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BACKGROUND  
PAPER



# Algebris Policy & Research Forum





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The Forum aims to achieve its mission by sharing expert knowledge and research with the general public.

The Forum will publish expert reports and recommendations on financial topics that address the stability of the global economy and politics including European integration, political issues (e.g. immigration, trade policy), macro-economic trends (e.g. wage stagnation, income inequality).

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## BACKGROUND PAPER

# EUROPEANS VOTE. An existential moment for EU integration?

## Introduction

The European Parliament (EP) elections in May 2019 will be a major political event and, according to many observers, an existential moment for European integration. While fears of a Eurosceptic upheaval appear to be overblown, it is hard to overstate the importance of this moment in historical perspective. Over the past few years the global pattern of political contestation has changed, with the emergence of populist forces challenging the liberal internationalist understanding on which global multilateralism rests. Europe has been no exception. We have had a foretaste of this shifting political dynamics with the Brexit referendum in 2016, the good performance of Front National in the 1<sup>st</sup> round of the 2017 French presidential elections, and the strength of Alternative für Deutschland (AfD) in Germany. Further validating this trend, the 2018 Italian elections have produced a government coalition of two populist and Eurosceptic parties. Because of how the pattern of domestic political contestation has changed, the 2019 EP elections will be – possibly for the first time – truly about Europe. Not only because the electoral campaign will pit Eurosceptics against Europhiles in most countries, but most importantly because it warrants a search of heart among those who wish to preserve and strengthen European integration for the future. As of November 2018, 68% of all Europeans surveyed in the European Parliament’s Parlemeter<sup>1</sup> declared themselves convinced that their country had benefitted from EU membership. Conversely, when asked whether they thought their country would do better outside the EU, only 30% of Europeans surveyed by the European Commission were in agreement<sup>2</sup>. While possibly higher than many would deem desirable, this share has remained stable over time – including during the Eurozone crisis – and it is accompanied by a

<sup>1</sup> See the EP November 2018 Parlemeter survey at this link: <http://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2018/parlemeter-2018/results-annex/en-parlemeter-2018-results-annex.pdf>

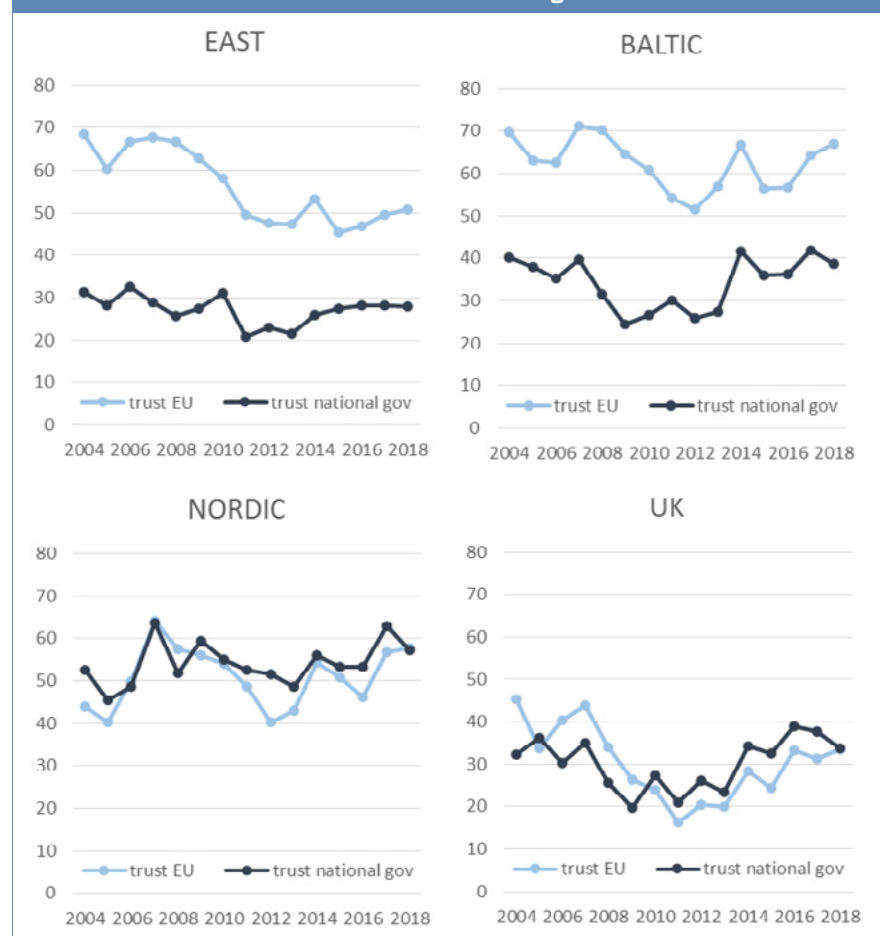
<sup>2</sup> See the EC November 2018 Eurobarometer survey at this link: <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2215>

generalised rebound of trust in the EU (see Section 2). Against this positive background, however, the 2019 EP elections are expected to deliver an unprecedented success of Eurosceptic parties, especially on the far-right of the political spectrum. How can we reconcile the success of Euroscepticism, in light of people's apparent awareness of the benefits of membership? Do Europeans mis-trust the EU? Do they feel the EU is undemocratic? Do they see the EU as an 'opportunity', or do they see it as a 'threat'? These questions relate to the issue of perceived EU legitimacy, from both an input and an output perspective, and thus lie at the hearth of the Eurosceptic discourse. For those who want to see European integration thrive, it will be necessary to also face these questions and provide a convincing answer. Here, we try to provide one, by taking a purely bottom-up perspective.

# A Crisis of Trust?

Have Europeans lost their trust in the EU, as the success of Eurosceptic narratives may suggest? The Eurozone crisis has indeed been a major shock to trust in the EU. As of March 2018, only 51% of all respondents in the European Commission's Eurobarometer survey expressed trust in the Union<sup>3</sup>. While still far from the pre-crisis high of 66% in 2007, however, trust in the EU has been on an increasing path since 2014. For the EU as a whole, it is still higher than trust in national governments. The Baltics and the Eastern New Member States in particular see the EU as much more trustworthy than their domestic governments. But while trust in the EU reaches 70% on average in the Baltics, the East seems to have missed the post-crisis rebound that we observe almost everywhere else. Nordic countries such as Denmark and Sweden trust their government and the EU to a similar (very high) extent, consistently over time. The UK, on the other hand, seems to dis-trust both its government and the EU equally (Figure 1).

