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European Disunion?
Social and Economic Divergence in Europe, and their Political Consequences

Abstract

The principal component of a European social model was considered to be convergence of social outcomes toward the top. However, the latest economic and social trends are no longer characterized by a steady narrowing of the gap between the more and lesser advanced countries. While all European countries were affected by the economic crisis of 2008 and a coordinated response was put into place in 2009, since 2010, we see a growing divergence between two groups of countries in Europe. The first group, mainly in the North of Europe, concentrated around Germany, Austria, the Nordic countries, along with certain Eastern European countries having close economic ties to Germany, has steadily emerged from the crisis and resumed a positive economic and social path. The second group, however, comprised mainly of the Southern and Eastern periphery, remains stuck in negative economic and social situations following the crisis. This chapter demonstrates the initial economic convergence, followed by a stark divergence in certain economic and social outcomes after the crisis of 2008. It reviews the various explanations for these divergences. Finally, it considers the political outcomes of this economic and social dualization. We argue that despite the seemingly uniform rise of populist anti-EU challengers across Europe, these challengers differ significantly in the grievances they raise. Radical right parties are dominant in the center, while radical left parties outperform the radical right in the periphery, a dynamic that constitutes a second, political, dualization of Europe.

Keywords: social convergence, European integration and populism

Introduction

European countries are often distinguished from other highly developed countries by their commitment to a social model, visible mainly through a comparatively high level of public spending devoted to social policies. The "European model" rests on a common base level that was established in the Golden Years following World War II (1945-1975), which aimed at full (male) employment, and a basic guarantee of social rights and well-being for Europe's citizens. However, a common and unified European social welfare system was never fully implemented, as each member country of the now European Union (EU) has different labor market regulations and policies, social policies, and systems of social protection.

Despite vast differences between member countries, a European social model was continually promoted and encouraged at the European level, throughout the evolution of the European Community and now EU. The principal component of a European social model was considered to be convergence toward the top in terms of social outcomes such as employment levels, standard of living, well-being, and social security, rather than in terms of promoting convergence between national institutions of social protection, which differed already between the founding members of the European Community and continued to show difference over the course of various enlargements to the EC and later EU. The concept of 'subsidiarity' appeared in the European treaties during the 1990s in order to signify the preservation of social policy as a national, rather than supra-national, policy-area domain. Nonetheless, since 1957 and the Treaty of Rome, various European-level policies, notably structural funds, were put into place in order to allow less-developed regions to catch up to the average level of economic and social development of the more developed European regions; this was done to avoid a "race to the bottom", seen as a potential

costly by-product of the common, and later single, European market (Palier, Pochet, 2005). Through the middle of the first decade of the 21st century, a notable convergence was observable in terms of employment rates, living standards, and social spending among the EU member countries.

However, the latest trends in terms of economic and social matters are no longer characterized by a steady narrowing of the gap between the more and lesser-advanced countries. While all European countries were affected by the economic crisis of 2008 and a coordinated response was put into place in 2009, since 2010, we observe a growing divergence between two groups of countries in Europe. The first group, which we refer to in this paper as the "core" or "center" mainly in the North of Europe, concentrated around Germany, Austria, the Nordic countries, along with certain Eastern European countries having close economic ties to Germany, has steadily emerged from the crisis and resumed a positive economic and social path. The second group, however, which we refer to as the "periphery", comprised mainly of Southern and Eastern countries along with Ireland, remains stuck in negative economic and social situations following the crisis. The life prospects for individual Europeans are becoming increasingly differentiated by their native region, along with their age and skill-level.

Therefore, since 2010, Europe's founding promise of shared prosperity appears to no longer apply equally to all citizens, and the social objectives that have their roots in the creation of the European Communities since the 1950s, which were reiterated and specified in the Lisbon Strategy of 2000 and then again in 2010 with the "Europe 2020" vision, are not respected. In this paper, we explore the increasing social and economic divergence between the central and peripheral European countries. In line with Iversen and Soskice (2018; see also Hall, 2014, Hassel, 2014), we put forth that these differences are not due solely to the economic crisis that hit Europe in 2008, but rather, to the different growth models and forms of social protection between these two groups of countries.

However, the divergence between these countries also stems from the policies that were undertaken in response to the crisis, notably since 2010. The austerity measures put into place since 2010 have had the largest effect on the countries that suffered the most from the debt crisis, which are located on the European periphery. In this paper, therefore, we investigate the extent to which the long-exalted European promise of prosperity and well-being for all has transformed into a well-being for some, even at the expense of others.

