

# Why People Fear the European Single Currency? A Comparative Analysis of Public Opinion

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## 1. Introduction

As the deadline set by the Maastricht Treaty for the final step of the European Monetary Union (EMU) approaches, the concerns of the public seem to be increasing, especially in some countries. Since it appears unlikely that politicians will be able to manage such an important project without public consent, it becomes crucial, first of all, to understand if these feelings are correct and especially to understand the reasons for these concerns. Only in so doing shall we be able to evaluate a certain number of political items that will be on the agenda in the next few months, like for example, the interpretation of the Maastricht Treaty, the number of countries that should be admitted to Stage Three of the EMU, etc.

I will consider these questions by looking at the survey produced every six months by the *Eurobarometer* on behalf of the European Commission. Since the beginning of the '70s a certain set of questions has been asked to a representative sample of the population in each member state (the last published survey contained data collected in December 1994).<sup>1</sup> The quality of this "official" information and the fact that we can combine it with other macroeconomic data give us a unique opportunity to tackle some of the important issues previously mentioned.

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□ Banca Commerciale Italiana, Milan (Italy).

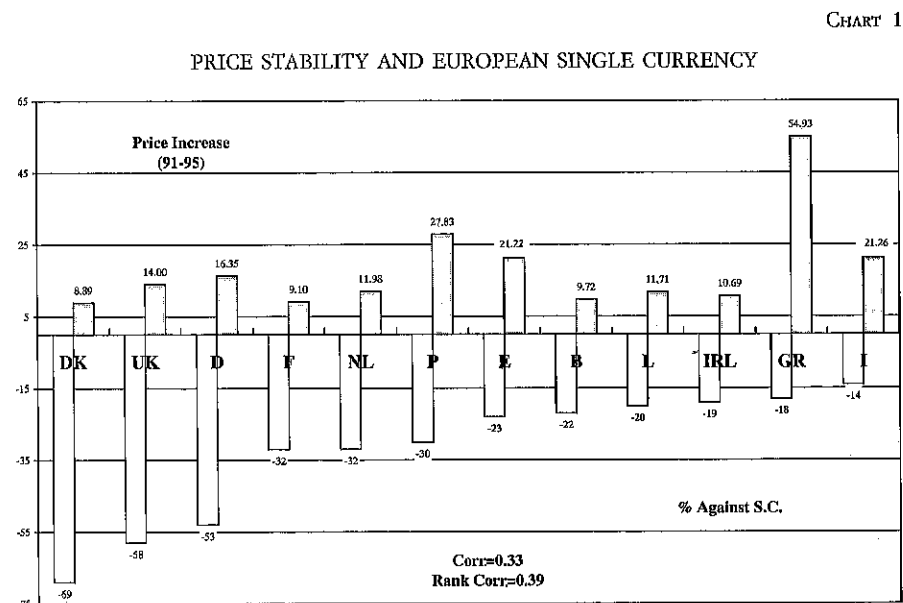
<sup>1</sup> The last data are published in European Commission, *Eurobarometer*, no. 41, Spring 1995; for historical data see European Commission, *Eurobarometer Trends 1974-1993*.

1. It is often argued that people (notably Germans) are against the European single currency because they are afraid about its future stability. The political consequence of this hypothesis is that the Maastricht Treaty should be interpreted in a restrictive way so as to allay people's fears.

As Chart 1 shows, the correlation (and the rank correlation) between the percentage of people who are against the single currency at the end of 1994 and the increase in the price level during the last five years is positive, as expected, but not so high. Similar results have been observed over different time spans. In fact, even though the three countries where the majority of the population is against the single currency (Denmark, the United Kingdom and Germany) have recently exhibited low inflation, it is also true that other countries with an even lower rate of inflation, like France, Belgium, Ireland and Luxembourg, reveal a much better attitude with respect to the European currency.

Overall, a strict interpretation of the Maastricht Treaty by the participating governments could be useful but I do not think this will dissolve the public's concerns.

