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Economic System of the European Union Between Particularism and Universalism*

Abstract: Though the concept of economic system is usually described and analysed in relation to the state, it seems that because of the level of integration and a number of exceptional features, it is worthwhile trying to analyse it with regard to the European Union. Therefore, the paper contains a description and a brief analysis of the European Union as an economic system. The main axis of considerations is the simultaneous occurrence in the system of the particular features peculiar to the individual EU member states, and the universalistic ones, resulting from the integration process.

The first part of the article indicates specific features of the EU as an economic system. This is useful and necessary in order to understand the uniqueness of the EU as an economic system. The second part of the article concerns the theoretical aspects of the EU as an economic system. Subsequently, the selected aspects how the EU works in practice as an economic system are contained in the third part. To this aim, statistical data relating to about ten different criteria have been used. The summary and the main conclusions are at the end of the article.

Key words: economic system, the European Union

The economic system of a state, like, for example, its political system, is one of the key variables governing a part of social relations. It has a crucial impact on people's life — especially in its economic dimension, that is as producers, consumers, employees, employers, entrepreneurs etc. It regulates conditions for business operation and affects the competitiveness of a given state economy as a whole.

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The concept of economic system is most often presented and analyzed in relation to the state. It seems, however, that due to among others the level of integration and a number of exceptional features, it is worth trying to analyze the concept of economic system with regard to such international organization as the European Union. Hence, the aim of this paper is a description and a brief analysis of the European Union as an economic system. The specific axis of considerations will be simultaneous occurrence in the system of the features characteristic for the particular EU member states, and the universalistic ones resulting from the integration process.

In the first part of the article there are indicated the specific features of the EU as an economic system. This is useful and necessary in order to understand the uniqueness of the EU as an economic system. The second part of the article concerns the theoretical aspects of the EU as an economic system. Subsequently, the selected aspects of the EU practical functioning as an economic system are contained in the third part. The summary and the main conclusions are at the end of the article.

The specificity of the European Union as an economic system

If we assume that the European Union in general can be regarded as an economic system, it should be noted that the economic system of the European Union is — along with its political system and culture system — a part of a larger whole that is the EU social system. All these elements of the social system interact with one another.

Most freguenthy, the reference point for the analysis of an economic system is state. Because of this fact, we should emphasize the importance of a number of specific features of the European Union, distinguishing it from the economic system of any state. These features are crucial in the context of description and analysis of the economic system of the EU or comparing it with any other economic systems.

1. The European Union is not a state but an intergovernmental organization made up by 28 states. Purposes of the EU are general in their character, that is political, security, economic, social. Therefore, the EU does not constitute an independent economic system in such a way as in the case of a state. EU sets out the general policy framework in different sectors of economies of the member states. Solutions and regulations affecting the shape of the economic systems of the EU adopted by EU member states must be compatible

with this framework. At the same time, legislation adopted at the EU level affects the economic systems of the EU member states.

2. We have to deal with a number of similarities between the EU member states, which are very important in the context of the treatment of the EU as an economic system. This is a consequence of the fact that in order to become the EU member state it is necessary to meet a number of criteria, which leads to a situation when the economic systems of the EU member states conform to one another. At the same time, between the EU member states there are a lot of very significant differences resulting from historical, political, economic, social etc. circumstances. These differences cause, that some of the EU countries are among various groups of economic systems. For example, the United Kingdom and Ireland represent the so-called Anglo-Saxon model (sometimes named "liberal" model, which also includes non-European countries such as the USA, Australia or New Zealand). Sweden, Finland and Denmark are among the so-called Scandinavian model (also named "Nordic" or the welfare state model; besides these countries Norway is also included in this model). Germany is most often pointed out as an example of the so-called social market economy (German *Soziale Marktwirtschaft*). Sometimes, along with Austria and Switzerland, Germany is included in the so-called Rhine model. The economic system of France is an example of the so-called model of "continental Europe."[1] Countries of Southern Europe (Italy, Spain, Greece, Portugal) have also their own specificity, as well as the countries of Central and Eastern Europe, which in the past belonged to the so-called Eastern bloc and which in the late 80s and 90s of the 20th century started reforms, including transformation of their economies from socialism to free market economy.
3. Objectives, principles and provisions of the key meaning for the economic system of the EU are contained in the treaties, which are the basis of the EU functioning. Its content is a result of agreement of all the EU member states and its revision requires consent of all the EU countries. The EU and its institutions have limited powers of legislation, the content of which determines, among others, also the shape of the EU economic system. This is a consequence of the fact that according to the treaties, the EU has competences only in certain areas of political, economic and social life. In the EU, the member states are given priority in terms of competences. This means that the Union can act only in those areas in which the treaties confer competence on it. According to the Treaty on the Functioning of the European Union, in certain areas competences can belong only to the

[1] M. Noga: "Pomiar efektywności systemów gospodarczych." In: *Systemy gospodarce i ich ewolucja*. Ed. S. Swadźba. Katowice 1999, p. 24.

EU. It means that only the EU can legislate and adopt binding legal acts in these areas and the member states may do so only with the authorization of the EU or through implementation of the EU acts (Art. 2.1 TFEU[2]). In some areas competences are shared between the EU and the member states (both the EU and the member states can legislate and adopt legally binding acts — Art. 2.2 TFEU) and, in some areas, the EU supports, coordinates and complements the activities of the member states. List of competencies in these three groups are included in Table 1.

Table 1

Competences division between the EU and the member states

Exclusive competences of the EU	Shared competences of the EU and the member states	Areas, in which the EU supports, coordinates or supplements the actions of the member states
— customs union; — the establishing of the competition rules necessary for the functioning of the internal market; — monetary policy for the member states whose currency is the euro; — the conservation of marine biological resources under the common fisheries policy; — common commercial policy.	— internal market; — social policy, for the aspects defined in TFEU; — economic, social and territorial cohesion; — agriculture and fisheries, excluding the conservation of marine biological resources; — environment; — consumer protection; — transport; — trans-European networks; — energy; — area of freedom, security and justice; — common safety concerns in public health matters, for the aspects defined in TFEU.	— protection and improvement of human health; — industry; — culture; — tourism; — education, vocational training, youth and sport; — civil protection; — administrative cooperation.

