After 25 years as faithful members of the EU: Public Support for the Euro and Trust in the ECB in Austria, Finland and Sweden

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1. Introduction

• In 1995, Austria, Finland and Sweden joined the European Union. A few years later, Austria and Finland joined as founding members of the common currency, the euro.

• Sweden, following a public referendum in 2003, chose to remain outside and to maintain the krona as its national currency.

• The purpose of our paper is to look back and trace the evolution of public support for the euro and of public trust in these three countries after a quarter of a century.
2. Data used

- We use survey data from the biannual Eurobarometer for the period 1999-2019.

- Measures for public support for the euro are based on the following question: ‘What is your opinion of each of the following statements? Please tell me for each statement, whether you are for it or against it. A European economic and monetary union with one single currency, the euro.’ Respondents can then choose between ‘For’, ‘Against’ or ‘Don’t Know’ and after Eurobarometer number 90, ‘Spontaneous refusal’.

- Measures for trust in the ECB are based on the following question: ‘Please tell me if you tend to trust or not to trust these European institutions. The European Central Bank.’ Respondents can then choose between ‘Tend to trust’, ‘Tend not to trust’ or ‘Don’t Know’.
3. The main patterns
Chart 1: The rate of unemployment in the EA-19 and net support for the euro in the EA-19 and non-EA-19, 1999-2019

Source: Eurostat and Standard Eurobarometer S1-91. Chart 1 is an updated and modified version of Figure 8.1 in Roth and Jonung (2020).

Note: The left-hand y-axis plots the EA-19 unemployment rate in percent. The right-hand y-axis displays net support. As the figure depicts net support, all values above 0 indicate that a majority of the respondents support the euro. The vertical lines represent three milestones in the history of the single currency: the physical introduction of the euro in January 2002, the start of the financial crisis in September 2008 and the start of the recovery at the end of 2013. EA-19 unemployment rates, net support data in the EA-19 and in the non-EA-9 are population-weighted.
Chart 2: The rate of unemployment in the EA-19 and net support for the euro in individual EA-19 states, 1999-2019

Source: Eurostat and Standard Eurobarometer S1–91. Chart 2 is an updated and modified version of Figure 8.A1 in Roth and Jonung (2020) and Figure A6 in Roth et al. (2016).

Note: The left-hand y-axis plots the EA-19 unemployment rate in percent. The right-hand y-axis displays net support. As the figure depicts net support, all values above 0 indicate that a majority of the respondents support the euro. The vertical lines represent three milestones in the history of the single currency: the physical introduction of the euro in January 2002, the start of the financial crisis in September 2008 and the start of the recovery at the end of 2013.
Chart 3: The rate of unemployment in the EA-19 and net support for the euro in individual non-EA-9 states, 1999-2019

Source: Chart 3 is an updated and modified version of Figure 8.3 in Roth and Jonung (2020), Figure A2 in Roth et al. (2016) and Figure A1 in Roth et al. (2019), based on data from Eurostat and Standard Eurobarometer 51–91.

Note: The left-hand y-axis plots the EA-19 unemployment rate in percent. The right-hand y-axis displays net support. As the figure depicts net support, all values above 0 indicate that a majority of the respondents support the euro. The vertical lines represent three milestones in the history of the single currency: the physical introduction of the euro in January 2002, the start of the financial crisis in September 2008 and the start of the recovery at the end of 2013.

Source: Eurostat and Standard Eurobarometer 51–91. Chart 4 is an updated and modified version of Figure 8.1 in Roth and Jonung (2020).

Note: The left-hand y-axis plots the EA-19-unemployment rate in percent. The right-hand y-axis displays net trust. As the figure depicts net trust, all values above 0 indicate that a majority of the respondents trust the ECB. The vertical dashed lines represent three milestones in the history of the ECB: the physical introduction of the euro in January 2002, the start of the financial crisis in September 2008 and the start of the recovery at the end of 2013. Unemployment rates and net trust values in the EA-19 and in the non-EA-9 are population-weighted.
Chart 5: The rate of unemployment in the EA-19 and net trust in the ECB in the individual EA-19 states, 1999-2019

Source: Eurostat and Standard Eurobarometer 51–91. Chart 5 is an updated and slightly modified version of Figure 8.2a and b in Roth and Jonung (2020).

Note: The left-hand y-axis plots the unemployment rate in percent. The right-hand y-axis displays net trust. As the figure depicts net trust, all values above 0 indicate that a majority of the respondents trust the ECB. The vertical lines represent three milestones in the history of the single currency: the physical introduction of the euro in January 2002, the start of the financial crisis in September 2008 and the start of the recovery at the end of 2013. EA-19 unemployment rates are population-weighted.
**Chart 6:** The rate of unemployment in the EA-19 and net trust in the ECB in the individual non-EA-9 states, 1999-2019

Source: Eurostat and Standard Eurobarometer 51–91. Chart 6 is an updated and slightly modified version of Figure 8.3 in Roth and Jonung (2020).

