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From 'Social Europe' to 'Competition Europe'? Exploring the dynamics of social-economic governance in the European Union (EU)

Abstract

This paper examines how the foundation of the old common project of 'Social Europe' is increasingly giving its place to a global-market project of 'Competition Europe'. It argues that competition is becoming the key organising principle of socio-economic governance in the European Union and is drawing particularly from examples in the field of industrial relations, corporate governance and, as of recently, macro-economic policy. These changes are not solely to be identified as a response to the Eurozone crisis nor applying only to the crisis-hit Member states. Instead, they are integral part of a market governance project that sets competition at the heart of European integration. In doing so, the paper examines two distinctive processes in the governance of socio-economic life in the EU. The first part of the empirical analysis reviews existing research and analyses **judicial** rulings that apply particularly on the field of industrial relations. It shows how judicial authorities such as the European Court of Justice (ECJ) and European Court of Human Rights (ECHR) attempt to institutionally prioritise market freedoms and competition over labour rights and the right to collective action and vice-versa, respectively. The second part of the empirical analysis explores how the recent institutional innovations in the **European economic governance**, as exemplified by the 'Competitiveness Pact' (March 2011) institutionalises a preventive mechanism controlled by the European Commission (EC) and a legally-binding framework of corrective sanctions imposed, by the ECJ, to non-conforming member states. It shows how wage-setting and collective bargaining institutions are realised mainly as obstacles and adjustment variables for promoting or restoring member states' competitiveness. The paper concludes that the recent developments manifest how European socio-economic governance, at least so far, is establishing the superiority of 'competitiveness' over democratic and hard-won nationally constituted labour rights.

1. Friends or foes: competition and the development of European Social Policy

> "*Member States agree upon the need to promote improved working conditions and an improved standard of living for workers, so as to make possible their harmonisation while the improvement is being maintained. They believe that such a development will ensue not only from the functioning of the common market, which will favour the harmonisation of social systems, but also from the procedures provided for in this Treaty and from the approximation of provisions laid down by law, regulation or administrative action*." (Article 117, Treaty of Rome, 1957)

The original vision of 'Social Europe', pinpointed by the Article 117 of the Treaty of Rome, aimed towards the consolidation of democratic governance of socio-economic institutions along with 'improved conditions and standard of living for workers' across Europe. It echoed the Philadelphia Declaration (1944) and the safeguarding of fundamental human rights as underpinned by the establishment of the inter-governmental Council of Europe (1949) and the adoption of the European Social Charter in 1961(revised in 1996). The Charter was the first international treaty to recognise the 'right to strike' and incorporated fundamental rights of social policy and specifically in the fields of employment and industrial relations, including the rights to organise and bargain collectively.

This vision of European integration was not accompanied with a specific or even uniform set of policies as jurisdiction over social policy, public provisions and in particular collective bargaining was subject to the principle of subsidiarity and therefore bestowed upon Member States and their social partners. The principle of subsidiarity continued to underpin the development of more explicit commitments on social provision and this was evident in the 1974 Resolution (OJ C 13/1 12.2.1974) of the Council of Ministers where it was agreed that economic prosperity has to be mediated through full employment, the improvement of living and working conditions and democracy in the workplace (Hantrais, 2007[1995]).

The expected convergence towards these common objectives aimed to harmonise the diverse national welfare systems and thus prevent 'social dumping' and avoid competition distortion. The first fears of an 'imbalanced competition playing field' surfaced with the accession of Greece in 1981, and then Spain and Portugal in 1986. The pouring of structural adjustment funds not only aimed to support the expansion of social provisions in South Europe but also increased labour costs and lifted economic protection measures from domestic industries and markets. Interestingly, the first phase of the EU enlargement took place parallel to the deepening of European integration. As Hay and Wincott argue (2012) the 1980s were pivotal, for what Majone called 'positive integration', as a new European legal set of institutions and norms prescribed the European Court of Justice power to challenge and override Member States' laws if they obstruct market integration.

