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Secular Divergence - Explaining Nationalism in Europe¹

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The doctrine of nationalism, hinging on a primacy of the cultural, civic or ethnic unit of one nation vis-à-vis other nations or other peoples, will continue eroding Europe's integration until its hidden cause is recognized and addressed. In order to do so, we must acknowledge a new powerful and pervasive factor of social and political change: divergence, within countries, sectors, jobs, or local communities.

The popularity of the nationalist rhetoric should not be underestimated. Nationalist parties present themselves as a response to the damages inflicted by globalization in terms of impoverishment and inequality. The rhetoric claiming that borders must be closed is simple and attractive. In fact, empirical evidence does not confirm a direct relation between open borders and impoverishment in Europe; there is also no univocal relation between economic inequality or stagnation and the rise of consensus for nationalist, or anti-European, parties. Finally, inequality seems to have increased more within countries than between them. None of the reasons underpinning the claims for closing borders seems watertight.

In this paper, I will offer a different explanation of the increasing unease in European societies leading to the popularity of nationalism: the development of two persistent social dynamics, the first making one part of society fear its irreversible decline and the second making another part of society willing to protect their increasing economic well-being. This is what I call “secular divergence”, affecting states, local communities, jobs or individuals.

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The change in the economy

We have always been used to considering poverty and inequality the moral barycenter of our social, political and religious culture and we knew, if we wanted, that we were able to counter them. This possibility was one of the main reasons why we praised democratic values and social coexistence. Capitalism and the opening of borders to trade were also part of an optimistic vision that would have led to defeating disparities, gradually aligning the living conditions of different regions and people. After opening borders, jobs, wages, social and individual preferences in the poorer regions would get closer to the level of the most advanced regions.

This was also the basis of the European idea, of the single market around which it was built, and of the convergence that in fact emerged between such different European countries and regions. But the market economy, the vehicle of free choice for multitudes, has changed in the last twenty years, a period in which globalization, technology and finance have produced the concentration of capital and skilled labor in individual metropolitan areas or single activities, towards which they draw the best resources from the peripheral regions. For the last two decades this has produced divergence rather than convergence.

In this perspective, the widespread unease in our societies should not be interpreted only as a problem of unequal conditions, but rather as one made of two tendencies perceived as irreversible, one towards secular decline, the other toward persistent superiority. Data do not show growing inequality in Europe, as represented in the graphs below. Nonetheless, geographical areas, tasks or sectors diverge like water currents and drag people adrift. Some parts of society become richer, more educated and more central, others poorer, ignorant and ignored. Sometimes the wrong school or neighborhood is enough to mark destiny, other times it is a praiseworthy desire for altruism or diversity. Human beings are taken off balance by the consequences of divergent destinies that escape individual and even collective self-determination. From the outside, we identify these currents only after the electoral results, when it is often too late for harnessing and make them a constructive factor. Moreover, we ascribe the new phenomena to conventional schemes, like inequality and national antagonism.

Inequality in Europe is less pronounced than in the US. In the graphs below, the distinct cross between the share of total income of the wealthiest 2% vs the poorest 50% in the US is not mirrored in the EU data. Source of the data: World Bank

Top 1% vs. Bottom 50% national income shares in the US and Western Europe, 1980-2016:
Diverging income inequality trajectories

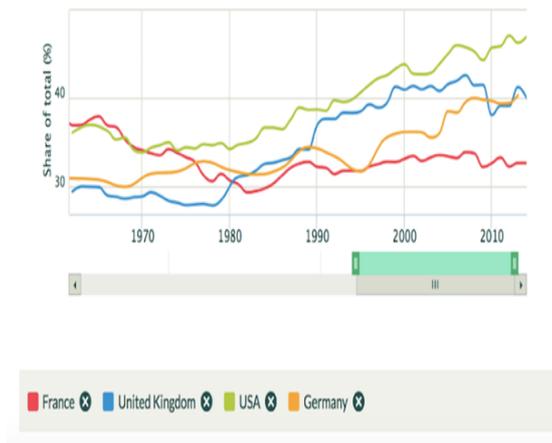


See our 1982 world (2017) and our 2016 world (2016) for data on other nations.
In 2016, 12% of national income was received by the top 1% in Western Europe, compared to 20% in the United States. In 1980, 30% of national income was received by the top 1% in Western Europe, compared to 11% in the United States.



