
ECONOMICS

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ATTITUDES TOWARDS EU INTEGRATION AND EURO ADOPTION IN THE CZECH REPUBLIC

ABSTRACT. Our paper focuses on eliciting people's attitudes towards EU integration and the adoption of Euro currency in the Czech Republic. Although EU Accession was widely supported and accepted by the Czech citizens prior to 2004, more than 10 years into the EU membership the attitudes to integration have changed considerably. The recent world's economic and financial crisis, the crisis of the Eurozone and the issues with the Greek membership in the Eurozone (the possibility of the "Grexit") have undermined the Euro optimism in many EU Member States that joined the EU during the so-called Eastern Enlargement in 2004. We use the example of the Czech Republic and the representative survey data collected by the Czech Institute of Sociology in 2012-2014 to estimate and describe the attitudes towards the EU integration and Euro adoption. Our results might shed some light on the reasons of Euro pessimism and scepticism and find links with the current economic and political situation.

Keywords: EU integration, Euro, EU membership, eliciting people's preferences, Czech Republic, Eurozone.

Introduction

Although negative attitudes towards European integration has always been present in different forms in various EU Member States, the two decades that followed the ratification of the Maastricht Treaty brought significant Euro pessimism and scepticism about the benefits stemming from the membership in the European Union. Referendums held in France and the Netherlands in 2005 that brought about the rejection of the Constitutional Treaty, or the Irish referendum in 2008 that resulted in the rejection of the Lisbon Treaty can be used to illustrate these alarming tendencies.

While some authors consider the growing Euro scepticism to be just the part of the political maturity of the European Union and its citizens (see Hix, 2008), others are pointing out that European Union critics do not fully understand what they are criticizing and why (Sutcliffe, 2012).

Most recently, the possibility of UK exit from the EU (or „Brexit“) have also been widely discussed (see e.g. Oliver, 2015). The planned referendum on Britain's membership in

the European Union is expected to clarify the issue of UK–EU relationship and whether the UK stays in the EU or leaves. While there are always pros and cons to staying in or leaving the EU, it seems interesting to identify what shapes up people's attitudes towards EU integration and Euro adoption in various EU countries. We are able to do so for the case of the Czech Republic thanks to the unique data collected by the Czech Institute of Sociology in 2012-2014.

This paper is structured as follows: Section 2 describes Czech attitudes towards EU membership and provides an overview of the public opinion on the EU integration and the adoption of Euro. Section 3 presents our research hypotheses. Section 4 describes the data used in our empirical analysis. Section 5 provides the description of indicators used for this research. Section 6 outlines the empirical model and presents the variables used for its computation. Section 7 provides main results and discussions. Finally, Section 8 closes the paper with conclusions and policy implications.

1. Czech attitudes towards the EU membership

Although the Czech Republic has been the member of the European Union since 2004 and it is bound by the treaty of accession to join Eurozone once it satisfies the Euro convergence criteria (Maastricht criteria), the attitude to the EU in the Czech Republic ten years after the EU accession is far from favourable.

According to representative survey data collected by the Czech Institute of sociology in 2012-2014, about 76% of the respondents in the Czech Republic tend to disagree with Euro adoption on various levels (see *Table 1*). The ideas on subjective expediency of EU accession for Czech economy are far from uniform. Almost 50% of respondents believe that EU accession benefitted the Czech economy, while other 43% state, that EU accession was harmful for the Czech economy (see *Table 1*).

Table 1. Percentages of respondents for EURO adoption and impact of EU to Czech economy

EURO adoption, 2012-2014		According to your opinion, is integration of the Czech Republic to EU rewarding or harmful for the Czech economy 2012-2014	
	Percent		Percent
Strongly agree	4,1	Strongly rewarding	10,6
Rather agree	14,7	Rather rewarding	36,9
Rather disagree	27,7	Rather harmful	32,2
Strongly disagree	48,4	Strongly harmful	11,0
Does not know	5,1	Does not know	9,2
Total	100,0	Total	100,0
N =	3123	N =	3124

Source: Own results.

These proclaimed ambivalences on the effects on Czech economy and pronouncedly negative attitudes to Euro adoption was explained from various perspectives.

For the countries not joined the Eurozone yet, the issue of whether to do so seems to gain more importance. The effects of the last financial crisis uncovered new threat to the countries, namely considerable vulnerability of economy in times of crisis and the transmission of financial instability to the real economy (Gabrisch and Kämpfe, 2013; or Buscher, 2011). Moreover, the impact of main EU bodies and adopted documents such as

Stability and Growth Pact and the Lisbon Strategy on fiscal and economic performance outcomes are rather questionable (Ioannou and Stracca, 2014). On the other hand, the benefits arising from euro adoption such as to the reduction of the exchange rate volatility and the transaction costs are still motivating for the Czech Republic, though they depend on the integration with the Euro area (Helisek, 2013).