2. Euro-sceptics often argue that technocrats are the people who are more in favour of the European Union in general and the single cur-



rency in particular. This means that countries with a smaller bureaucratic apparatus, i.e. in first approximation with a small public sector, should have a worse attitude with respect to EMU.

To verify this hypothesis we have used several indicators of the size of the state presence; for example, total public expenditure over the Gross Domestic Product, general taxation over GDP or a combination of both. In every case the correlation between them and the percentage of people against the single currency in the different countries appears very close to zero (see Charts 2a and 2b). In fact some countries, like Denmark, have a large public sector and are against the idea of the European currency, while others with a small public sector, for example, Ireland, Portugal and Spain are more in favour of the single currency.

As we will see later, at a micro level, usually the more market-oriented people, like the self-employed and the managers are more in favour of Europe, so that the thesis proposed by the Euro-sceptics about technocrats is not confirmed by the data.

3. It is reasonable to think that small countries are more in favour of the EMU since they are less able to control their monetary policy.

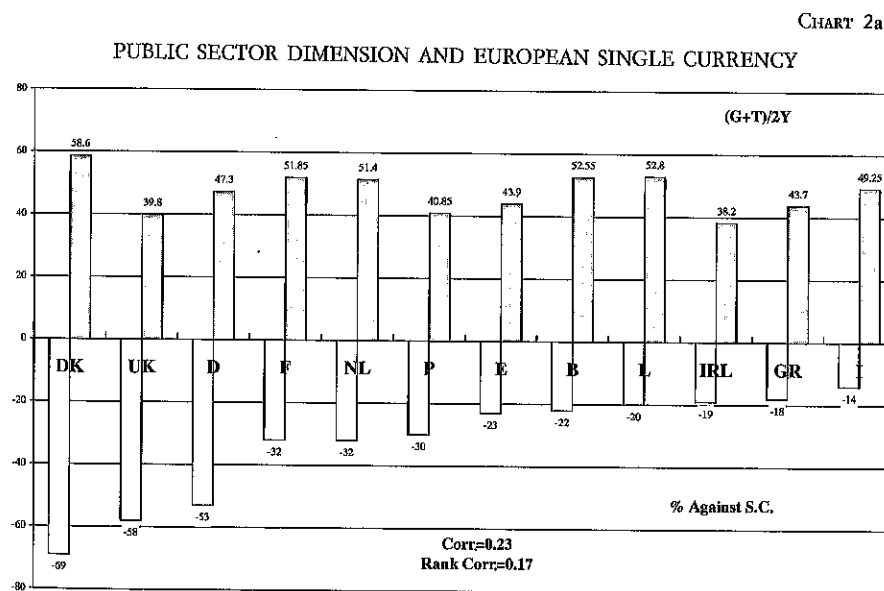
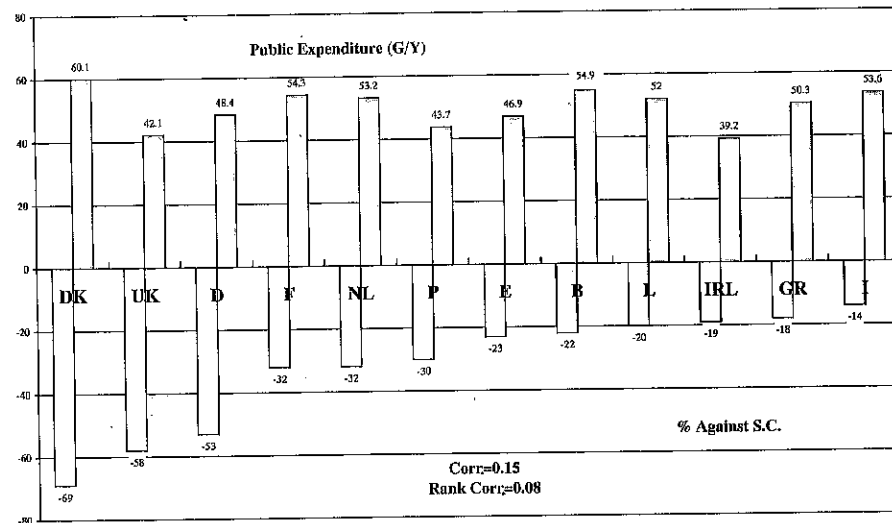


Chart 2b

PUBLIC SECTOR DIMENSION AND EUROPEAN SINGLE CURRENCY



Even this hypothesis finds little support in the data: the correlation between the size of each country (measured in Chart 3 by its population) and the unpopularity of the single currency appears low, even though positive. Some small countries like Denmark are very much against the idea of the EMU, while other large countries, like Italy, are very much in favour of it.

