

The Euro – Public Opinion in the Ten Years after the Euro Changeover

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Public sentiment indicators available for the period from 2002 through 2011 provide a clear profile of public opinion on the euro for Austria and partly also for the euro area. Essentially, the period following the introduction of euro banknotes and coins falls into two distinct phases during which two opposing sentiments prevailed: During the first phase, satisfaction with, and acceptance of, the euro rose to a high level until 2009, and during the second phase, the sovereign debt crisis and its consequences caused pro-euro sentiment to decline from 2010, culminating in a critical assessment during the height of the crisis in the summer and fall of 2011. Survey ratings dropped from a high positive sentiment of Austrian respondents on the euro, nearly 80%, in 2009 to approximately 60% in fall 2011. The decline in confidence in the euro appears to have been caused by EU and national policymakers struggling with crisis management rather than by the euro itself. As the runaway public debt and financial speculation are seen as the cause of the crisis, most Austrians and euro area citizens agree with financial and economic policy measures targeted at strengthening Economic and Monetary Union (EMU) in the long run. Although the euro faces great challenges, a clear majority of Austrians (and of other euro area citizens) are convinced that the euro is here to stay.

People in Austria and in the euro area reported hardly any difficulties in the day-to-day use of euro cash. Some respondents are still disposed to comparing euro with schilling or other former currencies in the euro area, above all for exceptional purchases. Those surveyed overwhelmingly agree that they have personally benefited from the euro: price transparency, easier and cheaper travel, and lower costs for payment transactions are considered undisputed advantages of the single currency.

Even if euro inflation has been low in the long run, people continue to associate the introduction of the euro with a rise in prices. The share of respondents who see the euro as very stable and expect it to remain so diminished noticeably in 2011 as a consequence of higher inflation. Whereas at the end of 2007 almost 80% of those surveyed considered the euro stable, this figure had fallen to just over 40% at the end of 2011. Fears of higher inflation along with a loss in the value of savings ranked as Austrians' biggest concerns at the turn of the year 2011/2012.

JEL classification: E50

Keywords: confidence in the euro, euro cash, Austria, euro area

This contribution provides information about public opinion on the euro in Austria and partly also in the euro area as a whole. The study draws on survey data from the European Commission, the Oesterreichische Nationalbank (OeNB), the Österreichische Gesellschaft für Europapolitik (ÖGfE – Austrian Society for European Policy) and various polling institutions (see overview below).

Apart from routine question to gauge confidence, satisfaction, opinions

on stability, functions, pros and cons, etc., questions on topical issues related to the euro – such as the financial, economic and sovereign debt crises – were posed during the surveys. This contribution makes use of continuous and longitudinal analyses as well as ad hoc surveys.

Similarly to a review of public opinion five years after the introduction of the euro (Fluch et al., 2007), this article analyzes a range of questions (see the relevant section for more details):

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Regular Surveys about Euro Sentiment

Survey	Commissioned by	Market Research Institute	Sample	Topics/Features	Region	Frequency
OeNB Barometer survey	OeNB	Institut für empirische Sozialforschung GmbH (IFES)	2,000 persons aged 15 and above, face-to-face interviews	Euro cash, euro stability, confidence in the euro, confidence in institutions, etc.	Austria	every quarter since 1992
Standard Eurobarometer	European Commission	in Austria: Das Österreichische Gallup Institut Dr. Karmasin Ges.m.b.H.	1,000 face-to-face interviews in every country	generally: Europeans and the EU, selected euro-specific topics	all EU Member States and candidate countries	every half year since 1973
Flash Eurobarometer	European Commission	in Austria: SPECTRA Marktforschungs GmbH	1,000 face-to-face interviews in every country (respondents aged 15 and over)	satisfaction with the euro, handling euro cash, people's feel for euro cash, advantages and disadvantages of the euro, etc.	all euro area countries	annually since 2002
ÖGfE survey	Österreichische Gesellschaft für Europapolitik	Sozialwissenschaftliche Studiengesellschaft (SWS) and Gesellschaft für Marketing GesmbH (OGM)	varies, between 500 and 1,000 interviews conducted by phone	confidence in the euro and specific EU and euro-related topics	Austria	ad hoc surveys

Source: OeNB, European Commission, ÖGfE.

- How has public satisfaction with the euro and euro cash developed since 2002 in Austria and in the euro area? How does the general public see the Eurosystem's performance in fulfilling the price stability mandate? How high is public satisfaction with the OeNB and the ECB/ESCB as institutions responsible for monetary policymaking (section 1)?
- How do Austrians judge the causes of the crisis and the role European institutions play in overcoming the crisis: Whose fault was it, and who gets the public's vote of confidence in being able to handle the economic and financial crisis most successfully? Which fears does the public have? Which measures does the public consider of overriding importance in reforming economic and financial systems in the EU and in EMU (section 2)?
- What do Austrians and euro area citizens think the future holds in store for EMU and the euro (section 3)?

1 Initial High Confidence in Euro but Noticeable Change in Public Opinion amid Debt Crisis

A number of public opinion indicators allow the range of opinions among Austrians on the euro and euro cash to be mapped over the past decade. Two periods emerge: Between 2002 and 2008, the euro gained increasingly broad acceptance; the confidence values steadily improved until 2008. In 2009, this trend continued despite the crisis and the recession. When the government debt crisis became acute, the trend in sentiment shifted: from 2010 and especially in 2011, pro-euro sentiment contracted. The following analysis depicts these two periods in detail.

