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The Competitiveness Obsession

Questioning promises of growth

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Content

Revival of the »competitiveness« agenda

Once again, everyone in Europe is talking about competitiveness. Like during the Euro crisis, when, hand in hand with far-reaching wage and tax cutting, »improving competitiveness« was elevated to the principal economic policy aim, employers' organisations and above all conservative and economically liberal parties are once more demanding similar reforms. Among other things, a relaxation of labour and environmental standards, wage restraint, tax cuts and cutting red tape are on the agenda.

Such plans are already being put into practice in the government programmes of key states such as France and Germany. The new – and now former – government in Paris under Prime Minister François Bayrou, faced by a stumbling economy, is banking on a massive austerity programme. They hope to generate €43.8 billion in savings through cuts of €20.8 billion in state and social spending, alongside other measures. Pensions, social benefits and tax rates are to be frozen (*»année blanche«*), public sector vacancies will not be filled, unemployment insurance will be tightened up further and two public holidays will be abolished. This approach failed politically after Bayrou lost the confidence of Parliament. There are currently no foreseeable alternative solutions, leaving the country at an impasse.

Similarly in Berlin the CDU/CSU and SPD (»black-red«) coalition agreement promises a big push towards »consolidation«. Unemployment benefits are to be cut further and the eight-hour day is set to be replaced by a new »maximum weekly working hours«. Also promised is an »emergency programme to cut red tape«, as well as abolition of the so-called Supply Chain Act (to be more precise, the Obligation to Exercise Due Diligence in the Supply Chain Act). It is supposed to be replaced by the Corporate Sustainability Due Diligence Directive 2024 (CSDDD), except that Chancellor Merz and President Macron are already advocating its abolition.

At strategic level, too, »more competitiveness« remains the cynosure of European economic policy. The Draghi report *The Future of European Competitiveness* from 2024 puts improving competitiveness at the centre of its economic policy recommendations. Building on that, in January 2025 the European Commission presented its »Competitiveness Compass«, which is supposed to »restore Europe's dynamism and boost our economic growth« (European Commission 2025).

The current geopolitical situation lends additional weight to the notion of competitiveness. Increasing tensions between the United States and China, as well as the resulting protectionist economic policy, are ramping up the pressure on European economies to take action. In this context many regard enhanced competitiveness as crucial to economic stability and viability going forward.

This short study shines a critical light on these assumptions. Its analyses the economic policy debates on competitiveness in Brussels and other European capitals with regard to their coherence and highlights key theoretical and practical flaws. It sees the so-called »fallacy of composition« as a particular threat to the future of Europe. In other words, what may be perfectly rational and feasible for individual states when it comes to boosting their own competitiveness would result in a macroeconomic crisis if every state pursued the same path. Because competitiveness is relative, this approach would lead to a ruinous contest for lower wages and standards, a classic race to the bottom. In other words, the mantra of general competitiveness would prove a poor engine of growth for a large economic zone such as the European Union. Furthermore, this fixation on competitiveness remains a short-term solution to a deeper lying problem, namely the lack of coherent economic policy goals at European level. In contrast to, for example, the People's Republic of China, which pursues targeted industrial policy and innovation-led strategies, the EU lacks common coordination mechanisms and a long-term economic policy mission statement.

This study is structured around five theses. First, the concept of competitiveness is analysed theoretically, evaluated critically and questioned in terms of its significance for rising living standards (Theses 1–2). In a next step, long-term economic policy dynamics in Europe are examined in the context of competitiveness, highlighting the destructive consequences of the existing model (Theses 3–4). In the concluding part, prospects for Europe's economic policy reorientation are developed, beyond the dogma of competitiveness and towards an intelligent institutional framework that would enable sustainable growth, social stability and innovation (Thesis 5). A fundamental realignment of European economic policy is indispensable, especially amidst geopolitical tensions in which the European economy must draw strength from within (no longer relying on demand from abroad).

Progress over Obsession: 5 Theses for a productive Competition

Thesis 1: Competitiveness is relative – it is impossible to raise competitiveness across all economies at once

References to competitiveness seem to be everywhere in European economic policy discourse. However, the term is rarely defined or analysed. Employers' organisations and many conservative and economic-liberal actors associate competitiveness above all with cutting wages, reducing government regulation – especially employment and environmental protection – and lowering taxes. By contrast, trade unions and other employees' organisations emphasise the importance of competitiveness in ensuring long-term and sustainable economic growth.

