

THESES OF DOCTORAL (PHD) DISSERTATION

**THE RELATION SYSTEM OF COMPETITIVENESS AND
SOCIAL COHESION IN THE EUROPEAN UNION**

Zoltán Eperjesi

Supervisor:

Prof. dr. Béla Baranyi
Doctor of the Hungarian Academy of Sciences



**UNIVERSITY OF DEBRECEN
Kerpely Kálmán Doctoral School**

Debrecen

2013

1. THE REASON FOR THE CHOICE OF TOPIC

The thesis deals with today's current issues, which encompass the whole of the society and economy. In the first part of the study, I deal with the European Union's competitiveness and cohesion policy in greater depth. The thesis is rather current, because the weight of the bureaucratic coordination in the allocation of public resources has significantly increased in the near past, which is often done at the expense of efficiency.

In today's globalizing world of increasing competitiveness, the European Union's situation is becoming increasingly difficult, because it needs to increase its competitiveness against other economic centres of the world and it should take effective action to achieve regional and social cohesion within the EU. Solving the dual task is really challenging, since falling behind the world's market leaders obviously leads to further deepening regional and social disparities, while cutting back the social gains achieved so far will lead to very high social tensions within the EU member countries.

As for the social cohesion, we definitely need to discuss the recently joined EU Member States, who are naturally interested in creating social cohesion. In the enlarged European Union, duality and increasing tension are observed in the field of social cohesion. On the one hand, the countries of the old Member States, the countries of the strong core try to maintain their own welfare political system, while the new Central and Eastern European countries are interested in the long-sought catching up.

Amidst the satisfaction of the requirements of the changing world order, the public opinion of the European Union's core countries is increasingly hostile to the support of the newcomers. It must be remembered that the EU core countries are facing a structural transformation as well, and unlike the Central and Eastern Europe ex-socialist countries, they are starting to feel the winds of social insecurity just now. Naturally, the world's economic and financial crisis two years ago has accelerated the inexorable pressure for a structural change, and it is clearly difficult to be confronted with it in a 40-year-old welfare state.

Obviously, there is conflict between the goals of competitiveness and the social cohesion. The Lisbon Strategy and the Europe 2020 Strategy clearly place the emphasis on the increase of competitiveness. The rapid building and strengthening of a knowledge-based information society, and an economy-based on export-oriented industrial production and services pose a major challenge to

the prevailing European governments in the reintegration of the decaying social strata.

2. THE OBJECTIVE OF THE RESEARCH

The primary purpose of this dissertation is to show the relationship between the bureaucratic and the market coordination regarding the distribution of the European Union's funds. It is a clear fact that effective public engagement and coordination are needed in the key and strategic industries, which are intended to provide basic social services to the population – let us just think of the public utilities, the education and health-care.

The secondary objective of the dissertation is to present the European Union's development policy, and to analyse the relationship and interaction between competitiveness and cohesion. The thesis moves along the guiding principle of competitiveness and social coordination.

In my thesis entitled "The relation system of competitiveness and social cohesion in the European Union", I will put the main emphasis on answering the following questions:

- Do the Developmental Funds of the European Union and the European Investment Bank finance under bureaucratic or under market coordination?
- How does the European Union's development strategy change in the light of the Europe 2020 Strategy?
- Can the economic competitiveness be increased parallel with the strengthening of the social cohesion?
- Has the global economic financial crisis brought a new shift in paradigm?
- What is the role of the multilateral and national-level development banks in the management of the economic crisis in addition to their traditional developmental activities?

The scientific thesis aims to provide a comprehensive view - especially about the improvements promoting long-term profitability, sustainable growth and social cohesion – and about the change of the engagement of state and multilateral, as well as of national development banks after the World War II. Based on the processing and synthesis of the national and international literature on the European Union and on the multilateral development banks' policy, the research is being conducted along the following hypotheses:

Hypotheses

- *Hypothesis 1:* The European Union cannot simultaneously increase its competitiveness and strengthen its economic, social and territorial cohesion under the circumstances of intensifying global economic competition.
- *Hypothesis 2:* The European Union's Europe 2020 Strategy puts all the emphasis on the increase of competitiveness, and therefore cohesion is relegated to the background.
- *Hypothesis 3:* The pressure to improve competitiveness and the global economic crisis enforce very careful and prudent development policy under state supervision, but operating under market coordination.
- *Hypothesis 4:* A paradigm shift is outlined in the European Union's development policy. The development policy operating on the foundation of market mechanisms will be determined by the factors of competitiveness. It will be essential to move from bureaucratic coordination towards market coordination in the allocation of EU funds.
- *Hypothesis 5:* While the market coordination comes to the fore, the role of national and multilateral development banks becomes more important in the allocation of the resources.
- *Hypothesis 6:* Highlighting the competitiveness is disadvantageous for the new Member States as regards the economic convergence.

Social cohesion is not only important because social differences cause social unrest, but also because that lack of social cohesion is an impediment to economic development. For this reason, the Lisbon Strategy and the Europe 2020 Strategy set out the objective that the employment in the age group between 20-64 years should reach 75% in the European Union. Reducing unemployment is therefore an important indicator of the strengthening of social cohesion.

3. RESEARCH METHODOLOGY AND DATA SOURCES

The thesis is essentially theoretical in nature, therefore it is based on secondary sources. The dissertation is multi-disciplinary in nature, it has required the acquisition of a certain level of legal and political knowledge in addition to the economic knowledge.

The used bibliography is rather manifold as the subject is multi-disciplinary in nature. The first group consists of professional guides, journals, and analyzes, studies, annual reports, and volumes connected to various research institutions, public institutions, offices, and industrial consultancy firms. I would like to emphasize the European Commission's reports on economic, social and territorial cohesion, and the European Investment Bank's annual reports.

The second group of the literature used is comprised of quarterly and annual reports, financial statements, press releases, presentations, publications, project descriptions, statistical summaries published on the official websites of European Union's institutions, and various multilateral and national development banks. The in-depth analysis of the social and economic developmental programs presented in the European Commission's Lisbon Strategy, as well as in the Europe 2020 Strategy were essential for this thesis.

While writing this dissertation, I have used large amounts of newspaper and magazine articles from daily papers, and weekly and monthly journals in order to follow the current developments. Even though these articles are often non-professionally-based secondary and tertiary documents, they contain essential partial information, and help me get to the primary sources.

I also got important information from the conference materials and presentations made by the representatives of national development banks, above all the Hungarian Development Bank, and of research institutes dealing with competitiveness and social cohesion. I have contacted numerous Hungarian and foreign researchers, regulatory and banking professionals to obtain first-hand, primary information.

The dissertation's significant added value is the meticulous exploration of the sources. Because, apart from some handbooks and journals, the electronically available sources dominate in the dissertation, and I have indicated their web sites in the bibliography, as far as possible. The used literature was written in English, Hungarian and German languages.

I have finished the study of the resources and the available literature and documents July, 2013. Their processing of the subsequent changes has been carried out as a continuation of the previous research. The research topics: the strengthening of the factor of competitiveness in the European Union's budget, as well as the expansion of the market coordination in the EU's resource distribution mechanisms are beyond the limits of this dissertation.

4. THE MAJOR FINDINGS OF THE THESIS

With the re-launch of the Lisbon strategy, the cohesion policy focuses much stronger on the creation of a knowledge-based economy, the importance of research and development, and of innovation. It is an important new development that the community and the national development policies consider the protection of the environment as a means of growth generation, which enhances competitiveness and increases employment. I present the distribution of the resources of convergence and regional competitiveness during the period 2007-2013 in Table 1.

Table 1
The European Union's financial framework in years 2007 to 2013 (million EUR at 2004 prices)

<i>Description</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2007– 2013</i>
<i>1. Sustainable growth</i>	<i>51 267</i>	<i>52 415</i>	<i>53 616</i>	<i>54 294</i>	<i>55 368</i>	<i>56 876</i>	<i>58 303</i>	<i>382 139</i>
<i>1.a. Competitiveness for growth and employment</i>	<i>8 404</i>	<i>9 097</i>	<i>9 754</i>	<i>10 434</i>	<i>11 295</i>	<i>12 153</i>	<i>12 961</i>	<i>74 098</i>
<i>1.b. Cohesion for growth and employment</i>	<i>42 863</i>	<i>43 318</i>	<i>43 862</i>	<i>43 860</i>	<i>44 073</i>	<i>44 723</i>	<i>45 342</i>	<i>308 041</i>
<i>2. Preservation and management of natural resources</i>	<i>54 985</i>	<i>54 322</i>	<i>53 666</i>	<i>53 035</i>	<i>52 400</i>	<i>51 775</i>	<i>51 161</i>	<i>371 344</i>
<i>Of which: market related expenditure and direct payments</i>	<i>43 120</i>	<i>42 697</i>	<i>42 279</i>	<i>41 864</i>	<i>41 453</i>	<i>41 047</i>	<i>40 645</i>	<i>293 105</i>
<i>3. Citizenship, freedom, security and law enforcement</i>	<i>1 199</i>	<i>1 258</i>	<i>1 380</i>	<i>1 503</i>	<i>1 645</i>	<i>1 797</i>	<i>1 988</i>	<i>10 770</i>
<i>4. The EU as a global factor</i>	<i>6 199</i>	<i>6 469</i>	<i>6 739</i>	<i>7 009</i>	<i>7 339</i>	<i>7 679</i>	<i>8 029</i>	<i>49 463</i>
<i>5. Management</i>	<i>6 633</i>	<i>6 818</i>	<i>6 973</i>	<i>7 111</i>	<i>7 255</i>	<i>7 400</i>	<i>7 610</i>	<i>49 800</i>
<i>6. Compensations</i>	<i>419</i>	<i>191</i>	<i>190</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>800</i>
<i>Total appropriations for obligation:</i>	<i>120 702</i>	<i>121 473</i>	<i>122 564</i>	<i>122 952</i>	<i>124 007</i>	<i>125 527</i>	<i>127 091</i>	<i>864 316</i>
<i>As a percentage of GNI:</i>	<i>1,100</i>	<i>1,080</i>	<i>1,070</i>	<i>1,040</i>	<i>1,030</i>	<i>1,020</i>	<i>1,010</i>	<i>1,048</i>

Source: Borkó – Fodor – Oszlay, 2007, 6.

In Table 2 we can clearly observe that the Central and Eastern European ex-socialist countries and the Mediterranean countries, except France and Spain, spend their share of resources on cohesion and convergence targets. A minimum resource allocation is made only in the Czech Republic and in Slovakia in favour of the objective of competitiveness. There is a reverse situation in the EU's developed core regions, where a substantial percentage of the resources is used to boost competitiveness.

Very important conclusions can be drawn from the following self-compiled table regarding the relevant innovations' convergence, competitiveness and the rate of territorial cooperation within the targets. 60% of the resources for convergence objectives is used in the new Member States and the remaining 40% is used in the old Member States. 22% of the sources for convergence objectives is used in the EU Member States for innovation purposes. For the old Member States, this ratio 25.26% and it is 19.75% for the new Member States.

Within the objectives of the regional competitiveness, the rate of innovations is much more dominant in the old Member States – it is 39.53%. The allocation of resources for innovations is much more important in the old Member States than in the new ones. Within the objectives of competitiveness, the old Member States spend 40.26% of their share of allocation on innovation, while the newly joined ones only 28.8%. Within the innovations, the resource distribution for human resources development is more conspicuous. The old Member States spend 11% of their innovation funds on human resource development, while the new Member States spend 3.56% on it.

In the second paragraph of the chapter, I am dealing with the European Investment Bank's financing strategies, as well as with its resource allocation. The EIB's strategic policies and business policy clearly show the Europe 2020 Strategy, adopted in 2010. The bank has established a special working group to match the bank's products and services as perfectly as possible to the transport, R & D, innovation and environmental investments. The bank adopts the strategy of inclusive, internal growth, which aims at achieving high employment, economic, social and territorial cohesion. The biggest challenge for the EIB financing is to increase employment and productivity within the framework of the so called knowledge triangle, which includes strong support for education, promotion of researches, and strengthening of innovation.

The EIB is carrying out substantial technical advising and assistance activities during the preparation of the big investments of the 12 new EU Member States supportable from structural and cohesion funds.

Table 2

The distribution of the resources of convergence and regional competitiveness in the EU Member States during the period between 2007 to 2013 (million EUR)

	convergence			Regional competitiveness and employment		European territorial cooperation	Total
	cohesion Fund	convergence	discontinuing subsidies	new grants	Regional competitiveness and employment		
Belgium			638		1 425	194	2 257
Bulgaria	2 283	4 391				179	6 853
Czech republic	8 819	17 064			419	389	26 691
Denmark					510	103	613
Germany		11 864	4 215		9 409	851	26 339
Estonia	1 152	2 252				52	3 456
Ireland				458	293	151	902
Greece	3 697	9 420	6 458	635		210	20 420
Spain	3 543	21 054	1 583	4 955	3 522	559	35 216
France		3 191			10 257	872	14 320
Italy		21 211	430	972	5 353	846	28 812
Cyprus	213			399		28	640
Latvia	1 540	2 991				90	4 620
Lithuania	2 305	4 470				109	6 885
Luxembourg					50	15	65
Hungary	8 642	14 248		2031		389	25 307
Malta	284	556				15	855
Netherlands					1 660	247	1 907
Austria			177		1 027	257	1 461
Poland	22 176	44 377				731	67 284
Portugal	3 060	17 133	280	448	490	99	21 511
Rumania	6 552	12 661				455	19 668
Slovenia	1 412	2 689				104	4 205
Slovakia	3 899	7 013			449	227	11 588
Finland				545	1 051	120	1 716
Sweden					1 626	265	1 891
United Kingdom		2 738	174	965	6 014	722	10 613
Interregional cooperation						445	445
Technical Assistance							868
		199					
<i>Total:</i>	<i>69 577</i>	<i>323</i>	<i>13 955</i>		<i>43 555</i>	<i>8724</i>	<i>347 408</i>

Source: Cohesion Policy, 2007–2013, 8.

The EIB's table on performance evaluation shows that the bank allocates 63–66% of its resources to investments realized to achieve the growth and

employment objectives, while the economic and social objective gives about 30% of the total resources during the operating period from 2011 to 2014. It is worth noting that the financing of the knowledge economy was greater during the three-year operating period, than the financing of trans-European networks.

Also during the allocation of the resources of the European Structural Funds and the Cohesion Fund, the impact of the Europe 2020 Strategy is felt very strongly. A new element of the cohesion policy is that territorial cohesion received a central role. The European territorial cooperation objective supports cooperation and exchanges of experiences between different European regions. Most of the grant is spent on the development of cooperation in border regions.

There were significant structural changes in the resource allocations during the budget periods from 2000 to 2006 and from 2007 to 2013.

During the budget period from 2007 to 2013, it can be concluded that the focus has shifted towards competitiveness. The spending on competitiveness' appropriations increase by 6-7% on an annual basis at the expense of the common agricultural policy, which decreases by 3% on an annual basis. 81.5% of the amount of EUR 347.410 billion, available for the current budget period, is spent on convergence objectives, 16% on regional competitiveness and employment objectives, while the remaining 2.5% is used for European territorial cooperation objectives.

In the fourth paragraph I describe the five mechanisms by whose help the European Union can hold its ground in an increasing global economic competition. One of the five policy mechanisms aims to widen the political force field. In this area, the formation of the European Economic and Monetary Union and the introduction of the common euro currency were huge achievements. The formation of an independent European Central Bank was to show the EU's neo-liberal proclamation. Unfortunately, the EU Member States have failed to recognize the opportunities offered by the EMU properly. They failed to reach an agreement on the regulation of the financial markets, and they could not formulate a uniform plan for the supervision of the financial markets. The success of the coordination of the different policy also varies.

In the field of environmental protection, breakthrough results could be achieved at a global level, while a number of initiatives have failed, such as the common energy policy. However, we must not forget that the union managed to reach global control in many sectors, such as the food industry, the chemical industry and the telecommunications. Several studies have highlighted, that the

internal diversity, still existing in the union, has greatly undermined the union's ability to enforce its control mechanisms at global level. The second mechanism is principal in terms of the EU's globalisation leadership to develop its own regulatory mechanisms and exert a decisive influence on the global control with their help.

The third mechanism is the involvement and moving of international organizations necessarily belonging to the management of globalization. This mechanism is, in principle, the substitute of the mechanism relating to the extension of the political field, because the global regulations are usually drawn up by international organizations. The EU has often sought to strengthen the positions of international organizations such as the OECD, the IMF and the WTO, and to extend the membership, which paradoxically led to a decreased ability to enforce the union's interests.

The fourth lobbying mechanism is to extend the EU's regional influence. This mechanism is primarily focused on countries with member state aspirations. The continued expansion contributes to the widening of the EU's sphere of influence, where the EU's policies are adapted to strengthen the global gravity and the expansion of the community. The EU wants to increase its influence in the international organizations by indirect means.

The fifth mechanism focuses on the sharing of the costs of globalization. The management of the globalization does not only mean the creation of the legal framework governing the exchange processes, but also the sharing of the costs and the benefits. The attempts at the redistribution aim to increase social democracy to a global level. Such global redistribution mechanisms are the trade agreements operating on non-reciprocity grounds in favour of the most disadvantaged countries, or initiated by the EU, and the trade aid programs carried out within the framework of the WTO that offers development support to developing countries for better adaptability.

It is difficult to compensate the costs of globalization, because the ideas of supranational institutions conflict with the nation-state visions.

Returning to the paragraph of this dissertation on the Europe 2020 Strategy, it can be stated that while determining the three key priorities, the five objectives and the seven initiatives of the strategy, the European Union has widely considered the theses of the World Economic Forum on global competitiveness. In the European Competitiveness Index, the innovations and the extensive business services do not appear markedly - see the European Competitiveness

Index (section II.1.) – the Europe 2020 Strategy has determined among its objectives that 3 % of the EU's GDP must be spent on research and development to improve competitiveness. Six out of the seven initiatives focus on innovation and knowledge society: innovation union, digital Europe, resource-efficient Europe, industrial policy developed for the globalization era, young people on the move, as well as creating new skills and new jobs.

5. CONCLUSIONS AND RECOMMENDATIONS

The main conclusions, based on the results of the research, are included in the responses given to the following hypotheses, which also contain recommendations for the future. Based on them, we can conclude in advance that all six hypotheses were confirmed, and I have substantiated it by processing the national and international professional literature and by analysing the secondary data sources.

Hypothesis 1: *The European Union cannot simultaneously increase its competitiveness and strengthen its economic, social and territorial cohesion under the circumstances of intensifying global economic competition.*

The increasing global economic competition, as well as the 27 EU Member States at different stages of development caused a very serious dilemma for the European Union's decision-makers. The EU's prime ministers and Heads of State have accepted a target system on the Lisbon Summit in March, 2000 based on which the European Union should have become the world's most competitive economic group by 2010 parallel with the strengthening of the social cohesion. The main conditions for the achievement of the objective were the increase of the amounts spent on R & D activities to 3% in proportion to GDP, the expansion of the employment to 70% and, above all, the improvement of the business environment for small and medium businesses.

The Europe 2020 Strategy shifts the European Union towards the increase of competitiveness. The new strategy adopted in 2010 is a significant paradigm shift compared to the Lisbon Strategy, as the emphasis is placed on the increase of

competitiveness in the context of market coordination while the importance of the social cohesion is decreasing. The Lisbon Strategy failed to meet the target date designated in 2010, thus it has been modified, but the component of competitiveness has been added to the European Union's financial perspective 2007–2013.

The item of competitiveness has been included into the financial perspective 2007–2013 as part of section 1b on sustainable development.

In harmony with the Europe 2020 Strategy, the item of competitiveness is increasing in a balanced manner during the seven years. This appropriation gives 8.5% of the total of all appropriations, calculated at the prices in 2004 and the amount of EUR 74.1 billion is spent over the seven years to improve competitiveness.

In line with the Lisbon objectives, two-thirds of the appropriation can be used to fund R & D activities. The information and communication technology's developments received special attention, as these researches have significantly lagged behind the U.S. and Japan so far. In connection with the appropriation to competitiveness, strong conflicts of interests can be predicted, because the less developed countries of the EU, in particular the 12 newly joined EU Member States, owing to their institutional backwardness, cannot present as serious draft programs as the union's main core states.

The most important obligation-commitment and appropriation of the financial perspective 2007-2013 is the sub-section about "cohesion for growth and for employment", considered as part of sub-section 1a entitled "sustainable growth".

Calculated at prices in 2004, an amount of EUR 307.6 billion has been set aside for cohesion objectives during the 7-year period. Of this amount, EUR 251.3 billion is used for the catching up of the poorest EU Member States and regions (Borkó – Fodor – *Oszlay*, 2007, 26).

In summary, the European Union cannot be transformed into the most competitive economic group by the end of the current financial perspective. There has been a very important paradigm shift in the EU's economic policy, namely the EU has slowly but surely moved towards market coordination.

Considering the main objective of the EU budget, it has shifted towards the competitiveness enhancing philosophy at the expense of the restrictive protectionist attitude along the principle “big ship turns slowly”. The philosophy of slower EU growth and faster convergence has weakened, and the approach of the two-speed Europe has strengthened. It appears mainly in the structure, but not in the amount of the budget presently, indicating the stronger verbal and non-actual influence of the Lisbon targets.” (*Borkó – Fodor – Oszlay, 2007, 26*).

In my view, the European Union's first priority should be to strengthen the competitiveness in the present situation of crisis, if it does not want to miss the Triad, and fall behind the emerging economy which, in many cases, builds state capitalism. The Union should achieve that the Member States use 3% of their GDP for innovation and research and development. Another fundamental requirement for the Member States is to contribute to the Community budget in proportion to 3-4% of their GNI in order to create a truly effective internal market and to succeed in harmonizing the policies of the various economic sectors, as well as to strengthen social cohesion.

No matter how painful it is for the Central and Eastern European countries that they do not benefit as much from the EU funds as their predecessors joining during the Cold War, they must understand that without the launch of an innovative, knowledge-based European Union economy, the existing levels of the social cohesion cannot be maintained in the long run. Transfers aimed at social cohesion, in themselves, do not generate efficiency and added value.

In connection with the East German provinces' catching up, István Mustó pointed out that the catching up transfers have rather led to the weakening of the western provinces than to the strengthening of the eastern provinces. During my interview with the Deputy General Manager of the Hungarian Development Bank Inc, it was also proved that the EU strategy and the subsequent strategies of the national development banks are increasingly supporting the refundable preferential loans versus the non-repayable grants, as they encourage the companies much more to an increase their performance.

In summary, the EU Member States should seek to create an innovative knowledge economy that is able to hold its ground in the global economic competition, allowing the better enforcement of the social aspects in the long run. The preservation of the existing structure can be fatal for both the competitiveness and the social cohesion. The current supporting and development policy has to be restructured by all means in order to increase productivity and job creation. The most efficient methods for the restructuring are to change a significant portion of non-repayable grants into loans and project financing, and to improve the efficiency of the monitoring system. These methods are forcing responsibility, and the rational organization of labour.

Hypothesis 2: *The European Union's Europe 2020 Strategy puts all the emphasis on the increase of competitiveness, and therefore cohesion is relegated to the background.*

By way of introduction, I would like to point out that the European Union's economic policy has been neo-conservative since the early '90s and the statist and bureaucratic character only applied for its public administration (*Forgács, 2009, 265*). The neo-conservative dominance is more noticeable in the Pan-European policies. First, it became dominant in the uniform trade policy and competition policy and then they were followed by the monetary policy. In the case of the monetary policy, it is enough to think of the quite strict Maastricht criteria.

Both the Lisbon Strategy and the Europe 2020 Strategy handle the increase of the European Union's competitiveness as a central issue. The Lisbon strategy has mentioned job creation in the first place, but it is very important to add that it designed to achieve this goal through improved competitiveness, structural reforms and economic growth resulting from the reduction of bureaucracy.

The Lisbon Strategy has gradually evolved into a complex system with comprehensive objective and implementation guidelines over time, which though has not clearly defined the sharing of tasks and responsibilities between the EU and the Member States.

Quite a few of the indicators examining the macroeconomic environment show a somewhat unfavourable picture: for example, the state's fiscal role is too crucial both on the expenditure and on the revenue side compared to the U.S. The government's spending amounted to 18.37% of the GDP in the U.S. in 2001, while the same indicator was 43.37% for the 25-member EU. The inflexibility in the area of labour management is also a major challenge for the EU Member States. The flexibility of wage determination is much more favourable in the U.S. than in Europe. It is considered scientifically well-founded, that there is no budget limit to the developmental and investment decisions on public sector companies (*Forgács, 2009, 180*).

It is rather difficult to compare the private sector and the public sector because unlike the private firms' profit maximization, there is a more complex set of objectives behind the government's economic interventions. The governments also consider the relevant socio-political, social, and environmental aspects of each investment, which, for market-based investments, are only taken into consideration to the minimum required by law. A comparative analysis conducted in the United States has revealed that the public housing programs are 20% more expensive than the constructions by private investors. As for the public garbage collection, the public service costs 50% more (*Forgács, 2009, 180*).

Such and similar examples can be mentioned, of course, in Hungary, as well. The maintenance of a rental housing estate in an important district of Budapest results in a loss of HUF 200 million for the owner local government on an annual basis, and this is the best-case scenario, not including the accumulated rental arrears of a significant number of non-paying tenants. The issue is raised regarding the local government-owned rental homes: should the local government seek to sell the complete stock of rental houses? Should market-based rental charges be specified for everyone uniformly? A market-based thinking would, of course, dictate this. However, the state should consider the young entrants' housing needs, and the housing of the socially needy people. If in such and similar cases, the market coordination would be enforced without

exception, many people would lose their homes and it would generate very strong social tensions and crime for a livelihood. Returning to the housing topic, the practice that all tenants are paying a rent under the market price uniformly with a rather difficult and lengthy collection procedure, should not be continued. The solution would be the regular monitoring of the social need. In addition, the property owning local governments should develop a conscious real estate strategy to ensure effective utilization and the upgrading of the real estates.

The redefinition of the Lisbon objectives resulted that the item of competitiveness was integrated into the financial perspective 2007 - 2013. The appropriation in sub-section entitled “Competitiveness for sustainable growth and employment” belonging to chapter one called “Sustainable growth of the financial limit” increases by 9% on an annual basis during the seven-year time interval. The appropriation to competitiveness within the overall financial limit makes up 8.57% of it. It is important to point out that the appropriation to competitiveness has gained ground at the expense of the agricultural policy. The support of the agricultural policy was reduced by 3% year on an annual basis.

Comparing the 2000–2006 financial limit to the current one, it is clear that the amount allocated to innovation has more than doubled. During the period 2006–2006, EUR 25.5 billion has been spent on innovations which is 11% of the total convergence and competitiveness objectives (EUR 224 441 million). From the current financial allocation totalling EUR 342 757 567 465 25% is allocated to innovations (EUR 85 198 million).

In sub-section IV.1 called “Cohesion and competitiveness at the level of the strategies” I demonstrate through a self-made figure (Fig. 23) that 60% of the resources are used for convergence objectives in the new Member States, while the remaining 40% is used in the old Member States. There is a reverse rate for the regional competitiveness’ objective, 94% of the funds go to the old Member States, and the 12 new Member States benefit only 6%.

Boosting competitiveness will cause tension within the European Union sooner or later, as the draft programs of the new Member States are not really professional ones, and their institutional underdevelopment greatly inhibits their

absorption ability. In the case of the appropriation to competitiveness, a population-proportionate share should be considered. With the appearance of the factor of competitiveness, the two-speed union's contours are beginning to take shape.

In summary, more sufficient market coordination may establish the improvement in the quality of the bureaucratic control, as well. These mutually strengthening processes can be considered as the key to the success of countries with advanced and innovative economies. In contrast, bureaucratic coordination and administration lost in the web of the social relations and interest groups are the major obstacles of the development and redistribution based on actual performance.

In my view, the Europe 2020 Strategy's competitiveness-centeredness is correct – even if the social cohesion is compromised at the beginning – since the creation of the knowledge-based economy ensures the future of Europe in the long term. However, while the strategy is implemented, special attention should be paid to improve the absorption capabilities suitable to accept innovation in the Central and Eastern European states. The Eastern European Member States should do their best to ensure that their university education and professional trainings meet the requirements dictated by the market.

Hypothesis 3: *The pressure to improve competitiveness and the global economic crisis enforce very careful and prudent development policy under state supervision, but operating under market coordination.*

With regard to the fact that the European Union needs to hold its ground in the global competition, which has become multipolar, appropriate advocacy mechanisms must be elaborated for the management of the globalization. It is the EU's vital interest to distribute the well-proven processes and standards, which it has elaborated at the international stage, too. The European Union can enforce its global economic and political influence through five mechanisms. These mechanisms are: the extension of the political force field; the development of EU's regulatory mechanisms through which the EU can gain global control; the

effective use and moving of international organizations; the regional extension of the union's influence, sharing the costs of globalization.

One of the five mechanisms aims to extend the political field.

It is a clear fact that during the formulation of community policies, the pressure of globalization also plays a big role. One of the most significant outcomes was the formation of the European Economic and Monetary Union, and the introduction of the euro. The EMU has created a uniform framework for the member countries joined in 2002 to coordinate the economic and monetary policies, which was also a response to the challenges of globalization. The formation of the independent European Central Bank was to demonstrate the EU's neoliberal proclamation.

The creation of the monetary union suggests the union's authorization, since the introduction of the euro protects the individual nation-states from the fluctuation of their currency. Although the Member States have ceded their monetary prerogatives to the European Central Bank, they still have the possibility of manoeuvring within their economic policy.

The EMU's basic agreement provides a rudimentary framework for the international economic coordination, which empowers the EU to lay down community priorities while implementing a low inflation policy. The expansion of the common political space, and the authorization of the Union are just as realistic as the emphasis on market-friendly policies. The only question is whether the Member States are using the opportunities provided by the economic and monetary union actively enough, and whether they recognize it as a power source for global leadership. Unfortunately, the experience gained so far has shown that the European states cannot act uniformly enough to oppose the other great powers of the world. The tension is not perceived as strongly anywhere else as in the regulation of the financial markets.

During the period prior to the onset of the economic crisis, the EU's policy-makers have used the legislation, and the coordination mechanisms to raise the financial decision-making procedures to the level of the EU, with the exception of supervision. Unlike the monetary policy, where the unification served to

manage the globalization, the EU's policy, extended to the financial area, has granted considerable autonomy to large multinational companies. To tell the truth regarding the supervision of the financial markets, we cannot speak of a coordinated, uniform concept, which could provide leadership to the management of globalization in this area. The success of the coordination of the various policies is quite variable. While the EU has managed to achieve breakthrough results in environmental protection, e.g. the Lisbon strategy for competitiveness and the common internal energy policy have failed.

The community policies which play their part in the Union will probably work as influencing factors beyond the borders of the Union as well.

For reaching a leading position in globalisation, the European Union has to develop its own regulatory mechanisms through which it can significantly influence global control. Fair competition is ensured by supervising organs (offices, agencies) in majority of the liberalized sectors. The Union has managed to achieve world-wide controlling power in numerous sectors, such as food industry, chemical industry and telecommunication. The EU's data protection directive in year 1995 seems to be a meaningful example. In spite of the USA strong opposition, 30 countries adopted it from the Union such as Japan, Canada and Australia which are considered important sales areas of the USA. Finally the USA also cooled down and EU provisions are de facto accepted as international standards in numerous fields. As Daniel Kelemen also explains in his writing of 2010, the EU tries to spread its own environmental standards in the world through its market power.

A number of studies indicated that the internal diversity or manifoldness still characterizing the Union undermines its ability to enforce the regulatory mechanisms globally. As a result of the covering transactions and the differences in the national financial systems, EU governments cannot reach a common platform on the international scene. Because of its internal manifoldness, the EU could not represent a uniform opinion during the G7 and IMF meetings, and therefore they did not manage to establish a global standard. However, in spite of the very different interests of the nation states, the Union can enforce its

institutional innovations and the minimum standards valid for everybody in certain fields. We have to emphasize EU leading position achieved by multilateral agreements in the field of environmental protection. As regards the field of finance, the EU does not have such international objectives similar to the regional financial regulation which would be able to set a normative global alternative against the Anglo-Saxon model valid for the present.

Management of globalisation requires involvement and actuation of international organisations in any case. This mechanism often substitutes the mechanism aiming at the extension of political field since global rules are usually worked out by international organisations. Globalisation of trade and capital flow has already taken place and the EU tried to dictate the rules of the game. The Union developed an institutional structure for controlling compliance with the rules. On no account it means that the EU wishes to occupy a central position in all fields. The Union often strove for strengthening positions and widening membership of international organisations like OECD, IMF and WTO which in a paradox way led to the weakening of EU's ability to enforce its interests.

The greatest contradiction is that while the EU was labouring at strengthening the influence of international institutions, they were subject to criticism because they could not manage and control globalisation properly. What's more, they were challenged for the proliferation of drawbacks of globalisation. As a result of the continuous attacks, international organisations got in a negative spiral and lost their legitimacy. In the meanwhile, the EU discovered that vesting of international organisations with various licenses can hardly guarantee enforcement of EU interests. The competitors like the USA or China are similarly trying to weaken positions of EU through the international organisations. In other words, not only the European states are trying to gain global power on the international scene. Owing to this rivalry with each other, the EU managed to include principle of prudence in the multilateral environmental agreements on gene manipulated products, climate change and chemicals.

Extension of European Union influence to the territory of non member states takes place with various intensities. The EU focuses mainly on countries with membership aspirations. Wade Jacoby explained that the control of globalisation partially meant the management of the threatening aspects and opportunities of Central Eastern European joining countries. Through the continuous enlargements, the Union managed to extend its influence to larger and larger areas. The states neighbouring the EU are continuously adopting the EU directives, greatly contributing to the global expansion of the Union. Certainly, the EU does not leave adoption of its directives to chance.

In case of the 12 states joining in 2004 and 2007, the European Commission worked out monitoring reports for 30 various policies. Prior to the admission to the Union, the Commission experts discuss each policy (the *acquis communautaire*) with the government officials of the aspirant country within the framework of continuous consultations. The order of admission process contributed to the headway of competitive deregulation in Europe. What's more, admission of Central Eastern European states provided additional market for the enterprises of earlier member states. However, it is also true that the EU has significantly lower influence on the non potential candidate countries.

The European Union tries to widen its influence and the legislation used by it through regional trading agreements as well. The USA makes similarly great effort to extend its sphere of influence, thus checking the EU continuously. The EU is subject to permanent competition because of the leading ambitions of the USA and the rising economies. The Union's efforts to achieve global control are hindered by not only or not primarily the lack of common, collective action and the different interest structures but by the determined manner of the various geopolitical partakers who are becoming more and more active.

The EU wishes to increase its influence in the international organisations through indirect tools. The EU appears as a generally accepted reference during the conferences held about the reform of international economic organisations. The Union has standard power which contributes to reaching the new global consensus and the reform of the international economic organisations. The

international stakeholders share the same opinion with each other that the EU cannot be avoided during the manufacturing of production goods. This fact strengthens further the Union's assurance and doctrine concerning its leading role in globalisation. The European Union contributes to the global governance which is accepted not only by the member states but also by numerous states of the world as well owing to its openness of economy and the social development involved in it. For the EU, sustainable development involves enforcement of transparency and subsidiary principle.

The expense item "competitiveness for growth and employment" already appeared during the budget period 2007–2013 and shows an increasing tendency as compared to agriculture. It is essential for increasing competitiveness to establish the development policy on the basis of the market coordination instead of bureaucratic coordination.

Hypothesis 4: *A paradigm shift seems to occur in the European Union development policy. The development policy operating on the basis of market mechanisms will be determined by factors of competitiveness. Movement from bureaucratic coordination towards the market coordination will be inevitable in the EU resource allocation.*

The strategy Europe 2020 clearly sets the aim of the increase of competitiveness. In the following, I will describe seven initiatives of the European Commission which will contribute to the development of the priority fields:

- „Union of Innovation”: improving the financing frame conditions of R&D, facilitating its availability in order that the innovative ideas can really be converted into new products and services generating growth and new jobs
- „Youth in Motion”: supporting access to the labour market of young people through improved education, training and mobility
- „Digital Europe”: introducing high-speed internet, and uniform European digital market

- „Resource Efficient Europe”: separating the economic growth from growth of volume of raw material use. The fourth initiative is aimed at moving towards low carbon consumption, energy efficiency, spreading of renewing energy sources, and modernizing the forwarding.
- „Industrial Policy for the Globalisation Era”: improving the business environment especially for small and medium enterprises, and establishing an industrial basis which is competitive, strong and able to develop worldwide.
- „New Skills for New Jobs”: modernizing the labour market, spreading the philosophy of learning through life, achieving compliance of labour demand and supply, intensive mobility of labour.

„European Platform against Poverty”: this initiative is aimed at achieving social and regional cohesion in such a way that the advantage of growth and new jobs can be enjoyed by as wide circle of social layers as possible and those in socially disadvantaged position can be integrated in the society as fully as possible. Europe has to take actions since it is in a disadvantaged position in the competition as compared to other members of the Triad in the fields which constitute the motor of development of future economy. The Union spends less than 2% of GDP on R&D, while the USA and Japan 2.6% and 3.4%, respectively (*European Commission, 2010*). First of all, Europe has to focus on creating proper conditions for the R&D projects of the private sector.

