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## Varieties of Ideology. Reassessing Europe's Open Society and Its Enemies in the Euro Area

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# Varieties of Ideology. Reassessing Europe's Open Society and Its Enemies in the Euro Area

Stefan Collignon and Davide Orsitto





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# Varieties of Ideology.

## Reassessing Europe's Open Society and Its Enemies in the Euro Area

Stefan Collignon and Davide Orsitto\*

### Abstract

The coherence of ideological narratives in the Euro Area is a necessary condition for the sustainability of the monetary union. Narratives shape political preferences and if they diverge persistently, cooperation between member states becomes impossible. We measure the evolution of ideological narratives in member states of the Euro Area over half a century in a two-dimensional space. In addition to the classical right-left cleavage, we define a cultural dimension that is inspired by Karl Popper's and Dumont's distinction between individualism and holism, i.e., between open and closed societies.

We find that ideological preferences, as expressed by people voting for party programs, have converged – but less so in the new member states. Thus, the institutional framework of the monetary union has contributed to greater ideological convergence inside the Euro Area while it is significantly weaker outside the Euro Area. However, since the end of the Cold War, most societies have become less open which makes cooperation between ideologically closed society more difficult.

Germany is the leader of a conservative group of member states, France of a progressive group. Both models are compatible with the Maastricht objectives of price stability and low public debt ratios, but only the French model of open society with social equality supports economic growth.

**Keywords:** Ideology, Euro Area, individualism, holism, right-left cleavage, preference convergence, economic growth, inflation, public debt

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\* Chulalongkorn, Bangkok, and Scuola Superiore Sant'Anna, Pisa, respectively. We thank Warin Chuchepchankamon and Arm Muadthong for excellent research assistance, and Vivien Schmidt, Peter Hall, Davide Viviano, and Simon Hix for helpful suggestions.

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# Varieties of Ideology. Reassessing Europe's Open Society and Its Enemies in the Euro Area

## 1. Introduction

The design of European monetary union is different from every other successful single currency in history since it is “disembedded from the broader social and political institutions needed to provide a solid and durable foundation for monetary union” (McNamara, 2015). The most important foundation of any institution is what people think in the long run – their values, beliefs, and convictions. Institutions are based on social consensus<sup>1</sup>, and ideological narratives provide the context for political choices. If collective preferences in the European Union are coherent, compromises between governments can be negotiated, but if ideological orientations diverge persistently, this will fail.<sup>2</sup> This is why ideological shifts in societies matter for the long-run sustainability of European institutions and especially for monetary union. As Moravcsik (2018) put it eloquently: “With greater diversity of national preferences and the politicization of European ideology, governments now face increasingly unresolvable contradictions between democracy and effectiveness. If leaders act on the expressed will of their citizens, the EU will remain gridlocked and ineffective. If they act against expressed public sentiments, the EU will be undemocratic. An increasingly unruly Europe can't have it all.”

Thus, if ideological narratives in the member states of the European Union diverge, the foundations of its institutions become shaky. In this paper we study the ideological evolutions in the Euro Area. Some degree of ideological heterogeneity is obviously part of any democratic system, but as Brexit demonstrates, in the long run incompatible ideological narratives are not sustainable. Hence, we ask: Is the evolution

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<sup>1</sup> See (Searle, 1995).

<sup>2</sup> (Collignon, 1990) has shown that the East African Community which existed between 1967 and 1977 failed because the ideological perspectives of capitalism in Kenya, socialism in Tanzania, and fascism in Uganda were incompatible.

of ideological narratives in member states of the Euro Area sufficiently coherent to prevent large-scale disruptions? In the early days of European monetary union, it was expected that its institutional framework would generate the convergence of economic policy preferences.<sup>3</sup> This leads to two further questions: If policy preferences are anchored in ideological narratives, is the coherence within the Euro Area stronger than between countries that do not share the same currency? Thirdly, what is the interaction between ideological narratives and economic convergence?

There is now a rapidly growing literature in political sciences on ideological cleavages in democratic multiparty systems. Most authors look at long-term changes in the political attitudes and shifts in the salience of economic and cultural issues, and the movement of political parties in the electoral space. They seek to explain what causes these changes, often relating them to socioeconomic variables.<sup>4</sup> These studies have provided significant insights into the trends and dynamics of political supply, but as Gethin, Martinez-Toledano and Piketty (2022, p. 43) have observed, “other sources and methods could be mobilised to broaden the historical perspective and stimulate new research in multiple directions”. This is what we shall do here.

Our paper provides a new perspective that is grounded in narrative economics. Shiller (2019, p. x) has argued that narratives can lead to fundamental economic changes which impact institutions. The fluctuations and differences in economies are “substantially driven by swirls of multiple narrative epidemics” whose impacts at times expand, at others peak, and then fade again. Shiller described the changing salience of such narratives as models of contagion “going viral” and he regretted that economists do not pay sufficient attention to this phenomenon. In this paper, we focus on ideological narratives which are put forward by political parties and their interaction with economic variables. This is narrower than Shiller's approach, but it

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<sup>3</sup> (Cameron, 1998); (McNamara, 1998); (Collignon & Schwarzer, 2003); (Kaelberer, 2004).

<sup>4</sup> See: (Gethin, Martinez-Toledano, & Piketty, 2022); (Hall, Evans, & Kim, 2023); (Rathgeb & Hopkin, 2023); (Evans & De Graaf, 2013), (Bornschiefer, 2010) (Caughey, O'Grady, & Warshaw, 2019); (Everett, 2013); (Hix, Noury, & Roland, 2006); (Hooghe, Marks, & Wilson, 2002); (Häusermann & Kriesi, 2015) (Klingemann H.-D., 1998); (Klingemann, Volkens, Bara, Budge, & Macdonald, 2006); (Zürn, 2019); (de Vries, 2017); (Häusermann & Kitschelt, 2023) and (Hix, 2023). For the thoughtful and comprehensive evaluation of the existing literature on ideologies, see (Schmidt, 2020, p. chapter 3). (Bakker & Hobolt, 2013) discuss the measurement of party positions.



allows a more detailed analysis of the impact of ideological narratives on economic outcomes.

We recognise that ideological topics can vary substantially over time, but we do not explain what causes these changes. Ideological narratives reflect positions in the ideological field, and voters express their political preferences in elections. The aggregate ideological position of a society is therefore *revealed* by the choices of all voters in national elections. We seek to evaluate the long run trajectories and relative positions of such representative narratives. In other words, we focus on the aggregate demand for policies offered by political parties and model the evolution of ideological narratives as a stochastic process.<sup>5</sup>

We contribute to the literature with four innovations. First, our framework to assess and compare the positions of political narratives is an *ideological field*. It is a two-dimensional vector space that spans political and cultural values in the narratives of political parties and shows their shifts over time. Second, in line with the recent political science literature, the political vector represents the usual right-left “economic-distributive” axis (Bakker & Hobolt, 2013), but we re-define the cultural dimension as describing narratives of open societies in the sense of Popper (1995). Third, most papers working with cultural dimensions refer to a small number of cultural components. We expand the number of content variables which constitute the cultural vector. This adds robustness to the analysis. Fourth, we abandon the assumption of orthogonality of the political and cultural vectors, because they are not independent. The cultural dimension is the context within which political preferences *make sense* for voters, while the political dimension also affects the cultural context.

In the empirical part, we draw on data from the Comparative Manifesto Project (CMP) and show that ideological positions in the member states of the Euro Area did converge, and this coherence is stronger in countries which share the same currency than those who remain outside. We also show clusters of ideological narratives among

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<sup>5</sup> However, in Annex I we discuss the construction, i.e., the supply side, of the ideological narratives and their context in the ideological field.

member states that would facilitate compromises in intergovernmental negotiations. We find that the ideological distances between most countries have narrowed since monetary union started. Yet, although ideologies in the initial group of West-European member states have become more coherent and homogenous, the enlargement of the European Union to Central and Eastern Europe has increased heterogeneity for the Euro Area of 19 members. Nevertheless, we identify a conservative cluster led by Germany and a more left-leaning group led by France. This supports the idea that the Franco-German axis is a necessary condition for the sustainability of the European integration project because consensus between the two governments requires narratives that are acceptable in most member states.

An overarching theme of this paper is the shift in the ideological orientation from an open to a more closed society. We define our cultural dimension by referring to Popper's and Dumont's distinction between individualism and holism. Individualism stands for an open society where individuals are free and equal in rights, and society supports their emancipation. Holism describes the subordination of individuals to communal values and hierarchy. These ideological orientations shape individuals' intentions when they vote and therefore provide the basis for the policies governments pursue. We would expect that a move toward more holistic positions will make governing the Euro Area more difficult. We find that West-European societies were more open and individualistic during the Cold War. A growing tendency toward holism is potentially undermining European integration because it promotes narratives favouring communitarian and nationalist identities rather than individualist pluralism and tolerance. This leads to the contradictory result that on the one hand European monetary union has become more robust because its ideological coherence has improved, but on the other hand all member states converge in the direction of holistic, closed-society narratives that make successful joint policy decision less likely.<sup>6</sup>

Shiller (2019) has made us aware that popular narratives motivate economic decisions,

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<sup>6</sup> See also (Parsons, 2015) and (Ioannou, 2011).

but the precise impact is not always clear. We focus on price stability, public debt, and economic growth, and measure the impact of ideological positions on these variables. We find that the effect on reducing inflation and public debt is compatible with both right-wing closed and left-wing open narratives. However economic growth is unambiguously supported by narratives of greater individualism and social equality, i.e., by open left-leaning societies.

The paper is structured as follows. We first define the ideological field with respect to its political and cultural dimensions in the theoretical part. In the second part we explain a country's ideological position based on CMP data and show the evolution of ideological positions in the European Union over time. The focus is on the Euro Area, but we also show data for non-euro members and the UK. Finally, in the third part we estimate several models for the impact of ideological narratives on economic variables, especially on price stability and public debt which are at the core of the Maastricht Treaty. The conclusion sums up and suggests avenues for future research.

## 2. Defining the ideological field

Our interpretation of ideology rejects the older approach whereby an ideology is a distortion of truth (Stråth, 2013)<sup>7</sup>. With Norris (2020, p. 698), we understand ideological narratives as a set of coherent statements about normative values that provide a moral vision of the good life, and a doctrinal framework and systematic set of beliefs for understanding the world. They also structure public debates, facilitate coalition building and mobilization around common goals, and allow political parties to offer voters coherent policy platforms. We will not discuss the growing literature of

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<sup>7</sup> Considering ideology as "false consciousness" (Lukács, 1923) gave rise to the "Mannheim paradox" which states that "when we try to understand contending ideologies that constitute a political field, and when we seek to test the possibilities for their realization in light of the historical developmental tendencies and political tensions, our construction of this context is itself informed by these ideologies" (Breiner, 2013). Thus, there is nothing testable. While the Marxist paradigm of false consciousness has lost appeal, the communitarian critique of (neo)liberalism and Fukuyama's *End of History* encounter the same difficulty. See (Sandel, 1984); (Sandel, 1996); (Benhabib, 1992); (Seligman & Montgomery, 2019). The Mannheim paradox is overcome when the analysis of ideologies "is not geared to directing or recommending political action, but to explain, to interpret, to decode, and to categorise" (Freedon, 1998, S. 3). We then analyse the effects of ideologies objectively.

political psychology that discusses political ideologies as moral commitments<sup>8</sup>. We assume that narratives originate in the minds of single individuals or in collaboration among a few people (Shiller, 2019, p. 71), but – at least in democracies – ideological narratives are advanced by political parties.

When individuals vote for a particular party, they effectively accept the narrative articulated by the party program as valid for action. They choose to support the ideological position expressed by the narrative put forward by the program. This approach justifies using the Comparative Manifesto Project (CMP) that analyses party manifestos before elections<sup>9</sup>. It provides data in a common framework covering over 1000 parties in over 50 countries from 1945 until today (Klingemann, Volkens, Bara, Budge, & Macdonald, 2006). They cover the longest available time series which is relevant for observing long-term shifts in ideologies. The CMP counts the number of quasi-sentences or sentences and allocates them into different categories describing support or opposition to policy issues<sup>10</sup>. These categories are our content variables in ideological discourses, from which we construct a new pair of indicators<sup>11</sup>. Each variable contributes to the overall meaning of the narrative. We interpret the frequency of mentioning of a content variable as the probability that it influences the meaning of the narrative. We weigh the aggregate probabilities of the narratives put forward by political parties by their electoral shares and this gives us the aggregate position of the ideological narrative of a country<sup>12</sup>. Hence, we use electoral party programs as evidence for different narratives and interpret the vote for a party as the voter's *revealed*

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<sup>8</sup> This literature is driven by moral foundations theory – (Haidt & Joseph, 2004); (Haidt, Graham, & Joseph, 2009); (Everett, 2013) – which assumes innate dispositions to our moral intuitions. (Smith, Alford, Hibbing, Martin, & Hatemi, 2017) tested this claim empirically and found little evidence that moral foundations are heritable. See also (Jost, Jack, Kruglanski, & Sulloway, 2003) and (Enke, 2020)

<sup>9</sup> *The Manifesto Data Collection. Manifesto Project (MRG/CMP/MARPOR), - Version 2020b.*

<sup>10</sup> A quasi-sentence is an argument, or verbal expression, of one political idea or issue. It may be an entire sentence, but more likely it is a part of a sentence.

<sup>11</sup> We take this number and divide it by the total number of words in our content variable. This gives us the weight of an ideological content variable. This accounts for (Lowe, Benoit, Mikheylov, & Laver, 2011)'s observation that the length of a party manifesto can distort the ideological position when the number of unaccounted categories increases. We did not use log odds as proposed in their paper.

<sup>12</sup> The aggregate for the Euro Area, as in Figure 2, weights national positions by the size of population.

*ideological preferences*<sup>13</sup>.

Because it is based on texts, the CMP method is consistent with our analysis of narratives. Yet, it is not without critique: see Laver (2001), (Volkens, et al., 2018), (Lowe, Benoit, Mikhaylov, & Laver, 2011), (Bakker & Hobolt, 2013). The main competitors to the CMP are mass surveys of voters, elite surveys of representatives, dimensional analysis of roll call votes in legislators, expert surveys of national party experts. The best-known alternatives are the Political Compass<sup>14</sup>, and the GAL-TAN<sup>15</sup> scale. However, when the indicators are based on self-evaluation or surveys by interviewees or hired experts (surveys and opinion polls), they are not independent of subjective judgements and are not reliable for cross-national measure (Everett, 2013, p. 2). Text analysis avoids the difficulties of subjective judgements (Murtagh & Ganz, 2014). Bakker and Hobolt (2013) have cross-validated the various measures based on party manifestos, party expert surveys, and voter surveys and found that despite the significant differences between the construction of the different measures of party positions, they provide very similar rankings of parties on left-right dimensions. We therefore will work with the CMP data.

## *2.1 The ideological field as a vector space*

An ideological field, which positions political preferences, consists of the set of all political narratives. The *content variables* are the components of the field's two-dimensional vector space. The vertical axis of the vector space stands for cultural values, the horizontal axis for the political and economic dimension. The ideological position of a narrative is a point represented by the linear combination of the cultural and political vectors representing the content variables. Annex I formalizes the bidimensional vector space.

Vectors have magnitude and direction. The vectors' magnitude is derived from the

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<sup>13</sup> The economic analogy is consumer demand theory which assumes that actual spending reveals consumers' preferences for certain goods. Hence, and contrary to the question asked by many political scientists, we are not asking how ideological beliefs shape voting patterns.