In policy debate, the term is deemed so self-explanatory that little thought tends to be given to what it really means. A more detailed analysis is well worth the effort. However, because it brings to light a number of major flaws in the common usage. According to one academic definition of competitiveness, it concerns »a firm's or a country's relative ability – in comparison with other firms and countries – to sell and supply goods and services« (Ott 2014). Competitiveness is thus relative by definition: it does not describe an absolute value, but a position in comparison with others.

It thus boils down to a zero sum game: if a country or firm improves its competitiveness, it improves its position in relation to other actors. By definition, therefore, the relative competitive position of the rest gets worse. Collectively increasing the competitiveness of all countries or firms is thus impossible, on logical or conceptual grounds alone. All actors cannot improve their competitive position at once, any more than the world as a whole can become more competitive.

Changes in exchange rates are a telling example of this. If a country devalues its currency its exports become cheaper abroad, which enhances its competitiveness in international markets. By the same token, however, this means that other currencies, relatively speaking, are revalued, as a consequence of which their exports become more expensive, which weakens their competitiveness to the same extent. Improving competitiveness on one side thus goes hand in hand with a worsening on the other. Hence, not all countries can become more competitive from a currency devaluation at the same time, just as all contestants in a race cannot catch up at the same time without the distances between them switching around. British economist John Maynard Keynes characterised this conceptual dilemma as a »fallacy of composition«: what is feasible and even rational for an individual actor – for example, devaluing the currency to improve competitiveness – is impossible if all attempt the same thing.

Precisely because competitiveness is relative, it reaches its limits as an economic policy goal in particular when it comes to overall economic prosperity and rising living standards. A relative improvement in one's own position in competition with other actors provides no solution to the question of how to create new value and facilitate broader prosperity gains. Absolute and relative values thus have to be distinguished and economic policy aims and instruments have to be adjusted in order to bring about prosperity and structural change across the economy and society.

To this end, a different reference indicator is required, namely productivity. In contrast to competitiveness, which is a relative measure and thus involves a zero sum game, productivity can rise in absolute terms and is thus the right way to achieve sustainable economic progress. Productivity is the key to raising living standards. Real wages – that is, wages adjusted for inflation – can rise over the long term only if productivity also improves. Without a change in the structure of production, accompanied by higher output per hour of work (for example, through the automation of previously manual tasks), no additional real value can be created that can then be distributed. Wage increases without productivity gains lead only to a parallel rise in prices and thus do not represent real rises in income. That can be achieved only through productivity growth.

On the other hand, wage rises can drive productivity gains because they indicate to firms that they can improve their competitiveness only through investments and higher productivity, and not by wage dumping (Kaczmarczyk 2022: chapter 3). Furthermore, instruments such as the minimum wage boost workers' employment mobility, which goes hand in hand with higher productivity and better pay (Dustman et al. 2021). Good wages and wage rises in line with general productivity growth increase the pressure on firms to replace inefficient structures and press ahead with technological or organisational innovations.

Productivity improvements are thus the result of dynamic processes driven by adequate institutions, investments and technological progress. Economist Joseph Schumpeter summarised all this in his theory of economic development: investments that lead, via innovation, to a restructuring of the productive base replace old products and production structures with new ones and raise living standards (Schumpeter 2017; Kaczmarczyk/Flassbeck 2023). He famously characterised this process as »creative destruction«. A series of key conditions must be met to set this process in motion, including ensuring that borrowing costs are not too high (monetary policy) and boosting a form of competition aimed at higher productivity (economic policy).

Schumpeterian competition has little to do with the conventional understanding of competitiveness, which is related mainly to wage and cost cutting, along with undermining labour and environmental standards. Rather Schumpeter rejects the common view that higher competitiveness in itself ensures more growth and development. From a macroeconomic standpoint this is perfectly consistent: the world as a closed economy can neither increase nor lose its competitiveness while there is nothing to stop the world economy from growing. Growth and development must be driven by more than competitiveness alone.

Schumpeter's theory puts the *quality* of economic competition centre stage. It is easier to understand what kind of competition is economically beneficial and what kind is destructive using a microeconomic model. From a microeconomic standpoint, firms or states have two options when it comes to enhancing their competitiveness: they can either improve productivity or cut wage costs. In both cases so-called unit wage costs are lowered, in other words, wages in relation to productivity, which are a decisive measure of competitiveness.

