The euro, economic interests and multi-level governance: Examining support for the common currency

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Abstract. Support for a common currency and the European Monetary Union signifies that European citizens are willing to transfer power from the nation-state to the European Union (EU). Given the symbolic importance of national currencies, this willingness to give up sovereignty over currency has important implications for the further integration and development of the European Union. Drawing on a multi-level governance perspective and past research into public support for European integration, we examine how economic factors such as the value of the national currency and individual factors such as diffuse support for the EU and education condition support for the euro. We hypothesize that citizens will be less likely to support a common currency when they lack diffuse support for the EU, when their own national currency is strong or when their country's domestic agenda is squeezed by austerity measures. Using pooled Euro Barometer data from 1992 to 2000, we find support for these hypotheses indicating that citizens take into account domestic economic performance when evaluating EU institutions, but we also find that individual attitudes toward the EU play a role in support for the euro.

Introduction

The adoption of the euro currency on 1 January 2002 marked an epochal moment in the development of European Monetary Union (EMU) and European integration. The ties that bind the 15 members of the European Union (EU) have grown even tighter – even for the three non-euro countries. More importantly, the public has been in the front line of the full and final transition to the euro. By most accounts, the public's willingness to adjust quickly to the changeover signifies the success of the longstanding euro project. With the European Central Bank in control of the pocket money of nearly 300 million Europeans, supranational governance at the EU level has become a definite reality rather than an abstract concept or vague EU directive.

The support for a common currency and the EMU is viewed by some as being critically important to the success of the integration project as it signifies that European citizens are willing to transfer power from the nation-state to the EU. Others have downplayed the importance of public opinion in the development of European integration. For example, Moravscik (1998) argues

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that the lack of public support, as measured by the near defeat of the French referendum in 1992 on the Maastricht Treaty, could never have seriously impacted or derailed the process of European integration or EMU. Instead, European integration and EMU were the result of an intergovernmental bargain among political elites. Traditional functionalist and updated neo-functionalist understandings of European integration also downplay the influence of the public. In fact, the emphasis in the neo-functionalist paradigm on elite behavior and leadership (Lindberg & Scheingold 1971) and newer conceptualizations emphasizing epistemic communities (Verdun 1999) all suggest the lack of public influence in the politics and process of European integration and EMU. Finally, other scholars, notably Heisenberg (1999) and Loedel (1999), have suggested that domestic institutional variables (central bank independence from public opinion and government elites) help explain the progress (or the lack thereof) toward EMU. Public attitudes, in this view, really matter very little in understanding the movement toward EMU or European integration.

We recognize the potential limits to public influence on the process of European integration. Nevertheless, there are several reasons why such an understanding is important. First, post-Maastricht European politics has made it clear that public attitudes toward EMU, the euro or any other EU project cannot be dismissed. This is driven home by the EU's own concern with the democratic deficit and its emphasis on subsidiarity as a guiding principle of policy development. Furthermore, the euro-12's own constant concern with the public relations portion of the euro project (to say nothing of a future referendum on EMU in the United Kingdom or the failure of the EMU referendum in Denmark) demand that analysts of the EU have a firm understanding of the dynamics of public support for the EU and the euro. The euro's direct impact on the public – perhaps the most direct impact on EU citizens than any other EU program in history – make it an important case study of public attitudes toward European integration. In short, understanding the dynamic interplay of public support (or lack thereof) for the euro is critical for evaluating the future viability of European integration and the increasing movement toward supranational governance.

Explaining support for the euro

Economic self-interest has commonly been used to explain public opinion toward European integration. Researchers have emphasized the importance of economic self-interest and evaluations of the performance of the national

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government in structuring support for European integration. Research generally shows a strong link between self-interest and support for the EU. In particular, those in occupations or those with the skills who are able to economically benefit from integration are more supportive than those in occupations that are adversely affected by integration (Gabel 1998). For example, farmers are expected to be more supportive of the EU because of the Common Agricultural Policy. Earlier research also shows that an individual's level of EU support is positively related to the economic benefits derived by his or her country and by the individual (Gabel & Palmer 1995; see also Anderson & Reichert 1996). In other words, sociotropic and pocketbook concerns influence attitudes toward the EU.

If economic considerations are an important determinant of diffuse support, they should also matter for specific policies such as the common currency. The economic context is particularly important for the euro given the dramatic impact of the convergence criteria of EMU on economic performance in most EMU countries. Austerity measures and exchange rate commitments (both before and after the initial launch of the euro in 1999) affected the economic context in each of the Member States. For example, inflation rates have dramatically slowed as a result of the convergence criteria. Exchange rate fluctuations have been both dramatic (the 1992–1993 period), relatively stable (1995–1999) and worrisome (the depreciation of the euro following its introduction in 1999).