<sup>14</sup> <https://www.politicalcompass.org/>.

<sup>15</sup> (Kawecki, 2022), (Hooghe, Marks, & Wilson, 2002).

frequency of half-sentences in the political party manifestos. The salience of the content variable for the ideological narrative is the relative share of their mentioning relative to all (half-) sentences. We interpret this relative share as the probability that the variable contributes to the meaning of the party's narrative.

Political debates are characterised by ideological cleavages (Rokkan, Kuhnle, Flora, & Urwin, 1999), which means that cleavages can be described by vectors. The cleavage in the political dimension is best-known as the opposition of Left and Right. Political parties and their ideologies are placed on a linear scale, as in the Hotelling law, and left and right point into two opposing directions<sup>16</sup>. We assign positive values to the content variables describing economic freedom to the right and negative values describing social equality to the left. Thus, the zero point stands for centrist ideologies.

We add a further cultural dimension characterised by the cleavage of individualism and holism, as described by Popper and Dumont<sup>17</sup>. These two positions also point in opposing directions, with individualism taking positive values pointing upward and holism taking negative values pointing downward. Thus, a position on the political axis is determined by the difference of right-wing minus left-wing probabilities in the party programs and of individualism minus holism in the cultural dimension. At the zero point the dimensional vectors intersect; all variables balance out, and we have the pure centrist position of ideological preferences.

To construct our ideological field, we assign content variables to the dimensional axes. Some content variables have simultaneous significance in the cultural and in the political context. They therefore serve as components in both dimensions, and we regroup them into four sets as shown in Annex I and Figure 1. Why did we choose this assignment of content variables? No doubt, individual allocations can be disputed, but we believe that by using many content variables, the overall picture represents the

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<sup>16</sup> (Hotelling, 1929); (Caughey, O'Grady, & Warshaw, 2019); (Klingemann H.-D. , 1998). The left-right classification goes back to the French Revolution and the seating arrangements adopted by revolutionaries and aristocrats at the first meeting of the Estates General in 1789. In the Westminster Parliament of the 17<sup>th</sup> century, the supporters of the King were also sitting to the right of the speaker's seat. Thus, originally the divide was a choice between revolution and reaction.

<sup>17</sup> (Popper, 1995); (Dumont, 1980); (Dumont, 1986)

normative affinity of most narratives discussed in the literature.

Traditionally, the Left is associated with (social) equality and the Right with (economic) freedom<sup>18</sup>. The CMP database, initially constructed the one-dimensional RILE scale with references to Tradition, Freedom and Security on the right side and State Intervention, Welfare and Peace on the left (Budge, 2013). For Koopmans and Zürn (2019), the Right defends free markets and minimal state intervention and the Left a strong state and political regulation. But the Right is also characterized by conservative notions of authority, hierarchy, order, duty, tradition, reaction, and nationalism, while the political Left is characterized by "ideas such as freedom, equality, fraternity, rights, progress, reform and internationalism"<sup>19</sup>. Yet, some left-wing narratives are also authoritarian or nationalist; some right-wing discourses are internationalist or claim fraternity. This is confusing because the one-dimensional ordering does not articulate the relation between individuals and the collective, and this blurs the distinction between open and closed societies. Adding additional dimensions overcomes this problem<sup>20</sup>.

## *2.2 The second dimension: cultural context*

As the landscape of political parties in most democracies has become more fragmented and more polarised, other dimensions besides right-left have become increasingly important, and two-dimensional cleavages are now well recognized by political scientists. We add to this literature by re-connecting ideological narratives to two traditions in political philosophy: individualism and holism.<sup>21</sup> We believe that these

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<sup>18</sup> Bobbio (2016) was aware that this one-dimensional classification was leading to inconsistencies, and he sought to overcome the confusion by distinguishing between extremists and moderates on the right-left scale. But this is messy, too, for where is the line separating extremists from moderates?

<sup>19</sup> (Heywood, 2015) . Political conservatism as motivated social cognition integrates theories of personality (authoritarianism, dogmatism, intolerance of ambiguity), epistemic and existential needs (for closure, regulatory focus, terror management), and ideological rationalization (social dominance, system justification) (Jost, Jack, Kruglanski, & Sulloway, 2003).

<sup>20</sup> As (Häusermann & Kriesi, 2015) put it: "the traditional Left-Right economic dimension (state intervention vs. market liberalism) needs to be reconceptualized in the context of welfare state maturation (Pierson, 2001) and postindustrialism (Esping-Andersen, 1999), and in the light of theories on the institutional configuration and rationale of capitalist regimes, such as the varieties of capitalism literature (Hall & Soskice, 2001)". (Bakker & Hobolt, 2013) construct an analytic model with four dimensions.

<sup>21</sup> For an overview of these philosophical traditions see (Lukes, 2006), (Macfarlane, 1978). (Constant, 1819) articulated the distinction between these value-sets as the "liberty of the ancients and the

two concepts are broadly based and rely on many content variables. They include many of the ideological positions discussed by other authors.

The broadest distinction of cultural cleavages is between ‘universalism-communitarianism’ (Bornschieer, 2010), ‘cosmopolitanism-communitarianism’ (Zürn, 2019)<sup>22</sup>, ‘cosmopolitanism-parochialism’ (de Vries, 2017), and universal-communal (Enke, 2020). Early contributions referred to material security/hierarchical values versus post-material lifestyle issues (Inglehart, 1971), or spoke of a ‘new politics’ (Franklin 1992), authoritarian-libertarian (Kitschelt & McGann, 1995), or GAL-TAN (Green/Alternative/Libertarian versus Traditionalist/Authoritarian/Nationalist; see Hooghe et al. 2002). Bakker and Hobolt (2013, p. 37) sought to capture the struggle between libertarian and authoritarian values. Hooghe, Marks, and Wilson (2002) observed a ‘transnational cleavage’<sup>23</sup>, and Rohrschneider and Whitefield (2009) distinguished between pro-welfare/nationalism versus anti-welfare/internationalism in the European context. Hix et al. (2006) added a pro- and anti-European dimension. More recently, these broad distinctions were narrowed down. Kriesi, Grande, and Dolezal et al. (2012) focused on ‘integration-demarcation’, and Hix (2023) defined four “ideological types”: Left-Liberal (pro-redistribution and pro-immigration/LGBTQ rights); Right-Liberal (anti-redistribution and pro-immigration/LGBTQ); Left-Traditional (pro-redistribution and anti-immigration/LGBTQ rights); Right-Traditional (anti-redistribution and anti-immigration/LGBTQ rights). Hall et al. (2023, p. 4) anchored the cultural cleavage in socio-economic categories, “between blue-collar and white-collar workers, often ascribed to the reaction of blue-collar workers against the extent to which more educated employees have embraced cosmopolitan (or

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moderns”. (Tönnies, 2001 [1887], pp. 17-19) called the organic conception of holism *community*, and the arrangement where individuals “live alongside but independently of one another” *society*. (Berlin, 2002 [1957]) has described positive liberty as holistic and negative liberty as individualistic (Collignon, 2018). Post-modernism has been the philosophical pathbreaker for the reevaluation of holistic narratives in contemporary society.

<sup>22</sup> Koopmans and Zürn (2019) focus on borders for the distinction between cosmopolitanism and communitarianism. This allows them to focus on globalisation versus nation-state democracy and immigration versus preservation of traditional culture.

<sup>23</sup> Hooghe, Marks, and Wilson (2002) argued that the “GAL-TAN, i.e., green/alternative/libertarian (GAL) versus traditional/authoritarian/nationalist (TAN)” cleavage is the most general and powerful predictor of party positioning on European integration issues.



postmaterial/universalist) values”.

The political psychology literature distinguishes conservative from progressist narratives. Conservatives value authority, law and order, security, traditional morality, and the preservation of collective identity. Progressists emphasise the emancipation of individuals and the role of the democratic state as an instrument for the social integration of individual preferences. Enke (2020, p. 3680) has condensed these components into moral intuitions of harm/care and fairness/reciprocity which are “universalist” values while concepts related to ingroup/loyalty and authority/respect are “communal”. “Universalist” values apply *irrespective of the context or identity* of the people involved. This is what Popper described as individualism in open societies, and he opposed it to holism, which defends “communal” or “particularist” values, such as community, loyalty vs. betrayal, respect, and tradition, which are tied to groups and collectives. Dumont (1980) has pointed out that because holism is the subordination of individuals to a collective, it can only function with hierarchy. Holistic narratives therefore necessarily favour some form of authoritarianism, and this creates the context for populist discourses. The core difference between individualism and holism is between an ethics of universal human concern versus loyalty to the local community.

An open society, Popper argued, combines democracy and individualism (p. p. 171), so that individuals can judge and choose the purpose and direction of their actions. Such a society enables a plurality of narratives that open a multitude of collective destinies. Different narratives coexist next to each other – liberal and egalitarian, democratic and authoritarian, etc. This pluralism defines liberal democracy as the space in which ideas freely compete for the recognition that makes them worthy of action. By contrast, in closed societies, communitarian pressures, adherence to identity discourses, and (in the worst case) authoritarian rulers set the norms to which individuals must surrender. This is the ideology of political holism<sup>24</sup>. Dumont (1980)

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<sup>24</sup> Popper traces holism back to Plato and shows it to be the narrative of the enemies of open societies. It is important, however, to distinguish this political dichotomy from methodological individualism and

has shown that holism is the dominant ideology in traditional societies, but he insists that the norms of individualism and holism always coexist in all societies<sup>25</sup>.

Historically the ideology of individual liberty and equality was anchored in the economic pro-market practices that were opposed to the hierarchical monarchism in England or France. Benjamin Constant (1819) framed this as the liberty of the ancients and the moderns. However, the tension between liberty and equality, between economic freedom and social redistribution, soon overshadowed the conflict between traditional and modern narratives. It was to the merit of Karl Popper, Louis Dumont, and Isaiah Berlin to have re-emphasised the conflict between individual liberty and collective submission<sup>26</sup>.

### *2.3 Positions in the ideological field*

How do we measure the value of narratives in the ideological field? Developing the methodology of earlier works (Orsitto, 2020), we measure them as follows: the position on the political dimension represents the difference between right-wing/freedom and left-wing/equality values (F-E), and on the cultural dimension it represents the difference between open society/individualism and closed society/holism (I-H). Table A1 in Annex I shows the assignment of content variables to the two dimensions. Some content variables appear in both dimensions. Dumont (1986) has described this overlap as “ideological articulation”. For example, positive views on democracy appear under left-wing equality and in the open society/individualism bloc. More about this below and in Annex I.

In Figure 1 we have labelled the two open society quadrants above the zero-line as *open liberalism* (I) if they are leaning more to freedom on the right, or *social liberalism* (IV) if they emphasise equality more strongly. Below the zero line we find the

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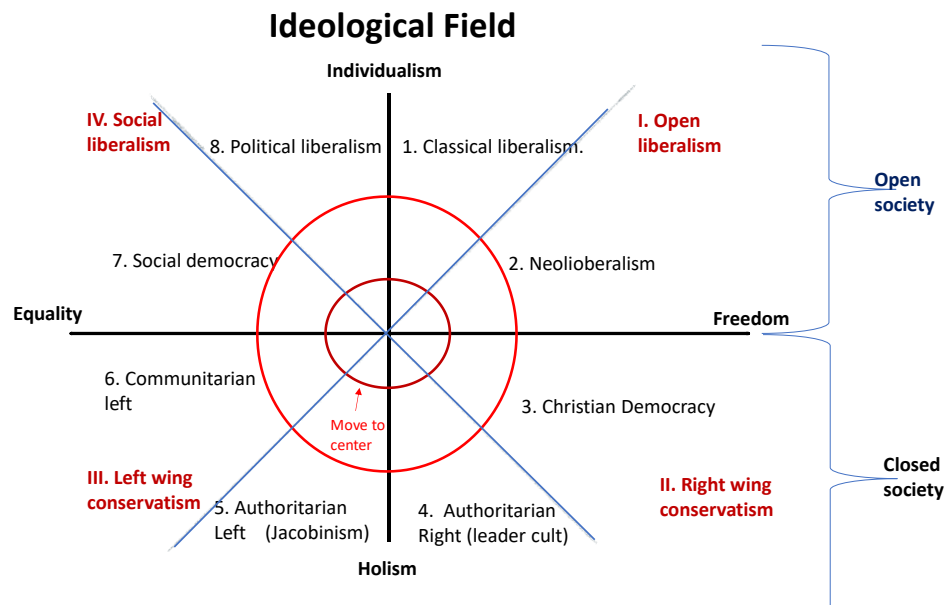
holism. For a discussion of methodology see (Dahlback, 1998), (Buchanan & Tullock, 1962), (Fodor & Lepore, 2004).

<sup>25</sup> (Dumont, 1986). For Popper (1995) individualism meant valuing the intrinsic moral worth of an individual. It did not imply selfishness or utility maximisation at the expense of others. Society (the “whole”) had the function to serve individuals’ emancipation, the development of their creative capacities. By contrast, holism “valorises the social whole and neglects or subordinates the human individual to the collective” (Dumont, 1986, S. 279).

<sup>26</sup> (Collignon, 2018); (Berlin, 2002 [1957]).

narratives of hierarchical, closed societies, some leaning more to the freedom of authoritarian leaders, which is right-wing conservatism (II), others to the equality of collective standards called left-wing conservatism (III).

**Figure 1. Partitions of the ideological field**



This classification can be further fine-tuned by assessing whether one dimension has a higher weight within one quadrant than the other. Above the zero-line, individualism dominates in open societies. On the right, classical liberalism gives greater weight to individualism than neoliberalism, which is compatible with greater authoritarianism<sup>27</sup>. On the left, political liberalism values individuals more than equality<sup>28</sup>; social democracy as an ideology focusses on citizens as individuals with equal rights. Below the zero-line, political holism dominates. Christian democracy as an ideology subordinates individual freedom to traditionalist order<sup>29</sup>. With left-wing conservatism, individual freedom is constrained by communitarian consensus in a closed society. Hard-core holism is hierarchical and authoritarian. On the right, it advocates the role of authoritarian leaders who are free to do what they want, and on

<sup>27</sup> For example, Milton Friedman (1987) called General Pinochet in Chile a “political miracle”.

<sup>28</sup> See (Rawls J. , 1996) and (Rawls J. , 1999).

<sup>29</sup> We refer to social democracy and Christian democracy as ideological narratives and not as party names.

the left, the submission to hierarchy and repression is justified as service for social welfare. This is the ideology of Jacobinism<sup>30</sup>.

## *2.4 Non-orthogonality and the ideological evolution as a stochastic process*

Many second-dimension variables in the recent literature lack coherence over time. For example, ecology or LGBTQ rights were not important policy topics in the 1970s. Given that party programs change from one election to the next, we interpret the probabilistic content variables of ideological narratives as discrete random variables which generate ideological positions as a stochastic process. However, because we interpret the salience of content variables as the probability of impact, the rise of new topics implies the reduction of others.