While all EU countries were affected by the global financial crisis, the contribution this paper makes is to delineate the profile of dualization that has occurred across, and within, European countries in the years following the financial crisis. In order to analyze the sources and outcomes of this social and economic dualization within Europe, we first present social and economic outcomes that show clear divergence between the core and periphery. We underline the novelty of this trend, since until the late 2000s, the tendency was on the contrary a closing gap between the leading and lagging EU members. In a second step, we then review several explanations for why this dualization has occurred. We add here our own remarks on the impact of the policies implemented since 2010. In a third step, we consider the political implications engendered by this economic and social divergence between the core and periphery. We show that this dualization leads to a general increase in dissatisfaction with Europe, manifested in the electoral success of radical left and radical right anti-EU parties. We show, however, that this radicalization is leaning towards the right-wing in the center, and towards the radical left in the periphery.

The Social and Economic Dualization of Europe

In considering the social and economic repercussions following the financial crisis of 2008, we observe that Europe continues to experience social duress, particularly in terms of unemployment, difficulties for youth to find employment opportunities, lower employment levels,

the number of working poor, and child poverty rates, as well as for those employed over age 55. The risk of poverty is a phenomenon that is unlikely to disappear, as the quality of jobs has diminished, wage inequality has increased, and part-time and temporary work have increased. However, the degree to which precariousness constitutes a significant social risk varies greatly across countries, with two distinct groups of countries emerging, again falling neatly into either the center or periphery. On the one hand, Germany and Austria have curbed their deficits, with very low unemployment levels and positive growth between 2010-2012. In many aspects, the Nordic countries, the Netherlands, Luxembourg, the Czech Republic, and Poland seem to have emerged from the crisis in terms of positive economic growth rates, debt levels, and unemployment rates. On the other hand, the countries on the southern and eastern European periphery, along with Ireland, witnessed a stark deterioration first with the financial crisis, followed by the public debt crisis after 2010.

The divergence between the two groups of countries (the North and center on the one hand, and the "banana-shaped" periphery of Ireland and southern and eastern Europe on the other) can be observed most markedly in terms of unemployment, but also in terms of the labor market situation for young people. While the gap in unemployment rates between the two groups of countries was nonexistent in 2007, it reached 7.5 percentage points, on average, in 2011. From one country and region to another, the gap gets wider, with Germany having a 3.9% unemployment rate, whereas Greece reports 23.5% unemployed in early 2017 (Eurostat 2017).

The situation of young people shows an equally strong contrast between the two groups of countries. The youth unemployment rate (age 15-24) reached an EU average of 17.3% in mid 2017, ranging from 6.8% in Germany to 41% in Spain and 48% in Greece (Eurostat, 2017). The percentage of young people under age 25 termed "NEETs" (not in education, employment, or training) marks another worrisome trend: in 2015, the figure ranged from 4.7% in the Netherlands, 6.2% in Germany, Luxembourg and Denmark, 6.7% in Sweden, and 7.5% in Austria to 14.3% in Ireland, 15.6% in Spain, 17.2% in Greece and

more than 18% in Romania, Bulgaria, and Italy, with an EU average of 12% (Eurofund, 2016).

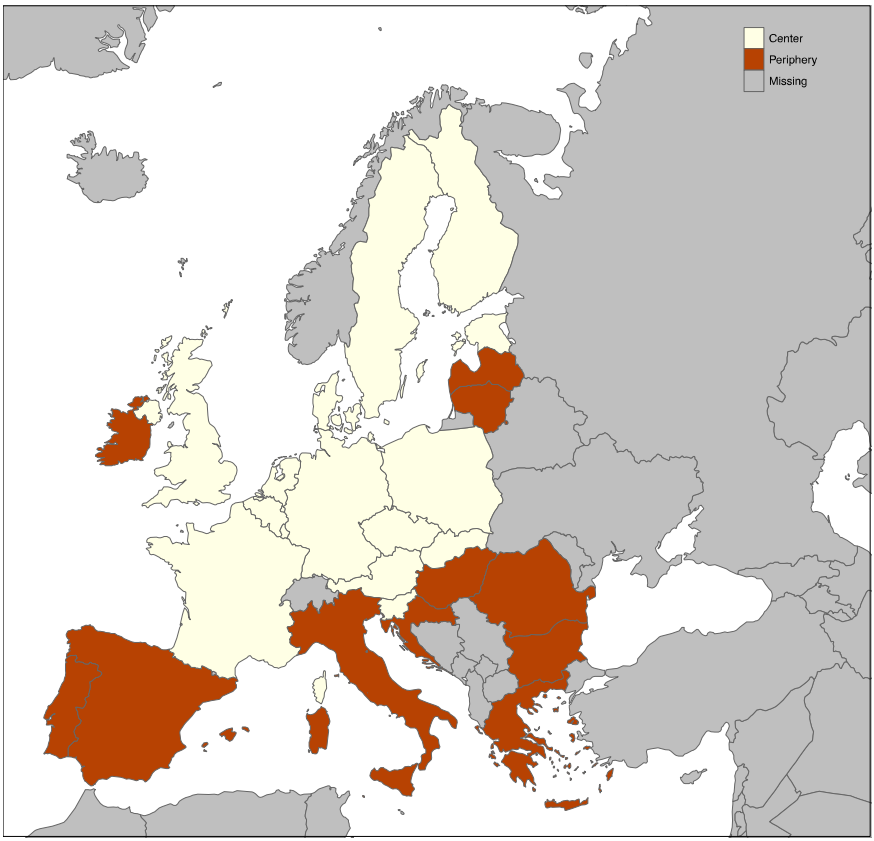
In order to go beyond disparate social indicators, we test whether there was a systematic social and economic dualization of Europe. To demonstrate this divide among European countries in the aftermath of the economic crisis, we run a cluster analysis, dividing the countries of the EU into two groups. This cluster analysis is based on observations from 2010 and later, and sorts countries based on three variables: GDP growth, unemployment levels, and the rate of population at risk of poverty[1]. Details are available in Table 1. The analysis yields a result that splits the continent into a central core of countries geographically proximate to Germany, and a periphery stretching from Latvia in the east, across the Mediterranean, and north to Ireland (see Figure 1).