Table 1

Economic Indicators for Austria

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	%									
GDP growth	1.7	0.9	2.6	2.4	3.7	3.7	1.4	-3.8	2.3	3.3
Inflation rate	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4	1.7	3.6
Unemployment rate	4.2	4.3	4.9	5.2	4.8	4.4	3.8	4.8	4.4	4.1
	% of GDP									
Current account ratio	2.7	1.7	2.2	2.2	2.8	3.5	4.9	3.1	2.7	2.4
Export ratio	48.7	48.2	51.5	53.8	56.4	58.9	59.3	50.4	54.0	57.2
Fiscal balance	-0.7	-1.5	-4.5	-1.7	-1.6	-0.9	-0.9	-4.1	-4.4	-3.6
Government debt ratio	66.7	65.8	65.2	64.6	62.8	60.2	63.8	69.5	71.8	72.0

Source: OeNB, Statistics Austria, Federal Ministry of Finance.

1.1 Pro-Euro Sentiment Rises until 2008

Austrians and the euro area population became familiar with the euro and the new cash fairly quickly and were soon comfortable using it. Apart from its practical advantages, the single currency also appears to have had a positive impact on the Austrian economy (tables 1 and 2). Austria's economy consistently grew about ½ percentage point faster than the euro area economy. Employment increased and unemployment stayed low, remaining one of the lowest rates in the euro area. With an annual rate of inflation of some 2%, Austria maintained purchasing power. Austria's export ratio accelerated in an environment of stable exchange rates, and the current account balance has switched from a deficit to a surplus since 2002. Austria's international trade links as measured by direct investment² quadrupled. With the exception of 2008, progress in budget consolidation was also made during this first period: Until 2007, deficit ratios were reduced, and the debt ratio was cut to just over 60% of GDP.

Moreover, the euro benefited from asserting itself as an international currency. The euro's exchange rate against

the U.S. dollar generally moved within a bandwidth of 1.2 to 1.4 USD/EUR from 2004. Euro cash in circulation in the euro area expanded sharply. From 2002, the number of banknotes in circulation nearly doubled; the number of coins in circulation almost tripled (Koch and Schneeberger in this issue). The value of euro cash in circulation widened from some EUR 230 billion in 2002 to EUR 912 billion in 2011.

The confidence indicators determined by the European Commission every September in Flash Eurobarometer surveys reflect these developments and present fairly positive survey results for the euro.

- From 2002 to 2008, the share of Austrians who considered the euro a good thing went up from 52% to 75%. By fall 2008, the percentage of persons who considered the euro a bad thing for Austria had shrunk to 13% from 25% in 2002 (table 2).
- People's feel for euro prices developed satisfactorily overall. The overwhelming majority calculates in euro for daily purchases, and only a small minority still thinks in terms of Austrian schilling prices. Mental benchmarking in euro has taken comparatively longer for large

² More precisely, Austrian inward and outward direct investment as a percentage of GDP.

Table 2

Survey Indicators for the Euro

	Austria					Euro Area				
	2002	2006	2008	2009	2010	2002	2006	2008	2009	2010
	% of the population									
The euro is ...										
a good thing	52	62	75	79	69	54	48	71	70	67
a bad thing	25	24	13	10	17	32	38	16	16	17
The euro and European identity ...										
the euro has strengthened European identity	21	15	20	20	18	18	19	22	23	22
the euro has not changed European identity	74	81	79	79	80	80	78	77	76	77
Value feel for purchases: When prices are low, I calculate										
in euro	39	69	61	67	72	42	57	59	65	69
in the currency my country used to have	36	20	23	18	16	32	22	22	19	16
Value feel for purchases: When prices are high, I calculate										
in euro	6	22	32	35	43	13	29	35	43	48
in the currency my country used to have	46	55	47	40	35	58	40	39	32	29
The euro...										
makes it easier to compare prices	x	57	72	74	74	x	46	66	66	64
makes travel cheaper and easier	x	52	53	52	56	x	30	46	51	48
reduces banking charges for cross-border payments	x	28	41	38	34	x	25	30	33	29

Source: European Commission (Flash Eurobarometer, various issues).

Note: The 2011 issue of the Flash Eurobarometer was not available at the editorial close of this contribution (March 26, 2011).

amounts, though: While the majority of people calculate in euro, more than one-third still use schilling prices in their minds. Of course, these schilling prices are misleading, as they should be adjusted by a cumulative inflation rate of more than 20%. Unadjusted, they are unsuited as a benchmark and send out incorrect price signals.

- 74% of the respondents to the 2010 survey considered that the euro made it easier to compare prices, 56% recognized the advantages of not having to pay currency exchange fees when traveling in the euro area and of being able to pay uniformly, for instance by using debit cards, across the euro area.

However, respondents have not become fully aware of the advantage the euro has brought in lowering cross-border banking charges. At the same time, the impression continues to prevail that the euro has led to price increases for consumers,³ reflecting in particular above-average increases in the prices of some daily purchases and services.

- In a relatively short period, the euro became a symbol of a unified Europe with monetary integration, but the euro did not strengthen the European identity. The indicators exploring individuals' feelings of European identity have been low since 2002, in Austria and in the euro area alike.

³ As this impression has not been influenced by the crisis, the most recent values of 2011 are provided here. A survey conducted by market, a polling institute located in Linz, Austria, in December 2011, shows even higher approval ratings for the euro among Austrians (93% noted the euro's impact on the ease of travel, 75% cheaper payment transfers). Conversely, only 28% of respondents thought that the euro had made prices more stable.