For this reason, and contrary to the literature, we abandon the assumption of orthogonality of the political and cultural vectors as this would imply that the meaning of the cultural and political content variables is independent of their context. We agree with Wittgenstein's philosophy of language that this is not justifiable. For Wittgenstein, composition and context were both essential in understanding linguistic meaning (Janssen, 2012). The point for our discussion here is that there is neither sense nor meaning in the *isolated* half-sentences of political party programs. The meaning of ideological narratives is composed by different political discourses (right-left, individualistic-holistic, etc.) but it is not independent of their context. Our non-orthogonal vectors map this interdependence of the components of narratives. This can be formally tested. Annex I shows that the covariances between many content variables are not zero, which formally proves that the two vectors are not orthogonal. Thus, an ideological narrative combines the sense of abstract political discourses with the meaning that is embedded in the context. This context is formed by concrete subjective experiences, such as the desire to achieve specific intentions or to act in support of a party program. This anchoring of narratives in practical experiences

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<sup>30</sup> "Jacobinism can be summarized as immediate and collective political action committed to the realization of an egalitarian but abstract socio-political ideal of citizenship through strong and centralized state institutions" (Tassopoulos, 2013, p. 59).

shapes the cultural dimension of our ideological field. For instance, when a right-wing political discourse combines statements on free market economy with economic orthodoxy and law and order, the law-and-order reference is the context in which free markets can allocate resources efficiently. However, a free-market discourse would have a very different meaning if it stood in a context of traditional morality. In Annex I we show, for example, that law and order is negatively correlated with traditional morality in Germany but in France with corruption.

The fact that narratives are anchored in practical experiences<sup>31</sup> justifies models for reducing ideologies to socio-economic categories, such as class, gender, age, employment, education, etc.<sup>32</sup> However, the narrative context is broader than these categories. Other factors influence the salience of ideological narratives as well, and all categories interact with each other. This explains how they can go viral, which means their salience first increases rapidly and then declines<sup>33</sup>. Robert Shiller (2019, S. 3) has defined narratives as “contagious popular stories that spread through word of mouth, news media, and social media”. They become contagious when people feel personal ties to other individuals, or groups of individuals, that stand at the root of the story. Political parties generate such narratives and compete for recognition, and when the probability of acceptance exceeds the probability of rejection (or oblivion), the narratives go viral<sup>34</sup>. Like an epidemic, they then spread from person to person, some as short-term fads, others as lasting stories everyone believes. When narratives become prevalent, they establish social preferences, but even these do not last for ever. Yet, over time some narratives will become gradually less exciting and lose their power to unify social preferences. Their salience diminishes again.

## *2.5 Empirical evidence for ideological narratives.*

We now look at the empirical evolution of political narratives in the Euro Area. Figure 2 shows the ideological field of the Euro Area in aggregate. Annex II depicts the

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<sup>31</sup> Habermas (1981) would have called them life-worlds.

<sup>32</sup> (Hall, Evans, & Kim, 2023); (Evans & De Graaf, 2013); (Hix, 2023).

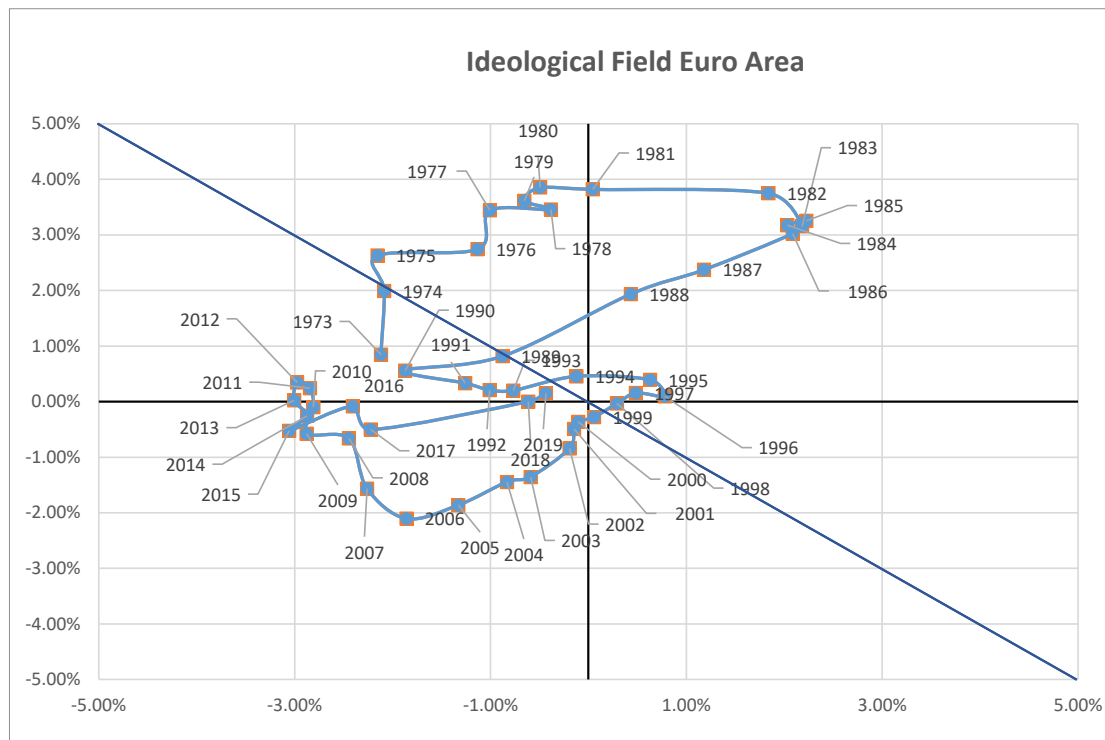
<sup>33</sup> Annex I shows the salience of the five largest content variables for France and Germany over time.

<sup>34</sup> On the dynamics of narratives going viral, see (Shiller, 2019) and his Annex for the math.

evolution for each member state separately. Five features stand out.

First, we note the high degree of centrism: all values of the aggregate Euro Area are within a range of +/- 4 percent. This contrasts significantly with the United Kingdom, as we shall see below.

**Figure 2. The aggregate European field**



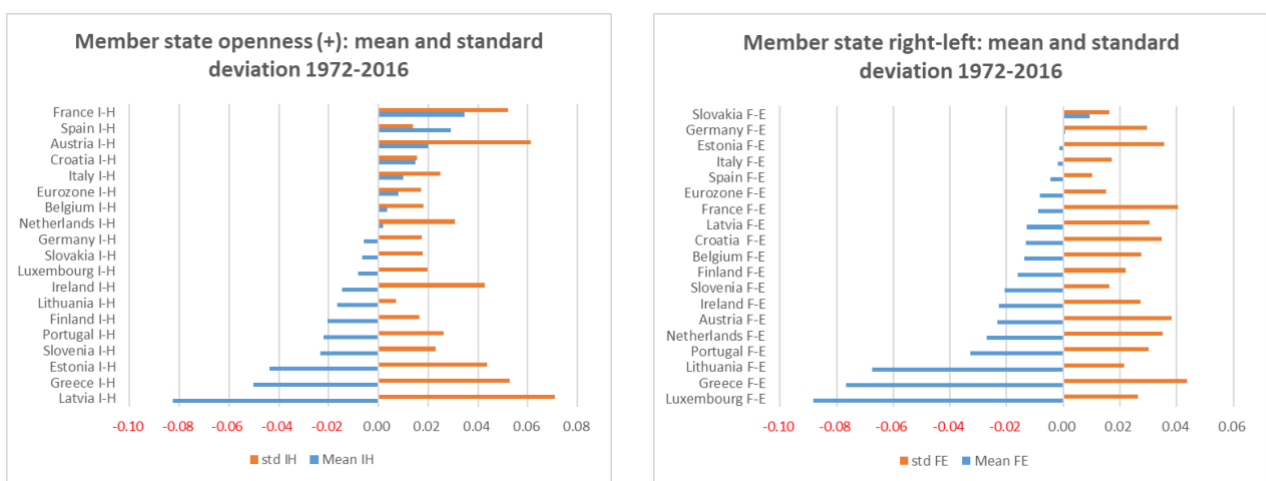
Second, during the 1970s, the old Western EU member states, which later joined the euro, opted for political liberalism in a left-leaning open society. They moved to the right in the so-called neoliberal era of the 1980s (Centeno & Cohen, 2012), although according to our classification, the dominant ideology was not neoliberalism, but classical liberalism. In the 1990s, European societies revealed the highest degree of centrism. However, in the new millennium, the cultural narrative shifted from an open to a closed society, while the average policy consensus moved to the left. The initial Jacobinian flavour<sup>35</sup> mellowed to more communitarian left-wing views in the second decade.<sup>36</sup>

<sup>35</sup> This is the period when the referendum on the European constitutional Treaty failed.

<sup>36</sup> Ecological concerns became more salient. (Hall, Evans, & Kim, 2023) show the shifts of ideological positions of occupational groups in an aggregate of eight advanced industrial countries (Britain, France,

Third, significant differences have existed between member states for over half a century (see Annex II). For the full 1970-2016 period, only eight out of 19 countries classified as open; most countries were leaning to a very small degree to the left (Figure 3). Only Germany and Slovakia took an average position to the right, but their values were very close to the centre. The political narratives have been more volatile than the cultural narratives: the standard deviation is higher, and so are maximum and minimum values. These statistics say little about changes, trends, and dynamics, which we discuss below.

**Figure 3**



Fourth, the changes in ideological narratives were unequally distributed. Table 1 lists the number of years in which either the cultural index signified an opening, or the political index moved to the right. Italy most frequently moved to holism but nevertheless kept its centrist position. On balance, Germany, Belgium, Austria, and the Netherlands have opened the most; France, Greece, Estonia, and Slovenia have most frequently moved to the right. Latvia is an outlier in all respects, closing and turning right at the same time<sup>37</sup>.

Germany, the Netherlands, Norway, Sweden, USA) and observe a shift in the period 1990-2006 from right to left and from traditional to cosmopolitan values. Our indices are broader and confirm these tendencies for political preferences in France and Germany, but not for Italy and the Netherlands and not at all for the cultural dimension. See Figure 3.

<sup>37</sup> As Annex II shows, all Baltic states are right-wing and holistic. (Kachuyevski, 2017) found that the Baltic states are torn between diffuse identities, policies of inclusion and exclusion, and competing normative ideological orders. Within this context, Latvia sticks out because of “the tension between Latvia’s stated commitment to European norms of democracy and human rights, and its policies that

Table 1<sup>38</sup>

Distribution of ideological changes							
	Number of years				Number of years		
	Increasing I-H (opening)	observations	percent		Increasing F-E (right wing)	observations	percent
Italy I-H	10	47	21.3%	Latvia F-E	7	26	26.9%
Latvia I-H	6	26	23.1%	Portugal F-E	17	41	41.5%
Slovenia I-H	10	29	34.5%	Spain F-E	18	43	41.9%
Croatia I-H	10	27	37.0%	<b>Euro Area F-E</b>	20	47	42.6%
Ireland I-H	17	44	38.6%	Austria F-E	21	48	43.8%
France I-H	18	45	40.0%	Ireland F-E	20	44	45.5%
Slovakia I-H	11	27	40.7%	Croatia F-E	14	27	51.9%
Finland I-H	20	48	41.7%	Finland F-E	25	48	52.1%
Spain I-H	20	43	46.5%	Belgium F-E	26	49	53.1%
<b>Euro Area I-H</b>	23	47	48.9%	Netherlands F-E	22	41	53.7%
Estonia I-H	12	24	50.0%	Luxembourg F-E	16	29	55.2%
Greece I-H	21	42	50.0%	Italy F-E	26	47	55.3%
Lithuania I-H	20	40	50.0%	Germany F-E	27	46	58.7%
Portugal I-H	24	41	58.5%	Lithuania F-E	25	40	62.5%
Luxembourg I-H	17	29	58.6%	Slovakia F-E	18	27	66.7%
Germany I-H	27	46	58.7%	France F-E	31	45	68.9%
Belgium I-H	30	49	61.2%	Greece F-E	29	42	69.0%
Austria I-H	30	48	62.5%	Estonia F-E	17	24	70.8%
Netherlands I-H	27	41	65.9%	Slovenia F-E	21	29	72.4%

Fifth, the end of the Cold War was a watershed. The single European market was completed, and the Maastricht Treaty agreed on European monetary union. China joined the WTO in 2001. Ten new countries joined the EU in 2004 and seven countries subsequently adopted the euro<sup>39</sup>. This was the biggest single enlargement in terms of people and countries. All these developments represented significant shocks and Europe became more closed and more left-wing.

The shift towards less open, holistic societies pervaded all countries. It started in the new member states and became prevalent after the introduction of the euro. The new member states initially sought more openness during the separation process from the Soviet Union but as soon as they had joined the European Union, holistic nationalism dominated. This affected the old member states profoundly too. The direct impact from the new Eastern member states on the cultural ideology index was not large – except in 1998, 2010, and 2013. See Figure 4. This throws some doubt on the validity of

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have resulted in an exclusionary polity. The inconsistency between European Union (EU) norms, which are based upon an integrative model that is essentially post-national, and Latvia's nation-building policy, which is designed to (re)construct a Latvian nation-state, has exacerbated regional tensions that have persisted despite more than two decades of Latvian independence and full integration into the European order".

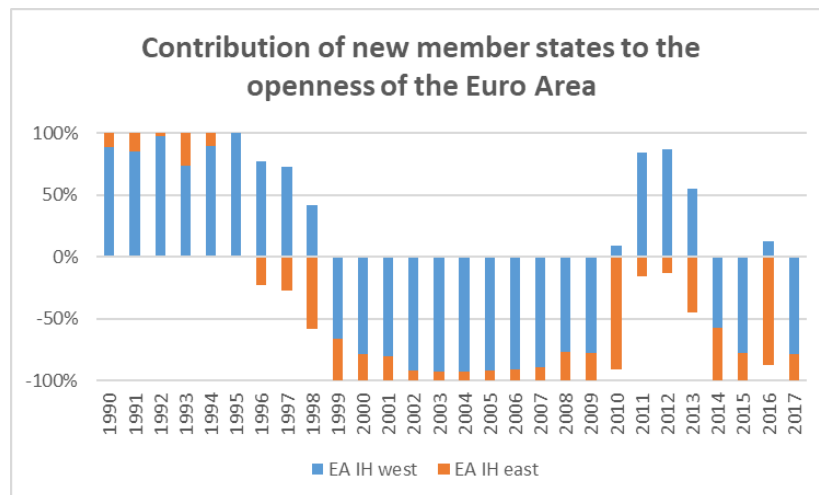
<sup>38</sup> File: EA IH,FE 2023.10.12 Checked Long Time Series

<sup>39</sup> The new member states joining the euro were Estonia, Cyprus, Latvia, Lithuania, Malta, Slovakia, and Slovenia. The Czech Republic, Hungary, and Poland joined the EU but not the euro. Bulgaria and Romania joined the EU in 2007, Croatia in 2013.



the belief that “the process [of enlargement] encourages democratic and economic reforms in countries that want to become EU members and promotes greater stability and prosperity in Europe”<sup>40</sup>.

**Figure 4<sup>41</sup>**



Holistic narratives became more dominant after monetary union started. The ideological content variables reveal that narratives about market regulation, protectionism, and law and order became more salient (especially in Italy). The increased sensitivity towards market regulation and protectionism was part of the debate about the governance of the Euro Area; law and order and national identity issues were related to labour mobility<sup>42</sup>. Both are components which we classify as holistic. Yet surprisingly, the Euro debt crisis (2009-15) shifted Europe back to more open societies. 14 societies out of 18 moved in the direction of individualism; in four countries the change was temporary, while only four others became durably more closed. Presumably, the risk of losing the freedom of an open society was more clearly perceived during the crisis.