[1] We perform a kmeans partition cluster analysis with an absolute-value distance measure, using Stata's 'cluster kmeans' command. This procedure separates our cases into one of two groups for each observed year, based on their relative proximity on the three assessed variables (GDP growth, unemployment levels, and the rate of population at risk of poverty). We then define those countries that cluster in group 1 for most of the observed years as the periphery, and those that cluster in group 2 for most of the observed years as the center (see table 1).

Table 1: Cluster Analysis

Country	Years as group 1	Years as group 2	Total years observed	Coding
Austria	0	5	5	Center
Belgium	0	5	5	Center
Bulgaria	5	0	5	Periphery
Croatia	5	0	5	Periphery
Czech Republic	0	5	5	Center
Denmark	0	5	5	Center
Estonia	0	5	5	Center
Finland	0	5	5	Center
France	0	5	5	Center
Germany	0	5	5	Center
Greece	5	0	5	Periphery
Hungary	4	1	5	Periphery
Ireland	5	0	5	Periphery
Italy	3	2	5	Periphery
Latvia	5	0	5	Periphery
Lithuania	4	1	5	Periphery
Luxembourg	0	5	5	Center
Netherlands	0	5	5	Center
Norway	0	3	3	Center
Poland	1	4	5	Center
Portugal	4	1	5	Periphery
Romania	5	0	5	Periphery
Slovak Republic	0	5	5	Center
Slovenia	0	5	5	Center
Spain	5	0	5	Periphery
Sweden	0	5	5	Center
United Kingdom	0	5	5	Center

Figure 1. Center and Periphery of the EU



Social Outcomes across the Center and Periphery

The dualization of Europe discussed above has significant socio-economic consequences. The traditional convergence between the richest European regions and the poorest ones that characterized the development of Europe since the late 1950s has been replaced with a dramatic divergence between the richer and poorer regions in the aftermath of the 2008 crisis. In order to demonstrate these dynamics of convergence and divergence, we estimate a number of difference-in-difference

models on socio-economic data from Eurostat, the OECD, and the World Bank.

Difference-in-difference models simulate experimental design by assuming the presence of two groups. One group is considered the experimental group, while the other is the control group. Each group is measured at two different stages or time points, once before an experimental treatment, and once after. The difference-in-difference model then estimates whether the treatment, which occurred between the first and the second measure, produced a statistically significant difference between the two groups. To put it another way, the model tests whether the two groups (no matter their original score on the measure of interest) significantly converged, diverged, or remained similarly distant in the aftermath of the treatment.

This statistical setup is particularly well suited for our purposes because it allows us to directly assess the convergence or divergence of the European core and periphery. For the purposes of this test, we assign countries to the center and the periphery group based on the cluster analysis described above. We thus consider Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Luxembourg, the Netherlands, Poland, Slovakia, Slovenia, Sweden, and the United Kingdom as forming the European center. Bulgaria, Croatia, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Portugal, Romania and Spain make up the periphery.

To test our expectation of initial convergence between the two groups prior to the economic crisis, followed by divergence after it, we carry out two difference-in-difference models for each indicator. In the first model, we set the initial period as the 1990s (1990-1999), and the second period as the 2000s (2000-2009). We thus effectively test whether the two groups moved towards each other between these two decades, the hypothetical treatment being the convergence policies of the post-1990 European Union. In the second model, we set the initial period as the 2000s (2000-2009), and the second period as the 2010s (data availability varies from 2010-2013, 2014, or 2015). Here we again test

the relative change in position of the two groups between the 2000s and the 2010s, with the hypothetical treatment being the package policies implemented since late 2009 in Europe, the impact of which is expected from 2010 onwards (see below for more information on these policies). We present the results of these models in a combined graph, connecting both tests in one panel, spanning from the 1990s over the 2000s to the 2010s.

