

### Adopting the Euro in post-communist countries: an analysis of the attitudes toward the single currency

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MPIfG Discussion Paper 08/1

**Adopting the Euro in Post-Communist Countries**  
An Analysis of the Attitudes toward the Single Currency

Miriam S. Allam and Achim Goerres



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## **Abstract**

The new EU member states in Central and Eastern Europe achieved an economic and political tour de force on their way to EU accession. Their next challenge is the entry to the eurozone. Thus, the dynamics of public opinion toward the euro become crucial for political leaders. We test three perspectives – economic, political, and historical-ideational – with individual-level survey data from eight countries and conclude that the combined model best explains variations in support for the euro. In an environment of volatility in post-communist Europe, macro variables of economic and historical-ideational factors have the strongest impact on individual attitudes, while micro-variables of economic self-interest do not further our understanding of euro support. Thus, distributional issues matter less than the aggregate national performance and experience. Political parties that garner support for the euro should therefore concentrate on economic consolidation and political stability rather than politicizing a winner–loser cleavage.

## **Zusammenfassung**

Unter gewaltigen Anstrengungen haben es die postkommunistischen Regierungen in Ost- und Mitteleuropa geschafft, ihre Länder sicher zum EU-Beitritt zu führen. Als Nächstes sehen sie sich mit der Einführung des Euro als Gemeinschaftswährung konfrontiert. Infolgedessen wird für demokratische Politiker die öffentliche Meinung über die Euro-Einführung enorm wichtig. Wir testen drei theoretische Schulen (ökonomisch, politisch und historisch) in Bezug auf ihre Erklärungskraft für das Verständnis individueller Einstellungen zum Euro. Als empirische Evidenz dienen uns individuelle Umfragedaten aus acht Ländern. Wir stellen fest, dass bei dem kombinierten Modell aller Theorieschulen der Verständnisgewinn am größten ist. Im Kontext postkommunistischer Volatilität haben auf der gesellschaftlichen Ebene die wirtschaftlichen und historischen Faktoren den größten Einfluss. Auf der Individualebene haben die Variablen, die materielles Eigeninteresse messen, nur geringe Aussagekraft. Folglich sind nicht die wirtschaftlichen Verteilungswirkungen der Euro-Einführung und diesbezügliche Erwartungen, sondern die nationale Performanz und historische Erfahrung von Bedeutung. Politische Parteien sollten sich deswegen bei ihren Versuchen, demokratische Unterstützung für die Euro-Einführung zu sammeln, auf wirtschaftliche Konsolidierung und politische Stabilität konzentrieren und nicht eine Konfliktlinie zwischen Gewinnern und Verlierern der Euro-Einführung politisieren.

**Contents**

1	Theories of euro support	5
	The adoption of the euro in the new EU member states	5
	Economic explanations	6
	Political explanations	7
	Historical-ideational explanations	8
	Economics, politics, and identities: Mutually exclusive or complementary perspectives?	9
2	Methods, data and variables	10
3	Empirical section	15
4	Conclusions: Discussion of results and their implications for theory and policy	23
	Appendix	25
	References	26

Why do some individuals support the introduction of the euro and others not? Why is support in some countries higher than in others? Understanding these dynamics of domestic opposition to or support for the euro is important for the new EU member states because they are under the legal obligation to join the eurozone. This is even more relevant to those countries that have called for public legitimation of eurozone entry by holding referenda.

Monetary policy is a strange animal: the mechanisms and relationships of its various constituent parts are highly technical and the distributional consequences diffuse. For example, changes in exchange rate policy have an impact on various other policies, such as social, wage, and fiscal policy, with consequences at the international and domestic levels. Despite this complexity, most individuals nonetheless have an opinion on the introduction of the euro. This might be explained by the fact that the currency, the money, the cash belong to our everyday life. It is familiar to us, and changing the currency needs practical adaptation from everyone.

The purpose of this article is to analyze why citizens in the new EU member states in Central and Eastern Europe hold different attitudes toward the euro. The analytical framework tests three main perspectives in a quantitative survey analysis of Eurobarometer data: (a) the economic perspective where the individual forms an opinion based on economic evaluations; (b) the political perspective where the individual reacts to political dynamics in order to arrive at an attitude; (c) the historical-ideational perspective where individuals perceive the currency to be part of their identity. We conclude that our combined model of the three perspectives is more powerful in explaining individual attitudes toward the euro than the more parsimonious models.

Section 1 presents the three perspectives and suggests how they can be fruitfully combined. In section 2, we discuss the empirical approach, the data, and the hypotheses. In section 3, we conduct the analyses. Section 4 discusses the results and concludes the article.

## 1 Theories of euro support

### The adoption of the euro in the new EU member states

The new EU member countries are under the legal obligation to introduce the euro as soon as they meet the convergence/Maastricht criteria. However, their status as

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The data set is the CCEB 2003.4 Eurobarometer. It is available from the Central Archive, Cologne. Our coded data set and the STATA do-files are available for replication purposes. We would like to thank Catherine de Vries, Holger Döring, Henrik Enderlein, Simon Hix, Mark Lutter, and Bill Vlcek for comments on earlier drafts of this paper.

“Member States with a derogation” (Art. 122 TEC) gives them some leeway in setting the target date. In 2007, Slovenia was the only country of this group that joined the euro area. Slovakia is expected to follow in 2009. For the other Central and Eastern European countries, the timing is still unknown; official announcements are not consistent, and target dates vary from 2009 to 2014.

Certainly, eurozone membership would enhance the new member countries’ economic and political credibility, which is especially important for attracting international investors, but the adherence to the Maastricht criteria also entails adjustment costs (Buiter/Grafe 2004). In addition to the question of economic burden-sharing, the adoption of the euro touches upon issues of state sovereignty and culture (Jones 2002; Allam 2006), as giving up its national currency is related to the risk of losing a “symbolic marker in nation-building efforts” (Risse 2003: 487).

To analyze the variations in support, we draw upon the literature of public opinion on both European integration and the euro. An analysis combining insights from both strands moderates the risks associated with omitted variable bias, i.e. variables that would be left out if our hypotheses were solely based on either strand of literature. Recent studies highlight economic, political, and historical-ideational forces as sources for the variations in individual responses to EU and European Monetary Union (EMU) membership; however, they attribute different degrees of influence on the support for European integration to these indicators (Hooghe/Marks 2005; de Vries/van Kersbergen 2007; Jupille/Leblang 2007).