The Union significantly falls behind its competitors also in the fields of education, training and learning through life. Quarter of European pupils have difficulties in reading and understanding. About half of pupils have medium-level qualification; however, in most cases this qualification does not meet the requirements of labour market. From young people of age from 25 to 34, only every third people has university diploma, while this ratio is 40% and 50% in the USA and Japan, respectively. According to the Shanghai index, only two European universities can be found among the twenty best universities of the world. Europe significantly falls behind its competitors in the field of digital

society as well. Only a quarter of the 2000 milliard EUR information and communication market is controlled by European companies.

The European Union's strategy Europe 2020 is in harmony with the bases of innovation controlled economy phrased by the World Economic Forum. The Union's development strategy tallies with the global competitiveness strategy to a significant extent. The Union has set the aim of achieving innovation economics, neglecting the fact that many of the countries joined recently are on the level of efficiency controlled economy or rather factor controlled economy. Rostov's growth theory states: „each country, each national economy runs the same route of development; only the rates of development are different, even in such a way that certain countries spend time more than the average in a stage of development and thus reach later another stage of development already achieved and passed by others.”

The European Union bases its development strategy more and more on market coordination. As a matter of fact, the Union does not have other opportunity than to give up its bureaucratic coordination based on distributing mechanisms if it wishes to increase its influence in the world economy and lead the world economy competition.

I analyse the changes of the budget structure and the priorities in Chapter IV.3 of the dissertation which treats the EU budget 2007-2013. The expenses of the tendency “Competitiveness for growth and employment” increase by 6-7% annually at the expenses of the common agricultural policy which decrease by 3% annually. The changes can be traced in the structure of estimated commitments as well. As regards its quota in the budget, agriculture does not already stand in the first place among the estimated commitments. Although it is not a great difference, its quota decreased from 44.33% to 42.96%. With its 44.21%, sustainable growth has become the most important estimated commitment of the actual 2007–2013 budget. The sub-chapter titled “Competitiveness for growth and employment” is included in this chapter. Modification of the budget structure and advancement of competitiveness clearly indicate the determinant paradigm shift in the Union's economic policy.

According to my judgement, the thought of social Europe is already the thing of the past. Nowadays it can also be seen that more and more serious tensions are formed between the core regions and periphery of the Union as a result of the world economy crisis. If the Union wishes to keep its positions in the world economy, it does not have any other choice than to abandon its conceptions concerning social cohesion based on bureaucratic coordination. Certainly this new tendency affects the relatively newly joint countries at the worst time possible since they are primarily interested in economic development.

Hypothesis 5: *Owing to advancement of market coordination, role of national and multilateral development banks in resource allocation will increase.*

Since numerous countries cannot establish special monetary fund to be spent on infrastructural development through the development banks because of the significant budget deficit, the development banks will have a key role in the quest for private capital. Out of them, the German Reconstruction Bank which played very significant role in financing the reunion of Germany plays a prominent role.

Primary mission of all national development banks is to finance long-term infrastructural projects of the relevant country and contribute to the international extension and market acquisition of domestic enterprises. The Magyar Fejlesztési Bank Zrt. (Hungarian Development Bank Plc) executives emphasised the tendency detectable more and more strongly in the EU that proportion of non-refundable assistances is going to decrease. From 2012, the European Union changes over step by step to refundable facilities, which cover credit facilities actually. Refundable facilities obviously have disciplining effect and encourage enterprises to start such powerful projects which will ensure due coverage for the reimbursement of the credit.

Refundable facilities also clearly indicate advancement of market coordination. The world economy crisis and the stronger and stronger urge of global competitiveness more and more drastically compel restriction of bureaucratic coordination which is in many cases irrational, hinders the increase

of efficiency and productivity and allows open space for wasting and often corruption. Efficiency of financial transfers depends on their use instead of their volume. Several examples confirm this truth. For example, oil producing countries spent dollar milliards on showy, exhibitionist prestige projects which did not create plus value but let free way to proliferating corruption. By the example of German reunion, we also experienced that financial assistance of eastern German provinces resulted in their development to a lesser extent than in the weakening of western provinces (*Musto, 2005*).

In many cases, flow of financial transfers polarizes that is deepens the development level difference between the various regions. The measures taken for reduction of differences stress the budget of the actual state further. The third source of risk is that the resources easy to obtain generate their own receiving ability and as a result of corruption and insider information enterprises and projects form only for the purpose of obtaining the resources. We can just mention the subventions provided by the European Union to the south Italian Mezzogiorno for several decades, financing non-existent olive plantations. According to István Musto's opinion, except for the catastrophe situations and well-grounded development programs, flow of aids and assistances weakens or in many cases undermines the self-regulating ability of a society or an economic system. It is easy to get accustomed to aids. Cases of numerous African countries and European regions show what harmful effect assistances have on self organisation and ability to undertake responsibility.

As regards the annual 113 milliard euro on the average spent on the financing of German reunion out of which projects based on private capital amounted only to 18 milliard, it can be stated that it did not bring the expected success. The assistances aimed at consumer expenses, pensions, public sphere services, administration and social benefits amounted to more than 4% of the western German gross production which burdened the otherwise stagnating German economy in the highest degree.

Although they apply the economy development strategy, guidelines of the actual country or integration, the role of development banks is clearly

strengthened as a result of advancement of market coordination since they operate as a bank, acquire their resources on the international capital markets, perform the necessary due diligence audits for the financing of each project, and prepare the essential impact assessments and feasibility studies, with their own experts and famous external consulting partners being involved. The development banks of individual integrations are in a more advantageous position as compared to the national development banks since the highly qualified experts delegated from the various member states ensure the knowledge base and the continuous exchange of experience, utilization of synergy effects. Just think what huge amount of knowledge base accumulated at the European Investment Bank during the past fifty years.

The table included in the EIB year 2010 financial report (Chapter 4.2) shows well how much the bank adopts the Union's new economic policy guidelines. 56% of the credits transferred are spent on European communication networks and energetic projects. 14% each of the whole credit amount was spent on environmental protection, health and education in 2010. All these projects contribute to competitiveness. According to the competitiveness scale of the World Economic Forum, these projects principally strengthen the efficiency controlled economy.

The EIB actively participates in European joint programs such as JASPERS, the joint program supporting projects of European regions. In this program the bank cooperates with the European Commission, the European Development and Reconstruction Bank, and the German Kreditanstalt für Wiederaufbau bank.

Owing to their existing efficient and sophisticated knowledge base, the multilateral and national development banks can anticipate further resource allocation tasks since they perform their activity on the capital and real markets which ensure more efficient resource allocation. Further advantage for the development banks is that the beneficiary has to reimburse the credit which has disciplinary force during the implementation of individual projects.

Hypothesis 6: *As regards the economic development, new member states are in a disadvantaged position because of laying emphasis on competitiveness.*

The strategy Europe 2020 which wants to provide long-term guidelines for the European Union was born amidst the world economic crisis. The strategy is based on three priorities: assurance of continuous growth, the basis of which is economy based on knowledge and innovation; sustainable development, for which the base material saving, environment-friendly and competitive economy is essential; and internal social development, which is based on social and regional cohesion achieved through high ratio of employment. The strategy Europe 2020 tries to integrate parameters of innovation controlled economy and criteria of social cohesion simultaneously.

The strategy suggests that three percent of the Union's GDP should be spent on R&D. It is a basic requirement in the competition with the main poles of world economy. Strengthening of higher education of young generation is also necessary for it. Climate energy objectives aim at the economic growth based on sustainable, environment friendly technologies. Decrease of number of people living below the poverty threshold by 20 million persons serves for strengthening the social cohesion. The initiatives "Innovative Europe", "Youth in Motion", "Digital Europe" and "Resource Efficiency" try to advance and implement innovation controlled economy.