FIGURE 1 · Percentage of respondents who trust the EU and national governments



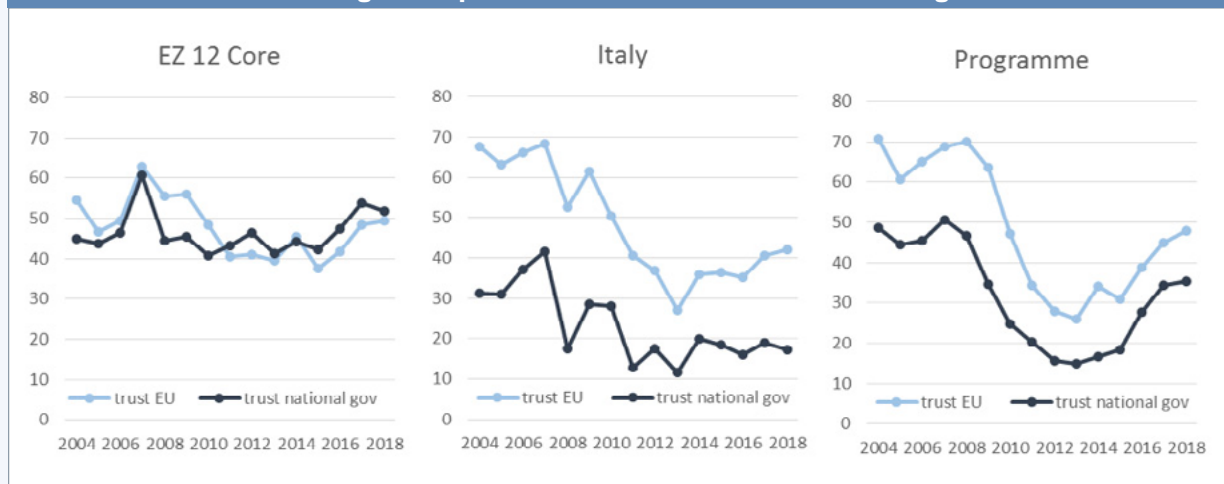
► Source: Authors' calculations based on Eurobarometer data; we only count respondents who express an opinion

NOTE: Programme: Greece, Ireland, Portugal, Spain, Cyprus, EZ-12 Core: Austria, Belgium, Finland, France, Germany, Luxembourg, Netherlands. Nordics: Denmark, Sweden. Baltics: Estonia, Lithuania, Latvia. East: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovenia, Slovakia.

<sup>3</sup> We pull together 15 waves of individual-level Eurobarometer surveys, which are available for download from the GESIS archive: <https://www.gesis.org/en/services/research/daten-recherchieren/zacat-online-study-catalogue/>

Things are no less diverse within the Eurozone. The so-called ‘South’ – comprising of Italy and the countries that have undergone EU/IMF adjustment programmes during the crisis – used to display very high levels of trust in the EU (above 60%) before 2009. This plunged to below 30%, in the space of just 3 years – testifying to the devastating effect that the Eurozone crisis has had on public opinion in some quarters of the Union. But although below the historical peak, trust in the EU has rebounded very strongly in the Programme countries ever since growth came back in 2014, and trust in national governments has benefitted too – which may suggest that the economic adjustment, although very hard, has eventually paid off not only in economic but also in political terms. In Italy, the rebound has been slower, and trust in the EU appears to be disconnected from trust in the national government – which has remained below 20% ever since 2010. In the Eurozone ‘Core’, the crisis has had the opposite effect, boosting trust in national governments slightly above trust in the EU. This dynamics, which we observe starting in 2010, is consistent with the fact that the Eurozone crisis has validated – rather than challenge – the Core’s economic model.

FIGURE 2 • Percentage of respondents who trust the EU and national governments



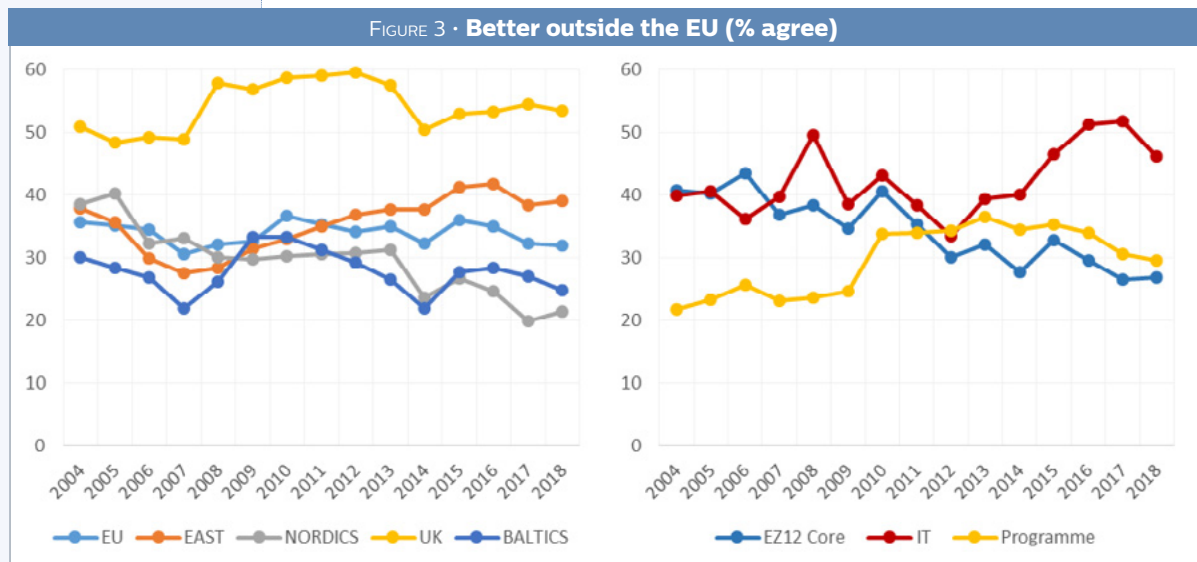
▲ SOURCE: Authors' calculations based on Eurobarometer data; we only count respondents who express an opinion

NOTE: Programme: Greece, Ireland, Portugal, Spain, Cyprus. EZ-12 Core: Austria, Belgium, Finland, France, Germany, Luxemburg, Netherlands, Nordics: Denmark, Sweden, Baltics: Estonia, Lithuania, Latvia. East: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovenia, Slovakia.

The fact that Northern Eurozone countries trust their domestic government more than the EU rhymes with their advocacy for more ‘risk reduction’ as a basis for Eurozone macroeconomic governance reform, whereas the fact that Southern countries trust the EU more than their domestic governments resonates with their advocacy of more ‘risk sharing’. But aside from this difference of views, North and South are aligned in their very strong support for the single currency<sup>4</sup>. Fears of unravelling also appear overstated, in light of people’s views of the benefits of EU membership. When asked whether their country ‘could better face the future outside the EU’, only 30% of Europeans agree. While this percent-

<sup>4</sup> As of March 2018

age is not low, it has been very stable since 2004 – including during the crisis. There are important exceptions, however. Eastern Europe has been growing slowly but progressively more sceptic about the benefit of EU membership since 2007, possibly as the idea that the EU could provide stable economic protection and prosperity has been challenged by the global financial crisis first and by the Eurozone crisis later. The UK has unsurprisingly always had a structurally higher share of people unconvinced by the benefits of EU membership. What really stands out from the crowd is Italy – where doubts about the benefit of EU membership have been growing sizeably over the past 5 year, taking Italy much closer to the UK extreme position than to the rest of the Eurozone, including those countries that have gone through the economically challenging and socially painful process of macroeconomic adjustment.



▲ Source: Authors' calculations based on Eurobarometer individual-level data

the question is only asked in these terms starting in 2012. For the previous years, we use the percentage of respondents who think that their country has not benefitted from EU membership

# A crisis of democracy?

Eurosceptic parties share a promise to ‘bring back’ national control on matters over which – it is argued – the EU lacks legitimacy to act. The idea of an undemocratic EU imposing unwanted austerity policies has been a *leitmotiv* in the Eurosceptic narrative of the Eurozone crisis. The Eurozone crisis has challenged one of the fundamental premises on which EU integrations rests, i.e. the ability of the EU to create economic prosperity for all its ‘citizens’. It has also raised the question of whether sizeable macroeconomic adjustment – often perceived (or portrayed) as an imposition from Brussels – could be reconciled with meaningful democratic representation, especially when enacted by unelected technocratic executives (Blyth 2015; Matthijs 2017). The asymmetric nature of the macroeconomic adjustment – which was effectively achieved through the unilateral convergence of the South towards the Northern growth model – has led to the emergence of a North–South cleavage within the Eurozone. On one side of it, Eurosceptics in the South blame Europe for its lack of solidarity; on the other, Eurosceptics in the North blame Europe for the opposite. The good performance of Eurosceptic parties in countries as diverse as Italy, France and Germany testifies to the relevance of this North–South cleavage, which is also mirrored in the ongoing scholarly debate about Eurozone macroeconomic governance reform<sup>5</sup>. Similar arguments feature prominently in the right-wing parties’ discourse on migration and the blame-game surrounding the refugee crisis, which has revealed the existence of another cleavage within the EU, this time separating East and West. The democratic backsliding in post-communist Eastern Europe is “Europe’s *other* democratic deficit” (Kenemen 2017; Bugarič 2015; Sedelmeier 2014), and it challenges the meaning of EU values as well as the enforceability of the EU’s rule of law, more than the premises of EU economic integration. It would be wrong to see this as an exclusively European challenge. Over the past decade, growing institutional dysfunctions and popular discontent have characterised the politics of the Western democratic world in general (Jones and Matthijs 2017). The Global Financial Crisis has challenged previously held understandings of the relationship between capitalism and democracy (Berman 2009) and planted the seeds of the ‘new hard times’ for politics within the frame of democratic representative institutions (Kahler and Lake 2013). Yet, the subject of EU democratic legitimacy has gained a completely new saliency in EU and domestic political life, in the wake of these two major events that have strained the limits of EU solidarity.

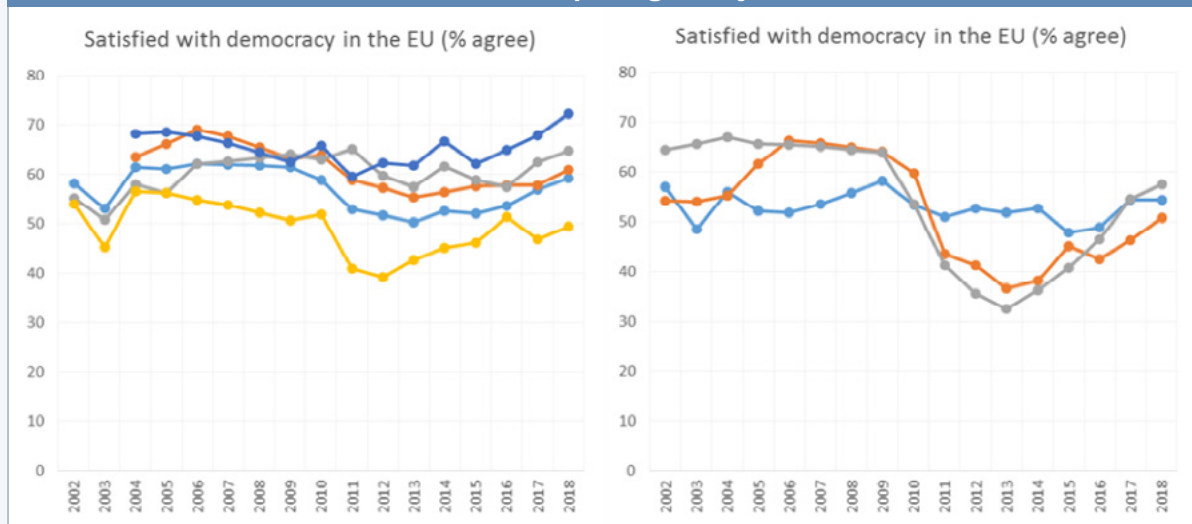
We can frame legitimacy as a combination of ‘*input participation* from the people’ and ‘*output effectiveness* for the people’ (Schmidt 2013).

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<sup>5</sup> See the VoxEU debate on Eurozone reform: <https://voxeu.org/debates/euro-area-reform>.

The input aspect directly speaks of people's perception as to whether the democratic process of representation works, and whether their 'voice' is heard. Against what the Eurosceptic rhetoric would suggest, the share of people who declare to be satisfied with the way democracy works in the EU is still fairly high: about 60% across all countries, higher in the Baltic and Nordic countries (Figure 4, left). Remarkably, satisfaction has remained very stable over time, and has been heading upwards since 2015, despite the outbreak of the refugee crisis. Even in the UK – where satisfaction with democracy in the EU had been on a declining path ever since the early days of 2004 – it rebounded in 2013 and reached back to 50% in 2016, the year of the Brexit referendum.

FIGURE 4 · Input Legitimacy



▲ Source: Authors' calculations based on Eurobarometer individual-level data

The same indicator however tells a very different story for the Eurozone. Variation across the 12 original members of the single currency has been much bigger. Those countries that underwent the EU/IMF macroeconomic adjustment programmes used to display very high levels of satisfaction with EU democracy. Even Italy, more sceptic in the early 2000s, had caught up with its Southern neighbours by 2010. This high confidence in the functioning of the EU democratic process was shattered during the sovereign debt crisis. None of the non-Eurozone countries underwent a similar loss of faith in the EU democratic process, during the same period. Not even the Baltics, which faced a shock that was very similar (i.e. a sudden stop in capital flows) and underwent an even sharper macroeconomic adjustment (see [Alcidi and Gros 2013](#)). This different outcome between the Eurozone South and the Baltics suggests that the modality – rather than the magnitude – of the adjustment is the culprit for the South's loss of faith in the EU democratic process. The existence of collective failures of both national and EU institutions in the run-up of the programmes has been amply documented (see, e.g. [Sapir et al 2014](#)) and many have seen the technocratic governments appointed during the crisis as a symp-

tom that national representative democracy had been weakened for the sake of preserving the single currency ([Sánchez-Cuenca 2017](#)). Scholars have talked about ‘democracy without choice’ ([Alonso 2014](#)), ‘democratic void’ ([Mair 2013](#)), or even ‘authoritarian liberalism’ ([Streeck 2015](#)), in the attempt to define what the countries in the Eurozone South went through. Yet, as the programmes started to be phased out and economic conditions started to improve in 2014, satisfaction with EU democracy rebounded very strongly – testifying to a resilience of Europeans’ confidence in the EU democratic process. At the same time, satisfaction with democracy in the so-called ‘Core’ of the EZ-12 barely moved during the crisis. Northerners started off more sceptic in the early 2000s, and their view did not change much ever since.

Perception however differs across socio/demographic groups. Using the Eurobarometer individual-level data we can estimate the *probability* for respondents to express satisfaction with EU democracy, once we factor in their age, education, gender, marital status, urban/rural residence, and occupation<sup>6</sup>. This shows the existence of a marked intergenerational gap, with younger cohorts being generally more likely to express satisfaction than older ones. All else equal, respondents between 15 and 24 years old have the highest probability to be satisfied with the functioning of EU democracy (from 65% in the UK to 80% in the Baltics). This decreases with age, and respondents aged 65 or older are the least likely to be satisfied (Figure 5). The negative relationship between age and satisfaction with the functioning of EU democracy has become steeper during and after the crisis, especially in the East and UK. In the Eurozone, an intergenerational gap was already visible in the ‘Core’ countries before the crisis (left, Figure 6). The Eurozone crisis (centre, Figure 6) has compressed these differences. Today (right, Figure 6l), the youngest cohorts are indistinguishable across North and South, as far as their satisfaction with EU democracy is concerned. The negative relationship between age and satisfaction remains, and is slightly steeper in Italy than in the rest of the Eurozone.

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<sup>6</sup> The probabilities are estimated using a logit model where the dependent variable is a binary indicator that equals 1 for respondents who state to be satisfied with the functioning of democracy in the EU and 0 otherwise. As independent variables we include the respondents’ age, gender, marital status, type of community, education and employment status, as well as year fixed effects. To obtain the results in Figures 5 and 6, we also include a geographic categorical variable and the interaction of the latter with age.

FIGURE 5 · Probability to be satisfied with EU democracy, by age (0-1)



► Source: Authors' calculations based on Eurobarometer individual-level dataBulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovenia, Slovakia.

FIGURE 6 · Probability to be satisfied with EU democracy, by age (0-1)

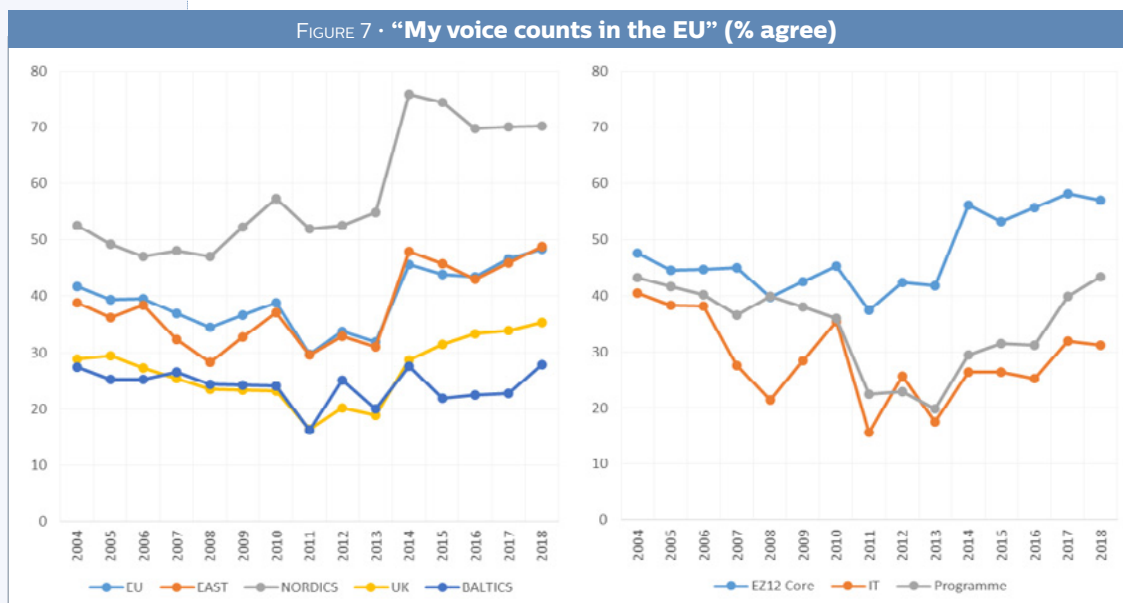


► Source: Authors' calculations based on Eurobarometer individual-level dataBulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovenia, Slovakia.

# Democracy without voice

In his 1970's *Exit, Voice and Loyalty*, Albert Hirschman put forward the idea of 'exit' and 'voice' as two ways consumers could signal their dissatisfaction with a product, or members of an organization could react to the perception that the organization was decreasing in quality or benefit. *Voice* entails a constructive attempt at repairing or improving the relationship, *Exit* is straight withdrawal. It is a trade-off that matters in political terms too – at both the national and the EU level. Those who feel left behind and deprived of voice may decide to 'vote with their feet' and *exit* their country in search of better opportunities – something that has happened in large numbers among young people in the Programme countries and Italy (IMF 2009; Matthijs & Merler 2019). Similarly, where a majority feels that their 'voice' does not count in the EU Euroscepticism will find a fertile ground, with the risk that *exit* from the Union will become an appealing alternative increase. The data presented in Figure 4 suggest that the EU democratic process still enjoys a fairly high degree of legitimacy in the eyes of a majority of Europeans, even those who bore the heaviest brunt of the Eurozone crisis. Most Europeans, however, do not think that their voice 'counts' in the EU (Figure 7).

FIGURE 7 · "My voice counts in the EU" (% agree)

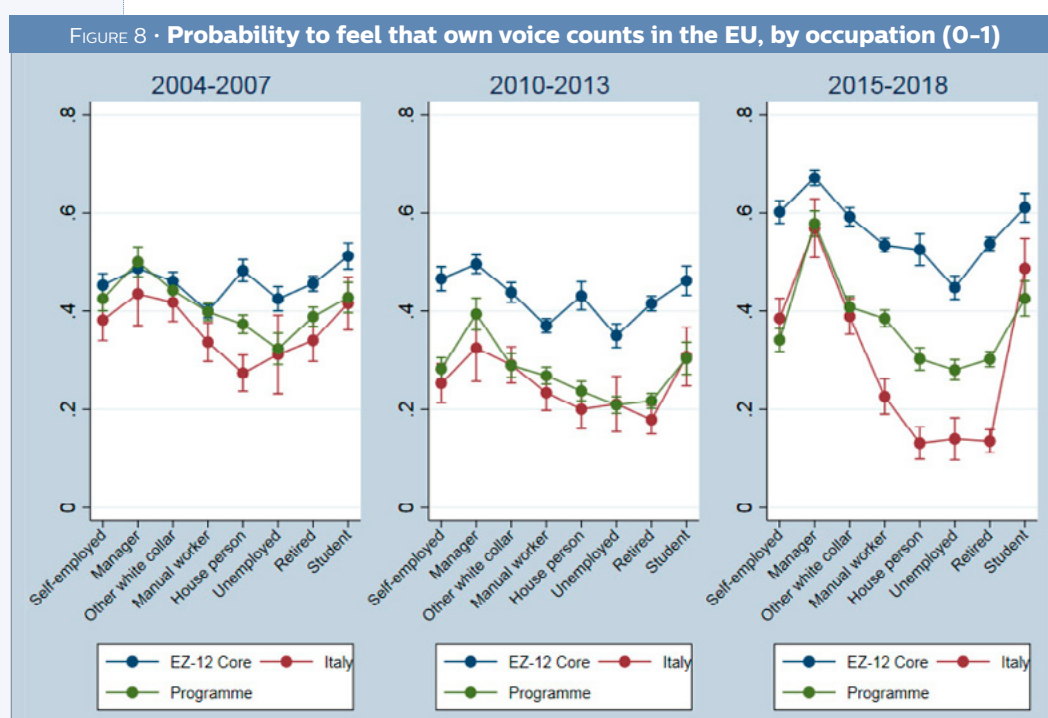


► SOURCE:  
Authors' calculations based on Eurobarometer data

Nordic countries (Denmark and Sweden) and the Eurozone 'Core' are exceptions, with high levels of perceived input legitimacy. But the gap between them and the rest of the EU members – especially Italy and the Baltic countries – is large.

While not perceiving the EU as undemocratic, a majority of European thus still feels cut off. In the East, Baltics, UK and Italy, the age breakdown

(not shown here) shows again the existence of an intergenerational gap, with youngest respondents being the most likely to feel like their voice counts. For the Eurozone only, we also observe a major variation across occupational profiles (Figure 8)<sup>7</sup>.