4. It is usually assumed that more information about the Maastricht Treaty will help people to appreciate the benefits of the EMU.

Apparently, at a country level, this hypothesis seems wrong: Chart 4a shows a positive and marginally significant correlation between countries whose population is most against the single currency and countries in which a higher percentage of the population has heard something about the Maastricht Treaty; similar results are obtained in Chart 4b where the percentage of people against the single currency is in relation to a "general indicator of public information" about the European Union. The latter is calculated by *Eurobarometer*, derived from detailed questionnaires concerning European affairs. In this respect it is interesting to note that Italy is always one of the countries with the lowest level of information, whereas in England there is a big gap between some awareness of the

CHART 3

COUNTRY SIZE AND EUROPEAN SINGLE CURRENCY

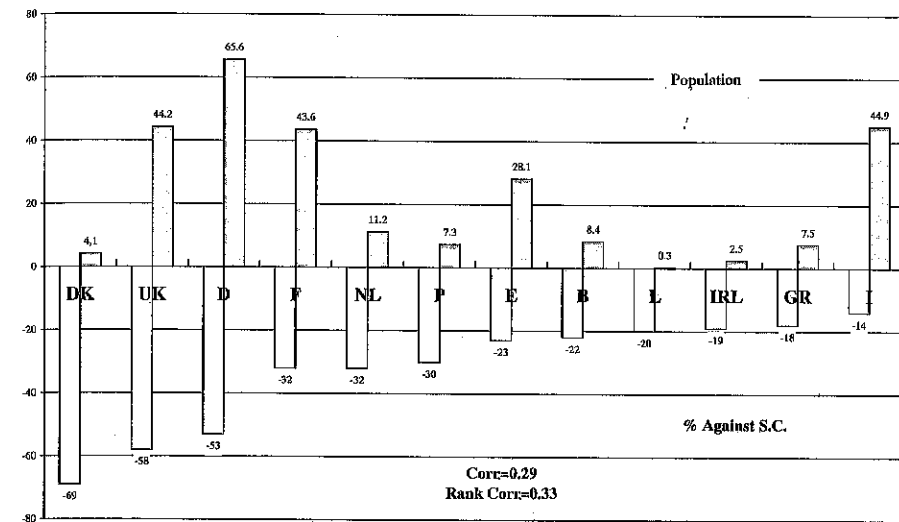
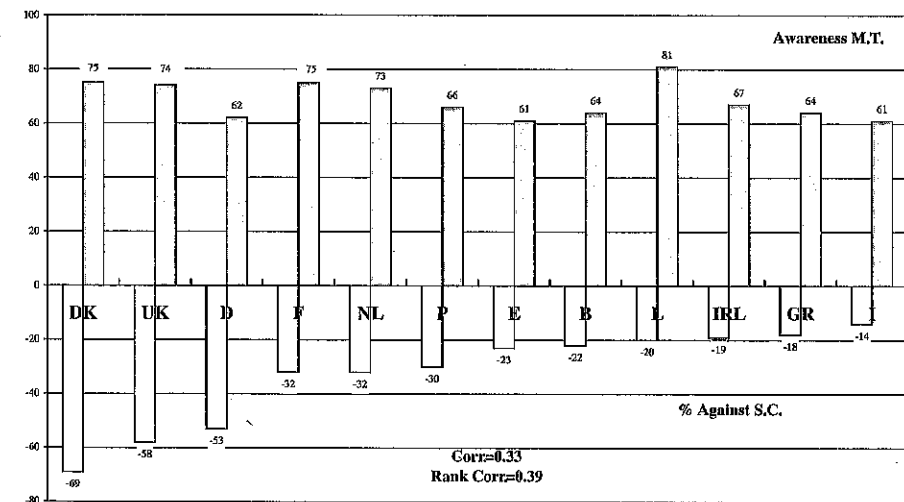


