

Mind the EU Identity Gap:

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

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Abstract

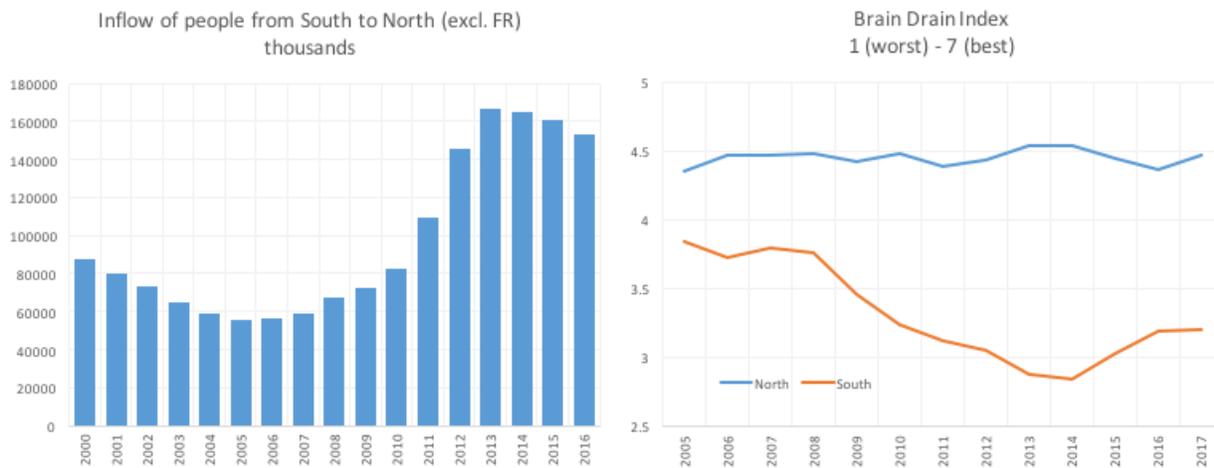
One consequence of the euro crisis has been the divergence in satisfaction with the functioning of EU and national democracy across Eurozone members. Satisfaction with democracy significantly worsened in the countries of the so-called “Southern” periphery, but remained relatively stable in the “Northern” core. This divergence mirrors the asymmetric nature of the economic adjustment in the Eurozone. To reassure financial markets, countries in the periphery were forced to implement austerity measures and structural reforms, often against the explicit wishes of their national electorates. There was no such urgency for countries in the core, where national economic policy preferences largely mirrored EU decision-making, despite the bailouts. In this paper, we ask whether this asymmetry had a knock-on effect on collective European identity formation. Though Euroscepticism has been on the rise everywhere, it comes in different national flavors. While we would expect a further widening educational divide across the whole Eurozone when it comes to having a shared European or exclusively national identity, we also see a North-South identity gap among the young that is getting larger. Using individual-level data from Eurobarometer pooled over time, we investigate the micro foundations of whether EU citizens have a ‘shared’ (national/EU) rather than an ‘exclusive’ (national) sense of belonging. We argue that the Eurozone crisis has set in motion new dynamics of Southern ‘exit’ (through a marked increase in South-North migration), Northern ‘voice’ (based on the EU doubling down on more orthodox policies), and shifting national vs. European ‘loyalties,’ with different elite and popular attitudes towards macroeconomic priorities acting as a key intervening variable.

1. Introduction: The Euro Crisis and European Identity Formation

The euro crisis has laid bare deep structural differences between a more prosperous “Northern” core – for our purposes Austria, Belgium, Finland, France, Germany, and the Netherlands – and a lagging “Southern” periphery – Greece, Ireland, Italy, Portugal and Spain (Matthijs 2014a). The brunt of the burden of economic adjustment has fallen on the periphery as they adopted EU-sanctioned austerity measures and structural reforms as the solution out of the debt crisis. These policies, while sensible in the medium to long term, have resulted in declining standards of living, quickly rising levels of youth unemployment, falling wages and pensions, and cuts in public services.

In response, large numbers of young people in the Eurozone have emigrated from South to North (and to the UK), in search of work and better 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 2012.¹ This dynamic is also visible in the massive increase in inflows of people from the Eurozone South to the Eurozone North (Figure 1, left). While inflows were decreasing between 2000 and 2007, the crisis triggered an inversion in the 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 remain at much higher levels than prior to the crisis. The counterpart of this massive Southern recourse to *exit* is a significant deterioration in the ability of Mediterranean European countries to attract new or retain existing talent, as measured by the World Economic Forum’s “brain drain index” (Figure 1, right).²

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



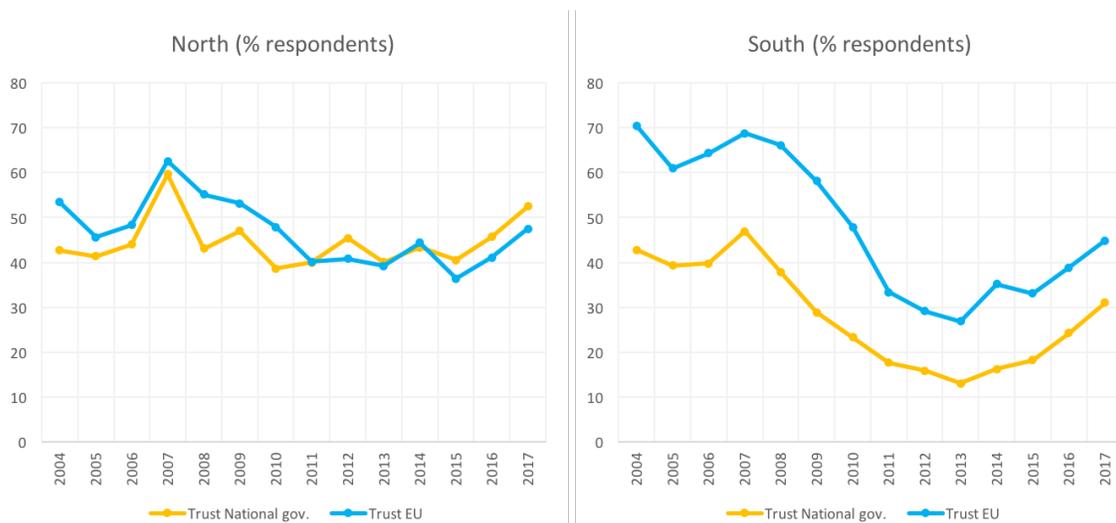
Source: Authors’ calculations based on OECD and WEF data (2018)

¹ 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. The value is expressed per 1000 persons. Data is from Eurostat, see: <https://ec.europa.eu/eurostat/web/products-datasets/-/tps00019>.

