Ines Kersan-Škabić
Juraj Dobrila University of Pula
Faculty of Economics and Tourism "Dr. Mijo Mirković"
P. Preradovića 1,
52100 Pula, Croatia
ikersan@unipu.hr
Phone: +38552377028

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COMPARISON OF PUBLIC OPINION ON THE EURO IN THE EU NEW MEMBER STATES[1]

Abstract

This paper gives a systematic presentation of public opinion on the euro: the expected consequences, the advantages, and also the fears people have about introducing the single currency. The research also aims to identify the economic variables that may influence citizens' attitudes towards the euro. The econometric analysis indicates that a higher level of development and higher earnings have a positive impact on public support for the euro, while the unemployment rate and corruption have a negative effect. People think that the euro will have a positive effect; the majority of citizens in the non-euro area are in favour of adopting the euro (but as late as possible); the majority were afraid of losing control over the national economic policy; people expect abuses and cheating on prices during the changeover, and increased inflation following the adoption of the euro. The two countries most opposed to the euro are Poland and the Czech Republic due to political issues. The two countries that have announced the start of the euro adoption process are Croatia and Bulgaria.

Keywords: Euro-area, EU, new member states, the euro, public opinion

1. *Introduction*

The EU new member states[1] adopted different positions in terms of the introduction of the euro, i.e. there are some countries which have already adopted the euro (Slovenia, Slovakia, Cyprus, Malta, Estonia, Latvia and Lithuania), and some which have not (Poland, Hungary, the Czech Republic, Romania, Bulgaria and Croatia). The requirement to adopt the euro is included in the Accession Treaty that the EU signed with each (new) member state, but there is no given timeframe within which the euro must be introduced. Looking at the list of the EU new member states, it is clear that so far the smaller EU member states have introduced the euro, while the bigger ones do not want to sacrifice their monetary policy.

Even though the decision to participate in the Economic and Monetary Union (EMU) is essentially political and depends on the fulfilment of the nominal convergence criteria set up in the Maastricht Treaty, public attitudes towards the common currency should not be ignored. Indeed, public opinion about the common currency in the euro area can be a very useful indicator for people from non-euro

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area countries in the process of acceptance of and familiarisation with the euro. Also, positive attitude towards the euro in euro-area members can help to avoid the fear of the common currency in the countries that consider the introduction of the euro. Here we would like to compare public opinion on the euro in countries that participate in the euro area with that of the rest of the EU new member states. In addition, we would like to find out if there is any relationship between the level of support for the euro and the level of development of a particular country. This is important because people's concerns arise from the economic characteristics of their country and the current situation.

In this analysis, secondary data from the Eurobarometer will be used and statistically elaborated. The research will include the period from 2004 to 2017, covering the year of the biggest EU enlargement, and the crisis and post-crisis years.

The novelty of this research lies in the fact that up until now, public opinion on the introduction of the euro has not been sufficiently analysed and is usually focused on support to the EU or on the attitudes towards the euro in a particular country. Here we will systematically present the results for the EU new member states and in addition, we will employ econometric analysis to assess the importance of selected economic variables in terms of public support for the euro.

The paper is structured into four chapters: the introduction is followed by the literature review; the third chapter presents the research containing the data on public support for the euro, the econometric analysis of key economic variables relevant to citizens' attitudes towards the euro and their main fears and expectations concerning the introduction of the euro. The fourth chapter is the conclusion.

2. Literature review

Public opinion is the subject of many analyses, and if we focus on the EU, most often such research is oriented to the analysis of various issues to do with Euroscepticism. This term covers many determinants such as political, institutional and economic issues (McLaren, 2002; Taggart, Szczerbiak, 2001; Hooghe, Mark, 2009). Public perception of the single currency may be related to the level of the country's development, individual wellbeing, the financial crisis, national identity, as well as a number of other factors. Low level of support for the euro, especially when viewed in terms of a country losing its currency, seen as a symbol of national sovereignty, and the fears and the negative aspects of euro introduction, can be considered as soft Euroscepticism (Taggart, Szczerbiak, 2001).

For this research, papers that deal with the interconnection between support for the euro and (macro) economic development are of key importance. Eichenberg and Dalton (1993) have used GDP, unemployment rates and inflation rates as these variables are considered as the essential elements of the economy. They showed that the domestic economic conditions have an impact on citizens' attitudes towards the EU. Gabel and Whitten (1997) added that citizens take their perception of both the national and their personal economic conditions into consideration in creating theirs opinion about the EU.

Allam and Goerres (2011) focused their research on the relation between individual wellbeing and the level of support for the euro. They tested three perspectives: economic, political and historical-ideational with individual-level and contextual data. They found that the success of economic transition, historical legacies of grave war experiences, and a personal identity not exclusively focused on the nation and satisfaction with democracy have a positive influence on individual support for the euro. Interestingly, economic self-interest is not the most important positive determinant. Palankai (2017) discusses the process of euro introduction in Central and Eastern European countries with the emphasis on nominal and real convergence criteria. He argues that the countries show diverging courses of action and policies, public support is also unclear, and the interests of transnational corporations (TNCs) and political elites contradict each other. There are many factors, cultural, legal, security and emotional ones that will play a key role in the adoption of the euro, but post-crisis recovery and a solution for migration crises are also important. Goněc (2015) focused his research on the different issues of eurscepticism/ eurorealism in the context of Czech and Slovak relationship. One of the analysed aspects deals with the monetary issue – where he pointed out that three Central European countries use the euro (Slovenia, Slovakia and Austria) while the other three use their own currencies (Hungary, the Czech Republic and Poland). He also criticized the policy of devaluation and its consequences in the Czech Republic. Ioanno, Jamet and Kleib (2015) emphasized that, beside the domestic economic performance, also circumstances (public debt; level of unemployment) in other EU members influence the public support for EU membership in a particular country.