► SOURCE: calculations based on Eurobarometer individual-level data

The probability of respondents feeling ‘heard’ was low but fairly similar across North and South (including Italy) before the crisis. While there certainly was variation across occupational categories, this was relatively contained (Figure 8, left). During the crisis, a gap opened up between North and South, with respondents in Programme countries and Italy feeling (unsurprisingly) relatively more ‘disenfranchised’ than their peers in the North, across all occupational categories. Fast-forward to 2015–2018, and things look very different. Perceived input legitimacy has increased across the board in the Core – including for the weakest, i.e. the unemployed. But in all three country groups, perceived input legitimacy now shows a clear occupational profile, with relatively higher-skilled workers (self-employed, managers, other white collars) as well as students feeling significantly more empowered vis-à-vis the EU than those who are lower-skilled (manual workers, house persons) or are out of the labour market (unemployed and retired). This cleavage is consistent with the fact that low-skilled workers and outsiders have been the hardest-hit

<sup>7</sup> The probabilities are estimated using a logit model where the dependent variable is a binary indicator that equals 1 for respondents who state their voice counts in the EU and 0 otherwise. As independent variables we include the respondents’ age, gender, marital status, type of community, occupation and years fixed effects. Education is excluded because it overlaps with occupation, preventing the estimation of occupational marginal effects. To obtain the results in Figure 8, we also include a geographic categorical variable and the interaction of the latter with occupation.

by the Eurozone crisis across all the Eurozone South. But nowhere has their perception of EU input legitimacy dropped as much as in Italy, possibly a sign that the dualism of the Italian labour market has been amplifying the common phenomenon, leading to large segments of the Italian population to feel left behind. Partly, this may be related to how the Eurozone crisis unfolded in Italy specifically. The appointment of a technocratic government (headed by a former European Commissioner) in 2011 was successful in preventing Italy's loss of market access, and the need to request an EU/IMF programme. At the same time, however, it meant that while Greece, Ireland, Portugal and Spain were deeply restructuring their economies and rebuilding the basis for economic growth, Italy was not. The social and economic consequences of the missed adjustment are evident across a large number of economic and social indicators today ([Merler 2019](#)), and likely play into this sense of dis-enfranchisement vis-à-vis the EU, consistent with the strong appeal that Euroscepticism seems to have in Italy today.

# Output legitimacy

The large difference in perceived input legitimacy across occupational categories is consistent with the documented evidence of economic and industrial decline being important drivers of the anti-EU vote at the regional level ([Dijkstra et al. 2018](#)). It also points to the existence of a link between economic outcomes and perceived input legitimacy – which is natural, given that central role that the promise of economic prosperity has always had in the process of EU integration. This highlights the importance to look at the *output* dimension of legitimacy too. Measuring output legitimacy is not straightforward. It ultimately entails understanding whether the EU is responding to people's 'concerns' in a way that is seen as adequate.

What are Europeans preoccupied with? To understand, we performed a simple factor analysis based on a set of questions in the Eurobarometer asking respondents to identify the 'most important issues' facing their country, from a range of choices<sup>8</sup>. The usefulness of this technique in our case, is that it allows us to identify 'patterns', i.e. to see whether some of those concerns can be meaningfully associated together<sup>9</sup>. Our results, reported in Table 1 below, suggests indeed that two factors explain about 96% of the total variance among countries and issues. Factor 1 is dominated by three issues – 'the economic situation', 'unemployment', and 'government debt' – and to some extent we can think of it as a measure of countries' **economic anxiety**<sup>10</sup>. Factor 2 instead seems to measure concerns with **security**, because it groups together issues clearly associated with personal safety ('crime', 'terrorism'), as well as issues touching upon economic security through an effect on the stability of purchasing power ('rising prices/cost of living', 'taxation'). The issue of 'immigration' could in principle pertain to both the economic and the security sphere (in fact, far-right parties often portray immigrants as both a security and an economic threat). In this case, however, it is clearly associated to security.

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<sup>8</sup> The exact wording is: "what do you think are the two most important issues facing (OUR COUNTRY) at the moment?". Both the wording and multiple choices offered have changed over time.

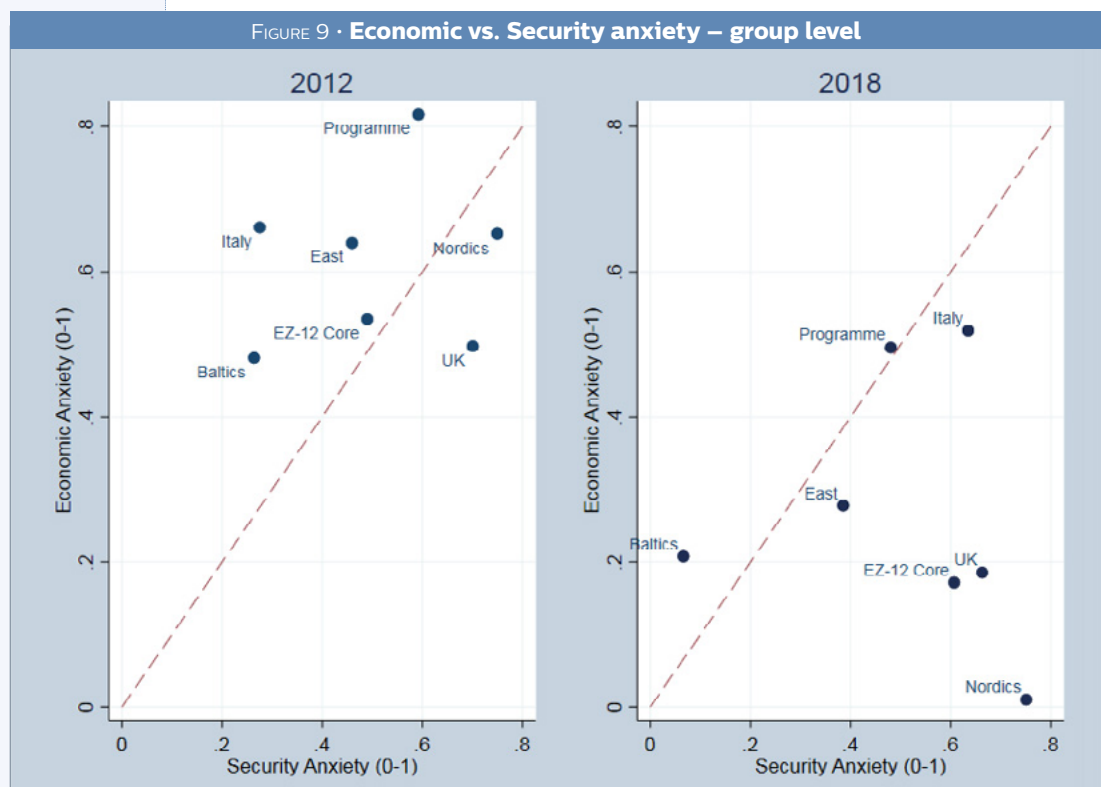
<sup>9</sup> Factor analysis is a statistical technique that allows extracting common factors explaining a large portion of the variance in a wider set of underlying variables. It essentially allows reducing the dimensionality of a statistical problem. The basic assumption is that for a given set of observed variables, there is a smaller sub-set of underlying factors able to explain the interrelationships among those variables.

<sup>10</sup> The signs of the loading coefficients indicate that countries scoring higher on the economic anxiety factor have a large proportion of respondents who identify unemployment, government debt or the economic situation among the most important issues facing their countries, and a smaller proportion of respondents who instead identify the education system as concern. Countries that score higher on the security anxiety factor have a large proportions of respondents identifying crime, terrorism and immigration among the most important issues facing their country, and a low proportion of respondents pointing to the economic aspects of security (inflation, taxation).