<sup>40</sup> <https://www.consilium.europa.eu/en/policies/enlargement>. Accessed 15.10.2023.

<sup>41</sup> File: Warin 2023.10.12 Checked LT Series ok norm/east west.

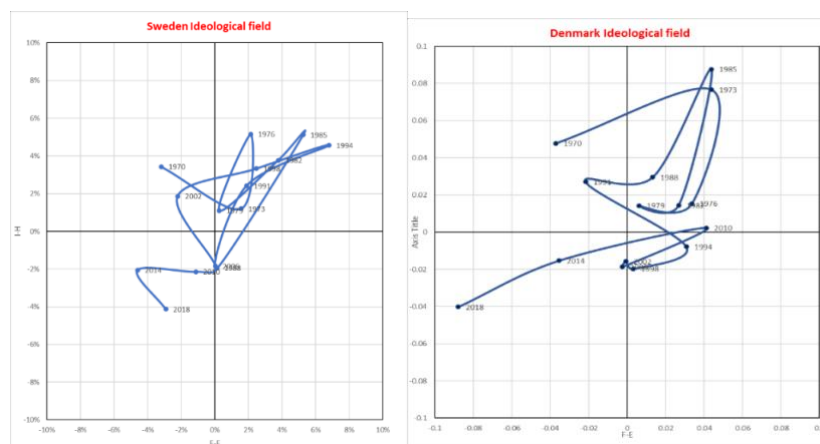
<sup>42</sup> (Van Der Brug & Van Spanje, 2009); (Esposito, Collignon, & Scicchitano, 2020).

## 2.6 Non-Euro member states

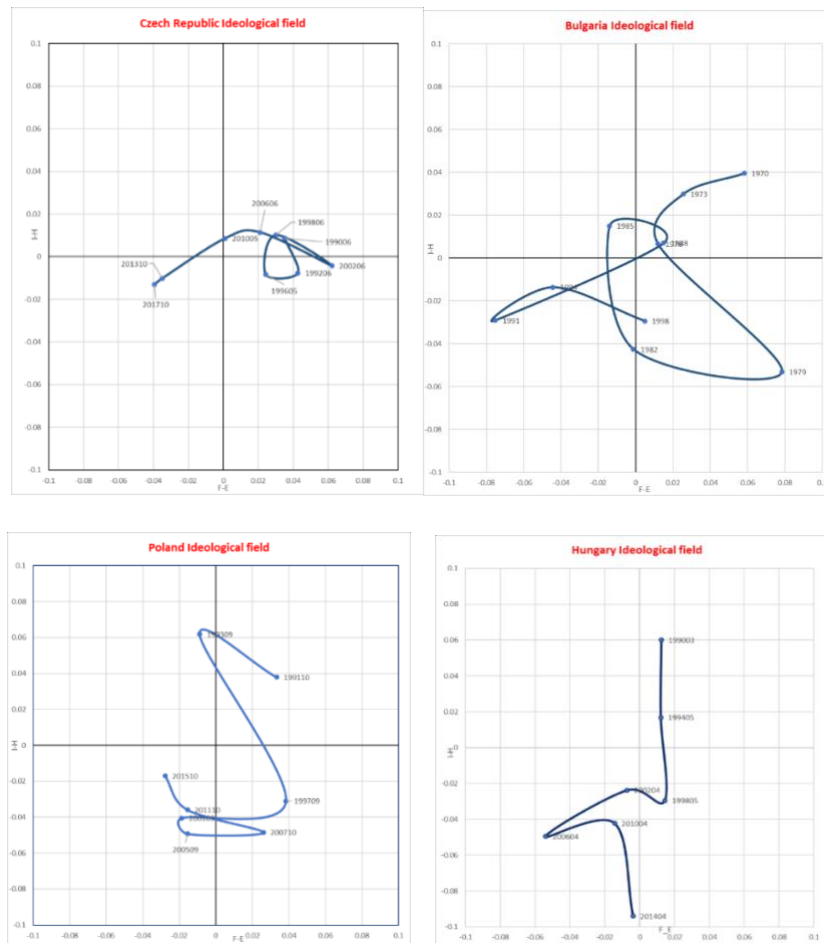
Convergence of policy preferences is important for the European Union as a whole, as Brexit has proven, but for the Euro Area it is indispensable for a coherent macroeconomic policy stance<sup>43</sup>. Despite their commitment in Maastricht to form a monetary union, not all member states of the European Union adopted the euro. Is this lack of monetary integration reflected in the ideological positions of non-euro member states?

As Figure 5 reveals, the ideological narratives in non-euro societies diverged more than those inside the Euro Area. While Scandinavia was in line with the Euro Area, the cultural closing of society after joining the EU has been dramatic in Hungary, Poland, and Bulgaria. The Czech Republic, by contrast, has mainly oscillated between right and left. These countries are not economically integrated by the single currency, and they are not governed by a coherent monetary policy or bound by policy rules like the Stability and Growth Pact. For the purposes of this paper, we therefore consider the non-Euro Area countries as outliers.

Figure 5.



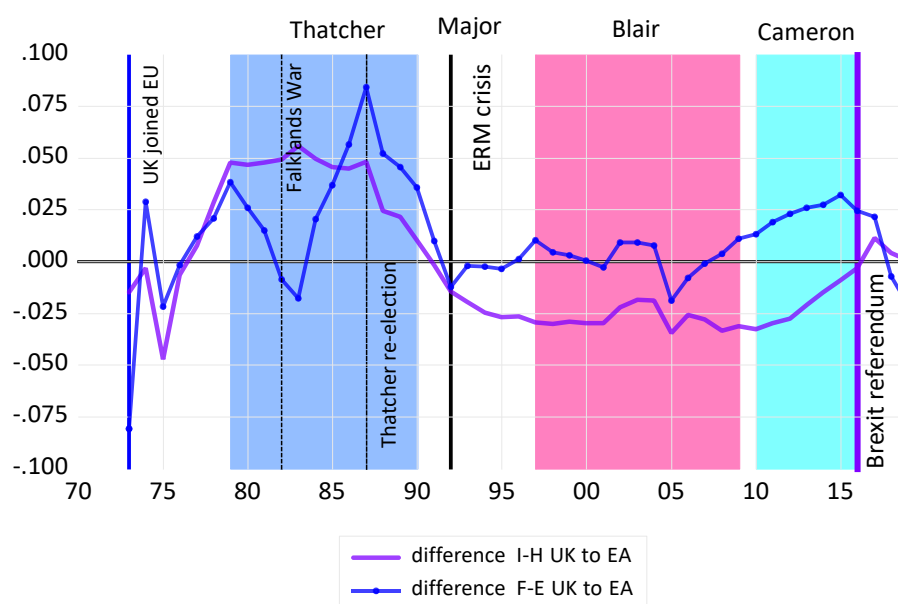
<sup>43</sup> Our discussion of policy convergence does not address the debates of the 1990s on whether economies had to converge to a singular system of capitalism. See (Crouch & Streeck, 1997); (Garrett & Lange, 1991); (Hall & Soskice, 2001). We focus on the convergence of narratives which influence policy preferences of voters and decision makers. Hence, our contribution is closer to narrative economics than to political institutionalism.



Brexit is the most dramatic manifestation of ideological divergence. Figure 6 pictures the persistent ideological gap between the United Kingdom and the Euro Area aggregate. Relative to the Euro Area countries, the UK was significantly more to the right and more open during the Thatcher years than in the quarter century thereafter. In the early period, the political gap between Britain and the EU narrowed, but the Falklands War generated right-wing narratives. Yet, after Thatcher's re-election, political narratives moved to the left, and British society also became less open. This was largely a backlash against Thatcherism, for the most important content variables in the holistic narrative of our database were addressing the welfare state and inequality. Under Blair, these topics gained even more salience, while others, like political authority, became less relevant. Brexit occurred when the general ideological context had become more holistic and the UK was politically more to the right.

Figure 6

## Ideological gap between UK and Euro Area



### 3. Ideological convergence

Economic convergence was one of the preconditions for the creation of European monetary union. Before monetary union started, economists debated whether Europe was an optimum currency area, but policy debates called for the convergence of policy preferences for a stable money supply. On the one side, “fundamentalist” economists argued that what was necessary for joining the Euro Area was preference convergence to low inflation, responsible fiscal policy, and stable interest and exchange rates. On the other side, “monetarists”, many in France and Italy, argued that having the same currency would force the convergence of preferences and ultimately of economic performances. They believed institutional framework would transform public opinion, and lead to the convergence of political preferences<sup>44</sup>.

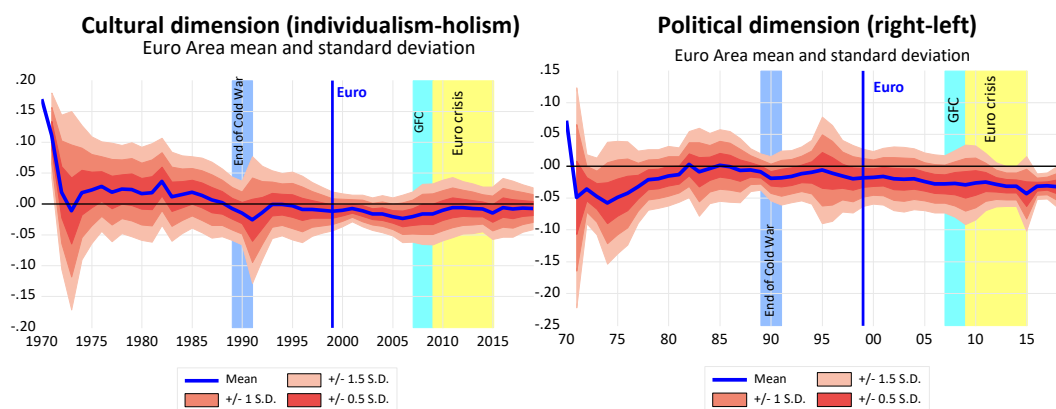
#### 3.1 Aggregate measures of convergence

While observing economic convergence is straightforward, measuring ideological

<sup>44</sup> (DeGrauwe, 1996); (Dyson & Featherstone, 1999); (Collignon & Schwarzer, 2003).

preferences is more difficult. We look first at aggregate measures of convergence and their dynamics, then at individual member states. Figure 7 shows the probability band for the standard deviations around the mean for the cultural and political indices<sup>45</sup>. It confirms the watershed from open to closed societies and from right to left at the end of the Cold War; for both indices the mean dips into negative values in the 1990s.

Figure 7<sup>46</sup>



The noise around the cultural dimension was generally larger during the 1970s. It was muffled in the 1990s but increased again in the 2000s when the new member states from Central and Eastern Europe joined the EU. Political preferences in the Euro Area societies were to the left, except during the 1990s. By the time the Soviet Union collapsed, economic liberalism was well accepted, but diversity flared up when new member states joined the EU. During the Euro crisis, most Europeans seemed to agree (the noise subsided) that more social equality was needed.

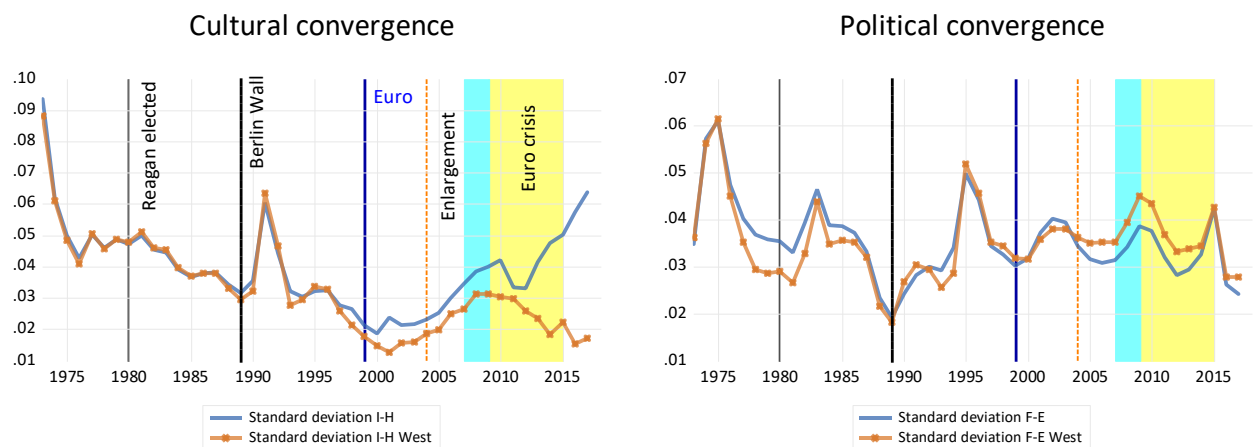
The destabilising impact from EU-enlargement is even clearer when we separate the standard deviations of our indicators between the old member states and the total Euro Area in Figure 8. Cultural dissent increased significantly with enlargement but not political dissent, which fluctuated cyclically. With the new member states joining in 2004, the revealed preference for open societies became more heterogeneous. The noise around open and closed societies was lower for the Western group than for the

<sup>45</sup> The mean is the unweighted average for the member states of which we have data in a given year. The Euro Area aggregate is the population weighted mean.

<sup>46</sup> File: new full set with gaps, mean\_sd.

Euro group in total, but when we include the new member states the dissent has increased in the decade after the creation of the new currency. Nevertheless, the Euro crisis had a sobering effect for the old member states, and ideological discourses converged again.

**Figure 8. Standard deviations of cultural and political ideological positions<sup>47</sup>**



The big picture indicates a stable cultural and political consensus, with larger deviations coming from very small member states, mostly in the east<sup>48</sup>. The enlargement of societies with very different ideological backgrounds makes the governance of monetary union through intergovernmentalist unanimity fragile as long as small member states can block the majoritarian views.

### 3.2 Dynamic shifts in ideological positions

Peter Hall et al. (2023) asked whether the convergence to ideological consensus may explain the rising support for populist parties which we classify as holistic<sup>49</sup>. We answer the question by estimating a dynamic model for the Euro Area where we relate ideological positions to the noise around the mean. The noise, measured by the cross-

<sup>47</sup> File: convergence ea benissimo\_long\_short\_eu\_time\_series/convergence\_2x2.

<sup>48</sup> The cultural variance in the Euro Area is largely driven by the holistic narratives in Latvia and Estonia. The peak in 1991 reflects the very populist narratives during the general elections in Greece. The larger deviations from the European policy consensus are largely due to the political preferences in Greece during the Euro crisis, and to a lesser extent to Luxembourg's growing egalitarianism.

<sup>49</sup> Pippa Norris (2020) has questioned whether populism is a genuine ideology. We consider that it is one of several articulations of holism, because the typical populist cleavage of us against "them" is used to create the identities of specific "wholes" which are then subject to hierarchical order. This is the opposite of individualism, where every person is considered free and equal in rights.

country standard deviation, is a sign of dissent – the opposite of consensus. We wish to know whether the two ideological narratives of individualism-holism (I-H) and freedom-equality (F-E) and the noise around them influence each other. A negative shift of the I-H position would indicate a move to more holistically closed societies, which is characteristic of populist narratives. A negative shift on the F-E index implies more left-wing positions, a positive coefficient a move to the right. The time series for the two dimensions and their noise are cointegrated, so that we can estimate an error correction model that measures the short-term correction from a long-run equilibrium (see Annex III). The existence of such an equilibrium indicates that over the long run every ideological position is compatible with some noise, but excessive noise is corrected over time.