² This index is taken from the WEF’s annual global competitiveness report and it is based on the following question: “To what extent does your country retain talented people? [1 = not at all—the best and brightest leave to pursue opportunities abroad; 7 = to a great extent—the best and brightest stay and pursue opportunities in the country]. The WEF unfortunately seems to have stopped asking this question in its 2018 report.

While the ‘best and brightest’ left, those who could not afford to leave – be it due to their older age, lack of foreign language abilities, or lower skills – remained stuck in the crisis countries. They used their *voice* by punishing their governments, which they hold responsible for the economic pain inflicted, flocking to anti-establishment and Eurosceptic parties of both left and right. 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 recovered partially 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 consequences (Figure 2).

Figure 2: Eurozone North vs. South: Trust in National Government (Yellow) and EU (Blue)



Source: Authors’ calculations based on Eurobarometer data

2. Research Questions

The question we are asking in this paper is thus whether the asymmetric nature of the Eurozone crisis has had different consequences for European identity formation in North and South. We know from extensive 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 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 also been definitively shown that EU citizens are more likely to strongly identify as “European” if they are younger, male, highly educated, speak multiple European languages, and are members of the professional classes who tend to travel around the European continent for both work and leisure (Fligstein 2008, 123).

In this paper, we examine how this self-identification of EU citizens has evolved over the past decade, in light of the effects of the Eurozone debt crisis on European integration, especially

given the accelerating encroachment of EU institutions in both Brussels and Frankfurt onto what were previously seen as ‘core state powers’ (Genschel and Jachtenfuchs 2014). We look at the North-South dynamics of four main dimensions of EU identity formation: (1) how young citizens’ identification with the European Union has evolved since 2010; (2) what has happened to the already existing educational gap in determining EU citizens’ identities; (3) what has been the impact on citizens’ identity of perceived national economic conditions; and (4) how do individual and elite preferences concerning macroeconomic priorities play into EU vs. national identity formation? These questions will be explored using data from the European Commission’s *Eurobarometer* survey.

But before we turn to explain our theoretical framework building on Albert O. Hirschman’s original insights in *Exit, Voice, and Loyalty* (1970), and propose four hypotheses to be tested empirically, in the next section we 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 in this paper.

3. 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).

3.1. *European Identity as IV*

Many EU scholars have used identity as a key *independent* variable to explain various aspects of EU integration. Risse et al. (1999), for example, argued that differences in construction of collective elite identities pertaining to the nation state and Europe can explain the elite controversies towards the single currency in France, Germany and the UK. Vössing (2015) showed how elites used political explanations to transform public opinion about European integration, but the success of their efforts in persuasion depended on individual configurations of national and European identities. Carl (2017) argued that a lack of a common European identity was at the heart of the failure in euro crisis management. He believed the Eurozone needed fiscal integration, but this could not be achieved in the near term due to the fact that EU citizens continued to identify more with their own nationalities than with Europe as a whole.

Empirical research has also shown that exclusive national identities weaken support for the EU, although a national identity was not necessarily detrimental to support for European integration if shared with a European one (Hooghe and Marks 2005; Cowles, Caporaso and Risse 2001). Kuhn and Stoeckel (2014) analyzed a Eurobarometer wave that included questions referring to proposals to tackle the sovereign debt crisis and found that the most prominent predictors of EU support failed to explain preferences for economic governance, showing surprisingly little correlation between these two orientations. When evaluating European economic governance, they showed how citizens tended to first consider their country’s macroeconomic situation. People holding an exclusive national identity were less likely to support European economic

governance, especially in wealthier Northern member states. In a similar vein, Verhaegen (2018) found that citizens with a stronger European identity were more supportive of financial solidarity with member states in economic crisis, and that this explanation was stronger than ones based either on self-interest or economic ideology. However, the positive relationship between European identity and support for solidarity was mitigated by the experience of personal financial hardship.

3.2. *European Identity as DV*

Another line of EU research, in which this paper fits, has dealt with identity formation as a *dependent* variable, which is seen as influenced by national social, economic, and political processes, as well as collective understandings. 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 specifically 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 Euroland citizens' identification with the EU and Europe by providing a visible link from Brussels to the everyday lives of citizens (see also McNamara 2015). On the other hand, existing collective identities pertaining to the nation-state to a large degree explained how comfortable people felt using and dealing with the euro as their currency. Conversely, Buscha et al. (2017) argued that the euro did not have the desired positive effect on feelings of European identity.

Marcussen et al. (2011) explained the national variation in the extent to which nation state identities have become Europeanized. They argued that older domestic understandings of political order delimited the degree to which "Europe" could be incorporated in given nation state identities. New visions about political order circulating in transnational discourses could most easily be promoted domestically during 'critical junctures' when existing ideas about political order were collectively challenged and contested. A similar argument was put forward by Flockhart (2005) to explain the gap between Danish mass and elite attitudes to Europeanization. As mentioned earlier, Fligstein et al. (2012) argued that those who actively participate in 'Europe' were more likely to develop a European identity, while those whose economic and social lives are essentially local were more likely hold nationalist identities. But Fligstein and Polyakova (2015) pointed out that – particularly in countries seriously hit by the 2007-09 financial crisis – the EU integration project 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 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 that in turn have reinforced divisions along North/South and Core/Periphery lines (see also Matthijs and McNamara 2015). Finally, Luhmann (2017) investigated the relationship between European integration and European identity longitudinally in 14 countries over 21 years, and found the relationship to be exponential with current integration levels boldly predicting the imminent emergence of a common European identity.

3.3. *Role of Macroeconomic Situation and Economic Policy Priorities*

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 have considered 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 solutions. 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.

Wasserfallen and Lehner (2017) used newly collected survey and interview data to map the patterns of political contestation over fiscal integration in the EMU. Their findings showed that EMU politics were dominated by a one-dimensional conflict structure – namely, the conflict between Southern countries advocating for more fiscal transfers and the Northern countries prioritizing fiscal discipline. This pattern of political contestation was visible also in the ongoing debate about the reform of EMU governance. One camp, attributing the crisis to fiscal recklessness, would prefer the construction of the new governance framework to be driven by the principle of "risk reduction" while the opposite camp, identifying macroeconomic imbalances as the main cause of the crisis, would like the reform of the EMU governance framework to be predicated onto more "risk sharing" (see also Matthijs 2014b, 2017).