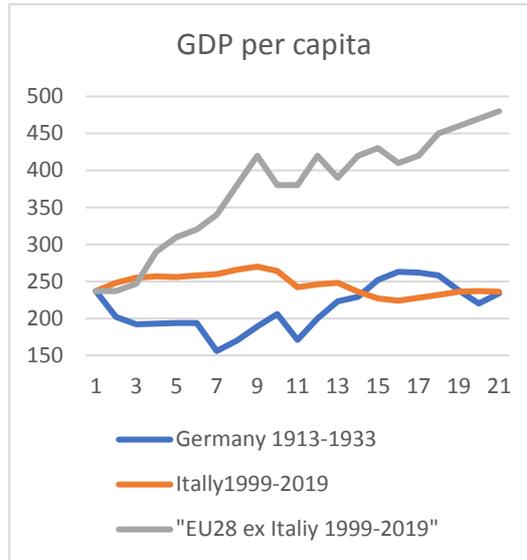
See our 1982 world (2017) and our 2016 world (2016) for data on other nations.
In 2016, 22% of national income was received by the bottom 50% in Western Europe.

In the graphs below, the French data on the share of total income of the bottom 50% of the population per income show a positive trend. This is significant once compared with the share of the wealthiest 2% in France vis-à-vis the Anglo-Saxon economies and, particularly, with the German income distribution. In the latter case, growing inequality has not generated consensus for anti-European parties, while in France low inequality has.

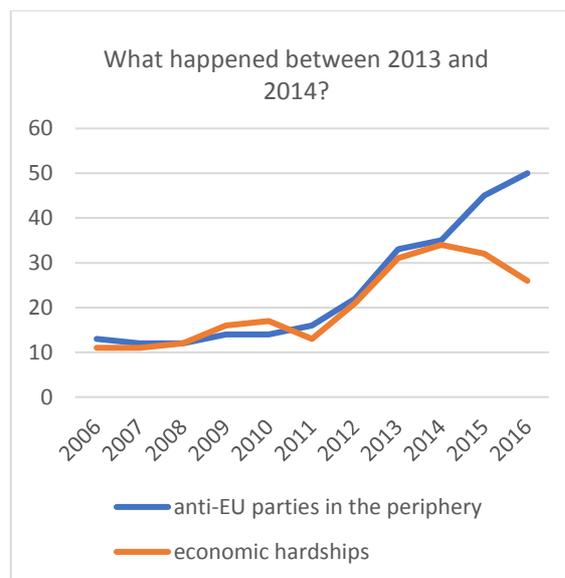


Different factors are at work

The surge of nationalism in Europe is often put in relation with long periods of economic stagnation. In the graph, Italy's 1999-2019 GDP stagnation shows similarity with Germany's between 1913 and 1933, although with much less instability along the period. However, over the last two decades, nationalist pulsion has emerged in the rest of the EU as well, although in most countries GDP per capita has grown remarkably strong.



The surge of anti-European (sovereignist) parties in the EU periphery has gone hand in hand with economic hardships (a composite index of unemployment, taxation and consumer confidence) triggered by the Lehman crisis and its European consequences. However, although after 2013 the economy recovered significantly in most of the countries in Southern Europe or at least stopped worsening, this did not generate a decline in the consensus for anti-European parties that, on the contrary, have grown much stronger in the following years. The peak in migration, and the political reaction to it, came much later, after Germany opened its borders to the Syrian refugees in September 2015.



What the data show is that economic stagnation, or economic hardships, are not the sole factors generating nationalism. It is evidently not true that nationalism has been emerging in the ailing economies only. So we need to understand better when we say that Europe is falling apart because while some countries (and not only Germany) are flourishing, Italy and others have been declining for decades. In fact, Italy itself is coming apart. The North remains wealthier than Scandinavia, while the South is now poorer than Portugal. Even Northern Italy fragmented. While Milan has grown into an attractive global metropolis, Turin is sinking. Looking closely, Milan is coming apart too. The Caritas centers see poverty growing faster at the city margins, while the rich display an unprecedented human distance from the poor in a city that has always claimed to be “with its heart in its hand”. The problem may not be Europe, or the rediscovery of the nation, but the new social factors dismembering society.

