

# Why so much EURO-scepticism among the Euro-enthusiasts?

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## ABSTRACT

This paper addresses the intriguing situation in which there is an identified paradox inside the Polish society, namely strong Euro-enthusiasm combined with clear EURO-scepticism. The author of this article differentiates between EURO-scepticism and Euro-scepticism. Euro-scepticism is a recognised and extensively researched phenomenon across Europe, most generally conceptualised as a negative attitude towards the European integration process (in particular in the form of the European Union). EURO-scepticism, by contrast, is a much narrower category which can be characterised as a negative attitude towards the monetary integration on a supranational level, its deepening, participation in it, etc. Poland serves as an example of this in this paper. In Poland, we can observe the interesting paradox of substantially pro-EU attitudes in society combined with strong anti-EURO feelings. They translate into a stable position of Poland in the outer core of the EU. Based on the available public opinion reports (from the national and supranational level), this paper aims to answer the question why there is so much EURO-scepticism in such a Euro-optimistic society and why it matters.

**KEY WORDS:** Euro-scepticism, EURO-scepticism, Poland, European monetary integration

The central question of the article is why and how it is possible that one of the most Euro-enthusiastic societies in the European Union, that is the Polish society, displays so much EURO-scepticism. The author provides answers to this intriguing question based on the recent public opinion polls on various aspects of Poles' attitudes towards European integration as well as Poland's place in it with special emphasis on the issue of participation in the supranational monetary policy. It is a key issue in post-enlargement Central and Eastern Europe. Most of post-communist Europe joined the Euro-club, if only they could (some of them even in a one-sided Euroisation mode), while Poland is the largest economy outside the inner core in the region and among the so called New Member States (NMS).

## THE INTEGRATION PROCESS AND MONETARY UNION

After having joined the European Union in the "big bang" enlargement of 2004, the Republic of Poland obliged to join the final stages of

the monetary integration. Already from the moment of ratifying the Accession Treaty (2003), Poland, like many of the NMS enjoys a derogation from adopting the common currency<sup>1</sup>. The approaches of the other NMS remain mixed. Seven of the ten new member states that joined the EU on 1 May 2004 decided for a strategy of adopting the Euro as soon as possible (Latvia, Lithuania, Estonia, Malta, Cyprus, Slovenia and Slovakia). Consequently, these countries joined the ERM II (second generation of the Exchange Rate Mechanism) as early as possible. However Hungary and Poland, like the Czech Republic opted to participate in the ERM II only for the shortest period necessary to fulfill the exchange rate criterion and make technical preparations for the Euro. However, neither country has set such a date so far. Yet this temporary derogation does not exempt any member state from the obligation to adopt the Euro. The Polish Republic, like any other

<sup>1</sup> In the meaning of Article 122 of the Treaty establishing the European Community (EC)

member state from outside of the Eurozone (except for the United Kingdom or Denmark, which negotiated a special status in this regard), must work towards the introduction of the Euro as soon as possible. It is also linked with fulfilling some macroeconomic criteria known as the Maastricht criteria<sup>2</sup>. These criteria, in the case of Poland, were achieved in 2015, when the EU Commission stopped the excessive deficit procedure and the Polish deficit dropped below 3% of the GDP. All the other criteria regarding inflation, public debt and long-term interest rates remain at the stable level. Yet the Polish government (in agreement with the Polish Central Bank, NBP – Narodowy Bank Polski) still does not intend to join the Euroclub soon. This is a political decision that stems from the strong anti-Euro positions of Polish society. This specific Polish EURO-scepticism is quite an interesting phenomenon in the context of the vehemently pro-EU attitudes in Polish society.

#### **EURO-SCEPTICISM AND EURO-SCEPTICISM**

Euro-scepticism can be generally understood as a negative attitude towards the European Union, the European integration process in general, some of its aspects or just the idea of uniting the continent in any respect (Taggart, Szczerbiak, 2004). More specifically EURO-scepticism is defined here as a negative attitude towards the Eurozone, monetary integration on the supranational level, some of its aspects or ideas and concepts related to it (Zuba, Riedel 2015). Inside of the Eurozone, it may mean disagreement on further deepening monetary and fiscal integration or even