In one of the few studies to examine support for the common currency, Gärtner (1997) finds evidence to suggest that public attitudes toward the euro reflect a rational calculation of costs and benefits. In particular, citizens in countries with a history of loose fiscal policy and accumulated deficits are found to be more likely to support the common currency. According to Gärtner, such a reaction is rational since monetary union has required participating countries to demonstrate fiscal discipline. Similarly, Gabel (2001) finds that public debt has a positive effect on support for the euro; the larger the debt, the more support there is for the common currency. For Gabel and Gärtner, a positive relationship between public debt and support for the common currency indicates that citizens, knowing that it will bring tighter fiscal policy, are likely to support the euro when they see debt getting out of hand. However, Gabel and Gärtner's argument that citizens naturally prefer tight fiscal policy may only apply to certain segments of the population, such as those who are cognitively sophisticated or those on the right side of the ideological spectrum. Other research suggests an alternative hypothesis. Reductions in debt necessary for monetary union may not necessarily be embraced, but instead prompt a backlash against further integration. In countries with

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higher deficits, domestic agendas are likely to be severely constrained or 'squeezed' by austerity measures and support for the euro may suffer. Recent research has suggested a backlash against the governments that introduced these measures contributed to the election of left governments in many Western European countries (Bohrer & Tan 2000). This suggests that citizens in countries squeezed by austerity measures may be less supportive of the common currency.

An alternative view assumes that support for EU policy is not so much motivated by economic self-interest as it is by how people think about multi-level governance. While multi-level governance usually refers to the process of subnational, national and supranational policy making in the EU, it can also be used in the context of public opinion regarding subsidiarity. Many analysts describe the varying policy-making processes of the EU in terms of multi-level governance (Scharpf 1994; Marks et al. 1996). For example, Jordan (1998) has analyzed the transformation of environmental policy from a series of limited measures to a far-reaching multi-level governance system. Marks (1993) has noted that structural policy involves a system of multi-level governance that involves continuous negotiation among several tiers, including supranational, national, regional and local. Patterson (1997) has also developed the concept of 'three-levels' to describe multi-level negotiation and policy formulation within the Common Agricultural Policy. This multi-level negotiation process involves supranational, national-level executives and domestic interest associations influencing EU agricultural policy. Hofhansel (1999) has recently analyzed EU export controls and argues that it is a system of multi-level governance that best describes the policy-making process. Streeck (1998) identifies multi-level governance within the institutional configuration of EU industrial relations. European monetary policy making and the European Central Bank have also been conceptualized in terms of multi-level governance (Loedel 2002). In sum, the institutional design and policy-making process in a wide array of arenas of the EU has become predominately multi-level in terms of governance.

While generally unexplored, citizens who have diffuse support for the EU are likely to give the EU more discretion to pursue supranational policy. In this case, we would assume that citizens who have positive attitudes toward the EU in general are more likely to support a common currency, regardless of whether it is in their own economic self-interest. While concerns about economic self-interest and attitudes about supranational governance may each play a role in shaping opinions about the common currency, they may also interact with one another. Positive attitudes toward EU governance, for example, may serve to counter economic self-interest, which would otherwise undermine support for the euro as in the case where domestic agendas are

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squeezed by austerity measures. Such a perspective explicitly acknowledges the multi-level structure of governance in the EU.

Recent studies suggest that citizens are likely to take the multi-level structure of policy making into account when forming attitudes about the EU and its policies. Sanchez-Cuenca (2000) finds that support for integration is highest when citizens feel the national government is performing poorly and European institutions are performing well. That domestic considerations are also important in citizens' attribution of responsibility has been demonstrated for specific policies as well. Banducci and Laugesen (2001) find that those who are satisfied with the health care system in their own country are less likely to want health and social welfare policy to be handled at the EU level. In examining aggregate support for the European common currency – which is one of the most salient issues in the transfer of policy authority to the supranational level – Kaltenthaler and Anderson (2001) find that national identity, national economic performance and EU support are important factors influencing support for the common currency.

Based on the theories outlined above, several hypotheses can be formulated. Theories of economic self-interest assume that individuals will be less supportive of a common currency if their own national currency is performing well. Strong exchange rates are likely to be accompanied by positive news coverage about the national economy, making citizens less likely to want to give up their national currency for the euro. Previous studies have shown that media coverage can influence opinions about European integration (Semetko & Valkenburg 2000) and more specifically the euro (Norris 2000). If citizens weigh the costs and benefits of monetary union, one might also hypothesize that support for the common currency will be lower in countries where austerity measures have been adopted in order to meet the required convergence criteria on budget deficits and overall government debt. According to the multi-level governance perspective, national economic indicators will interact with diffuse support for the EU in shaping support for the common currency.