Source: author's own work on the basis of Art. 3, 4 and 6 TFEU.

In addition, the EU member states coordinate their economic policies within the Union (Art. 5.1 TFEU); the Union also takes measures to ensure coordination of the employment policies (Art. 5.2 TFEU) and may take initiatives to ensure coordination of the member states' social policies (Art. 5.3 TFEU). As part of the EU external action (title V TEU[3]), the Common For-

[2] Consolidated version of the Treaty on the Functioning of the European Union. *Official Journal of the European Union* C 83, 30.3.2010.

[3] Consolidated version of the Treaty on the European Union. *Official Journal of the European Union* C 83, 30.3.2010.

eign and Security Policy is conducted (Art. 21—41 TEU) and the Common Security and Defence Policy (Art. 42—46 TEU).

4. The integration between the EU member states is differentiated, which means that not all the EU countries fully participate in all integration policies and actions. Such a situation we had to deal with actually from the very beginning of the process of integration. Examples of such differentiation is limited or specific application of the treaties in respect of dependent, overseas or some island territories belonging to the EU member states (currently listed in Art. 355 TFEU), the right of Belgium, the Netherlands and Luxembourg to create "regional unions" to the extent that the objectives of such regional unions are not attained by application of the treaties (Art. 350 TFEU), the so-called transition periods included in accession treaties, on which the acceding states have time to fully adapt the whole *acquis communautaire* or, introduced by the Treaty of Amsterdam, the possibility of establishing so-called enhanced cooperation (Art. 20 TEU and Art. 326—334 TFEU). The most important criterion of differentiation of integration in the EU is membership or remaining outside the Economic and Monetary Union.

The European Union as an economic system in the theoretical context

Taking into account the previously mentioned specific features of the EU, and relying on the definitions and explanations of the economic system[4] available in the literature, the economic system of the EU will be understood as a set of aims, principles, mechanisms, institutions, common policies and

[4] T. Kowalik: *Systemy gospodarcze. Efekty i defekty reform i zmian ustrojowych*. Warszawa 2005, pp. 14—15; T. Kowalik: *Współczesne systemy ekonomiczne. Powstawanie, ewolucja, kryzys*. Warszawa 2000, p. 12; P. R. Gregory, R.C. Stuart: *Comparative economic systems*. Boston 1985, p. 12; D. Kennett: *A new view of comparative economic systems*. Orlando 2001, pp. 5—14; L. Balcerowicz: *Systemy gospodarcze. Elementy analizy porównawczej*. Warszawa 1993, pp. 14—15.

Review of the economic system definitions see for example: *Teoretyczne aspekty oceny krajowych systemów gospodarczych*. Ed. S. Swadźba. Katowice 2005, pp. 12—19; A. Kaczmarska, M. Tusińska: "System gospodarczy i jego istota." In: *Systemy gospodarcze. Zagadnienia teoretyczne*. Ed. S. Swadźba. Katowice 2009, pp. 29—41.

Review of the economic system typologies see for example: Ed. S. Swadźba: *Teoretyczne aspekty…*, pp. 20—27; J. Pietrucha: "Typologia systemów gospodarczych." In: *Systemy gospodarcze. Zagadnienia teoretyczne*. Ed. S. Swadźba. Katowice 2009, pp. 77—88.

its results concerning decisions making and the implementation of decisions related to production, distribution, income, trade and consumption of goods and services within an area of the 28 member states of the EU. Subjects belonging to this system are the EU institutions and bodies, public institutions of the EU member states, companies operating for profit, non-profit social organizations, households, individuals (acting as single-member companies, hired workers, and consumers).

The objectives of the EU in the economic and social sphere, significant in the context of the EU as an economic system, in the TEU and the TFEU have been formulated in a very general way. The preamble to the TEU states, that the goal of integration is the convergence of the member states' economies. In the preamble to the TFEU as the purposes of the EU are indicated "economic and social progress," "steady expansion, balanced trade and fair competition" and also "harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions." In the economic sphere, accordingly to the Art. 3.3 TEU, the EU's aim is "sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress." EU also supports "social justice and protection," "solidarity between generations," "economic, social and territorial cohesion, and solidarity among member states." Article 9 TFEU states that in defining and implementing its policies, the EU takes into account "requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health."

As P. R. Gregory and R. C. Stuart write,[5] one can distinguish four general criteria, which are critical in differentiating economic systems:

a) organization of decision-making arrangements;
d) mechanisms for the provision of information and coordination: market or plan;
c) property rights;
d) mechanisms for setting goals and for inducing people to act (incentives): moral, material or, as D. Kennet adds, coercive.[6]

Organization of decision-making arrangements. The first criterion refers to the level at which decisions are made, that is the degree of centralization or decentralization of decisionmaking. Economic systems are decentralized if decisions are made primarily at low levels in the organization; they

[5] P.R. Gregory, R.C. Stuart: *Comparative economic systems…*, pp. 12—20. See also: J.L. Porket: *Modern economic systems and their transformation*. Oxford 1998, pp. 14—24; D. Kennett: *A new view…*, pp. 16—24.

[6] D. Kennett: *A new view…*, p. 22.

are centralized if decisions are made mainly at upper levels. According to the definition of the economic system, the subunits at the lowest level are firms, households and an individual. At one extreme, in a perfectly centralized economy, the authority to make decisions would rest in a single central command, which would issue orders to lower units in the organization. At the other extreme, the perfectly decentralized economic system would be a structure in which all decision-making authority rests with the lowest subunits (firms, households and individual persons), completely independent of superior authorities. Of course, in reality in each economic system authority to make decisions is distrbuted among various levels.[7]

In the case of the EU, the decision-making structure is primarily decentralized. But, as indicated in Table 1, according to the TFEU a few very important competences belong exclusively to the EU. This means that the key decisions within them are adopted at the supranational level and that these decisions are taken by the EU institutions. At lower levels of the hierarchy these decisions are implemented at the most.