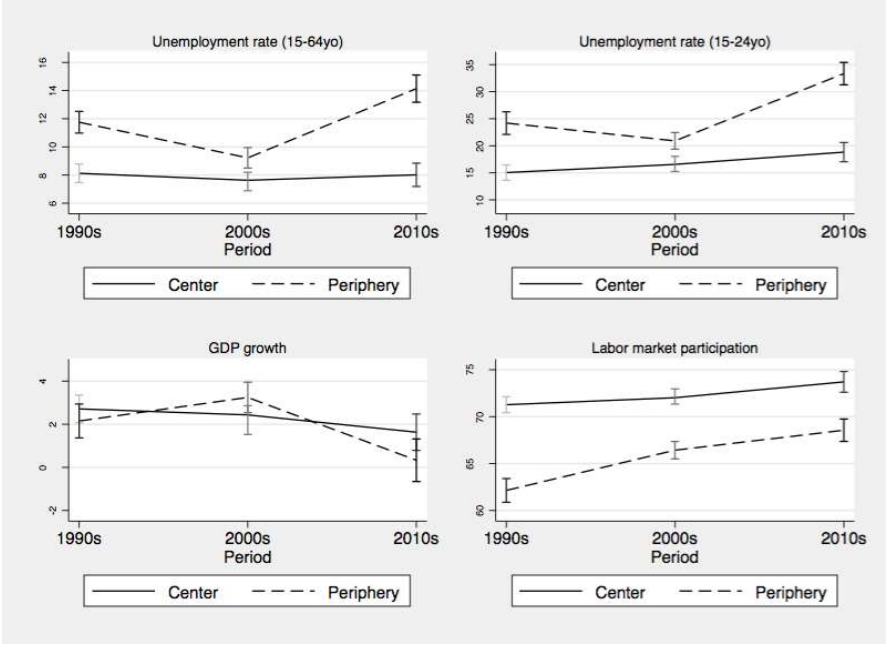


Figure 2. Difference in difference models assessing socio-economic outcomes across the center and the periphery between the 1990s, 2000s, and 2010s.

The results presented in Figure 2 demonstrate initial European convergence, followed by stark divergence of outcomes across the center and

the periphery of Europe[2]. The top left panel shows that while unemployment rate converged between the 1990s and 2000s (Diff p<0.01), it diverged greatly in the aftermath of the economic crisis (Diff p<.01). Similarly, youth (15-24 year olds) unemployment exhibits significant convergence prior to the economic crisis (Diff p<0.01), followed by striking divergence (Diff p<0.01). In terms of GDP growth, the periphery converged towards the center, outperforming it in the 2000s (Diff p<0.1); however, after the economic crisis, the periphery again diverged from the center (Diff p<0.05). Finally, labor market participation showed a convergence before the crisis (Diff p<0.01), while in its aftermath this convergence slows (Diff insignificant). In sum, these results underline a certain amount of catch-up on the part of the European periphery between the 1990s and the 2000s, followed by a reversal after 2010. In the following section, we review several explanations for why this dualization has occurred.

Whence Comes this Dualization?

When trying to explain the social and economic dualization of Europe, three main sets of explanations are put forward. The first set refers to the divergence in economic policies implemented before the crisis (successful completion of structural reforms on the one hand, wage growth, and increase in public expenditures on the other). The second set emphasizes the structural differences in growth and social models put together in Europe, especially within the Eurozone. The Eurozone's divergence can be explained by the existence of markedly different growth models within the same economic zone. The third set refers to the policies implemented since the crisis that affected the two groups of countries differently.

[2] The convergence trend is not unique to the 2000s, since it has been demonstrated for earlier periods, especially concerning the development of Southern countries within the EU 15 (Guillen, Palier, 2004).

The different policies before the crisis

The strong divergence between EU countries in terms of macro-economic and social protection profiles since 2010 can in fact be traced to differences between countries since the introduction of the Euro currency in 2002. On the one hand, what we term the "core, center countries" experienced low GDP growth, as well as low wage growth, low inflation, and managed to contain, and even decrease, their public expenditures from 2000-2007. These countries undertook major structural reforms of their labor markets (from 1990 onwards in the Nordic countries; from 2000 in Germany and Austria) and retirement systems (from the end of the 1990s in the Nordic countries and the beginning of the 2000s in Germany and Austria).