Most People Had No Difficulties Handling Euro Cash

Ten years ago, euro cash was introduced in 12 EU Member States. Today, Austrians have become quite comfortable using the euro for payments. Daily use of euro banknotes and coins has made the currency a matter of course. As expected, the situation was different at the outset, but as time went by, people became familiar with using the euro and had absorbed more information about the new currency. Whereas 46% of Austrians still had problems with the euro in 2002, this share had shrunk to just over 25% in 2006. (Flash Eurobarometer, various issues).

Handling Euro Notes and Coins

	Austria					Euro Area				
	2002	2006	2008	2009	2010	2002	2006	2008	2009	2010
% of the population										
Handling euro coins is										
very easy or easy	66	68	77	76	69	69	74	78	75	72
hard or very hard	34	29	22	23	29	29	24	19	23	25
Handling euro banknotes is										
very easy or easy	90	93	98	95	92	93	94	95	91	90
hard or very hard	10	5	1	3	4	6	4	4	7	6

Source: European Commission (Flash Eurobarometer, various issues).

Note: The 2011 issue of the Flash Eurobarometer was not available at the editorial close of this contribution (March 26, 2011).

Respondents throughout the euro area also had fewer and fewer difficulties using euro cash over time. Whereas 69% of respondents found it easy to use the eight different euro coins in 2002, this percentage had grown to 78% by 2008 (European Commission: Flash Eurobarometer 2002 to 2010). Since then, the share has diminished slightly. Distinguishing and handling euro banknotes was unproblematic from the outset. When the new currency was introduced, more than 90% or those surveyed all across the euro area had no problem distinguishing between the seven different banknotes, no matter what their age or education level was.

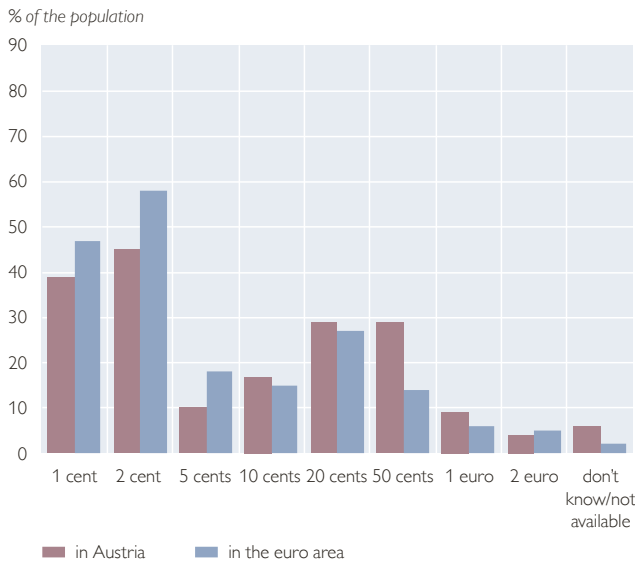
From 2002 to 2006, nearly half of the surveyed Austrians provided positive feedback on the number of coins, i.e. eight, of which the mix of denominations consists. By 2010, the balance of positive answers had risen to six out of ten persons, while just over one-third of respondents noted that there were too many coins.

Only the 1-cent and 2-cent coins still pose considerable handling problems for Austrians; this share has not changed very much since 2007.¹ Roughly 40% of respondents still had problems using the 1-cent coins; nearly half the respondents found the 2-cent coin problematic. Interviewees aged 55+ found it most difficult to use these coin denominations. Nearly 50% of this group of people (in Austria and in the euro area) still have problems handling the two small-denomination coins. The reason is probably that above all older people find it hard to distinguish between these two small coins and therefore run the danger of mistaking one for the other. These two coins are also the ones respondents in all age groups would do without most easily. Three-quarters of Austrian respondents – and almost 90% of euro area respondents – could live without the 1-cent coin. Much the same is true of the 2-cent coin. In the case of the larger denominations, the 2010 survey showed that a fairly large share, one-fifth of all Austrians surveyed, could do without the 2-euro coin, perhaps because it is comparatively large and heavy (chart 1).

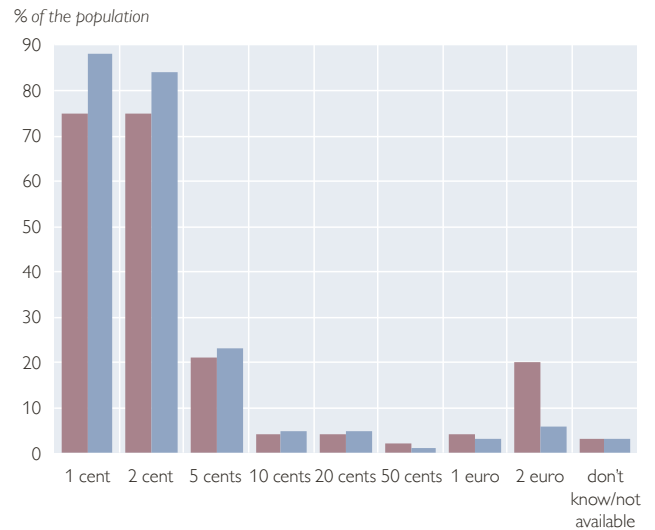
¹ See Fluch et al. (2007) for an analysis of developments from 2002 to 2006.

Opinions on Euro Coins in 2010

Difficulties with Euro Coins



Which Coin Denominations Might Be Removed?



Source: European Commission (2010), Flash Eurobarometer.