Note: The left-hand y-axis plots the unemployment rate in percent. The right-hand y-axis displays net trust. As the figure depicts net trust, all values above 0 indicate that a majority of the respondents trust the ECB. The vertical lines represent three milestones in the history of the single currency: the physical introduction of the euro in January 2002, the start of the financial crisis in September 2008 and the start of the recovery at the end of 2013. EA-19 unemployment rates are population-weighted.
4. Econometric results

Model Specifications:

\[ \text{Support Euro}_{it} = \alpha_i + \beta_1 \text{EA19 Unemployment}_{it} + \chi_1 \text{EA19 Inflation}_{it} \]
\[ + \delta_1 \text{EA19 Growth}_{it} + \phi_1 \text{EA19 }Z_{it} + w_{it}, \]  

(1)

\[ \text{Trust ECB}_{it} = \alpha_i + \beta_1 \text{EA19 Unemployment}_{it} + \chi_1 \text{EA19 Inflation}_{it} \]
\[ + \delta_1 \text{EA19 Growth}_{it} + \phi_1 \text{EA19 }Z_{it} + w_{it}, \]  

(2)

Where \text{Support Euro}_{it} is net support for the euro and \text{Trust ECB}_{it} is net trust in the ECB for country \( i \) during period \( t \). EA19 \text{Unemployment}_{it}, EA19 \text{Inflation}_{it}, EA19 \text{Growth}_{it} and EA19 \text{ }Z_{it} are, respectively, the EA-19 population-weighted average for unemployment, inflation, growth of GDP per capita and control variables deemed of potential importance, which can be lumped together in \( Z \). \alpha_i represents a country-specific constant term (fixed effect), and \( w_{it} \) is the error term.
Table 1: The rate of unemployment in the EA-19 and net support for the euro, net trust in the ECB, inside and outside the EA-19 states: FE-DFGLS Estimation from 1999-2019

<table>
<thead>
<tr>
<th>Regression</th>
<th>(1) Euro</th>
<th>(2) Euro</th>
<th>(3) ECB</th>
<th>(4) ECB</th>
</tr>
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<tr>
<td>Dependent variable</td>
<td>EA-19 FS</td>
<td>Non-EA-9 FS</td>
<td>EA-19 FS</td>
<td>Non-EA-9 FS</td>
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<td>Country sample</td>
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<td>Period</td>
<td>FS</td>
<td>FS</td>
<td>FS</td>
<td>FS</td>
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<tr>
<td><strong>EA-19 Unemployment</strong></td>
<td>$-4.2^{***}$</td>
<td>$-7.1^{***}$</td>
<td>$-11.6^{***}$</td>
<td>$-6.8^{***}$</td>
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<tr>
<td></td>
<td>(0.91)</td>
<td>(1.02)</td>
<td>(1.10)</td>
<td>(1.10)</td>
</tr>
<tr>
<td><strong>EA-19 Inflation</strong></td>
<td>$-12.0^{***}$</td>
<td>$-13.6^{***}$</td>
<td>$-10.6^{***}$</td>
<td>$-11.3^{***}$</td>
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<td></td>
<td>(3.34)</td>
<td>(4.88)</td>
<td>(3.70)</td>
<td>(4.30)</td>
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<td><strong>EA-19 GDP per capita growth</strong></td>
<td>2.8</td>
<td>1.5</td>
<td>10.5***</td>
<td>10.7**</td>
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<td></td>
<td>(3.52)</td>
<td>(5.39)</td>
<td>(3.91)</td>
<td>(4.65)</td>
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<td>Durbin-Watson statistic</td>
<td>2.26</td>
<td>2.06</td>
<td>2.41</td>
<td>2.40</td>
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<td>Adjusted R-Squared</td>
<td>0.82</td>
<td>0.93</td>
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<td>Control for endogeneity</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Elimination of first-order autocorr.</td>
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<td>Observations</td>
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<td>Country observation N</td>
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<td>9</td>
<td>19</td>
<td>9</td>
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</tbody>
</table>

Source: Authors' calculations.
Note: FS=Full sample, 1999–2019. Standard errors are in parentheses. ***p<0.01 and **p<0.05.
5. Conclusions

• We find that support for the euro and trust in the ECB during the first 20 years of the euro were strongly influenced by macroeconomic developments in the euro area (EA), as primarily measured by the rate of unemployment in the EA.

• Concerning public support behind the euro: The pronounced increase of unemployment inside the EA during the euro crisis led to a strong decline in support for the euro in countries outside the EA, such as Sweden, while inside the EA, e.g. Austria and Finland, it declined only slightly.

• Conversely the opposite holds for public trust in the ECB: The unemployment coefficient inside the EA is almost twice as large as outside. The ECB was thus made accountable for macroeconomic developments within the EA.

• Our results indicate that citizens in the EU, both within as well as outside the EA, judge the euro and the ECB on the basis of the economic performance on the EA. Thus, the best way to foster support for the euro and trust in the ECB is to promote policies within the EA that encourage low unemployment and high growth.
References:


