Regulatory Quality and Competitiveness in Recent European Union Member States

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0. Abstract & 1. Introduction

In this paper we consider: i) the regulatory quality among the Recent EU MS, its components, dynamics and gaps; ii) the links found between regulatory quality and productivity, competitiveness and performance; and iii) the impact on the regulatory quality of the European multilevel economic governance system currently under construction.

Despite the integration process, the Europeanization of economic forms remains somewhat limited. With the crisis and debt, euro and banking difficulties the regulatory gaps have exacerbated the euroimbalances and the economic divergences. For many European countries and regions, and especially for recent EU MS, the Union appears to be an anchor for the empowerment of democracy, rule of law and competition, and a guarantee for minimum quality standards and the limitation of interventionism. The EU is doing a key state-building task. Thus, there is a pressing need for Europe.

Keywords: Regulatory Quality; Competitiveness; Economic Policy; Governance; Europe

JEL F15, K83, L51. Paper length: 11,330 words
2. Economy, Society, and Policy: Analyzing the Regulatory Quality

2.1. The Regulatory Quality

The subject of this research is the regulatory quality in the EU MS and its relations with governance quality and with competitiveness.

Regulatory Quality, Governance Quality and Competitiveness (Fig. 1)
This research has developed three aims and has analyzed three kinds of sources:

- **Elaborating** empirical evidence gathered from the MS about RQ, GQ and CP

- **Contrasting** the above results with the European economic constitution and the common policies

- **Discussing** the tendencies of and the prospects for these elements all together
  - Elaborations on the regulatory quality from sources such as Claudio M. Radaelli and Fabrizio De Francesco (2007), Susana Borrás and Radaelli (2010), Alesina *et alii*. (2010) and Brunet (2011a).
2.2. The Dynamics of the Regulatory Quality in the Recent EU MS (Fig. 2)

Note to all the figures of this presentation. Source: Author elaboration on data from the sources shown at the full paper and for 2012 or closest if other year(s) are not mentioned.


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Dynamics of the Regulatory Quality and Competitiveness in the Recent EU MS (Tab. 1)

<table>
<thead>
<tr>
<th>Score (out of 100)</th>
<th>Quality of Economic Regulation</th>
<th>Quality of Public Governance</th>
<th>Global Competitiveness</th>
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<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Latvia</td>
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<td>75</td>
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<td>Lithuania</td>
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<td>75</td>
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<td>Poland</td>
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<td>69</td>
<td>21</td>
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<td>Romania</td>
<td>36</td>
<td>64</td>
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<tr>
<td>Slovenia</td>
<td>38</td>
<td>62</td>
<td>24</td>
</tr>
<tr>
<td>Slovakia</td>
<td>49</td>
<td>73</td>
<td>24</td>
</tr>
</tbody>
</table>

★ QR: Best. ★ GC: Limited Progress. ★ CP: Decrease.
2.3. RQ, GQ and CP in Old EU MS (Fig. 4)

★ Old EU MS: Higher Index for GQ and for Smallest Countries.
2.3. RQ, GQ and CP in Recent EU MS (Fig. 4)

★Recent EU MS: Higher Index for RQ; Worse Index for CP.
2.3. RQ, GQ and CP in EU Neighbor Countries (Fig. 4)

★ Neighbors: The Candidates and the Potential Candidates have a Long Way to Go.
3. The Regulatory Quality in the Recent EU MS

3.1. Elements of the QR in the EUMS

- Business Environment
- Economic Freedom (Heritage Foundation-Wall Street Journal-Down Jones)
- Ease of Doing Business (WB):
  1-10 Overall: Doing Business Index
  1. Starting a Business.
  2. Dealing with Construction Permits.
  3. Employing Workers.
  4. Registering Property.
  5. Getting Credit.
  6. Protecting Investors.
  7. Paying Taxes.
  8. Trading Across Borders.
  10. Closing a Business.
Regulatory Quality and Business Environment (Fig. 5)

3.2. The Most Problematic Factors for DB

The Most Problematic Factors for Doing Business (Fig. 6)

- Restrictive labour regulations
- Inadequately educated workforce
- Inefficient government bureaucracy
- Corruption
- Inflation

- Poor work ethic in national labour force
- Tax regulations
- Policy Instability
- Crime and theft
- Foreign currency regulations

- Poor public health
- Tax rates
- Government instability / Coups
- Access to financing
- Inadequate supply of infrastructure

PER EACH MS

- Program of EP.
- Latvia, Poland and Romania: Better on Labour.
- General: Tax - regulations & rates.