CHART 4a

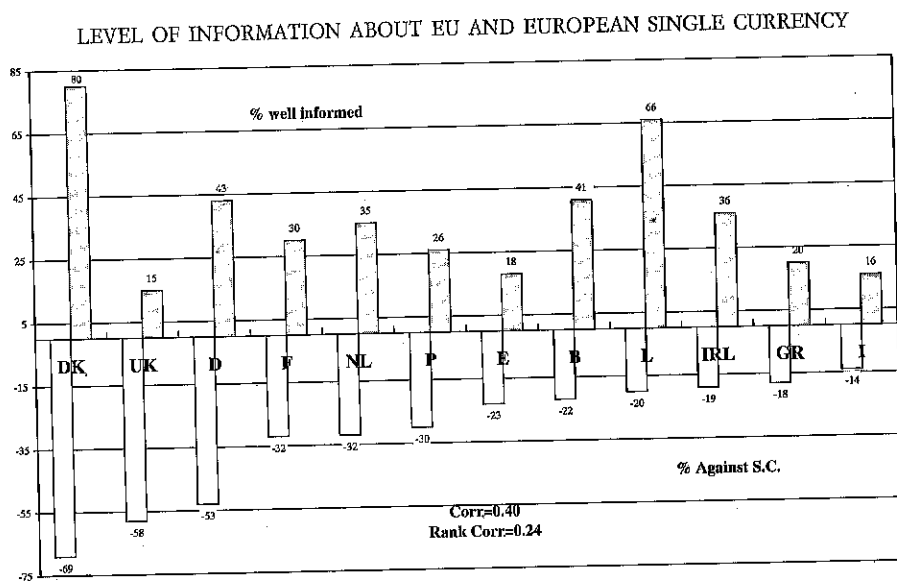
AWARENESS OF MAASTRICHT TREATY AND EUROPEAN SINGLE CURRENCY



Maastricht Treaty and more general information about the European Union, which I consider a better indicator of people's knowledge.

Before drawing any conclusion about the importance of the level of information on public attitude, it is better to consider the micro

CHART 4b



results, which show, as we will see later, that in every country the more informed people usually give a better judgement on European affairs.

5. Finally, it would be interesting to examine what is the relationship between the opinions that people have about the single currency and their opinions of the European Union or, more generally, the process of unification in Western Europe, EU membership, etc. It is often noticed, for example, that the Germans are in favour of the EU but not of the EMU.

Chart 5a and to a lesser extent Chart 5b show that, even though the level of public lack of appreciation of the different European projects varies, there is a very high correlation between them. This means that, in order to understand the difficulties that in some countries the single currency project now incurs in some countries, we have to understand the more general problems related to the European construction.

6. As mentioned earlier, it is several years now that the *Eurobarometer* has been addressing various questions to the EU population. This provides us with the opportunity to induce a time dimension in our analysis. Unfortunately, given the fact that the single currency is a relatively new concrete political issue, the questions related to this