It turns out that the adjustment is rather slow and works mainly through changes in the cultural dimension. The impulse response functions indicate how our four variables respond to the shock of one standard deviation. Table 2 summarises the results<sup>50</sup>.

**Table 2. Impulse response functions**

<i>Case</i>	<i>from</i>	<i>to</i>	<i>coefficient</i>	<i>significant</i>
1	M(FE)	M(IH)	+	8 years
2	M(IH)	M(FE)	+	yes
3	M(IH)	sd(IH)	-	yes
4	M(FE)	sd(IH)	-	yes
5	sd(IH)	M(IH)	-	4 years
6	sd(IH)	M(FE)	-	6 years
7	M(IH)	sd(FE)	0	no
8	M(FE)	sd(FE)	0	no
9	sd(IH)	sd(FE)	+	no
10	sd(FE)	M(IH)	+	no
11	sd(FE)	M(FE)	0/+	no
12	sd(FE)	sd(IH)	0/-	no

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<sup>50</sup> M(FE) stands for the mean freedom-equality position, M(HI) for the mean of individualism-holism. Sd(.) refers to the standard deviation, hence for the noise around the mean. A low value for sd(.) indicates high consensus.

First, we observe the interdependence of the mean ideological positions for the cultural and the political positions. A move to the right will increase individualism, and a more open society increases economic freedom (cases 1 and 2). Second, shifts to more individualism or more economic freedom will lower narrative noise in the cultural dimension (cases 3 and 4), but not in the political dimension (cases 7 and 8). Third, an increase in noise in the cultural dimension will shift the mean ideological position toward holism and the left (cases 5 and 6). Fourth, all other shocks have no significant effects.

We conclude that low noise (high consensus) about cultural issues increases the likelihood of open societies and left-leaning political narratives. Hence, like Hall et al. (2023), we reject the hypothesis that high policy consensus has caused a higher acceptance of (right-wing) populist discourses. If, however, the Euro Area has moved on average toward more holism and to the left, the reason is not narrative consensus. There are other factors at play, which we analyse in section 3.

### *3.3 Individual member states' performances*

Another way of assessing the heterogeneity of ideological narratives is to compare the position and evolution of individual member states. For this purpose we calculate the z-score which normalises a country's data relative to the standard deviation of the Euro Area aggregate<sup>51</sup>. When country  $i$ 's ideological position does not deviate from the Euro Area aggregate, the z-score is zero. A coefficient equal to 1 indicates that the deviation corresponds to the standard deviation. Hence, a coefficient of 2 describes the confidence interval of 95% around that average. Hence, a normalised position larger than 2 reflects a large degree of heterogeneity.

We distinguish again between the pre- and post-Cold War period and add, to make the analysis more comprehensive, some non-Euro countries, including the United States. Figure 9 shows the z-score for member states before 1992. The heterogeneity of

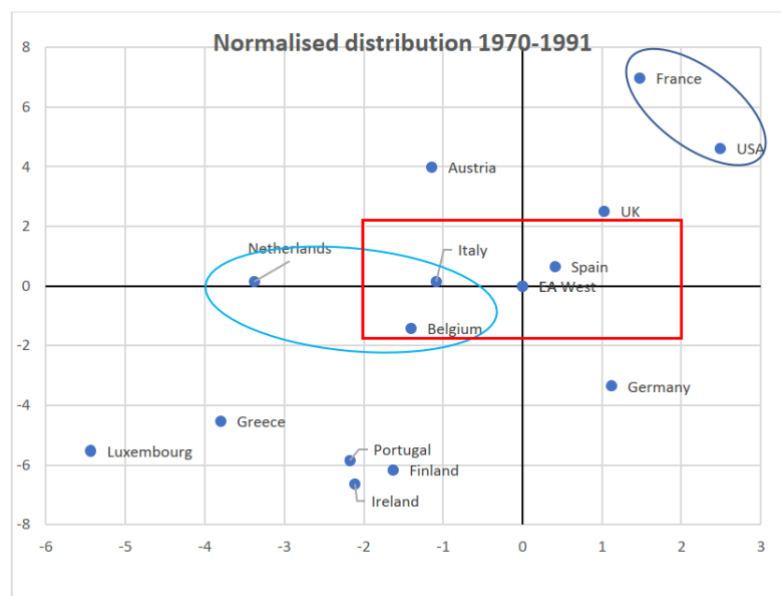
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<sup>51</sup> The formula is:  $v_i = \frac{x_i - \mu_{EA}}{\sigma_{EA}}$ , where  $v_i$  is the position of country  $i$ ,  $x_i$  is the observed variable,  $\mu_{EA}$  is the average of the Euro Area and  $\sigma_{EA}$  is the standard deviation.



narratives was high. Only Italy, Spain, and Belgium stayed within the 95 percent confidence interval. All other states deviated far more from the average. Hierarchical cluster analysis measures the distance between observed variables and then bundles them into clusters of relative resemblance. Surprisingly, we find that France and the United States shared similar ideological preferences of classical liberalism, and so did the UK and Spain. The Netherlands, Italy, and Belgium were left-leaning centrists. The cluster Luxembourg, Greece, Portugal, Finland, and Ireland shared inclinations for bureaucratic or authoritarian left-wing orientations. Germany, Spain, Austria, and the UK did not form a cluster with other countries. Germany was the most conservative country and Austria under SPÖ-chancellors was the only country with preferences for political liberalism.

**Figure 9. Normalised ideological position 1970-1991<sup>52</sup>**

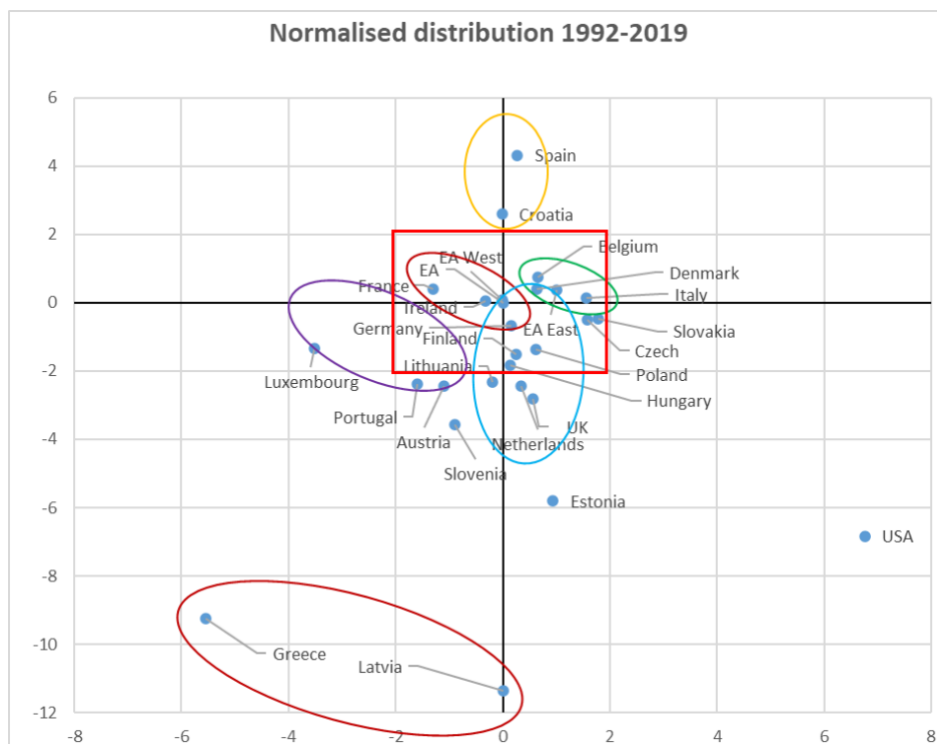


This changed after 1992. In Figure 10 twelve countries have converged into the 95 percent confidence interval. Greece remained a diverging outlier, joined by Latvia. Luxembourg, Portugal, Austria, and Slovenia remained outliers, but narrowed their distance to the average. Spain diverged by opening society far more than the Euro

<sup>52</sup> Warin 2023.10.12 Checked LT Series ok norm/norm table charts.

Area, which we saw had become more holistic. Spain and Croatia were the most open societies, standing outside the 95 percent confidence interval. Germany remained a holistic right-wing country but came much closer to a centrist position. It was joined in its conservative inclinations by the UK, the Netherlands, and Finland, as well as by the new member states Poland and Hungary, which fell on average into the 95 percent confidence interval; but as Figure 5 shows, these last countries radically changed track by adopting the holistic narratives of closed societies. The Czech Republic and Slovakia were the only member states with a Christian democratic orientation. Austria remained on the left, but dramatically shifted to a holistically closed society. A closer look into the data reveals that this strong identarian shift in Austria reflected the aggressive discourse by the FPÖ in favour of the national way of life, traditional morality and against multiculturalism. This may have been a response to the uncertainties and the influx of refugees from neighbouring Yugoslavia during the 1991-2001 war.

**Figure 10. Normalised ideological position 1992-2016 (Z-score)**



Figures 10 and 11 (below) show the static position of Euro member states before and after the collapse of the Soviet Union. We conclude that the political consensus in Europe has become stronger with the “ever closer” institutional framework since the Maastricht Treaty. The EU is a more centrist society than it was before the single market, monetary union, and the many treaty changes and governance reforms that were put into practice, but of course, the past is no guarantee for the future. Still, given that the foundation of European integration is the economy, we will now question to what degree the ideological positions reflect economic factors.

## 4. Economic consequences of ideology

If the institutional framework requires convergence in economic policies, how much political autonomy will individual member states preserve? To answer this question, we first regress a panel of economic variables on our ideological indicators and then invert the process in a second step and estimate the impact of ideology on the economic convergence variables stipulated by the Maastricht Treaty.

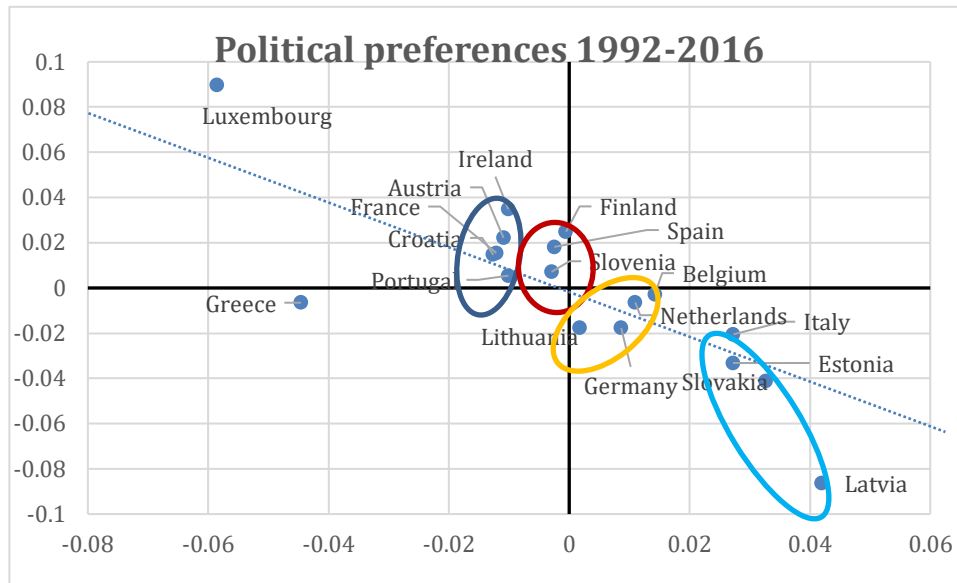
### *4.1 Economic determinism and political autonomy*

Table 3 shows the regression results and Figure 11 the scatterplot of the cross section fixed effects. The first fixed effect residuals for each member state measure how much national ideological narratives deviate from what is determined by economic integration.

Table 3<sup>53</sup>

<b>Method: Panel Least Squares</b>			
Sample (adjusted): 1975 2019			
Periods included: 45			
Cross-sections included: 18			
Total panel (unbalanced) observations: 448			
<b>Dependent Variable:</b>			
	<b>I-H</b>	<b>F-E</b>	
Coefficient			
<b>F-E</b>	0.549686 **		
	<i>Std. Error</i> 0.047556		
	<i>t-Statistic</i> 11.5588		
	<i>Prob.</i> 1.07E-26		
<b>I-H</b>		<b>0.47232 ***</b>	
	<i>Std. Error</i>	0.040862	
	<i>t-Statistic</i>	11.5588	
	<i>Prob.</i> 1.07E-26	1.07E-26	
<b>GDP pc growth</b>	<b>0.358426 ***</b>	<b>-0.16105 *</b>	
	<i>Std. Error</i> 0.100657	0.094485	
	<i>t-Statistic</i> 3.560872	-1.70455	
	<i>Prob.</i> 0.000416	0.089094	
<b>Government spending/GDP</b>	<b>0.08983 ***</b>	<b>-0.01003</b>	
	<i>Std. Error</i> 0.019102	0.018207	
	<i>t-Statistic</i> 4.702554	-0.55105	
	<i>Prob.</i> 3.60E-06	0.581921	
<b>Total population</b>	<b>0.143672 **</b>	<b>-0.01728</b>	
	<i>Std. Error</i> 0.062989	0.058779	
	<i>t-Statistic</i> 2.280902	-0.29397	
	<i>Prob.</i> 0.023106	0.768938	
<b>Openness</b>	<b>0.034005 **</b>	<b>0.000585</b>	
	<i>Std. Error</i> 0.011587	0.010862	
	<i>t-Statistic</i> 2.934668	0.053865	
	<i>Prob.</i> 0.003541	0.957071	
<b>C</b>	<b>-0.55486 **</b>	<b>0.052448</b>	
	<i>Std. Error</i> 0.250941	0.234084	
	<i>t-Statistic</i> -2.21111	0.224056	
	<i>Prob.</i> 0.027622	0.822834	
<b>R-squared</b>	0.757709	0.685265	
<b>Adjusted R-squared</b>	0.715737	0.630744	
Cross-section fixed (dummy variables)			
Period fixed (dummy variables)			
	<b>COUNTRY</b>	<b>Effect F-E</b>	<b>Effect I-H</b>
	Austria	-0.01091	0.022113
	Belgium	0.01425	-0.00275
	Finland	-0.00052	0.024876
	France	-0.01211	0.015493
	Germany	0.008635	-0.0177
	Greece	-0.04457	-0.00651
	Ireland	-0.01014	0.034862
	Italy	0.027294	-0.02051
	Latvia	0.04194	-0.08639
	Luxembourg	-0.05847	0.089586
	Netherlands	0.010984	-0.00645
	Portugal	-0.0101	0.005457
	Spain	-0.00249	0.018165
	Croatia	-0.0126	0.014679
	Estonia	0.027212	-0.03319
	Lithuania	0.001806	-0.01752
	Slovakia	0.032719	-0.04136
	Slovenia	-0.00294	0.007157
Significance level			
*** error 0.01			
** error 0.05			
* error 0.1			

Figure 11



The significance of the economic variables is higher for the long-run cultural dimension than for the political indicator. The narrative of individualism stands in a positive relation with economic liberalism, GDP growth, government spending, population size (weak ties between individuals)<sup>54</sup>, and the openness of markets. Political narratives are only related to GDP growth with a negative and weakly significant coefficient in the 10-percent confidence interval. Hence, economic growth contributes to open society narratives and left-wing social equality. Increased government spending and population size also work in favour of left-leaning narratives, but the significance is not acceptable under usual statistical conventions. Nevertheless, the  $R^2$  coefficients are acceptable for both variables. These results indicate that the fit of economic conditions with cultural adjustments is tighter than with the right-left political dynamics. This supports the claim that economic integration contributes to political integration.