1.2 Euro Sentiment Continues to Improve during the Initial Crisis Period – But the Sovereign Debt Crisis Breeds Euroskepticism

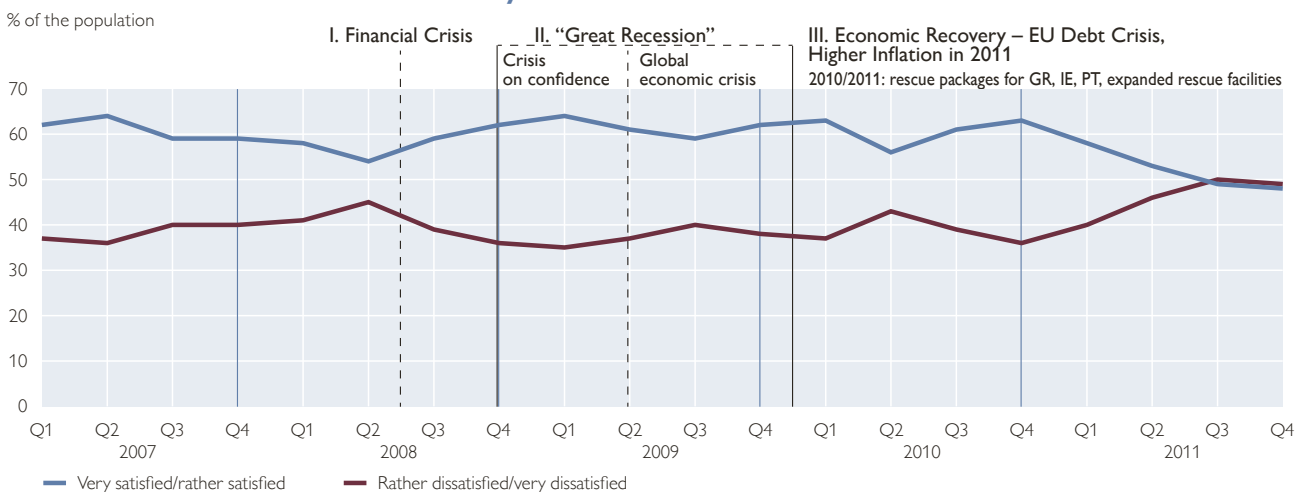
Following the outbreak of the economic and financial crisis in the U.S.A. in 2007 and its gradual spillover to Europe, confidence and demand for the euro even increased as market participants considered it a key currency and a protective shield against speculation, currency attacks and strong negative shocks. The set of monetary policy measures adopted by the Eurosystem along with economic policy programs at the EU and national level to overcome the recession improved euro sentiment.

In 2009, positive sentiment (“the euro is a good thing”) was very high according to the European Commission’s survey (2009, Flash Eurobarometer 279) both in the euro area and in Austria, even though the region was in the grip of a sharp recession. Nearly 80% of Austrian respondents gave the euro a vote of confidence in fall 2009. Only 10% – the lowest value since the

introduction of the single currency – was convinced of the opposite. With these figures, Austria posted higher values than the euro area. The 2009 autumn wave of the European Commission’s Standard Eurobarometer found 55% of the Austrians polled to believe that the euro had cushioned the crisis (35% disagreed). In the euro area, somewhat over 40% of respondents were persuaded that the euro had dampened the crisis; 45% disagreed.

However, according to the quarterly OeNB Barometer surveys, trust in the euro began to decline in 2010 as a consequence of the sovereign debt crisis in some euro area countries and sank perceptibly in the course of 2011 (chart 2). Significantly rising deficits and debt ratios in many euro area countries pushed up spreads on government bonds and put the euro under pressure. Before the initial rescue package for Greece was put together in May 2010, trust in the euro declined for a short time, but recovered once the bailout had been agreed.

Satisfaction with the Euro as a Currency in the Course of the Crisis



Source: OeNB, barometer surveys of the Institut für Empirische Sozialforschung (IFES) 2007 to 2011.

However, additional rescue packages for Ireland and Portugal, the sluggish response to the crisis on the part of European institutions, national policy-makers' foot-dragging on pushing through and implementing reforms, the high cost of financing bailouts and the contradictory public statements of politicians reinforced respondents' skepticism toward the euro from the fourth quarter of 2010. In addition, people were apprehensive about inflationary tendencies and feared that inflation would erode their savings: in summer 2011, inflation came to just under 4% (whole-year inflation in 2011: 3.6%) and resulted in negative real interest on savings deposits. Factors depressing trust in the euro further were the renewed downturn on the horizon and diminishing trust in the banking system (in Austria, confidence in the banking system contracted from just under 80% in the third quarter of 2008 to 64% in the fourth quarter of 2011; OeNB Barometer, fourth quarter 2011). Whereas 63% of Austrians were still very or rather satisfied with the euro in the fourth quarter of 2010, this figure had progressively

shrunk to 48% by the fourth quarter of 2011 (chart 2).

But this OeNB survey also indicated that the deterioration in confidence was attributable to the burgeoning debt ratios of some euro area countries and not to the euro and its currency functions (see also section 2). Evidently, numerous statements made by OeNB officials that the crisis was not a euro crisis but much rather a government debt crisis strengthened confidence in the euro.

The results of other polls conducted in 2011 confirmed the above survey results showing declining confidence in the euro and a somewhat critical attitude toward the currency.