► Source: Authors' calculations based on Eurobarometer data<sup>11</sup>

TABLE 1 • Factor Loadings – Most important issues facing the country		
VARIABLE	FACTOR 1	FACTOR 1
UNEMPLOYMENT	0.87	
ECONOMIC SITUATION	0.80	
GOVERNMENT DEBT	0.64	
EDUCATION	-0.59	
IMMIGRATION		0.60
CRIME		0.52
TERRORISM		0.54
TAXATION		-0.59
INFLATION/COST OF LIVING		-0.73

Based on these factor loadings, we can estimate how each country 'scores' on the 2 dimensions, and rank countries on a virtual **economic-security anxiety scale**. Figure 9 shows the result of this exercise for 2012 and for 2018<sup>11</sup> – using our 7 country groups.



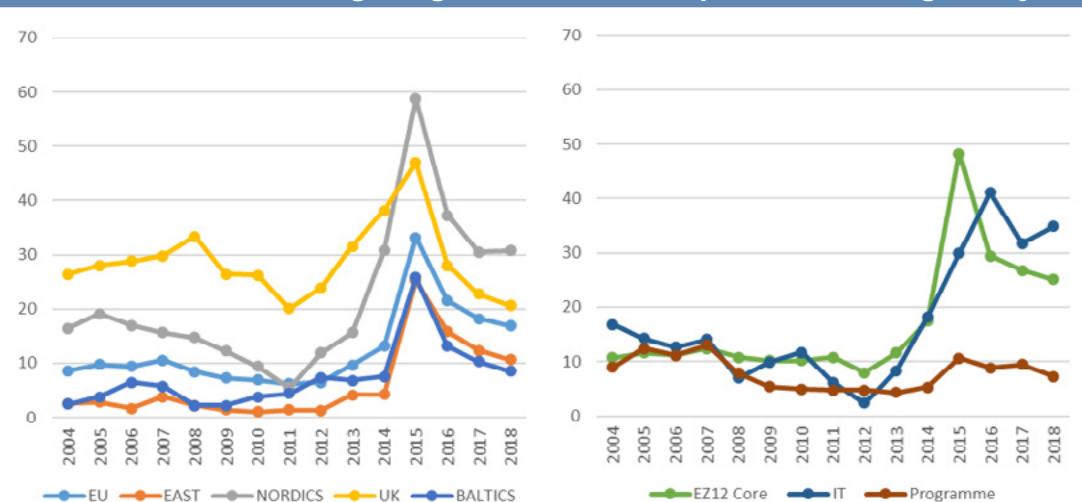
► Source: Authors' calculations based on Eurobarometer data

<sup>11</sup> The scores presented in Figure 9 have been rescaled to be between 0 and 1, for easier comparability.

In 2012, following the global financial crisis and at the height of the Euro-zone sovereign-debt crisis, economic anxiety was higher than preoccupation with security for most groups (as indicated by their position above the 45° line). Programme countries were unsurprisingly the group with the highest feeling of economic anxiety, although Italy, the Nordic members, and the Eastern New Member States were also scoring very high on this measure. In 2018, economic anxiety has decreased massively across the board. It has disappeared almost entirely in the Nordic countries, and very low in the EZ-12 Core, the Baltics, Eastern Europe and even the UK. In the Programme countries, economic concerns remain relevant, but to an impressively lower extent compared to 6 years ago (from a score of above 0.8 to about 0.5). In Italy, the feeling of economic anxiety has decreased only slightly compared to 2012, and it is today the highest across all country groups. At the same time, Italy is also the country where security anxiety has increased the most over the same period (from a score of 0.35 to above 0.6). Security concerns have increased also in the EZ-12 Core – but less. In all other groups (including the East and the UK) our measure of security anxiety in 2018 is not significantly higher than in 2012.

This Italian idiosyncrasy could be due to the country being a port of entry on the Mediterranean, thus more directly exposed to immigration – which is an important driver of our measure of security anxiety, as shown in Table 1. Concern with immigration spiked dramatically in 2015 across the board – in correspondence with the most acute phase of the refugee crisis. While still higher than before the crisis, however, preoccupation with immigration has been declining everywhere since 2015, except in Italy where it remains the highest.

FIGURE 10 • Share mentioning Immigration as one most important issue facing country

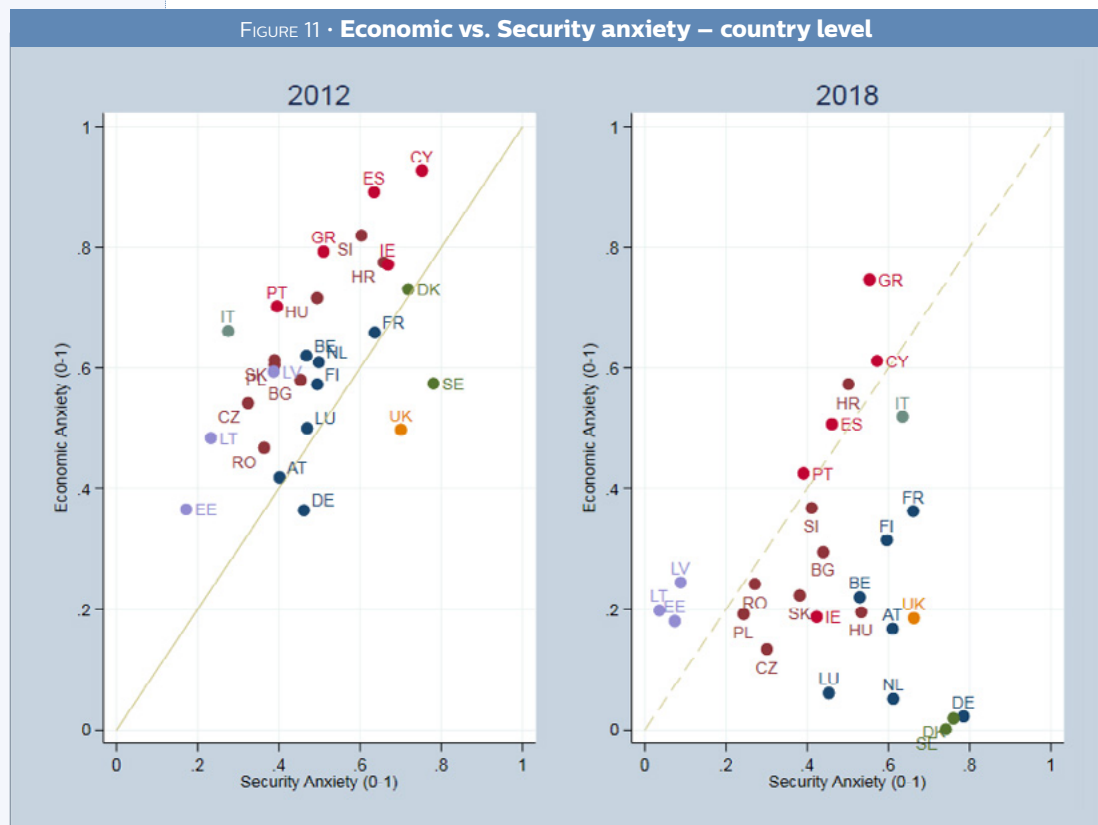


► Source: Authors' calculations based on Eurobarometer data

If we 'un-pack' our seven groups and look at economic and security anxiety at the country level, this would show that Greece – a country equally

if not more exposed to the inflows from the Mediterranean – did not undergo a comparable increase in security anxiety (Figure 11). At the same time Germany – where the integration of refugees has arguably been significantly more successful than elsewhere (DIW 2019) – is where security anxiety is the highest. This suggests that the link between immigration and security anxiety is not as obvious as it may appear at first glance. In a country like Germany, whose economic export-led growth model has been validated by the crisis allowing for citizens to enjoy relatively generous and stable social security nets, the shock of the refugee crisis may have been driving anxiety through the fear that poverty-driven migration may result into a loss of that security. In a country like Greece, where the social safety net had been already undergoing a deep downsizing during the Eurozone crisis, this fear is clearly much less relevant and economic anxiety is more dominant.