Divergence differs from inequality

Divergence is different from inequality because it refers to one’s projection of her/his own future. It is not an assessment of my present situation only, but the awareness of the personal (or collective) perspective as different from those of the rest of society. A simple example can give the depth of the difference between the inequality problem and the divergence one: if I am not happy with the current income distribution (inequality), I am likely to change my vote and to elect a new government; but if I do not see a future for my life, I want to make a revolution and I will probably vote for anti-establishment parties.

The sentiments of divergence may be invisible for traditional political analysis because they do not refer to the conventional inequality indicators, but they are daunting for individual citizens: fertility rates in low growth peripheral regions are 20% lower than the European average, while in the past they were historically higher. Half a million young Greeks moved abroad in the last decade, not strictly for poverty reasons, but seeking an adequate professional perspective. One in each eight Eastern Germans has moved West since the unification. One million Italians expatriated in the last eight years from the richer regions as much as from the poorer. Internal migration is less noticed than after World War II, mainly for the esthetic homogeneity of the young moving away from home, but it is not much different in size.

The political consequences are huge and puzzling at the same time. In Italy, where there is the greatest internal divergence in terms of work and personal security out of all developed countries, a self-defined populist government has adopted a nationalist language and a confrontational strategy towards Europe. The same confusion between local divergence and nationalist temptation occurs elsewhere. Often different levels of education coincide with geographic isolation and political solitude. It can happen in the French and British countryside, in the Eastern Länder of Germany, in Andalusia, in the American Midwest and Southeast, from the Rust Belt to beyond Appalachia, from Michigan to West Virginia, and in the rural provinces of Poland, Romania or Hungary: global suburbs, just when their inhabitants first felt connected with the entire planet - Ptolemaic victims of a denied right. Thus the frustration and revolt.

The consequences on democracy

We do not understand what's happening to us, because it's actually something new and it affects the credibility of democracy, the public discourse and its rationality.

The credibility of democracy suffers from a temporal contradiction. If it wants to, a government can correct inequality in just a few months changing tax levels and enacting redistributive policies. However, it takes many years, and sometimes decades are not enough, to correct the divergence, de-industrialization, obsolete knowledge or technologies. If this unprecedented temporal contradiction between the popular vote and the solution to problems is not made explicit, democracy, its cycles and even its language, will become worthless in the eyes of citizens.

In fact, divergence changes the language of society: as long as the problem was the defeat of poverty, political competition was between leaders - either Christian or communist, liberal or socialist - who could use, in alternative ways, the same rhetoric of good feelings and even of a universal community. But if the problem is divergence between states, regions, ethnic groups, jobs or individuals, then public rhetoric will aim to discriminate. Therefore, it must be aggressive, deprecating, dehumanizing. The change in the public discourse is one of the clearest features of the new populist leaders. From the political level, the same language trickles down to individuals through the interaction of new and old media. If discrimination is consistent with hitting back against divergence, then injustice caused to others becomes a necessary means to get justice. The objective observation of political costs and political benefits becomes secondary and truthfulness may be only an obstacle. Pulsion prevails over reason. In a few years the whole society changes.

The divergent subject

What we are witnessing is a process of such psychological intensity that not only is it completely different from the one inherent to inequality, but it has the power to change human personalities. It is much easier to heal inequality: if we want, we know how to do it by transferring income from the rich to help the poorest. But we do not know how to resolve a divergence that instead requires a substantial change of the divergent subject, area or state. While inequality sees the poor in the symbolic and central role of the figure that society is to compensate, divergence sees the loser only as an inadequate subject and as a marginal man, one who must change, deny and reform himself, if he wants to be admitted back into the heart of society. From a psychological point of view, the divergent subject does not represent much value and, if he has any, he seems destined to renounce it along with his own decline. The frustration is enormous, greater than that of those who are poor and morally embody a living denunciation of the whole society. In a certain sense the poor are the conscience and the heart of the community. For the man who is slipping towards the margins, instead,