### Economic explanations

Economic models explain support for and opposition to the euro with reference to utilitarian factors. The argument is that public opinion on the euro is determined by citizens’ assessment of the personal and aggregate costs and benefits associated with eurozone membership.

Economic theories argue that public opinion on European integration is consistent with economic self-interest and dependent on economic conditions (Baldwin 1989; Buch/Hansen 2002; Gabel 1998; Anderson/Reichert 1996). With regard to public opinion on the euro in the old EU member states, Gabel (1998) shows that economic interests are closely related to the distributional consequences of exchange rate stability, inflation policy, cross-border shopping, and capital market liberalization. Gabel takes Frieden’s (1991, 1994) argument on producer group preferences over exchange rate levels to the individual level and concludes that the opportunities provided by EMU membership are particularly strong for owners and highly skilled workers, whereas unskilled workers have to bear the burden of adjustment to European monetary integration (cf. also Frieden/Broz 2001). Those citizens whose income, amount of capital assets, and level of

occupational skills are high relative to the national average are more supportive. They benefit from eurozone membership reducing the transaction costs for cross-border capital investments. Public sector employees are less supportive as they are more vulnerable to cuts in public expenditure, whereas the unemployed are more supportive of the euro as budget cuts in public subsidies would increase the rate of job creation in the emergent private sector (Rodrik 1995). In addition, manual workers and left-wing party supporters are less likely to support the euro than managers and right-wing party supporters because left-wing supporters perceive the EU as a driving force for further labor market deregulation (Hooghe/Marks 2005; Oatley 1997).

### Political explanations

Political explanations focus on political values and citizens' preferences. The argument is that public opinion on the euro is cued by political partisanship and attitudes toward the domestic political system.

Contrary to the parsimonious assumption of a materially driven individual, Anderson (1998) demonstrates that citizens are not well informed about the EU because the European integration process is too abstract or uninteresting. Instead, individuals use proxies rooted in domestic politics such as system support or government/political party support to form attitudes toward the euro. Steenbergen and Jones (2002) show that there is a positive correlation between the individual's position on European integration and the supported political party's position. Hooghe and Marks (2005) demonstrate that political cues are particularly strong when national elites are divided, i.e. citizens are likely to be less supportive of European integration when national elites conflict over EU membership. With regards to support for the euro in Sweden, Lindahl and Naurin (2005) argue that elite division among and within parties meant that political partisanship did not play a role in the 2003 euro referendum (cf. also Aylott 2005).

Ray (2003a, 2003b) confirms that public opinion on European integration does not necessarily polarize along the classic left–right axis. For example, voters of left-wing parties support European integration and the euro because the EU supports further continental-wide regulations. Yet, other studies (Gabel 1998) arrive at the opposite conclusion, arguing that left-wing voters oppose European integration because the EU is perceived as a constraint on market regulation.

Another proxy relates to the (dis-)satisfaction with the domestic system that may serve as a shortcut to forming attitudes toward the European integration process. According to Anderson (1998), citizens who are satisfied with the domestic political system, political parties, and government are more supportive of European institutions (for an opposing view, cf. McLaren 2007). Jupille and Leblang (2007) show that there is a positive correlation between Danish support for the euro and voters' trust in politicians (cf. also



Buch/Hansen 2002). Cichowski (2000) finds in five Central European countries that citizens who are satisfied with democracy support the free market; they are also more likely to take cues from political parties and to support EU membership. However, there is an opposing body of literature which suggests that citizens who are dissatisfied with the national political system are likely to support the EU precisely because the EU is seen as a remedy for domestic political corruption and/or the undeveloped welfare state (Carey 2002; Sánchez-Cuenca 2000).

### Historical-ideational explanations

Historical-ideational explanations focus on the relationship between individual attitudes toward the euro and conceptions of national identity. The argument is that citizens form their attitude toward the euro on the basis of non-calculated, affective considerations (Carey 2002; Luedtke 2005; cf. also McLaren 2007). Defining national identity as the attachment of individuals to their nation, Carey (2002) shows that higher feelings of national identity and national pride reduce the support for European integration. Citizens who have an exclusive identity, i.e. who strongly identify with their national community, show a higher level of opposition to European integration than individuals who have an inclusive/multiple identity, i.e. who perceive themselves as, for example, Catalan, Spanish and European (Diez Medrano/Gutierrez 2001). National identity had a substantive impact on the formation of British attitudes toward the euro and on voting choice in the 2000 Danish referendum (Gabel/Hix 2005; Jupille/Leblang 2007). By the same token, individuals who fear that European integration erodes national sovereignty, identity, and culture may show less support for EU membership (Luedtke 2005). As discussed above, the currency as a national symbol is an important identity marker for the nation state. Hobolt and Leblond (2007) argue that the value of this symbol can be measured by means of exchange rate stability and that citizens in Swedish and Danish referenda were more likely to oppose the single currency when the euro was seen to be weak vis-à-vis the national currency and other currencies. In turn, a weak national currency may increase support for the euro.

National identity has several components, of which national purpose and historical memories of national friends and enemies have shaped trust and mistrust among European states to a great extent (cf. Wallace 2001). In this regard, Diez Medrano (2003) stresses the importance of national histories arguing that support for the EU depends on the experience of casualties during the Second World War as a proxy for misery. As European integration can be read as a peace project, the assumption is that the higher the deaths rate was during the Second World War, the higher the support for the EU is today.

### Economics, politics, and identities: Mutually exclusive or complementary perspectives?

We argue that the juxtaposition of the three perspectives neglects the relative importance of their complementary forces to influence public opinion.

Put simplistically as a competing model, the economic perspective assumes that individuals' attitudes can be closely predicted by their personal material background and expectations. Individuals form an attitude toward the euro that is directly related to their expected utility from eurozone membership. This view hinges on the rationally thinking *homo economicus* who is driven by material interests to maximize income/wealth and who has a strong capacity to develop a coherent system of political attitudes.

The political perspective takes the view that individuals do not form their attitudes independently, but are heavily influenced by political elites and by the broad attitude of citizens toward the national political system. Here, the link between the personal situation and support for the euro is less direct because euro support is a function of other attitudes.

The third, historical-ideational, perspective, finally, follows a very different logic. Individual identity and collective memories are the primary factors that drive euro support. Here, the argument is that the phenomenological dynamics of attitudes toward the euro depend on the meaning which citizens attach to their identity, that is, on how actors interpret history and identity. Thus, citizens see currencies as part of their national identity and develop their views as a derivative of their personal image.

