY), but also European? Does this happen often, sometimes or never? (ONE ANSWER ONLY)</i></p> <ol style="list-style-type: none"> 1 Often 2 Sometimes 3 Never 	<p>2006</p>	<p>1 if A = (1) or (2) (shared identification)</p> <p>0 if A = (3) (exclusive identification)</p>
<p>1.</p>		

Table A2: Logit Model – 2005-2009

(1)		(1)		(1)		(1)	
shared_identity		shared_identity		shared_identity		shared_identity	
b/se		b/se		b/se		b/se	
AGE (15-24 = ref)		Education (no full-time educ = ref)		Domestic economy state:		north=1 # 20 years +	-0.904*
25 - 34 years	0.013 (0.078)	Up to 15 years	0.430** (0.134)	Rather good	-0.018 (0.084)	north=1 # still studying	-0.930*
35 - 44 years	0.108 (0.080)	16-19 years	0.677*** (0.137)	Rather bad	-0.443*** (0.082)	north=1 # Agree	-0.035 (0.425)
45 - 54 years	0.092 (0.082)	20 years +	0.944*** (0.141)	Very bad	-0.994*** (0.086)	north=1 # inflation	0.130* (0.049)
55 - 64 years	-0.018 (0.085)	still studying	0.900*** (0.160)	north=1 # 25 - 34 years	-0.084 (0.105)	north=1 # Unemployment	0.220*** (0.047)
65 years +	-0.150 (0.083)	Unemployed	-0.155*** (0.046)	north=1 # 35 - 44 years	-0.296** (0.105)	north=1 # Rather good	-0.046 (0.114)
Male	0.120*** (0.022)	North	0.462 (0.435)	north=1 # 45 - 54 years	-0.262* (0.107)	north=1 # Rather bad	0.234* (0.114)
Married	0.144*** (0.024)	My Voice Counts EU	1.173*** (0.039)	north=1 # 55 - 64 years	-0.060 (0.110)	north=1 # Very bad	0.293* (0.123)
Community type (rural=ref)		Important issues country:		north=1 # 65 years+	0.178 (0.108)	year=2006	-0.460***
Small/middle town	0.146*** (0.026)	Inflation	-0.135*** (0.040)	north=1 # Up to 15 years	-0.854* (0.411)	year=2007	-0.670*** (0.031)
Large town	0.156*** (0.029)	Unemployment	0.056 (0.037)	north=1 # 16-19 years	-0.854* (0.411)	year=2009	0.741*** (0.033)