At the same time, the "periphery" along Southern and Eastern Europe and including Ireland, experienced higher economic growth rates (with the exception of Italy and Portugal), witnessed salary increases to a greater degree than in the North, and did not contain their public expenditures. While these countries also implemented several labor market and social protection reforms, they were of lesser magnitude than those of the North. What seemed at first glance to be economic and social convergence between the core and periphery (the periphery, with higher growth, was catching up to the center), in fact resulted in increased competitiveness in the core countries, and decreased competitiveness in the peripheral countries: major imbalances were lurking underneath the surface in terms of cost structure and current account balance (Boisson-Cohen et al., 2015).

Disparate Social and Growth Models in the Euro-Zone

Several studies seek to explain the differences in northern and southern European trajectories. Martin Höpner and Mark Lutter (2014) emphasize the differences in industrial relations, notably in the systems of wage negotiations, between the two groups of countries. In the northern economies, general salary negotiations are guided by the manufacturing industry, where the social partners, being focused on

their industry's competitiveness, negotiated wage restraint in the 2000s in exchange for industrial employment security (see also Palier and Thelen 2010). Other sectors' salary trajectories followed this general trend, with labor market reforms also playing an important role.

These traits of the core Europe's growth model are related to the characteristics of their (coordinated) political economy. On the contrary, with public sector and service sector salaries strongly increasing in southern Europe (where salary negotiations are not coordinated at the industry level but as a function of decentralized union bargaining), these countries witnessed higher inflation and decreased competitiveness and skewed balance of payments. As trade unions are known to be divided and the left to be fragmented in Southern Europe (see the general introduction to this book), there is much less capacity for economic coordination and wage moderation.

Peter Hall (2014) shows that these vast economic disparities between EU members reflect the existence of starkly different growth models within the Eurozone. Certain countries, notably Germany, rely on export-led growth founded on a high value-added manufacturing sector and skilled labor, as well as large research and development (R&D) investments. Southern European growth models, on the other hand, are demand-led, based on internal consumption. Over the course of the 2000s, consumption in these countries was sustained by wage growth and increased debt levels, whether private debt (Spain) or public debt (Greece, Italy). This consumption- and debt-based growth was made possible by low interest rates for Eurozone countries (See also Hassel, 2014; Johnston and Regan, 2016).

In a similar vein, Iversen and Soskice (2018) underline that the economic arrangements of the Eurozone (the Maastricht criteria re-enforced by the Treaty of Lisbon) do not fit with the growth model of the South. The export-led growth model, which relies on wage moderation (or cuts), budgetary balance (or surplus), and which is imposed on all countries, has forced countries in the periphery to implement stark cuts and structural reforms of both their growth model and their welfare

system. This leads to the third interpretation of the divergence: the policies implemented since the crisis have had different implications for the two groups of countries.

The Policies Targeting Welfare Spending Implemented Since the Crisis under EU Recommendation

In 2011, most European countries were under a procedure for excessive deficit. All countries had to control their budget deficit, inflation, and public expenditure. However, the policies implemented to do so had a much stronger impact on the countries in the periphery, first because their deficit and debt were much higher (so they had to implemented harsher adjustment plans), but also because implementing austerity measures on a domestic, demand-led growth (where domestic demand triggers growth and jobs) has much more recessive impact than on an export-led growth model (where wage moderation and balanced budget are already part of the model) (Morel, Palier, 2011).

The budgetary measures adopted since 2010 by European governments have been mainly of three different types: social policy reforms; privatizations; and a freezing of wages for civil servants, as well as a reduction in their number (Morel, Palier, 2011, Boisson-Cohen et al. 2015). These measures corresponded most often with direct pressure from the EU, notably for the countries under supervision of the Troika (comprised of the International Monetary Fund (IMF), the ECB, and the EU), but also as part of the Excessive Deficit Procedure (not to exceed 3% of GDP). As of spring 2011, 24 EU member states were still subjected to the deficit reduction procedure, whereas by spring 2015, there were only eleven countries remaining under the procedure - these were mainly from the European periphery.

A number of countries reduced unemployment benefits (Germany, Portugal, Romania, Denmark, Ireland, UK, Spain, Greece) in an effort to make employment more attractive. Several countries also restricted unemployment claimants' rights to refuse an offer of employment (Spain, UK), and several measures were adopted that increased labor

market flexibility, notably for workers with open-ended contracts (Spain, Portugal, Denmark). However, unemployment benefits were not the only area that was curtailed: several countries also reduced the public share of health expenditures, with such measures being imposed on Greece, Ireland, and Portugal as conditions for receiving aid within the memorandum of understanding.