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. Bechtel et al. (2014) used observational and experimental survey data from Germany, the country guaranteeing the largest share of the EU's financial rescue fund, and found that individuals' own economic standing had limited explanatory power in accounting for their position on the bailouts, and that the bailout debate was better understood as a foreign policy issue pitting economic nationalist sentiments against greater cosmopolitan affinity.

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 better economic outcomes. Sifakis-Kapitanakis (2011) identified heterogeneity in preferences as an obstacle to greater coordination or centralization of the European policy mix. Belot and Guinaudeau (2017) argued that in the context of a joint development towards Europeanization of public policies on one hand, and an increasing visibility and politicization of European issues in EU member states on the other, the degree of fit between individuals' policy preferences and European norms could be expected to influence support for the EU.

In general, however, we found that the 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). In the next section, we propose our own theory as to why individuals in both Northern core and Southern periphery in 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.

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

In order to better understand individual preference formation and its impact on individual identity in the context of the Eurozone crisis, we are building on the central insights of Albert Hirschman in *Exit, Voice and Loyalty* (1970). In this classic work, Hirschman argued that both 'exit' and 'voice' were two traditional ways in which consumers of a product could signal their satisfaction or dissatisfaction 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 form of human grouping) who perceived that the organization was demonstrating a decrease in quality or benefit to its members. Exit implied a simple binary choice between withdrawing from the relationship or staying put (maintaining the status quo). Voice was a rather 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

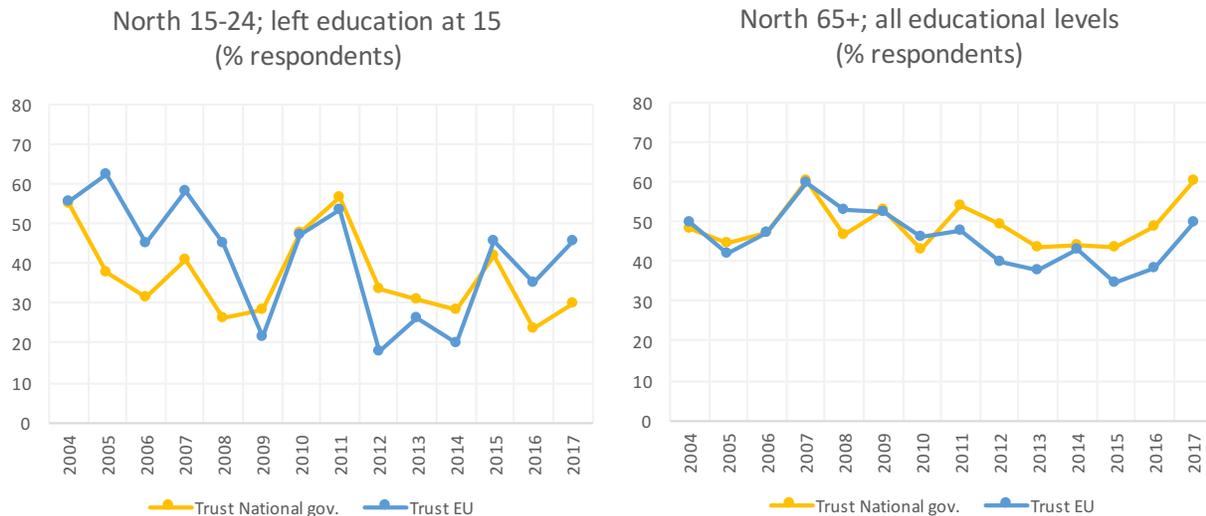
political protest. According to Hirschman, the way loyalty mitigated the choice between exit and voice was to affect the cost-benefit analysis of both options. Strong patriotism, for example, will work against emigration (or exit), and in favor of using voice, even in cases where the latter is relatively ineffective.

In the context of the European Union, Hirschman's framework can be applied, but the dynamics play out relatively differently. Thanks to the establishment of the Single Market, European citizens enjoy freedom of movement between member states and the right to work 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 of exiting 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 macroeconomic priorities (on the input legitimacy side) and are delivering the goods when it comes to prosperous economic conditions and dynamic labor markets (on the output legitimacy side) (see Schmidt 2013).

The way loyalty fits into 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. 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 don't have voice), while the ones who have 'voice' but no realistic 'exit' options to identify as less European.

Prima facie evidence of this is visible in the trust data discussed in the introduction. 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) have been trusting their national government more than the EU ever since the beginning of the crisis in 2011 (figure 3, right). 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 (figure 3, left). This is hardly surprising, and fits perfectly within 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 seen as a threat rather than an opportunity.

Figure 3: Eurozone North: Trust in National Government (Yellow) and EU (Blue)



Source: Authors' calculations based on Eurobarometer data

This basic framework dovetails 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 her own words, “when conditions are bad, they are perceived to be a consequence of low quality leadership at home, and this is likely to increase support for the EU” (de Vries 2018: 5). De Vries’ approach can explain not only why Euroscepticism is on the rise among those who are left behind across the Eurozone, but also among those who are relatively well off. For our purposes, the main question is exactly how Euroscepticism translates into individual identity.

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 the identity (or ‘loyalty’) puzzle. In the next section, 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 significantly distinctive macroeconomic priorities. 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 of the data.

There are four basic hypotheses we would like to propose and test in this paper. Our first hypothesis (*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 resulting sky high youth unemployment, the ‘exit’ option is the most important way out, 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 young. In the North, with plenty of voice (given accommodating economic policies and policy priorities) and record low youth unemployment, there is no need or desire to exit the national context, while the EU is perceived as more prone to crisis than the domestic economy (with the Southern periphery the recipient of bailouts thanks to Northern largesse). 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 come into play.

Our second hypothesis (*Hypothesis 2*) addresses the skills cleavage when it comes to EU vs. national loyalties and identities. 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 in general 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 their national and pro-EU elites, only alienating them further from the European project. So, among the less skilled, we expect their loyalties to become more strongly national rather than shared, and shifting towards national elites with a much more anti-EU agenda. The highly educated enjoy either exit options or voice, or both, and hence will continue to strongly identify with the EU, and move further away from an exclusively national identity.