If a firm invests at a given wage level (or a country benefits from extensive investments) and thus productivity – that is, output per hour worked – rises, the firm (or firms based in the aforementioned country) can now lower the prices of their products or penetrate the market at a higher margin and thus gain market share. To survive, other companies will be compelled to copy the new production methods or products. As a consequence, the structure of production in the economy will change and living standards will rise. As a result, Schumpeter's »creative destruction« will occur: a pioneer (it might be a public or a private organisation) introduces an innovation (in other words, a new combination of factors of production, which boosts productivity). By means of competition, which compels all participants to adopt the innovation, the process of economic development unleashes its positive effects on an economy's living standards and methods of production.

Destructive competition stands in sharp contrast to high quality competition: if a firm (or a country) retains its structures of production and lowers wage costs, there will be no process of creative destruction. Structures of production remain the same, even though the relevant company or country derives competitive gains that put the other actors under pressure. If there is no mechanism to counteract it, boosting a country's or a firm's competitiveness in this way will trigger a race to the bottom, because in the short term cutting wages or labour standards is the only lever available for restoring competitiveness. As we shall see in the next section, precisely this destructive form of competition was the dominant one in Europe and contemporary rhetoric is leading the European economy back along the path of internal devaluation.

Thesis 2: Living standards can be improved only through higher productivity – this raises the issue of the quality of competition

The EU has been obsessed with competitiveness for the past thirty years. The Maastricht Treaty aimed to create a »highly competitive social market economy« (Treaty on European Union, Article 3) and through its construction (stability goals, convergence criteria, lack of economic policy coordination) established a paradigm of competitiveness aimed primarily at cost cutting and market discipline (Scharpf 1995; Wigger/Buch-Hansen 2010). Boosting competitiveness thus became a political imperative at the very outset, even though there was no common European strategy to improve productivity, boost innovation or industrial development. In other words, economic policy was supposed to instigate general competition between firms and countries, but with no notion of or guidance concerning quality or the »direction« this competition would take.

In subsequent years, this lack of a strategy and the related institutional deficit pervaded the EU's economic policy orientation. In 2000 the European Union confirmed that its strategic goal was »to become the most competitive and dynamic knowledge-based economy in the world« by 2010 (European Council 2000). During the Eurocrisis the lack of competitiveness was criticised, in particular that of the southern European states, which came under considerable pressure to implement structural reforms with a view to »increasing their competitiveness« (Scharpf 2016; Ryner 2015; 2019; Schmidt 2020). German Chancellor Angela Merkel, for example, demanded a »Competitiveness Pact« on the grounds that only competitiveness could maintain and increase prosperity in Europe (German Government 2013). The Draghi report and the European Commission's new Competitiveness Compass also emphasised competitiveness as a means of boosting the economy (Draghi 2024). Thus the issue of competitiveness is the EU's main economic policy constant.

Thesis 3: The fixation on competitiveness undermines domestic demand and curtails the growth of large economies such as the EU

In particular for large economies, such as the EU, however, this obsession with competitiveness is associated with direct consequences. In other words, to the extent that, instead of high quality competition between national economies, so-called »market forces« are given free rein, member states and firms have every incentive to chase competitiveness over against the other members of the economic zone, especially through wage restraint, spending cuts or lower labour and environmental standards. Such measures have no need of innovation and their effects are generally short-term. This comes at the expense of domestic demand, however, and for the European economy as a whole positive impulses from foreign trade are insufficient to compensate for the negative effects on growth, which frustrates these economic policy measures.

Figure 1 illustrates the contribution of domestic demand to GDP compared with foreign trade for the Eurozone and the United States. It can clearly be seen that domestic demand is by far the dominant factor in both currency areas. In particular during the Eurocrisis the policy of wage and spending cuts based on »competitiveness« pushed GDP down sharply. In the United States, by contrast, where government action has been expansionary, growth rates overall were higher, even if the contributions from foreign trade were mainly negative. In the 2020s the mistakes of the Eurocrisis seemingly are being repeated. Domestic demand is again weak, while in the United States it is making a decisive contribution to the high growth rates.

Higher competitiveness is incapable of growing an internal market as large as the European single market as long as it is based primarily on wage restraint and does not receive sufficient impetus »from outside«. The growth lost because of wage repression cannot be made up from improvements in foreign trade.