- Regular surveys of the institution Österreichische Gesellschaft für Europapolitik (Austrian Society for European Policy) indicate a drop in euro confidence from 70% (great and very great confidence) in March 2010 to 61% in May 2010, further from 58% in September 2010 to 47% in June 2011, and finally to a low of 40% in December 2011.
- The September 2011 survey of the Österreichische Gesellschaft für

Europapolitik revealed that only 37% of Austrian respondents still believed that Austria had benefited from EMU and the euro. 48% were convinced that the opposite was true.

- According to the European Commission's annual Flash Eurobarometer, the satisfaction indicator fell by 10 percentage points in Austria, albeit from a high level: Compared with 79% at the end of 2009, only 69% of Austrian respondents considered the euro to be a good thing by the end of 2010 (table 2). By fall 2011, according to the results of the Standard Eurobarometer 76 (European Commission, 2011), the share of Austrians convinced that the euro was a good thing had plummeted further to around 60%. The decline in the euro area was less pronounced (from 67% to 64%).⁴
- The results of a poll taken by Linz-based pollster market in December 2011 were quite similar: Only 12% of the respondents over 16 had full confidence in the euro, and another 47% were rather confident about the euro. 13% stated that they had absolutely no trust in the euro.
- In June 2011, German surveys indicated strong doubts about the euro as well: According to a report by the German newspaper Frankfurter Allgemeine Sonntagszeitung, 71% of German respondents had no trust or little trust in the euro, only 19% fully trusted the euro. In July 2011, the German newspaper Handelsblatt reported that 44% of German respondents were concerned that EMU could fail.⁵

1.3 Satisfaction with Price Stability and Monetary Policymaking Institutions Declines during the Crisis

Continuing the analysis performed five years after the introduction of the euro (Fluch et al., 2007), the following section focuses on the period from 2007 to 2011 and provides information on Austrians' opinions about euro stability and the institutions responsible.

1.3.1 Doubts about Euro Stability Grow

The course of the crisis and inflation developments have had a visible impact on people's opinions about euro stability in the financial markets. According to the OeNB Barometer survey results, eight out of ten Austrians still gave euro stability high grades in the fourth quarter of 2007 – before the onset of the financial crisis and while inflation was at a low. This high share deteriorated steadily thereafter, especially from 2010, when the sovereign debt crisis began to spread and inflation rose in Austria and other countries. In the fourth quarter of 2011, only 39% of the persons surveyed considered the euro to have high or rather high stability in the financial markets, and nearly half of the respondents assumed the opposite.

Respondents' expectations about the short- and medium-term development of euro price stability were also queried and were quite similar: The OeNB Barometer survey showed that in the fourth quarter of 2007, more than 70% of Austrians were confident that prices were stable. This value was in line with the low rate of inflation in 2007 (2.2%). By contrast, in 2011, only four out of ten persons polled consid-

⁴ A further survey of 500 Austrians conducted by the Austrian news magazine NEWS in November 2011 indicated that only 34% of all Austrians would have voted in favor of introducing the euro in fall 2011; 61% would have opted for a return to the Austrian schilling.

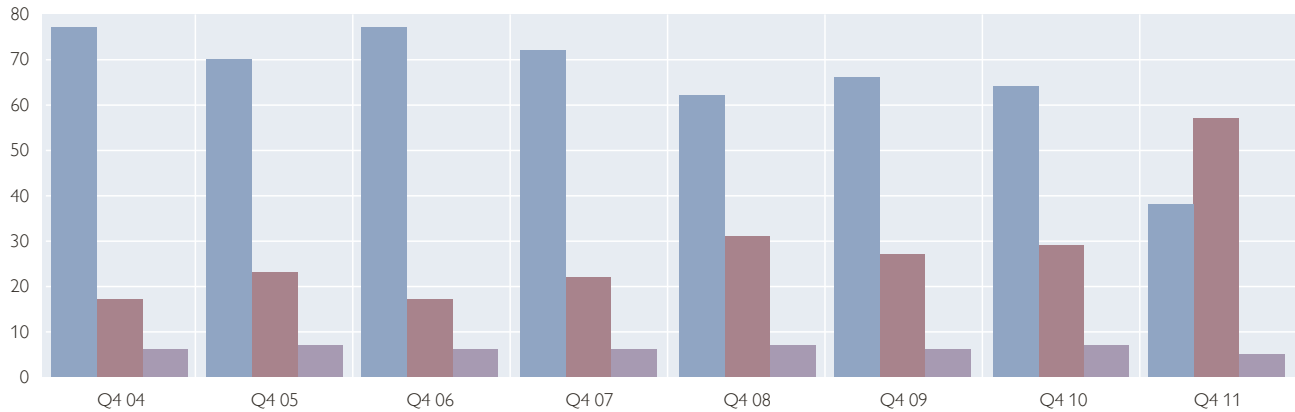
⁵ Frankfurter Allgemeine Sonntagszeitung (June 26, 2011); Handelsblatt (July 27, 2011).