As it concerns the criterion of the mechanisms for the provision of information and coordination — market (voluntarily negotiated transactions) or plan (state command), accordingly to P.R. Gregory and R.C. Stuart, "it is common to identify centralization with plan and decentralization with market, but such a characterization is simplistic. There is no simple relationship between the level at which decision-making is carried out and the use of market or plan as a coordinating mechanism."[8] In the case of free market economy, the market (the impact of the interaction of supply and demand on prices) provides signals that trigger subunits in the system to make decisions concerning the utilization of resources. Free market economy, based on freedom of enterprise and free competition with minimal state participation and intervention into the process of economy management, is seen as the most effective way of allocation of resources. In other words, the more free economy and the less state participation and intervention, the better the economy performs.

However, in the case of planned economy, subunits of the system (enterprises, banks) are coordinated largely by specific instructions or directives formulated by a superior agency (a central planning board) and disseminated through a document called "a plan." This means that economic activity is guided explicitly and implicitly by instructions devised by higher units and subsequently transmitted to lower units, with rewards to the latter depending on the achievement of the instructions.

Of course, both the perfect free market economy (and perfect competition) and the perfect planned economy are "pure types," which in real-

[7] P.R. Gregory, R.C. Stuart: *Comparative economic systems…*, p. 14.
[8] Ibidem, p. 15.

ity never occur. In reality we always deal with a certain, specific mixture of those two "pure" systems' characteristic features. Some obligation and governance is necessary to establish markets and to ensure free and fair competition. And, at the same time, even in the authoritarian or totalitarian regimes with planned economy we had, to certain measure, voluntary exchange activities.

Basically, both the economic systems of the EU member states and the economic system of the Union itself, are free market systems. The EU member states are capitalist states, in which ownership of capital goods is primarily private or corporate, investments are determined by private rather than public institutions' decision, and production, distribution and prices are determined mainly in the free market. One of the conditions of membership in the EU, stipulated by the European Council in Copenhagen in June 1993 (so-called Copenhagen criteria), is a functioning market economy. As mentioned above, the basis of the EU functioning is "the social market economy." In practice, of course, in all the EU member states, public authorities, to a lesser or greater extent, interfere in the market mechanism. The same applies to the EU. The European Union lays down the basic rules and legal framework referring to its competences. Most common EU policies ultimately lead to interference in the free market mechanism. The EU takes part in the economy through its common policies, programmes, budget, micro-regulations, subsidies and controls administered by the EU and member states' institutions. In conclusion, we can say, that "in the European model there is applied strategy of controlled market mechanism. At the community level there is shaped economic environment of businesses through regulatory action of the community institutions. The aim is to create the conditions necessary for efficient allocation of resources and the elimination of spontaneous elements of the market mechanism."[9] In some cases, for instance in a competition policy or in an agricultural policy, we are dealing with such a degree of interference with the institution of the political authorities and with such a degree of effectiveness of this intervention in the market mechanism that is rarely achieved in countries with centrally planned economy. The EU, through its budget, also handes an income redistribution.

The next criterion is property rights. Particular importance in the context of the principles on which the economic system is based has ownership of the means of production. It is noteworthy that the concept of property has at least three aspects: availability of a given object, right to utilization, whereby the owner can use a given object and the right to use the products and/or services generated by the object in question. Broadly speaking, there are also

[9] *System gospodarczy Unii Europejskiej a pozaeuropejskie modele gospodarcze*. Ed. S. Swadźba. Katowice 2002, p. 34.

three forms of property ownership — private, public (state or municipal) and collective (cooperative).

When it comes to the regulation of property rights in the EU, the crucial meaning here has the content of the Art. 345 TFEU, according to which "the treaties shall in no way prejudice the rules in the member states governing the system of property ownership." It means that the issues of ownership, which pose a fundamental challenge to both the theoretical (ideological) and practical functioning of the economic system, are regulated at the level of the EU member states and not at the EU level. When it comes to the form of ownership, of course, in the EU we have to deal with the presence of all of them, with dominance of the private property. It should also be noted that, in accordance with Art. 335 TFEU, "in each of the member states, the Union shall enjoy the most extensive legal capacity granted to legal persons under their laws; it may, in particular, acquire or dispose of movable and immovable property and may be a party to legal proceedings." However, the EU as an international organization is not an entity which is an owner of a type identical to, state, that is EU has no means of production.

The fourth criterion is mechanisms for setting goals and for inducing people to act. "First, the person who is to receive the reward must be able to influence the outcomes for which the reward will be given. Second, the upper-level participant must be able to check on the lower-level participant to see whether the appropriate tasks have been executed. Third, the potential rewards must matter to the lower-level participant."[10] Economic activity can result from not only economic prerequisites, but also non--economic ones, that is, for example, political, ideological, religious, ethical, social and so on. So, the above-mentioned incentives, in its essence, can be material, moral or coercive. In the case of the EU, incentives which induce people to act are material and moral. But the priority is rather taken by the material ones.

Another important aspect which is closely related to the criteria of differentiating economic systems is the dilemma individualism versus collectivism. In Table 2, according to J.L. Porket, there are presented displayed characteristic features of these both pure models.

The contemporary ethics and culture in the EU is rather individualist than collectivist. It means that the key influence on the economic system of the EU and its performance is exerted by particular individual motivations and personal gainful activity. But, it must be emphasized that it is a certain generalization and that both in the EU as international organization, and in the EU member states we have to deal with elements of collectivism.

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[10] P.R. Gregory, R.C. Stuart: *Comparative economic systems...*, p. 20.

Table 2

Pure economic individualism and pure economic collectivism

Dimension	Pure economic individualism	Pure economic collectivism
Coordinating mechanism	market	command
Ownership of the means of production	private	public
Criteria applied to economic activity	economic	non-economic
Perceived sources of the individual's welfare	the individual	the state
Distribution of income and wealth	unequal	equal

Source: J.L. Porket: *Modern economic systems…*, p. 23.

The modern state, which is usually treated and analyzed as an economic system, has several basic functions in the economic sphere:
1. Allocative function, which is determined by porposes of government spending and the provision of public goods such as national defense, law enforcement, education, health services, information, research and development.
2. Distributive (sometimes called redistributive) function, that is distribution of wealth or income among various groups of society and various groups of interest.
3. Stabilization function, that is actions taken by a government and central bank in order to achieve certain macroeconomic goals like, for example, sustainable economic growth, full employment, stable and low rate of inflation, equitable balance of payments by fiscal, monetary and exchange rate policy.
4. Regulative function, that is codifying and enforcing rules and regulations and imposing supervision or oversight for the benefit of the public at large in the sphere of economy.

