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IDENTITIES, NOT MONEY: CEE COUNTRIES' ATTITUDES TO THE EURO

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THE RESEARCH CONDUCTED in this work challenges more conventional views that Central and East European (CEE) countries are driven by financial and materialistic concerns in their attitudes towards the adoption of the Euro. It argues that neither indicators of economic benefits, nor the distributive impacts which the adoption of the Euro is likely to bring to domestic societies provides an adequate explanation for accession into the Eurozone. Instead, this work argues that the dominant factor driving the decision of CEE states to enter the Eurozone is based on domestic perceptions of the entire European integration process (socio-political and economic) by political elites and wider publics. In other words, this work argues that the decision to participate in the single currency rests on whether or not politicians and their electorates are politically supportive of EU integration. This line of argumentation, while surely controversial, is empirically accurate and this work provides evidence of the validity of this argument by testing it on the case of the Czech Republic which has quickly established itself as a strong economic power within the EU, though has arrested its desire to enter the Eurozone in the very near future.

I. INTRODUCTION

The introduction of the Euro currency (€) in 1999 and 2002, and the Eastern enlargements in 2004 and 2007 are among the most important integrative steps the EU has ever undertaken. However, since most new member states from Central and Eastern Europe (CEE) are not members of the Economic and Monetary Union (EMU) Europe continues, at least to some extent, to be divided (albeit along very different lines than in the past). The purpose of the research conducted in this work is to contribute solutions on how such division may be bridged. This work analyses the driving forces which assist in shaping CEE countries' attitudes towards Eurozone accession. Simply, this work provides explanation for the approaches adopted by CEE countries concerning Eurozone accession. Based on an investigation of the EMU debate currently unfolding in the Czech Republic, this work maintains that the predominant school of

thought, which argues that material concerns shape EMU attitudes, are largely incomplete and inaccurate.

Indeed, most scholarly work focusing on CEE countries' Eurozone accession assume that decisions over whether and when to adopt the common currency are determined by 'objective' economic indicators. As a result, a substantial body of literature has been produced capturing the specific conditions required by CEE countries to join the EMU,¹ and, as a natural extension, the policy choices available to CEE countries when such conditions are close to being satisfied.² From this "popular perspective," countries' decisions over when to accede to the Eurozone are based on a cost-benefit analysis and the adoption of strategy likely enhance state-level economic health.

Michal Parizek

Yet, the EMU is a fundamentally political project,³ and the adoption of the Euro by CEE countries generates important distributive impacts among their publics.⁴ Given the austerity of the Maastricht criteria and of the Stability and Growth Pact regarding public budgets, the expenditure habits of CEE countries have come under pressure over the short- and medium-terms and for the economically left-leaning segments of the electorate, adopting the Euro would be costly.⁵ Within this overlapping (political-economic) vantage, it is clear that political analysts are more inclined to view countries' decisions over when to join the Eurozone as primarily driven by potential distributive impacts on the acceding societies. Both these views are materially oriented and may be reduced to either the overall size of the (figurative) cake or the way it is divided among electoral groups.

This study challenges such mainstream explanations and argues that CEE countries also gravitate towards the EMU by non-material factors; by their overall approach to the European integration process or by the strength of their European identities. Regarding the case of the Czech Republic, deployed below, this work reveals that purely material explanations offer only partially satisfying answers, and that how the CEE countries approach Eurozone accession is largely determined by the positions ruling parties and publics take on the federalist/intergovernmentalist or integrationist/nationalist dimensions of EU integration. In other words, for CEE countries, the answer to the question whether and when to adopt the Euro is largely determined by whether they are convinced by current, and/or driven towards further integration efforts or not. Such considerations seem to be more and more clear and present as confidence-problems related to the Euro continues to proliferate and the future material benefits of EMU membership becomes less certain and the Euro's stability less predictable.

This work proceeds in three parts: firstly, a presentation of research conducted on the CEE countries' attitudes towards the adoption of the Euro is undertaken to reveal key findings and indicate their implications. Secondly, in a clear departure from previous research, this work argues that the pro/anti-integration cleavage is a stronger determinate for shaping CEE countries perceptions of Eurozone accession. Finally, the case of the Czech Republic is deployed to provide empirical evidence for the argument advanced in the second section of this work. This case-work centres on the unfolding Czech debate over whether it should become a member of the Eurozone or not.