CHART 5a

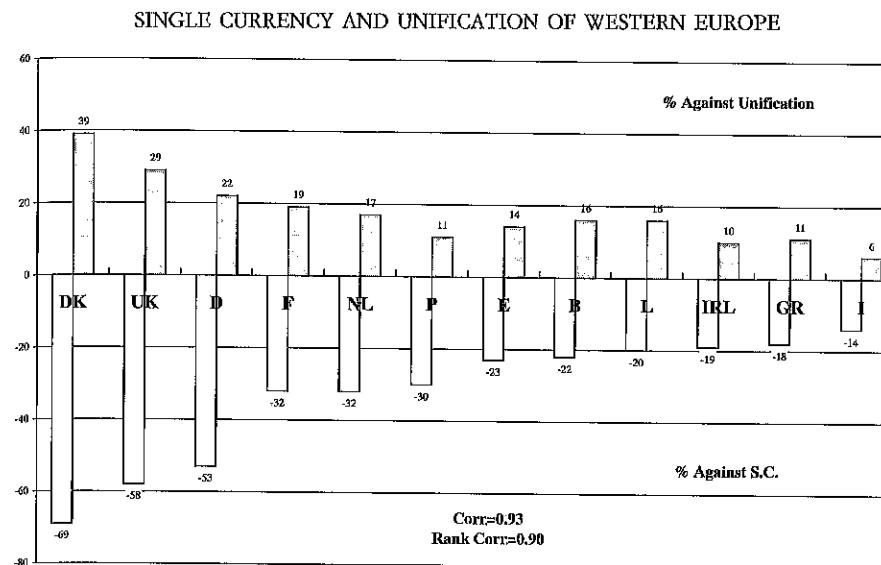
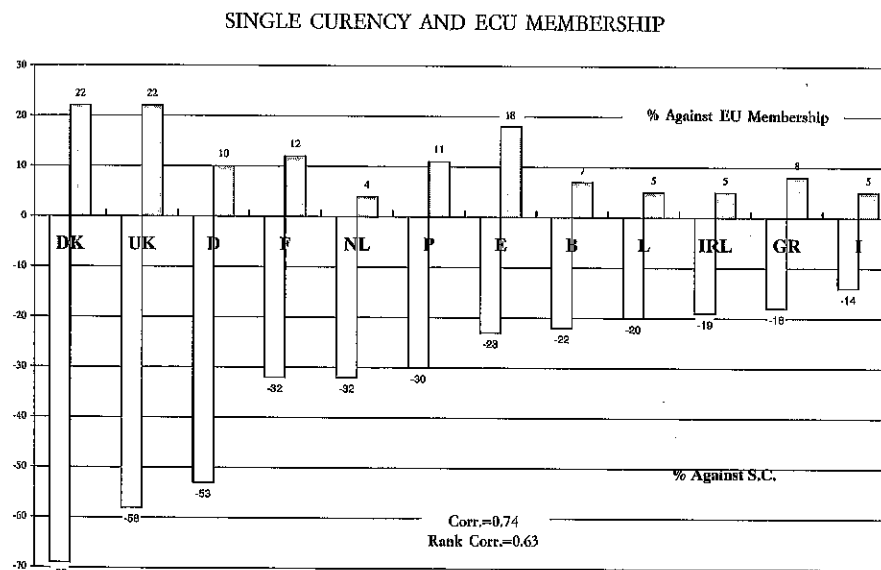


CHART 5b



particular aspect do not go back very far (the Treaty on European Union was signed in Maastricht in February 1992).

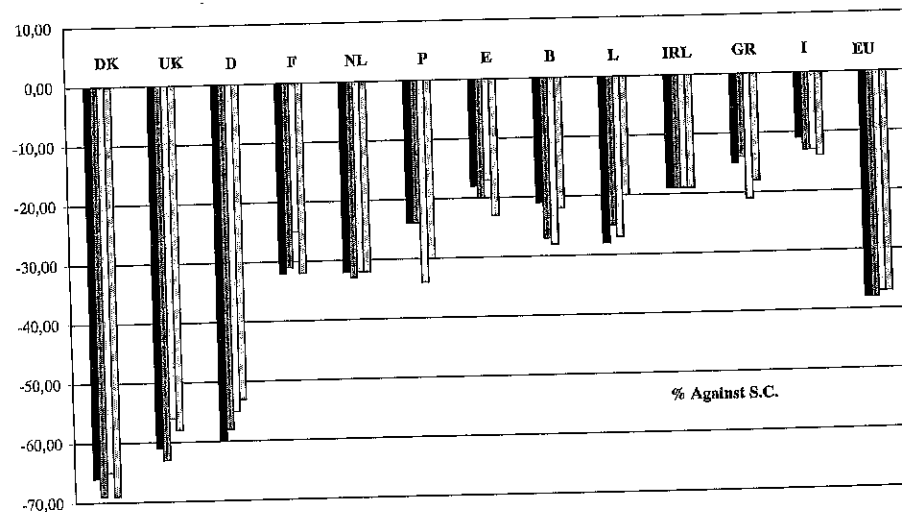
In contrast to the standard opinion, over the last two years (ending in winter 1994), on average there has been a slight increase in enthusiasm within public opinion with respect to the idea of Monetary Union. However, this movement is insignificant and not common to all European countries. For example, the supporters of the single currency have increased in Germany and Luxembourg and decreased in Portugal, Italy, Greece and Spain (See Chart 6).