To some extent, these features also apply to the EU. Allocative function of the EU is realized, among others, by policies of the common market (free movement of persons, goods, services and capital), competition policy, agricultural and fishery policy, cohesion policy, social policy, environmental policy, transport policy, research and development policy, common foreign and security policy, area of freedom, security and justice, public health security. Distributive (redistributive) function is fulfilled by budget of the EU and such policies as common agricultural and fishery policy, social policy, cohesion policy. It must be mentioned that and the EU budget is relatively small — in 2014 it was 1.06% (commitment appropriations) and 1% (payment appropriations) of Gross National Income of the 28 member states. Stabilization function of the EU is realized by such instruments as the EU budget, trade policy and, rather indirectly, by other common policies mentioned above. With respect to the members of the euro area, stabilization function is fulfilled by monetary policy and exchange rate policy. Fiscal policy belongs primarily to the member states' competences (EU only coordinates certain aspects of fiscal policies of the EU member states) and rests on the state's level. Regulative function of the EU is, in the essence, based on legislation in all activities and policies of the EU indicated in the Table 1.

Due to the fact that the EU is an international organization, and because of the already emphasized specific nature of the EU as an economic system, these functions are performed by the EU to a lesser extent than in the case of the state. It must be emphasized that all these functions are realized by the EU not only directly, by its budget, common policies and the EU institutions and bodies, but also indirectly — by law regulations adopted at the EU level, which force the member states to take defined actions.

Performance of the European Union as an economic system Selected aspects

The precise comparison and especially assessing the efficiency of economic systems are very troublesome. This is due to the fact that it is hard to compile a complete and objective list of criteria for the evaluation of the performance — in literature we meet with a number of very different criteria. Second, the criteria of the performance of economic systems can be divided into "positive" and "normative" ones. The first group of criteria are variables that can be measured, like the rate of economic growth, the rate of inflation, the rate of unemployment and so on. The second group is rather subjective and irrational, that is why those criteria can be presented mainly, or only, descriptively. Of key meaning here are value judgments about matters like, for example, income distribution or social justice. Besides, even in the case of those criteria which are measurable, we very often deal with various data, resulting, for example, from differences in standards of reporting and accounting systems, data collection, quality and reliability of these data and so on. Thirdly, to attempt to create some kind of efficiency ranking systems, it would be necessary to assign some "weight" to each criterion, and this also seems to be impossible — the problem is how much "weight" to assign to each criterion.

In the literature there are indicated many different criteria of performance and comparisons of the economic systems. P.R. Gregory and R.C. Stuart mention very general ones:

— economic growth;
— efficiency;
— income distribution;
— stability (cyclical stability, inflation, unemployment);
— development objectives;
— continuity of national existence.[11]

In turn, T. Kowalik lists the following criteria:
— GDP growth and GDP per capita;
— "ability to independently create, to creatively absorb, or at least to copy the technical progress";
— "development of the human and social capital";
— "physical and mental human capacity useful in business";
— Human Development Index;
— "ability to economical use of human resources of the country";
— the unemployment rate and other measures of unemployment and employment;
— the distribution of national income and the level of wealth inequality;
— the level of poverty;
— the scope of redistribution of national income by the state;
— the share of government revenue and expenditure in GDP;
— the share of social transfers in GDP.[12]

S.G. Kozłowski as to the criteria of economic system efficiency proposes:
— standard of living (satisfaction of the basic material needs);
— economic growth;
— static and dynamic efficiency (how efficiently the economy uses resources; static: ratio between outcomes and expenditures; dynamic: the degree of improvement in the outlays-results relations);
— equitable distribution of income;
— economic stability (business cycles, inflation, unemployment);
— the impact of the system to meet the basic social needs.[13]

Whereas L. Balcerowicz indicates the following efficiency criteria of the economic system:
— physical and psychological well-being related to work (for example the degree of job satisfaction, intensity of fatigue, atmosphere at work, satisfaction with the participation in decisions at work, the "negative" consumption (absorption of pollutants);
— psycho-physical well-being associated with the consumption (for example consumption of material goods and services, the amount of free time);

[11] Ibidem, p. 33.

[12] T. Kowalik: *Współczesne systemy gospodarcze*..., pp. 13—24; T. Kowalik: *Systemy gospodarcze*..., pp. 19—27.

[13] S.G. Kozłowski: *Systemy ekonomiczne*. Lublin 2004, p. 22.

— other living conditions (intensity of fear on the economic background, for example the fear of unemployment, the extent of economic freedom).[14]

To the criteria of comparison and evaluation of the economic systems effectiveness mentioned above we can add:
— the level of employment in the public and private sector;
— the share of public and private sector in GDP;
— the level of tax burden;
— various indicators concerning state expenditures on social security;
— different types of indexes and indicators relating to economic competitiveness and ease of doing business.

Of course it is impossible to describe any economic system taking into account all these criteria. What is more, as mentioned, many of them are normative and subjective. The economic system of the EU and its member states are presented below, taking into account several criteria, which, as it seems, demonstrate quite well in a synthetic manner the specificity of the economic system of the EU. It should be noted that the most commonly the EU is not assessed as an independent subject but there are in fact evaluated the member states of the Union. In these cases in which it will be particularly justified and if comparable data are available, another countries are included in the tables.

The overall picture of the nature of the economic system of a country can be illustrated by composition of GDP by sectors of origin. It shows where production takes place in a given economy, that is the percentage contribution to total GDP of the three basic economy sectors: agriculture (includes farming, fishing, and forestry); industry (includes mining, manufacturing, energy production, and construction); and services (include government activities, communications, transport, finance and all other private economic activities that do not produce material goods). The corresponding data for the year 2013 for the EU, the EU member states, several other selected countries and for the world are provided in Table 3.

These data show that in terms of the structure of the economies, the EU member states are similar to one another. Bigger differences, compared to the EU average, in terms of the share of agriculture, industry and services in GDP, are not significant. Those that are, most often relate to those EU member states which joined the organization later, that is the states from Central and Eastern Europe.