Data

We examine the time period from the early 1990s through 2000, which allows us to look at changes in opinion from the Maastricht Treaty until the introduction of the euro. The history of the EMU and the Maastricht negotiating process are by now well known to most analysts (Dyson 1994). Our focus is on the changing dynamics in the post-Maastricht period, including: the exchange rate turmoil of 1992–1993, the expansion of the EU to 15 Member

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States in 1995, ongoing referendums in Denmark (1992, 1993 and again in 2000), treaty revisions (Amsterdam), renewed negotiations on the conditions of EMU (the Stability and Growth Pact of 1997), the launch of the euro (1999) and Britain's on-again, off-again relationship with the EU and the euro project. In short, the impact of the changing dynamics of the EU and euro project during this time period provide a fertile ground for examining the varying effects of our chosen variables.

We pool data from Eurobarometers conducted in the first part of the year (February–May). Northern Ireland has been dropped from the analysis. Data from Austria and Sweden are limited to the years since joining the EU (1995) and Finnish support for EMU has been measured since 1993. In order to measure support for the common currency, we use a question that asks whether respondents are for or against a common currency. There have been slight changes in the wording of the question over time. In 1991 and 1992, the question asks whether or not respondents would be in favor of 'a single currency replacing the different currencies of the Member States in five or six years time'. From 1993 to 1996 the question asks respondents whether or not they are in favor of the following: 'There should be a European Monetary Union with one single currency replacing by 1999 the national currency and all other national currencies of the Member States.' In 1997, the question asks whether respondents are for or against the following: 'There should be one single currency, the euro, replacing the national currency and all other national currencies of the Member States of the European Union.' There was also a slight change in 1998 and the years following whereby the phrase 'should be', as used in the 1997 question, was changed to 'has to be'. Question wording changes do not appear to contribute significantly to shifts in opinion; the aggregate shifts demonstrated below do not occur when question wording changes occurred.

Two economic indicators are used to test how the weakness of the domestic economy influences support for the common currency. Weakness of the national currency is measured using the change in the value of national currency against the United States dollar from the base year of 1989. As the value of the currency decreases against the dollar, the value of our indicator of the exchange rate increases. When this indicator is equal to one, there has been no change in the value of the currency against the dollar since 1989. Values below one indicate the currency is gaining from its 1989 level while values above one indicate it is losing ground from its 1989 level. As an indicator of economic performance, we use the inflation rate because it has been found to have a strong influence on support for the European Community (Eichenberg & Dalton 1993).

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Aggregate shifts in support for the euro

Figure 1 compares the level of support for the common currency from 1990 to 2000 for each of the Member States of the EU. Support for the common currency is relatively stable over time in more than half the countries in the EU. Among the original six members, Italy is consistently the strongest supporter with about nine out of ten in favor of the common currency. Support in Germany, however, is much more volatile ranging from a high of 67 per cent in the early 1990s to a low of 34 per cent in 1993 when debate over European integration intensified in the wake of the Maastricht Treaty. The decline in German support from 1991 to 1993 coincided with the exchange rate turmoil of 1992–1993 and the dawning realization among most Germans that the government had committed to sacrificing the Deutsche Mark for the euro. Among the other original members, support is somewhat more stable ranging from 60 to 80 per cent. Support rose by about 10 per cent in all six countries between 1997 and 1998. Ireland is consistently a strong supporter, while support in Great Britain and Denmark has fluctuated from a high in 1991 of 66 and 55 per cent, respectively, to a low of 26 and 30 per cent. Support in both countries has 'trended' together, with Britain being somewhat more supportive than Denmark. In 1998, the two counties diverged as Danish support strengthened somewhat and British support fell to its lowest level in 2000. Greece and Spain display levels of support consistent with Ireland and Belgium, while support in Portugal was somewhat lower in the mid-1990s. The newest members are among the most skeptical, though support rose substantially between 1997 and 1998 – a trend that follows similar increases observed in most of the other countries. Of these countries, Austria has the highest support while Sweden, which is outside the euro zone, has the lowest.

Overall, considerable variation exists across countries with those counties outside the euro zone being the most skeptical of the common currency followed by Finland, Austria and Germany. Despite their differences, the overtime trends suggest that support among the Member States of the EU responds to similar events with a withdrawal of support occurring in the early 1990s and a renewal of support in the late 1990s.

