

Populism and the downfall of the European spirit: the price of economic convergence in the EU28

Abstract

Are we witnessing growing trends of economic convergence in the EU28 since the slow reprisal after the financial crisis of 2008? How did the European member States behave during the latter and how have convergence trends improved in the latest years? Have those trends had any impact on the levels of political fragmentation and stability of some European States? And most importantly, is this type of convergence the one which Europe needs in order to survive in the midst of ever-growing Eurosceptic sentiments?

While economically speaking we are seeing the rise of giants such as China and the USA in the world market, politically speaking the sentiment that would enable the United States of Europe to become a reality is all but homogeneously spread among the EU territories.

Through two analyses, one economic and one political, this thesis tries to uncover possible connections between the economic behaviors of different clusters (both geographical and historical) of EU States and their levels of economic convergence and political fragmentation and how this impacts the role of the EU in a globalized world.

For our first analysis, we utilized three main KPIs: time (ranging from 2008 to 2017), GDP per capita and GDP per capita annual rankings of all of the EU28 States. The study focuses on two main time periods: the crisis (2008-2013) and the recovery (2013-2017) for which the data is compounded and represented on Cartesian planes that allow us to establish if different types of economic convergence can be clustered, if they are continuous over time and if countries are either displaying convergent or divergent trends from the European average value of GDP per capita during a specific period. The data also provides us with a clear view of which countries perform better or worse than the EU average in terms of GDP per capita compounded annual growth rates.

This first study finds evidence that suggests the existence of a clear pattern of economic convergence mostly concentrated in the last five years (2013-2017) with a converging percentage of the EU GDP of 62%. Conversely, when looking at the crisis period of 2008-2013, the share of the EU GDP converging is only 27%. These results entail that for convergence to happen, it is necessary for the EU to be exposed to positive economic trends.

Another significant result of our study is the confirmation of the existence of a β convergence among the EU28, where the cluster of comparatively poorer countries is growing at faster rates when compared with the richer ones (such as France, the UK and all of Northern Europe) also thanks to EU Structural Funds. The Eastern European Cluster, composed by ex-USSR, Baltic and ex-Yugoslavian countries, exhibited overall positive comparative growth rates in their GDP per capita (primarily, but not only, during the recovery period 2013-2017).

There are some exceptions to economic convergence such as some comparatively poorer States; mainly the ones situated in the Southern European cluster of countries. Some of these countries, such as Spain and Portugal, managed to improve their performance during the recovery period, thus escaping from the cluster of systematical underperformers; others like Italy and Greece were not able to do the same. On the other hand, the only comparatively wealthier country which exhibits diverging

tendencies is Germany: maintaining a comparatively faster growth during the entire historical period and fueling an ever-growing divide between the State with the biggest European GDP and the rest of the EU28.

After having completed the first analysis, the focus shifts on the political implications of economic convergence and divergence from the EU average. This study takes into account electoral data collected from the five biggest EU28 States in terms of GDP: Germany, the UK, France, Italy and Spain during the two latest elections held during the time period which showed the most amount of convergence (2013-2017). These States all underwent very different behavioral trends in terms of economic convergence, giving us very heterogeneous scenarios to analyze. The main KPIs used were: political fragmentation, which we measured as the percentages of votes casted for Eurosceptic/anti-elite parties and economic trends (positive or negative) of the five States, which we identified as whether each country was growing more or less in terms of GDP per capita when compared to the EU average.

Our second analysis shows an existing relationship between the degree of political fragmentation and the economic trends undergone by each State mediated by different electoral systems. Proportional electoral systems amplified political fragmentation due to their high level of representation, while majoritarian electoral systems favored the maintenance of a country's status-quo because they tend to favor political stability over-representation.