Chart 3

Austrians' Opinions

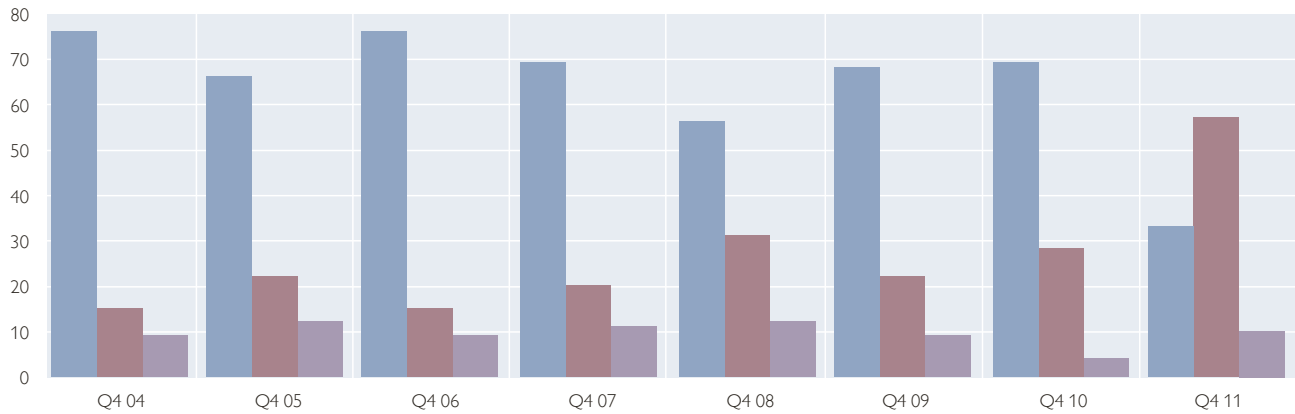
on the Current Price Stability of the Euro

% of the population



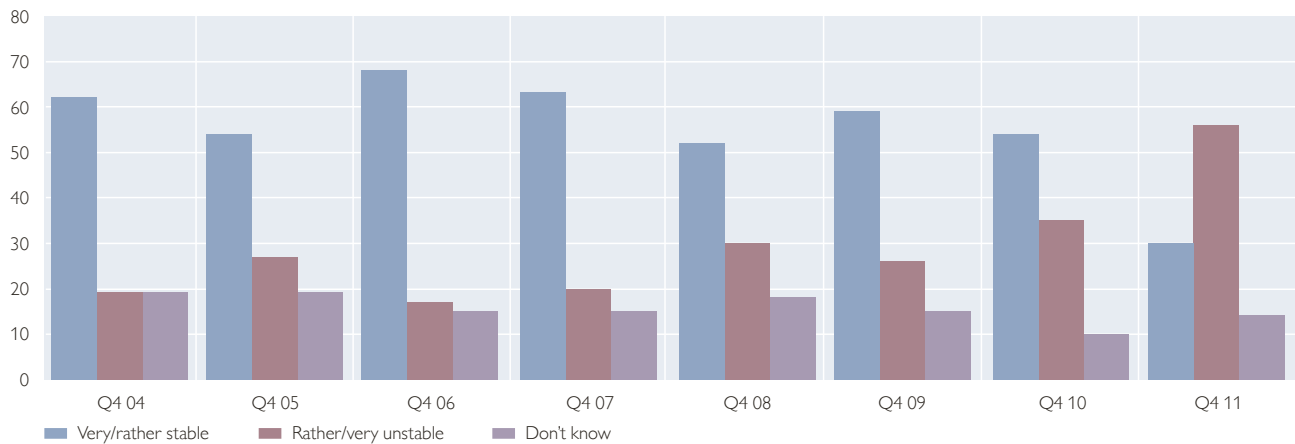
on Price Stability in the Next 12 Months

% of the population



on Price Stability in the Next 5 Years

% of the population



Source: IFES; OeNB Barometer survey 2004 to 2011. This question was not included in the surveys conducted before 2004.

ered price stability to have been maintained. With the rate of HICP price increases coming to 3.6% and the basket of weekly goods (containing selected foods, services and fuel) costing nearly 7% year on year, perceptions had changed. Furthermore, the price of the basket of daily purchases (mainly food) augmented by roughly 4%, also an above-average rate.

At the end of 2011, the opinions on the price stability outlook for the next 12 months and the next five years were also sobering: In both cases, only one-third of the respondents in Austria were convinced that prices would be stable. In 2008, the last time inflation had heated up to nearly 4% in Austria, expectations had also been dampened, but by no means as much as at the end of 2011. Apparently, the protracted effects of the economic and financial crisis alongside the EU's hesitant response to the crisis weighed on expectations in the fourth quarter of 2011. Inflation and the lack of determination on the part of policymakers to address reforms seem to have made people more pessimistic about the future.

1.3.2 Trust in the ESCB and the OeNB to Provide for Stability Declines during the Crisis

Peoples' trust in the institutions in charge of maintaining price stability also diminished somewhat during the crisis, although the OeNB still enjoys a comparatively high degree of trust. According to the results of the OeNB Barometer survey, three-quarters of all Austrians displayed high or very high trust in the OeNB in the first quarter of 2007. This value sank over the following years; it stood at 56% at the end of 2011. Using a grading scale from 1 (excellent) to 5 (fail), people gave the OeNB the mark 2.0 at the beginning of 2007 for its ability to maintain cur-

rency stability. The grades given by respondents deteriorated somewhat in the course of the crisis, dropping to 2.7 at the end of 2011. Despite the decline in confidence, six out of ten Austrians remain convinced that the OeNB is an important monetary policy institution. This value stayed fairly stable even throughout the crisis years.

Because the ECB is far away and less well known to Austrians, this institution received much lower confidence marks from Austrian respondents. At the end of 2007, trust in the ECB stood at 38%; this share contracted to roughly 25% in the fourth quarter of 2011.