especially if for reasons of insufficient education or autonomy, self-esteem is badly injured and it is often rebuilt by denigrating those who are even more marginal than him, the immigrant first of all, or other ethnic groups. Or by clinging to an abstract identity, primarily a national ideology, given that what is real and local (the genuine constituents of traditional identity) condemns him. Or, again, blaming the winners, disregarding their merits, skills or other functional qualities. Finally, and even more decisively, the structural and apparently ineluctable character of the divergence between winners and losers makes even groups of individuals or states that diverge in the opposite direction become aggressive, because they are better off, or more often they have only painstakingly found shelter and do not want to share it with poor people who will become increasingly poor. Inevitably, following these fears, a hierarchy of merit is created and what follows is a discrimination of the value of human beings.

Europe's hidden divergence

Europe's integration is based on the lowering of the internal barriers along the national borders. The rationale was that a single European market would allow for better resource allocation, higher productivity and stronger growth. Trade and factor mobility would also generate convergence, aligning labor and living conditions of poorer areas to those of the more advanced states. Once economic convergence was in place, individual and social preferences would also align, making political cooperation easier between different states and peoples. The expectation of convergence induced by open borders was grounded on a neo-classical vision of the economy² observing the decreasing returns of accumulative labor and capital. More recently, economists³ have taken into consideration the role of human and technical knowledge as new productive factors connotated by increasing marginal returns and consequently favoring the accumulation of those factors. A recent line of research⁴ maintains that lower transportation costs and increasing returns favor single cities or metropolises as production centers, although considering spill-overs that favor more marginal areas too.

The European experience, at a first general consideration, supports the idea that opening borders contributes to convergence among states. At a closer look, however, things can appear much different as national convergence is mirrored by local, sub-regional, divergence. Along the last two decades nations have indeed converged while sub-regional areas have diverged. In fact, the dynamics of European convergence vs divergence tells us a lot about shortcomings in political life centered in the exclusive relevance of nations.

In the graph below, I cross the curves of national fast convergence and local (sub-regional) even faster divergence based on Eurostat data. For the citizen, local divergence is obviously much more relevant, but harder to voice. In fact, until nations converge, local divergence remained irrelevant in the public debates

² Harrod-Domar, Solow, Baumol among others helped substantiate the relative analytical framework.

³ Lucas, Romer and others are usually referred as inspiring what is called "New Growth Theory" and showing the externalities deriving from the non-convexity of factors distribution

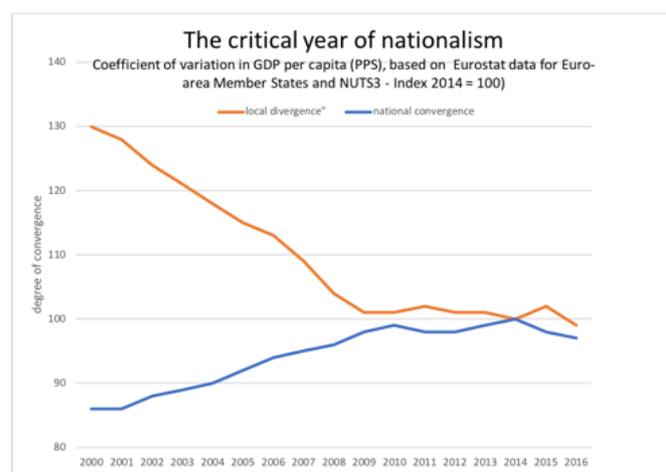
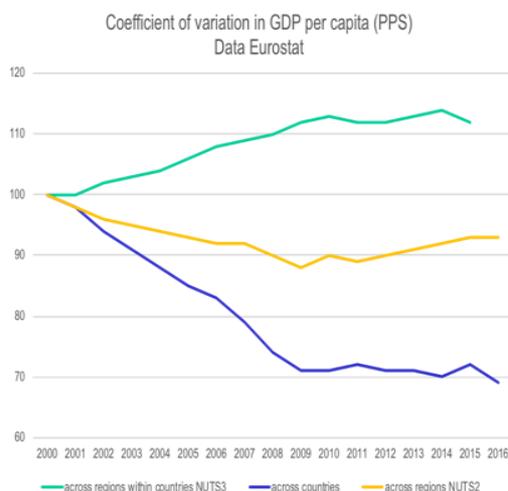
⁴ Agglomeration theory is often connected to Paul Krugman's work

which are national by their mediatic and political nature. Along the years of local divergence, mistrust was growing among the people, but rarely found a new political expression.