Table 4 shows the ranking of EU member states and several other countries in terms of Human Development Index (HDI). It is a culminated sum-

[14] L. Balcerowicz: *Systemy gospodarcze*..., p. 31. On the measures and indexes used for comparison and evaluation of the economic systems see for example: *Teoretyczne aspekty oceny krajowych systemów gospodarczych*. Ed. S. Swadźba. Katowice 2005, pp. 47—103.

mary measure published by the United Nations Development Programme. It is composed of three dimensions:
— a long and healthy life: life expectancy at birth;
— education index: mean number of years of schooling and expected years of schooling;
— a decent standard of living: GNI per capita (purchasing power parity in US $).

In Table 4 on the next page there is also shown GNI per capita in purchasing power parity in US $.

Table 3

GDP composition by sector of origin for the EU, the EU member states, selected other countries and the world (in 2013, in %)

State/EU	Agriculture	Industry	Services	State/World	Agriculture	Industry	Services
EU	1.8	25.2	72.8	Malta	1.4	25.3	73.3
Belgium	0.8	22.6	76.6	Netherlands	2.6	25.4	72.1
Bulgaria	6.7	30.3	63.0	Austria	1.6	28.6	69.8
Czech Republic	2.7	37.3	60.3	Poland	4.0	33.3	62.7
Denmark	1.7	21.7	76.8	Portugal	2.6	22.2	75.2
Germany	0.8	30.1	69.0	Romania	6.4	34.2	59.4
Estonia	3.9	30.0	66.2	Slovenia	2.8	28.9	68.3
Ireland	1.6	28.0	71.2	Slovakia	3.1	30.8	47.0
Greece	3.5	16.0	80.5	Finland	2.9	25.1	71.9
Spain	3.1	26.0	70.8	Sweden	2.0	31.3	66.8
France	1.9	18.7	79.4	United Kingdom	0.7	20.5	78.9
Croatia	5.0	25.8	69.2	Norway	1.2	42.3	56.5
Italy	2.0	24.4	73.5	Switzerland	0.7	26.8	72.5
Cyprus	2.4	15.9	81.7	United States	1.1	19.5	79.4
Latvia	4.9	25.7	69.4	Japan	1.1	25.6	73.2
Lithuania	3.7	28.3	68.0	Russian Federation	4.2	37.5	58.3
Luxembourg	0.3	13.3	86.4	China	10.0	43.9	46.1
Hungary	3.4	28.0	68.7	**World**	6.0	30.7	63.3

Source: https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html (28.7.2014).

The GNI (or GDP) per capita indicator is probably the most commonly used ratio for different kinds of comparisons. It is worth mentioning that this index is very general and should be treated in proper perspective. The increase of the global GNI and the GNI per capita may be accompanied by impoverishment of certain groups of society. Economic growth may contribute to the production and consumption of goods and services, the effects of which have a negative impact on the lives and health of people, and thus not contribute to an increase of their standard of living. This indicator does not show the impact of economic growth on the environment and, consequently, the quality of life of people in a broader dimension. When one makes comparisons of individual countries or regions in terms of GNI per capita, it is also important to take into account the importance of exchange rates. Hence the definition of this index using purchasing power parity, that is taking into account differences in purchasing power of the currency in a given state.

Table 4

Human Development Index (HDI) and gross national income (GNI) per capita in the EU and selected other states in 2013

State	World HDI rank	GNI per capita (2011 purchasing power parity $)	State	World HDI rank	GNI per capita (2011 purchasing power parity $)
Netherlands	4	42,397	Estonia	33	23,387
Germany	6	43,049	Lithuania	35	23,740
Denmark	10	42,880	Poland	36	21,487
Ireland	11	33,414	Slovakia	37	25,336
Sweden	12	43,201	Malta	39	27,022
United Kingdom	14	35,002	Portugal	41	24,130
France	20	36,629	Hungary	43	21,239
Austria	21	42,930	Croatia	47	19,025
Belgium	21	39,471	Latvia	48	22,186
Luxembourg	21	58,695	Romania	54	17,433
Finland	24	37,366	Bulgaria	58	15,402
Slovenia	25	26,809	Norway	1	63,909
Italy	26	32,669	Switzerland	3	53,762
Spain	27	30,561	United States	5	52,308
Czech Republic	28	24,535	Japan	17	36,747
Greece	29	24,658	Russian Federation	57	22,617
Cyprus	32	26,771	China	91	11,477

Source: http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components (29.7.2014).

Data contained in Table 3 clearly show greater variation between the EU member states in terms of the structure of their GDP. Both taking into account position in the world in terms of HDI and GNI per capita in purchasing power parity — the differentiation between the countries of Northern and Western Europe, which established the European Communities or joined them in the 1970s, and the countries of South and Central Europe, is clearly visible. Differences between the richest states of Northern Europe and the poorest in Central Europe are twofold or even threefold.

The next two tables show data related to the importance of the state in the economic systems of the EU member states. Table 5 contains the total general government expenditure in the EU in the decade 2003—2013 as a per cent of GDP.

Table 5

Total general government expenditure in the European Union in 2003—2013 (% of GDP)

State/EU	Total general government expenditure			State	Total general government expenditure		
	2003	2008	2013		2003	2008	2013
EU	47.2	47.0	49.1	Lithuania	33.8	37.9	34.4
Belgium	51.0	49.8	54.5	Luxembourg	41.8	39.1	43.5
Bulgaria	39.1	38.4	38.7	Hungary	49.7	49.2	50.0
Czech Republic	50.0	41.1	42.3	Malta	45.6	43.3	43.7
Denmark	55.1	51.5	57.2	Netherlands	47.1	46.2	49.8
Germany	48.5	44.1	44.7	Austria	51.3	49.3	51.3
Estonia	34.8	39.7	38.3	Poland	44.7	43.2	41.9
Ireland	33.2	48.2	42.9	Portugal	44.7	44.8	48.7
Greece	44.7	50.6	58.5	Romania	33.5	39.3	35.0
Spain	38.4	41.4	44.8	Slovenia	46.2	44.1	59.4
France	53.4	53.3	57.1	Slovakia	40.1	34.9	38.7
Croatia	44.6	43.4	46.1	Finland	50.3	49.2	58.5
Italy	48,1	48.6	50.6	Sweden	55.7	51.7	52.8
Cyprus	44.6	42.1	45.8	United Kingdom	41.8	47.1	47.1
Latvia	34.9	39.1	36.1				

Source: author's own work on the basis of the Eurostat data: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00023&plugin=1 (28.7.2014).