The impact of exchange rates

As an initial examination of the potential for exchange rates to influence popular support for the euro, we examine the relationship between *changes* in the values of the Deutsche Mark and the British pound sterling relative to the

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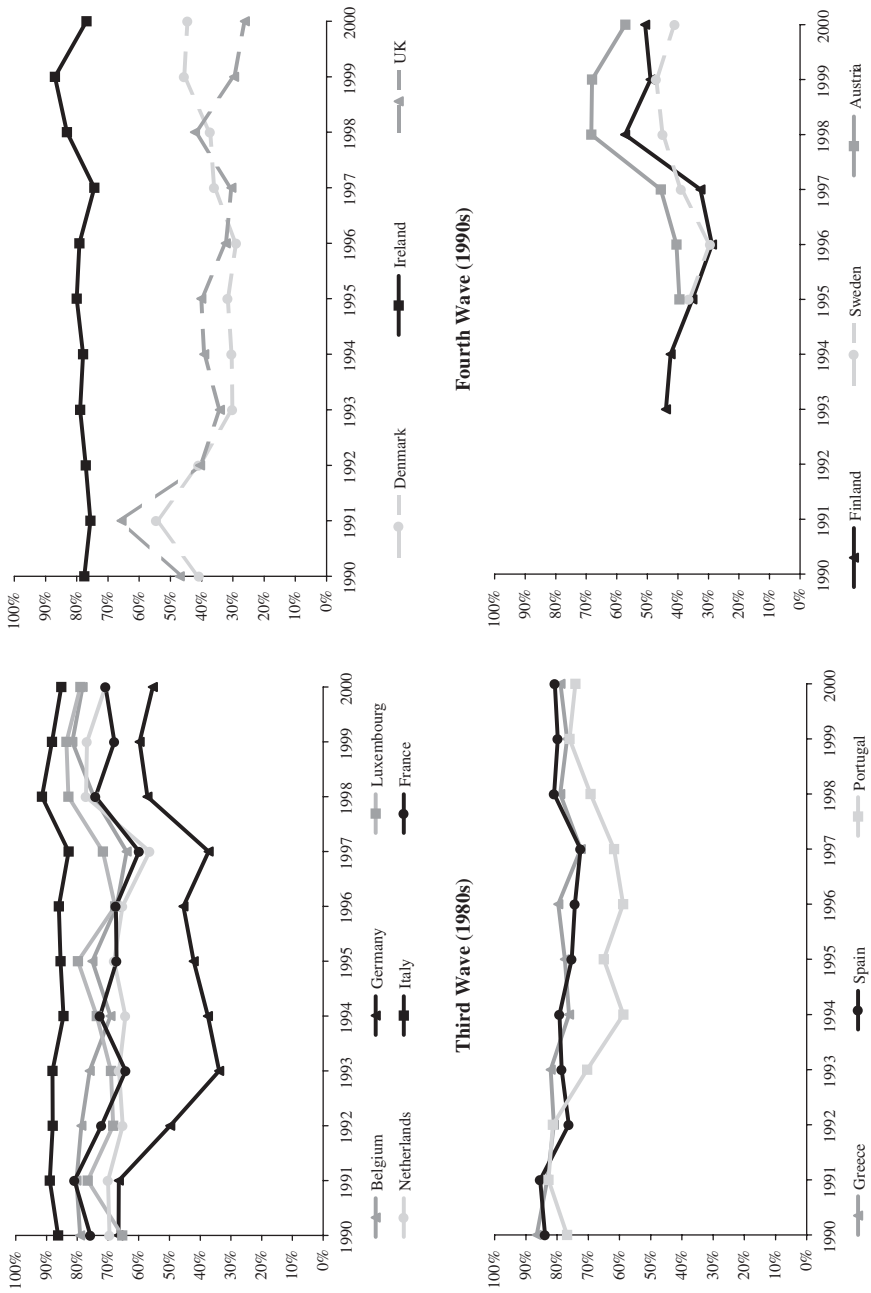

Figure 1. Support for common currency over time (1990–2000).
Note: Dashed line indicates members that are outside of the euro zone.
Source: Eurobarometer 34 (1990), 35 (1991), 37 (1992), 39 (1993), 41 (1994), 43.1 (1995), 44.2 (1996), 47.1 (1997), 49 (1998), 53 (2000).