Our third and fourth hypotheses (*Hypothesis 3* and *Hypothesis 4*) then will test how individual assessments of the national economy and of their macroeconomic priorities affect personal identity formation. Hypothesis 3 tests whether a more positive or a more negative assessment of the national economy results in stronger identification with either the EU or the national context, while hypothesis 4 tests whether individual macroeconomic priorities will result in a stronger or weaker European identity. We explain our methodology in greater detail in the next section (five) and will present our results in section six, before concluding.

5. Methodology

To get a better sense of which 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,

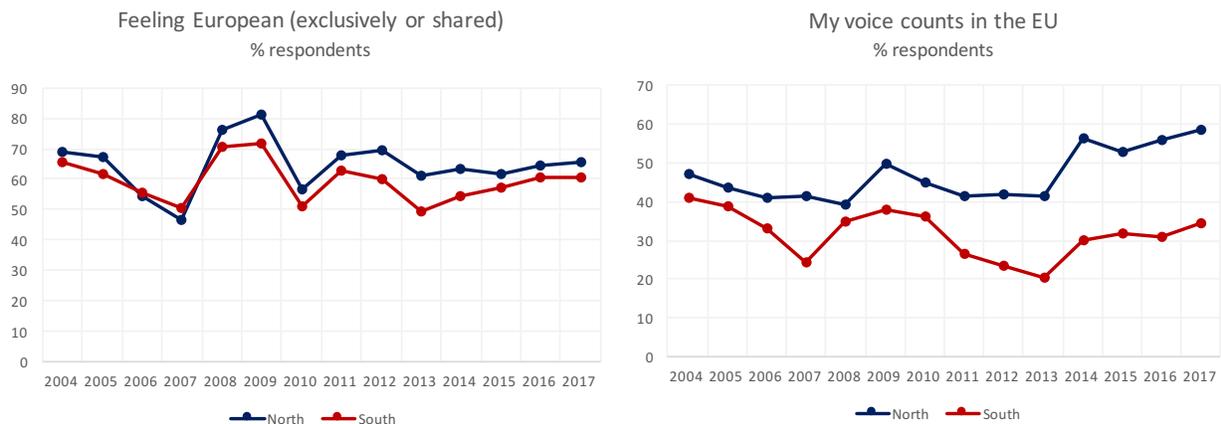
covering annually the period from 2005 to 2017.³ We focus on 11 early Eurozone members⁴ and use respondent-level data in a binary outcome logit model. The next sections present our dependent and independent variables and discuss our findings.

5.1 *Dependent Variable: Identity*

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. The indicator is constructed combining four different questions in the Eurobarometer – because the specific identity question was not asked consistently over time, so limiting ourselves to that question would have constrained the time-span of our analysis considerably. However, we believe that the questions chosen are consistent, very similar in wording and in meaning (Table A1 in the Appendix reports the exact wording as well as our coding).

Looking at the evolution of our dependent variable over time, the immediate result is somewhat surprising, as it suggests that identification as “European” (partly, or exclusively) has remained remarkably constant over time at around 60 percent of respondents, and that in aggregate terms the gap between North and South has been very narrow.

Figure 5: European Identity (a) vs. EU Input Legitimacy (b)



Source: Authors’ calculations based on Eurobarometer data

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 (Matthijs 2017). Figure 5b (right panel) 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

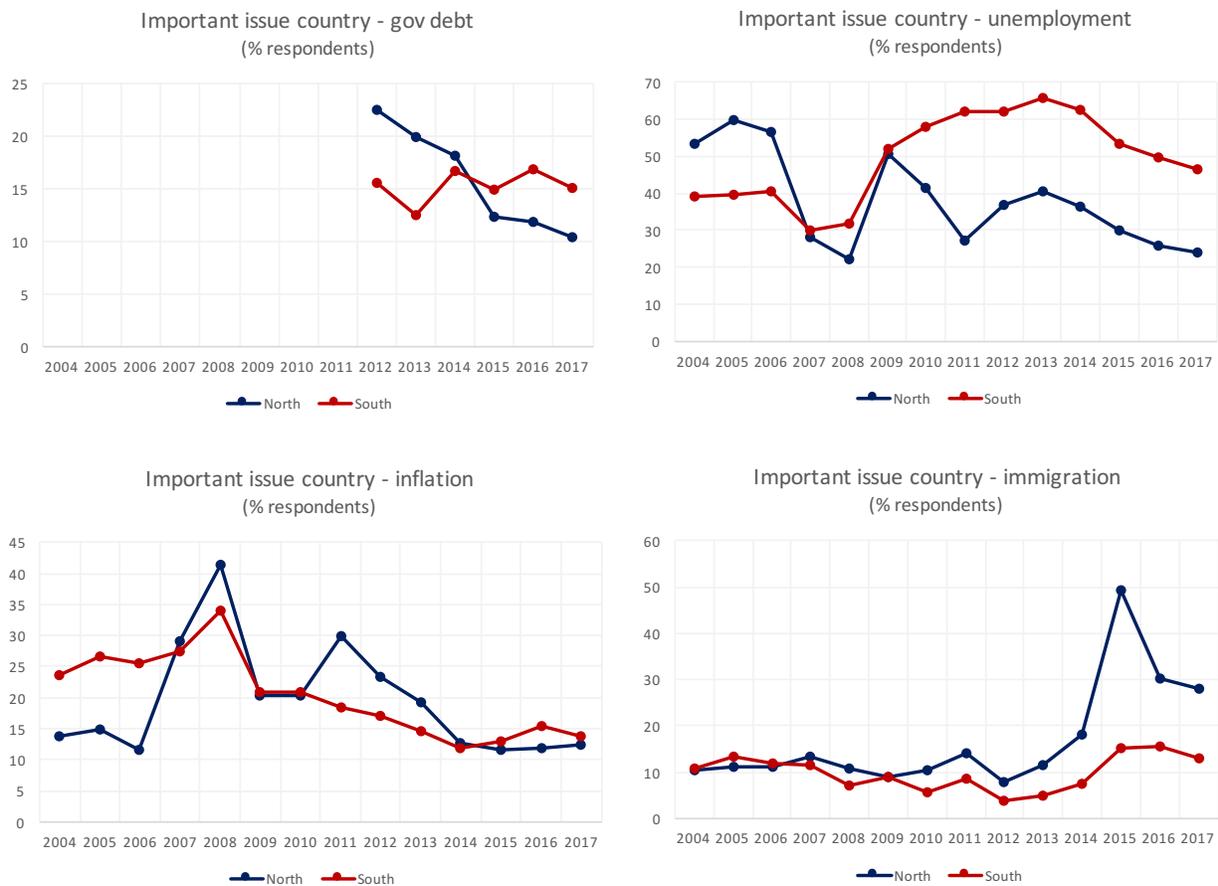
³ While the full dataset is used for the descriptive statistics presented throughout the paper, some years are dropped in the econometric analysis due to the fact that some independent variables are not available. See section 5 for more details.