2. CURRENT DEBATES ON CEE EUROZONE ACCESSION

The argument that states adopt those Eurozone strategies that are most beneficial to their economies is intuitive. States are supposed to seek such monetary arrangements that maximise their long-term economic growth and financial stability. This manner of reasoning about the EMU is based on the theory of optimal currency areas (OCA) which evaluates various costs and benefits that monetary integration brings.⁶

The part of the theory which concerns this work is relatively simply: it shows that there is 'no inherent reason' for which the system of national currencies, as opposed to a monetary bloc, should be the most efficient system if the Ricardian conditions of high factor mobility within countries and low factor mobility between countries are not fully met. OCA suggests that there is a list of potential gains from monetary integration. A single common currency: 1. lowers the risks of exchange rate turbulences, thus stabilising the overall economic environment and enabling strategic planning on the micro-level; 2. directly lowers the transaction costs for individuals and firms as they do not have to pay the exchange rate commissions when trading goods between states; 3. makes the intra-bloc market more transparent and efficient; 4. increases economic certainty and thus lowers and stabilises interest rates in the long run. These factors enhance trade and thus increase economic growth.

The benefits, however, are not achievable without paying the price of the loss of autonomous national monetary policies. Adopting a common currency implies that fluctuation in exchange rates, within the bloc, is no longer available to reduce the pains of economic adjustment, and the centralised interest-rate-creation gives little power to individual countries to set optimal monetary policies. For individual CEE countries, both present serious risks,⁷ although it is fair to say that economists argue over whether the current execution of monetary and exchange-rate policies by these countries is, after all, independent anyways. Dornbush for in-

stance, suggests that the freedom of national central banks to set interest rates is only illusory: ‘what central bank in Eastern Europe can go [with an interest rate] below Frankfurt’s?’ he asks.⁸

In any case, the costs associated to losing control over exchange rate manipulation and interest rate manipulation depends on the degree of: 1. the time-alignment of the countries’ business cycles with the monetary bloc; and 2. the structural convergence of the economies. If the countries’ business cycles are aligned, the single interest rate set by the European Central Bank can always be relatively close to each individual country’s optimum. A high degree of structural convergence ensures that external shocks come to all the countries in a similar way, and so unified economic policies can be applied across the entire monetary bloc. Once the countries have converged enough, and have their business cycles adequately aligned, the costs of monetary integration are low and a monetary bloc may be formed. From this ‘economic’ view, the CEE countries will access the Eurozone once the costs paid – in terms of the loss of monetary policy tools – are reduced by progress in economic convergence, and thus once they are outweighed by the potential for gains in economic growth and stability.

The problem with this seemingly simple analysis is that, in practical policy making, it is inherently difficult to determine the extent to which the economies have actually converged and aligned. The level of economic convergence between the Eurozone and the acceding countries can only be determined by inspecting a range of indicators, and even if it were always possible to collect enough reliable data, there are no clear guidelines according to which one could weigh such individual indicators.⁹ The optimal currency area theory provides some clues as to what to look at but does not offer any quantified benchmarks. As Dědek puts it

The notion that this theory’s implications are so precise that they can identify—to the year—the [optimal] timing of the (...) Eurozone accession is misleading. Similar recommendations illustrate only a lack of understanding of what the OCA approach can and cannot achieve.¹⁰

As a result, economists cannot agree on when the CEE countries should adopt the Euro. Authors differ in their interpretation of the situation facing CEE countries with regard to their EMU accession. Some suggest that, on average, the CEE countries have not converged enough economically to the Euro-bloc; asymmetry between shocks to the ‘old’ members and to the ‘new’ ones is too high.¹¹ Contrarily, others find sufficiently high levels of convergence.¹² Many works provide clear-cut answers as to whether joining EMU is, or is not, profitable for CEE countries, but typically do

not suggest specific timing,¹³ or actually find the situation to be ‘full of contradictions.’¹⁴

For practical policy making, the theory is indeterminate with respect to particular timing; the CEE countries’ decisions about particular Eurozone accession timing and thus cannot be driven by OCA-based considerations.