When asked how well they thought the ESCB had fulfilled its mandate to secure the stability of the euro, people responded as follows over time: In the course of 2007, roughly half of those surveyed answered "very well" or "well." From 2008 through 2010, less than half the persons interviewed awarded the top marks 1 and 2. By the beginning of 2011, this figure had gone down to 40%. Over the remainder of the year, the figure continued to plummet to only one-quarter of Austrian respondents satisfied or very satisfied with the ESCB's performance at the end of 2011. According to the results of the OeNB Barometer survey, 37% gave the ESCB an average rating (3), and one-quarter even gave the ESCB a 4 or a 5 (failing grade) for its achievements. Possible reasons confidence in the ESCB's fulfillment of its stability mandate dwindled in 2011 might be the rate of inflation, which ran to about 3% in the euro area, but perhaps also the non-standard measures (purchase of highly indebted countries' government bonds) that the Eurosystem took to stabilize the financial markets. Harsh media criticism of these measures may also have depressed confidence values. People's displeasure with the slow pace of

reforms by European institutions to overcome the crisis and to prevent further crises may have had an impact as well.

2 High Popular Approval for Reform Measures

2.1 The Crisis: What Were the Triggers, What Should Be Done, What Are Austrians Concerned About

In fall 2011, the OeNB Barometer survey was expanded to include questions directly related to the crisis. People were asked to supply their opinion of what had triggered the crisis, what they feared, and which measures they thought should be taken in the future.

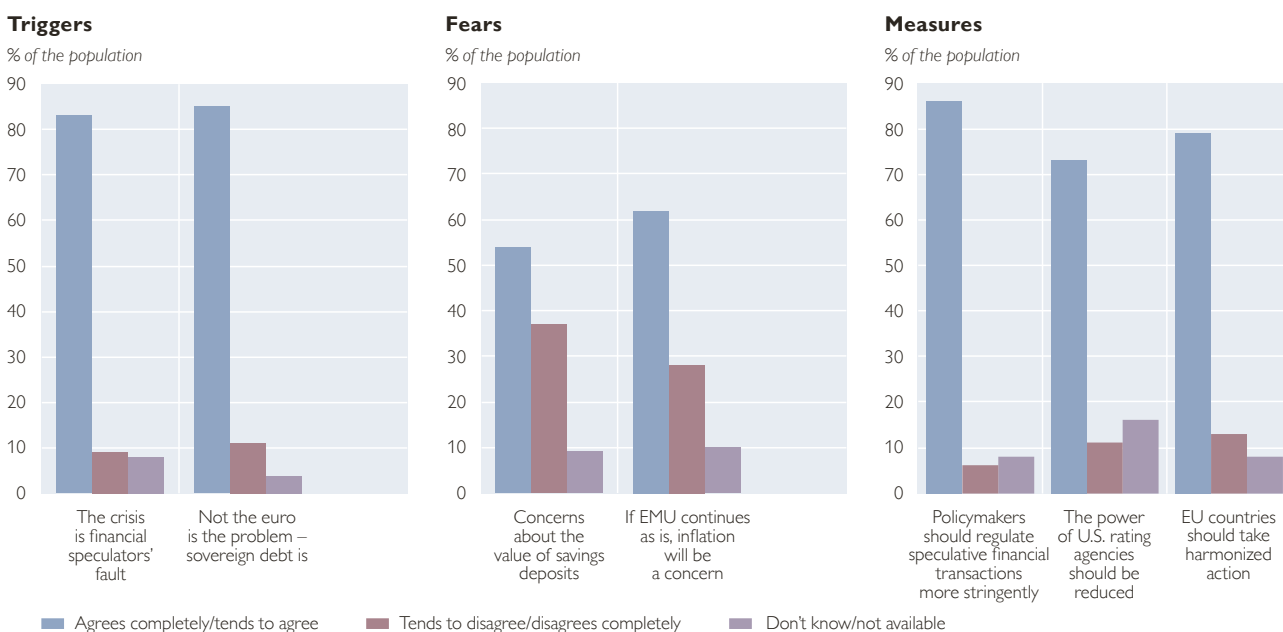
This survey revealed that 83% of the respondents were convinced that more than anything else, financial speculation was the root of the economic and financial crisis. Therefore, nearly 90% of Austrians answering the survey called for greater regulation of speculative activity. In addition, 73% of

respondents postulated that the power of U.S. rating agencies should be restricted. Also, the respondents strongly supported the need for all EU countries to take harmonized action.

The survey indicated, moreover, that it was not the euro per se that represented a problem as a means of payment and currency, but much rather the high sovereign debt of certain countries. A large majority of Austrian respondents expressed this opinion (85%). Nevertheless, Austrians were not of one mind about the role the euro is supposed to play during the crisis as the common currency of all 17 euro area countries: Some 40% agreed with the crisis-related statement added to the OeNB Barometer survey “If every country had its own currency, the financial crisis would be even more dramatic” – nearly 50% disagreed. At the same time, two-thirds were convinced of the euro’s staying power (OeNB Barometer survey, fourth quarter of 2011; see also section 3).

Chart 4

The Austrian Public’s Assessment of the Causes of the Crisis



Source: Additional questions in the 2011 OeNB Barometer survey.

62% of Austrian respondents voiced their greatest fear at the end of 2011 being that the euro could lose its value completely if monetary union “kept going the way it was.” Hence, price stability is a key concern. While the forecasts for 2012 and 2013 available when the survey was conducted had expected inflation to ease, this prognosis did not suffice to completely alleviate peoples’ fears.

At the end of 2011, 54% of respondents were concerned about their savings deposits. In addition to inflationary developments, the critical media reports about the economic health of the Austrian banking sector may have helped trigger these fears.