⁴ 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.

believe ‘their voice counts in the EU’ against a much more robust corresponding figure for the North of close to 60 percent.

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 6 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.

Figure 6: Important Issues (Debt, Unemployment, Inflation, Immigration)



Source: Authors’ calculations based on Eurobarometer

The lower-left corner of Figure 6 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 (upper-right corner, Figure 6). 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. Finally, the lower-right corner shows a remarkable similarity of views on immigration in the pre-crisis period. Concern over immigration started to increase well before the refugee crisis in the North – likely as a result of the already discussed inflows of ‘economic migrants’ from the South of the Eurozone.

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.

5.2 *Independent Variables*

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
- 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 (2005-2009)⁵; a Euro-crisis period (2010-2013); and a post-crisis period

⁵ As explained above, 2008 is dropped due to lack of data for one of the independent variables.

(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 in the previous section.

6. Results

The first interesting result from our analysis of individual-level attitudes concerns **age** of the respondents. Figure 7 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)⁶. Before the crisis, the youngest and the oldest cohorts in both North and South were very similar in terms of their probability to feel European, with a larger gap separating middle-aged Northerners and Southerners. During the crisis, a gap instead started to open up between the youngest cohorts in North and South, whereas all other age groups appeared to be drawn closer together – to the point that their probability to identify as Europeans was no longer statistically significantly different between North and South. This supports the view of the euro crisis as a ‘shared catastrophe’⁷ – with the caveat that the youngest generation appear to be very different.

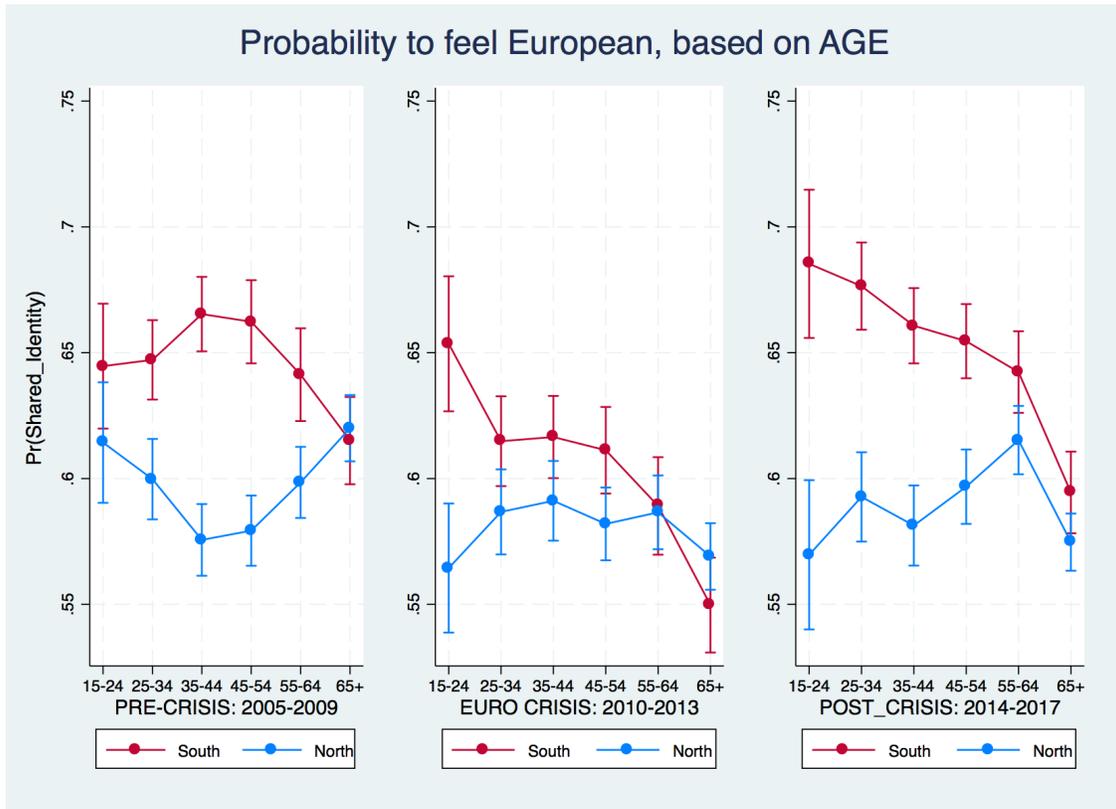
The difference has become even more evident since 2014. Controlling for all the other factors included in our model, respondents who are 55 years old or older have the same predicted probability (between 60 and 65%) to express a shared identity in the post-crisis period, regardless of geography. But the gap is now increasing inversely to age. North and South have been pushed again further apart. Younger respondents in the South are 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. Perhaps surprisingly, we can read this as a signal that – all other things equal – the South is becoming more open towards Europe, while the North is becoming progressively more Eurosceptic. Given the demographic characteristics of this gap, it is likely to remain an important character of EU political dynamics going forward and should worry EU elites.

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 plenty of voice and no need to exit the national context, the EU has become a symbol of ongoing troubles. This is consistent with the shifting loyalties – between the EU and national government – that we showed in figure 3.

⁶ 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.

⁷ See Merler and Nicoli 2018 for a discussion of the literature on this.