In the economic arena, we cannot ignore the impact of the financial crisis on the support for the euro. Kordić (2017) researched the correlation between public support for the euro in EU new member states (that have not yet introduced the euro) and the GDP growth rate in the period 2011-2015. She found different results, but in big countries, higher GDP growth is correlated with an increase in Euroscepticism, which means these countries recognize that monetary policy is an important instrument in driving their economies. Serricchio, Tsakatika and Quaglia (2013) researched the relations (influence) between global financial crisis and Euroscepticism and they found "that the economic crisis did not substantially bring economic factors back in as an important source of Euroscepticism, even though the most pronounced increase in Euroscepticism has taken place in the countries most affected by the crisis". Roth, Jonung and Nowak-Lehmann (2016) researched public support for the euro in 12 euro area members from 1990 to 2014. They found "that citizens' support for the euro on average was marginally reduced during the first six years of the crisis, and that support has remained at high levels". Braun and Tausendpfund (2016) found the impact of the Eurozone debt crisis to be more significant than the global crisis; and that individual perception of the crisis on EU support is stronger in euro area countries and in more developed EU member states. Economic factors during the crisis period play a crucial role in the explanation of support for the EU. Hobolt and Wratil (2015) also found that support for the euro has remained high within the euro area during the crisis years. This support is driven by utilitarian considerations, whereas identity concerns are of lesser importance. Čábelková, Mitsche and Strielkowski (2015) warn that even though public support for the EU in the Czech Republic prior to the EU accession was high, under new circumstances (the financial crisis, the euro area crisis, and the possible "Grexit") support for the EU and the euro has been undermined. Genge (2014) (by examining the estimated class-conditional response probabilities), confirmed that society can be divided into three groups – euro supporters, eurosceptics, and euro neutral citizens.

3. Research

In this paper, we have covered the period from 2004 till 2017 because we want to show the development of public opinion and the changes that took place during the period of accession to the EU (2004 for the majority of EU new member states), the pre-crisis period (2007), and the post-crisis years. The research includes the EU new member states that became EU members in 2004, 2007 and 2013. This was a very dynamic period because 7 out of 13 new members introduced the euro over the last 12 years. Because of this, the sample of countries that have not introduced the euro was changing.

Public opinion in the EU is presented in the Standard Eurobarometer survey. In this paper, we are interested in the Eurobarometer's research on public opinion on the single currency. This kind of research covered all EU member states before they had joined the euro area. After 1999, there are two kinds of research: research about public attitudes towards the euro that included EU member states that had not introduced the euro, and research about the euro and the functioning of the euro area for the Economic and Monetary Union (EMU) member states.

We will analyse the data from the Eurobarometer, covering the following statements/questions: *Having the euro is a good or a bad thing for your country (%)* – for euro area members; *Introduction of the euro would have positive or negative consequences* - for non-euro area members; *You are afraid of abuses and cheating on prices during the changeover*; *Adopting the euro will mean that (OUR COUNTRY) will lose control over its economic policy*; *Introducing the euro will increase inflation or help maintain price stability*; *When would you like the euro to become your currency?; Is your country ready to introduce the euro*?

For better transparency and understanding, this section will be divided into three parts. In the first part, citizens' attitudes towards the euro will be presented and discussed; in the second part, an econometric analysis of the impact of economic factors on the level of euro support will be performed; and the third part of the research will outline the main advantages of the single currency, the fears and the expected negative consequences of the introduction of the euro.

3.1 People's support for the euro in EU new member states

Table 1 is focused on support for the single currency and compares the expectations of introducing the euro in the EU member states that do not have the euro and public opinion on whether the euro is a good or bad thing for the euro area members. The data are mixed, but in the period before joining the euro area, the majority of countries expected the in-

troduction of the euro to have a positive impact. The exceptions were just Latvia and Malta in 2004, while in 2017 the majority of people thought that having the euro is a good thing (except for Lithuania). In non-euro area members, the majority of people are in favour of introducing the euro, with the exception of Poland and the Czech Republic where the majority are not in favour of the euro. For Poland, the explanation may lie in the increasing popularity of far-right political parties and problems with Brussels relating to the legal sphere. In addition, Poland is the only EU member that did not face a decline in GDP during the global financial crisis, so people support the government's economic policy and they might be afraid that the euro will destroy or limit economic growth prospects. The contested issues between the EU and the Czech Republic include the quota system for the relocation of refugees, suggested as a solution to the migrant crisis and widely opposed by the Czech public and politicians. This could be the reason for opposing the adoption of the euro (as a part of deeper integration).

