parliament refused to approve it, only to agree to it in October 1873.

The Scandinavian Monetary Union (SMU) was based, like Germany, on gold. A common unit was adopted, which was the crown, in weight and title equal to an old Swedish coin, the Riksdaler. All coins could freely circulate with unlimited legal value, in the three countries. Divisionary coin was also free to circulate; the three countries agreed to periodic coin repatriation, to avoid excess issue. But the problem never arose. An important clause of the Agreement bound each country not to reach a monetary agreement with another power without the consent of the other two.

Another interesting feature of the SMU was the de facto freedom of circulation of bank notes that it achieved. All bank notes being freely convertible, the Scandinavian public soon elected to use them rather than metallic coins, and the coins all ended up in the Scandinavian banks’ vaults.

The SMU was made even more complete by the unification of the three countries’ legislation on Bills of Exchange, and by starting a Scandinavian clearing system in 1883. The three central banks opened current accounts with one another, on which cheques could be drawn, each time advising the drawee, and never doing it for speculative reasons. The clearing was effected every three months, and the Clearing Agreement could be terminated by simple notification, with a 3-month delay.

The Clearing Agreement was subsequently inserted into the Statutes of the three central banks and they were allowed to consider the amounts held in the current accounts as reserves for their bank notes. In this fashion gold transfers were reduced to an absolute minimum.

As was noted by contemporary observers, the SMU was the most successful of all European currency unions because the exchange rates of the three countries remained fixed. There were no reasons for export of coins, as had happened to Italian and Greek coins in the LMU and to Austrian coins in the German Monetary Union. And exchange rates could remain stable because the three countries remained largely outside great international financial flows and were not troubled by military, political and social problems. The situation of their public finances was therefore sound (with the exception of Denmark, which did not, however, monetise her deficit). Homogeneous countries could easily achieve virtual economic and monetary union.

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

RONY HAMU

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). 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.

1 The last data are published in European Commission, Eurobarometer, no. 41, Spring 1995; for historical data see European Communication, 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.
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

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
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 Euro-
pean construction.

6. As mentioned earlier, it is several years now that the Eurobaro-
meter 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
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 this question. Certainly between 1990 and 1993 support for the idea of

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

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.\(^2\)

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 sociodemographic 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).

---

\(^2\) See Charts printed on Eurobarometer, no. 41.
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 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.
Table

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