The reason lies in one of the most important economic laws, the so-called distance effect of trade. Trade diminishes with distance. The so-called gravitational model shows that countries trade more with one another the larger their economies are and the closer they are located (Head/Mayer 2014).

The empirical rule of thumb is that trade halves as geographical distance doubles (Brei/von Peter 2017). Notwithstanding the frequent references in public debate to modern technologies, digitalisation and international trade agreements, the distance between trading partners remains significant. Indeed, the effects of distance are surprisingly strong and tend to remain stable over time or even increase (Mehl et al. 2024; Brei/von Peter 2017; Disdier/Head 2008; Anderson/van Wincoop, 2004). Although more recent methodological approaches have been able to diminish the so-called distance puzzle, they have not been able to solve it completely (Yotov 2012). »The world is not small after all«, as Leamer (2007) put it. He characterises the negative effects of distance on trade as »possibly the only important finding that has fully withstood the scrutiny of time and the onslaught of econometric technique«.

The notion that the competitiveness (which is relative) of an economic area as big as the Eurozone or indeed the EU must increase, especially in relation to other countries, is thus based on the fallacy that it is in competition with these countries like companies in a market. The economic literature has refuted this thesis. To the extent, however, that EU economic policy and the EU institutions are based on the fallacy that mutual undercutting among European states makes the EU as a whole »more competitive« in relation to the rest of the world, domestic demand will be destroyed, which in turn will have negative effects on growth and economic development. Furthermore, this competition within the internal market – particularly when pursued as a race to the bottom with regard to wages and standards – affects partners outside Europe and global supply chains. If EU production costs are artificially supressed, this increases the pressure along international supply chains and may thus exacerbate dependencies or upheavals in the new geo-economy.

The Eurozone is simply too big to generate growth momentum through the external trade sector. It therefore makes sense to regard the EU as a relatively closed economy when it comes to fundamental economic policy guidelines. This is the only way of doing justice to the paramount importance of boosting geopolitical autonomy and limiting the risk of external shocks, such as those arising from disrupted supply chains, while also avoiding the upheavals resulting from high current account imbalances.

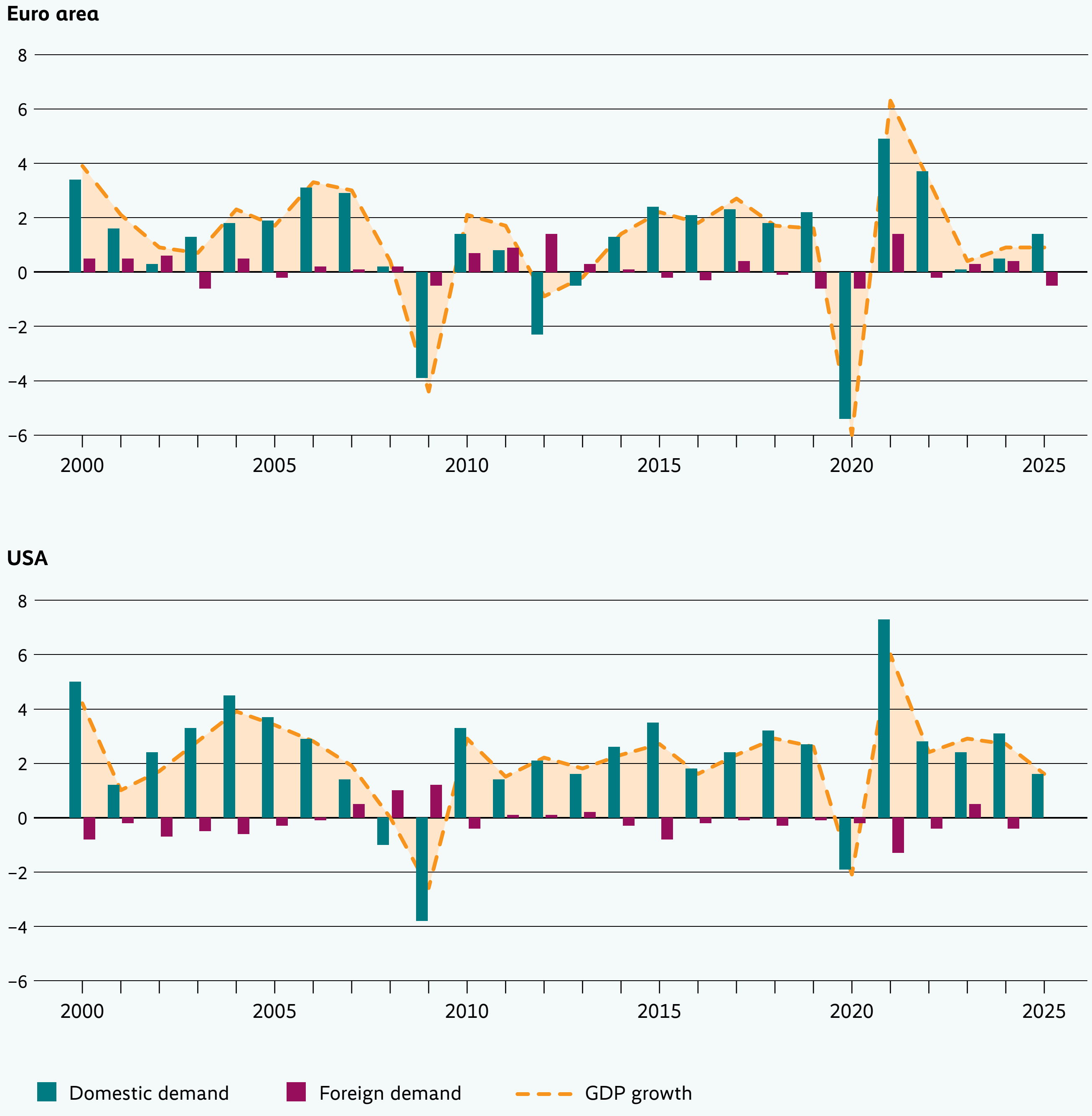
Thesis 4: Europe's obsession with competitiveness has harmed its economy