FIGURE 11 • Economic vs. Security anxiety – country level



► Source: Authors' calculations based on Eurobarometer data

# The meaning of EU

This simple analysis shows that economic and security issues intertwine in Europeans' perception of what the most important issues facing their countries are today. It is against these two dimension that we need to assess 'output'. Rather than measure output one-dimensionally and objectively (i.e. through actual economic data), we want to understand whether – in light of people's economic and security concerns – the EU is perceived by them as an *opportunity* (to tackle the domestic issues at the core of economic and security anxiety) or rather as a *threat*.

To do that, we rely on another subset of Eurobarometer questions asking respondents to state what the EU *means* to them personally. The possible answers include positive meanings such as 'peace' or 'economic prosperity', as well as negative meanings such as 'unemployment' or 'more crime'. We select 10 of these 'meanings' which fit well – either positively or negatively – within the economic/security anxiety framework that we have identified, and we perform a factor analysis exercise similar to the one in the previous section, to see if there is any pattern in what the EU 'meant to people' over the past 15 years<sup>12</sup>. Results (Table 2) suggest that the various *meanings* of the EU in the eyes of Europeans can also be synthesized along two dimensions. Factor 1 groups together all those positive aspects that speak of the EU as an **opportunity**, either in economic or in security terms: countries that score high on this factor tend to have a high share of respondents to whom the EU means 'economic prosperity', 'social protection', 'peace', 'democracy' and the likes. Factor 2 instead is dominated by all those 'meanings' that speak of the EU as a **threat**, either an economic or a security one: countries scoring higher on this factor will be those with a higher share of respondents to whom the EU means 'unemployment', 'loss of cultural diversity', 'more crime' or 'not enough frontier control'.

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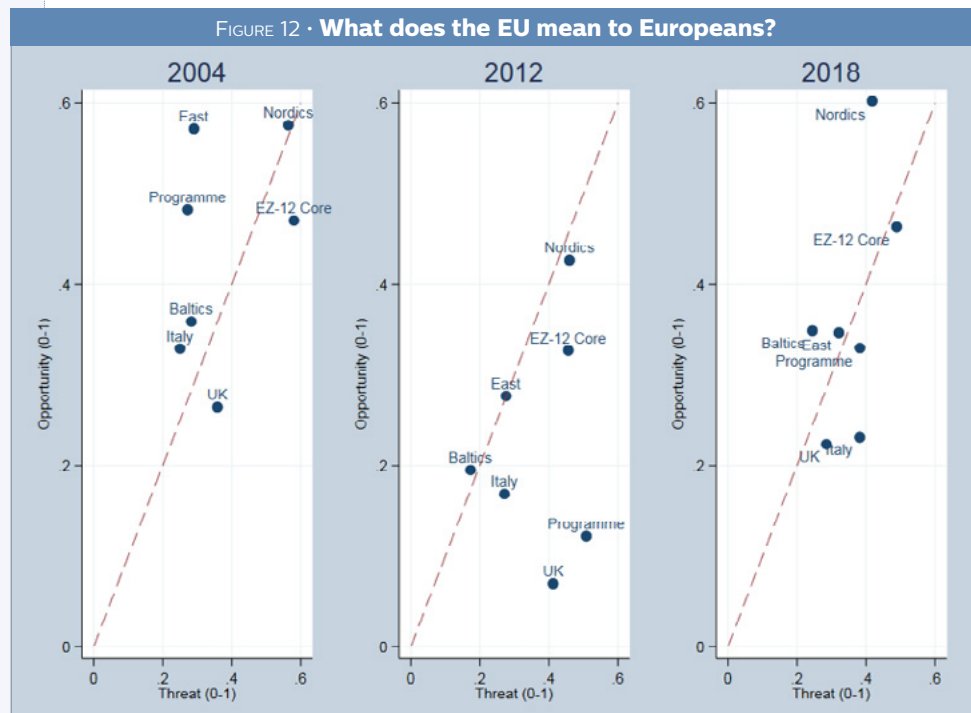
<sup>12</sup> We exclude those choices that do not speak directly of either economic or security anxiety (i.e. 'bureaucracy', 'waste of money'; 'the euro'). We exclude the option 'cultural diversity' because its meaning overlaps (although with opposite feeling) with the option 'loss of cultural identity'.

► Source: Authors' calculations based on Eurobarometer data  
NOTE: 2004-2018; 88% of the variance explained

TABLE 2 · Factor Loadings – EU meaning over the past 14 years		
VARIABLE	FACTOR 1	FACTOR 1
PEACE	0.7559	
ECONOMIC PROSPERITY	0.6278	
DEMOCRACY	0.8382	
SOCIAL PROTECTION	0.6004	
TRAVEL/STUDY ABROAD	0.5535	
STRONGER IN THE WORLD	0.5755	
UNEMPLOYMENT		0.6951
LOSS OF CULTURAL IDENTITY		0.6231
MORE CRIME		0.7993
NOT ENOUGH FRONTIER CONTROL		0.7802

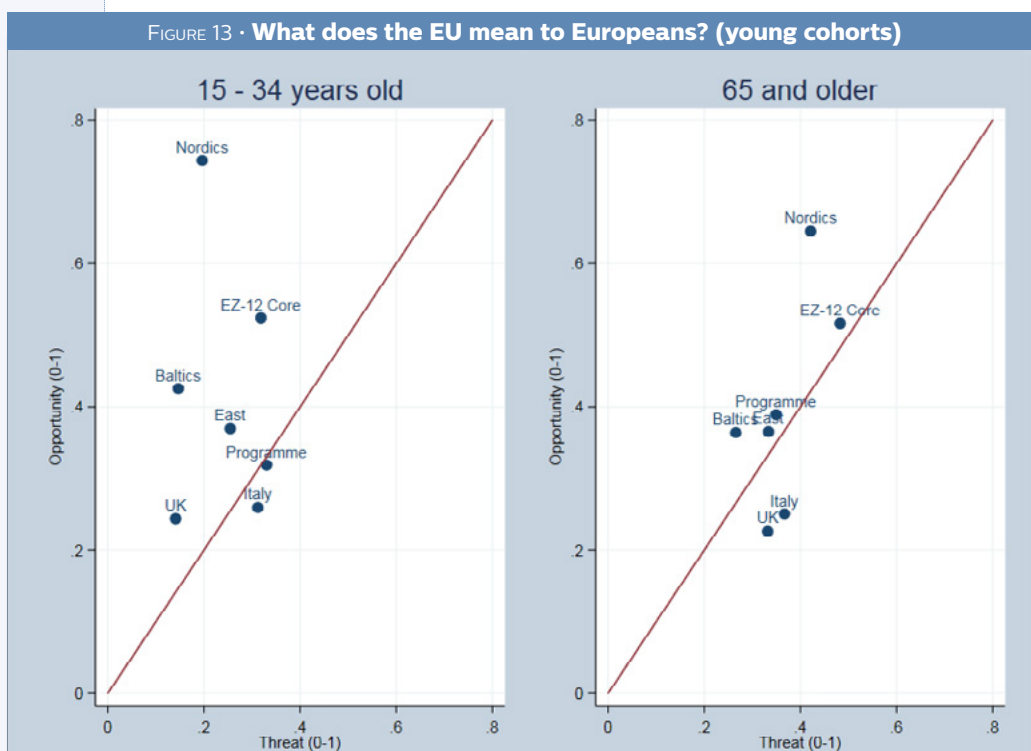
Based on these factor loadings, we can estimate how each country 'scores' on the 2 dimensions, and rank them on a virtual **opportunity-threat scale**, based on which of the two aspects prevails in their evaluation of what the EU 'means'. Figure 12 shows the result of this exercise for 2004, 2012 and 2018. Back in 2004 – in the wake of the largest accession of New Member States in EU history – Europeans saw the EU mostly as an opportunity. The UK and the Eurozone 12 Core were the only two exceptions, with a more sceptical view. Things change completely when looking at 2012. At the height of the Eurozone crisis, almost all groups had switched to seeing the EU as a threat, with the UK and Programme countries being the most negative. Fast forward, and 2018 offers a picture that is less bleak but does not warrant great optimism either. With the exception of the Nordic countries (which have a very positive view) and of Italy and the UK (still mostly negative) the others are back to a relatively neutral position, close to the 45°-degree line. While this is an improvement compared to 2012, because it suggests the negative effects of the crisis have not become structural, it also suggests that today the EU is no longer clearly and unequivocally seen as an opportunity and much work remains to be done in order to re-build an unequivocally positive *meaning* for the EU in the eyes of Europeans.