An alternative explanation may be based on an analysis of the Eurozones’ potential distributive impacts.¹⁵ The dominant social cleavage in modern societies is the socio-economic division between the ‘haves’ (represented usually by parties on the political right) and the ‘have-nots’ (represented by parties on the left). For political analysis, the most intuitive expectation as to how countries decide about potential Eurozone accession would be that the political parties in CEE promote such policies that are likely to be economically favoured by their electorates. Adopting such a view, one can easily arrive at the conclusion that left-leaning parties are likely to prefer delaying EMU accession while right-leaning parties can be expected to prefer accelerating the process.

Concerning left-leaning parties, argumentation may be made on two levels; one deeper, and the other, more shallow. The more obvious reason for left-leaning parties to adopt strong positions against quick Eurozone accession is that participating in the third stage of EMU (adopting the single currency) is only possible if the Maastricht criteria are met. Fulfilling these criteria is politically costly. Firstly, governments are not allowed to run large budget deficits (higher than 3% of GDP annually), and the cumulative government debt should not exceed 60% of GDP. The first criterion especially proves to be difficult to meet for the CEE countries.¹⁶ Secondly, the inflation rate should not be more than 1.5 percentage points higher than the average of the three best performing EMU members, which may be constraining for the “catching-up” CEE countries for which a higher inflation rate is likely to be more natural.¹⁷ Thirdly, even the seemingly technical criteria of stable exchange rates and low interest rates do in fact generate considerable distributive tensions.¹⁸

Combined, these criteria impose severe constraints on pro-growth and pro-employment policies, they do not allow for much fiscal stimulation, and even more importantly, they generate pressure on countries’ welfare mechanisms. At least temporarily social expenditures are likely to stagnate or even decrease and labour, in general, is put under more acute strain.¹⁹ These effects have been widely discussed in reference to “old” EMU members.²⁰ The overall climate for left-leaning parties’ electorates is broadly believed to worsen with the adoption of the euro or preparations for it. As Barry and Begg put it

It is close to stating the obvious to say that the more rigid macroeconomic framework under EMU shifts more of the burden of adjustment to economic shocks on to the supply side of the economy, and especially the labour market.²¹

Michal Parizek

Equally significant, concerns have been raised about a slow but continuing harmonisation of member states' social policies believed to be taking place as a logical consequence of the introduction of the single currency. This harmonisation is seen as a threat to highly developed welfare mechanisms, especially those in Scandinavian countries.²²

Both these trends – connected to restrictions on expenditures, and indirect harmonisation of social policies – have been seen from the beginning in the “old” EMU states as lowering the levels of social protection and impeding the ability of governments to steer the economy. As Dyson and Featherstone put it

This [Maastricht criteria] straitjacket soon provoked fears that EMU might threaten traditional assumptions about welfare state provision, undermine social cohesion, and narrow the scope for domestic political choice.²³

The same arguments also clearly apply to EMU-applicants. Moreover, a “transformation-fatigue,” further impeding reforms necessary for euro-zone accession, is likely to occur in these countries.²⁴

Concerning the parties to the right, their position towards the adoption of the Euro is naturally expected to be the opposite; favouring the more liberal economic policies that the steps towards EMU promote, especially the imperative of “sound money.” The economically active right-wing electorate is more likely to profit from liberalisation at both the EU and international levels. It is not threatened so much by the adverse social effects and may actually see the Maastricht “austerity pack” as a productive impulse for the long-term success of the economy.

The potential distributive impacts of the particular policies – usually considered to lie at the core of standard politics – provides a strong indication of which policies the left-leaning and the right-leaning parties in the CEE countries are likely to pursue. Left-leaning parties have interests in delaying the adoption of the Euro while the right-leaning are more likely to proceed as quickly as possible.

Research on the CEE countries' strategies towards Eurozone accession tends to be limited to these materialist concerns, which as indicated above imply that countries are driven in their approach to the Euro either by economic reasoning or by the distributive impacts EMU accession is likely to bring. The former approach is able to provide only limited guid-

ance as to the specific optimal timing of Eurozone accession while the latter seems analytically more helpful but, as demonstrated below, its predictions do not stand empirical testing, at least not in the case of the Czech Republic. The CEE countries' Eurozone accession attitudes cannot be explained solely with reference to materialistic concerns; ideational factors ought to be included in the analysis as well.