The ideas on why the countries of the Eastern Europe joined the EU and some of them adopted EURO and how these ideas may affect their future development are often discussed in the literature. In general, there are two reasons suggested: economic reasons (or material incentives) and effects of persuasion and socialization to the EU norms and institutions (Pechova, 2012; or Johnson, 2006).

Pechova (2012) compares the experience of the Czech Republic and Slovakia with EU accession and joining Eurozone from the point of view of legitimizing discourses in the political process supported by subjectively held beliefs by elites and masses. While in Slovakia Eurozone membership was considered as an important tool in reversing the feelings of isolationism experienced during the Meciar period, the Czech Republic favoured greater national assertion and policy independence.

In this paper we continue with this line of analysis and study the ideas of population on joining the Eurozone and subjective efficiency of EU accession for the Czech economy from the point of view of values enforced in the EU countries according to the population of the Czech Republic.

2. Research hypotheses

Following the literature review and the history of EU membership, as well as the attitude towards the EU integration in the Czech Republic presented above, we can come up with the following research hypotheses:

1. The more respondents believe that values such as democracy, equality, cooperation, tolerance, justice, and solidarity are enforced by the European Union the more they believe that EU accession is beneficial for the Czech economy.
2. The more respondents believe that values such as democracy, equality, cooperation, tolerance, justice, and solidarity are enforced in the European Union the more they are willing to adopt Euro in the Czech Republic.

Our hypotheses will be tested using the available statistical data and the empirical analysis that will enable us to reject or to accept them, as well as to elaborate on the obtained results and to shape up some suggestions and policy implications.

3. The data

The data were collected by the Czech institute of sociology in April of 2012-2014. The number of respondents constituted each year 1048 respondents amounting to 3144 respondents for three years. The sample is representative for the population of the Czech Republic older than 15 years.

The selection of the respondents was according to quota methods of selection, where the quotas were chosen according to gender, age and education. The geographical representativeness was ensured through construction of the network of the interviewers according to the quotas on regions and the sizes of municipalities.

Various socio-demographic characteristics (gender, education and age) and geographical characteristics of the resulting sample corresponded to the structure of the residents of the Czech Republic. Therefore, the sample can be considered representative and need not to be weighted or additionally checked.

4. Indicators

In this paper we measure the subjective economic benefits of EU accession for Czech economy by the answers of the respondents to the following question:

According to your opinion, is integration of the Czech Republic to EU rewarding or harmful for the Czech economy? Strongly rewarding (1), Rather rewarding (2), Rather harmful (3), Strongly harmful (4).

The willingness to adopt EURO as Czech currency is measured by the answers to the following questions:

Do you agree or disagree that EURO is adopted as the currency of the Czech Republic? Strongly agree (1), Rather agree (2), Rather disagree (3), Strongly disagree (4).

The percentages of respondents agreeing and disagreeing with the statements above are presented in Table 1. From Table 1 it follows that 76% of the respondents in the Czech Republic tend to disagree with EURO adoption on various levels. On the other hand almost 50% of respondents believe that EU accession is helpful for the Czech economy.

Table 2. Percentages of respondents for subjective levels of enforcement of certain values in EU countries

	Democracy	Equality	Cooperation	Tolerance	Justice	Solidarity
Strongly agree	16,9	5,9	13,4	9,3	6,7	11,3
Rather agree	51,8	29,5	51,8	39,1	32,0	42,7
Rather disagree	20,6	41,7	23,0	32,3	34,5	28,1
Strongly disagree	5,9	17,6	5,7	9,8	18,1	9,8
Total	95,2	94,7	94,0	90,6	91,3	91,9
Missing	4,8	5,3	6,0	9,4	8,7	8,1
N =	2973	2958	2937	2830	2853	2870

Source: Own results.

The subjective levels enforcement of certain values in the European Union are measured by the answers to the following question:

Do you think, that the following values are enforces in EU nowadays?

- *equality,*
- *democracy,*
- *justice,*
- *cooperation,*
- *tolerance,*
- *solidarity.*

Strongly agree (1), Rather agree (2), Rather disagree (3), Strongly disagree (4).

The percentages levels of agreement with the statements above are presented in Table 2 above.

According to the Czech respondents, the values most enforced in EU are democracy (68% of the respondents agreed at various levels), cooperation (65% of the respondents agreed at various levels), and solidarity (54%). The least enforced values in EU countries are equality (59% of the respondents disagreed at various levels with the statements above), and justice (52%). The ideas about tolerance were less uniform. 48% pf respondent believed that tolerance is well enforced in EU, while 42% believed otherwise.