After controlling for the economic variables, we obtain the pure ideological preferences which represent people's beliefs, ideas, and hopes. They are measured by

<sup>53</sup> Political ideology preferences.xlsx.

<sup>54</sup> Granovetter (1973) has shown the strength of "weak", i.e., non-communitarian ties, between individuals.

the fixed effect residuals of our regression and shown in Figure 11. They represent strategic policy orientations, after having controlled for the economy. The ideological affinities between member states are now clearer than the z-scores shown in Figure 10. The k-means clustering method partitions our countries into six clusters where each observation belongs to the cluster with the nearest mean. We obtain three clusters very close to the centre (only Ireland is slightly more open). These three clusters cover 12 member states of the Euro Area. Interestingly, Germany is again placed in the section of authoritarian leadership, together with Lithuania, but they share affinity with the Netherlands and Belgium, which are closer to Christian democracy. Italy is also in the Christian democracy domain, but more conservative and holistic, a narrative which it shares with Estonia, Slovakia, and Latvia. On the other side, France, Ireland, Austria, Finland, Spain, Slovenia, and Croatia are all positioned in the space of political liberalism, together with Luxemburg which is a clear outlier. France leads the group that is more left-wing. Greece is an outlier in the communitarian left.

The overall picture is a Eurozone that is nearly evenly split between countries leaning towards the Left, favouring social equality and openness, and countries inclined to authoritarian right-wing ideologies. France is the dominant partner in the first group, Germany in the second. This underlines the importance of the Franco-German axis for political compromises in the governance of the Euro Area. An agreement between France and Germany covers most of the ideological field.

#### ***4.2 The impact of ideological narratives on inflation convergence and public debt***

The purpose of the Maastricht criteria was to ensure that only countries committed to price stability and debt sustainability would join. Achieving this target required similar political preferences. We will now assess the impact of ideological narratives on these economic variables. We start with inflation.

Table 4 shows the panel estimates for inflation with different control variables. We are interested in our two narrative variables, including their interaction. We took GDP

growth per capita as a proxy for supply conditions of the goods market, the participation ratio (log employment – log population) as a proxy for the labour market, and the debt/GDP ratio as a proxy for the capital market. To control for the effects of left redistributive policies, we add the ratio of government spending to GDP, and for the economic openness we take the sum of import and export ratios of GDP.

The coefficients for individualism-holism switch according to the control variables we use. When only taking goods and labour markets into account (models 4 and 5), individualism and economic liberalism lower inflation. However, when we also consider the impact of government (models 7 to 10), both narratives together increase inflation. Model 10 explains half of the inflation dynamics in the Euro Area.

The interaction term (I-H\*F-E) requires some explanation. It is positive in the first quadrant of our ideological field (open liberalism) and in the third (closed left), so that in these constellations the positive coefficients in models 7, 9 and 10 indicate higher inflation. Thus, reducing inflation implies closed liberalism (the German strategy) or an open left-leaning society (the French strategy).

**Table 4**

Dependent Variable: INFLATION											
Method: Panel EGLS (Cross-section SUR)											
Date: 11/14/23 Time: 07:19											
Sample (adjusted): 1971 2019											
Periods included: 49											
Cross-sections included: 13											
Total panel (unbalanced) observations: 505											
Linear estimation after one-step weighting matrix											
White cross-section (period cluster) standard errors & covariance (d.f. corrected)											
Standard error and t-statistic probabilities adjusted for clustering											
Model	Variable	I_H	F_E	I_H*F_E	C	PARTICIPATION	GROWTH	GOVERNMENT	OPENNESS	Debt/GDP	R-squared (Weighted)
1	Coefficient	0.034261	-0.0289		0.017294						0.08642
	Prob.	0.00000	0.00028		0.00000						
2	Coefficient	0.061103	-0.02989	1.066281	0.015522						0.206501
	Prob.	0.00000	0.00013	0.00000	0.00000						
3	Coefficient	-0.00098	0.005757	0.503541	-0.01823	-0.092082071					0.284975
	Prob.	0.87867	0.36862	0.00005	0.00000	0.00000					
4	Coefficient	-0.01209	-0.00257		-0.02161	-0.101397723					0.313363
	Prob.	0.05534	0.69737		0.00000	0.00000					
5	Coefficient	-0.01184	-0.00361		-0.02287	-0.106023821	-0.04335626				0.327779
	Prob.	0.06292	0.59598		0.00000	0.00000	0.26991				
6	Coefficient	-0.00077	0.003342	0.497819	-0.01949	-0.096937618	-0.05468177				0.309809
	Prob.	0.90574	0.61549	0.00008	0.00000	0.00000	0.15683				
7	Coefficient	0.034432	0.039349	1.401375	0.074523	0.019244789	-0.06132231	-0.035198267			0.322743
	Prob.	0.00215	0.00000	0.00000	0.00000	0.00023	0.02736	0.00000			
8	Coefficient	0.0248	0.012487		0.07276	0.005032285	-0.07828417	-0.036826859			0.20458
	Prob.	0.00940	0.02850		0.00000	0.19406	0.00052	0.00000			
9	Coefficient	0.040845	0.02449	1.24519	0.12013	0.02178	-0.06056	-0.06002	-0.00436		0.393067
	Prob.	0.0001	0.0001	0.0000	0.0000	0.0000	0.0040	0.0000	0.0000		
10	Coefficient	0.016621	0.022033	1.10049	0.109849	-0.005293342	-0.05435611	-0.037827576	-0.00703848	-0.01881	0.526521
	Prob.	0.05137	0.00003	0.00000	0.00000	0.21007	0.00573	0.00000	0.00000	0.00000	

The Maastricht Treaty and the Stability and Growth Pact aim for stable debt-GDP ratios of around 60 percent. As most member states stand above this level, fiscal policy remains a major concern for macroeconomic policy in the Euro Area. How do ideological narratives affect the sustainability of public debt?

Simple arithmetic says that the debt-GDP ratio will fall when nominal growth increases faster than new debt. Yet, new debt depends on government spending and deficits which reflect political preferences and therefore ideological narratives. Table 5 shows the impact of our two ideological variables, and of their interaction, on the debt ratio. We control for real growth, inflation, government, and openness. Models 1 to 6 confirm the arithmetic logic. However, when we add the ratio of government spending to GDP, the sign of the political F-E coefficients inverts. This means that more left-wing narratives contribute to higher debt ( $F-E < 0$ ), while open societies lower debt. Model 7 yields the most informative estimate. The interactive term is less clear. If we accept model 2 with a  $R^2$  of 0.607, open liberal and closed left societies lower the debt ratio. However, when we control for government and openness with an  $R^2$  of 0.647 and 0.708, the debt ratio raises. Thus again, like in the case of inflation, reducing public debt ratios would be easier in closed liberalism (the German strategy) or in open left-leaning society (the French strategy). The strategies are politically opposite, but both compatible with European policy goals.



Table 5

Dependent Variable: LOG_DEBT_TO_GDP										
Method: Panel EGLS (Cross-section SUR)										
Date: 11/14/23 Time: 09:20										
Sample: 1970 2019										
Periods included: 50										
Cross-sections included: 12										
Total panel (unbalanced) observations: 489										
Linear estimation after one-step weighting matrix										
White cross-section (period cluster) standard errors & covariance (d.f. corrected)										
Standard error and t-statistic probabilities adjusted for clustering										
Model	Variable	I_H	F_E	I_H*F_E	C	GROWTH	INFLATION	GOVERNMENT	OPENNESS	R-squared
1	Coefficient	-1.65086	1.376219		1.756126					0.598438
	Prob.	0.0000	0.0000		0.0000					
2	Coefficient	-1.7686	1.462448	-5.10783	1.758598					0.607451
	Prob.	0.0000	0.0000	0.0065	0.0000					
3	Coefficient	-1.77445	1.383261	-2.04385	1.76123	-1.1407				0.523129
	Prob.	0.0000	0.0000	0.2248	0.0000	0.0030				
4	Coefficient	-1.77354	1.312841		1.762676	-1.26083				0.524862
	Prob.	0.0000	0.0000	0.0000	0.0020					
5	Coefficient	-1.77445	1.383261	-2.04385	1.76123	-1.1407				0.523129
	Prob.	0.0000	0.0000	0.2248	0.0000	0.0030				
6	Coefficient	-1.64776	1.132227	1.284486	1.840535	-1.63452	-4.4173935			0.679545
	Prob.	0.0000	0.0000	0.5701	0.0000	0.0000	0.0000			
7	Coefficient	-0.38933	-0.10839		-0.7812	0.161596	-8.8835622	1.617700011		0.72232
	Prob.	0.0025	0.2516		0.0000	0.7513	0.0000	0.0000		
8	Coefficient	-0.02927	-0.21989	14.1791	-0.77647	0.636431	-10.803221	1.624346463		0.647616
	Prob.	0.8476	0.1107	0.0000	0.0000	0.2367	0.0000	0.0000		
9	Coefficient	0.01796	-0.30602	13.0215	0.41578	-0.00602	-12.440571	0.980409696	-0.144401715	0.708337
	Prob.	0.9160	0.0262	0.0001	0.0201	0.9932	0.0000	0.0000	0.0000	

### 4.3 Ideology and economic growth

Finally, we look at economic growth. The promise of European integration is higher prosperity, hence higher growth. The results in Table 6 reveal a consistent message: higher individualism and more social equality unequivocally contribute to higher economic growth. This is also confirmed by the interactive term. By contrast, more economic freedom ( $F-E > 0$ ) in a closed society ( $I-H < 0$ ) will slow economic growth. Hence, while the German narrative is compatible with low inflation and lower debt, it is a drag on economic growth. Thus, the two alternative political strategies, led by France and Germany, contribute to the control of inflation and public debt, but economic growth is handicapped by the German conservative model.

Table 6

Dependent Variable: GROWTH										
Method: Panel EGLS (Cross-section SUR)										
Sample (adjusted): 1971 2019										
Periods included: 49										
Cross-sections included: 12										
Total panel (unbalanced) observations: 461										
Linear estimation after one-step weighting matrix										
White cross-section (period cluster) standard errors & covariance (d.f. corrected)										
Standard error and t-statistic probabilities adjusted for clustering										
Model	Variable	I_H	F_E	I_H*F_E	C	D(LOG_GFCF)	D(LOG_EMPLOYMENT)	OPENNESS	GOVERNMENT	R-squared
1	Coefficient	<b>0.028138</b>	<b>-0.0273</b>		0.006854					0.024845
	Prob.	<i>0.00283</i>	<i>0.00029</i>		<i>0.00000</i>					
2	Coefficient	<b>0.023832</b>	<b>-0.02441</b>	<b>-0.2144</b>	0.006983					0.029173
	Prob.	<i>0.00740</i>	<i>0.00173</i>	<i>0.09704</i>	<i>0.00000</i>					
3	Coefficient	<b>0.027435</b>	<b>-0.0313</b>	<b>-0.11443</b>	0.00503	<b>0.189823337</b>				0.600874
	Prob.	<i>0.00011</i>	<i>0.00003</i>	<i>0.15366</i>	<i>0.00000</i>	<i>0.00000</i>				
4	Coefficient	<b>0.029335</b>	<b>-0.03328</b>		0.004953	<b>0.190062271</b>				0.601951
	Prob.	<i>0.00005</i>	<i>0.00001</i>		<i>0.00000</i>	<i>0.00000</i>				
5	Coefficient	<b>0.025268</b>	<b>-0.02148</b>		0.004825	0.180929362	<b>0.088288816</b>			0.618303
	Prob.	<i>0.00045</i>	<i>0.00440</i>		<i>0.00000</i>	<i>0.00000</i>	<i>0.04662</i>			
6	Coefficient	<b>0.024357</b>	<b>-0.02026</b>	<b>-0.08069</b>	<b>0.004895</b>	<b>0.181156188</b>	<b>0.086592494</b>			0.618158
	Prob.	<i>0.00062</i>	<i>0.00859</i>	<i>0.34349</i>	<i>0.00000</i>	<i>0.00000</i>	<i>0.05031</i>			
7	Coefficient	<b>0.022397</b>	<b>-0.02394</b>	<b>-0.08808</b>	<b>5.54E-03</b>	<b>0.18488544</b>	<b>0.110524733</b>	<b>-0.001205064</b>		0.629252
	Prob.	<i>0.00167</i>	<i>0.00307</i>	<i>0.30504</i>	<i>0.00000</i>	<i>0.00000</i>	<i>0.00188</i>	<i>0.04013</i>		
8	Coefficient	<b>0.023858</b>	<b>-0.02499</b>		<b>0.005431</b>	<b>0.184646882</b>	<b>0.112215866</b>	<b>-0.001141222</b>		0.630474
	Prob.	<i>0.00091</i>	<i>0.00132</i>		<i>0.00000</i>	<i>0.00000</i>	<i>0.00170</i>	<i>0.04732</i>		
9	Coefficient	<b>0.011723</b>	<b>-0.0036</b>	<b>-0.23307</b>	<b>0.066069</b>	<b>0.194574484</b>	0.009569861	<b>-0.001464466</b>	<b>-0.036717063</b>	0.739074
	Prob.	<i>0.14456</i>	<i>0.63487</i>	<i>0.02034</i>	<i>0.00000</i>	<i>0.00000</i>	<i>0.86817</i>	<i>0.02291</i>	<i>0.00000</i>	
10	Coefficient	<b>0.009509</b>	<b>-0.00287</b>		<b>0.063838</b>	<b>0.193581131</b>	0.013770934	<b>-0.001170421</b>	<b>-0.035707269</b>	0.733784
	Prob.	<i>0.24032</i>	<i>0.71101</i>		<i>0.00000</i>	<i>0.00000</i>	<i>0.81738</i>	<i>0.05649</i>	<i>0.00000</i>	

## 5. Conclusion

Our analysis has shown that ideological narratives in member states of the Euro Area have converged, especially since Maastricht, and are sufficiently coherent to prevent large-scale disruptions. The Euro Area is highly centrist, which makes cooperation between member states easier. Thus, the “ever closer” institutional framework set up for the management of the monetary union has contributed to greater political coherence inside the Euro Area, while ideological convergence outside the Euro Area has been significantly weaker.

We also found that ideological narratives matter for economic performance measured by the Maastricht criteria of price stability and debt sustainability – and inversely. France and Germany have adopted two opposing ideological narratives, but they are

both compatible with the economic objectives of the Euro Area institutions. However, the French narrative is more supportive of economic growth. This underlines the importance of the Franco-German axis for political compromises in the governance of the Euro Area. An agreement between France and Germany covers most of the ideological field.

We also noticed that all member states have become ideologically more closed, that is less liberal and more authoritarian, while in aggregate they have also moved to the left. This shift has been influential during the so-called “neo-liberal era” (1980-2007)<sup>55</sup>. The reasons for the growing influence of this holistic narrative are puzzling. Yet, there is an explanation for the close association between economic freedom and the holistic closure of societies. Moving to the right on our political dimension implies more market and less government. However, private transactions in markets often generate externalities which require some form of governance. In liberal democracies this is a task for governments. But if right-wing policies shrink the public sector, they reduce democracy, which implies the equal participation of all citizens in public choices (Brown, 2015). Hence, an alternative integrative mechanism must take the place of liberal democracy for internalising the externalities of markets. This alternative is traditional morality – which means holism<sup>56</sup>. Hence, the unfettered externalities of economic liberalism push societies away from individual liberty, either to the authoritarian right (as in Hungary and Poland) or to a communitarian left, as in the Euro Area and the UK. In Figure 12, we see this descent into holism in the Euro Area and the UK after protracted shifts to right-wing economic liberalism.