In 1989, the European Community [as EU was called then] introduced the Community Charter of the Fundamental Social Rights compiled by a series of directives for the social protection of workers which followed the principle of 'soft-law' measures and therefore were not legally binding for Member States. However, the European Commission was still at the time pushing the social policy agenda, mainly through the European Employment Strategy (EES) that was set by the Amsterdam Treaty (1997) and stated the aim of increasing productivity at work through more and better quality jobs. As one of the key architects of the EES highlighted that '*this goal underlines that neither monetary dumping (currency devaluation) and fiscal dumping (state subsidies)* ***nor social dumping (degradation of social security) can be accepted*** *in the Union and the its single market* (Allan Larsson in Barbier,2012, p.398 our bold).

During the 1990s the impetus for the harmonisation of social protection systems weakened. From the one hand, the political economies of South European Member States' could not afford the rapid catch-up while newcomers Sweden and Finland (along with Austria) expressed their concerns for the implications of an effective downgrading of their social protection systems. The British government expressed its negation to any additional increase of social spending and the German government regarded that such a harmonisation would undermine their exports. Essentially, already by the 1990s, it was apparent that Member States' were not on a convergence course (by social policy accounts); instead it highlighted their socio-economic asymmetries. Still, the Maastricht Treaty (1992), that transformed the EC into the EU, launched the process of economic convergence and the creation of a common currency. At the same time, it reaffirmed Member States' responsibility and over social policy with harmonisation applying only to the freedom of movement, residence within any EU country as well as health and safety conditions.

In 2000, the signing of the Lisbon Treaty was heralded as a milestone for the development of social cohesion and sparked the revival of the debate on 'European Social Model'. The Treaty envisioned to 'make Europe the most competitive and dynamic knowledge-driven economy by 2010' and conveyed for the first time the subordination of social policy to economic goals (Wincott, 2003) but also positioned the European economy in clear competition with other national and regional markets. In doing so, social policy became responsible for managing labour and the economy (Carmel, 2006) via both the removal and introduction of policies that impeded and enhanced market competition, respectively. Among the key priorities of the EU was, among others, to revisit social and labour costs and the sustainability of public pension and health systems. In many Member States these reform went apace with attempts to weaken trade unions (Busch et. al., 2013) and increased wealth and income inequality (Hall and Lamónt, 2013).

At the same time, the EU promoted, what it perceived to be, competition-enhancing policies that aimed to advance its knowledge-driven economy via human capital investment (skills, training), encourage women's entry the labour market and shift public spending away from unemployment support into 'active' labour market policies. The EC (2008, p.3) called for 'a balance between the rights and responsibilities of employers, workers and jobseekers and the authorities' and effectively endorsed 'flexicurity' as an attempt to legitimise cutbacks in unemployment support in exchange for activation policies. As Barbier (2012: 387) argues flexicurity 'was more often than not, a euphemism for promoting stricter eligibility criteria for benefit recipients'.

The accession of the Central and Eastern European states vividly illustrated that harmonisation of social policy was no longer a precondition of their membership. Instead, as Busch et. al. (2013) argue in an attempt to achieve competitive advantages, countries like Estonia, Latvia, Lithuania and Slovakia opted to reduce their welfare spending despite their significant rates of economic growth (see also Supiot,2012). In a sense the extension of market integration did allow the development of the 'imbalanced playing field' that would allow the attraction of investment opportunities but also, in some cases, for undercutting wage and working conditions from the European core (see Papadopoulos and Roumpakis, 2013a; and later on ECJ cases). We regard that this strategy of seeking competitive advantages has to be realised within an institutional framework that no longer rejects social dumbing but instead sets competition at the heart of the socio-economic governance in Europe.

2. The hitchhikers guide to 'catallaxy': From harmonisation to competition

It has been argued that the foundational premises of this Common project are currently transformed to a new project of European integration of Hayekian inspiration (Anderson, 2011), where national economies are 'spontaneously' adjusting in a market 'through people acting within the rules of the law of property, tort and contract' (Hayek, 1976: 108-9). As Höpner and Schäfer (see 2010:10-14; also Papadopoulos and Roumpakis, 2013a) argue, this heterogeneity of welfare and production systems and the specific type of economic federalism that exists in the EU prescribes transnational institutions (EC,ECB,ECJ) with the necessary means to enhance market integration while at the same time they foster (e.g. tax, labour law, corporate law) competition between heterogeneous member states. Essentially EU lacks the capacity to raise -via uniform taxation- its own revenues or enforce to its members uniform labour, corporate and taxation laws. Therefore, while transnational institutions prescribe market freedoms as fundamental rights and enhance market competition, Member States' are expected to 'spontaneously' adjust and compete not only in economic terms but also through their labour laws, corporate governance institutions and public policy provisions. Thus this Hayekian notion of 'catallaxy', i.e. an unhampered market economy, prescribes democratically unaccountable European institutions the ability to treat social and labour rights as voluntary principles of governance rather than fundamental to the premises of the European project. More importantly, it effectively prevents the politicisation and, as Polanyi would have put it, the re-embedding of markets.

Similar to the institutionalisation of the foundational premises of the European project, the current transformation is also driven by law, regulation and administrative action. As Supiot (2012) highlights, the major difference is that in order to establish this market order, democratic institutions are subjugated to market imperatives, dethroning thus the 'political' and along with it the democratic institutions that underpinned the socio-economic governance of the European project. Our paper sets to explore how far the foundational premises of 'Social Europe' might be giving their way to a new institutional order; that of 'Competition Europe'. We regard that there are, at least, three important tensions that arise from the attempt to establish this new institutional order and attempt to highlight how competition is effectively becoming one of the key principles that underpins the governance of the European integration, especially in relation to labour law, corporate governance and as of recently, macro-economic policy.

First, harmonisation is no longer achieved by further improving working conditions, social protection and workers' living standards but actually through rendering wages as an adjustment variable for restoring competitiveness (Armingeon and Baccaro, 2012; Busch et al, 2013; Degryse et al, 2013). Second, the heterogeneity of welfare and production systems and the specific type of economic federalism emerging in the EU does not represent any longer an 'unlevelled playing field'; instead it is integral to the process of European integration as it fosters competition between asymmetrical national political economies (Höpner and Schäfer, 2010; Papadopoulos and Roumpakis, 2013a). And third, the political role of European juridical institutions (ECJ, ECHR) in formulating a hierarchy of norms and institutions that prioritise the supremacy both of European law and market freedoms (free movement of capital, labour, goods and services) over nationally and democratically legislated social and labour rights (Achtsioglou and Doherty 2013; Papadopoulos and Roumpakis, 2013a).

We therefore explore how far competition has become the key instituting principle of socio-economic governance within the EU and we highlight the diverse set of mechanisms in place that drive this process. In the next section, the paper draws on judicial rulings that apply particularly on the field of industrial relations. It critically reflects on the European Court of Justice (ECJ) and European Court of Human Rights (ECHR) rulings and their respective attempts to institutionally prioritise, what can be perceived as conflicting, principles of socio-economic governance. Then the paper explores how the recent institutional innovations in the European economic governance and draws on the adoption of the 'macroeconomic imbalance procedure' (MIP) mechanism that apply a legally-binding framework of preventive and corrective actions, with financial sanctions imposed, by the ECJ, to non-conforming member states.

2.1 'Competition' through law: the ECJ rulings

An example of this new institutional order was manifested prior to the eruption of the financial crisis and refers to the role of the European Court of Justice (ECJ) in resolving the clash of two fundamental rights within the EU: labour rights and market freedoms. The ECJ rulings on the cases of *Laval* (C-341/05), *Viking* (C-438/05) *Dirk Rüffert* (C-346/06), *Commission v Germany* (C-271/08) and

Commission v Luxemburg (C-319/06) emphatically set a hierarchy of norms by proxy, by making *competition* the main principle of regulating the diversity of labour law and social provision within the European Union (EU). Essentially the rulings prioritised the freedom of enterprises to post workers with lower wages than those agreed via collective bargaining agreements at the host Member State when the latter have defined minimum wages and public provisions. Thus any collective action on behalf of the unions both in private (*Laval*) and public undertakings (*Rüffert*) or in solidarity (*Viking)* are deemed to hamper the freedoms to provide services and of establishment (Directive 2006/123/EC). More than this, the ECJ challenged Member States right to define public policy provision (*Luxemburg*) and procurement law (*Rüffert*) and as a result Germany removed the obligation for tenders to commit to the wages specified by local collective agreements that do not apply universally and Luxemburg exempted foreign undertakings from a number of requirements that could not be anymore justified by public policy provisions (for details see Papadopoulos and Roumpakis, 2013a).