7. Given the limitations existing on single currency data, it may be useful to look at the time series data concerning general opinion about the process of unification in Western Europe or the value attributed to European Union membership, for which the *Eurobarometer* has collected data for more than fifteen years. These variables may be a good "proxy" for understanding the evolution of the problem we address (the EMU) given the strong correlation previously observed.

What is surprising when we look at data on the general support for Western European integration or European membership is its strong stability over time. In other words people in different countries generally change their attitude very slowly with respect to these question. Certainly between 1990 and 1993 support for the idea of

CHART 6

DYNAMIC OF % OF PEOPLE AGAINST THE SINGLE CURRENCY  
(winter 1992-spring 1994)



Legenda: 1st column 1992.II;  
2nd column 1993.I;  
3rd column 1993.II;  
4th column 1994.I.

Europe seems to have had some difficulty, but taken over the last 15 years the changes appear smoother and in favour of European Union membership. At a country level the increasing popularity of Europe within Belgium, Denmark, Greece, Ireland, Portugal and the United Kingdom appears particularly interesting.<sup>2</sup>

Overall, however, the series variability over time of these data is smaller than the differences previously discussed at a country level. This fact and the strong relationship between the single currency and the European Union leads us to conclude that probably sociological and political aspects play a major role in explaining the variety of opinions existing all over Europe with respect to the Monetary Union.

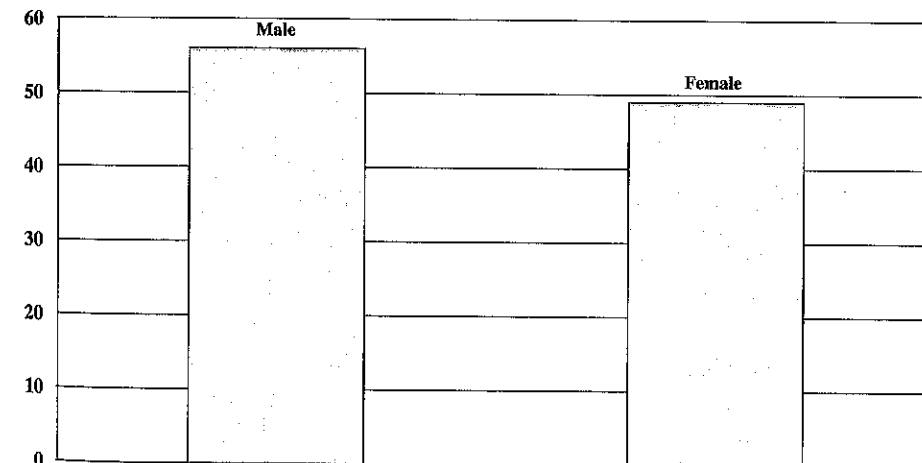
8. When we turn to micro data and try to see what role the socio-demographic and the socio-political variables play, some interesting results emerge.

i) Males are more in favour of the European Currency than females. This difference seems to decline over time but still remains significant (Chart 7).

ii) Young people seem to have a better attitude than the elderly with respect to the idea of Currency Union. In this case the differences seem quite stable over time, so that only the majority of people over 55 remains slightly against the EMU (Chart 8).