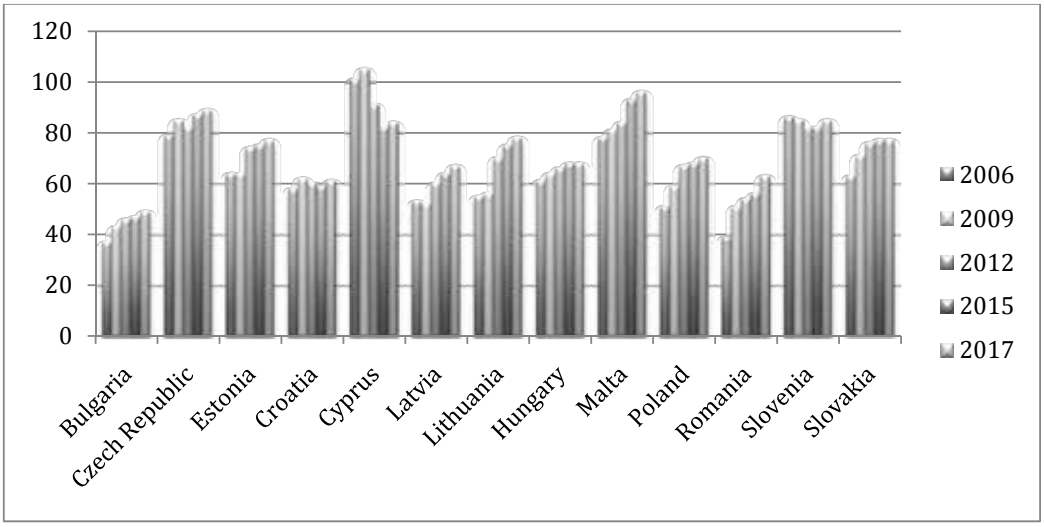
Table 1 Support for the common currency from 2004 to 2017

Countries	2004		2007		2010		2013		2017	
	Introduction of the euro would have positive or negative consequences		Introduction of the euro would have positive or negative consequences		Introduction of the euro would have positive or negative consequences		Euro area members - Having the euro is a good or a bad thing for your country (%)		Euro area members - Having the euro is a good or a bad thing for your country (%)	
	Positive	Negative	Positive	Negative	Positive	Negative	Good	Bad	Good	Bad
Estonia	44	40	40	45	47	42	58	20	69	12
Cyprus	49	39	…	…	…		43	45	48	34
Latvia	38	41	34	51	34	52	40	54	53	25
Lithuania	45	41	35	53	41	49	35	55	36	48
Malta	35	44	…	…	…	…	62	22	64	16
Slovenia	56	32	…	…	…	…	55	35	63	25
Slovakia	49	38	…	…	…	…	56	31	67	31
Non-Euro area members - for or against adopting the euro										
	For	Against	For	Against	For	Against	For	Against	For	Against
Romania	…	…	67	18	56	34	67	28	64	30
Hungary	54	32	48	38	48	36	54	41	57	39
Croatia	…	…	…	…	…	…	…	…	52	43
Bulgaria	…	…	44	39	48	42	52	43	50	45
Poland	41	44	53	32	45	43	38	60	43	55
Czech Republic	45	42	46	40	38	57	14	80	29	70

Source: European Commission 2004, 2007, 2010a, 2010b, 2013a, 2013b, 2017a, 2017c[2]

As people's fears about the euro can be connected with the level of development, Figure 1 shows the GDP per capita in EU new member states from the pre-crisis period (2006) to 2017.

Figure 1 GDP per capita in EU new member states 2006-2017 (EU28=100) in PPS



Source: Eurostat (2018), "GDP per capita in PPS", available at: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00114&plugin=1 (Accessed on: July 4, 2018)

It is obvious that GDP per capita has increased in the majority of countries (Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Romania and Slovakia). Croatia and Slovenia are facing a stagnation in GDP per capita (the same level in 2017 as it was in 2006), while Cyprus has a decreasing trend of GDP per capita. Some of the most developed new member states have introduced the euro (Slovenia, Cyprus) but with the problem of achieving pre-crisis growth prospects, while some (the Czech Republic) did not introduce the euro and reported growth in GDP per capita in the observed period. Interestingly, Poland, with the highest average growth rate in the period 2006-2018 of 4% annually, has very low support for the introduction of the euro (just 43%), followed by Romania with the average growth rate of 3.8%, but with very high support for the euro of 64%. The Czech Republic had average growth rate of 2.83%, but the lowest support for the euro of just 29%. From these data, it is clear that countries that are non-euro area members achieved higher growth rates, so it is open to question whether joining the common currency was a good thing for EU new member states.

3.2 The economic determinants of support for the euro in EU new member states

Here we will make an analysis to find out how the economic variables influence support for the euro. Thus far, no similar research has been carried out, which is why we are including the variables that can be of significance to citizens' attitudes:

1. GDP (Gross domestic product) per capita, in EUR and in PPS (EU=100) is the most used indicator of economic development. It can be expected that in a country with low level of GDP p.c. the support for the euro will be lower because people will have more fears about the negative consequences of euro introduction.
2. GDP growth rate (%, annual) is an indicator of a country's perspectives of development. Higher growth rates are connected with more jobs, better salaries and standard of living. Therefore, it can have a positive impact on support for the euro, but it can also be an indicator that the country is doing well without the euro, so there is no expected sign of influence.
3. Unemployment rate (%, annual) – is regarded as one of the most important indicators for the state of an economy. If a country faces higher levels of unemployment, people will not be satisfied with their situation and can expect a negative impact of the euro on domestic production. The introduction of the euro can seem as a step towards openness of the economy (which will push in-

tra-Eurozone trade), whereas the potential increase of imports can have a negative impact on the uncompetitive domestic sector[3]. The increased intra-Eurozone trade can also be an opportunity for exporters to expand their business, which could result in new jobs. Regarding the level of development in EU new member states, the expectation is that the first influence will prevail.