The rulings of the ECJ and the prioritisation of European market freedoms over nationally-defined labour rights posed, at least, three serious implications. The first refers to the re-articulation of power and re-territorialisation (Brenner et al. 2004) of the relation between labour and capital especially as the latter are increasingly mobile and realised to be able to exercise "consumer sovereignty". The second refers to that the ECJ effectively resolved the clash between market freedoms and labour rights not through the harmonisation of (internal) labour market but what we have previously defined as 'meta-regulation'[1]; an attempt to regulate competition -not only between (posted) workers- but essentially between Member States' labour regulations. The third implication raises wider challenges that apply to the process of European integration and in particular the ways that this prioritisation of competition can transform the institutional context within which varieties of national welfare capitalism operate.

In particular the 'Viking' and 'Laval' rulings allow firms to threaten unions with injunctions and effectively prevent collective actions, especially in countries where limitations on industrial actions are in place. An interesting example was set by British Airways when they referred to the 'Viking' and 'Laval' rulings to prevent the British Airways pilots association to call for a strike when the company announced its plans to set up subsidiaries in other EU states (Szyszczak 2009). Following this case, the ILO Committee of Experts announced their '**serious concern** over the practical limitations on the effective exercise of the right to strike in the UK' (ILO, 2010:209, original bold). Therefore, already before the eruption of the financial crisis, the role of the ECJ as transnational or (if you prefer) regional judicial institution was pivotal in determining how labour laws and public policy provisions need to be amended in order to foster competition as the key instituting principle of European integration.

Especially in relation to the latter, the ECJ extended it jurisdiction to the regulation of corporate governance and company law within the EU. As Höpner and Schäfer (2007) show the ECJ challenged the decision of the German Federal Court that all firms operating within Germany should apply the

[1] Meta-regulation concerns the governing of transnational interactions between a) the collective rights inscribed in member states' labour laws, and between b) the principles and norms embodied in these laws vs. the principles and norms regarding the regulation of the free movement of services in all EU Member States.

German company law. Instead the ECJ ruled that this legal expectation was disproportional[2] as it impeded the right of establishment of private actors within the EU. Therefore the ECJ ruled that establishing a company under a different legal system than the one the firm operates, and therefore would not be ruled under the co-determination laws that apply in Germany. Interestingly in the majority of the cases seeking to exploit the establishment of foreign letterbox firms, owners established their companies [3]in Britain in order to exploit laxer requirements and essentially, weakening codetermination institutions and democracy at the workplace. Interestingly, companies domiciled in the UK like *Marks & Spencer* and *Cadburry Schweppes* aimed to exploit the loophole of tax competition within EU by either registering their companies or their subsidiaries to countries with lower corporate tax. The ECJ reaffirmed the legality of their actions and essentially the competition among Members States' over corporate taxation (Höpner and Schäfer, 2010). The implications of these rulings are essential to the ability of Member States to use their tax jurisdiction to pursuit their economic policies.

In stark contrast to the ECJ rulings, the European Court of Human Rights (ECHR) in the *Demir and Baykara* (ECHR 1345) case interpreted the right to strike not as part of collective bargaining agreements and therefore national labour institutions but opted to adopt the ILO conception of the 'right to strike' as a 'human right '(Ewing and Hendy, 2010). Therefore, despite the many similarities between the Viking and Laval cases, the ECHR challenged the ECJ rulings and did not recognise any limitation on the right to strike. Inherently, the clash of the two Courts exposes how political, judicial institutions can be. The ECHR ruling is of key importance as it reinstates the hierarchy of the right to strike over market freedoms. Interestingly, EU (and consequently the ECJ) is not answerable to the Council of Europe and the ECHR as such. However, the ECHR contested the ECJ rulings in the sense that they breach the ILO conventions that are included in the European Social Charter. In attempt of the European Trade Union Confederation (ETUC) to review the response of the new European economic governance towards the financial crisis, it requested to review recent labour market reforms in relation to the European Social Charter. Interestingly the (ECSR) European Committee of Social Rights (an ECHR committee of experts) declared that the 'Laval' and 'Viking' rulings are in violation of the right to collective action, including the right to strike, representing 2 of the 180 total violations of the Charter within EU (ECSR, 2013).

Regardless of these important development and the clash of the ECHR and the ECJ, the rulings of the latter represent significant attempt to drive European market 'integration through law' (Höpner and Schäfer, 2010: 20). The ECJ rulings prioritised European market freedoms over national labour law, public and welfare provisions, corporate tax and company laws. We argue that in doing so, it institutionalised a social field where national labour laws, collective bargaining agreements, public provisions, corporate governance and tax laws of the heterogeneous Member States' are in direct competition with each other. Next, we show how the new European economic governance no longer requests but enforces the necessary adjustments underpinned by the vision of 'Competition Europe'.

[2] As Martinsen (2011: 947) writes "the 'principle of proportionality' […] evaluates i) the suitability of the measure to achieve its stated aim, ii) whether the measures was necessary to achieve this aim, iii) whether the measures impose an excessive burden on the individual in the light of the desired aim, i.e. criteria of reasonableness and an act of balancing benefits and cost of the measure" Essentially it reaffirms the role of ECJ as the judge of what is reasonable and where the balance strikes.

[3] The cases refers to the rulings on Centros Ltd and Inspire Art Ltd. (see Höpner and Schäfer, 2007).

2.2 Competition at the heart of the EU Economic governance

The emergence of the sovereign debt crisis signalled a major overhaul of how the EU framed employment and social policy and it exposed the different dynamics of each Member States' political economy. Originally, the lack of a clear and coherent response on behalf of the European government bodies (e.g. European Commission) not only led to individual Member States adopting their own set of policies and responses but also paved the way to individual Member States' within the European Council to assume leadership positions. In this way, the response to the sovereign debt crisis did not consider the asymmetric relationships of power and dependence develop between national political economies, and how the latter were reshaped by processes of politico-economic integration like the European Union (EU) and, particularly for Southern European political economies, by processes such as the Economic and Monetary Union (EMU) (see Scharpf,2013; Papadopoulos and Roumpakis, 2013b).

The 'bailout' agreements for Greece, Portugal and Ireland as well as the stand-by agreements for Italy and Spain, were accompanied with the demand on behalf of the surplus countries (predominantly Germany, Finland and Netherlands) to implement far-reaching austerity reforms and reduce drastically social protection. European and transnational organisations (EC, ECB, IMF) therefore expected that the adoption of these measures will boost competitiveness of troubled economies but also downplay the fears and pressures stemming from the international financial markets and allow the Eurozone countries to recover their economic stability. However, the most striking institutional change took place over the governance of social security as for the first time, EU would effectively be involved in policy areas previously under the jurisdiction of national governments (for this point see also Barbier 2012).

In order to effectively monitor if not enforce the austerity measures, the European Council introduced a series of recent institutional innovations that prescribe European Council and European Commission to further limit the ability of member states' to decide on their own wage-setting and budget-making policy. In particular, under the rhetorical guise of improving the quality of economic coordination in the EU, and using the 'Competitiveness Pact' (March 2011) as a legal framework, wage policy is now explicitly considered as part of European economic governance and in fact 'the most important adjustment variable for promoting competitiveness' (Busch et al., 2013:8). Not only this goes against the fundamental principle of the 'voluntary' nature of the contract between labour and capital in a labour market but violates the EU Treaty itself which explicitly rules out any EU competence in respect to wage policies (Article 153, paragraph 5). The so-called 'Six-Pack' (December 2011) places wage and collective bargaining agreements under an explicit system of monitoring of wage cost developments both in public and private sector. Wages in the public sector have to be revised in order not to hamper competition with the private sector while wage increases in the private sector cannot exceed rates of productivity increases. Failure to comply with the rules imposes a financial sanctions penalty equal to 0,1% of their GDP.

More importantly, the signing of the Fiscal Compact Treaty (March 2012) prescribes that states' budgets shall be balanced or in surplus, with the rules having a binding force and permanent character (EC, 2012). The rules have to be enshrined in national law, preferably through constitutional amendments asserting thus competences to European Commission and the European Court of Justice (see Dehousse, 2012; Bird and Mandilaras, 2013). As a result, nation-state governments, especially in the Eurozone, have effectively surrendered a substantial part of their budget-making power over to European institutional organisations (Streeck, 2012), pre-empting thus national governments to manoeuvre and adjust their social expenditure and national courts to interpret and apply the law.