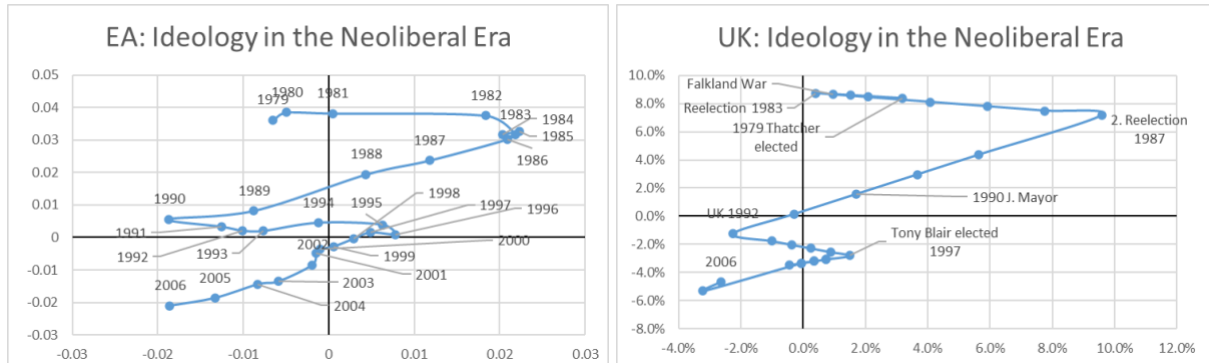
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<sup>55</sup> The neoliberal narrative, inaugurated by Ronald Reagan and Margaret Thatcher in the early 1980s, had liberated individual initiatives but discarded the equality between individuals. It strengthened individualism and opened society but diminished the role of the democratic state where individuals have equal power to determine and choose their political preferences. The atrophy of equality in the neoliberal narrative resulted in political conflicts to which the neoliberal narrative responded by valorizing collective identity and holistic tradition (LeCras, 2020); (Lynch, 1999). Thus, the neoliberal narrative has first contributed to the opening and then to the closing of societies. Having kept a balance between freedom and equality, centrist societies are likely to have kept a more stable balance between openness and closedness.

<sup>56</sup> This is the solution implied in the philosophical work by Michael Sandel (2005); (1996); (1984), which is broader than the content variable 604. Interestingly, this variable goes viral in the UK in 2015, one year before Brexit.

The shift to holism means that ideological convergence is more fragile today than it has been over the last three decades. Because our study has made clear that political options have much shorter effects than cultural orientations, the sustainability of the euro will depend on their evolution towards an open society.

**Figure 12<sup>57</sup>. Ideology in the Neoliberal Era**



<sup>57</sup> File: US, Uk Euro Area Benissimo\_Long\_Short\_EU\_time\_series 2.

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## Annex I. The construction of the political and cultural vectors of the ideological field

The representation of words as vectors has a long history and is at the basis of artificial intelligence. Such representation of words as vectors generates large complexities and requires huge data processing capacities<sup>58</sup>. Rather than words, we take the half-sentences of the CMP database as the components of the discourse. This simplifies the representation of ideological positions and is sufficient for the purposes of this paper.

We interpret ideological narratives as structured discourses that consist of sets of vectors which we call content variables. These component vectors have magnitude and ideological direction. We define an ideological space as the  $n$ -dimensional vector space  $R^n$ , where  $n$  stands for the number of component vectors. The vectors are combined in different ways that give meaning to a narrative. We call this combination an ideological position, which is a point in the vector space. The component vectors therefore jointly determine the position of the narrative. We now first explain the full vector set of content variables that constitute the narrative and then project this into a two-dimensional plane that constitutes our ideological field.

The narrative is the set of all content variables  $S = \{s_1, s_2, \dots, s_n\}$  in the list described by the CMP codes, shown in Table A1. Because these variables represent programmatic orientations, each  $s_i$  represents a vector in the 41-dimensional space with length and direction. The length is a scalar that represents the frequencies of the (half-)sentences in party-political programs before national elections, weighted by the electoral share of all political parties<sup>59</sup>. The directions are determined by the subsets for the political and cultural dimensions as explained below.

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<sup>58</sup> (Mikolov, et al. 2013); (Rana 2028)

<sup>59</sup> We have made a further re-weighting to balance the uneven distribution of components in the two dimensions. See below.

<b>Table A1: Content Variables</b>				
<b>Component</b>	<b>code</b>	<b>name</b>	<b>Subsets</b>	
<b>vector</b>			<i>Political (X)</i>	<i>Cultural (Y)</i>
S <sub>1</sub>	103	Anti-Imperialism	E	H
S <sub>2</sub>	104	Military (+)	F	H
S <sub>3</sub>	105	Military (-)	E	I
S <sub>4</sub>	107	Internationalism (+)	E	I
S <sub>5</sub>	109	Internationalism (-)	F	H
S <sub>6</sub>	201	Freedom and Human Rights	F	I
S <sub>7</sub>	202	Democracy (+)	E	I
S <sub>8</sub>	203	Costitutionalism (+)	F	
S <sub>9</sub>	204	Constitutionalism (-)	E	
S <sub>10</sub>	301	Decentralization	F	I
S <sub>11</sub>	302	Centralization	E	H
S <sub>12</sub>	304	Political Corruption (-)		I
S <sub>13</sub>	305	Political Authority		H
S <sub>14</sub>	401	Free Market Economy	F	I
S <sub>15</sub>	402	Incentives (+)	F	I
S <sub>16</sub>	403	Market regulation	E	H
S <sub>17</sub>	404	Economic Planning	E	
S <sub>18</sub>	405	Corporatism	F	
S <sub>19</sub>	406	Protectionism (+)	E	H
S <sub>20</sub>	407	Protectionism (-)	F	I
S <sub>21</sub>	409	Keynesian Demand Management	E	
S <sub>22</sub>	412	Controlled Economy	E	H
S <sub>23</sub>	413	Nationalization	E	
S <sub>24</sub>	414	Economic Orthodoxy	F	I
S <sub>25</sub>	415	Marxist Analysis	E	H
S <sub>26</sub>	501	Environmental Protection		H
S <sub>27</sub>	502	Culture (+)	E	H
S <sub>28</sub>	505	Welfare State Limitation	F	I
S <sub>29</sub>	506	Education Expansion	E	
S <sub>30</sub>	507	Education Limitation	F	I
S <sub>31</sub>	601	National Way of Life (+)		H
S <sub>32</sub>	602	National Way of Life (-)		I
S <sub>33</sub>	603	Traditional Morality (+)		H
S <sub>34</sub>	604	Traditional Morality (-)		I
S <sub>35</sub>	605	Law and order (+)	F	
S <sub>36</sub>	606	Civic Mindedness (+)	F	H
S <sub>37</sub>	607	Multiculturalism (+)		I
S <sub>38</sub>	608	Multiculturalism (-)		H
S <sub>39</sub>	701	Labor Groups (+)	E	
S <sub>40</sub>	702	Labor groups (-)	F	
S <sub>41</sub>	705	Underprivileged Minority Group	E	

*The political index is F-E(Freedom/Equality), the cultural index I-H (Individualism/holism). The symbol (+)(positive) indicates favourable mentions of a category, or a desire to expand its scope, whereas (-)(negative) reflects a negative approach or limitation to it. Source: The Manifesto Data Collection. Manifesto Project (MRG/CMP/MARPOR), - Version 2020b.*

The length of a vector represents the salience of a content variable. We divide the frequencies per code in the CMP database by the number of frequencies of all (half-)sentences. This ratio defines the salience of the narratives' components – that is, it indicates the probability that the content of the variable contributes to the overall position of the ideological narrative. Because the sum of all probabilities is 1, the increase in the salience of one content variable implies the reduction in the salience of another variable.

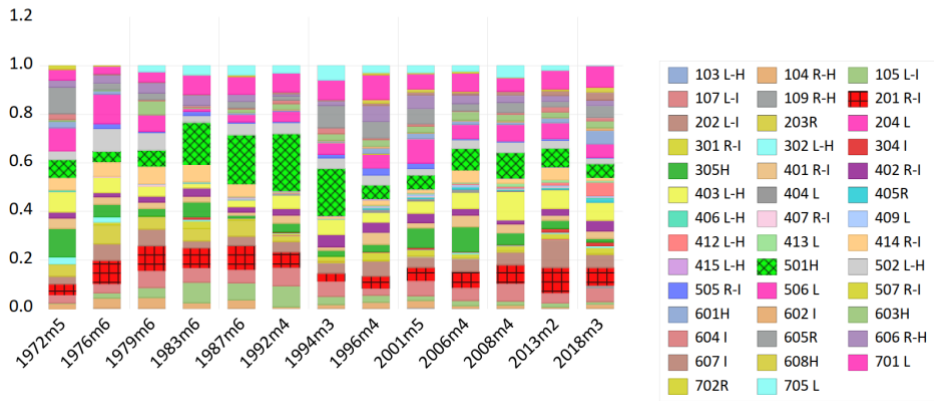
We also allocate all  $s_i$  into four sub-sets, R, L, I, and H (for right-wing, left-wing, individualism, and holism), which determine the direction of the component vectors and their linear combinations. The allocation of content variables to the subsets is shown in Table A1. It represents our subjective judgement of which content variables contribute to right or left and to individualistic or holistic narratives.

As an example, Figure A1 presents a graph of the salience of content variables for Germany and France over half a century. The salience of each narrative component is given by the vertical extension of each coloured strip corresponding to a single code shown in the right-hand side of the figure. We see that some items become temporarily more salient and then lose importance. For instance, in Germany, environmental protection became the most frequent *topos* in party programs in the 1980s and early 1990s, but subsequently it lost relevance while issues of democracy and human rights gained salience. Figure A2 shows the 5 most important content variables in both countries over 50 years. They reveal features of “going viral” as described by Shiller (2019) in his “Narrative Economics”.



Figure A1

Saliency of narrative components in Germany



Saliency of narrative components in France

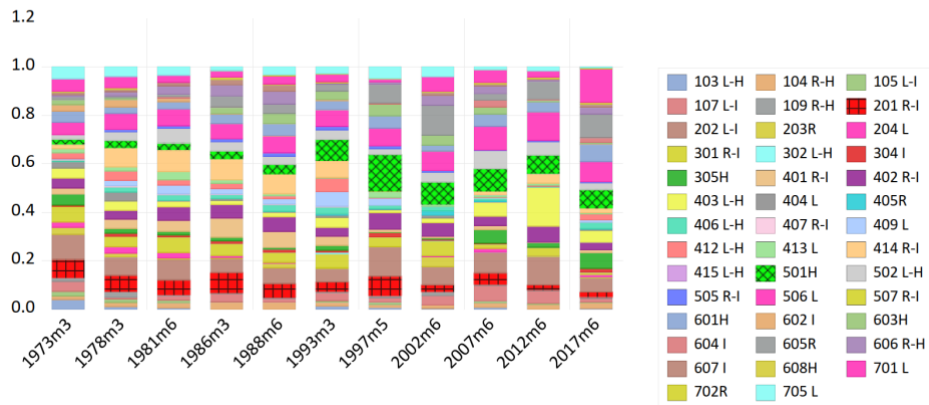
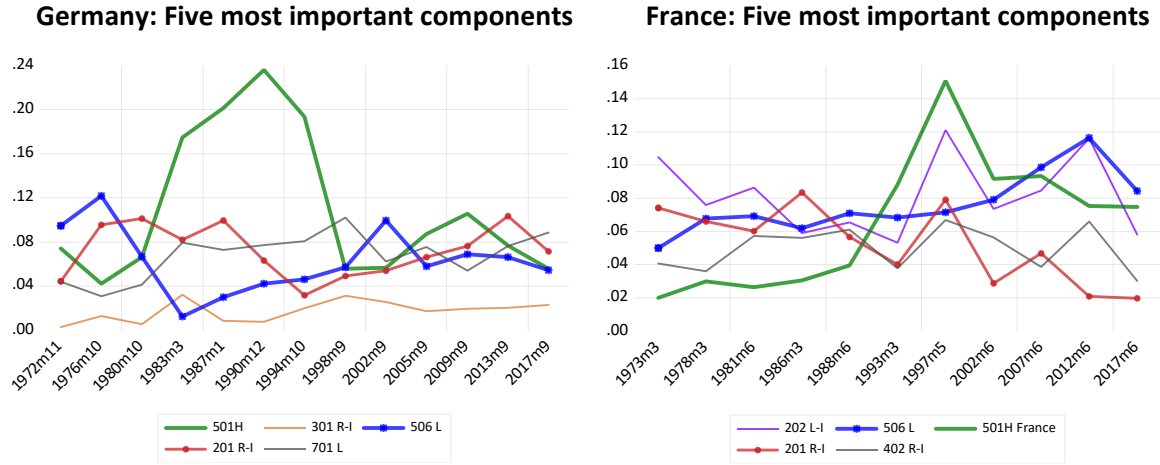


Figure A2



Next, we reduce the dimensionality of the  $R^{41}$  space and project it into a two-dimensional time-dependent Euclidian plane  $R^2$ . This allows us to show the ideological position as a two-dimensional vector field  $F(x, y, t)$  where  $\mathbf{x}$  stands for the political and  $\mathbf{y}$  for the cultural dimensions.

$$f: R^{41} \rightarrow R^{412}$$

$$S = \begin{bmatrix} s_1 \\ \vdots \\ s_n \end{bmatrix} \rightarrow \begin{bmatrix} x \\ y \end{bmatrix} = \begin{bmatrix} \sum(s_i \in R) - \sum s_j \in L \\ \sum s_k \in I - \sum s_l \in H \end{bmatrix}$$

Which is equivalent to

$$S = \begin{bmatrix} s_1 \\ \vdots \\ s_n \end{bmatrix} \rightarrow p \begin{bmatrix} 1 \\ 0 \end{bmatrix} + c \begin{bmatrix} 0 \\ 1 \end{bmatrix}$$

With

$$p = \sum s_i \in R - \sum s_j \in L$$

$$c = \sum s_k \in I - \sum s_l \in H$$

$p$  and  $c$  are scalars which change with changes in the salience of content variables. The ideological position  $\mathbf{P}_t$  of the aggregate narrative in a society is the linear combination of the two vectors  $(\mathbf{x}, \mathbf{y})$ . Over time, ideological positions shift as the vector components (our content variables) change, which occurs when the frequency of content variables changes in parties' programs or when political parties' electoral weights change. We say there is convergence between two member states when the

Euclidian distance between their ideological positions narrows; there is divergence when it increases.

### *Non-orthogonality*

The political and the cultural dimensions are not independent, and the two subsets  $X$  and  $Y$  are not mutually exclusive. As Table A1 shows, some content variables figure in both political subsets  $X$  and cultural subsets  $Y$ . Therefore, the two vectors are not orthogonal. Orthogonality would assume that *every item* in the ordered list of content variables is unrelated to any other<sup>60</sup>. Each half-sentence would have a sense and meaning on its own and in isolation, and the political components of the narrative would not be affected by the cultural context or vice versa. We do not think this is reasonable. We consider that in eight cases, out of 32 variables, individualism and economic liberty interact, and in six cases, social equality is linked to holistic orientations.