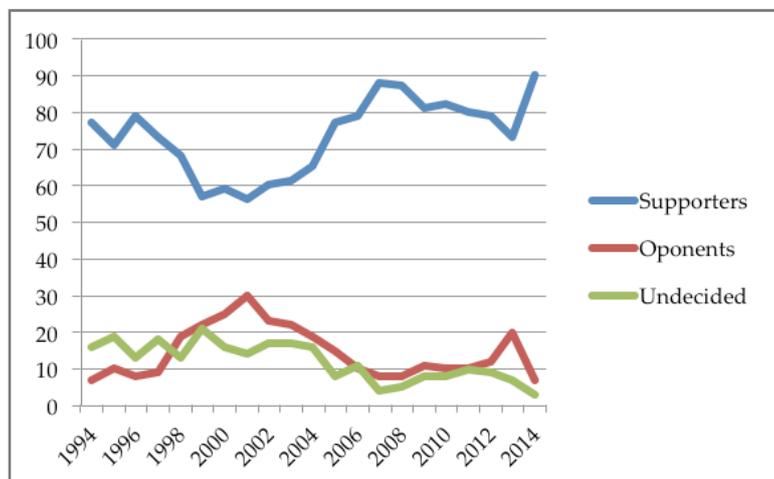
<sup>2</sup> The new EU member states, besides being required to harmonize their economies in line with the convergence criteria defined in the Maastricht Treaty, they are also expected to achieve a high degree of sustainable convergence in order to join the Euro area.

arguments to leave the Euroclub, whereas outside of the Eurozone it usually means the decision to remain in such a position.

Conceptualizations and categorizations of the terms EURO-scepticism and Euro-scepticism are embedded in rich scholarly literature (see for example: Katz 2008), which became even more important in the context of the economic crisis that hit Europe in 2008 (Serricchio, Tsakatika 2013). Therefore a deep understanding of the phenomenon, its determinants, mechanisms, effects and side-effects is central in contemporary research on the European Union. Euroscepticism is no longer just an aberration from the mainstream politics in the EU. It has become mainstream, at least, after the most recent elections to the European Parliament (2014). As a result, also scientifically, it is no longer only a contextual variable, but has drawn attention as a widespread phenomenon worthy of explanation.

In the case of the new member states though, relatively few academic analyses have been conducted on Euroscepticism. In the end, it is the old member states, like Great Britain (with the Eurosceptic UKIP – UK Independence Party) and France (Front National), which capture the spotlight with the spectacular success of their Eurosceptic parties. In the first decade of full membership the EU newcomers focused on proving that they are “good Europeans”. Evidence from quite successful EU Council Rotating Presidencies, Presiding the EU Parliament and, last but not least, obtaining the President of the European Council seat proves that the NMS and their political elites feel more and more comfortable in the corridors of the EU institutions in Brussels. However, this does not mean that all the new societies in the EU are unconditioned Euro-enthusiasts. The Czechs, the Hungarians

Graph no. 1:  
Poles' Attitudes towards  
European integration  
Source: Raport –  
10 lat członkostwa  
w Unii Europejskiej, NR 52/2014,  
CBOS Warszawa 2014



and many others have shown their EU dissatisfaction on many different occasions. Yet the largest NMS, Poland, has remained a stable Euro-optimist. Even when governed by a moderate Eurosceptic coalition (2005-2007), Polish society proved to be among the most Euro-enthusiastic in the Union.

#### VALUES AND “VALUTAS”

What are the sources of this almost undisputed Euro-positive attitude and why Poles belong to the most EURO-sceptic camp when it comes to potentially joining the Eurozone club? There is an important gap between the support for European integration as such and the supranational monetary integration in particular inside the Polish society. And it cannot be understood just as an illustration of a diversified public opinion typical for all democratic societies. In this case, the same people demonstrate a great deal of sympathy and support for the European Union and at the same time they are strongly EURO-sceptic. In developing these attitudes they refer to a totally different, very often conflicting, set of ideas, norms and values. It is hence a

fundamental misunderstanding inside Polish public opinion rather than logical Euro-optimism combined with equally rational EURO-scepticism.