Yet, instead of seeing these perspectives as merely competing, we suggest that economic interests, political values, and historical-ideational concerns are all part of the social-psychological well-being of the individual (cf. de Vries/van Kersbergen 2007). Therefore, we argue that one perspective alone is unable to address questions of variation in support for the euro. Under conditions of economic and political transition, individuals long to minimize their considerable personal insecurity. Their experience of major institutional, political, and economic changes in the recent past have already demanded a lot of adjustment. EU membership and the introduction of the euro are viewed by these citizens in a much more insecure psychological state of mind as far as economic conditions and politics are concerned than by citizens in long-established democracies and EU member states. The process of European integration and the introduction of the euro can be perceived to be a hindrance to minimizing insecurity as well as a guarantee of greater security. Personal well-being does not only depend on economic security – be it of the individual or society – but also on political stability. If we view matters, we can postulate complementary effects from the three perspectives: (a) individuals form their opinion of the euro based on a certain historical experience. For example, individuals in countries with higher losses in World War II may see a higher increase in their security deriving from a closer European Union and currency zone because the former have

a different historical experience of the terrors of World War II; (b) individuals relate their assessment of the national political situation to their euro attitude. For example, individuals who trust their national political institutions are in a better psychological situation to trust their national policy-makers to oversee further economic and political integration; (c) individuals make a judgment on their personal and national economic situation and accordingly adopt a position on the euro that enhances their personal security. For example, individuals with a positive economic judgment will feel secure enough to support the new challenges and opportunities that the introduction of the euro would bring. In sum, therefore, we suggest that public opinion on the euro in these new member states is inherently linked to the *complementary* effects of economics, politics and identities.

## 2 Methods, data and variables

We test the validity of the three perspectives in a quantitative survey analysis of Eurobarometer data. We include eight new EU member states that were close to joining the EU during the survey period: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. All countries are post-communist countries that experienced a minimum of ten years of transition from socialist to democratic states and from command to market economies. This is of importance because the introduction of the euro hinges on the performance of economic indicators. We assume that the personal experience of individuals with economic ups and downs during the democratization and transition process represents a common backdrop for the population in these countries. Despite the common experience as post-communist democracies and transitional economies, these countries have some economic and historical differences that we will use as a second level of variance in order to test the theoretical perspectives.

We conduct multinomial logistic regressions with standard errors that are clustered by country. There are seven models. They represent the perspectives individually, their three pairwise combinations, and the most complex combination of all of them. In order to assess which model holds better, we compare their fit while accounting for the fact that they are not equally complex. We apply two statistics that punish more complex models and allow for a comparison of models that are not nested: the adjusted McFadden  $R^2$  (the higher, the better) and the Aikike criterion ([AIC] the smaller, the better). While comparing model fit for non-nested models, however, we need to remember the presence of measurement error. Each variable is only an approximation of a theoretical concept. Some variables measure the theoretical concept very well: for example, GDP growth is presumably a good indicator of economic development; self-judged political interest, by contrast, is only a weak proxy of the political awareness and interests of an individual. Since variables vary in their quality as proxies, various models with differ-

ent sets of variables might just have varying fits because of differences in measurement error.<sup>1</sup>

The data that we are using is the Candidate Countries Eurobarometer from October/November 2003 (CCEB 2003.4).<sup>2</sup> The main question for our dependent variable was: “What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.” Then the respondents were given a list of statements, the order of which was randomly rotated. The statement on the euro read: “A European Monetary Union with one single currency, the euro.” The answer categories were coded “For,” “Against” or “Don’t know.”

As discussed, the literature that we draw upon is a mixture of research on attitudes toward European integration and the European Monetary Union. Clearly, we expect the two to be related. The answers to the long-running question on EU membership and euro support correlate positively (Kendall’s  $b = 0.43$ ). We assume, however, that individuals generally understand that the question that we use refers to the currency and not the European project, i.e. we assume that we have a valid measure in our dependent variable.

This article has a moderate objective. It only tries to understand why people support or oppose the euro since we are interested in its policy implications. Of course, we expect that our models can also partially explain whether an individual approves of EU membership. The attitudes toward the EU as a whole and toward the euro in particular probably reinforce each other. In a larger research project, it may therefore be interesting to explain the relationships between the two. In this study, however, we are interested in euro support only. Introducing an individual’s attitude toward the EU as another independent variable will cause endogeneity problems and will not further our understanding because it is not causally prior to euro support.

Table 1 lists all independent variables with their original coding. In the regressions, they were recoded to range from 0 to 1 for better comparison of impact magnitude. Each perspective is captured by a combination of macro-level and individual-level variables. For all models, there is a series of individual-level control variables: age at which

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- 1 When combining the models, there are problems of severe collinearity with regard to some macro variables. We only have eight countries, meaning that any macro variable can only take eight different values. Some of these variables from different perspectives correlate highly with another, for example the vote share of Euro-skeptic parties correlates with trade sensitivity, an empirical given that does not necessarily have theoretical underpinnings (see Table 5 in the appendix for bivariate correlation coefficients and the highest variance inflation factors from the models). If there is a problem of collinearity, we keep the set of variables that leads to higher explained variance. However, when interpreting the results, we keep the collinearity structure in mind.
  - 2 The cross-national survey consists of multi-stage national probability samples of residents aged 15 and older. The interviewing period was October 10, 2003 – November 10, 2003. Respondents were personally interviewed.

Table 1 List of independent variables

Variable	Observations	Mean	Std Dev	Min	Max
Government deficit in 2002 (Eurostat 2006 a,b)	8,124	30.4	15.4	5.7	57.1
GDP per capita in 2002 (Eurostat 2006 a,b)	8,124	6,322	2,362	4,238	11,880
Population size (Eurostat 2006 a,b)	8,124	9.1	11.4	1.4	38.2
Trade sensitivity (Eurostat 2006 a,b)	8,124	0.8	0.1	0.7	0.9
Months before next parliamentary election	8,124	26.6	9.7	11.0	40.0
World War II casualties relative to population (<5%, 10–20%, 20+%) (Keegan 1989)	8,124	2.0	0.5	1.0	3.0
Age	8,103	44.5	18.4	15.0	98.0
Living with partner	8,103	0.6	0.5	0.0	1.0
Community type (rural area/ village, small or middle-sized town, large town)	8,088	2.0	0.8	1.0	3.0
Gender	8,124			0.0	1.0
Age at which education is complete (categories)	8,073	2.4	0.9	1.0	4.0
Occupation categories	8,109			1.0	4.0
Working for the public sector	7,749			0.0	1.0
Household income	8,124	5.2	2.3	1.0	10.0
Perception of national economy (situation of economy and employment in 2004 in comparison to 2003, additive index) <sup>1</sup>	8,124	-0.4	1.3	-2.0	2.0
Perception of personal economic situation (financial situation of household and personal job situation in 2004 in comparison to 2003, additive index) <sup>1</sup>	8,124	-0.1	1.1	-2.0	2.0
Border resident (3 categories)	8,124			0.0	2.0
Satisfaction with national democracy	7,705	2.2	0.8	1.0	4.0
Trust in political institutions (legal system, parliament, government)	8,124	-0.9	2.2	-3.0	3.0
Self-exposure to political news	8,124	1.4	1.4	0.0	4.0
Exclusive national identity <sup>2</sup>	7,558			0.0	1.0
Religious attendance (never, rarely, frequently)	7,902	1.9	0.7	1.0	3.0

See text for most variable details.