4. Average earnings – people usually think about negative consequences of the euro if they have low wages. Therefore, if a country has higher wages, we expect to see higher support for the euro.[4] We will apply the data about net earnings from Eurostat.
5. Inflation is one of the most important economic variables and thus a key indicator of a stable macroeconomic environment in a particular country. If the prices are stable, we expect that people will be in favour of euro adoption.
6. Public debt - the level of government debt is important especially for the euro area, where sound public finances are regarded as key for maintaining the stability of the monetary union. As the majority of Eurozone members increased their public debt during the financial crisis, and also some countries faced problems in servicing theirs debts, people in countries (EU new members) with high public debt before the Eurozone membership are afraid that the indebtedness will increase which can cause long-term consequences[5]. It can negatively influence citizens' attitudes, i.e. support for the euro.
7. Corruption (Corruption perception index, CPI, Transparency International) is important for all countries, but especially for Romania, Bulgaria and Croatia where the level of corruption is high and it is an important social and economic problem. The CPI measures the perceived levels of corruption in the public sector on a scale from 0 to 100, where 0 is highly corrupt and 100 is very clean. The expected impact of the CPI on support is negative (the more corruption, the less support for the euro).
8. Intra-regional trade – measured as a share of intra-EU export in total export of EU new member states; it is expected that higher intra-EU trade will increase the support for the euro (because the majority of payments are in euro, and the introduction of the common currency will reduce the conversion costs).
9. Dummy variable – crisis years, 2009 and years with the negative GDP growth rates – the value is 1, in other years the value is 0.[6]

Considering that the sample has a cross-sectional dimension, represented by countries (i = 1,…..,N) and a longitudinal dimension, represented by a time series (t = 1,….,T periods), the panel data method will be used (Hsiao, 2003). The sample comprises unbalanced panel data, i.e. there are some time periods missing from some units in the population of interest.

We used random effects (RE) and fixed effects (FE) estimation methods, which allow us to deal with the problem of unobserved heterogeneity. All the models are tested using the Hausman test to decide between RE and FE and standard errors that are robust to heteroscedasticity and autocorrelation. The Hausman test accepts the null hypothesis that the difference in coefficients is not systematic, thus favouring random effect.

The correlation matrix shows that, in general, multicollinearity is not a serious problem. Some variables (GDP per capita, earnings) are logged to interpret the coefficient as elasticities. All the models are corrected for autocorrelation and heteroscedasticity by using cluster robust standard errors.

The relationship between support for the euro and their determinants is as follows:

$$Euro\ support = \alpha + \beta_1 * GDP\ per\ capita_{it} + \beta_2 * unemployment_{it} + \beta_3 * corruption_{it} + \beta_4 * earnings_{it} + \beta_5 * inflation_{it} + \beta_6 * public\ debt_{it} + \beta_7 * intra\text{-}EU\ trade_{it} + dummy + \varepsilon_{it},$$

$$i=1...N;\ t=1...T \qquad (1)$$

where the dependent variable is support for the euro (in %) and the independent variables are: GDP per capita, earnings, GDP growth rate, unemployment rate, corruption perception index, inflation, public debt, intra-EU trade (intra EU-export) and the dummy variable.

All the data are from the Eurostat database, except CPI which is from Transparency International. The analysis is done for the period from 2004 to 2017.

Table 2 The determinants of public support for the euro in EU new member states – random effect method (positive attitudes – dependent variable)

	Model 1	Model 2	Model 3
GDP p.c.	18.10203 (6.91218)***		
GDP growth rate		0.4615271 (0.3029206)*	
GDP p.c. EU=100			0.4639725 (0.2754467)**
Public debt	-0.1203841 (0.1067754)	-0.0602553 (0.1040961)	-0.08734 (0.1083728)
Inflation	-0.0709895 (0.4682911)	0.0977015 (0.4834763)	-0.0563526 (0.4560052)
Unemployment rate	-0.7138247 (0.4295089)**	-0.6207573 (0.5050181)*	-0.8674151 (0.4406397)**
Corruption perception index	-0.7455496 (0.2484045)***	-0.4386402 (0.2500258)**	-0.6123518 (0.2940283)***
Earnings	6.960689 (6.91424)*	18.36724 (4.211994)***	14.76217 (5.529261)***
Intra-EU trade	0.1211721 (0.244056)	0.0857731 (0.230473)	0.0957206 (0.2198351)
Dummy crisis	3.952273 (3.146127)	7.898756 (5.046313)	3.240533 (3.10232)
R square	0.3911	0.3808	0.3751
Number of observations	129	129	129
Number of groups	13	13	13
Time fixed effects	Yes	Yes	Yes
Wald test (p-value)	40.11 (0.000)	80.07 (0.000)	25.97 (0.001)

*All the models include a constant variable. Standard errors are in parenthesis. ***p statistically significant at 1%. **p statistically significant at 5%. *p statistically significant at 10%.*
Source: Author's calculations

We performed three models with a combination of independent variables discussed earlier. The independent variables are the same in all three models with the exemption of GDP: in Model 1 we include the log of GDP per capita in current prices, in Model 2 we include the growth rate of GDP and in Model 3 we include the index of GDP per capita in relation to the EU average (GDP EU28=100).