The new European Economic governance renders that all EU Member States should effectively regain their competitiveness, realised primarily via restoring exports in order to achieve surplus in trade accounts. Considering that a substantial part of economic transactions of the Eurozone takes place within the Eurozone itself, these developments could effectively apply downward pressures to existing models of social protection[4]. The EC (2014) admits that it is likely that some Member States within the Eurozone are more likely to experience a trade deficit, when other Member States experience trade surpluses and that it is excessive deficits and not surpluses that trigger the corrective and punitive arm of the mechanism.

The institutionalisation of this surveillance mechanism sets 'competitiveness alert thresholds' on selected macro-economic indicators. It is therefore of particular interest to consider the key indicators adopted; internal balances and then external imbalances and competitiveness (see EC,2014). As seen on Appendix 1, the key indicators for measuring Member States' competitiveness are Nominal Unit Labour Cost (NULC) and Real Effective Exchange Rates (REER) measured as a percentage of change over 3 years. The former calculates the remuneration (compensation per employee) and productivity (gross domestic product (GDP) per employment) to show how the remuneration of employees is related to the productivity of labour while REER computes the deviation of one country's export prices relative to the prices of its competitors or trading partners (EU including China, Brazil, Russia, South Korea and Hong-Kong). While significant current account surpluses are recognised to trigger imbalances within the Eurozone, the 'competitiveness alert thresholds' are more sensitive on Member States with current account and trade deficits which after a process of qualitative assessments and interviews with national experts are then subsequently requested to 'correct' their performance. Interestingly, social policy measurements (unemployment, poverty at risk) along with other financial indicators are included in the auxiliary set of indicators, not enough on their own to trigger the alert mechanism.

In the absence of any control over monetary policy and therefore the lack of an exchange-rate devaluation, competitiveness is thus realized predominantly through 'asymmetrical development of wages' (Janssen, 2011:1), inflexible wage-setting structures and less so through lack of capital investment in productivity. Essentially, Member States lack the room to manoeuvre and are under pressure to adopt austerity measures, privatize public utilities, 'fire-sale' public utilities as well as undermine their own collective bargaining institutions. Whether this policy repeats some of the mistakes that IMF committed in the handling of the Asian crisis (Stiglitz, 2002), it is evident that labour costs, collective bargaining institutions, employment and unemployment protection are not only under attack but that Member States' welfare capitalism institutions are in competition with each other.

[4] As we have showed elsewhere (Papadopoulos and Roumpakis, 2013b) the magnitude of the austerity reforms had a severe impact not only upon social cohesion but also political stability.