3. THE PRO/ANTI-INTEGRATION CLEAVAGE

Based on the above discussion, this section argues that an alternative approach focusing on actors' identities may be necessary to more accurately explain how CEE countries approach the adoption of the Euro. Specifically, this work argues that mainstream literature is largely incomplete because national identities and the pro/anti-integration political dimensions tend to be omitted from analyses. To arrive at this conclusion two theoretical building blocks are utilised: firstly, the deployment of an argument that the process of EMU-creation, in the late 1980's and throughout the 1990's, has been no more economic than it was political. Secondly, the role the Euro plays in populations' and politicians' national and European identity-formation is explored.

Consider how and why the EMU was created. Although some scholars, most notably Moravcsik and Frieden,²⁵ believe the establishment of EMU to be an act driven by economic rationality and particular economic interests, a considerable body of literature argues that the EMU is, and has been from the very beginning, no more an economic project than a political one.²⁶ Two years before the EMU came into existence, Feldstein wrote that

What is clear (...) is that the decision [whether or not to proceed to stage III] will not depend on the economic advantages and disadvantages of a single currency. The decision of whether or not to form a monetary union will reflect deeply held political views about the appropriate future for Europe and about the political advantages and disadvantages to the individual countries and even to the individual political decision makers themselves.²⁷

A similar position was adopted by Dyson who suggested that discussions of EMU creation could have started as a result of economic reasoning, but with the new geopolitical realities after 1989, the core of the process shifted from economics to politics. He notes that

[Despite being] a necessary condition, [the](...) economic factors were not

sufficient. Both the timescale and key elements of the content, especially relating to process, were determined by political factors and motives.²⁸

Sandholtz finds that one of the main drivers consisted of enhanced support among the populations as well as the politicians for seeking solutions at the community-level, re: increased integrationist sentiments.²⁹ According to this explanation, the EMU was not created because it would be necessary for the functioning of the single market; it emerged because of the widespread belief that more and more problems should be solved at the European level and that 'European economic integration has always been a politically motivated enterprise.'³⁰

This argument is strongly supported by Risse's observation that money plays an important role in peoples' identity-creation, and thus that the project of European monetary integration is filled as much with non-material (ideational, identity-based) concerns as it is with those of a material nature (the economic and distributive reasoning presented above) and notes that there

are as many good economic and geopolitical reasons in favour of the Euro as there are against it ... [W]e claim that actors' perception of their material and instrumental interests with regard to the Euro are deeply influenced by their visions of European political order.³¹

How one perceives the Euro is, to a considerable extent, determined by perceptions of the EU as a whole. Importantly however, the causal relationship is very likely to go in the opposite direction as well; not only do peoples' identities shape their perceptions of the Euro, but once the common currency is adopted and proves economically viable, a process begins in which peoples' perceptions of the European integration in general are likely to change. Since '[m]oney is among the most important identity makers in people's daily lives,' adopting the common currency is likely to be seen by both politicians and populations as an act of major symbolic significance.³²

Thus, one may expect political representatives and publics to be visibly concerned over the non-material consequences the adoption of the Euro brings and the question of whether to adopt it becomes a reflection of the acceptance or rejection of the entire EU integration process. Indeed, Risse correctly note that 'the single currency serves as a symbolic marker for European integration.'³³

The EMU cannot be detached from the overall expectations of EU integration held by publics and their political representatives. As Dinan duly notes, '(m)oney [is] ... both a means of transacting business and a badge

of national identity or, in the event of a single currency, a symbol of European unity.³⁴ Currently, for CEE countries, similar to the conditions facing the twelve “old” countries in 2002, the answer to the question of whether and when to adopt the Euro was determined by their interest in further integration, which itself was based on how they viewed the general flow of integration.

It is impossible to fully determine the extent non-material ideational – as opposed to material factors – shapes attitudes towards Eurozone accession. Furthermore, with the continuing economic crisis and the resulting decline in confidence in the Euro, determining accurate costs and benefits for national economies and societal groups become ever more uncertain. What drives the CEE countries’ attitudes towards EMU is not so much concerns over how to increase the size of the cake or how to determine who within each society gets a bigger piece, rather the question is whether the Euro-cake tastes good at all.

4. ANALYSIS OF CZECH PARTY POSITIONS TOWARDS THE EURO

This section discusses how two major political parties in the Czech Republic – the (relatively) pro-Euro Social Democrats (ČSSD) and the (relatively) anti-Euro Civic Democrats (ODS) – position themselves towards the issue of Eurozone accession. This is meant to shed light on the importance of ideational factors (relative to material forces) for explaining the Czech Republic’s attitude towards the Euro.