1 What are your expectations for the year to come: Will 2004 be better, worse or the same, when it comes to ...?

2 In the near future, do you see yourself? As [Nationality] only.

full-time education finished, gender, age, occupation (white collar, manual labor, self-employed, or economically inactive), living with partner, and rural–urban residency (cf. Bielasia 2002; Gabel 1998; Inglehart/Rabier 1978; Gelleny/Anderson 2000; Nelson/Guth 2000; Rodrik 1995).

The economic perspective includes most variables, up to four macro variables and five individual-level variables. Generally, we expect individuals to link the perceived state of their economy and their own economic situation to their support for the euro. The degree to which an economy can benefit from the euro is approximated by trade sensitivity. The more an economy trades with EU states, the more it benefits from a common currency without currency risks/transaction costs and the more its citizens should support the euro. Past state deficit is used as a proxy for past economic fortunes. The higher the deficit, the more citizens are likely to support the euro because they have experienced the insecurities of an unstable economy. As in the historical-ideational perspective subsequently, we include population size in the list of economic proxies. In line with the theory of optimum currency areas, citizens in small and open economies benefit more from a monetary union (McKinnon 1963). From the economic perspective, we therefore hypothesize that citizens in low-population countries benefit more from the euro because most domestic prices are linked to prices on the international markets; therefore, exchange rate stability brought about by a currency union increases price stability. GDP per capita and economic growth are further factors affecting the likelihood of euro support. There are two competing explanations. On the one hand, individuals in economically more prosperous societies might be more willing to take on the perceived risk of further economic integration. On the other hand, individuals in relatively less successful economies may perceive the eurozone entry as a means not only to obtain a stable currency but also to enhance the country's economic credibility (Allam 2006).

The five individual-level variables of the economic perspective are household income, working in the public sector, border residency, an additive index of the personal perception of the national economy (from two items), and an additive index of the perception of the personal economic situation (from two items). The perceptions of national and personal economic situation should be positively related to EU support (Tucker et al. 2002; Buch/Hansen 2002). Those individuals with a more positive outlook are likely to consider their country ready to join the euro. We expect citizens whose income and amount of capital assets are high relative to the national average to be more supportive of the euro because they benefit more from capital market liberalization and lower transaction costs of cross-border capital investment; in contrast, citizens with lower income levels are more vulnerable to capital liberalization and cuts in public and welfare spending and therefore less supportive of the euro (Gabel 1998).

Public sector employees are hypothesized to be less enthusiastic about the euro and the associated fiscal reforms, given that they are potential targets for fiscal austerity measures and cuts in government spending (Rodrik 1995). We expect residents of border

regions to be more supportive of the euro than non-border residents because the former are more likely to benefit from increasing cross-border exchanges of goods and services (Gabel/Whitten 1997). This effect should be even higher for those living in regions that border on current eurozone member states because the benefits of the common currency are more apparent.

The political perspective is captured by two macro-level and three individual-level variables. The months before the next parliamentary election are used to capture period effects. We expect citizens in countries that are closer to the next election to be less supportive of the euro. We assume that this is due to the populist arguments against further Europeanization that are likely to be ventured by many politicians at a time of rapid political change. The second macro variable is the share of Euro-skeptic parties at the last election. The median voter in some party systems is more pro-European than in others. The smaller the vote share of Euro-skeptic parties is, the more pro-European is the median voter and the more supportive of the euro is the average individual in that country (classification of parties according to Taggart/Szczerbiak 2004; Beichelt 2004).

We include two variables to capture the individual's relationship with the national political system. We expect individuals with a more positive evaluation of their own national system to be more in favor of the euro, although, as stated above, the opposite argument exists as well in the area of European integration (i.e. individuals may perceive European integration as a remedy for the political "misery" of their country). The two proxies are the degree of satisfaction with democracy in the respective country and an additive index of the degree of trust in the national parliament, the legal system, and the national government. Finally, we include a variable that measures how strongly an individual is exposed to political news, measured as an index of reading, hearing, and watching political news. The expectation is that those individuals who are more politically informed are more likely to have an opinion. To our dismay, this survey did not include any measure of ideological left-right placement. Therefore, we cannot directly estimate this aspect of the political perspective.

The third, historical-ideational, explanation is approximated by two macro-level variables, the number of deaths during World War II relative to the population (in three categories) and the size of the population. The number of war casualties represents the notion of recent large-scale misery that persists in the collective memory. The experience of World War II is still shared by a sizeable proportion of the populace. The expectation is that citizens in countries that suffered more during the war are more supportive of the euro because they see the euro as another means to assure peace in the future. Along similar lines, citizens in smaller countries are expected to be more supportive of the euro because the currency binds that society more strongly to the supranational European entity and makes them less vulnerable to bigger neighboring countries. At the individual level, the most important variable is whether or not individuals define themselves exclusively in national terms. If they do, they are less likely to support the euro because they value the symbolic rather than the economic meaning of their currency.



Individuals who fear that European integration erodes national sovereignty, identity, and culture may show less support for eurozone membership. We expect the fear of losing the newly regained sovereignty to be particularly relevant for opposition to the euro in new democracies, given that the national currency is an important ‘symbolic marker in nation-building efforts’ (Jones 2002; Risse 2003: 487).

In addition, we capture whether the respondent shares a border region with another new member state or with a current eurozone member state. In contrast to the economic perspective, we anticipate for the historical-ideational perspective that the populations of border regions are less supportive of the euro than residents of non-border regions because the introduction of the euro will intensify cross-border cultural exchange and thus threaten their identity. This effect should be even stronger for residents along the border with the current eurozone member states where the common currency has allegedly undermined state sovereignty and threatened national identity. Finally, individuals who are more religious are hypothesized to be less supportive of the euro. Strong religious conviction can be the expression of a more intense involvement in a conservative milieu in which primordial, ideational identities are held high.