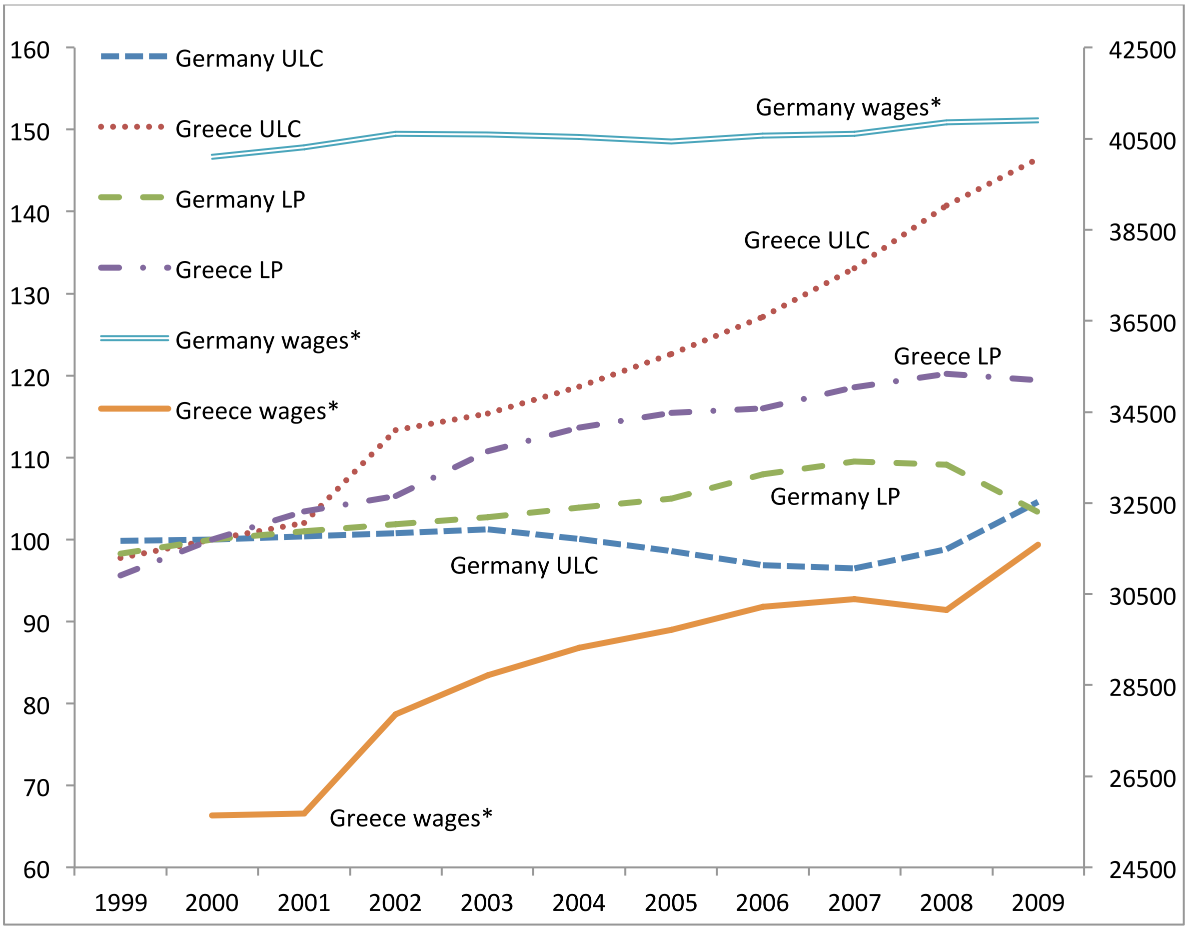

Figure 1: Unit Labour Costs, Labour productivity and Wages in Greece and Germany (1999-2009)

*Wages refer to 2012 USD exchange rates and 2012 constant prices. Unit labour cost and labour productivity have 2000 (=100) as their base year.

Source: OECD 2013

The mechanism itself has triggered an interesting debate as far as how mechanical these readings are and how member state involvement will be applied (Bobeva, 2013). With evidence already suggesting that the there is room for negotiation, the MIP brings forward, many tensions (for an extensive review see Moschella, 2014). In our opinion the most significant is that the mechanism regards Member States solely responsible for their macroeconomic imbalances, especially for those in current account and trade deficits rather than attributing the dynamics of the EU itself. The EU governance neglects to realise that Member States that do not operate 'in vacuum' but are in continuous politico-economic interaction which each other while, often, asymmetric relationships of dependence develop which affect directly their trajectories. Therefore, ignoring the origins of the imbalances and suggesting crisis-hit countries to adopt austerity rather than expansionary policies has so far exacerbated the downward spiral (on Greece see Papadopoulos and Roumpakis, 2013b) and the increase of government debt ratios (De Grauwe and Ji, 2013). The MIP mechanism thus continues to ignore the structural asymmetries of peripheral welfare capitalisms, placing the latter within a process of internal devaluation.

As Scharpf (2013, p.121) shows, not only did the Eurozone discounted the causes of the different structural and institutional differences of South European countries and European core (e.g. Germany) but also applied a uniform credit supply policy that further exacerbated these divergent institutional dynamics, allowing thus countries with more coordinated market economies to achieve substantial wage restraint and therefore leaving South European economies with 'severe overvalued real exchange rates', and countries like Germany exporting goods with an undervalued currency. Figure 1, demonstrates how despite significant increases in labour productivity in Greece, unit labour costs accelerated almost by 50% by 2009 demonstrating thus the structural weaknesses of the Greek economy and how they were amplified with Greece's entry in the Eurozone . Therefore the lack of the policy option to issue its own currency meant that, within Eurozone, Greece's semi-peripheral capitalism stood little chance of balanced endogenous growth (Lapavitsas, 2011) following a similar path to other semi-peripheral EU economies like Portugal and Ireland (Mansori, 2011).