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United States dollar. These two currencies were chosen because they are based on the two largest economies from within and outside the EMU. We anticipate that the strength of national currency will influence support; a weaker national currency should be associated with a stronger preference for the common currency. Since our time series begins in 1990, we compared the current mean value to the mean value in 1989. The value of the Deutsche Mark has fluctuated considerably throughout the 1990s, rising to 1.4 times its value by the mid-1990s and dropping to 0.82 per cent in 2000. In contrast, the British pound sterling has remained within a tighter band, with a low of 0.90 per cent in the early 1990s to a high of 1.06 per cent in 1994.

Figure 2 shows a clear relationship between changes in the value of the exchange rate and support for common currency in both Germany and Great Britain. In Great Britain the fit is noticeably better, with changes in exchange rates explaining 33 per cent of the variance in support at the aggregate level. The slope of the regression line is also steeper indicating that a 10 per cent decrease in the value of the pound increases support by 11.5 per cent. In Germany, a 10 per cent decrease in the value of the Deutsche Mark would be expected to increase support by 5.7 per cent. The scatter plot reveals that in both countries, 1991 is an outlier with stronger support than would be predicted by the regression line. Euphoria surrounding German unification, tied to the overall commitment among Germans to European integration in general, may explain the strong support in Germany for the common currency in 1990–1991. Omitting 1991 has the effect of improving the fit for Germany and strengthening the relationship, but weakens the fit and the slope in Great Britain.

Multivariate analysis

In order to examine the effect of all economic variables on public support for the common currency, we use a two-level hierarchical linear model (HLM) that combines two levels of data: the individual-level survey data and the economic indicators measured for each country and year. The level 1 (individual-level) model is estimated using a linear model appropriate for a binary dependent variable (logistic regression) for each country/year. On level 2 (country and year), each of the level 1 coefficients (and intercepts) becomes a dependent variable and the economic variables (inflation, currency value and debt) are used to predict the values of the individual-level coefficients (for a more detailed discussion, see Raudenbush & Bryk 1992). An additional benefit of using HLM is that robust standard errors are calculated that take into account the fact that the contextual variables vary across 96 units while the individual-level indicators vary across more than 130,000 cases.[1]

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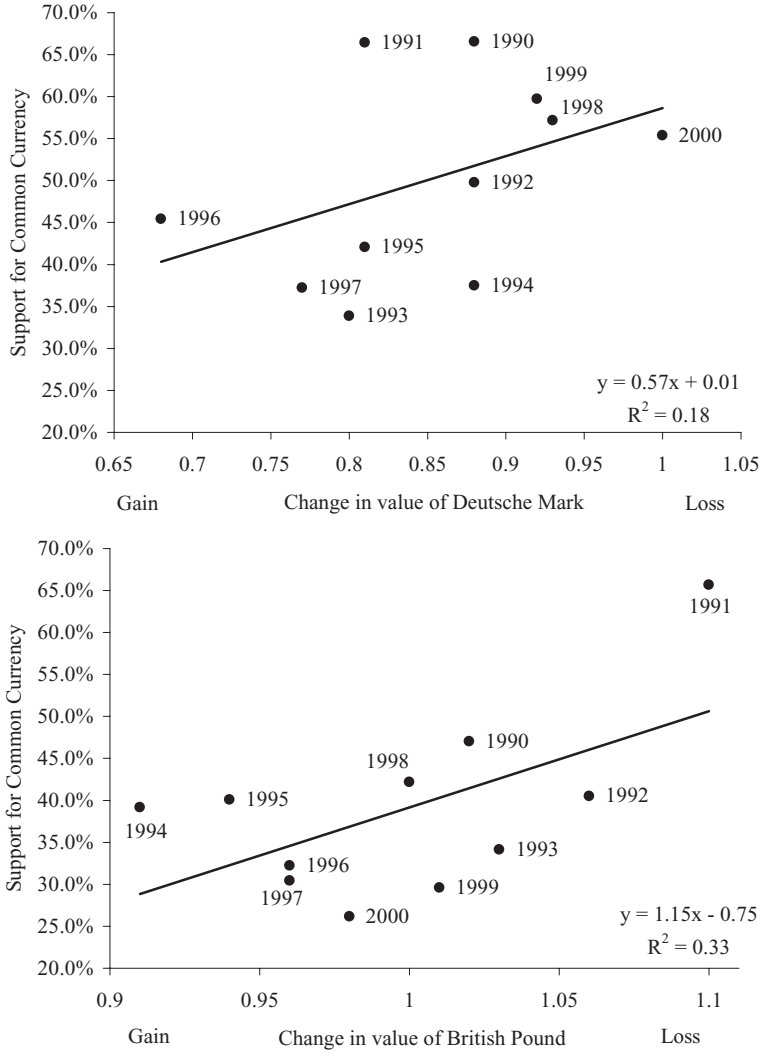

Figure 2. Relationship between exchange rate and support for common currency.
Note: Change in value of currency is measured by comparing the current rate against the United States dollar to the 1989 value. A value of one indicates no change, while positive values indicate a loss in value.
Source for exchange rates: http://pacific.commerce.ubc.ca/xr/data.html.