It was only when national divergence became also visible, as a consequence of the mismanaged euro-area crisis between 2013 and 2014, that the pent up local frustration turned into a, misleadingly sudden, brutal burst of nationalism. The period between 2013 and 2014 emerges as a critical juncture when the economy recovers, but social unease increases. As a consequence of the mismanaged euro-area crisis, Europe is rhetorically divided between North and South, creditors and debtors, defenders of fiscal austerity or of fiscal largesse. Moral terms like *sinners*, demanding or preventing solidarism, dictate policy choices.

The peak in migration, after Angela Merkel's decision to open borders in September 2015, is still far from coming. What happens instead is the awareness of a national hierarchy within Europe, between stronger and weaker nations, absorbing the voiceless local divergence mirrored in the available data but not in the national public discourse. Since 2013, local divergence, substantiating the quintessential populist claim of the people overlooked and abused by the elites, eventually found a more structured and familiar political manifestation rooted in the mediatic-political national theater and in the history of European nationalism.

In the graph below, Eurostat data on the coefficient of variation of GDP per capita shows the expected fast convergence process between EU member states. A much less pronounced convergence is visible at regional level. But once we consider the sub-regional level, the convergence disappears and a clear divergence emerges.



Once the national convergence is confronted with the sub-regional divergence, we see that the two processes reach their respective omega and alpha in the critical years of 2013 and 2014. At that juncture pent-up frustration with local divergence is vented by national divergence. Local unease had been thwarted in the public discourse by the rhetoric on national convergence and the greatness of European integration. In a relatively short time, people revolt against the elite-project by pro-Europeans and find expression in the newly

discovered victimization caused by national divergence. In other words, populism (local vs elite) becomes nationalism (nation vs Europe).

Finally, the dynamics of “people vs Europe” is much different from the one “people vs America”. While people’s revolt in the U.S. turns into a request of “make America great again”, in Europe it is funneled by the nation state and resolves into “Make Europe weak again”. In both cases nationalism is the answer, restoring hierarchies, but in the second case, nationalism’s destructive mandate is much clearer.

Divergence favors nationalism

The divergence I am trying to describe does not coincide with the obvious punctual inequalities. Not even only with “spacial” inequalities. It is rather a protracted sense of marginality felt by those who fear the unstoppable decline of their profession, community or family, and by those who instead protect a growing well-being. The projections of those trends in the future plays a central role, designing two completely different psychological horizons. We were used to expect low-income countries to grow faster than high-income ones. Now we are discovering that low-income regions can have lower growth than high-income ones. A protracted condition of “low income-low growth” changes the society. Students in Southern Italy grow not only poorer, but worse educated than in the North. According to a study published by the World Bank⁵ only 2 of the 45 European lagging regions have fertility rates above the EU average. Migration is depauperating human capital in the lagging regions, hampering any catch-up process. Technology endowment may deepen the divide, especially if the 5G architecture, for technical reasons, will be concentrated in metropolises rather than where active population is less dense. In 2030, for every ten citizens, five North Europeans will have higher education against only two Southern Europeans, the opposite image of the eras prior to the Enlightenment. The accumulated income gaps seem destined to widen and morph into cultural and human distance that can generate severe political consequences.