The response of the new European Economic governance continues to exacerbate these institutional dynamics as it continues to apply a narrow focus on supply-side measures rather than taking into consideration the institutional features of peripheral political economies (De Grauwe and Ji, 2014). In particular, South European as well as Central and East European Member States' lack the necessary capital investment to boost their productivity are essentially bound to be in competition over corporate taxation, wage and labour costs. Especially countries (e.g. South Europe) that rely extensively on services (e.g. tourism, rents) and suffer diachronically from insufficient investment in capital projects and technologies, the pursuit of recovering productivity will continue to exacerbate the pressures and the intensity on wages and working conditions.

3. Conclusion

In this paper, we address how far competition has become the key instituting principle of socio-economic governance within the EU and we highlight the diverse set of mechanisms in place that drive this process. We show that the original vision of Social Europe that aimed to set heterogeneous welfare and production systems on a convergence course is no longer a priority; instead it now gives way to a project of European integration of Hayekian inspiration, where democratic institutions are subjugated to market imperatives. The specific type of economic federalism that exists in the EU prescribes transnational institutions (EC,ECB,ECJ) with the necessary means to enhance market integration to foster competition between member states on labour law, corporate law, tax policy and public policy provisions. In doing so, we drew particularly on the European Court of Justice (ECJ) rulings and their importance for enhancing 'market integration through law.

Drawing on the notion of 'catallaxy', we highlight how competition is effectively becoming the key principle that underpins the governance of the European integration, especially in relation to labour law, corporate governance and as of recently, macro-economic policy. We regard that these developments are not isolated but endemic to the current process of European Integration. These measures preclude any another alternative and instead force (by legal authority and punished by financial sanction) all member states to revisit downwards their wage and collective bargaining structure in order to remain competitive. Such developments not only undermine the role of democratic politics but pose fundamental questions about the future of the European integration.

The push to adopt austerity measures effectively undermines Member States' precedence over social protection and collective bargaining. These developments signal that national governments and democratic politics are under serious constraint either due to the international financial pressures but also that in the case of the Eurozone the process of

"monetary union, initially conceived as a technocratic exercise – therefore excluding the fundamental questions of national sovereignty and democracy that political union would entail – is now rapidly transforming the EU into a federal entity, in which the sovereignty and thereby democracy of the nation-states, above all in the Mediterranean, exists only on paper. Integration now 'spills over' from monetary to fiscal policy" (Streeck, 2012:67).

The recent European Court of Human Rights (ECHR) rulings and its attempt to institutionally prioritise social and labour rights over market freedoms signifies that there is both juridical and political contestation over the decisions and rulings of the ECJ but more importantly to competition as a mode of governance of European integration. However, these rulings should be realised as an attempt to challenge the premises of this emerging vision of 'Competition Europe'. Trade agreements like the Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the USA represent another step towards the enhancement of competition-led market integration. The inclusion of the 'Investor-State dispute settlement' allows firms to sue national governments for public provisions or laws that might hamper their 'expected future profits' and request compensation (see Eli Lilly vs Canada dispute, Philip Morris vs Australia dispute). The negotiations over TTIP remain at the moment behind closed doors.

It is evident however, that the common project of 'Social Europe' is increasingly giving its place to a global-market project of 'Competition Europe'. Interestingly the transnational institutions (EC,ECB,ECJ) that are at the helm of this competition-led market integration have achieved, what democratically accountable national representations could not; the acceleration of European labour market harmonisation, by rendering wages, labour laws, corporate governance and public policy provisions as variables that need to 'spontaneously adjust' and be in direct competition to each other.

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Appendix 1

Indicators for external imbalances and competitiveness	Thresholds
Net International Investment Position (NIIP as %GDP)	-35%
Current Account Surplus and Deficit (3 year average)	-4% & +6%
Real Effective Exchange Rate (REER %change of 3 years)	±5% & ±11%
Export Market Shares (EMS %change 5 years) and	-6%
Nominal Unit Labour Cost (ULC %change, 3 years)	±9% & ±11%

Indicators for internal imbalances	Thresholds
% y-o-y change in Deflated House Prices	+6%
Private Sector Credit Flow as % of GDP, consolidated	14&
Private Sector Debt as % of GDP, consolidated	133%
General Government Sector Debt as % of GDP	60%
% y-o-y change in Total Financial Sector Liabilities	16.5%
Unemployment rates (3 year average)	10%

Source: EC (2014)