Figure 2 shows how strong the pressure on wages and thus on prices has been in Europe. It is evident that the development of unit wage costs and thus of the competitiveness of individual national economies diverged sharply before the Eurocrisis. Germany in particular, as the biggest economy in the economic zone, put pressure on the European economy as a whole (Flassbeck/Lapavitsas 2015) through downward pressure on wages from the late 1990s. In the wake of the Eurocrisis, by contrast, classic convergence did not take place, in the sense that both surplus and deficit countries made adjustments – the surplus countries through stronger wage growth and a more expansive fiscal policy, the deficit countries through deflationary measures (Scharpf 2016). In accordance with the dogma of general competitiveness, adjustment in the crisis took place almost entirely on the side of the deficit countries. They had to lower their unit wage costs through internal devaluation (wage and spending

Fig. 1

Contributions to growth from internal and external demand

in per cent



Source: AMECO.

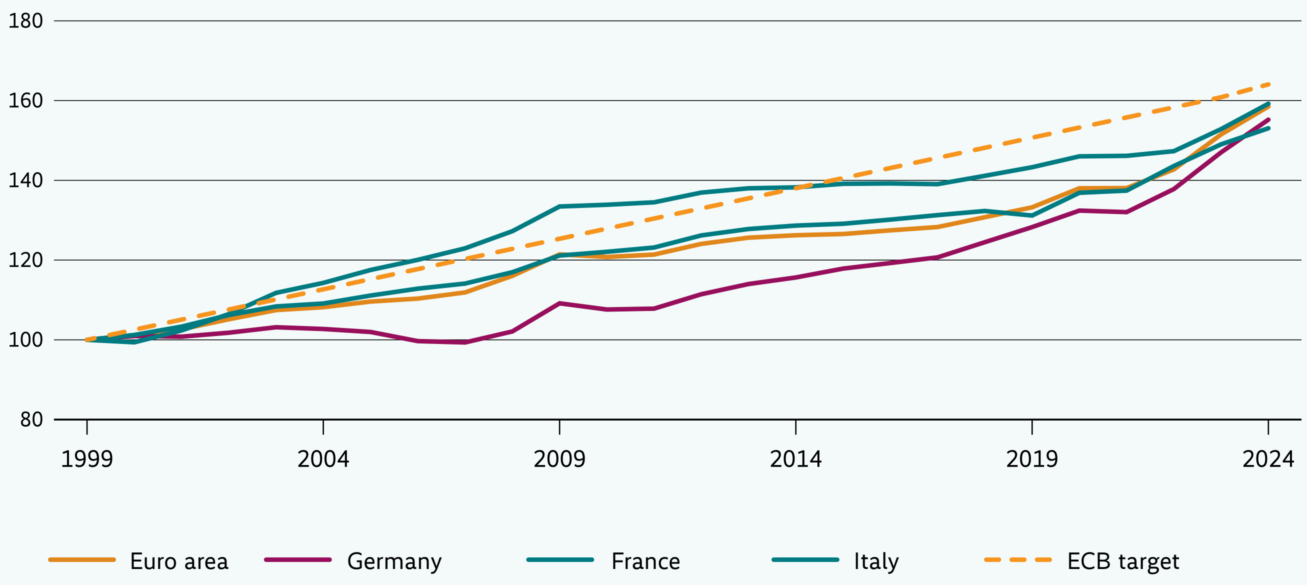
cuts), resulting in higher unemployment, a slump in growth and a slowing down of investment.