Similarly to the Lisbon strategy, the strategy Europe 2020 also mentions internal growth and economy operating with high employment among its priorities and these ensure social and regional cohesion. However, it still remains an open question how these objectives can be achieved without efficient coordination of member states economic policies. It is to be managed as a fact that the harmonisation of the European networks is not sufficient yet. The European business world and the member states citizens still have to face 27 different legal systems when managing their affairs. While European companies are continuously facing different law provisions during their operation, the USA, Japan and China do not know these problems.

Innovation controlled economy cannot be achieved without active involvement of private capital. The strategy Europe 2020 completely ignores development of newly joined countries. True, the strategy contains objectives strengthening the social cohesion; however, it focuses mainly on the increase of competitiveness of the Union. Increase of competitiveness is essential in the world economic system becoming more and more multipolar; but the social aspects so important at the time of establishment of EU cannot be completely neglected, either. Expansion is very important for the EU from geo-strategic and economic aspects. At the same time, when admitting the new member states, the economic, social and in many cases cultural aspects significantly different from the level of the core regions should not be disregarded, either.

The present world economic financial crisis only strengthened the clear fact that the integration created from European member states having very different interests cannot enlarge the integration and deepen its degree simultaneously. The strategy Europe 2020 champions market coordination and discards social development and cohesion operating earlier on the basis of bureaucratic coordination. The strategy's greatest deficiency is that it does not even mention social development of the newly joined countries which shows that they wish to achieve different speeds of growth for the core and periphery countries and regions.

As regards its main objective, from the protectionist, anti-competition approach the EU-budget has turned to the philosophy of increasing competitiveness. The philosophy of slower EU growth and faster convergence has weakened, while the approach of two-speed Europe has strengthened. This tendency can already be detected in the structure of the present budget as well.

6. NEW AND NOVEL SCIENTIFIC RESULTS OF THE DISSERTATION

1. The sources born in the specific theme are processed, synthetized and their overall, synthesis-type summary is given for the first time for the relationship system of competitiveness and cohesion.

2. The dissertation analyses the relationship system of competitiveness and cohesion through the theoretical, systematized processing of the various literature and the statistical and other empiric data base of the theme, with a new, scientific approach.
3. The dissertation inspects and evaluates the international and national specialized literature and other sources concerning the economic competitiveness and social cohesion with a new, complex research methodology, in inter- and multi disciplinary dimensions.
4. New, practical results and solutions contributing to the use of resources can be drawn for the designers and executers of development policies from the systematized connection of competitiveness and cohesion and deep analysis of their relationship system.
5. Significant result of the research is that the analyses concerning the European Union's assistance and development policy can be used as professional, methodological materials in the higher education and expert training in the theme.
6. Application of the research material as a manual can be used in the field of preparation and practical work of experts engaged in the elaboration of tenders.
7. Connection of the concepts and operating mechanisms of competitiveness and social cohesion and comparison of their close, mutual relationship systems prove the close relationship and synergy between them in a new way and effectively serve and help adaptation of innovations of such direction.

7. SUMMARY

Basic objectives of the dissertation include demonstration and supporting by analyses that the economic policy of European Union shows the tendency of giving preference to economic competitiveness over social cohesion more and more strongly. In parallel with it, I demonstrate advancement of market coordination as compared to bureaucratic coordination which is only strengthened by the global financial and economic crisis. Market coordination takes place simultaneously with the establishment of competitive knowledge economy based on R&D and innovations.

Further objective of the study is to demonstrate the European Union's development policy and detailed analysis of the relationships and connection system between competitiveness and cohesion. In the studies performed in the specific theme, priority is given to inspection of theoretical and practical relationships between competitiveness and social cohesion. In my researches, I also lay great emphasis on the regional dimensions of competitiveness, social cohesion, knowledge economy and R&D. My analyses include the EU's so-called core and periphery regions, exploration and easement of tension sources between the competitiveness and social cohesion objectives of old and newly joined member states with regard to the economic and social development. My high-priority aim is to analyse directives of Lisbon and Europe 2020 strategies aiming at the increase of competitiveness, tracing the possible future alternatives as well.

With the answers to be given to the hypotheses, I wish to show that under the effect of the financial and economic crisis and the stronger and stronger world economy competition the European Union does not have any other choice than to strengthen its own competitiveness at the expenses of the social cohesion achieved so far. There are more and more serious tensions between the core and periphery regions as well as the old and newly joined member states, since the core states are interested in competitiveness, while the Mediterranean and newly joined member states in the economic and social development.

Owing to the mainly theoretical nature of the dissertation, the study is primarily based on gathering, processing, synthetizing and evaluation of the available secondary data sources, international and national specialized literature. The dissertation is of multidisciplinary nature; beyond the economics, it required acquisition of certain level of legal and political knowledge as well. As a result of the multidisciplinary nature of the theme, the literature used is quite variegated. The first group of literature includes analyses, studies, annual reports, volumes connecting to various research institutes, public institutions, authorities, industrial consultancy companies. I would like to emphasize here the reports of the European Commission about the economic, social and regional cohesion and

the annual reports, presentations and statistical analyses of the European Investment Bank.

A new result of the thesis is that the sources born in the specific theme are processed, synthesized and their overall, synthesis-type summary is given for the first time for the relationship system of competitiveness and cohesion. New, practical results and solutions contributing to the use of resources can be drawn for the designers and executors of development policies from the systematized connection of competitiveness and cohesion and the deep analysis of their relationship system. Significant result of the research is that the analyses concerning the European Union's assistance and development policy can be used as professional, methodological materials in the higher education and expert training in the theme. Connection of the concepts and operating mechanisms of competitiveness and social cohesion and comparison of their close, mutual relationship systems prove the close relationship and synergy between them in a new way and effectively serve and help adaptation of innovations of such direction.

The dissertation consists of ten chapters. Following the introductory part containing questions and hypotheses, the second chapter includes the theoretical description of the economy organizing functions of the state and the different types of economic coordination. In the second chapter, in the review of specialized literature I describe the different types of economy, the various distribution models, such as bureaucratic, market, ethical and aggressive coordination. I analyse in details the change of role and functions of welfare states in the globalisation era. Description of main social models of the European Union, first of all the continental and Anglo-Saxon models, shows well the difference between the economic policy conceptions within the European Union.

In the third chapter "Material and Method" I define two determinant economic policy objectives of our era, competitiveness and economic, social and regional cohesion. I show the conception of European competitiveness index in this chapter. I analyse in the third chapter whether the implementation of the Lisbon and Europe 2020 strategies is reconcilable with the development of the newly joined 12 member states and achievement of social cohesion within the Union. For the EU decision makers, it means the greatest challenge whether the

competitive internal economic space and the social cohesion can be implemented in parallel with each other. The strategy Europe 2020 wishes to achieve that the European Union can be the most competitive economic integration of the world. Although the strategy lays great emphasis on the increase of employment and aid of those living in poverty, it can be stated that the strategy is based primarily on the further development of core regions and does not mention the development of newly joined states.

The fourth chapter containing the results of the study treats the resource distribution mechanisms of the structural funds, the development bank (European Development Bank) and the budget of the European Union. In this chapter I describe allocation of resources of the European Regional Development Fund, the Social Fund and Cohesion Fund in accordance with the objectives. Competitiveness and economic and social cohesion as determinant issues already react on the financial period 2007-2013. The expenses allocated for the objective of competitiveness increase by 6-7% annually in the actual budget period at the expenses of the common agricultural policy which decrease 3% annually.

I deal in this chapter with the financial perspective of the European Union lasting from 2014 until 2020.