The empirical basis of the analysis consists of publicly recorded proclamations by the two major parties’ leaders in mainstream media outlets with special emphasis paid to the core Czech television political debate series *Otázky Václava Moravce* (translation: Questions of Václav Moravec, OVM). This weekly debate series features heads (or deputies) of the political parties and provides them with a relatively sufficient space for discussion (each session lasts around 120 minutes). Also, the series debates topics that are often not attractive enough for private channels and provides considerable space for expert views as well. As a result, it forms the single arena for comprehensive top-level public political disputes in the Czech Republic, and forms a unique source of insights into Czech politics. In the research presented here, 131 sessions have been reviewed, of which 21 dealt with the topic of Eurozone accession directly and in a significant and comprehensive way. This empirical core of the research is supported, where necessary, by politicians’ proclamations in other media outlets, especially in newspaper interviews or articles specifically focusing on Eurozone accession. Arguments by top public officials (such as the Governor of the Czech National Bank) or independent experts are occasionally re-

called to provide background to the political debate.

An additional subtest, in which the two parties' positions are decomposed by allowing for variance over time or across individual party-leaders' positions, is also utilised. In the case of the ČSSD, variance over time is allowed to determine how their position developed with the advance of the financial and economic crisis until summer 2009, and as it was becoming apparent that their social programme was incompatible with their strive for quick Eurozone accession. In the case of the ODS, this work distinguishes between the party's positions towards the Euro under two consecutive leaders: the publically Euro-sceptical Václav Klaus (until 2002) and the more moderate Mirek Topolánek (2002–2010).

Michal Parizek

As stated above, argumentation based on economic reasoning is usually considered the core of the Eurozone accession debates, popular among political leaders as well as economists. At first glance, this view is consistent with the empirical findings in the case of the Czech Republic. In the Eurozone accession debates, Czech political leaders have, over the past several years, almost unanimously (the only notable exception being president Václav Klaus) relied on economic reasoning; most implicitly using the OCA theory-based arguments. Unsurprisingly though, they found little agreement on whether the time has come for the Czech Republic to join the Eurozone or whether to maintain the Czech Koruna.

Three key pieces of empirical evidence demonstrate that economic reasoning has only been used instrumentally. Firstly, there is scant agreement among Czech professional economists as to the economically optimal timing of Eurozone accession. They have been split into two relatively equal camps and no consensus has been reached on how the Czech Republic should proceed,³⁵ and neither the ODS (slow pace), nor the ČSSD (fast pace) can credibly claim to defend Czech national economic interests by adopting their respective positions as there are no substantial economically solid grounds from which they could advance such claims.

Secondly, some political leaders admit that they consider the topic to be of the utmost political importance and that the decision to adopt the Euro is not to be made by "experts." Despite their predominately economic rhetoric, two prominent politicians rejected the possibility that the decision over the timing of the adoption of the Euro could be made by the interim expert-bureaucratic government in the summer of 2009. Jiří Paroubek, (former) chief of ČSSD, demanded that 'such a decision (...) be made by a political government, not a bureaucratic one, this is simply not a technical (...) decision.'³⁶ Similarly, Miroslav Kalousek, (former) Minister of Finance in Mirek Topolánek's ODS-led government, argued that 'the adoption of the euro is a strictly political decision.'³⁷ Ultimately, expertise-based economic reasoning is not the key as the real motor is

political.

Thirdly, the argument that the true nature of the debate does not gravitate around economic reasoning is further strengthened by looking at the position adopted by the Czech National Bank (ČNB). Over the past several years, the ČNB governor and vice-governors have consistently and explicitly argued that the adoption of the Euro will be a political decision, and that the ČNB has very little to say about it. For instance, Zdeněk Tůma, ČNB governor, stated that ‘there is no unambiguous answer to the question of when to adopt the Euro, and we will never be able to calculate it. Primarily this is a political decision.’³⁸ Similarly, ‘in the long run (...) we definitely belong to the Eurozone, [but] the timing is a matter of politics.’³⁹ The general uncertainty about the economic future of the Euro – triggered by problems in Greece, Spain, Portugal and Ireland in 2010 – further strengthens the political-ideational side of the Euro’s adoption.