Budget consolidation plans also included pension/retirement reforms. The retirement age was pushed back to over 65 years in Ireland, Spain, Czech Republic, and Germany, and the UK plans to enact more quickly a later retirement age that had already been adopted. Spanish and Greek reforms also introduced a cost-containing measure in a new calculation of their pension formulas. European Commission calculations show a growing divergence in national social expenditures since 2008 that are geared toward the future (known as "social investments"), in the realms of health, education, family policies, and active labor market policies (Morel and Palier, 2011, Boisson-Cohen et al., 2015). While spending levels in these areas tended to be marked by convergence across EU member countries in the early part of the 2000s, we now witness a breaking-off point in these areas among a number of countries in the periphery (as well as for the UK, Netherlands, and Denmark on certain expenditure categories, albeit from a higher comparative starting point).

Therefore, the economic and social dualization that has become increasingly visible in Europe since 2010 can be largely explained by the structural differences between EU countries, exacerbated within the Eurozone itself, where policies mandated or recommended by the EU gave rise to further disparities. This socio-economic dualization and its effects do not only spell gloom for many people living in the European periphery, they also carry significant consequences for politics across the continent, a subject to which we now turn.

The Political Divide – Dualization of Radicalism

The economic and social dualization of Europe that we describe in the previous sections has significant consequences for politics across European countries, as well as for the politics of European integration. The divide between the European center and periphery, which has been exacerbated by the economic crisis of 2008-9 translates into a powerful political dynamic. This dynamic, characterized primarily by the rise of radical, populist and anti-European political actors, is seemingly uniform across Europe; however, at a closer look, the political trends in Europe are markedly distinct across the center and the periphery. Consequently, the economic and social dualization that this chapter demonstrates engenders a political dualization of radicalism across Europe.

The economic and social consequences of the crisis produced a situation in which countries of the European core became keenly aware of their creditor status, while the countries of the European periphery became debtors, pressed by the bond markets, the creditor countries, and international monetary institutions. As the politics of this situation played out, the two broad groups of countries took on different political meaning. Viewed from the periphery, the core, embodied particularly by Germany, gained an air of the wealthy, unsolidaristic block using the European Union and other institutions to force economic austerity and social cuts on the peripheral countries struggling with debt and severe social problems. Viewed from the center, the periphery, on the other hand, epitomized by the extreme case of Greece, gained an impression as incompetent and corrupt, using the European Union to obtain structural funds and cheap credit to run their inefficient economies and state apparatuses. Consequently, the populist challengers who have risen in the wake of the economic crisis in opposition to their domestic political elites, as well as against the European Union, have incorporated these divergent grievances into their political appeals.

These dualized views of European politics on the part of radical and populist political actors are not merely a product of the recent economic crisis and its aftermath. Deep historical divisions in the structure of party

competition underpin this dualization. Manow (2015) demonstrates the historical divergence between northern and continental European party systems on the one hand, and southern European party systems on the other. In the European northern core, historical red-green (social democratic and agrarian) or red-black (social democratic and Christian democratic) coalitions created moderate and conciliatory politics, where left-wing and right-wing forces collaborated. In the south, on the contrary, politics were more starkly marked by the historical state-church conflict, precluding cooperation between radically secular left-wing parties and right-wing Catholic forces, leaving the left in a 'working class ghetto' (Esping-Andersen 1985: 9). As a result, Manow (2015: 41) finds that southern party systems harbor historically strong and radical communist parties, and are polarized over the left-right dimension, as well as over the clerical-anticlerical dimension. Given their historical trajectories, the party systems of the northern center thus tend to compete more over economic issues, while those of the southern periphery tend to be polarized over a combination of economic and non-economic political issues (see Rovny and Polk 2014, and Polk and Rovny 2018).

These distinct competitive patterns affect the orientation of political challengers. The literature on challengers and niche parties suggests that political upstarts seek to disrupt the ideological fabric of political contest by shifting the locus of competition to new issues, unaligned to the standing political structure (Riker 1986, Meguid 2005, 2008, Adams et al. 2006, Hobolt and De Vries 2011). The historical nature of party systems across the European center and periphery thus suggests that the northern and continental challengers use non-economic, sociocultural arguments to upset their more economically-oriented domestic party competition, while in the southern systems, challengers, emboldened by the economic and social hardships post crisis, take up the historical role of communist parties, and challenge the system on the radical left (see Polk and Rovny – this volume – for more detail).

As a consequence, we see the rise of radical right and right-wing populist parties in the European core, while the periphery experiences a rise of radical left, or left-wing populist parties. This pattern is borne

out by empirical evidence summarized in Figure 3. The figure shows that radical right parties enjoy continuing rise of support in the center and north of Europe, a rise that has slightly accelerated after the economic crisis. In the periphery, radical right parties also receive increased support after the crisis, but it is much lower than in the center. On the contrary, the support for the radical left remains stably low in the center, while the periphery sees an explosion of radical left support after the economic crisis.