The findings are: GDP per capita, GDP growth rates, index of GDP per capita (EU28=100) and net earnings have a positive and significant impact on public support for the euro, while the unemployment rate and level of corruption have a negative impact. Among all these variables, only GDP per capita has a very high (strong) influence, while GDP growth rates and index of GDP have a significant, but weak

influence. The dummy variable for the crisis period, the level of public debt, the inflation and the share of intra-EU export are not significant variables. This can be explained with the fact that people usually don't think about the level of public debt when thinking about the euro, and on the other hand, the prices are quite stable (there were low inflation rates, even the prices decreased in some observed years). Interestingly, the level of earnings (net) is significant and has a positive impact on public support for the euro. It can be supported by the fact that people with higher wages have less fear about the possible negative consequences of the euro.

3.3 The expected benefits and fears of euro introduction

Usually people were afraid of an increase in prices as a result of cheating in converting prices from the national currency to the euro. In 2004, in all EU new member states (currently euro area members) the vast majority of people (over 60%) were afraid of that kind of cheating. Slovenia is the only country where people were not so sceptical. In Latvia and Lithuania, countries that have adopted the euro most recently, in 2013 over 70% of people were afraid of this kind of cheating.

Table 3a Are you afraid of abuses and cheating on prices during the changeover? Euro area members

Countries	2004		2007		2010		2013	
	Yes	No	Yes	No	Yes	No	Yes	No
Estonia	70	21	65	26	…	…	…	…
Cyprus	72	24	78	18	…	…	…	…
Latvia	68	24	68	27	72	23	81	18
Lithuania	67	26	77	20	77	21	75	21
Malta	72	23	76	20	…	…	…	…
Slovenia	34	64	…	…	…	…	…	…
Slovakia	64	24	72	23	…	…	…	…

Source: European Commission 2004, 2007, 2010b, 2013b, 2017c

Table 3b Are you afraid of abuses and cheating on prices during the changeover? Non-euro area members

	2004		2007		2010		2013		2017	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Romania	…	…	51	41	61	35	66	30	66	30
Hungary	49	46	75	21	74	20	66	31	67	30
Croatia	…	…	…	…	…	…	75*	23*	82	15
Bulgaria	…	…	82	14	74	22	77	20	81	17
Poland	83	14	74	21	82	14	78	21	74	24
Czech Republic	63	27	67	29	74	22	74	24	73	24

Source: European Commission 2004, 2007, 2010, 2013, 2017a

From the rest of the EU, Croatian citizens also expressed a high level of concern about cheating on prices (82%), which is the highest percentage of all other EU members where people are sceptical about cheating.

Table 4 Adopting the euro will mean that (OUR COUNTRY) will lose control over its economic policy

Countries	2004		2007		2010		2013		2017	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Estonia	43	38	37	44	…	…	…	…	…	…
Cyprus	41	46	38	51	…	…	…	…	…	…
Latvia	45	27	48	34	55	36	63	34	…	…
Lithuania	36	41	39	42	40	48	43	48	…	…
Malta	31	45	29	57	…	…	…	…	…	…
Slovenia	28	56	…	…	…	…	…	…	…	…
Slovakia	32	39	30	56	…	…	…	…	…	…
Non-euro area members										
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Romania	…	…	18	62	27	55	45	46	47	43
Hungary	23	67	28	61	28	61	28	61	36	58
Croatia	…	…	…	…	…	…	47*	48*	52	40
Bulgaria	…	…	33	40	30	50	43	48	51	40
Poland	36	48	28	58	36	49	44	51	42	52
Czech Republic	30	50	38	47	50	45	54	42	50	45

**Data refers to 2014.*
Source: European Commission 2004, 2007, 2010a, 2010b, 2013a, 2013b, 2017a, 2017c

In 2004, the citizens of EU new member states had different attitudes about the influence the euro would have on losing control over national economic policy. The citizens of Estonia and Latvia thought this would happen, while the citizens of other countries were not afraid of this happening. In 2017, people in Romania, Croatia, Bulgaria and the Czech Republic thought that introducing the euro implies losing control over national economic policy. Here it is important to note that it is debatable how familiar people are with the economic policies of their countries, whether they differentiate monetary from fiscal policy, and which policy(-ies) they believe the country would lose. However, to some extent, people are right - countries will lose control over their monetary policies, and greater pressure to promote competitiveness, investments and growth will be placed on the fiscal policy.

Table 5 When would you like the euro to become your currency?