CHART 7

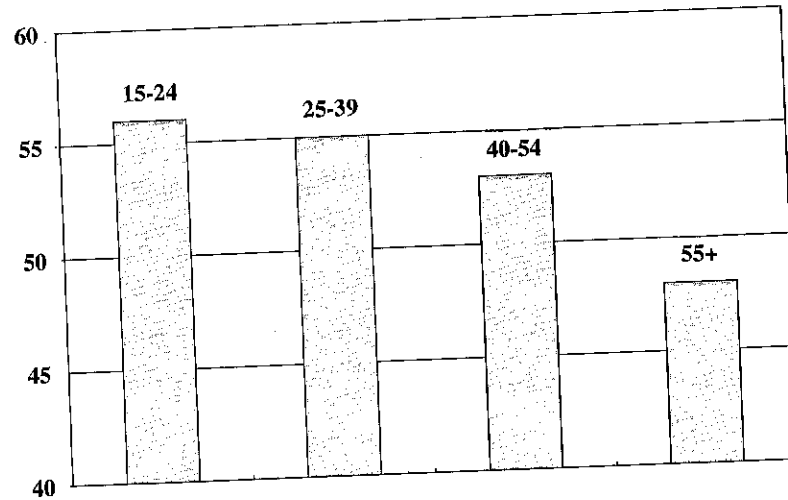
SEX AND % IN FAVOUR OF SINGLE CURRENCY



<sup>2</sup> See Charts printed on *Eurobarometer*, no. 41.

CHART 8

AGE AND % IN FAVOUR OF SINGLE CURRENCY



iii) Better educated people are much more in favour of the single currency. There is a gap between people who attend or probably will attend University (i.e. who finish their studies at 20+ years of age or who are still studying and are 15 years old or more) and people who do not (Chart 9).

iv) Also occupation seems to play an important role in this respect. In fact self employed people, managers and other white collar workers are much more pro Monetary Union than manual workers, housewives or the unemployed (Chart 10).

v) Finally, as mentioned before, at a micro level people who are more informed about European institutions appear closer to the idea of a European Currency (Chart 11).

9. After illustrating all of these results, probably the most interesting piece of evidence useful in solving our problem could be found in the answers to this question: "Among the following statements could you tell me the main reasons for your fears about the single market?"

As shown in the Table the situation appears very different in the various countries. In general terms, on the one hand there are countries in which people fear the Single Market for nationalistic

CHART 9

AGE AT END OF STUDIES AND % IN FAVOUR OF SINGLE CURRENCY

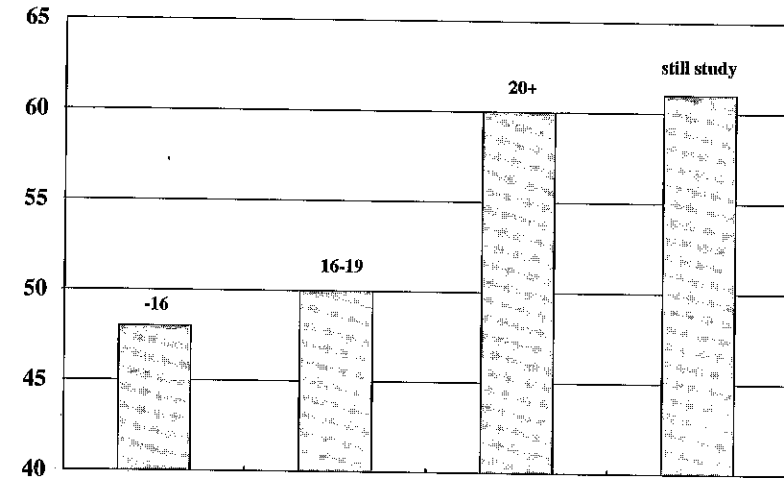
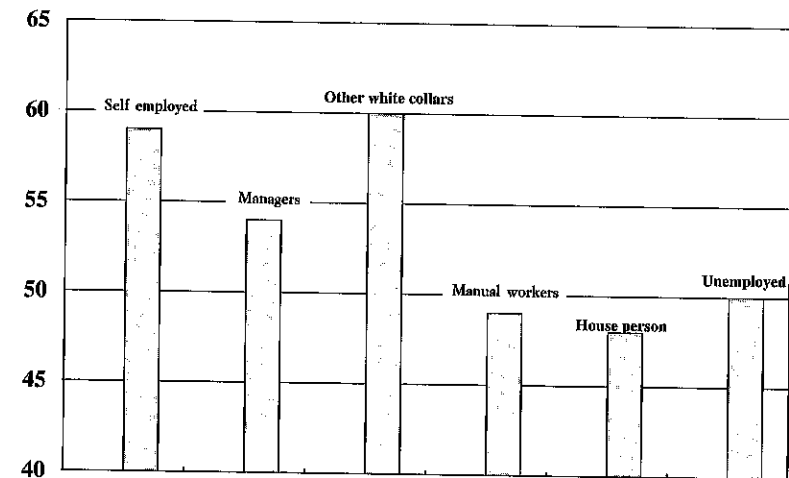