This asymmetric distribution of the burden is reminiscent of the adjustment mechanisms of fixed exchange rate systems in the past, such as the gold standard. In the latter case, deficit countries adjusted primarily downwards (Eichengreen 1992). The surplus countries dodged their responsibilities, as a result of which the overall burden fell on the shoulders of countries that were already hard hit by crisis. Only in recent years has there been more convergence, although this was due to inflationary surges resulting from the pandemic and the subsequent energy price crisis. The long-term development of unit wage costs thus highlights the extent of adjustment pressure in only one direction, which weakened overall economic momentum in the Eurozone.

Fig. 2

Development of unit wage costs

1999 = 100



Source: Eurostat.

Because the improvements in competitiveness between the European economies were primarily the result of wage and spending cuts – initiated first of all by large economies such as Germany, then imposed on the crisis countries by adjustment programmes – it hit not only growth but also investment dynamics. Productivity growth depends fundamentally on investment, so the destructive nature of competition in Europe led to poor productivity development. Figure 3 shows the development of real productivity growth since the 1970s (ten-year average), which makes clear that productivity dynamics pretty much collapsed. In countries such as France, productivity has even declined in recent years, while in Germany and the Eurozone as a whole, it has barely exceeded zero.

If, within the framework of European competition, short-term gains have to be made primarily by optimising costs instead of lowering unit wage costs through investment and higher productivity, the slowdown in productivity growth will be accompanied by precisely the effects that Schumpeter's theory predicts. This is because innovations becomes less important than optimisation of existing structures. The 2020s have certainly been characterised by particular crises that have exacerbated the productivity crisis. The underlying secular trend remains unchanged, however. In France there have been additional effects, such as an employment policy strategy aimed at boosting employment among less qualified workers and the artificial retention of many workers through Covid-19 measures, which promoted labour-intensive growth and also hampered productivity.

Thesis 5: Better competition, not just more competition is the key, underpinned by common rules and institutions that promote productivity and fair conditions

Low productivity dynamics and low growth are thus direct consequences of the competition model to which Europe has committed itself: an institutionalised »all against all«, with both limited cooperation between states and little strategic direction for the economy. Europe has to learn the basic principle that it needs a high degree of economic policy coordination in order to ensure that firms, but not states, compete with one another. At the same time, competition rules should be designed in such a way that they ensure high quality competition.