In the case of the data contained in Table 3 and 4, the variations between the EU member states corresponds with to the division between wealthier and highly developed countries in Northern and Western Europe and the poorer and less developed countries of South and Central Europe. It is different in the case of the level of government expenditure. These differences are clear and they are the consequence of historical, political, economic and social circumstances, specific for each of the EU state.

However, Table 6 contains data on expenditure on social protection in the EU in 2011 both as a per cent of GDP and per head of population in the euro.

Table 6

Expenditure on social protection in the EU in 2011 (% of GDP and per head of population)

State/EU	Expenditure on social protection		State	Expenditure on social protection	
	% of GDP	per head of population in EUR		% of GDP	per head of population in EUR
EU	29.0	6,686	Lithuania	17.0	1,286
Belgium	30.4	8,892	Luxembourg	22.5	15,937
Bulgaria	17.7	715	Hungary	23.0	1,960
Czech Republic	20.4	2,258	Malta	18.7	2,631
Denmark	34.2	13,027	Netherlands	32.3	10,651
Germany	29.4	8,662	Austria	29.8	9,372
Estonia	16.1	1,497	Poland	19.2	1,589
Ireland	29.6	10,591	Portugal	26.5	3,890
Greece	30.2	4,707	Romania	16.3	883
Spain	26.1	5,107	Slovenia	25.0	3,779
France	33.6	9,392	Slovakia	18.2	1,538
Croatia	20.7	1,781	Finland	30.0	9,174
Italy	29.7	7,010	Sweden	29.6	10,542
Cyprus	22.8	4,116	United Kingdom	27.3	8,103
Latvia	15.1	1,039			

Source: author's own work on the basis of the Eurostat data: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tps00098&plugin=1; http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tps00099&plugin=1 (28.7.2014).

The specific political, economic and social circumstances also play a key role when it comes to the level of social expenditure. If the outlays are per capita in euro, the most important impact on their height has, of course, the total value of the GDP of a given state.

Table 7 shows the value of the Gini index for the EU, its member states, a few other selected countries and for the entire world. Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. It ranges between 0 in the case of perfect equality (each person has exactly the same financial resources) and 1 in the case of perfect inequality (one person has all the resources). Sometimes Gini index is given in per cent values from 1 to 100).

Table 7

Gini index in the EU, selected other states and the world (2012)

State/EU	Gini index (2012)	State	Gini index (2012)
EU	0.306	Malta	0.271
Belgium	0.266	Netherlands	0.254
Bulgaria	0.336	Austria	0.276
Czech Republic	0.249	Poland	0.309
Denmark	0.281	Portugal	0.345
Germany	0.283	Romania	0.332
Estonia	0.325	Slovenia	0.237
Ireland	0.299	Slovakia	0.253
Greece	0.343	Finland	0.259
Spain	0.350	Sweden	0.248
France	0.305	United Kingdom	0.328
Croatia	0.305	Norway	0.226
Italy	0.319	Switzerland	0.288
Cyprus	0.310	United States	0.450*
Latvia	0.357	Japan	0.376**
Lithuania	0.320	Russian Federation	0.420
Luxembourg	0.280	China	0.474
Hungary	0.269	**World**	0.385**

* in 2007
** in 2008

Source: author's own work on the basis of the Eurostat and CIA data:
http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12&lang=en
https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html
(29.7.2014).

Data contained in Table 7 show that the differences between the EU member states in income distribution, measured by the Gini index, are relatively small. It is also worth noting that the average level of income inequalities in the EU is less than it is in the whole world, and much smaller than, for example, in the US, China, Japan or Russia.

Table 8 shows the EU member states and a few selected other countries in 2013 in terms of Index of Economic Freedom, prepared by The Heritage Foundation.

Table 8

2013 Index of Economic Freedom (by The Heritage Foundation) in the EU and selected other states

World rank	State	Overall score	Property rights	Freedom from corruption	Fiscal freedom	Government spending	Business freedom	Labour freedom	Monetary freedom	Trade freedom	Investment freedom	Financial freedom
1	2	3	4	5	6	7	8	9	10	11	12	13
9	Denmark	76.1	90	94	39.8	5.9	98.4	91.1	80.0	86.8	85	90
11	Ireland	75.7	90	75	73.8	28.8	83.4	76.6	82.8	86.8	90	70
13	Estonia	75.3	85	64	79.7	56.2	78.2	65.0	77.1	86.8	90	80
14	United Kingdom	74.8	90	78	57.0	27.7	94.1	71.6	72.4	86.8	90	80
15	Luxembourg	74.2	90	85	65.0	47.1	74.8	39.0	79.3	86.8	95	80
16	Finland	74.0	90	94	66.9	12.2	94.8	45.3	79.5	86.8	90	80
17	Netherlands	73.5	90	89	52.1	24.7	83.0	58.6	81.1	86.8	90	80
18	Sweden	72.9	90	93	39.6	21.0	93.2	53.6	82.1	86.8	90	80
19	Germany	72.8	90	80	61.8	37.3	92.1	43.8	81.2	86.8	85	70
22	Lithuania	72.1	60	48	92.8	53.6	77.6	64.1	78.3	86.8	80	80
25	Austria	71.8	90	78	51.1	23.5	73.6	80.4	79.3	86.8	85	70
29	Czech Republic	70.9	70	44	82.0	43.5	65.8	85.5	81.7	86.8	70	80
40	Belgium	69.2	80	75	45.0	14.5	91.6	69.8	79,3	86.8	80	70
41	Cyprus	69.0	70	63	79,8	32.7	80.7	62.8	84.1	81.8	75	60
42	Slovakia	68.7	50	40	84.7	58.0	71.0	72.2	79.1	86.8	75	70
46	Spain	68.0	70	62	53.9	43.0	80.3	54.3	79.9	86.8	80	70
47	Malta	67.4	75	56	61.2	44.1	61.1	65.4	80.4	86.8	85	60
48	Hungary	67.3	65	46	79.7	29.7	79.1	64.4	77.1	86.8	75	70
55	Latvia	66.5	50	42	84.4	53.6	75.7	64.4	78.3	86.8	80	50
57	Poland	66.0	60	55	76.0	43.0	64.0	62.9	77.7	86.8	65	70
59	Romania	65.1	40	36	87.9	62.2	70.4	63.5	74.7	86.8	80	50
60	Bulgaria	65.0	30	33	94.0	64.2	73.6	74.8	78.6	86.8	55	60
62	France	64.1	80	70	53.0	5.6	84.0	50.5	81.1	81.8	65	70
67	Portugal	63.1	70	61	61.6	28.3	82.8	31.0	79.4	86.8	70	60