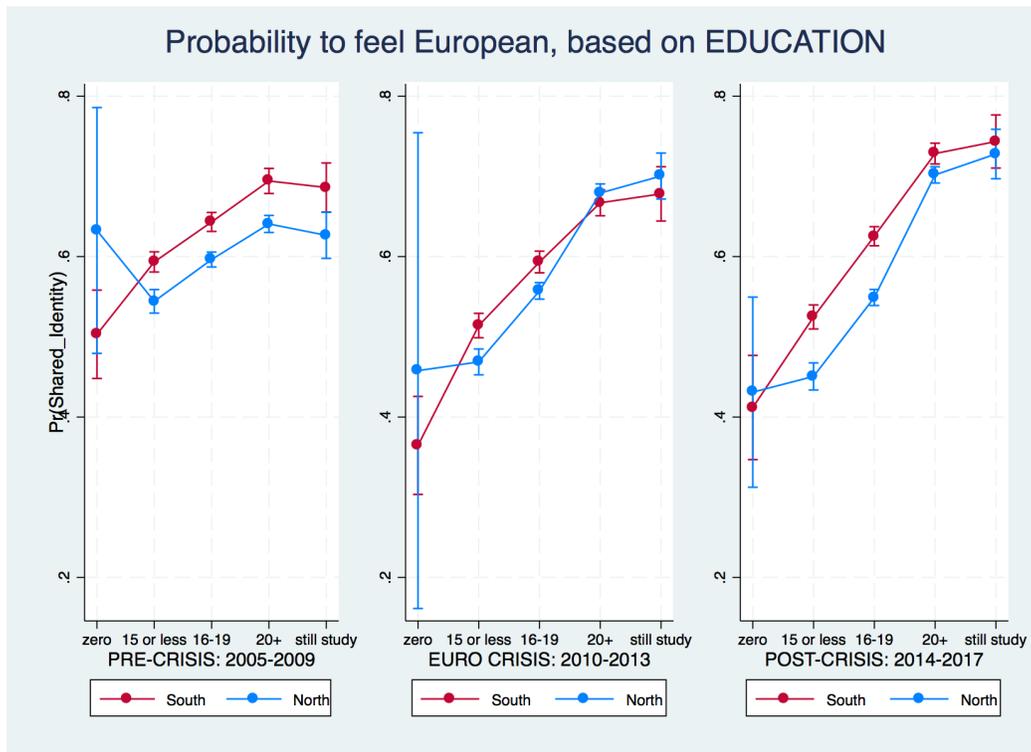
Figure 7



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 8 shows the predicted probability that respondents express a shared identity, at different level 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 8 (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 has decreased across all lower educational level since the crisis, and especially so for people with no full-time education, who are now about 10 percentage points less likely to feel European. Also, highly educated people in both North and South were more likely to identify as European since the crisis. These results generally confirm what we expected under our H2.

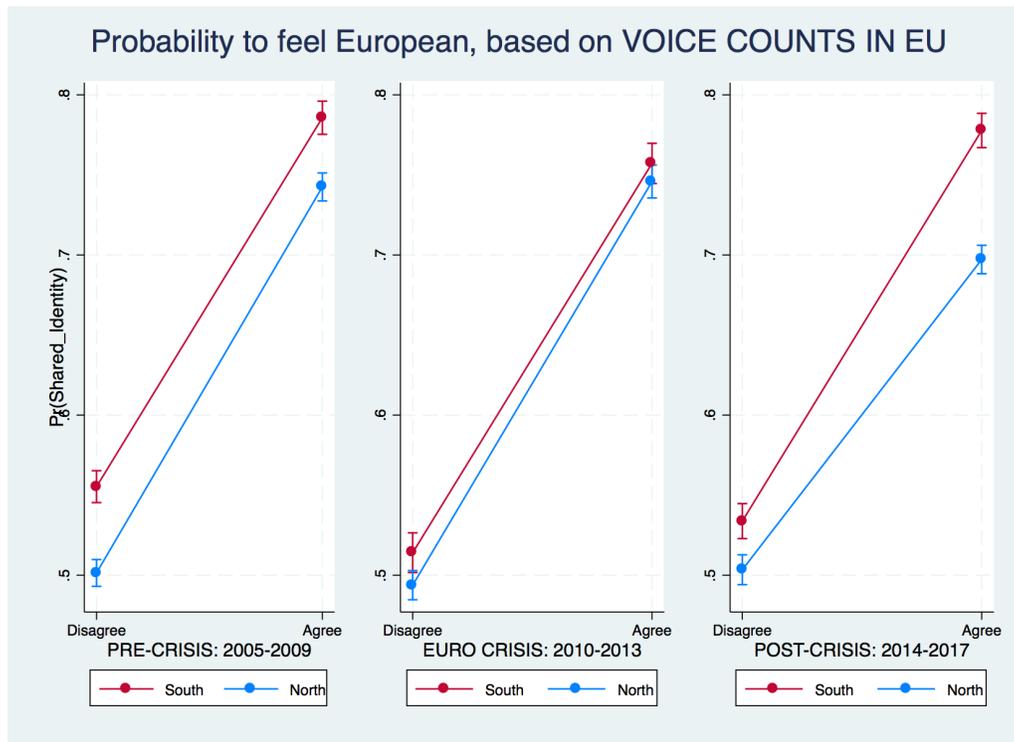
Figure 8



As far as **input legitimacy** is concerned, Figure 9 shows the predicted probability for respondents who think their voice counts in the EU as opposed to those who think otherwise. Unsurprisingly, a better perceived input legitimacy is associated with an increase in the likelihood to express shared identities, the effect is very similar across the two groups, and it has remained remarkably stable over time in the South, despite the Eurozone crisis. This suggests that although the aggregate perception of input legitimacy has significantly worsened in the South during the crisis (as shown in Figure 1), those people who still feel that their voice counts remain more likely to express a shared European identity.

The right-hand panel in Figure 9 however shows that the effect of input legitimacy on the probability to express a European identity of Northern Europeans has instead decreased during the crisis – although only marginally in terms of size.