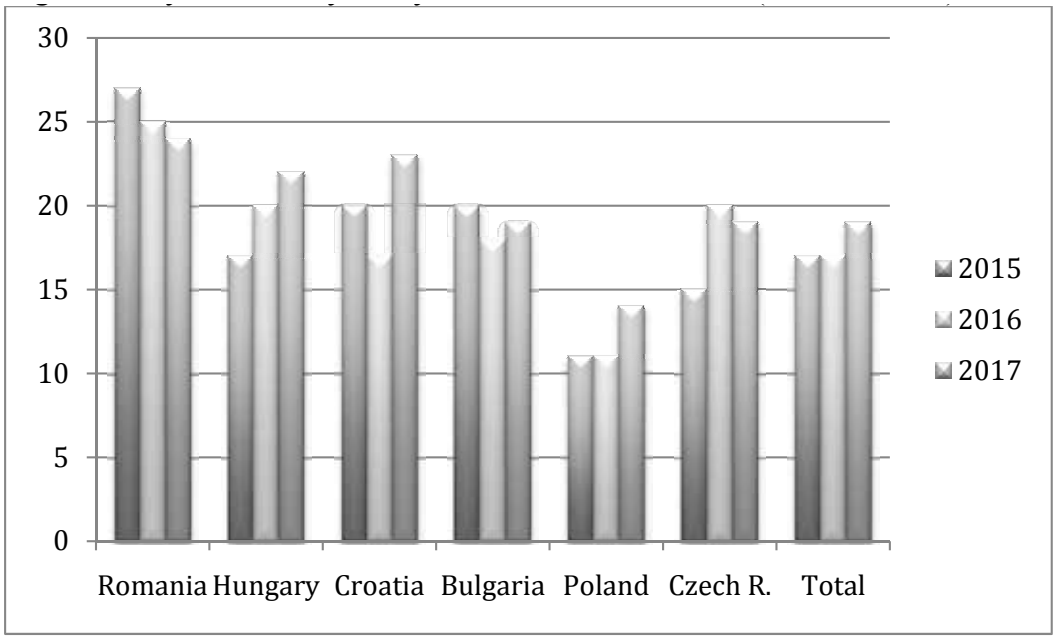
Countries	2004		2010		2013		2017	
Non-euro area members								
	As soon as possible	**As late as possible**	**As soon as possible**	**As late as possible**	**As soon as possible**	**As late as possible**	**As soon as possible**	**As late as possible**
Romania	…	…	39	22	36	29	37	32
Hungary	32	21	30	29	19	36	22	35
Croatia	…	…	…	…	18	39	20	41
Bulgaria	…	…	19	23	14	34	17	35
Poland	17	45	12	47	10	54	14	52
Czech Republic	16	42	13	47	5	65	9	67

Source: European Commission 2004, 2007, 2010a, 2010b, 2013a, 2013b, 2017a, 2017c

Countries that have not introduced the euro express the opinion that the euro should be introduced as late as possible. Citizens in Poland and the Czech Republic in particular are in favour of the later adoption of the euro. The opposite is true only in Romania where people would like to introduce the euro as soon as possible. There is also a substantial number of people that are not in favour of either of these options, who think the euro should be introduced after a certain time. Some Eurobarometer surveys also indicate this, but there is no continuity in measuring this sub-group so it was not possible to show the data in the table.

Figure 2 shows that about 20% of people think their country is ready for the euro while about 77% think their country is not ready. In the last three years, there haven't been big changes in public opinion. It can be noted that Hungary has an increasing number of citizens who think that Hungary is ready for the euro (17% in 2015 and 22% in 2017), and the same goes for the Czech Republic (from 15% to 19% in favour of the euro) and Croatia (from 20% to 23%). Nevertheless, the majority of people think that their countries are not ready to adopt the euro.

Figure 2 Is your country ready to introduce the euro? (Answer: Yes)



Source: European Commission (2017a)

Regarding the last question, it is important to explore how far the national governments take into consideration public opinion on the readiness for the euro. For example, in Croatia, the government has adopted a new strategy that targets switching to the single currency within five to seven years (Government of the Republic of Croatia and CNB, 2018). Nevertheless, it is also necessary to compare public attitudes with the formal criteria for introducing the euro. The European Commission and the European Central Bank biannually publish a Convergence Report that includes all non-euro area members and assesses whether the countries fulfil the Maastricht criteria (European Commission, 2018).[7]

Table 6 Fulfilment of criteria for introducing the euro in 2018

Fiscal discipline in 2017						
Countries	**Legislation**	**Price stability**	**Budget Public**	**deficit debt**	**ERM II (2018)**	**Long-term interest rates March 2018**
Reference value	Compatible with the compliance duty under Article 131 TFEU	1.9%	below 3% of GDP	below 60% of GDP	+/-15% toward the euro	3.2%
Bulgaria	Not fully compatible	1.4%	0.9%	25.4%	No	1.4%
Czech Republic	Not fully compatible	2.2%	1.6%	35%	No	1.3%
Croatia	Fully compatible	1.3%	0.8%	78%	No	2.6%
Hungary	Not fully compatible	2.2%	-2%	73.6%	No	2.7%
Poland	Not fully compatible	1.4%	-2.3%	50.6%	No	3.3%
Romania	Not fully compatible	1.9%	-2.9%	35%	No	4.1%

ERM- Exchange rate mechanism
Source: European Commission (2018), "Convergence Report 2018. European Economy", Institutional paper No. 078, available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip078_en.pdf (Accessed on: July 4, 2018)[8]

From Table 6 we can see that none of the non-euro area members fulfils all of the nominal convergence criteria[9]. None participated in the Exchange Rate Mechanism (ERM II) that the national currency should participate in for at least two years before it can qualify to adopt the euro. ERM II implies that a central exchange rate between the euro and the country's currency is agreed. The currency is then allowed to fluctuate by up to 15% above or below this central rate. Countries apply different exchange rate systems: from currency board in Bulgaria to floating exchange rate (with central bank interventions) in the Czech Republic, Hungary, Croatia and Poland. The criterion of price stability is fulfilled in Bulgaria, Croatia and Poland. The fiscal discipline (public finance) criterion is met in all countries. The long-term interest rates criterion is fulfilled in Bulgaria, the Czech Republic, Croatia, and Hungary.

