

Jiří Malý

ŠKODA AUTO University

jiri.maly@savs.cz

Václav Šmejkal, Stanislav Šaroch and Pavel Svoboda

**European Union as a Highly Competitive
Social Market Economy – Legal and Economic Analysis,**

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The European Union pays considerable attention to the problems arising from the differences in competitiveness between individual EU Member States and to the issue of increasing competitiveness of the European Union as a whole. The European Union perceives its competitiveness as a determining factor of its position in the global economy and the differences in competitiveness between the EU Member States are considered as a limiting factor for the effective and smooth functioning of the EU internal market and of the euro area. Therefore, since 2000, the European Union has adopted long-term comprehensive economic strategies aimed at increasing the competitiveness of EU Member States and of the European Union as a whole. The European Union is currently implementing the ten-year Europe 2020 Strategy.

The European Union, however, strives not only to achieve high competitiveness, but also to maintain and develop its specific socio-economic model, the so-called social market economy. That is why the Treaty on European Union also provides for the sustainable development of Europe based on a highly competitive social market economy as one of the EU's economic goals.

The issue of how the European Union is succeeding or failing to combine efforts to increase its competitiveness and to develop its social dimension, is discussed in various contexts in the book entitled *European Union as a Highly Competitive*

*Social Market Economy - Legal and Economic Analysis.*¹ The book was published by rw&w Science & New Media Passau-Berlin-Prague in 2016. Its authors are Václav Šmejkal, Stanislav Šaroch and Pavel Svoboda. All three authors have been focusing on the issue of European integration for a long time – Václav Šmejkal and Pavel Svoboda from the legal point of view, Stanislav Šaroch from the economic perspective.

The central theme of the book, that is thoroughly analyzed, is a certain tension or contradiction between the pursuit of a market economy with free competition, increasing competitiveness and maintaining fiscal discipline in the EU on the one hand, and efforts to preserve and develop the social dimension of economies and social welfare in the EU on the other. The basis of the book is a thorough legal analysis complemented by economic analysis.

The book points out that the European integration project has, since its inception, essentially neglected social integration. The social area is left largely under the competences of the EU Member States. On the contrary, competences relating to the EU internal market and its four freedoms, competition and competitiveness are to a large extent transferred to the EU level. In the context of the introduction of the euro, the EU's competences in the area of fiscal surveillance strengthened and monetary policy for the euro area countries became the exclusive competence of the EU. The correction of the euro area institutional framework in response to the debt crisis in some Member States has further strengthened the EU's competences in the area of fiscal, macroeconomic and banking surveillance to promote fiscal discipline, to prevent macroeconomic imbalances more effectively and to better manage risks in the banking sector in the euro area Member States. However, these changes to the EU's institutional framework have not brought about a shift in the social area, so the social area remains a minimalist part of the European Union's structure.

However, this is somewhat paradoxical because the social market economy is the basis of the socio-economic model of the European Union and its Member States. The existence of the social market economy, in addition highly competitive, is an explicit EU objective set out in Article 3 Paragraph 3 of the Treaty on European Union. As the book shows, the realization of this goal is not underpinned by sufficient competences of the European Union, and thus remains dependent on the activities of individual EU Member States. This creates a certain imbalance between the objective of an effective internal market and a highly competitive economy on the one hand, and a socially oriented economy on the other. This imbalance is also supported by the inconsistent judgments of the Court of Justice of the EU, which seek to establish a balance between the economic and social approaches in some cases, but in others they favour internal market objectives to social objectives.

1 The reviewed book is freely downloadable from: <https://www.free-ebooks.net/ebook/European-Union-as-a-Highly-Competitive-Social-Market-Economy-Legal-and-Economic-Analysis>.

The imbalance between economic and social approaches in the European Union, however, does not arise only from EU law. It has deeper economic causes and is more generally given by the character of European integration. From the economic point of view, the concept of the social market economy is based on German ordoliberalism, which has been applied to a certain extent in a modernized and modified form within the EU. According to this concept, the basis of the well-functioning social market economy is an efficient, highly competitive economy. The social area is a complement to the economic sphere, although desirable and, essentially, indispensable.

However, only some EU countries have a truly highly competitive economy that can be a steady basis for the well-functioning social market economy. This reflects the differences between the EU Member States and the unsustainability or erosion of the European social model in a number of EU countries. According to the book, the main immediate reason for erosion of the European social model is not a globalization pressure coming from outside the EU, but rather the asymmetry of integration of the EU and of the euro area respectively. Under these conditions, less competitive euro area countries can only increase their competitiveness by internal devaluation, and thus by destruction of the social dimension of their economies. The book then presents various proposals for measures and tools that could halt the erosion of the European social model and bring the European Union closer to the ideal of the social market economy. However, the question is to what extent these proposals are feasible in practice, or what real impact they might have.

Here the book ends and the reader is left with a great deal of information, analyses, and contexts to consider. However, as it is a very topical and crucial issue for the future of the European Union, its Member States and citizens, the book compels the reader to ask many other related questions: What is the real relationship between the European social model and competitiveness? Is this relationship competitive, or complementary, or mutually supportive? Does this relationship vary in individual EU countries and change over time? Can the European Union as a whole become a highly competitive social market economy, or can this goal be achieved only by some EU Member States? If there are differences between levels of economic and social indicators and competitiveness of individual EU Member States, are they short-term or long-term? If these differences are long-term, is the asymmetric way of integration of the EU truly the main immediate reason for erosion of the European social model, or can more relevant causes be found? How significant is the impact of globalization, the emergence of new strong players in the world economy and the fundamental redistribution of economic and political power in the contemporary world to the erosion of the European social model? Under these conditions, will it be possible to maintain a highly competitive economy and a specific socio-economic model in the EU at the same time?

Answers to these questions can be so extensive, complicated, and often uncertain, that they could well become the subject of several other books. Many of these

questions will be answered only in the future. But one fact is certain now. Efforts to increase EU competitiveness and to preserve and develop the European social model are a never-ending story because the EU's internal and external environments are incessantly changing and the goal of a highly competitive social market economy is in constant motion. Therefore, finding an anchor and easy answers in this turbulent world is very difficult.