The graph above suggests that directly after the transformation, there was very strong support for European integration and Polish participation in it. This was a result of a strategic turn narrated in the public discourse as the “return to Europe”. The European Union impressed the Poles as an area of economic prosperity, political stability and a promised land in general. Thus high expectations could only be disappointed and that is why when the EU accession negotiations started and the EU became much more a set of figures, transition periods, opt-outs, etc., the fairy-tale picture disappeared and the first disappointments could be observed in the period 1998-2002. At that time however the government launched its information/promotional campaign before the accession referendum. This stimulated an upward trend which also continued after the momentous year 2004. The enlargement enabled access to the Single Market and a

“downpour” of cohesion money. Support for the EU thus reached its peak in 2008. Then the economic crises came to Europe (to Poland however to a lesser extent) and like in many other EU member states, the society started to become more Eurosceptic. This downwards trend was broken again in 2014, which is correlated with the developments in Eastern and South-Eastern Ukraine. The Poles saw with their own eyes the alternative to their western orientation. Directly after the implosion of the Soviet Union in 1991, the Polish and Ukrainian GDP were very similar. Two and a half decades later, the Polish GDP is three times higher than Ukrainian, which is a result of the Leszek Balcerowicz’s shock therapy and the strategic choices undertaken by the post-1989 governments. Poland is also the only EU member state which has a border both with Russia and Ukraine, which makes it the country most exposed to the Ukrainian-Russian conflict. This problematic situation spoke to the imagination of the Polish people to such an extent that their support for the European Union skyrocketed and surpassed previous levels. This paper ends chronologically in 2015, but it needs to be stated that 2015 is an important time marker in the history of the Polish membership in the EU and in the post-1989 evolution in general. Both the presidential and parliamentary elections were won by the Law and Justice (Prawo i Sprawiedliwość) party, which appeared as a self-proclaimed Euro-realist, but in practice a strongly Euro-sceptic (by rhetoric and action) political actor. Consequently 2015 heralds a new trajectory which cannot be covered in this paper, but whose foundations are already hidden in the here described phenomenon of the paradoxical Euro-enthusiasm combined with the EURO-scepticism. Jarosław Kaczyński, PiS’ leader, reads the Polish

society’s sentiments accurately and there are no surprises in the behaviour of his party (and government) towards Brussels. Perhaps it is even more representative than the public opinion polls which very often express a politically correct, rather than real, attitude of the Polish society.

#### EXPLANATIONS

One of the possible explanations for this phenomenon is the economic utility theory which suggests that the more the society gains from the European integration project, the more positive it is about it. In economic terms there are two strong arguments which persuade the Poles to be satisfied with their EU membership. One is the participation in the Single Market which stimulated export growth (as an emerging market, the Polish economy is very much export-dependent) and the second is the access to EU funds (cohesion and structural funds) which boosts public investments on an unprecedented scale. Here it is important to note that these two factors may disappear when Poland loses its competitive advantage (based on low labour costs<sup>3</sup>) and when the voivodships stop qualifying for the cohesion funds. Due to these two assumptions, it is legitimate to hypothesise that the Euro-enthusiastic attitude will decrease too. Among all the positive claims on European integration these two seem to be the leading ones among the Poles. Additionally other problems are seemingly cumulating inside and outside the EU project. These are, among others, the Syrian civil war and resulting refugee/migration crisis, related collective decision problems on the allocation of the refugees, not to mention the recently overcome economic crisis, the frozen and unresolved Russian-

<sup>3</sup> If alternative competitive advantages are not developed.

Ukrainian conflict, etc. All in all, the EU is no longer a promised land, a panacea for the inefficiencies of the Polish economy and politics, a prize for transformation fatigue (Europeanisation and conditionality thesis). Instead of being a solution, the EU has turned into a problem in the eyes of many Poles. The Euro-scepticism of the closest neighbours (like the Czech Republic) and partners (like Hungary or the UK) constitute an important contextual variable regarding this attitude.

Consequently, when the Poles are confronted with the key question of their future in the European integration project, that is the participation in the Eurozone, they become more and more sceptical about it. The recently published NBP's (Narodowy Bank Polski / National Bank of Poland) report concludes that even though Poland plans to join the final stage of the Monetary and Economic Union, it is not desirable in the current situation. It is the crisis (and the accompanying turbulences inside the Eurozone) that changed the central bank's perception. A report published before the crisis recommended joining the Eurozone at the earliest opportunity – just after fulfilling the Maastricht convergence criteria. But Marek Belka, the President of NBP, said in February 2015 during a seminar at the Bruegel think tank (Brussels), that the Eurozone is "(...) of little attractiveness for Poland at the moment" (Belka 2015). He also pointed to the fact that it was the own currency that saved Poland in the times of economic crisis. This statement, according to the scientific knowledge that we have, is only partially true.