### 3 Empirical section

Table 2 shows the distribution of responses in the eight countries under investigation. The most pro-euro country here is Slovenia, which has already joined the eurozone at our time of writing, followed by Slovakia and Hungary. The most opposed to eurozone entry is Estonia.

Table 3 shows a series of three regressions (models 1–3): the pure economic, the political, and the historical-ideational model. Each model entails two columns that list the predictors of the difference between the baseline (the respondent answered “Don’t know”) and the two other answers (“Against” and “For”). Since all variables range from a minimum of 0 to a maximum of 1, the coefficients can be directly compared as to the magnitude of their impact.

According to the adjusted  $R^2$ , the economic model fits best, followed by the historical and the political models. According to the AIC, the historical-ideational model fits better than the economic one. It might be plausible to consider the historical-ideational model as faring best. The variables measuring the historical-ideational perspective (for example, estimated deaths in World War II or self-judged identity with the nation state) can be supposed to contain more measurement error than the economic variables (for example GDP per capita and household income). Therefore, the size of impact measured through the historical variables is likely to underestimate the ‘true’ meaning of these dynamics.



Table 2 Euro support in eight Central and Eastern European countries in 2003

	Answer categories		
	Against	Don't know	For
Slovenia	11	7	82
Hungary	19	19	62
Slovakia	19	11	70
Czech Rep.	24	16	61
Lithuania	26	15	59
Poland	30	13	57
Latvia	30	16	54
Estonia	41	11	48
Total	25	13	62

Question wording see text.

In all models, some significant variables have the same signs in both columns, such as age. This means that the variable predicts whether an individual is more or less likely to adopt an attitude, no matter what the direction of attitude is. We call these “stimulating” variables. These stimulating variables are: age, household income, and self-exposure to political news with the coefficients sometimes being insignificant for one category. Younger, richer, and more politically informed individuals are more likely to have an opinion on the euro.

According to the economic model (model 1), macro-level experiences are important for the individual. The most important predictor of being in favor of the euro, rather than being against or having no opinion, is the perception of the national economy. In contrast, the personal economic situation does not matter. Whether individuals have a more positive or negative outlook on their personal economic situation does not add to our understanding of euro attitudes. Also, the experience of higher government deficits makes individuals less likely to be against the euro compared to having no opinion or being in favor of the euro. Along similar grounds, high GDP per capita is associated with more people being in favor of the euro. Thus, individuals seem to long for the credibility of their currency supporting a strong economy. The size of the population, in this model, has a negative impact on the euro. Individuals in more populated countries are more likely to be against it. As we shall see, however, the latter effect is not stable.

Thus, model 1 shows that citizens in Central and Eastern Europe gain their support for EMU based on the correct macroeconomic assessment because the euro with its strict price stability target can stabilize a national economy but does not necessarily change its real development.<sup>3</sup> The effect for individuals living in border regions is also captured as predicted in the economic explanation. Those citizens living close to other EU countries, be it new or old ones, are more supportive of the euro, as a common currency

3 In fact, the real convergence parameters of the Maastricht criteria are only secondary in nature (Backé 1999: 121).

Table 3 Multinomial logistic regression models 1–3 of euro support in eight post-communist countries in 2003

	Model 1		Model 2		Model 3	
	Coef		Coef		Coef	
	Against	For	Baseline = Don't know		Against	For
	Against	For	Against	For	Against	For
<i>Macro-level variables</i>						
Government deficit	-1.44***	0.18				
GDP per capita	-0.18	0.69*				
Population size	0.63***	0.24			-0.75*	-0.23
Trade sensitivity	0.27	0.17				
Vote share of Euro-skeptic parties			-0.08	-0.06		
Months before parl. election			0.72	0.41		
Deaths WWII relative to pop.					1.57***	0.32*
<i>Individual-level variables</i>						
<i>Controls</i>						
Age	-0.21	-0.79***	-0.50*	-1.35***	-0.21	-0.92***
Living with partner	0.07	0.20	0.07	0.16	0.16	0.27*
Community size	0.18	0.19	0.26	0.15	0.24	0.24
Female (BL male)	-0.02	-0.28***	0.08	-0.18*	-0.01	-0.33***
Education	0.10	0.90***	0.25	0.67***	0.13	0.72***
Manual workers (BL manager, other white-collar)	0.27**	0.15	0.23**	0.12	0.23*	0.05
Economically inactive	0.14	-0.03	0.05	-0.10	-0.01	-0.16
Self-employed	0.15	-0.06	0.15	-0.05	0.16	-0.11
<i>Economic variables</i>						
Public sector employee (BL private sector)	-0.02	-0.02				
Household income	0.48***	0.74***				
Perception of national economy	-0.88***	0.60***				
Perception of personal economic conditions	-0.15	0.18				
Resident of border region with new member state (BL not resident of border region)	0.17	0.56*			0.10	0.28
Resident of border region with old member state	0.17	0.72***			-0.14	0.68***
<i>Political variables</i>						
Satisfaction with democracy			-0.90***	0.83***		
Political trust			-0.48*	0.00		
Self-exposure to political news			0.59***	0.97***		
<i>Historical-ideational variables</i>						
Exclusive national identity					0.34**	-0.64***
Religious attendance					0.04	0.10
Constant	0.90*	-0.18	0.48	0.99***	-0.31	1.44***
Observations	7,637		7,589		7,283	
AIC	12,841		12,844		12,193	
Loglikelihood	-6,413		-6,415		-6,089	
Adj. McFadden R <sup>2</sup>	0.077		0.057		0.062	

Unstandardized coefficients, unweighted observations, all variables range from 0 to 1, significant at 0.05/0.01/0.001 (\*\*/\*\*/\*\*) level, BL=baseline category, standard errors clustered by country.