It is a drift that does not only cross geographical borders, but also human ones, within cities, groups and communities. In all that is margin or periphery, a sense of irreversible retreat increases. In those who instead feel themselves in a position of strength, a feeling of existential detachment from others is affirmed. The reactions coincide: we build walls; we discriminate, we watch unmoved as thousands drown in the sea; we separate children from their mothers; we choose political leaders who profess malice; the defeat of poverty is worth a party on a balcony⁶; we believe every lie if it suits us and if it is detrimental for someone else; we consider every suspicion to be wise and every generosity to be abusive. With the return of nationalism, divergence is becoming the political phenomenon of the 21st century.

⁵ Farole, Goga, Ionescu-Heroiu: “Rethinking Lagging Regions” – World Bank report on the European Union 2019

⁶ As happened when Italy’s strongest party celebrated the approval of a law “abolishing poverty” in September 2018.

“Fly over zones” are everywhere, even in the same buildings. But if we actually fly over Europe, we cannot remain indifferent watching the darkness surrounding the shining capitals that we all know. It is not necessary to challenge obscurity with prejudice: loneliness and loss are completely justified. The more we are isolated, the more our gaze is full of frustration. A world so divergent, imperfect, unbalanced and devoid of coordinates, seems to deserve only our cynicism. We feel the threat of a centuries-old decline coming towards us, we fear we are losing control of our future and that we must defend ourselves. So, we are captured by a spell that persuades us that reality in the end is not indecipherable, because there must be an enemy responsible for all our evil, and that we are not alone because what hurts us is also what tramples the dignity of an entire nation. The nation that understands us and is right around us. At that point, loneliness and emptiness are filled, but the rights of human beings become less important than those of the sovereign nation. Finally, when nationalism has stifled all doubt, captured every loss and made every emotion its own, individual freedom also becomes superfluous.

The three-pronged rise of nationalism

The tragic legacy of European Nationalism is often hidden behind the term “sovereignism”, a catchword for “taking back control”, “regaining sovereignty” and other plausible expressions of unease vis-à-vis the consequences of globalization and open borders. Sovereignism sounds less threatening than nationalism because it is not associated with a hierarchical vision of nations. Nationalism, on the contrary, explicitly endorses a primacy of one nation vis-à-vis the others. In fact, in the present interdependent world, more than anywhere else in Europe, even taking back control or not sharing sovereignty has relevant consequences on other countries: closing borders to migrants, disrespecting environmental laws, free-riding on fiscal rules, all these policies, aimed at taking back control, spill over well beyond the national borders in Europe. Since sovereignists put their policies’ consequences on other countries in second grade, they indeed imply a hierarchy between nations, just like nationalists.

The nationalist drift implies sacrificing the universality of rights, democracy and solidarity. But this does not happen with violence, as in the twentieth century. Nationalism is rooted in the social terrain in three ways: the first is a capitalism that no longer creates convergence, but divergence, between countries and within them, sometimes accompanied by processes of social disintegration and the disembowelment of democracy. The second is the authoritarian political position of the new leaders, which is communicated also through the new media, and revamps the idea of human hierarchies. The third is the subjective processing mechanisms that lead many of us to cling to authoritarian temptations when we feel we are slipping to the edge. The latter is the most complex and elusive phenomenon.

The individual mechanisms of response to threats are profound and not generalizable, but there are common features: the last thirty years have disoriented most of us and the last ten, marked by economic crises and political regressions, have often upset us. It will not be enough to look back with nostalgia. What we are facing

is the fact that for many Europeans and Americans, work, the future and life itself have become grounds for insecurity; and society, the family, active life - sources of solitude. But why did the malaise coincide with the decline in the values of democracy and the debasement of the people around us? Why has a demand for greater social justice, balance and commonality not increased?

The fears of individuals not to see their significance recognized, or to become poor, or to have to share a prosperity that seems precarious at best, experience precariousness call into question the categories of past centuries: where is liberalism's promise of well-being? Where is the declaimed solidarity of socialism? Why is the rule of law not enough to make my voice heard? Abandoned to themselves, individual aspirations seem to be wrecked. To neglect the subjective character of these fears means to reduce them to parody and crush them within populism, a real but indefinite phenomenon, ready to morph into nationalism. This happens precisely when inequality and divergence conflict: seeing policies for equality that did not favor them, the white Americans who felt they were declining voted for Donald Trump to eliminate Obamacare, the medical assistance that favored the poorest ethnic groups. When in Italy the Citizenship Income was introduced to reduce poverty, immigrants were discriminated against. In Berlin, it is believed that Hungarian leader Viktor Orban follows policies similar to those of the German social market economy, despite being based on ethnic discrimination. Justice and injustice mingle. Rightfully, we compensate the losers of globalization, but we do so mainly to mitigate the fears of "indigenous males" - even in wealthy countries without unemployment, such as Britain, Scandinavia or Germany - being surpassed in status, education, and well-being by immigrants, women or ethnic groups unconsciously considered "backward".