Political reasoning based on the assessment of particular societal groups’ material interests proves to be – although intuitively plausible – equally flawed in the Czech case. As discussed above, one can expect left-leaning parties in the CEE (including in the Czech Republic) to prefer delaying the adoption of the Euro while right-leaning parties may accelerate the process. In the Czech Republic however, the positions adopted by the major parties are the exact opposite and the parties are prone to operating against their electorates’ material interests. Therefore, analysis of ODS and ČSSD is vital for understanding the overall argument in this work.

ODS publically presents itself as a liberal-conservative party, targeting an educated, economically active population; middle to upper-middle class.⁴⁰ This is, ostensibly, the segment of the population meant to gain the most from further economic integration within the EU. Business leaders, the most salient proponents of adopting the Euro, also tend to be among the most ardent supporters of ODS policies. Curiously however, it was not until early 2009 that ODS placed Eurozone accession on its political platform and explicitly addressed the problem of the timing of the Euro’s adoption.⁴¹ On the other hand ČSSD may be expected to prefer delaying the adoption of the Euro as their power-base is, in general, comprised of less highly-qualified workers which are significantly more vulnerable to declines in social spending, which would become more commonplace in the the attempt to meet the Euro’s criteria. It is striking that ČSSD have – over the past several years – been the most vocal proponents of adopting the Euro as quickly as possible.⁴² Although brief, this evidence reveals that the distributive-impacts does not explain why Czech political parties have strategized on the adoption of the Euro they way they have.

Rejecting more materialistic explanations opens vital space for non-materialistic considerations, presented in the previous section, to be further elaborated. Since Czech political leaders are driven by their broad view of EU integration it follows that they do not prioritise the particular economic side of monetary integration, but rather select policy approaches based on their interpretation of the future supranational or intergovernmental arrangements of the EU. In this the cases of the ODS and ČSSD are again very telling.

ODS is, for all intents and purposes, anti-EMU. Established and led for many years by incumbent president, Václav Klaus, known for harsh criticisms of the EU and its federalist tendencies,⁴³ ODS has come to reflect Klaus's personal perceptions of the EU. ODS MPs opposed and actively rallied against the ratification of the Lisbon Treaty in both 2008 and 2009. Their election platforms are generally reserved when speaking about the EU and explicitly opposed to the deepening of integration as evidenced in its position that the 'further federalisation and communitarisation of the EU (...) is totally against Czech national interests, and as such is unacceptable.'⁴⁴ In 2009, at the EU-level, ODS, together with the British Conservative Party, the Polish Law and Justice Party, and five individual MEPs, formed a new, explicitly anti-federalist, political group, the so-called: European Conservatives and Reformists. It follows that, in the case of ODS, Euro-scepticism acts as a strong indicator as to their position on the adoption of the Euro.

To shed light on ODS's position, it is useful to view it through two separate phases based on its leadership: 1. when it was under the leadership of Klaus, and 2. under the leadership of Topolánek. Klaus is among the most severe critics of the current state of EU affairs and strongly opposes the further deepening of European integration. Accordingly, he criticises the Euro, arguing that the 10 years of the Euro 'have been no great success,'⁴⁵ indeed that 'the Eurozone project (...) was already bankrupt a long time ago.'⁴⁶ Topolánek's criticism of the European federalist tendencies is much less pronounced as is his treatment of Eurozone accession. Surprisingly, for commentators and political opponents, in the 2009 New Years' OVM, he adopted a fairly positive attitude towards the adoption of the Euro;⁴⁷ unimaginable for ODS under Klaus.

The case of the pro-EMU ČSSD is equally compelling. Having defined itself as "pro-European" for many years, their long-term political platform states that 'economic integration must be promptly followed by political, social, and cultural integration.'⁴⁸ ČSSD has been a strong proponent of the Treaty Establishing a Constitution for Europe, and widely supported the ratification of the Lisbon Treaty. In their 2009 election campaign, they highlighted '(t)he deepening of EU integration' as a key

priority.⁴⁹ On the EU-level, ČSSD MEPs are members of the newly established pro-integrationist Group of the Progressive Alliance of Socialists and Democrats in the European Parliament. Again, it is clear that their overall pro-integrationist ideology is reflective of their positive view on the adoption of the Euro.