Orthogonality implies that the intersection of  $X$  and  $Y$  is an empty set and the inner product of two vectors is zero:

$$\langle \mathbf{x}_t, \mathbf{y}_t \rangle = \sum_{i=1}^n x_{it}y_{it} = 0.$$

Non-orthogonality implies here that a change in the salience of certain content variables simultaneously shifts the ideological position in the political and the cultural dimensions. For instance, an increase in mentioning of *free market economy* (code 401) will push the society to the right and to individualism, while more frequent mentions of *economic control* shift it to the left and into holism. However, some categories stand on their own. For example, positive and negative views on *traditional morality* are only relevant for cultural values.

In aggregate – which is relevant for our ideological position – the similarity between the political and cultural dimensions is measured by the cosine similarity between two

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<sup>60</sup> Orthogonality implies linear independence, but linear independence does not imply orthogonality.

non-zero vectors defined in an inner product space<sup>61</sup>. Given that our content variables represent a stochastic process of probabilities over time for each component, the assumption of orthogonality would imply that the covariance between content variables from one period to the next is zero. But if the political and cultural dimensions mutually influence each other, the covariance is non-zero and the assumption of orthogonality must be rejected. This is a testable hypothesis.

$$\langle \mathbf{x}, \mathbf{y} \rangle = \text{cov}(x, y) = E[(x - E[x])(y - E[y])] \neq 0$$

The matrix of covariances of all our content variables shows that there exists indeed a range of independent variables, but also an important set of interdependent variables<sup>62</sup>. As an example, we show in Figure A3 all cases where the covariance is statistically significant (in the 95% probability range) for Germany and France. Thus, in Germany *law and order* (605) is negatively correlated with *traditional morality* (#603), but in France with *political corruption* (#304). This makes sense when we understand that the democratic *Rechtsstaat* in Germany is the open society alternative to traditional holism (J. Habermas 1987), but in France the distortion of modern individualism reflects monetized hierarchy. This is confirmed by the positive correlation between *political authority* (#305) and *constitutionalism* (#203) in Germany and between *law and order* (#605) and *democracy* (#202) in France.

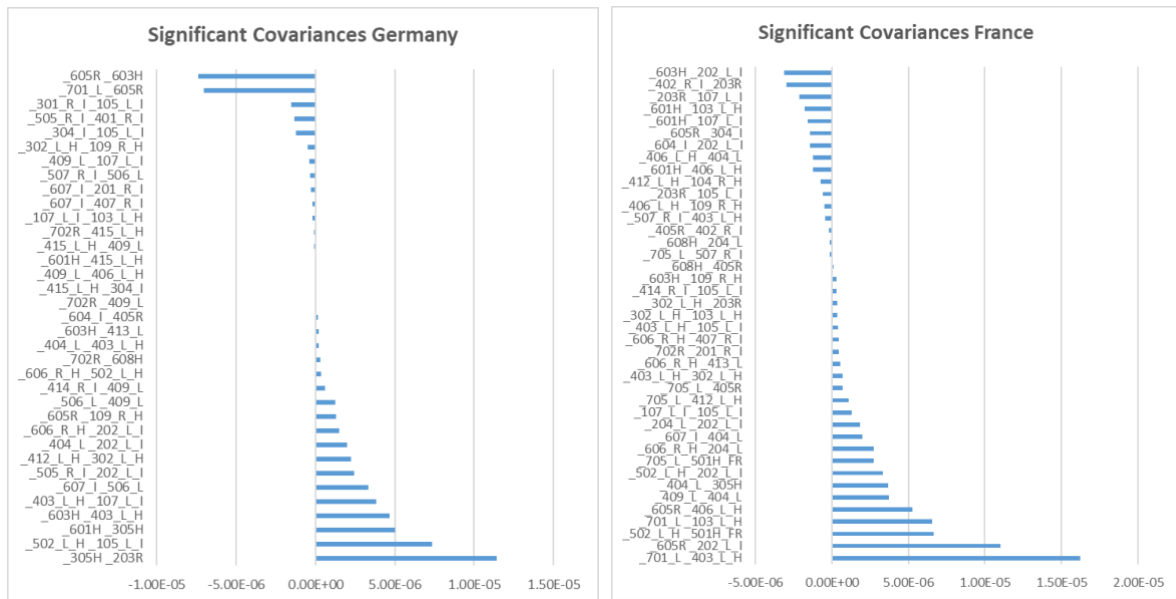
Our estimations of covariances over the whole range of content variables justify that we abandon the assumption of linear independence that pervades the literature.

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<sup>61</sup> Cosine similarity is the cosine of the angle between the vectors; that is, it is the dot product of the vectors divided by the product of their lengths. It follows that the cosine similarity does not depend on the magnitudes of the vectors, but only on their angle. See: [https://en.wikipedia.org/wiki/Cosine\\_similarity](https://en.wikipedia.org/wiki/Cosine_similarity).

<sup>62</sup> We have estimated the covariances for all content variables. The test is therefore not biased by our classification of variables into the four groups shown in Table A1.

Figure A3



This discussion has focused on the supply-side of ideological narratives, i.e., on the inner structure that gives sense and direction to what people think. The political party programs presented before elections offer narratives with differing orientations. However, to compare the ideological position of member states of the European Union, we need to look at the revealed preferences which represent the political demand side. Thus, to determine how the ideological positions of parties are combined in the ideological field of a society, we multiply the value for each party's position by the vote share obtained in the elections.

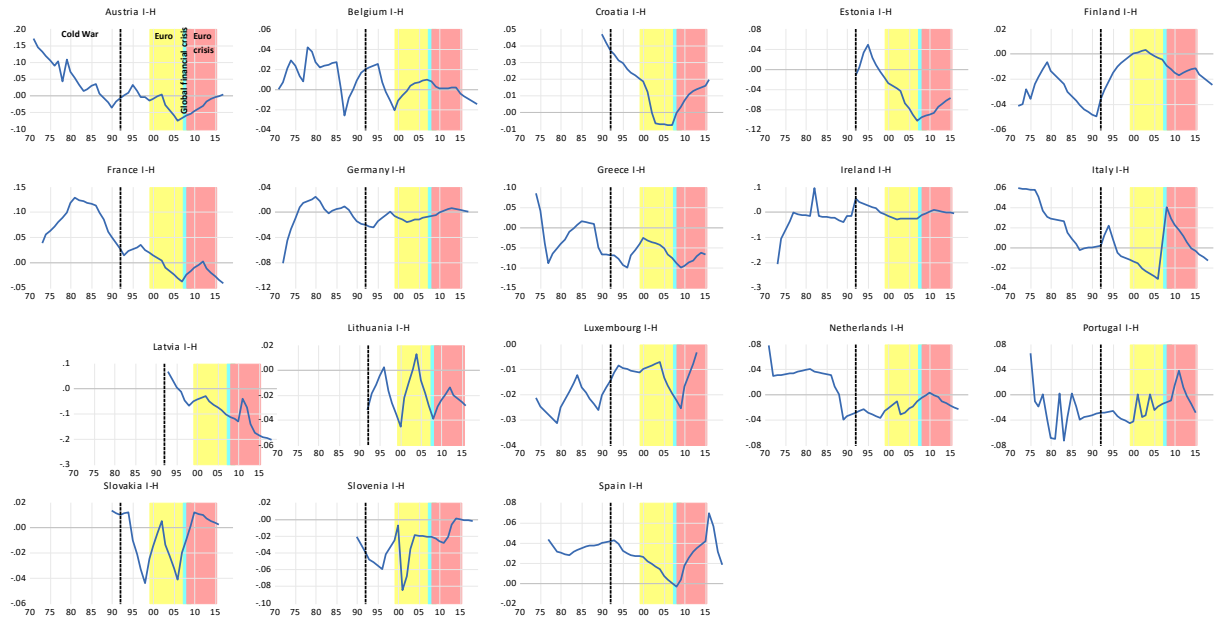
We have made two further adjustments. First, because our four subsets do not have identical numbers of content variables, we have given them weights that balance out the difference. Second, because elections occur at different dates with different lengths in legislative periods, we do not have data for ideological shifts in the time between elections. To maintain comparability between countries, we have smoothed the ideological shift between two elections using the Donor-Based Imputation method.

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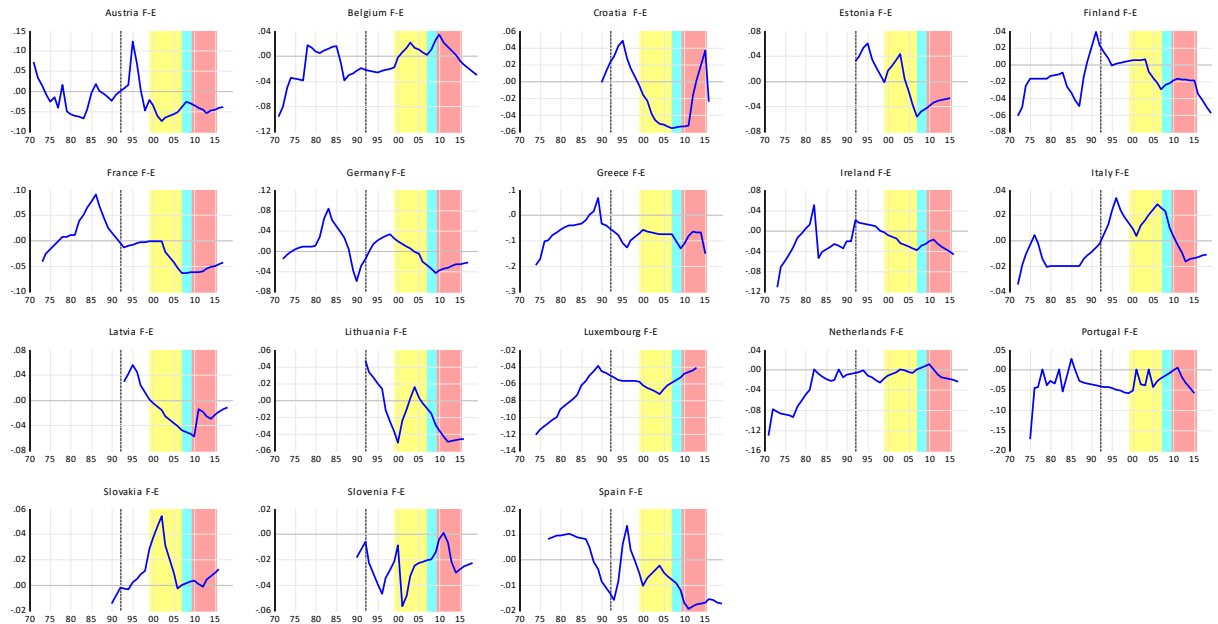
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# Annex II

## Cultural openness of Euro Area member states (individualism - holism)



## Political preferences for Freedom - Equality in Euro Area member states



# Annex III

## Vector Error Correction Estimates

Date: 12/18/23 Time: 11:17

Sample (adjusted): 1976 2018

Included observations: 43 after adjustments

Standard errors in ( ) & t-statistics in [ ]

Lags interval (in first differences): 1 to 2

Endogenous variables: MEAN\_IH MEAN\_FE SD\_IH SD\_FE

Deterministic assumptions: Case 3 (Johansen-Hendry-Juselius): Cointegrating

relationship includes a constant. Short-run dynamics include a constant.

Cointegrating Eq:	CointEq1			
MEAN_IH(-1)	1			
MEAN_FE(-1)	0.07944332548951254 0.1708350754394008 [0.46503]			
SD_IH(-1)	-0.3643247435535476 0.2130603653239398 [-1.70996]			
SD_FE(-1)	-0.2422670034452775 0.3645047471748966 [-0.66465]			
C	0.02687167673009378			
Error Correction:	D(MEAN_IH)	D(MEAN_FE)	D(SD_IH)	D(SD_FE)
COINTEQ1	-0.2263347... 0.1014175... [-2.23171]	0.0015231... 0.0914986... [0.01665]	-0.1033782... 0.1041580... [-0.99251]	0.0053683... 0.0830167... [0.06467]
D(MEAN_IH(-1))	-0.1512703... 0.2172938... [-0.69616]	-0.0313789... 0.1960418... [-0.16006]	-0.0583681... 0.2231653... [-0.26155]	0.3745024... 0.1778687... [2.10550]
D(MEAN_IH(-2))	-0.3592578... 0.2394681... [-1.50023]	-0.1066703... 0.2160474... [-0.49374]	-0.0420315... 0.2459388... [-0.17090]	-0.0218329... 0.1960198... [-0.11138]
D(MEAN_FE(-1))	0.1647109... 0.2459237... [0.66976]	0.1570448... 0.2218717... [0.70782]	0.0450167... 0.2525689... [0.17824]	0.0069716... 0.2013042... [0.03463]
D(MEAN_FE(-2))	0.3796400... 0.2289599... [1.65811]	0.0844533... 0.2065669... [0.40884]	0.0193071... 0.2351467... [0.08211]	-0.0199477... 0.1874181... [-0.10643]
D(SD_IH(-1))	-0.2548562... 0.2117799... [-1.20340]	0.0017651... 0.1910672... [0.00924]	-0.0204652... 0.2175025... [-0.09409]	0.2487278... 0.1733553... [1.43479]
D(SD_IH(-2))	-0.1479999... 0.2344184... [-0.63135]	-0.2730597... 0.2114916... [-1.29111]	-0.2713450... 0.2407527... [-1.12707]	-0.0416557... 0.1918863... [-0.21709]
D(SD_FE(-1))	0.1041122... 0.1879995... [0.55379]	0.0410051... 0.1696126... [0.24176]	-0.0407829... 0.1930795... [-0.21122]	0.1540419... 0.1538895... [1.00099]
D(SD_FE(-2))	0.2113971... 0.1883471... [1.12238]	0.2560863... 0.1699262... [1.50704]	-0.3268168... 0.1934365... [-1.68953]	-0.3726545... 0.1541741... [-2.41710]
C	-0.0017043... 0.0011217... [-1.51941]	0.0002687... 0.0010120... [0.26553]	-0.0001432... 0.0011520... [-0.12431]	-0.0004364... 0.0009181... [-0.47529]
R-squared	0.2359814...	0.1853731...	0.1878827...	0.3409064...
Adj. R-squared	0.0276127...	-0.0367978...	-0.0336037...	0.1611536...
Sum sq. resids	0.0014821...	0.0012064...	0.0015633...	0.0009931...
S.E. equation	0.0067018...	0.0060464...	0.0068829...	0.0054859...
F-statistic	1.1325187...	0.8343714...	0.8482806...	1.8965293...
Log likelihood	159.90740...	164.33306...	158.76090...	168.51619...
Akaike AIC	-6.9724374...	-7.1782821...	-6.9191120...	-7.3728463...
Schwarz SC	-6.5628560...	-6.7687006...	-6.5095306...	-6.9632649...
Mean dependent	-0.0009547...	0.0006016...	5.3792476...	-0.0007689...
S.D. dependent	0.0067963...	0.0059381...	0.0067701...	0.0059897...
Determinant resid covariance (dof adj.)	3.988373231998204e-19			
Determinant resid covariance	1.383495433534898e-19			
Log likelihood	689.5693985559379			
Akaike information criterion	-30.02648365376455			
Schwarz criterion	-28.22432539584556			
Number of coefficients	44			





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