As control variables we employ the level one feels to be a citizen of the EU, subjective household living standard, political orientation left-right, personal income, age, gender, education, marital status, employment status, year on the survey.

5. Empirical model

In order to test the relationships presented above and control for control variables presented above we employ ordinal logit regression analysis. The formal model can be presented as set in accordance to the following formula:

$$Y = \text{logit} (a_0 + a_1 X_1 + a_2 X_2 + a_3 X_3 + \dots + a_n X_n + e) \quad (1)$$

where

Y – agreement with EURO adoption and subjective impact of EU integration for Czech economy subsequently (see *Table 1*),

X₁ – X₆ – the level subjective enforcement of the values presented in *Table 2*,

X₈ – the level the respondent feels to be a citizen of the EU,

X₉ – Household Living Standards,

X₁₀ – Political orientation left-right,

X₁₁ – Personal income,

X₁₃ – Age,

X₁₄ – Male,

X₁₅ – Education,

X₁₆ – X₁₈ education,

X₁₉ – X₂₁ Marital status,

X₂₂ – X₃₀ Employment status,

X₃₁ – X₃₂ Year of the survey,

a₀ through a_n – regression coefficients,

e – error term.

For better orientation see *Table 3* that presents the parameters used in our analysis in a somewhat more comprehensive form.

6. Results and discussions

The parameter estimates of the ordinal logit regression analysis are presented in *Table 3*. The results suggest a number of interesting implications and outcomes.

First of all, it appears that the more the respondents believe that the values of equality, democracy, justice, and cooperation are actively enforced in EU the more they agree with Euro adoption. Good public image of the EU as the umbrella for the democracy, economic justice and the rule of law seem to create the trust and understanding of the Euro project and its implications for the survival of the European project.

Second, the more the respondents believe that the values of equality, democracy, justice, cooperation, tolerance, and solidarity are actively enforced in EU, the more they agree that integration of the Czech Republic to EU is rewarding to Czech economy. Similarly to our first result, good opinion of the EU as the well-functioning institution reinforces people's understanding of how important it is to be a part of it. It is good to remember that this argument was often used 10 years ago to promote EU Accession.

Third, the more the respondents feel to be citizens of EU, the more they agree with Euro adoption. This result is quite interesting since many people in the EU do not really understand how they can be its citizens when they are also citizens of their respective

countries. The feelings of belonging and sharing common values are therefore important for supporting the EU initiative such as the single currency.

Fourth, the more the respondents feel to be citizens of EU, the more they agree that integration of the Czech Republic to EU is rewarding to Czech economy. Similar to the results described above, good understanding of the EU as the mechanism of economic and political international trade scheme allows people to grasp the importance of the Single Market and single currency that is embedded in the provision of Open Currency Area (OCA) coined by Mundell (1961).

Fifth, the more the respondents believe, that they have left-wing or leftist political orientation the more they agree that integration of the Czech Republic into EU is rewarding for the Czech economy. This result is very interesting since it appears that left-wing sympathies are often associated with stronger support for the EU in the Czech Republic. The explanation for this might be that many people regard EU as some sort of an alternative or “green” project which is of course a failure to understand its main goals and purposes.

Sixth, the older are the respondents the less they agree with Euro adoption. This result is quite understandable and self-explanatory. Adoption of the new currency always represents new challenges (whether perceived or real) and older people have more troubles with coping with them. It is often believed that the adoption of Euro in other EU countries increased the price level. Moreover, currency reforms happened in Communist Czechoslovakia a number of times and each time they were followed by the waves of protests and social unease. It might be that older people regard the adoption of Euro as one of these former reforms or tend to associate it with them.

Table 3. Parameter Estimates (Ordinal Logit regression)

	EURO adoption			Usefulness of EU integration for Czech economy		
	Estimate	Std. Error	Sig.	Estimate	Std. Error	Sig.
1	2	3	4	5	6	7
Strongly agree	0,476	0,467	0,309	2,217 ^a	0,449	0,000
Rather agree	2,324 ^a	0,463	0,000	4,835 ^a	0,458	0,000
Rather disagree	3,940 ^a	0,468	0,000	7,098 ^a	0,473	0,000
Strongly disagree	7,905 ^a	0,499	0,000	8,782 ^a	0,490	0,000
Enforcement of EU values – equality	0,174^b	0,077	0,023	0,519^a	0,074	0,000
Enforcement of EU values – democracy	0,250^a	0,079	0,001	0,167^b	0,078	0,032
Enforcement of EU values – justice	0,369^a	0,082	0,000	0,215^a	0,080	0,007
Enforcement of EU values – cooperation	0,225^a	0,086	0,009	0,548^a	0,083	0,000
Enforcement of EU values – tolerance	0,050	0,085	0,558	0,202^b	0,083	0,015
Enforcement of EU values – solidarity	0,105	0,078	0,181	0,187^b	0,076	0,013
Feels to be a citizen of the EU	0,167^a	0,031	0,000	0,139^a	0,028	0,000
Household Living Standards	0,022	0,055	0,694	0,045	0,053	0,389
Political orientation left-right	-0,001	0,002	0,772	0,005^b	0,002	0,016
Personal income	0,000	0,000	0,738	0,000	0,000	0,322
Age	0,015^a	0,005	0,002	0,005	0,005	0,333
Male	-0,035	0,095	0,708	-0,019	0,092	0,833