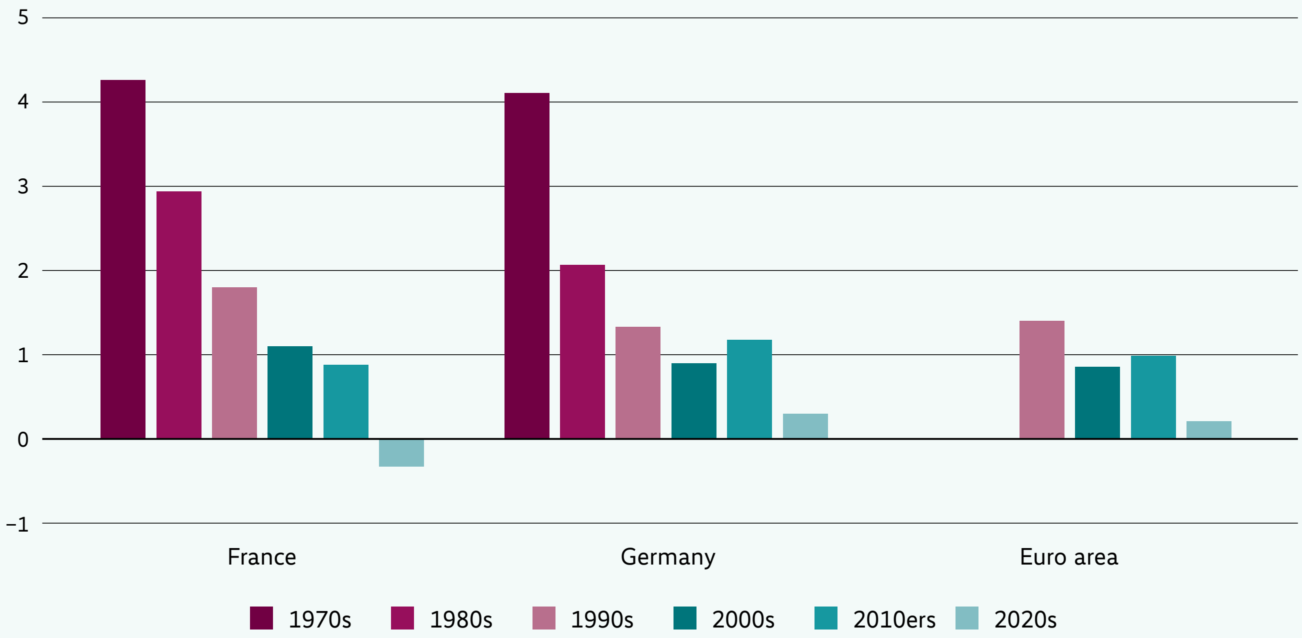
As we have seen, competitiveness as pursued hitherto is basically relative in character. But it is a mistake to set (European) states against one another in a common internal market as rivals in pursuit of lower wages and poorer standards. On one hand, this weakens domestic demand to an extent that no export gains can compensate. On the other hand, current account imbalances destabilise financial markets and can provoke a protectionist counter-reaction. Instead, an institutional architecture is needed that aims not primarily at improving external competitiveness, but rather at strengthening the internal economy.

Such a paradigm change does not entail the end of competition, but instead a deliberate improvement in quality. In concrete terms, this means that future economic policy

Fig. 3

Productivity development in France, Germany and the Eurozone

in per cent



Source: AMECO.

must be oriented towards absolute indicators, such as productivity. Unlike competitiveness, productivity can be increased collectively. Sustainable growth and rising living standards, after all, can be achieved only through investments, innovations and structural transformation. By contrast, competition that is pursued primarily through wage cuts or dismantling standards lacks such a goal: the productive base is not renewed, productivity growth remains weak and Europe falls behind by global comparison.

Economic policy measures: a different model of competition is needed

If Europe is to make economic progress, it therefore needs a clear common direction for economic development in order to set the right course for industrial policy. With regard to the twenty-first century, climate neutrality and social issues are key. To that end, states thus require more fiscal and industrial policy leeway, supported by monetary policy. To ensure that such qualitative competition can thrive further, economic policy guidelines and new institutional rules are needed. Three key mechanisms are indispensable:

1. Broader collective bargaining coverage

As already called for in the European Minimum Wage Directive, collective bargaining coverage needs to be strengthened at European level. Broader collective bargaining coverage ensures that firms within a sector enjoy comparable starting conditions. Ultimately, it is productivity, not wage dumping, that determines economic success. This also applies to labour and environmental standards, which must cease to be regarded as detrimental to the attractiveness of economic locations. Instead, binding European minimum standards should be established and implemented by Member States, in order to prevent the development of unfair competitive advantages for individual countries.

2. Europe needs fundamental wage coordination

A coordinated European wage policy is also needed. The so-called »golden wage rule« should be the benchmark here: nominal wages must rise in line with macroeconomic productivity growth and the target inflation rate. In the case of an inflation target of 2 per cent and expected productivity growth of 1 per cent, for example, this would mean that nominal wages have to rise by 3 per cent. Such a rule not only maintains price stability, but also ensures fair participation of all income groups in economic development. At the same time, it prevents the development of internal imbalances.

This is key to sustainable stability, in particular in a currency area in which nominal re- or devaluation are no longer an option because the relevant countries are either members of the Eurozone or have pegged their currencies to the euro. If individual countries achieve above average productivity growth by means of high investment, wages there must rise accordingly to ensure that real competitiveness remains constant and imbalances are not permitted to destabilise the whole economic area.