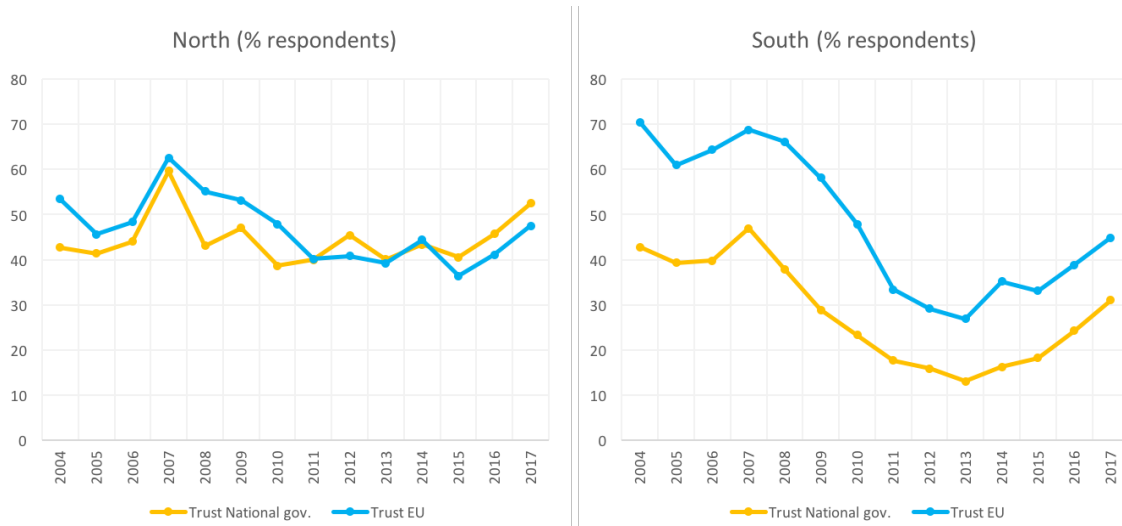
Table A3: Logit Model – 2010-2013

(2)		(2)		(2)		(2)	
shared_identity		shared_identity		shared_identity		shared_identity	
b/se		b/se		b/se		b/se	
AGE (15-24 = ref)		Education (no full-time educ = ref)		Domestic economy state:		north=1 # 20 years +	-0.333
25 - 34 years	-0.186* (0.077)	Up to 15 years	0.673*** (0.148)	Rather good	0.073 (0.238)	north=1 # still studying	-0.277 (0.713)
35 - 44 years	-0.178* (0.077)	16-19 years	1.025*** (0.150)	Rather bad	0.291 (0.230)	north=1 # Agree	0.058 (0.721)
45 - 54 years	-0.203** (0.079)	20 years +	1.371*** (0.152)	Very bad	-0.069 (0.229)	north=1 # inflation	-0.020 (0.050)
55 - 64 years	-0.306*** (0.082)	still studying	1.425*** (0.172)	north=1 # 25 - 34 years	0.294** (0.106)	north=1 # Unemployment	-0.076 (0.046)
65 years +	-0.486*** (0.081)	unemployed	-0.118** (0.036)	north=1 # 35 - 44 years	0.308** (0.106)	north=1 # Rather good	-0.236 (0.254)
Male	0.154*** (0.021)	North	0.803 (0.758)	north=1 # 45 - 54 years	0.288** (0.106)	north=1 # Rather bad	-0.904*** (0.246)
Married	0.075** (0.023)	My Voice Counts EU	1.139*** (0.039)	north=1 # 55 - 64 years	0.413*** (0.109)	north=1 # Very bad	-0.887*** (0.249)
Community type (rural=ref)		Important issues country:		north=1 # 65 years+	0.508*** (0.108)	year=2011	0.529*** (0.031)
Small/middle town	0.065** (0.025)	Inflation	-0.168*** (0.042)	north=1 # Up to 15 years	-0.623 (0.712)	year=2012	0.575*** (0.031)
Large town	0.156*** (0.028)	Unemployment	0.106** (0.034)	north=1 # 16-19 years	-0.571 (0.712)	year=2013	0.152*** (0.030)

Table A4: Logit Model – 2014-2017

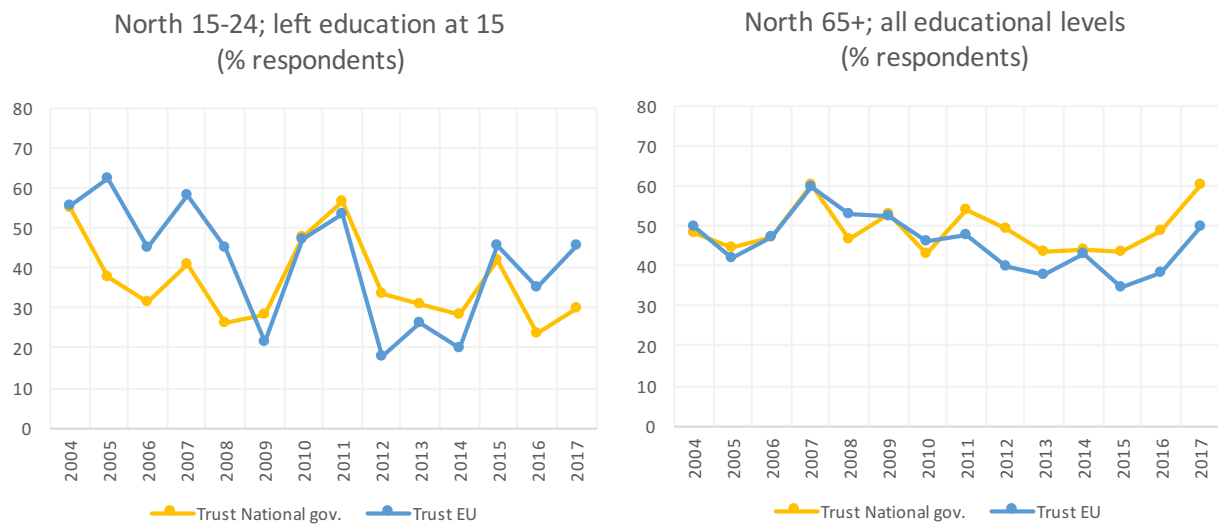
(3) shared_identity b/se		(3) shared_identity b/se		(3) shared_identity b/se		(3) shared_identity b/se	
AGE (15-24 = ref)		Education (no full-time educ = ref)		Domestic economy state:		north=1 # 20 years +	-0.255
25 - 34 years	-0.047 (0.091)	Up to 15 years	0.510*** (0.153)	Rather good	0.550*** (0.137)	north=1 # still studying	-0.202 (0.314)
35 - 44 years	-0.129 (0.091)	16-19 years	0.972*** (0.155)	Rather bad	0.576*** (0.135)	north=1 # Agree	-0.304*** (0.049)
45 - 54 years	-0.160 (0.091)	20 years +	1.495*** (0.157)	Very bad	0.097 (0.136)	north=1 # inflation	0.105 (0.064)
55 - 64 years	-0.222* (0.093)	still studying	1.579*** (0.183)	north=1 # 25 - 34 years	0.157 (0.122)	north=1 # Unemployment	-0.123** (0.046)
65 years +	-0.458*** (0.093)	unemployed	-0.159*** (0.038)	north=1 # 35 - 44 years	0.184 (0.122)	north=1 # Rather good	-0.938*** (0.152)
Male	0.172*** (0.021)	North	1.052** (0.362)	north=1 # 45 - 54 years	0.290* (0.121)	north=1 # Rather bad	-1.321*** (0.151)
Married	0.135*** (0.023)	My Voice Counts EU	1.195*** (0.040)	north=1 # 55 - 64 years	0.443*** (0.123)	north=1 # Very bad	-1.170*** (0.157)
Community type (rural=ref)		Important issues country:		north=1 # 65 years+	0.482*** (0.121)	year=2015	-0.002 (0.030)
Small/middle town	0.073** (0.025)	Inflation	-0.329*** (0.048)	north=1 # Up to 15 years	-0.423 (0.313)	year=2016	0.098** (0.030)
Large town	0.152*** (0.029)	Unemployment	0.187*** (0.034)	north=1 # 16-19 years	-0.451 (0.313)	year=2017	0.052 (0.031)

Figure A1: Eurozone North vs. South: Trust in National Government (Yellow) and EU (Blue)



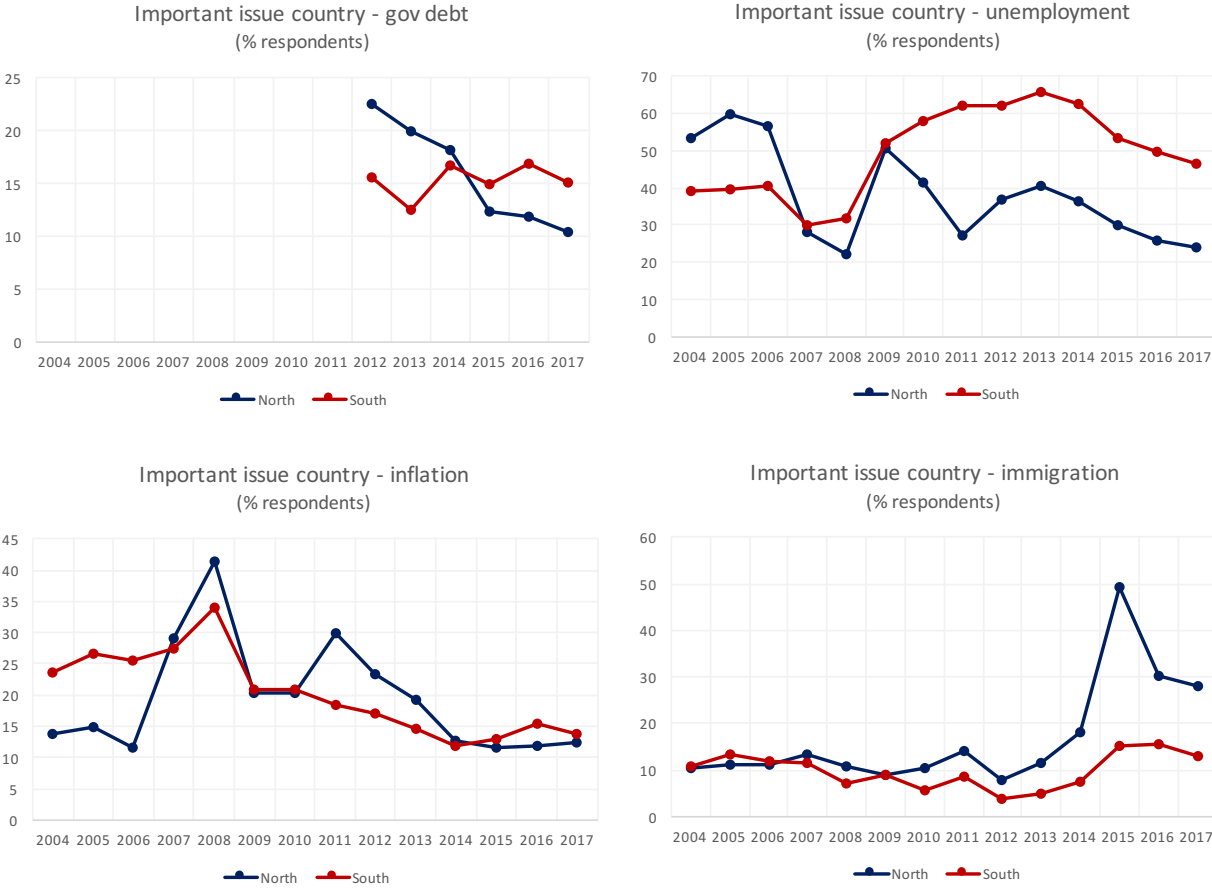
Source: Authors' calculations based on Eurobarometer data