Considering the fact that the Treaty does not specify a particular timeframe for joining the euro area, it leaves it to Member States to develop their own strategies for meeting the conditions for euro adoption. The global financial crisis and the crisis of the euro area with the particular issues facing southern EU member states (Greece, Spain, Portugal, etc.) raises questions about the benefits and limitations of common monetary policy in crisis years and also it deepens the European core-and-periphery divide. In that period, the majority of non-euro area members did not consider euro introduction; they wanted to see the post-crisis recovery of the mentioned countries as well as the stability and success of the Economic and Monetary Union. At present in Croatia, the strategy for adopting the euro does not include a fixed target date (between five and seven years) (Government of the Republic of Croatia and CNB, 2018[10]). The other countries have adopted a strategy for euro introduction but with no concrete steps towards its realization, i.e. the Czech Republic (Riedel, 2015). Even though some target dates have been established, they are subject to many changes, i.e. Romania first set the target for euro adoption in 2013-2014, but it did not happen; Hungary initially planned to introduce the euro in 2008 or 2009, while now no official target date has been set. Bulgaria sent a letter to the Eurogroup in July 2018 and expressed its desire to participate in ERM II and Croatia did the same in July 2019. Romania set 2024 as the target date for euro introduction. Poland is the farthest from the introduction of the euro due to the fact that the 2015 Polish parliamentary election was won by the eurosceptic Law and Justice Party, which opposes the adoption of the euro.

4. Conclusion

The EU is facing a huge debate about its future model of functioning where participation in the euro

area is one of the issues and represents a model for deepening the integration. Although the establishment of the Economic and Monetary Union was a great success in the EU integration process, it faced various limitations and negative consequences during the crisis years in some EU member states. Even though the process of entering the EMU is linked to the fulfilment of the convergence criteria, and it is a political decision, the attitudes of people towards the euro, its consequences, positive aspects and risks should not be neglected. Because of this, in this paper we analysed public support for the euro in EU new member states, for the seven countries that have already joined the EMU, and for the other non-euro area members. Their citizens' opinions are considered alongside with the fulfilment of the convergence criteria and with the national target dates for the introduction of the euro.

Despite the global financial crisis and the euro area crisis, support for the euro is high in EMU members where the majority of citizens thought the introduction of the euro is a good thing for their countries. The only exception is Lithuania. In non-euro area members the majority of people are in favour of the introduction of the euro with only two exceptions: Poland and the Czech Republic.

The main economic determinants that influence public support for the euro in EU new member states are GDP per capita, GDP growth rates, GDP per capita (EU=100) and net earnings, which have a positive impact, and unemployment rates and corruption, which have a negative influence on people's attitudes, which is in accordance with our expectations. From the chosen economic variables it is obvious that only some of them are relevant for the explanation of public support for the euro, which is the main limitation of this research. That provides scope for broadening the research with the inclusion of other variables that go beyond the economic sphere.

People were afraid of abuses and cheating during the changeover; this is common to both EMU members and non-EMU members. The majority of people expect the introduction of the euro will cause price increases and they tend to think that their country will lose control over its economic policy. Here it is interesting to connect the Eurobarometer results with the results from econometric analysis – where the inflation rate is not significant for the level of support for the euro, but when people are asked to indicate the most important sources of fears regarding the euro, they put "increase of prices" as the most important one. It is interesting that even though non-euro area countries are in favour of euro introduction, people think this should happen as late as possible and over 70% of people think their country is not ready to introduce the euro.

The majority of non-euro area governments from Central and Eastern Europe are in line with public opinion and want to delay the introduction of the euro for as long as possible. Bulgaria and Croatia want to join the ERM II. Also, the Croatian government passed a euro adoption strategy with no target date, however, it is putting a lot of effort into creating a positive climate for the adoption of the euro.

Government policy should take public opinion into consideration, including the fears people have about the euro, and present a clear explanation of the benefits and costs of taking part in the monetary union.

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Endnotes

1 Countries that joined the EU in 2004: the Czech Republic, Slovakia, Slovenia, Hungary, Poland, Estonia, Latvia, Lithuania, Cyprus and Malta; in 2007: Romania and Bulgaria, and in 2013: Croatia.

2 European Commission (2004), "Introduction of the euro in the new Member States", Analytical report, Flash EB Series No. 165b, available at: http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/index#p=1&instruments=FLASH&yearFrom=1974&yearTo=2004 (Accessed on: June 25, 2018)
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3 The concequences are often winding up of companies and consequenly, rising unemployment.

4 We expect this just for EU new member states; in case of other EU members, i.e. Denmark, it is not the case.

5 The EU new member states are not in the same position regarding the level of public debt – in some countries it is low (about 30% of GDP) and in some it is higher than 60% of GDP.

6 There are also other economic variables that influence support for the introduction of the euro, such as: FDI inflows from other EU member states, level of euroization (national savings expressed in euro, and private credit with a euro clause), but there is a problem of finding long-time series of data for these variables and because of this, they are not included in the analysis.

7 These criteria cover price stability, fiscal discipline, participation in ERM, and long-term interest rates.

8 European Commission (2018), Convergence Report 2018, European Economy, Institutional paper 078, available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip078_en.pdf (Accessed on: July 4, 2018)

9 The compatibility of legislation is not a formal criterion for the introduction of the euro, but it is a precondition for the transfer of monetary policy responsibility to the European Central Bank. The incompatibility of legislation is usually the case because it concerns the independence of the central bank and central bank integration in the European System of Central Banks at the time of euro adoption with regard to the national banks objectives and the ESCB tasks laid down in Article 127(2) TFEU and Article 3 of the ESCB/ECB Statute.