► Source: Authors' calculations based on Eurobarometer data



When looking more in detail at how the meaning of the EU changes across age profiles, however, we see more room for optimism. Younger Europeans today still see the EU predominantly as an opportunity, across almost all country groups (Figure 12, left). The oldest cohorts on the other hand are significantly more sceptic (Figure 12, right).

► Source: Authors' calculations based on Eurobarometer data



## Conclusions and implications

Many have been talking of the upcoming 2019 European Parliament elections as an ‘existential crisis’ for European integration. While fears of a Eurosceptic upheaval are overblown, in our view, we also think that this is a key historical moment warranting a search of heart among those who wish to preserve and strengthen European integration for the long-term. Differently from what most of the Eurosceptic narrative would maybe suggest, Europeans have not fallen out of love with the EU. There is clear evidence that trust has felt betrayed – especially in those countries that have been hit hardest by the Eurozone crisis – but it has also bounced back strongly once growth has returned. Europeans are also appreciative of the benefits of membership, and the EU is not (or no longer, in some countries) perceived as undemocratic. However, a very sizeable share of Europeans feels that their voice does not ‘count’ in the EU. This sense of powerlessness and disenfranchisement is stronger among the ‘outsiders’ and those at the bottom of skills distributions, who have felt (and have largely been) ‘left behind’ in countries that have either suffered through a painful macroeconomic adjustment (Programme) or experienced prolonged stagnation in their standards of living (Italy). The existence of such deep cleavages within society points to importance of the ability of the EU to deliver positive ‘output’ – in terms of its response to people’s concerns. Europeans’ concerns have been shifting over time, but two aspects – a sense of economic anxiety and a preoccupation with security – intertwine in their perception of what the most important issues facing their countries are, with economic anxiety clearly dominating during the crisis and security being more present on people’s mind today. Assessed against those two dimension, the *meaning of the EU* has changed, in the eyes of people. During the Eurozone crisis, the EU has gone from being seen clearly as an opportunity (for peace, economic prosperity, democracy...) to being seen as a threat (of unemployment, more crime, loss of frontier control...). Today, most countries have a less negative assessment. But if the worst effects of the crisis seem to have been somewhat reverted, the EU is still far from being seen unequivocally as an opportunity. Many Europeans today seem unconvinced the EU will be able to deliver on its promise of economic prosperity, or to provide enough security. Left unaddressed, these dynamics could easily undermine the fundamental basis on which European integration rests, in a near future.

Preventing this outcome requires delivering on the EU’s promise of economic prosperity on one hand, while ensuring that the EU is also seen as an opportunity to address security concerns. This will necessarily command an open and honest discussion about the meaning of EU *solidarity*

– both in economic and in more general social terms. EU leaders have been shying away from this topic, fearing it would upset voters and emboldens the Eurosceptic call for ‘bringing back control’. Many – including most recently the newly elected leader of the German CDU – have instead shown preference for a less centralised Europe of nation states. But Europeans do not seem to believe that the EU has been over-reaching too much into national sovereignty ([Tagliapietra et al. 2018](#)). An overwhelming majority of Europeans favour *more* (rather than less) EU-level decision-making on important matters such as protecting the environment (79%), stimulating jobs and investment (65%), dealing with migration from outside the EU (72%), fighting terrorism (81%), promoting gender equality (70%) or democracy and peace (77%), and even in dealing with health and social security issues (60%)<sup>13</sup>. 65% are in favour of a common foreign policy, 69% support a common EU policy on migration, 74% support a common energy policy. Even in the field of defence and security, traditionally an area where Member States have had cold feet, a common EU policy would be supported by as much as 76% of Europeans – and more so among citizens of Eastern Europeans and Baltic states<sup>14</sup>.

People’s view about immigration – a clear concern for Europeans ahead of the elections – also point in the same direction. When asked what the most important issue facing the EU is, 40% of Europeans mentions immigration and 50% say they would like to see the topic discussed as a matter of priority in the EP electoral campaign<sup>15</sup>. However, when asked what the most important issues facing *their* country or *them* specifically are, those mentioning immigration are significantly less<sup>16</sup>. The fact that way more people want to see an EU-level discussion on migration than simply those who see it as a direct concern for them or their country, signals that from a bottom up perspective immigration is seen, as it should be, like a genuine EU-level problem.

These figures suggest that, against the sense of hopelessness that seem to prevail in many capitals including Brussels, at citizens’ level there still is a sense of direction towards a closer union, which provides opportunity. To seize it, EU leaders should not shy away from the idea of an EU which is *more* (not less) present and visible in Europeans’ life – including on topics that may seem taboo in light of the prevailing Eurosceptic narrative. The fact that so many Europeans feel they lack ‘a voice’ vis-à-vis the EU also suggests that it will be difficult to restore a view of the EU as an opportunity, absent a change that put citizens at the very centre of the EU democratic process and engages them more through bottom-up approaches (perhaps in a similar way as President Macron has been do-

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<sup>13</sup> Based on the March 2018 Eurobarometer

<sup>14</sup> Based on the November 2018 Eurobarometer

<sup>15</sup> Based on the European Parliament Parlemeter 2018

<sup>16</sup> See e.g. the November 2018 Eurobarometer

ing in France with the Grand Débat National). This is especially key when it comes to young people – as the data clearly show the existence of a marked intergenerational cleavage. When looking at how the meaning of the EU varies across age profiles, younger Europeans come out as more positive – still seeing the EU predominantly as an opportunity, whereas the oldest cohorts are significantly more sceptic. This youthful enthusiasm provides a very strong basis on which to re-build a positive meaning for the EU, but its resilience should not be taken for granted. Actively empowering young people within the EU democratic process, making sure they feel they have a voice vis-à-vis the EU, will be key to preserving and strengthening integration for the future. At the same time, it will be key for the EU to be able to deliver better economic outcomes for the young – not only those who have left their countries in search of opportunities elsewhere, but perhaps more importantly for those who cannot afford to leave and remain stuck in environments impoverished from an economic and social perspective. Contrary to what the Euroscpetic narrative suggest, Europeans have not fallen out of love with the EU. But that may happen soon enough, absent a recognition that many economic and social challenges are dealt with *better together*, and that there can still be a strong unity in diversity.

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