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Because we are predicting the slopes as well as intercepts at the individual level, we can model cross-level interactions in order to understand how the economic context shapes the relationship between the individual-level variables and support for the common currency. These contextual effects can be modeled in two ways. First, we can test whether the exchange rate, for example, has a linear effect on support for the euro across nations (a main effect), after differences in the effects of other independent variables are taken into account. We can also test the 'squeeze' effect by examining the relationship between public debt and support for the common currency. To measure the 'squeeze' effect, we use a slightly different measure of public debt than Gabel (2001) and Gärtner (1997). Gärtner (1997) is interested in how 'loose' fiscal policy influences support and suggests that citizens prefer 'tight' policy that limits deficits and debt. Because we are interested in measuring how the 'squeeze' of austerity measures influence support, we use the change in debt.

Second, we can explore how the influence of certain individual characteristics on support for the common currency are modified by economic context. For example, we may hypothesize that the 'squeeze' effect will be felt most acutely among those citizens who are likely to benefit from increased state spending, namely those who are not participants in the labor force. Alternatively, those on the right side of the ideological spectrum, who are more likely to have a preference for tight fiscal policy, may be more supportive when the size of public debt is reduced. Levels of formal education may also interact with economic context. Education is likely to heighten political awareness of economic conditions. The impact of economic context may also be mediated by more general attitudes toward the European project. Those who believe in European integration may be less influenced by economic context than those who are more skeptical.

Individual-level characteristics may also structure support for the common currency, regardless of context. The assumption that self-interest structures opinions leads one to expect that those who have greater occupational skills will be more likely to benefit from integration and a common currency and thus will be more supportive. Education and employment status are used to test these effects. Education is measured using a three-category variable based on when the respondent left school. A dummy variable is used to indicate whether or not the respondent participates in the labor force. General support for the EU (whether or not it is a good thing) is used to control for diffuse support as it is likely to condition support for a specific policy. Past studies have shown that age and gender affect diffuse support for the EU. These factors may also directly influence support for specific EU integration policy even when controlling for diffuse support. Therefore, gender and age are

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included as controls in the model. The questions and coding are given in the appendix.

Results

The results are presented in Table 1. We report three models to illustrate how adding the contextual (or level 2) effects improves the model. We will first consider the relative fit of the models and then discuss the estimates of the coefficients. The base model shows the fixed effects model for only the individual-level variables. In this initial model, age, education and ideology are not significant. This initial model serves as a baseline and suggests what the results would be if we did not take into account the context and assumed that the effects of these individual factors did not vary across country/years. However, an ANOVA suggests that there is significant variation at the contextual level that should be considered. The ANOVA (not reported in the table) indicates that 78 per cent of the variation in support for the euro can be explained at the individual level, while 12 per cent can be explained at the country/year level. While most of the variation is at the individual level – which is reasonable given the nature of public opinion data – a significant amount of the variation is evident at the country/year level.

We next estimate a random coefficients model, allowing the effects to vary by country/year, with the contextual economic indicators. Estimating a random effects model and adding the economic indicators significantly improves the fit of the model (difference in –2 Log Likelihood, $\chi^2 = 3427.6$, $p < 0.001$). Therefore, using the economic context with the random coefficients in the multi-level model improves the fit of the model. Finally, we estimate a model with the cross-level interactions between the economic indicators and individual attitudes and attributes. This final model with the interactions is a significant improvement over the main effects-only model (difference in –2 Log Likelihood, $\chi^2 = 126.2$, $p < 0.01$).

Next, we address three main points about the estimated coefficients in the final model. First, the results from the individual-level variables suggest that economic interests do influence euro support. Second, the economic variables suggest that citizens are more willing to give up sovereignty over their currency when it or the economy in general is not performing well. Third, not all citizens are influenced by the economic indicators in the same way. We will discuss each of these points in further detail below.