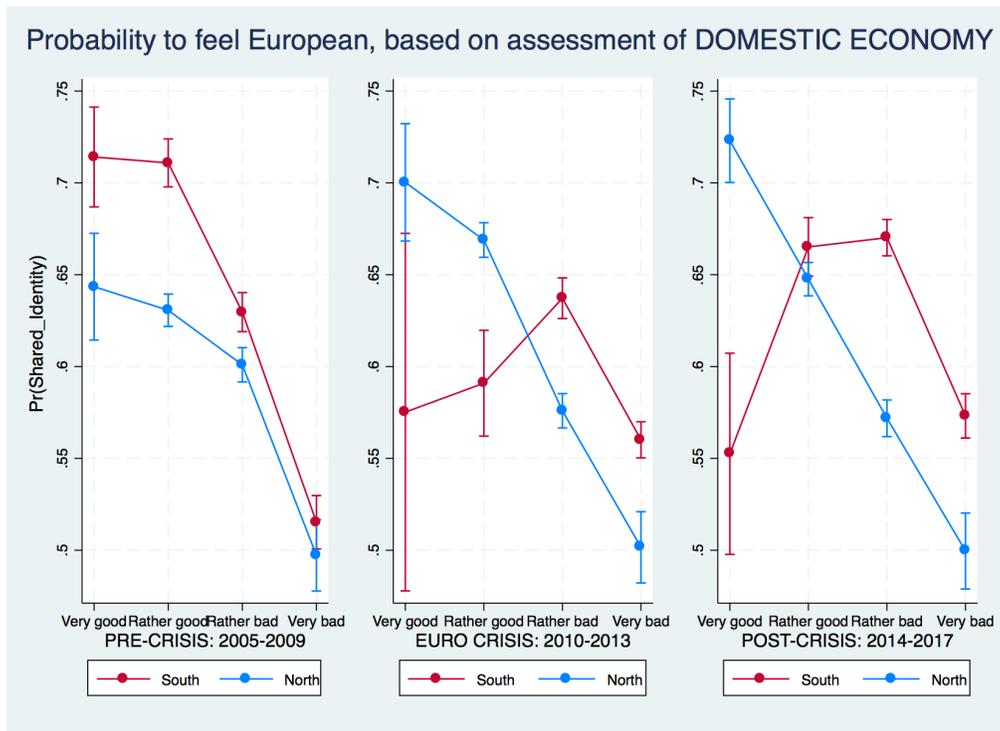
Figure 9



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. The relationship between respondents' assessment of the state of the domestic economy and their likelihood to feel European has changed, after the crisis. Figure 10 (left) shows that before the crisis, the relationship was relatively downward sloping for both North and South. Southerners used to be relatively more likely than Northerners to express a shared identity when seeing the state of the domestic economy as 'very good' or 'rather good.' On the other hand, the predicted probability for respondents who saw the state of the economy as 'rather bad' or 'very bad' was low and also extremely close across North and South.

After the crisis, the relationship has become even more clearly downward-sloping in the North, suggesting that identification as Europeans there is a decreasing function of the perceived state of the economy. Northerners, in other words, 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 the South, the relationship has become hump-shaped: people who see the economy as 'rather good' or 'rather bad' have now 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 10

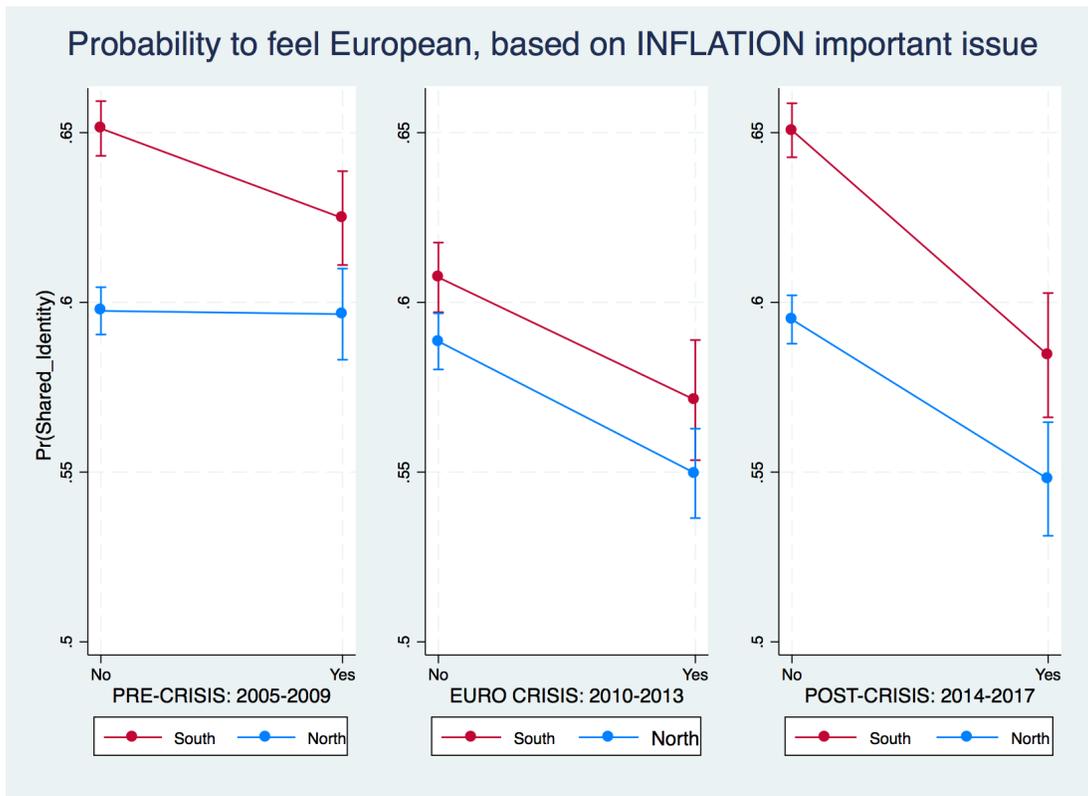


Lastly, we look at the different **macroeconomic priorities**. Figure 6 above showed that before the crisis, inflation was a much more concerning factor in the South than in the North. Figure 11 shows the predicted probability to express a shared identity for respondents in North and South, depending on whether they stated any concern with inflation.

For the North, the probability to feel European used to be the same – before the crisis – for people who were and were not concerned with inflation. In the South, however, those who expressed concern with inflation also had a slightly lower likelihood to feel European (the magnitude of the effects for these dummies tends to be rather small).

After the crisis, the effect has become downward sloping in both groups. The fact that people who are concerned with inflation also appear to be less likely to feel European may suggest that they see Europe as irresponsible – or inadequately responsive – to this concern (or irresponsible!) The fact that the lines become somewhat more steeply sloped after 2013, may suggest that the ECB’s QE did play a role.

Figure 11

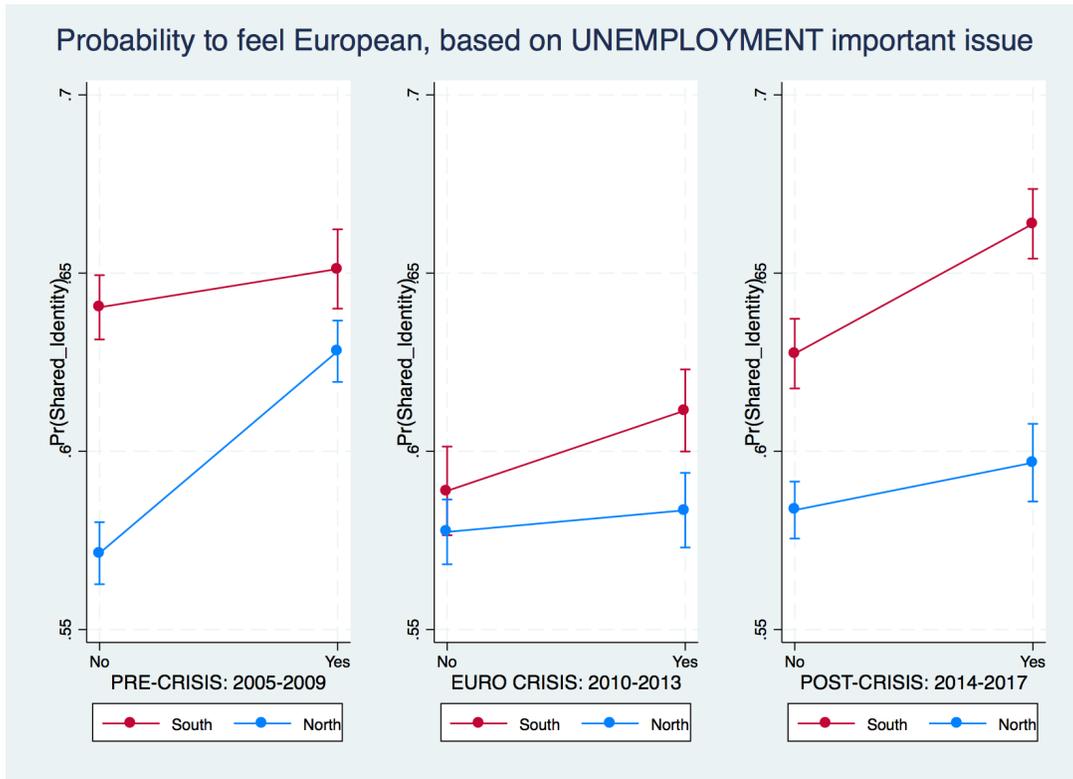


Similarly, we showed in Figure 6 above that before the crisis, unemployment was more of a concern of Europeans living in the Eurozone North than of those living in the South – consistently with the economic boom and consequent unemployment reduction undergone by the South in the first 10 years since currency unification.

Figure 12 below shows the effect of different views regarding unemployment, at the individual level. Before the crisis, unemployment was not a very relevant factor in explaining identification as Europeans in the South, but Northerners who saw unemployment as one of the most important issues facing their country also tended to see themselves as more European. This suggests that – back then – the North possibly tended to see Europe as a solution to an issue that they felt was important at the country level: Europe meant exit to them too.

Since the crisis, the correlation between concern with unemployment and shared identification remains positive, but it is negligible for the North. For the South instead, people who are concerned with unemployment are now significantly more likely to express a shared identity: Europe for them has come to be associated with the exit option they need to improve their own personal situation (or that of their children and grandchildren). These results are very much in line with the exit, voice and shifting loyalty patterns that we have highlighted in this paper.

Figure 12



7. 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 ranking of macroeconomic priorities. In order to make sense of this puzzle, we have adapted 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 four hypotheses concerning the relationship between individual factors and identity within our framework, and found the following things. First of all, we identified a striking 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). 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 assessments of citizens' 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 that 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 widening gap between the low and high skilled, as only if the economic situation of the low skilled improves significantly will the currently 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 widen 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 	2013– 2017	<p><i>1 if A = (1), (2) or (3) (shared identification)</i></p> <p><i>0 if A = (4) (exclusive identification)</i></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 	2011 – 2012	<p><i>1 if A = (1) or (2) (shared identification)</i></p> <p><i>0 if A = (3) or (4) (exclusive identification)</i></p>
<p><i>Q: I would like you to think about the idea of geographical identity. Different people think of this in different ways. People might think of themselves as being European, (NATIONALITY) or from a specific region to different extents. Some people say that with globalisation, people are becoming closer to each other as ‘citizens of the world’.</i></p> <p><i>Thinking about this, to what extent do you personally feel you are:</i></p> <ol style="list-style-type: none"> 1. To a great extent 2. Somewhat 3. Not really 4. Not at all 	2008 – 2009	<p><i>1 if A = (1) or (2) (shared identification)</i></p> <p><i>0 if A = (3) or (4) (exclusive identification)</i></p>
<p><i>Q: People may feel different degrees of attachment to their town or village, to their region, to their country or to Europe. Please tell me how attached you feel to:</i></p> <ol style="list-style-type: none"> 1. Very attached 2. Somewhat attached 3. Not very attached 4. Not at all attached 	2004 – 2007	<p><i>1 if A = (1) or (2) (shared identification)</i></p> <p><i>0 if A = (3) or (4) (exclusive identification)</i></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
45 - 54 years	0.092 (0.082)	20 years +	0.944*** (0.141)	Very bad	-0.994*** (0.086)	north=1 # inflation	0.130*
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***
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
		North	0.462 (0.435)	north=1 # 45 - 54 years	-0.262* (0.107)	north=1 # Rather bad	0.234*
Male	0.120*** (0.022)			north=1 # 55 - 64 years	-0.060 (0.110)	north=1 # Very bad	0.293*
Married	0.144*** (0.024)	My Voice Counts EU	1.173*** (0.039)	north=1 # 65 years+	0.178 (0.108)	year=2006	-0.460***
Community type (rural=ref)		Important issues country:		north=1 # Up to 15 years	-0.854* (0.411)	year=2007	-0.670***
Small/middle town	0.146*** (0.026)	Inflation	-0.135*** (0.040)	north=1 # 16-19 years	-0.854* (0.411)	year=2009	0.741***
Large town	0.156*** (0.029)	Unemployment	0.056 (0.037)				(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)