The next crises

The pressure is more serious every time history meets its breaking points. The global crisis and its long-lasting impoverishing effects⁷ have been the proof, if not the cause. Other crises - for technological, environmental, demographic, financial and political reasons - will aggravate the differences between countries and individuals in the future. Automation may not determine the end of work, nor open the way for a new Arcadia. However, its true traumatic effect will be a further increase in divergence: in broad terms a quarter of the jobs will be swept away by robots and a quarter of the workers will benefit from it. The most affected regions will be the same ones that today suffer most from globalization: the American Heartland and the European South.

Italy is exposed to all the risks: the demographic drift of one of the oldest populations in the world; African immigration that will be exacerbated by climate change; financial shocks that will weigh on the country's historical indebtedness; the automation of the many low-skilled jobs; and finally, a democratic instability that is already dangerous today.

⁷ Consensus for anti-establishment parties reacts to protracted periods of economic predicaments. In general, 18 months of higher unemployment or markedly lower growth are a standard reaction-time that democratic governments should take in higher consideration in the design of their political-economy

Europe devotes one third of its budget to regional cohesion (€350bn in the current seven-year budget). Its interventions are aimed at promoting faster growth of less developed regions. However, in the last decade regional divergence has worsened because of the self-feeding decline of low-growth regions. As said, it is much easier to transfer money and help poorer regions than to change structural problems in low-growth areas affected by deep technological, geopolitical, or demographic transformations. As Eastern European regions show, money is far from enough to win people to prevent nationalism. Brexit, rural France in revolt, Scandinavian or Eastern German xenophobia show that divergence affects also solid democracies and wealthier economies.

Preventing an authoritarian future

In order to avoid an authoritarian outcome, we may draw lessons of different nature: institutional, political, economic, and cultural.

First of all, from an institutional perspective, in Europe, a radical form of federalism bringing political awareness and accountability to the sub-regional, national and supranational levels may be indispensable to prevent local divergence from morphing into aggressive nationalism, as happened many times in the past centuries. The sub-regional level, closer to the people and mostly neglected by either national or European policies, must become a more present reason of common concern. Popular participation at that level, for instance through referenda, could take different forms from the electoral/representative system that should instead remain the feature of the national and European level.

Secondly, given that our societies may have to face profound social and technological transformations, political commitments that last longer than the current average electoral cycles may be required. Longer legislatures might be necessary to tackle secular social adjustments, challenging democracy as we know it. In such cases, constitutional defenses around the liberal rights of the individual must be built higher, given that insecurity arising from the adjustments may last for decades.

Thirdly, if local divergence is the preeminent problem, then cohesion funds need to be oriented not to the poorer regions only, but to the more divergent too. Measures of relative impoverishment might be used. Infrastructure may not be enough to solve a structural divergence that depends on more than local proximity. Digital skills, capital access and growth poles should enter the toolbox of American and European economic policy.

Fourthly, if agglomeration persists, a form of income transfer must be accepted. A Universal basic income could require a redefinition of individual “social-market-value” (a vision of the individual role in a social-market

economy) based on solidarity and on works beneficial to the community, given that the “market-value” of many workers will be wiped out by robots.

Fifthly, once non-market targets are acknowledged as important for society as a whole, a cultural commitment to democracy and liberal rights based on the above-mentioned constitutional principles must be adopted to prevent that, as in the past, social-values are captured by nationalists.

If all this is beyond our forces, then probably the most important thing to do is bring the problem of divergence to the daylight and debate it transparently, before everything will be so divergent as to make Europe explode.