First, our results support the hypothesis that attitudes toward the euro are influenced by individual considerations about costs and benefits, at least as we have measured them. Like Gabel (1998), we find that those who have the skills

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Table 1. Modeling support for the euro: Individual and contextual effects estimated with HLM

	Base (fixed effects) model	Random coefficients model	Random coefficients with interaction effect
Level 1 (logistic regression)			
Intercept	–0.51** (0.12)	–1.72** (0.31)	–1.92** (0.28)
Female	–0.28** (0.03)	–0.26** (0.02)	–0.26** (0.02)
Not in labor force	0.06* (0.03)	–0.02 (0.01)	–0.02 (0.01)
Age	–0.07 (0.05)	0.10** (0.03)	0.10** (0.03)
Education	0.01 (0.05)	0.26** (0.02)	0.53** (0.10)
Ideology	–0.04 (0.06)	0.02 (0.04)	0.02 (0.04)
EU good thing	1.75** (0.05)	1.39** (0.04)	1.70** (0.16)
Level 2 main effects on intercept (OLS)			
Inflation		0.07* (0.03)	0.06** (0.02)
Weak national currency		1.37** (0.38)	1.63** (0.33)
Squeeze effect		–1.64[a] (0.87)	–1.56[b] (0.87)
Indivdual- and country-level interactions			
Squeeze × not in labor force			0.40* (0.18)
Squeeze × education			–0.48* (0.24)
Squeeze × ideology			0.01 (0.47)
Squeeze × EU good thing			–0.88* (0.45)
Weak national currency × education			–0.31** (0.12)
Weak national currency × EU good thing			–0.33* (0.17)
Inflation × education			–0.01 (0.01)
–2 log likelihood	130,275.2	126,847.6	126,721.34

Note: Standard errors are in parentheses; N = 105,235; level 1 model is estimated using a logit link function; the effect of the level 2 variables on these coefficients are estimated using OLS; ** $p < 0.01$; * $p < 0.05$; [a] = 0.060; [b] = 0.073.

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necessary to benefit from integration and a common currency are more likely to support it. This is best illustrated by the effects of education: those with the highest education levels are most supportive of the common currency. Gender differences are also evident, with women only three-fourth's as likely as men to support the common currency. While we have controlled for education and labor force participation, there may be other factors that may adversely affect women (e.g., occupational status) that make women less supportive.

Second, all of the economic variables work in the expected direction. Regarding inflation, our results replicate those studies using aggregate data (Gärtner 1997; Kaltenthaler & Anderson 2001) and individual data (Gabel 2001). As inflation increases, support for the euro also increases. As expected, the change in the exchange rate shows a negative relationship: as the national currency weakens from the base year of 1989, support for the euro increases. This indicates that European citizens are willing to transfer policy authority to a supranational government when the national currency does not appear to be performing well. We also find limited support for the 'squeeze' effect of austerity policies. Our results show that as the 'squeeze' gets tighter (debt decreases), support for the euro decreases. Because we use change in debt over time, we suggest that the effects are due to a reaction against the austerity measures rather than a preference for tight fiscal policy. Furthermore, the insignificant coefficients for ideology indicate that those on the right, who are more likely to have a strong preference for tight fiscal policy, are no more supportive than those on the left.

Third, the economic indicators condition how the individual-level factors – namely diffuse EU support, education and labor force participation – influence support for the euro. To interpret these interactions, we focus on the influence of the contextual (level 2) variables on the individual-level variables. As the 'squeeze' effect increases, the effect of education decreases so that when the debt 'squeeze' is tightest, those with lower levels of education are less supportive of the euro than those with higher levels of education. On the other hand, the effects of being outside the labor force are increased when the squeeze is tightest. We can interpret this in two ways. Following the multi-level governance perspective, those outside the labor force may be looking to the EU for economic relief. Alternatively, those in the labor force are more directly influenced by austerity measures and thus become less likely to support the common currency. Concern over tax relief, for example, may lead to lower support for the euro among those in the labor force. We also tested whether or not those on the right and those who have diffuse support for the EU were more likely to be affected by a preference for 'tight' economic policy. However, the interactions between the change in debt and ideology, and between change in debt and support for the EU, are not significant.

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Two other interactions test whether or not the effect of general attitudes toward the EU and education are conditioned by exchange rates. The results indicate that diffuse support for the EU matters less when the national currency is weak. Or put another way, when the national currency is strong, positive attitudes toward the EU will have a bigger impact. This indicates that diffuse support for the EU works as a countervailing force against a strong currency, which would otherwise make citizens less supportive of a common currency.

We also see a similar relationship with respect to the interaction between education and exchange rates. Education has less of an impact on support for the common currency when the national currency is weak. While we expected education to heighten awareness of poor economic conditions, leading to stronger support for a common currency among the educated when the currency is weak, the results show that this is not the case. Rather, education has less of an impact when the currency is weak suggesting that education serves to mitigate the negative effects of a strong currency on euro support.