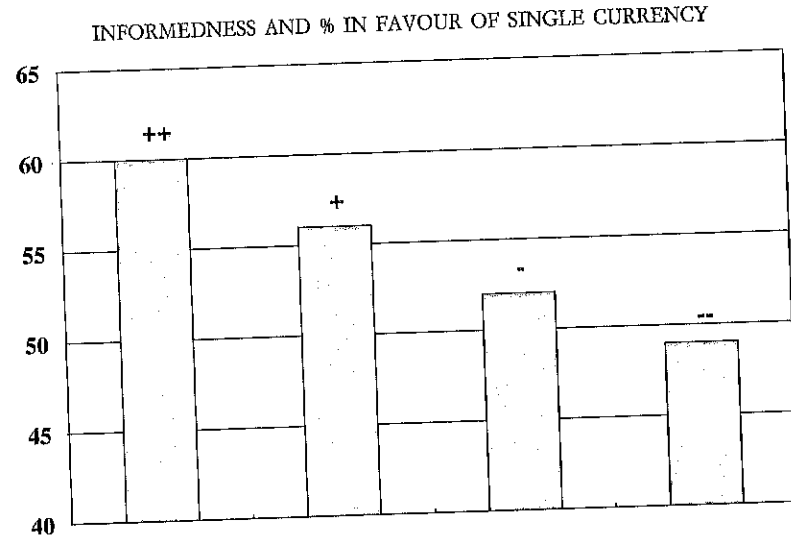
CHART 10

OCCUPATION AND % IN FAVOUR OF SINGLE CURRENCY



reasons ("The loss of our national identity" and "Our country won't have any say anymore") and on the other one there are countries in which people fear the Single Market because of economic reasons

CHART 11



("More unemployment and less jobs", "Higher prices and a higher cost of living" "Too much immigration into our country" and "We will have to pay for the others"). In this respect it looks as though in Denmark and the United Kingdom the majority of people are against the Single Market or more probably the idea of Europe for political reasons, while in Germany economic reasons matter much more. These economic reasons also explain the less extensive concern in France, Portugal, Spain and Greece. It is also interesting to note that in Italy the principal answer given to the above mentioned question is that "We are not ready yet".

TABLE

PRINCIPAL REASONS WHY PEOPLE FEAR THE SINGLE MARKET

Country	Reason I	Reason II	Reason III
Belgium	An uncertain future	Too much immigration	More unemployment/Our country will have no say anymore
Denmark	Our country will have no say anymore	Loss of national identity	No more border controls
Germany	No more border controls	More unemployment	We will have to pay for the others
Greece	More unemployment	Higher prices	An uncertain future
Spain	More unemployment	An uncertain future	Too much competition
France	More unemployment	An uncertain future	Too much immigration/No more border controls
Ireland	Our country will have no say anymore	Loss of national identity	An uncertain future
Italy	We are not ready yet	An uncertain future	Loss of our national identity/No more border controls/Higher prices
Luxembourg	No more border controls	More unemployment	An uncertain future
The Netherlands	Loss of our national identity	Too much immigration	No more border controls
Portugal	More unemployment	An uncertain future	Too much competition
United Kingdom	Loss of our national identity	Our country will have no say anymore	No more border controls