The position of ČSSD cannot be deconstructed in the same manner as ODS (above). However, the economic crisis conveniently revealed the extent to which ČSSD's pro-integrationist ideology overrode the economic interests of their electorate, which is (or should be) opposed to the quick adoption of the Euro. As budgetary problems (increasing mandatory spending, decreasing tax revenues) in the Czech Republic mounted, it was surprising that ČSSD did not alter its "Euro-as-quickly-as-possible" position until April 2009; more than some 8 months into the crisis. Even under the extreme conditions of the economic crisis, ČSSD pushed for policies that went against the short- to medium-term economic interests of their electorate. Only after the commencement of the Spring 2009 election campaign – as a result of Topolánek's government losing a non-confidence vote on 24 March 2009 – that ČSSD changed its platform and rhetoric with Paroubek claiming on 19 April 2009, that he 'would prefer not to cut expenditures in the years to come,' even though this obviously meant not fulfilling the Maastricht criteria.⁵⁰ Apparently, the election campaign marked the point at which it was no longer possible for ČSSD to prefer the Euro to government expenditures. Nevertheless, it is striking how long it took before they had to give up the ideological integrationist posture regarding the Euro and pursue the economic interests of their electorate.

5. CONCLUSION

This study endeavoured to contribute to the unfolding debate on CEE countries accession to the Eurozone by offering analysis which aimed to balance a previously one-sided scholarly view which prioritised more materialist interpretations of CEE attitudes to the adoption of the Euro. This work demonstrated that such materialist explanations are largely insufficient and that countries' positions are driven by their overall perceptions of the European integration process; by their non-materially defined ideational concerns. The empirical investigation of the EMU-debate in the Czech Republic strongly supports this view. According to empirical evidence, the manner ODS and ČSSD approach Eurozone accession is determined by their overall integrationist or nationalist ideology, not by material concerns (either of particular societal groups or of the country as a whole). The Euro-sceptical right-leaning ODS attempt to delay the

process while the pro-EU left-leaning ČSSD preferred to adopt the Euro as quickly as possible. Both ODS and ČSSD tend to disregard the direct economic interests of their electorates, and neither party bases its proposals on solid and broadly accepted economic arguments. Although one cannot quantify ideational factors – in contrast to material factors – the case of the Czech Republic shows that materialistic considerations are only relevant to the extent to which they provide broad decision-making frameworks and from within these frameworks, ideational factors can be decisive.

Michal Parizek

Events in Greece, the resulting crisis of confidence in the Euro, and proposals for fostering control mechanisms within the EMU (induced by the crisis) only strengthens the argument presented in this text that: the more economic problems the Euro faces, the more the question of adoption of the Euro corresponds to the question of whether the integration process proceeds in the direction the CEE countries' politicians and populations consider appropriate. As stated by (former) Czech prime-minister Fišer (May 2010), the decision about the adoption of the euro 'is now becoming even more political rather than technocratic or expert' as a result of the existing problems of confidence in Euro.⁵¹ The decision of whether to adopt the Euro will not be based on material reasoning but will continue to reflect the actors' general perceptions of European integration as a whole.

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NOTES

- 1 See: Paul De Grauwe and Gunther Schnabl (2008), 'Exchange Rate Stability, Inflation, and Growth in (South) Eastern and Central Europe,' *Review of Development Economics*, 12:3; Paul De Grauwe and Marc-Alexandre SÉNÉgas (2004), 'Asymmetries in Monetary Policy Transmission: Some Implications for EMU and its Enlargement,' *Journal of Common Market Studies*, 42:4, pp. 757-773; Brian Ardy, Iain Begg, Dermot Hodson, Imelda Maher and David Mayes (2006), *Adjusting to EMU*, Basingstoke: Palgrave Macmillan; Erik Jones (2006), 'Economic Adjustment and the Euro in New Member States: The Structural Dimension of Fit,' in Kenneth Dyson (ed) (2006), *Enlarging the Euro Area: External Empowerment and Domestic Transformation in East Central Europe*, Oxford: Oxford UP.
- 2 See: Jacek Rostowski (2003), 'When Should the Central Europeans Join EMU?' *International Affairs*, 79:5, pp. 993-1008; Ignazio Angeloni, Michael Flad and Francesco Mongelli (2007), 'Monetary Integration of the New EU Member

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