2.2 A Clear Majority of EU Citizens Calls for Economic Policy Reforms

Surveys taken at the EU level in 2011 (European Commission, 2011b, Standard Eurobarometer 75 and 76) also provide a clear picture of people’s opinions on economic policy reform. The

high approval ratings for reforms in the future among those polled clearly point toward the economic and financial policy deficits in the EU and EMU architecture (table 3). The surveys signaled a strong popular consensus on measures to improve economic policy coordination (at the EU level and at the national level), assigning a priority to activities to reduce high sovereign debt and to improve the functioning of financial markets. 70% to 90% of the respondents emphasized that such measures needed to be taken immediately.

Comparing Austrian polls with those of the EU-27 shows a higher percentage of “yes” answers to nearly all questions. The share of Austrian respondents advocating more strongly harmonized economic policy measures among EU Member States was also high, but lower than the EU average.

Queried about the institutions that are in a position to take the most effective measures to combat the impact of the crisis, Austrian respondents cited the EU first (23%), closely followed by

Table 3

Measures to Reform the Economic and Financial System Spring (S) and fall (F) 2011

Economic policy measures

	Austria		EU-27	
	S 2011	F 2011	S 2011	F 2011
	<i>% of the population agree that the following is required</i>			
Measures to reduce the public deficit and the public debt must not be delayed	81	84	77	84
Stronger coordination of economic policies among all the EU Member States	79	68	79	75
Stronger coordination of economic and financial policies between the euro area countries	79	68	78	75
Tougher rules on tax evasion and tax havens	92	90	89	88
A more important role for the EU in regulating financial services	72	65	73	71
Increasing transparency of financial markets	90	87	88	87
Closer supervision of hedge funds	86	84	76	72
Regulation of wages in the financial sector (i.e. traders' bonuses)	89	86	82	79
Introduction of a tax on financial transactions	83	79	65	64
Introduction of a tax on profits made by banks	84	79	82	81
Introduction of Eurobonds (European bonds)	x	52	x	44
Tighter rules for credit rating agencies	x	81	x	75

Source: European Commission (2011b, 2011), Standard Eurobarometer 75 and 76.

Table 4

Would you want Austria to retain the single currency?

	Yes, very much	Yes, rather so	No, not really	No, certainly not	No answer
% of the population					
Total	20	41	19	11	9
Men	24	39	18	11	9
Woman	16	44	20	10	10
15 to 29 years	27	41	15	9	8
30 to 44 years	17	44	19	12	8
45 to 59 years	17	35	22	14	11
60 and over	19	45	18	7	10

Source: OeNB Barometer survey, fourth quarter of 2011.

the (Austrian) government and the IMF. The picture is quite similar for the EU-27 (European Commission, 2011a, Standard Eurobarometer 75).

The EU, and to some extent national policymakers, have meanwhile learned the lessons of the crisis and have implemented reforms. In November 2011, a number of measures were passed to improve economic governance in the EU. These steps include stricter budget rules and stepped-up surveillance of government budgets.⁶ At the beginning of 2011, the new European supervisory architecture comprising the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) became operational. Furthermore, the new Basel III framework for financial markets moved closer to implementation. The Basel III rules will significantly strengthen capital and liquidity requirements for banks. Moreover, steps to improve transparency of previously unregulated financial institutions, e.g. investment funds, hedge funds, rating agencies, have been initi-

ated. Some countries passed comprehensive austerity programs. All of these measures are part of the effort to reinforce EMU's operation in the future and to safeguard and maintain the stability of the euro.

3 Yes to the Euro in the Future

Despite the sovereign debt crisis and the upcoming huge challenges facing countries in dealing with its resolution, the surveys of fall 2011 corroborate euro area and Austrian respondents' support for the euro.

According to the European Commission's Standard Eurobarometer 76 (2011), public support for the euro and EMU came to 64% of the euro area population in fall 2011, whereas 29% were against the euro. The values for Austria were somewhat lower: At the end of 2011, the same survey counted 58% of Austrians for EMU and the euro, 36% against.

Additional surveys gauging Austrians' attitude toward the future of the euro are available. According to the OeNB Barometer survey, in the fourth quarter of 2011, a clear majority, 61%, was convinced that the euro would remain

⁶ In its series of quarterly "Monetary Policy & the Economy" bulletins, the OeNB published a special issue in the fourth quarter of 2011 entitled "EU Governance Reformed." This special issue contains numerous contributions detailing the key economic and fiscal policy reforms.

in place in Austria (table 4); just under one-third were rather skeptical. Men are somewhat more optimistic than women, and almost 70% of young Austrians expect the euro to endure. This picture is confirmed by the fact that only 34% of Austrian respondents wish to exit EMU as soon as possible, whereas 49% want to remain in EMU. Moreover, a large majority (67%) of Austrians in the fourth quarter of 2011 expected that the euro would still be around in five years; 21% expect the opposite to be the case. In the third quarter of 2011, the same question had still attracted a higher share of pro-euro answers (74% versus 16%).

In the eurocritical survey mentioned earlier (NEWS, November 2011), 59% of Austrians polled believed that the euro was here to stay.

In the survey conducted by Linz-based pollster market (December 2011), 67% answered the question “Will we still be paying in euro in 10 years; will the euro still be here?” with “yes,” 24% with “no.”

The conviction that the euro was here to stay was even clearer for the survey conducted by the Österreichische Gesellschaft für Europapolitik in December 2011: 78% of Austrians queried thought the euro would continue to be in place in the long run.

This very positive overall assessment of euro may be interpreted as a token of trust in the euro and its services for the economy and the population in the 13 years in which it has been the single accounting currency and the 10 years in which the euro has been around as cash and as a means of payment.

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