The amount allocated to sustainable growth remained the same in comparison to the former financial perspective. The competitiveness for growth and jobs target (1.a) receives by 37% more funds than in the former budget period. The infrastructural subsidies of the union that are integrated into this commitment are also allocated considerably more funds than during the former 7 years. The tendency to strengthen the competitiveness appears even more characteristic than between 2007-2013. The tendency concerning the cohesion for growth and employment commitment (1.b) coincides with the tendency of the former budget period, namely the cohesion funds decrease. Comparing the two financial perspectives a decrease of 8% can be established. The target „preservation and management of natural resources” shows also a decreasing tendency in comparison to the former financial perspective. The funds of 420.682 million EUR of the financial period 2007-2013 goes back by 11% upon 373.179 million EUR in the next financial perspective. The trend of the decreasing agricultural funds seems to proceed further.

I present in the same chapter the developmental alternatives calming the economic polarisation and strengthening the social cohesion in the North Hungarian Plain Land during the financial perspective 2014–2020.

It is inevitable for the European Union to elaborate effective mechanism to be effective in the global competitiveness.

The European Union needs to extend the political field and exert an effect on the global control through its own regulatory mechanisms. It is impossible to spread EU community policies without continuous, balanced communication with international organisations. Extension of EU influence on the area of non member states and proportionate distribution of costs of globalisation are also very important.

Finally, the dissertation tried to answer the questions put in the six research hypotheses and to confirm and prove those phrased in the research objectives.

8. LITERATURE

Borkó Tamás – Fodor Krisztina – Oszlay András (2007): Törésvonalak az Európai Unió költségvetési forrásainak elosztásában, a 2007–2013 pénzügyi keretmegállapodás kapcsán. ICEG European Center. Munkafüzet 20. 2007. június 30. 35 p.

Cohesion Policy 2007–13: *Cohesion Policy 2007–13. National Strategic Reference Frameworks*. January 2008. Luxembourg: Office for Official Publications of the European Communities. 2007. 78 p.

European Commission (2010): European Commission: Communication from the Commission, Europe 2020 a strategy for smart, sustainable and inclusive growth, COM(2010) 2020. 3.o.

Forgács Imre (2009): *Mégsem éjjeliőr? Az európai kormányzás esélyei és a pénzügyi válság*, Osiris–Zrínyi Kiadó, Budapest.

Musto István (2005): Langyos euroesőre várva. – *Mozgó világ*, 10. sz.

9. PUBLICATIONS IN THE THEME OF THE DISSERTATION

Book in Hungarian:

Eperjesi Z. 1999: Az euróról. Jó tudni sorozat. Perfekt Pénzügyi Szakoktató és Kiadó Zrt., Budapest. 100 oldal. ISBN: 963-394-342-6,

Scientific publications in Hungarian revised journals:

- Eperjesi Z. 2005: Magyarország csatlakozása az Európai Unióhoz. – Társadalom és Politika. 1–2. 44–64. ISSN 1786-8475
- Eperjesi Z. 2005: Az Európai Beruházási Bank gazdaságélénkítő tevékenysége az Európai Unióban. EU Working Papers: Gondolatok munka közben. – A Budapesti Gazdasági Főiskola Külkereskedelmi Főiskolai Karának szakmai folyóirata. VIII. évfolyam, 4. szám. 40–48. ISSN 1418-6241.
- Eperjesi Z. 2005. A tudásalapú gazdaság és társadalom kialakulásának esélye az átalakulóban lévő magyar társadalomban. Az ELTE Nemzetközi Kapcsolatok és Európai Tanulmányok Tudományos Diákkörének 2005-ös külön kiadása. Budapest. 18–22.
- Eperjesi Z. 2006: A tudásalapú gazdaság és társadalom az átalakulásban. – Kultúra és Közösség. 10. évf. 2. 73–77. ISSN 0133-2597
- Eperjesi Z. 2008: Az állami szektor szerepe a gazdaságban. – Budapesti Gazdasági Főiskola, Külkereskedelmi Főiskolai Kar. – Szakmai füzetek 22. szám. 5–13. ISSN 1587 5881
- Eperjesi Z. 2012: Az Európai Unió versenyképessége a globális kihívások közepette. – Polgári Szemle 8. évfolyam, 3–6 szám. 74–99. ISSN 1786-6553
- Eperjesi Z. 2013: A versenyképesség és szociális kohézió kapcsolata az Európai Unióban (2007–2013). – Gazdálkodás. 57. évfolyam, 1.sz. 24–41. ISSN 0046-5518
- Eperjesi Z. 2013: Világgazdasági válság és az Európai Unió kilábalását és versenyképességének erősítését segítő „Európa 2020” stratégia. – Szabolcs-Szatmár-Beregi Szemle. (Megjelenés alatt.) 14 oldal. ISSN 0133-2465
- Eperjesi Z. 2013: Versenyképesség és szociális kohézió az Európai Unióban. – Erdélyi tudományos füzetek. 18 oldal. ISBN 978-963-631-166-7

Revised conference publication in a foreign language:

- Eperjesi Z. 2005: The European Union’s strategy for sustainable development. EDAMBA 8th International Science Conference within European system in doctorands education. 5 oldal. Nove Zamky, Slovakia
- Eperjesi Z. 2005: Die ungarische PHARE CBC Programme. – Európai kihívások III. Tudományos konferencia. Szegedi Tudományegyetem, Élelmiszeripari Főiskolai Kar. Juhász Nyomda, Szeged. 203–208. ISBN 963 482 757 8

Eperjesi Z. 2007: Evaluation of Global Loans of the European Investment Bank. – 6th International Conference of PhD students. Miskolc, Miskolci Egyetem Innováció és Technológia Transzfer Központ. 139–147. ISBN 978-963-661-778-3

Revised conference publication in Hungarian:

Eperjesi Z. 2004. A Német Szövetségi Köztársaság regionális politikája, különös tekintettel a keleti tartományok felzárkóztatására. – Fialat regionalisták IV. Országos konferenciája. Győr. 17 oldal.

Eperjesi Z. 2012: Versenyképesség versus szociális kohézió az Európai Unióban, Változó világ, társadalmi és gazdasági útkeresés. – VEAB konferencia. Széchenyi István Egyetem, Győr. Nyomdai munkák: Budapesti Gazdasági Főiskola, Külkereskedelmi Kar nyomdája, Budapest. 71–81. ISBN 978-963-7159-44-2

Eperjesi Z. 2013: A versenyképességet szolgáló regionális stratégiák. – Agrártudományi Közlemények (Acta Agraria Debreceniensis). 5 oldal. ISSN 1587-1282

Eperjesi Z. 2013: Az Európai Unió versenyképességének elemzése. – Agrártudományi Közlemények (Acta Agraria Debreceniensis). 5 oldal. ISSN 1587-1282

Eperjesi Z. 2013: Vegetable production based on waste heat in closed greenhouses considering economic usage and competitiveness of the European Union. – Agrártudományi Közlemények (Acta Agraria Debreceniensis). 5 oldal. ISSN 1587-1282

Eperjesi Z. 2013: Az Európai Unió kohéziója és versenyképessége a stratégiák szintjén. *Ekonomicke studie – teória a prax* (Gazdasági tanulmányok – elmélet és gyakorlat), Kiadó: International Research Institute s.r.o., Komárno, Slovakia, 515–524. ISBN 978-80-971251-2-7. Nemzetközi konferencia.

Eperjesi Z. 2013: Az Európai Unió versenyképessége a globális világ gazdaságban. MicroCAD Nemzetközi Tudományos Konferencia. Miskolc, Miskolci Tudományegyetem. 14 oldal. ISBN 978-963-358-018-9

Eperjesi Z. 2013. Az állam szerepe a gazdaság koordinálásában. MicroCAD Nemzetközi Tudományos Konferencia. Miskolc, Miskolci Tudományegyetem. 11 oldal. ISBN 978-963-358-018-9