Conclusion

Previous studies on attitudes toward the euro either use aggregate data or compare attitudes across countries in a single year. The use of pooled data allows us to incorporate the economic dynamic but make inferences at the individual level. The analysis in this article also points to the importance of allowing interactions between individual and contextual variables. The assumption that contextual indicators have a uniform effect across the population is not justified. We are also able to model variations in individual-level effects across years and countries.

We find evidence to suggest that citizens are willing to hand over sovereignty of the national currency to the supranational level when the currency is not performing well. The strong link between national economic conditions and the support for a common currency suggests that disenchantment with policies and politics at the national level may push publics toward supporting greater integration and an increasing focus on European solutions rather than domestic ones. However, the extent to which economic self-interest drives support for supranational policy also depends on how citizens view the EU. Positive attitudes can serve to bolster support for supranational policy even when circumstances suggest that it is not in one's economic self-interest. Therefore, what people think about multi-level governance is an important factor in modeling support for supranational policy.

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For those countries in the euro zone, our results suggest that the credibility of the euro will depend on how well the euro does against other currencies. For those countries not yet in the euro zone, support for replacing the national currency with the euro will depend in part on the strength of the national currency. This will be less a factor for Denmark, which ties its currency to the euro, than for Britain, where the strength of the British pound sterling may serve to undermine British support for joining the euro zone. However, if the goal is to build backing for the euro, which will be necessary if the issue is referred to voters, generating diffuse support for the EU may be one way to offset the adverse effects of a strong currency. Among the three countries outside the euro zone, who together are more skeptical about European integration than those inside the zone, Denmark has consistently been more supportive than the others. Throughout the 1990s, a slim majority in Denmark agreed that the EU is a good thing, while popular attitudes toward the EU in Britain and Sweden have been considerably more skeptical.

Taking into account the multi-level context of policy making in the EU provides a useful approach to explaining public opinion toward the common currency. Rather than assuming that attitudes toward the EU and its policies are the products of national politics, the multi-level governance perspective integrates attitudes toward national policies as well as toward EU policies. Our analysis of the common currency represents only one policy area where poor economic performance at the national level can lead to greater support for integration. Education, health and welfare are other policy areas where a multi-level governance perspective of public opinion may be useful.

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Appendix: Question wording and coding

Support for a common currency:

1997–2000: 'There should be (has to be) one single currency, the euro, replacing the (NATIONAL CURRENCY) and all other national currencies of the Member States of the European Union.' 1 'For'; 0 'Against'.

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1993–1996: 'There should be a European Monetary Union with one single currency replacing by 1999 the (NATIONAL CURRENCY) and all other national currencies of the Member States of the European Community.' 1 'For'; 0 'Against'.

1991–1992: 'Within this European Economic and Monetary Union, a single common currency replacing the different currencies of the Member States in five or six years time.' 1 'Support'; 0 'Do not support'.

Support for EU:

'Generally speaking, do you think that (OUR COUNTRY'S) membership of the European Union is . . .?' 1 'Good thing'; 0 'Neither good or bad' or 'bad thing'.

Economic indicators:

Change in GDP, inflation and debt: Structural indicators taken from the Eurostat webpage (http://www.europa.eu.int/comm/eurostat). Exchange rates: Taken from Policy Analysis Computing & Information Facility Commerce, University of British Columbia, Vancouver, Canada (http://pacific.commerce.ubc.ca/).

Education: 0 'Stopped school before the age of 16'; 0.5 'Stopped school between the ages of 16 and 19'; 1 'Stopped school after the age of 19 or still studying'.

Female: 1 'Female'; 0 'Male'.

Not in labor force: 1 'Listed occupation as unemployed, keep house, student, retired or disabled and unable to work'; 0 'Employed'.

Ideology: 1 'Right'; 0.5 'Center, no ideological preference'; 0 'Left'.

Age: 1 '55+ years'; 0.66 '40–54 years'; 0.33 '25–39 years'; 0 '15–24'.

Note

1. Ideological self-placement is not available in Eurobarometer 51.1 (April–May 1999), so we have substituted Eurobarometer 52 (October–November 1999). Pooling Eurobarometer surveys of 12 to 15 countries and over a nine-year period yields over 200,000 cases at the individual level and 123 cases at the level of the country and year. However, because some economic data were not available between 1992 and 1993, and for a greater period of time for countries such as Spain, Greece and Luxembourg, our sample of countries and years is reduced to 96 country/years.

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