These dynamics have a major impact on the view of the European Union and the integration project as a whole. As noted above, the European Union is generally disliked by political challengers of all kinds (e.g. Hooghe and Marks 2008). Our point is, however, that the contempt for the Union differs fundamentally across the European center and periphery. The political challengers of the European core, who largely adhere to radical right-wing views, detest the Union as a force joining their 'successful' countries with those struggling on the periphery, for expecting the core to provide solidaristic support and bailouts to the periphery, and for attracting large-scale migration from the periphery and elsewhere in and out of Europe. In short, in the European core, the right-wing challengers see the Union as a vehicle for dissolving their perceived national economic achievements and national social and ethno-cultural fabric by linking it to the periphery.

In the periphery, the mostly radical left challengers oppose the Union as a power structure imposing draconian austerity, and relocating economic decision-making into the hands of European, international, and market actors. In short, in the European periphery, the left-wing challengers view the Union as an undemocratic, capitalist exploiter. This mechanism may be self-reinforcing. As mainstream right parties in power in the central countries feel pressured by their rising radical right competitors, they push for tougher austerity measures throughout the Union. These measures, or even just the rhetoric, further fuel the success of the radical left in the southern periphery.

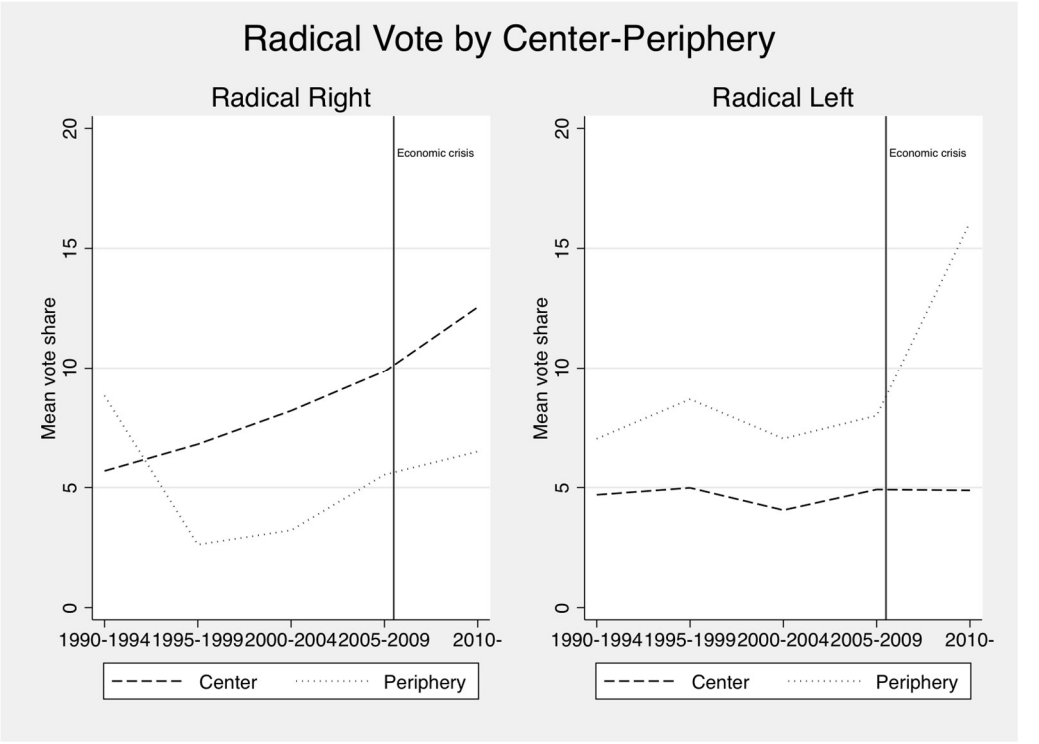


Figure 3. Radical left and right-wing support across the center and periphery. Parlgov database (Döring and Manow 2015).

To be sure, the divergent views of the European Union, tinted by the glasses of one's ideology, have been well documented (see Marks, Wilson and Ray 2002). Recent research suggests a certain European homogeneity, as political issues pertaining to European integration, immigration, and international trade become increasingly intertwined, and politically salient across the continent. This transnational cleavage seems to be arising across the EU (Hooghe and Marks 2017).

Nonetheless, EU opposition retains diverse ideological flavors. The famous argument of Hooghe, Marks and Wilson (2002) demonstrating

the relationship between left-right ideology and support for EU integration holds. Hooghe et al. show that while both radical left and radical right parties tend to systematically oppose European integration, mainstream parties located around the political center tend to be significantly more supportive. This inverted-U relationship between European integration and left-right ideology has been confirmed by recent empirical research (Bakker et al. 2015), underlining its durability.