Figure A2: Eurozone North: Trust in National Government (Yellow) and EU (Blue)



Source: Authors' calculations based on Eurobarometer data

Figure A3: Important Issues (Debt, Unemployment, Inflation, Immigration)



Source: Authors' calculations based on Eurobarometer

Figure A4

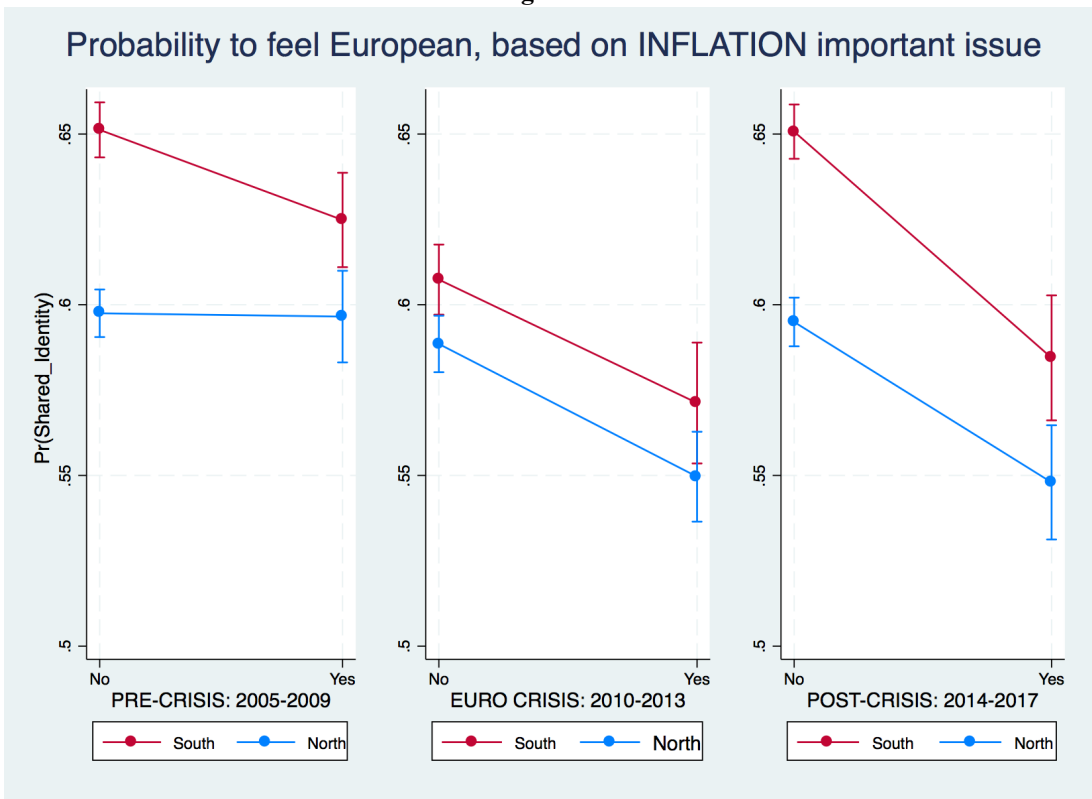


Figure A5