Polish society, however, is EURO-sceptical based on a somehow different set of ideas and arguments. According to the opinion polls study carried in 2013 by CBOS<sup>4</sup>, it is

4 Centrum Badania Opinii Społecznych – raport z badań: Obawy i nadzieje związane z

the expected high price effect that the Poles are the most afraid of. Even though the price levels in most product groups are already synchronised and there is not much difference between Poland and the Eurozone, it is this anticipated side-effect of introducing the Euro that is the most influential threat among the Polish citizens. Surprisingly, when some more detailed questions about the monetary integration are addressed, the Poles again reveal very pro-European attitudes. A majority (40% to 33%) claims that the introducing Euro in Poland will be beneficial for Polish companies. 68% predict that it will be beneficial for trans-border traffic (14% do not share this view).

In general however, we can observe a negative tendency in Poles' opinion on the cumulative effects of joining the Eurozone - 36% of Poles think it will be good for the economy as such (40% against). Just five years ago, it was 45% for and 39% against. What is somehow paradoxical is the Poles' opinion on the expected effects of the introduction of the Euro for those planning to obtain a loan. Here the Poles are less positive about joining the Eurozone – 22% think it will be good and 44% not good for the potential borrowers (CBOS 2013). The last results must be a reaction to the "Swiss Franc borrowers" problem, which was very painful in Central and Eastern Europe (especially Hungary and Poland)<sup>5</sup>. The interest rates of European Central Bank are lower than those of the Polish central bank and as a consequence the costs of credits are also lower in the Eurozone. This suggests that a great deal of education is needed in order to for people to have an informed and rational

wprowadzeniem euro w Polsce. Komunikat z Badań CBOS, BS/42/2013, Warszawa, March 2013

5 Where the borrowers were exposed to the exchange rate fluctuation and its costs.

opinion before any potential referendum on the Eurozone entry in Poland. Right now there are many myths and artefacts in the public discourse. At the same time the Eurozone is growing – in January 2015 another Polish neighbour, Lithuania, became a new Eurozone member. This means that all of Poland's main economic partners from the European Union use the Euro as their currency.

Another important point to be made in the public debate about the Eurozone entry is the alternative scenario analysis. In evaluating the costs and benefits of participating in the European monetary union, the balance of pros and cons of the status quo scenario should also be taken into account. Staying with the Polish Zloty does only translate into positive effects. During the crisis it was beneficial for Poland to have its own currency, but staying outside of the Eurozone exposes Poland to speculative attacks and other shocks that it would have been protected from inside the Euro-club.

#### **COPING WITH TRANSFORMATION EXPERIENCES**

Both Slovakia and Poland (one a Eurozone member, the other one not) are the leaders in the catch-up dynamics in the last decade as well as since 1989. This suggests that the Euro is not decisive as a factor determining economic growth in the CEE economies. Additionally, it must be noted that the historical context should act against Poland keeping its own currency. The Poles remember the experience from 1989 and the proceeding years, when they suffered hyperinflation. The first transformation years led to a rapid devaluation of the Polish Zloty. The currency lost close to 600% of its value annually<sup>6</sup>. This constitutes one of the greatest

<sup>6</sup> That is quite a different experience compared to the East Germans, whose currency was exchanged 1:1 to Deutsche Mark without much economic rationality behind.

differences in the short-term as well as long-term consequences of the transition in Poland and other post-communist states. The Poles lost most of their savings at the beginning of the transition. Now they have much more to lose. Therefore the Eurozone entry decision should be taken seriously and after building a wide consensus on the topic.

In conclusion it is necessary to stress that the gap between the strong Euro-optimist attitudes of the Polish society and their EURO-sceptical views is likely to remain so, as it is a long-lasting phenomenon and a stable characteristic of the Poles' position in Europe. It can be hypothesised that it will never close or it may close due to the shift of the Euro-enthusiasts' opinions. The tendency of the EURO-sceptical attitudes is much more consistent, whereas that of the Euro-optimists is significantly more volatile and unbalanced. At the same time, the opinions of the EURO-sceptical camp are founded on a somehow non-rational set of ideas. It is much more emotional and therefore one may expect that logical explanations will not be able to change this attitude.

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