Table 8 continued

1	2	3	4	5	6	7	8	9	10	11	12	13
76	Slovenia	61.7	60	59	65.7	22.3	80.7	40.4	81.6	86.8	70	50
78	Croatia	61.3	40	40	75.4	48.7	63.0	42.1	81.1	87.5	75	60
83	Italy	60.6	50	39	55.5	25.3	76.9	52.0	80.2	86.8	80	60
117	Greece	55.4	40	34	66.2	24.7	77.1	42.1	73.4	81.8	65	50
1	Hong Kong (SAR, China)	89.3	90	84	92.9	88.9	98.9	86.2	82.1	90.0	90	90
2	Singapore	88.0	90	92	91.1	91.3	97.1	91.4	82.0	90.0	75	80
3	Australia	82.6	90	88	66.4	62.8	95.5	83.5	83.8	86.2	80	90
5	Switzerland	81.0	90	88	68.1	63.8	75.8	87.9	86.2	90.0	80	80
10	United States	76.0	85	71	69.3	47.8	90.5	95.9	75.0	86.4	70	70
24	Japan	71.8	80	80	69.2	45.0	81.3	80.3	90.6	81.8	60	50
31	Norway	70.5	90	90	51.0	40.3	92.6	44.7	76.9	89.3	70	60
136	China	51.9	20	36	70.2	83.3	48.0	62.6	71.6	72.0	25	30
139	Russian Federation	51.1	25	24	86.9	54.4	69.2	52.6	66.7	77.4	25	30

Source: T. Miller, K. R. Holmes, E. J. Feulner with A. B. Kim, B. Riely, J. M. Roberts, 2013 Index of Economic Freedom, Washington 2013, pp. 3—7.

There have been classified 177 states. Index of Economic Freedom is an averaged out value that takes into account ten criteria:
— property rights,
— freedom from corruption,
— fiscal freedom,
— government spending,
— business freedom,
— labour freedom,
— monetary freedom,
— trade freedom,
— investment freedom,
— financial freedom.

The data contained in Table 8 are very interesting, especially in the context of the issue of universalism versus particularism in the economic system of the EU. They show very clearly that in those areas in which the EU has a particularly strong influence on the policies of the member states, the variation is significantly smaller (trade freedom, monetary freedom, investment freedom), compared to those areas in which the EU states have bigger opportunities to regulate them on their own and which result from the different conditions, specific to a given state (especially freedom from corruption, property rights, and government spending).

Table 9 shows the EU member states and other states selected in the competitiveness ranking prepared by International Institute for Management Development. The World Competitiveness Scoreboard presents the 2014 overall rankings for the 60 economies covered by the World Competitiveness Yearbook. According to the International Institute for Management Development, the rankings measure how well countries manage their economic and human resources to increase their prosperity.

Table 9

Competitiveness ranking of the EU member states and selected other states

World rank	State	Score	World rank	State	Score
5	Sweden	85.833	43	Portugal	54.403
6	Germany	85.782	45	Slovakia	53.302
9	Denmark	84.040	46	Italy	52.871
11	Luxembourg	82.164	47	Romania	52.841
14	Netherlands	81.144	48	Hungary	52.505
15	Ireland	80.360	55	Slovenia	46.245
16	United Kingdom	79.814	56	Bulgaria	45.784
18	Finland	78.159	57	Greece	42.244
22	Austria	73.699	59	Croatia	38.974
27	France	67.941	1	United States	100.00
28	Belgium	66.595	2	Switzerland	92.423
30	Estonia	64.383	3	Singapore	90.966
33	Czech Republic	62.213	4	Hong Kong (SAR)	90.329
34	Lithuania	62.014	21	Japan	73.761
35	Latvia	61.848	23	China	73.258
36	Poland	61.767	38	Russian Federation	57.997
39	Spain	57.913			

Source: International Institute for Management Development, IMD World Competitiveness Yearbook 2014. http://www.imd.org/uupload/IMD.WebSite/wcc/WCYResults/1/scoreboard_2014.pdf (29.7.2014).

Data on the competitiveness of the economies of the EU member states (Table 9) are another example of differentiation between the Northern and the Western Europe and the Southern and the Eastern Europe. The EU states belonging to the former group, are clearly more competitive than the latter. As we can notice, even in the case of states like Greece, Italy, Spain and Portugal, significantly longer membership in the EU (EC) does not matter. These countries have economies judged to be less competitive than some

EU states from the northern part of Central Europe (Estonia, Czech Republic, Lithuania, Latvia, Poland), which joined the EU relatively recently.

Table 10 contains part — referring to the EU member states and a few other states — of the evaluation on the ease of running business. *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises* assesses regulations affecting domestic firms in 189 economies and ranks the economies in 10 areas of business regulation, such as: starting a business, resolving insolvency and trading across borders.

Table 10

Ranking on the ease of doing business in the EU and in the selected other states in 2014

World rank	State	World rank	State	World rank	State
5	Denmark	33	Slovenia	73	Romania
10	United Kingdom	36	Belgium	75	Czech Republic
12	Finland	38	France	89	Croatia
14	Sweden	39	Cyprus	103	Malta
15	Ireland	45	Poland	1	Singapore
17	Lithuania	49	Slovakia	2	Hong Kong (SAR, China)
21	Germany	52	Spain	3	New Zealand
22	Estonia	54	Hungary	4	United States
24	Latvia	58	Bulgaria	27	Japan
28	Netherlands	60	Luxembourg	29	Switzerland
30	Austria	65	Italy	92	Russian Federation
31	Portugal	72	Greece	96	China

Source: http://www.doingbusiness.org/reports/global-reports/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB14-Chapters/DB14-Overview.pdf (29.7.2014).