Table 4 Multinomial logistic regression models 4–7 of euro support in eight post-communist countries in 2003

	Model 4		Model 5		Model 6		Model 7	
	Coef		Coef		Coef		Coef	
	Against	For	Against	For	Against	For	Against	For
<i>Macro-level variables</i>								
Government deficit	-1.39***	0.47			-1.29***	1.53***	-1.48***	1.57***
GDP per capita	-0.10	0.41			0.02	1.14***	0.02	1.02***
Population size	0.47***	0.13	-1.01	-0.71	0.21	-1.76***	0.49	-1.78***
Trade sensitivity	0.06	-0.20			0.48	0.33	0.22	0.12
Vote share of euro-skeptic parties			0.74*	0.20				
Months before parliamentary election	0.34	0.49	0.45	0.34			0.42	0.18
Deaths WWII relative to population			1.54**	0.57	0.38	2.50***	-0.17	2.44***

increases cross-border exchanges and reduces the costs of cross-border shopping. Two control variables, age and education, also have a sizeable impact. Whereas the positive effect of education in both columns suggests the attitude-forming capacity of higher education, the direction of impact of age, which is consistent across all models, points to the higher salience of the euro for younger people. This is not surprising given that EMU is a major policy affecting the future. The younger the respondent, the longer the lifespan is that is affected by its introduction. The impact that is in the same direction in both columns rejects any notion of generational differences in political preferences. Older people are not less in favor of the euro; they are just less likely to have an opinion on the euro.

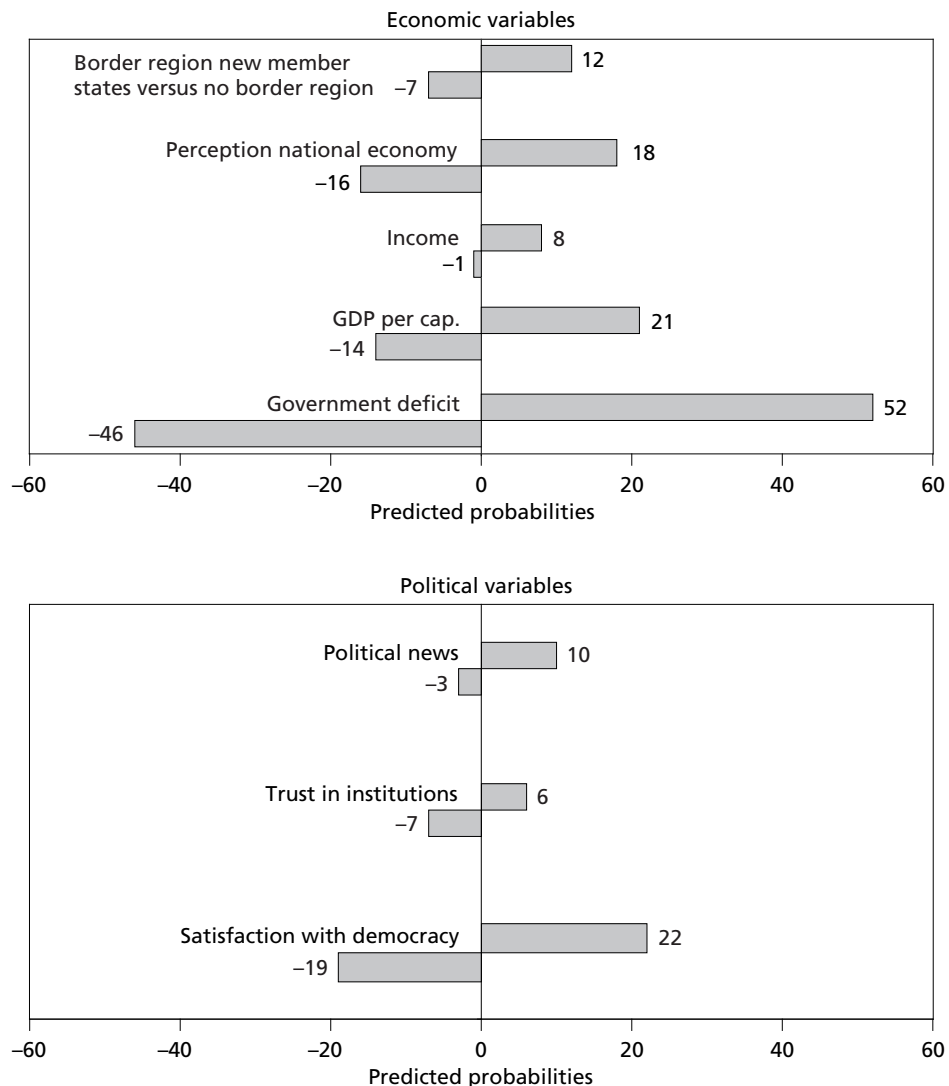
The political model 2 is the weakest of all three in terms of its explained variance. None of the macro variables captures any systematic variance. There are five variables with sizeable impacts: the two control variables, age and education, which we have already seen in model 1, trust in political institutions, satisfaction with democracy, and self-exposure to political news. The latter is one of the stimulating variables: the more a person follows political news, the more likely they are to have an opinion on the euro. Political trust, by contrast, discriminates between individuals who are against the euro and those who are in favor of the euro or do not have an opinion. The latter clearly indicates the importance of the individual's attitude toward the national political system for predicting their attitude toward joining the euro, although the direction is only one-sided. If citizens lose trust in the domestic political system, they will be joining the "no" camp. High levels of trust are not necessarily linked with being in favor of the euro as some authors have suggested (cf. Jupille/Leblang 2007; Buch/Hansen 2002). By contrast, raising levels of satisfaction with democracy lead from being against the euro to having no opinion and then to being in favor of the euro.

Table 4 continued

	Model 4		Model 5		Model 6		Model 7	
	Coef		Coef		Coef		Coef	
	Against	For	Against	For	Against	For	Against	For
Baseline = Don't know								
<i>Individual-level variables</i>								
<i>Controls</i>								
Age	-0.58*	-1.19***	-0.65**	-1.28***	-0.38	-0.70*	-0.72***	-1.03***
Living with partner	-0.06	0.08	0.01	0.14	0.05	0.18	-0.11	0.04
Community size	0.13	0.10	0.28	0.12	0.17	0.21	0.09	0.11
Female (BL male)	0.06	-0.18*	0.03	-0.23***	-0.05	-0.31***	0.03	-0.21*
Education	-0.01	0.64***	0.12	0.46**	0.01	0.62***	-0.11	0.40*
Manual workers (BL manager, other white-collar)	0.24*	0.18*	0.24*	0.14	0.25*	0.13	0.26*	0.22**
Economically inactive	0.19	0.06	0.05	-0.03	0.11	-0.01	0.18	0.12
Self-employed	0.11	-0.05	0.14	-0.06	0.15	-0.08	0.14	-0.03
<i>Economic variables</i>								
Public sector employee (BL private sector)	-0.06	-0.07			0.03	-0.02	0.00	-0.07
Household income	0.61***	0.79***			0.46***	0.70***	0.57**	0.75***
Perception of national economy	-0.68***	0.46***			-0.82***	0.57***	-0.66***	0.44***
Perception of personal economic conditions	-0.21	-0.02			-0.09	0.14	-0.10	0.04
Resident of border region with new member state (BL not resident of border region)	0.09	0.53**			0.14	0.58***	0.09	0.60***
Resident of border region with old member state	0.03	0.68***			0.01	0.23	0.02	0.29
<i>Political variables</i>								
Satisfaction with democracy	-0.77***	0.62***	-0.76***	0.70***			-0.72***	0.56***
Political trust	-0.37*	-0.02	-0.44*	-0.08			-0.44**	0.00
Self-exposure to political news	0.59***	0.93***	0.59***	0.85***			0.57***	0.84***
<i>Historical-ideational variables</i>								
Exclusive national identity			0.38***	-0.49***	0.27	-0.55***	0.29*	-0.44***
Religious attendance			0.11	0.12	0.22*	-0.01	0.23*	-0.05
Constant	1.34***	-0.28	-0.40	1.21*	0.57	-1.24***	1.25*	-1.35**
Observations	7,263		6,965		6,989		6,695	
AIC	11,735		11,301		11,185		10,352	
Loglikelihood	-5,860		-5,643		-5,585		-5,169	
Adj. McFadden R <sup>2</sup>	0.089		0.069		0.093		0.107	