In the case of extensive collective bargaining coverage and broadly rising wages, firms would enjoy planning security because they would know that investments and innovations – in other words, higher productivity – are the only way of remaining in the market in the long term. Wage dumping to improve competitiveness would be excluded in principle and any gains from relocating production to lower wage countries would be short-lived. Because productivity growth in Europe tends to be higher in less developed countries, and economies catch up quickly, wages in these locations would also rise more sharply. The upshot of which would be that unit wage costs would fall over time in relation to the high wage countries. Furthermore, in such a system, all Member States would have considerable incentives to carry out social investments, for example, in education and health care, as well as in public infrastructure, in order to create a better basis for higher productivity growth in the future over the whole economy.

3. Current account imbalances should be reduced by means of wage and fiscal policy

Besides enhancing collective bargaining coverage and wage coordination, a long-term aim must be to reduce any current account imbalances that may have developed. This requires targeted wage and fiscal policy measures to correct such imbalances step by step. Germany, which has run enormous current account imbalances for years, has a particular responsibility in this respect: without boosting domestic demand in the surplus countries, any attempt at European coordination will be in vain, because their advantages over the other Member States in the currency union will remain. The surplus countries, especially Germany, must aim long-term at achieving wage development that gradually closes these gaps and thus relieves pressure on wages and domestic demand in the rest of the currency area.

In surplus economies such as Germany, appropriate economic policy tools to achieve this would include a decent rise in the minimum wage, stronger collective bargaining coverage and significant public sector wage increases, compelling the private sector to follow suit. Member States such as France, which have achieved their relative unit wage cost reductions through internal devaluation, could, in line with expansionary impulses in the surplus countries, gradually turn away from their harsh austerity policy in order to avoid endangering domestic demand in Europe. This is of the utmost importance in a context of geopolitical upheaval.

Conclusion

Europe should cease to pin its economic future on boosting competitiveness across the board. And by all means, it needs to avoid a race to the bottom with regard to wages and labour and environmental standards. Paradoxically, in order to remain globally competitive, Europe has to free itself of its obsession with competitiveness. This obsession has led to a model aimed first and foremost at improving competitiveness by driving down wages at the expense of investments, innovations and productivity growth. Europe therefore needs a new competitive blueprint that serves long-term economic, social and environmental goals. Henceforth, economic policy should be based on innovation and productivity growth rather than wage cuts and fiscal austerity in the vain pursuit of 'competitiveness', which can only lead to the economic ruin of the Member States. There is no question of abolishing economic competition; the point is rather to harness it to serve a common future, as a means to an end, rather than as an ideological end in itself.

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List of figures

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The Friedrich-Ebert-Stiftung

The Friedrich-Ebert-Stiftung (FES) was founded in 1925 and is the oldest political foundation in Germany. Today, it remains loyal to the legacy of its namesake and campaigns for the core ideas and values of social democracy: freedom, justice and solidarity. It has close ties to social democracy and the free trade unions.

FES promotes the advancement of social democracy, in particular through:

→ political educational work to strengthen civil society;

→ policy advice;

→ international cooperation with our international network of offices in more than 100 countries;

→ support for talented young people;

→ maintaining the collective memory of social democracy with archives, libraries and more.

The Division for Analysis, Planning and Consulting at the Friedrich-Ebert-Stiftung

The Division for Analysis, Planning and Consulting at the Friedrich-Ebert-Stiftung sees itself as a sort of radar system mapping out the future and as an 'ideas factory' for social democracy. It combines analysis and discussion in its work. It brings together expertise from the fields of academia, civil society, economics, administration and politics. Its aim and purpose is to advise political and trade union decision-makers to help them meet current and future challenges, and to introduce progressive ideas into the social policy debate.

Other publications

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A New Era in Industrial Policy – Toward a European Inflation Reduction Act
Diskurs March 2023
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The Competitiveness Obsession
Questioning promises of growth

This short study criticises taking »competitiveness« as the central goal of European economic policy. Because competitiveness is essentially relative, the inevitable upshot in a large economic zone such as the European Union is a ruinous contest to drive down wages and lower standards. This race to the bottom depletes domestic demand, investments and productivity and thereby undermines sustainable growth and social cohesion. Instead of an intensive »war of all against all« Europe needs high quality competition capable of meeting the challenges of the twenty-first century (climate neutrality, social issues, geopolitical power shifts) and is thus oriented primarily towards innovations and productivity gains. To that end, broader collective bargaining coverage, a coordinated European wage policy and a reduction of economic imbalances are necessary.

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