Like in the case of a few previous criteria, for the evaluation of ease of doing business (Table 10), it appears, that specific conditions of a given state have greater impact than the effects of the integration process. With this criterion, we have to deal with the situation of both large disparities between the EU member states and clear deviations from the schematic division of the EU into North-Western and Southern and Eastern groups of states.

Summary and conclusions

Description and analysis of the economic system of the European Union requires the assumption that the EU in general can be considered as an economic system. This requirement is a consequence of the fact that the EU is not a state but an international organization. That is why the EU cannot be treated as a separate economic system in such a way as it is in the case of the state. The EU member states have granted the Union certain power in selected areas of political, economic, and social life. In some areas the EU has exclusive competences (only the EU can adopt binding legal acts and member states can do so only with the authorization of the EU or for the implementation of the EU acts). In a dozen or so areas we have shared competences between the EU and the EU member states (both the EU and its member states can legislate and adopt legally binding acts). And, in some areas, the EU is to support, coordinate and supplement the actions of the member states. However, the presumption of competence is with the EU member states, which means that the EU cannot go further than the granted powers and that if the treaties do not confer the EU any competence — it belongs to the member states.

The decisions and regulations adopted at the EU level must be compatible with solutions and regulations adopted in the member states of the Union. Of course, it also affects the shape of the economic systems of these countries. The EU also affects some convergence of the economic systems of the Union member states and the weakening and disappearance of their specific features. This is a consequence of the same regulations that affect the shape of the economic system (treaties, secondary legislation), judgements of the European Union Court of Justice or the actions of the EU institutions. On the other hand, the nature of the EU and its policies, to some extent, is derived from the solutions applied in the member states of the Union. As a result, one can talk about the kind of a feedback loop between the economic systems of the EU member states and the economic system of the EU as an international organization.

Between the EU member states we have to deal with a number of similarities, which are very important in the context of the treatment of the EU as an economic system, but also with a number of significant differences. What is more, these differences result in the fact that some of the EU countries are among the various groups of the economic systems. Because of this fact, we can talk about the EU as an economic system, in which we have both universalistic and particular features at the same time.

The most profound unification occurs naturally in those elements of the economic systems of the EU member states which belong to the exclusive competence of the Union. Differences between the EU member states are a result, among others, of the fact that not all spheres of economic life are the subject of integration at the EU level and they are not the subject of the EU regulations. The EU member states are at a different stages of development, there are profound differences between them in the political, social, cultural, religious, historical etc. spheres. The integration between the EU member states is differentiated, that is not all the EU countries participate fully in all integrative endeavours — the decisive factor here is the membership or staying outside of the Economic and Monetary Union.

When it comes to the issue of property, in the EU there is visible dominance of the private property. In addition to this form of ownership, there are also other ones. But it must be emphasized that in the EU we do not deal with the property of the Union, as it is in the case of the states' property in the economic system of a given state. The same concerns playing of the role of the entrepreneur by the political institutions. Whereas the EU member states play the role of the entrepreneur, the EU itself does not. Of course, this is a consequence of the above underlined fact that the EU is an international organization. However, similarly the EU member states interfere with the free market mechanism in a number of different ways, so does also the EU, which, through its policies, among others redistributes income (through its budget), determines the rules of competition, runs a trade policy, exchange rate policy (in the case of the euro area), seeks to mitigate the differences in the level of development of the regions etc. In the EU the free market mechanism dominates as a mean of resource allocation, but both the EU member states and their institutions and the EU interfere into this mechanism.

Summing up, decision-making structure is primarily decentralized in the UE, mechanisms for information and coordination are primarily market, property rights are primarily private ownership, and incentives which induce people to act are primarily material. The EU, like a state, also influences the economic cycle. Freedom can probably be considered as the dominant value in the EU. One can also notice a distinct advantage of individualism over collectivism, that is the good and the needs of different communities. For some EU assures stability, continued prosperity, social justice and egalitarism. So called welfare state, that we can observe primarily in the continental Europe (the EU except United Kingdom and Ireland) supplies a vast array of municipal and social services with universal health care and education. In opinion of others, the EU and its institutions are overpaid, ineffective bureaucratic machines, which weaken competitiveness and contribute to the high level of unemployment, encourage red tape, corruption, egalitarian injustice. The EU and its common policies contribute to artificial sustaining relatively inefficient enterprises or farms. The EU regulations assist them by granting them subsidies and other preferences.

Therefore, as it has been mentioned, in the case of the EU we have to deal with the simultaneous occurrence of universalistic trends — resulting from the ongoing integration process — and the particular ones, that is specific to each of the EU member states. This state of affairs is seen both in the legal regulations, defining the functioning of the economic systems of the EU member states and the EU, as well as performance of these economic systems. As it can be seen from the data presented in Tables 3—10, in some respects there is a clear similarity in terms of the characteristics of the EU member states as an economic systems. This is primarily in the case of the structure of their GDP, the level of government expenditures, the level of income differentiation measured by Gini index or some of the criteria taken into account when determining the index of economic freedom.

Without a doubt, at least to some extent, these similarities are the result of the ongoing integration process. On the other hand, this process has not resulted in the disappearance of a number of differences between the EU member states as an economic systems — they are still visible; taking into account the above data, it is so, for example, in the case of the HDI index, GDP per capita, the level of social expenditures (primarily in absolute terms), the index of economic freedom, economic competitiveness and ease of doing business.

What is also evident is that in the majority of presented indicators and criteria showing the operation of the economic systems of the EU member states, there is significantly less variation between the economic systems of these EU member states which established the European Communities and those that joined the EC (EU) later. The data generally indicate that the longer membership in the EU (EC), the more similar the economic systems of the EU member states become. The simplest conclusion that can be drawn is that the EU membership is a factor influencing the disappearance of the specific features of the economic system of a given EU member state (decrease the particular characteristics) and the increase of universalism. Without a doubt, the process of international integration strongly supports the universalistic tendencies among the integrating states — this is one of its theoretical assumptions. However, such a conclusion may be a bit misleading. It must be remembered that the integration process in the Western Europe was undertaken by the states similar in a number of terms, induding the economic ones.