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4. The Governance Quality in the Recent EU MS

4.1. Political and Governance Stances

- Economist Intelligence Unit – Legatum Prosperity – Bertelsman Stiftung
- Freedom House – Heritage Foundation-WSJ-DJ
- Governance (WB)

1-6. Overall Governance Quality.

1. Voice & Accountability.

2. Political Stability and Absence of Violence.


4. Regulatory Quality.

5. Rule of Law.

6. Control of Corruption.
4.2. The Quality of Governance in a Recent EU MS

From Political Stability to the Rule of Law (Fig. 7)

- BEST
  - MT, CY, Estonia

- WORSE
  - BG, RO, SK
5. The EU MS Competitiveness

5.1. The World Economic Forum-Davos – competitive industry pillars

1-12 Overall: Global Competitiveness Index.

1. Institutions.
2. Infrastructure.
4. Health and Primary Education.
7. Labour Market Efficiency.
9. Technological Readiness.
12. Innovation.
5.2. The Elements for Competitiveness in the Recent EU MS (Fig. 8)

6. The Performance of the EU MS: European Deficits, Euroimbalances and Euro Crisis

6.1. The European Models: Structure vs. Policy

RQ, GQ and Competition vs. Competitiveness in the EU MS (Fig. 9)

- Clear between RQ and CP.
- Highest correlation between GQ and CP.
- Some small MS are competitive despite limited Competition Quality.
Regulatory Quality vs. Economic and Social Performance in the EU MS (Fig. 10)

Panel C. Regulatory Quality and Standard of Living
Panel A. Regulatory Quality and Foreign Balance
Panel B. Economic Liberalization and Social Inclusion

★ The dispersion on HDI is lower than for other indicators.
★ All MS with Foreign Surplus have high RQ.
★ The Highest Correlation.

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6.2. The Euroimbalances

The European Deficits:

★ Deficit of Employment.
★ Deficit of Productivity.
★ Deficit of Regulatory Quality.
★ Deficit of Governance Quality.
★ Deficit of Competitiveness.
★ Deficit of Performance.
## The Recent EU MS Economic Deficits (Tab. 4)

<table>
<thead>
<tr>
<th>MS Order: Grouped by origin and scored by Competition Deficit</th>
<th>Regulatory Quality Deficit</th>
<th>Employment Deficit</th>
<th>Productivity Deficit</th>
<th>Competition Deficit</th>
<th>Creativity Deficit</th>
<th>Competitiveness Deficit</th>
<th>Living Standard Deficit</th>
<th>Human Development Deficit</th>
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<td>-57.9</td>
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<td>-76.0</td>
<td>-12.7</td>
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<tr>
<td>Poland</td>
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<td>-23.4</td>
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<td>-9.1</td>
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<td>-31.3</td>
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<td>-59.0</td>
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<td>Czech R.</td>
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</table>

★ The Largest Recent EU MS: Regulatory Deficit & Competition & Competitiveness Deficits.
The EU MS Imbalances (Fig. 11)

The Triplet European Skyline.
★ See Foreign Surplus Countries: Lower Unemployment and Public Deficit (except Latvia).
7. Conclusions

The Deficits of the Recent EU MS on RQ, GQ and CP
The Need for Stabilization, Structural Reforms and for Europe
The State-builder Task of the EU

A. On RQ and CP
★ In a global world where factors and technology move, intangibles as economic regulation are the key for competitiveness, growth and development.
★ Dynamics of Economic Freedom: Elements of Business Environment, Factors More Problematic for DB.
★ EU Quality of Governance: Dynamics and Elements, from Representation to Corruption.
★ EU Competitiveness: Dynamics and Elements.
★ The Links between QR, QG and CP.
B. On Economic Policy

★ The EU MS Deficits are the basement for the Economic Policy Programs.
★ Economic Policy: Converting the Gaps-Deficits on Employment, Productivity, QR, QG, CP and Performance in Sources-Opportunities for Growth.
★ Structural Reforms: Profiting from the Improvement on the RQ.
★ Wellbeing relates to economic freedom, to political freedom and to the quality of institutions.

C. The Need for Stabilization, for Structural Reforms and for Europe

★ Euro and Financial Crisis: Need for Stabilization.
★ Deficits on Competitiveness and other: Need for Structural Reforms.
★ The EU as an Anchor → The EU as a Torpedo.
D. The EU as State-builder

★ The New Independent Small Recent EU MS.
★ The EU Added Value.
★ The European Tendency to Over-regulation.
★ The European Sin – Less is Better.
★ Avoiding Over-regulation ⇒ For a Smart Multilevel Governance System.
★ The State-building Task of the EU.
Thank You Very Much for Your Kind Attention!

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