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Ines Kersan-Škabić

Usporedba javnog mnijenja o euru u novim zemljama članicama Europske unije

Sažetak

Ovaj rad sustavno prikazuje stavove građana o euru, posljedicama uvođenja eura, pozitivnim gledištima, ali i strahovima ljudi povezanih uz uvođenje eura. Istraživanje je usmjereno i utvrđivanju ekonomskih varijabli potpore euru. Ekonometrijska analiza dokazuje da razina ekonomskog razvoja i visina plaća pozitivno utječu na potporu euru, dok stope nezaposlenosti i razina korupcije imaju negativan utjecaj. Građani iskazuju pozitivan stav prema euru; većina ispitanika u zemljama izvan europodručja su za uvođenje eura (ali što je kasnije moguće); većina se također boji gubitka kontrole nad nacionalnom ekonomskom politikom; očekuju nepravilnosti („varanje") u izražavanju cijena u eurima i očekuju porast inflacije nakon uvođenja eura. Zemlje koje su, po stavovima građana, najudaljenije od uvođenja eura su Poljska i Češka, dok su Republika Hrvatska i Bugarska započele proces uvođenja eura.

Ključne riječi: europodručje, nove zemlje članice, euro, javno mnijenje

Appendix

Descriptive statistics of variables

```
. pwcorr
             |     var1     year suppor~o gdpeu100 gdppce~s gdpgro~e unempl~e
-------------+---------------------------------------------------------------
        var1 |   1.0000
        year |   0.0000   1.0000
supporttoe~o |   0.3897   0.1093   1.0000
    gdpeu100 |   0.1207   0.2429   0.1125   1.0000
gdppceurcu~s |   0.0616   0.3711   0.1795   0.9415   1.0000
gdpgrowthr~e |   0.1048  -0.1633   0.0238  -0.0833  -0.1128   1.0000
unemployme~e |  -0.0754  -0.0247  -0.1779  -0.3427  -0.2766  -0.2446   1.0000
netannuals~r |   0.1761   0.3148   0.2154   0.8347   0.9094  -0.1072  -0.2721
corruption~x |   0.1332   0.2881   0.0807   0.6953   0.6897  -0.1098  -0.2643
 dummycrisis |  -0.0000  -0.1032   0.1230  -0.0118  -0.0365  -0.6256   0.0198
   inflation |   0.0179  -0.5493   0.0449  -0.3541  -0.3556   0.1537  -0.1656
  publicdebt |  -0.0004   0.3422   0.0183   0.3884   0.4596  -0.2216   0.1912
    loggdppc |   0.1110   0.4085   0.1615   0.9440   0.9608  -0.1579  -0.2390
  logearning |   0.2499   0.3980   0.2093   0.8935   0.9326  -0.1917  -0.1840
     _est_fe |   0.2650  -0.1995   0.0472  -0.0928  -0.2181  -0.0135   0.0662
     _est_re |   0.2650  -0.1995   0.0472  -0.0928  -0.2181  -0.0135   0.0662
intraeutrade |   0.2774  -0.1230   0.0050  -0.0416  -0.1768   0.0637  -0.0442
 euroisation |  -0.5333  -0.0572   0.1904  -0.5013  -0.3721  -0.1382   0.4784

             | netann~r corrup~x dummyc~s inflat~n public~t loggdppc logear~g
-------------+---------------------------------------------------------------
netannuals~r |   1.0000
corruption~x |   0.5643   1.0000
 dummycrisis |  -0.0062  -0.0257   1.0000
   inflation |  -0.3465  -0.2733  -0.0468   1.0000
  publicdebt |   0.4525   0.1732  -0.0527  -0.4085   1.0000
    loggdppc |   0.8411   0.7255  -0.0282  -0.4047   0.4605   1.0000
  logearning |   0.9380   0.6637   0.0106  -0.4266   0.4695   0.9469   1.0000
     _est_fe |   0.1062  -0.0135   0.0369   0.0548  -0.2132  -0.1252   0.2332
     _est_re |   0.1062  -0.0135   0.0369   0.0548  -0.2132  -0.1252   0.2332
intraeutrade |  -0.2012  -0.1161   0.0117   0.0657  -0.2201  -0.1064  -0.0446
 euroisation |  -0.4714  -0.4869   0.0227   0.0535  -0.0481  -0.3406  -0.5373

             |  _est_fe  _est_re intrae~e  euroisation
-------------+------------------------------------
     _est_fe |   1.0000
     _est_re |   1.0000   1.0000
intraeutrade |   0.2552   0.2552   1.0000
 euroisation |  -0.4892  -0.4892  -0.8950   1.0000
```

Hausman test

```
hausman fe re
                ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |       fe           re         Difference          S.E.
-------------+------------------------------------------------------------
 dummycrisis |    4.033032      3.97201        .0610216                .
  publicdebt |    -.140064    -.1221202       -.0179438        .0489692
    loggdppc |    21.14679     17.24146        3.905328        2.704661
   inflation |   -.1351523     -.098098       -.0370543        .0626036
unemployme~e |   -.8121217    -.7417433       -.0703784        .1301855
corruption~x |   -.8415045    -.7357852       -.1057193        .0807787
  logearning |    6.700727     6.405271        .2954558        1.643711
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg
    Test:  Ho:  difference in coefficients not systematic
                  chi2(7) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        7.96
                Prob>chi2 =      0.3365
                (V_b-V_B is not positive definite)
```