Unstandardized coefficients, unweighted observations, all variables range from 0 to 1, significant at 0.05/0.01/0.001 (\*\*/\*\*/\*\*) level, BL = baseline category, standard errors clustered by country.

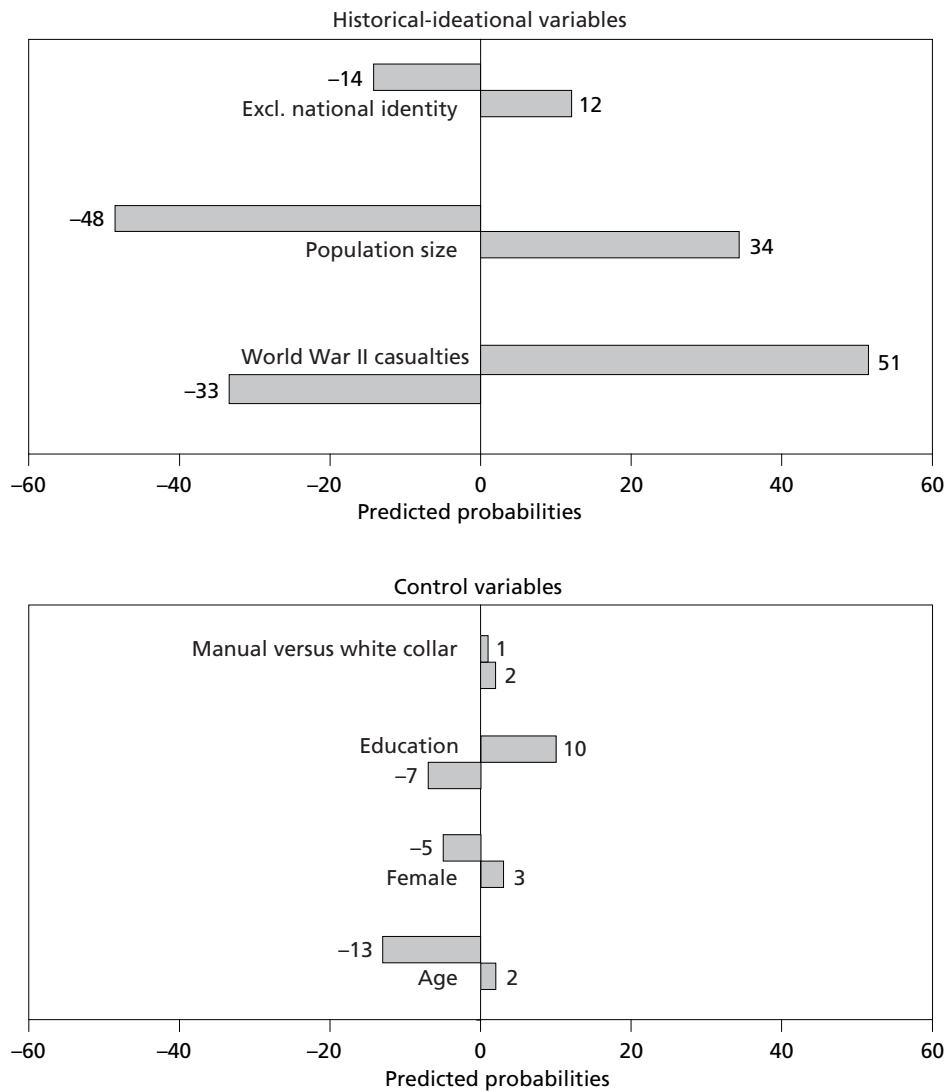
Figure 1 Predicted probabilities for being against and for the euro, groups of variables



First row = impact on being in "in favor" category; second row = impact on being in "against" category.

Finally, in the historical-ideational model 3, next to the two controls, age and education, the following four variables stand out as having the strongest impact: the relative number of casualties in World War II, population size, individual possession of an exclusive national identity, and residence in a border region with an old EU member state. As stated above, living in a border region has a positive impact, which is in line with the economic explanation but runs counter to our assumptions hypothesized from the historical-ideational perspective. The direction of impact of the experience of losses between 1939 and 1945 is positive in both columns of this model. But in later models, the sign changes, which is a direct consequence of the low number of countries in this study, and we shall come back to this point. Along similar lines, population size is negatively related to being against the euro, a finding that stands in contrast to what we saw

Figure 1 continued



in model 1. Having an exclusive national identity raises the probability of having no opinion or a negative opinion of the euro. Clearly, strong, exclusively national feelings are associated with less support for the euro.

To sum up the discussion of the single models, we can say that the economic and the historical-ideational models fare best. What we now need to test is the extent to which we can fruitfully combine the three perspectives to arrive at an even better fit, while taking growing complexity of the models into consideration.

Let us now compare four models that hierarchically build on the three pure models (cf. Table 4). There are three pairwise combinations (the economic-political model 4, the political-historical model 5, the economic-historical model 6) and a combination of all

three perspectives (economic-political-historical model 7). Of the pairwise combinations, the economic-historical model fares best. It is better than the other two pairwise combinations and better than all single individual models. Adding more variables to the model also increases the number of significant coefficients. This means that these new predictors help to clarify the effects of predictors already included.