Overall, we observed a decrease in support for traditional parties and, in some cases, their complete annihilation. The new populist parties reflect, somehow, citizens' gut feelings which see European values and institutions as one of the causes of the negative economic trends some States' exhibit. The countries that underwent such economic trends during the whole period of 2008-2017 (Italy, France and the UK) showed higher levels of political fragmentation, especially the ones with a proportional electoral system such as Italy. The latter had almost 50% of votes cast for Eurosceptic anti-establishment parties, with traditional parties which have become no longer relevant. People in the UK unloaded their frustration on the EU institutions rather than their own by voting to exit from the European Union in 2016; thanks to the UK's first-past-the-post system, political fragmentation was contained. France saw not only an increase in the latter but also the death of its traditional left-wing party, with an alt-right party as a runner-up in the latest elections.

Spain, which experienced a comparatively negative trend during the crisis, but a comparatively positive one during the recovery period, has maintained its traditional conservative party in power since 2011. There is evidence of some political fragmentation, also due to Spain's proportional electoral system, but not enough to "endanger" the popularity of traditional parties.

Germany, the only country with a comparatively ever-positive economic trend, has shown the least amount of political fragmentation among the five countries studied despite its proportional electoral voting system, even if the governing party has been slowly losing support.

Indeed, these analyses are just the timid tip of a much greater iceberg; introducing studies on the effect of the Eurozone States on economic convergence and on regional and intra-State differences of growth would allow for a more transparent view on the evolution of the comparatively weaker countries. Even more interesting would be to apply a multivariate analysis of convergence in our Cartesian planes, by taking into account different rates (not only GDP per capita) such as the ones of unemployment, literacy, population growth, etc. Also, it would be more complete to include the

different amount of migrant fluxes that each country has experienced in the last ten years, to paint a better picture over the increase in political fragmentation and polarization of some States.

What is most striking about the results of our two analyses is their implications in the European integration process and the perception that citizens have of the European Institutions and of the economic situation which their countries face.

The economic imbalances among States have created frictions that show in the way citizens cast their votes. The hypothesis of a Federal European Union might be the missing link to a more cohesive and collective European response to periods of crisis like the ones we witnessed in 2008, allowing for a less polarized outcome in terms of political fragmentation and Eurosceptic sentiments. A fully economically and politically integrated federation would also allow the EU to strengthen the reputation of its institutions and increase its critical mass in the international arena, presenting itself as a cohesive cluster of countries that not only share common economic and fiscal policies but also have given more power to their supranational government.

This thesis shows that, while there is an ongoing trend of economic convergence, it is still insufficient; this can be seen by looking at the deterioration of the political stability of many of the most influential players in the EU28 and the reducing weight of the European GDP on the world scale. These trends entail a need for not only a faster convergence among the EU28 but also a convergence to a higher average, which will not only enrich the poorer countries but also not frustrate the citizens living in the comparatively richer States.

In the long run, Germany's flee to the top may destroy other countries' incentives to converge. Refusing to converge and fostering growing comparative marginalization may tarnish the possibility for a truly politically and economically unified federation of States. The spirit of the EU, envisioned by men of great stature such as Shuman, Adenauer and De Gasperi, is now put at risk by two different perils: the one of a German single-State-led Europe, and the one that sees the cluster of converging States, especially the ones in the Visegrád Group. The latter may seem quite distant from what we would define as European values, mostly because of their nature of fairly recent and still evolving democracies which are still very much rooted in the idea of national sovereignty.

The wealthier countries are suffering from the non-sufficient growth trends, while the comparatively poorer ones that are growing faster do not fully abide by the European values, fostering national sovereign political forces. These problems are the result of the prioritization of the concept of nation-State over the process of European integration. In the case of the European Union, we are currently in a grey area, which does not allow for a fully democratized process, nor a deep type of integration. The main reason why Europe seems stuck, is Europe's failure to overcome the concept (or at least part of its powers) national sovereignty paired with its inability to create a multi-State leadership.

It is thus fundamental to pair the path to full economic integration with one of political integration of the EU28, in a process that encompasses the necessities of a multitude, rather than just two or three, of States. We are currently living in times where this kind of integrations might be our only hope in order to properly handle all the facets of globalization and to compete against world giants such as China and the US; nonetheless, we are witnessing the dismemberment of what us, as European citizens, should stand for and believe in. The most sizable challenge that younger generations now face is to protect the faint flame of what was once envisioned to be the main pillars of those ideas and values which sparked the creation of the European Union.