Our argument, however, suggests that these distinct views of the Union appear as a function of location in the European periphery or core. To emphasize our point, Figure 4 locates four groups of parties – radical left, major left, major right and radical right – in a two-dimensional political space defined by the general left-right dimension (x-axis) and support for EU integration (y-axis) across the European center and periphery. Plotting these party groups indeed reproduces the inverted-U curve in both parts of Europe. However, depicting the mean electoral vote share of the groups highlights the fact that radical right parties are dominant in the center, while radical left parties outperform the radical right in the periphery. The inverted-U relationship remains, but the left leg of the U stands to a greater extent in the EU periphery, while its right leg extends further into the EU core.

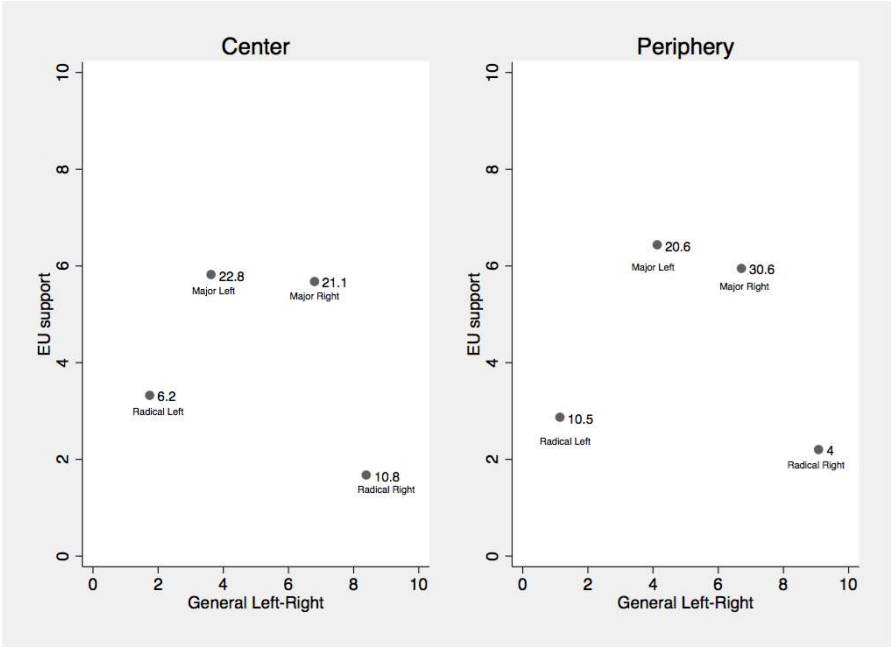


Figure 4. Positions of party groups, and their mean vote share
(CHES 2014 – Bakker et al. 2015, and Parlgov - Döring and Manow 2015)

Conclusion

This paper demonstrates that the convergence of economic performance of European countries has been reversed in the aftermath of the economic crisis of 2008. This watershed has seen the rise of a European core, marked by a relatively short period of economic and social duress, and a European periphery, which was set onto a general downward trajectory. While the differences between these two broad groups of European countries had been diminishing over the course of the 1990s and 2000s, from 2010 onwards, we see the rise of a great dualization between the European core and periphery.

We suggest that this dualization is not a product of the 2008 crisis. This crisis was a mere catalyst, bringing to the foreground the divergent bases of the economies of the core and the periphery. Since the production of the European core is rooted in export-oriented industries, it focuses on competitiveness and wage control. On the contrary, most of the economies of the periphery are demand-driven, based on salary increases even at the cost of fiscal laxity. Consequently, the perceived convergence disguised a major imbalance between the two European blocks, which the crisis of 2008 brutally unveiled.

This paper has provided some empirical evidence as to the extent of the initial convergence prior to 2010, and the subsequent divergence. Using difference-in-difference models we demonstrated a striking divergence in GDP growth and different types of unemployment between the European periphery and center.

Given the dire consequences these dynamics have on many Europeans in both regions of the continent, we argue that these economic and social developments have significant impact on European politics. Analysts and pundits alike have noted the general rise of anti-European, radical, and populist parties in recent years. While agreeing with these observations, this chapter demonstrates heterogeneous political outcomes across the European center and periphery. While the European Union is opposed by all radicals and populists, this phenomenon occurs for different reasons across the center and the periphery. In the center, radical and populist forces oppose the EU as a vehicle for association with the periphery for its perceived weakening of economic, national, and social foundations, which are seen as strained by bailouts as well as by mass migration. In the periphery, the radicals oppose the European Union as a conduit for capitalist exploitation by the core countries, which supposedly deny social support and impose austerity. Consequently, the core countries, concerned about their national achievements, tend towards right-wing radicalism and populism, while the peripheral countries, united in their economic and social problems, tend towards left-wing radicalism and populism. The economic dualization of Europe thus feeds a second, political, dualization

of radicalism, the implications of which are only beginning to be fully realized.

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