In the pairwise models, the coefficients of population size keep changing although the direction of impact of the significant coefficients tells the same story. This change is probably due to the high correlation with the variable measuring WWII casualties ( $r = 0.61$ ). Nevertheless, we are confident that the more plausible impact is the one shown in models 6 and, later, 7. Living in less populous countries leads to a higher likelihood of being for the euro. This finding is in line with the historical-ideational perspective rather than the economic one. Despite the high correlation with the variable measuring WWII loss, we suggest that there are two independent impacts here that are both in line with the historical-ideational perspective. The two variables correlate positively in this sample; but the two impacts are in opposite directions and are also significant. Citizens in small countries and in countries with high World War II losses tend to be more in favor of the euro. The theoretical notion is the same. Individuals see the euro as further guaranteeing peace and minimizing their insecurity that comes from demographic (small country) and historical givens (suffering during World War II).

The economic-political-historical model 7 includes all variables from models 1, 2 and 3, except for strength of Euro-skeptic parties that strongly correlates with trade sensitivity and increases collinearity. Overall, the most complex model can explain most systematic variance ( $\text{adj. } R^2 = 0.107$ ;  $\text{AIC} = 10,352$ ) despite being less parsimonious. Knowing something about the economic, political, and historical contexts and attitudes of an individual maximizes our understanding of variation in euro support. Apart from the two political macro-level variables, the coefficients of the other macro-level variables are now significantly simultaneously in the same model. This is an interesting finding because, despite collinearity, their effect is still clear enough to be significant.<sup>4</sup>

Figure 1 summarizes the magnitude of effects, which are significant at the 0.05 level, by comparing the predicted probability of the variable at its maximum with the probability of the variable at its minimum. We have projected values for being in the “against” category and the “for” category. At first glance, we see that the magnitude of what the control variables explain is rather low. This means that our theoretical variables tend to help us more to understand individual-level variations in support for the euro than the additional control variables. The explanatory power of this integrated model is therefore satisfactory and higher than any explanation hidden behind the control variables.

The biggest effects stem from four macro variables. The economic variables GDP per capita and state deficit, together with population size and number of world war casual-

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4 As can be expected in large samples, the high level of collinearity still allows precise enough estimates to adequately assess the direction of impact.

ties, demonstrate the utmost importance of the historical and economic macro context of each individual. Individuals are more supportive of the euro in societies that (a) are smaller demographically, (b) are more prosperous economically, (c) experienced more casualties during World War II relative to their populations, and (d) have a large state deficit. Next in size come the individual-level variables, the satisfaction with democracy and the assessment of the national economic situation. Since the latter can conceptually also be seen as a macro variable, we can say that, on the macro level, economic and historical experiences are most important whereas, on the individual level, it is rather the political experience that matters.

#### **4 Conclusions: Discussion of results and their implications for theory and policy**

The analysis distils a compact model drawing from three perspectives – economics, politics, and historical identities – to explain why individuals hold different attitudes toward the euro. The formation of attitudes toward the euro is far more complex than any economic analysis of weighing the individual costs and benefits would suggest. In fact, the complexity of monetary policy makes it impossible to see individual attitudes toward the euro as being only related to personal economic situation and socio-economic status. An integrated approach pays tribute to the fact that the European Union is increasingly a project of non-economic nature, most importantly since Maastricht. Thus, it is logical to expect individual attitudes toward the euro to be also structured by non-economic, e.g. historical and political, characteristics of the society in question (cf. also Eichenberg/Dalton 2007).

The most striking result of our study is that the macro-level variables of the economic and historical-ideational perspectives have a stronger impact factor than the micro-level variables. We suggest that public opinion on the euro is in large part a function of four factors. First, on the one hand, support for the euro hinges on the success of the economic transition. A thriving economy impacts positively on the individual's support for the euro. On the other hand, the importance of the macro variable of a large state deficit suggests that citizens perceive the euro as a means to enhance economic stability and security. We therefore assume that EMU membership is viewed as a guarantee for the continuation of economic reforms. Second, support for the euro draws on historical idiosyncrasies because the relative number of casualties in WWII has one of the strongest impacts on the formation of public opinion on the euro. This, however, does not compete with economic variables, given that the common currency in the historical-ideational perspective is to maintain peace in Europe that complements the wish to continue free market reforms. Third, support for the euro is influenced by political circumstances, especially the individual's satisfaction with democracy. Those who perceive their national system to be adequate are more willing to take on the challenges of euro



introduction. Fourth, support for the euro is decreased when citizens have an exclusive national identity. For these individuals, their well-being is anchored in their national polity, and changes to this situation decrease their anticipated security.

Our study supports existing research that points to the critical aspect of the macro variables of the economic and historical-ideational perspectives and shows that existing models need to be adjusted when applied to transition economies. For example, the micro variables of economic self-interest do not further our understanding of euro support in transition countries. This means that the conventional winner–loser cleavage of the transition process is not as important as previously thought: distributional issues matter less than the aggregate national performance and experience. Political parties that garner support for the euro should therefore concentrate on economic consolidation and political stability rather than politicizing a winner–loser cleavage.

In an environment of volatility and uncertainty in post-communist Europe, macro variables of economic and historical-ideational factors have the strongest impact on public opinion. We assume that these variables are so powerful because they serve as focal points that provide guidance on the future path of transition. Thus, the importance of a thriving economy, a high state deficit, and historical memories for the support of the euro indicate that EMU membership has a meaning beyond that of belonging to a common currency area: The adoption of the euro is viewed as the necessary incentive to continue with the reform process, to leave the past behind, and to establish institutional trust as well as personal security. This implies that the opinion on the euro is not merely the expression of an EU issue. Instead, it is in large part a way of voting on free market reforms. Shifts in perceptions of free market reforms have critical implications for the support of the euro. It is therefore hoped that further research is done on designing models that take the peculiarities of post-communist countries into account.

## Appendix

Table 5 Additional statistics for collinearity diagnostics

Correlations (r)	1	2	3	4	5	6	7	Highest variance Inflation factor
1 Government deficit	1.00							4.1
2 GDP per capita	0.12	1.00						2.1
3 Population size	0.45	-0.11	1.00					7.7
4 Vote share of Euro-skeptic parties	0.64	-0.08	0.45	1.00				2.6
5 Trade sensitivity	0.30	-0.37	0.20	0.80	1.00			2.0
6 Months before next election	-0.45	0.19	-0.35	-0.31	0.08	1.00		1.9
7 World War II casualties	-0.26	-0.14	0.61	-0.19	-0.08	0.05	1.00	6.8

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