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	1	2	3	4	5	6	7
Education							
Primary education		0,179	0,181	0,322	0,116	0,177	0,513
Secondary education without exam		0,082	0,150	0,583	0,074	0,149	0,620
Secondary education with state exam		0,136	0,142	0,340	0,051	0,142	0,717
Marital status							
Single		-0,071	0,229	0,757	-0,003	0,215	0,990
Married		-0,427^b	0,183	0,019	-0,127	0,168	0,451
Divorced		-0,273	0,212	0,198	0,028	0,197	0,889
Employment status							
Student		-0,777^b	0,312	0,013	-0,598^c	0,315	0,058
Retired		0,116	0,231	0,616	-0,302	0,223	0,175
Unemployed		-0,057	0,270	0,833	-0,586^b	0,260	0,024
Housewife		0,343	0,288	0,234	-0,169	0,283	0,550
Entrepreneur		0,056	0,237	0,812	-0,050	0,232	0,828
Senior employee		-0,316	0,269	0,241	-0,169	0,267	0,527
Other employee		0,112	0,205	0,585	-0,273	0,199	0,170
Qualified worker		0,209	0,234	0,372	-0,302	0,227	0,184
Year of the survey							
Year 2012		-0,013	0,109	0,903	0,103	0,106	0,332
Year 2013		0,003	0,106	0,976	0,224^b	0,104	0,032
Pseudo R-Square Cox and Snell		0,219			0,348		
Pseudo R-Square Nagelkerke		0,239			0,371		
Pseudo R-Square McFadden		0,100			0,155		
N =		2022			2022		
Sig.		0,000			0,000		

Note: Link function: Logit. Reference variables: Year 2014, Higher education, Female, Widow, other worker
^a – significant at 1% level, ^b – significant at 5% level, ^c – significant at 10% level

Source: Own results.

Seventh, it appears that married respondents rather disagree with Euro adoption comparing to widows. This result is in accord with the previous one. Adoption of the new currency poses new challenges for the families who are often indebted and bear the burden of mortgages.

Eighth, students tend to disagree with both Euro adoption and that integration to EU is rewarding to Czech economy. This is also an interesting result, since young people who are subjected to all the benefits EU can provide (e.g. Erasmus exchange programs or various EU summer schools or initiatives) have always been the engine of the EU integration. However, it might be that the worsening employment perspectives that followed the economic crisis as well as the lack of motivation of further promoting EU integration (most young people in the Czech Republic no longer regard the EU as “exciting” but rather as “boring” and “politicized”) might play their roles in the lack of support for the EU integration and the adoption of Euro.

Conclusions

Overall, it appears that Euroscepticism and the lack of support for EU integration and further reforms that are essential for the liveability of the European project (e.g. the completion of the Single Market and shifting it to the Optimal Currency Area) might pose a serious problem in many EU Member States.

We used the unique data collected by the Czech Institute of Sociology and covering the years of 2012-2014 that enabled us to elicit people's attitudes towards EU integration and the adoption of Euro currency in the Czech Republic. In general, our results demonstrated that in order to support the EU integration and reforms, people need to believe in European common values and norms and to regard themselves as European citizens rather than citizens of their respective national states. Prior to 2004, Czech EU Accession was widely acclaimed by the majority of the Czech citizens, however nowadays the attitudes to integration have changed considerably.

Another important issue is the attitude to the adoption of Euro. It appears from our results that many people are uncertain about the benefits of Euro adoption and regard it as unnecessary or even harmful. While for some of them (e.g. older people or young families) the burden of a currency reform might be difficult to cope with, others (e.g. young people) also seem to lack support for this project. This might be caused by the lack of awareness about the importance of the economic reforms that are crucial for ensuring the economic and fiscal stability of the EU.

All in all, it seems that EU integration needs some better PR, as it used to be more than 10 years ago at the times of the EU Eastern Enlargement. Never before has the support for the inclusion of the new Member States, the EU integration and solidarity been greater. The policy-makers and relevant stakeholders need to consider that and to think about launching campaigns that promote the EU integrity, solidarity, its common democratic and cultural values and norms. Only with unanimous support of its citizens will the EU survive the economic and political turmoil that it faces nowadays.

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