

## **Sergiusz Prokurat**

### **European Social Model and East Asian Economic Model – different approach to productivity and competition in economy**

#### **Competition as the grounds for the survey of the economic systems**

Globalization and economic integration were the two fundamental socio-economic phenomena in the global economies of the last years, apparently not only in Europe but also in Asia. The most visible sign of the ongoing process of globalization is the increase of global competition, perceived as economic competition between countries or enterprises in global scale. Although competition and globalization shall not be equated by treating them as synonyms, yet there are numerous irrefutable proofs that globalization is a factor directly magnifying and intensifying competition. On the other hand, competitiveness helps us come up to the challenges of globalization.<sup>1</sup>

The grounds of positive effects of competition lie in the conviction that in the end the success of others is also our success. According to Adam Smith, self-love stimulates entrepreneurship and inspires us to act.<sup>2</sup> At the same time, the father of modern economy believes that other peoples' success is precious and indispensable for a human being.<sup>3</sup> The thesis developed by Adam Smith, according to which the objective of the entities active on the market is competition within the frames of the existing system, goes beyond the scope of simple „egoism– altruism” dichotomy. Thanks to self-love driven aspirations, the role of the market assessing if these aspirations are justified in the light of general social aspirations and peoples' fondness, there emerge barriers allowing for global cooperation bringing benefits to all. Thus, in its essence, competition may help us solve the fundamental gradually increasing problems that a modern man must face, as it helps us differentiate the effective from the ineffective.<sup>4</sup> The oldest manifestation of competition is that occurring beyond borders, e.g. between countries or blocks of countries. The idea of competition is directly linked with the market it affects, hence operating in a specific economic system influences many factors, including the productivity of individuals or competitiveness of enterprises.

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<sup>1</sup> “Globalization (...) denotes the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction.” [Held D., McGrew A., *Globalization/Anti-Globalization*, Blackwell 2003, p.1.

<sup>2</sup> Smith A., *Teoria uczuć moralnych*, Warsaw 1989, p.8

<sup>3</sup> Smith A., *Teoria uczuć moralnych*, Warsaw 1989, p.18

<sup>4</sup> Bernat T., *Konkurencja jako podstawa ekonomii XXI wieku*, in: *Teoretyczne aspekty gospodarowania*, Kopycińska D. (ed.), Wydawnictwo Naukowe Katedry Mikroekonomii US, Szczecin 2005, pp.143-150.

The economic order of each country is governed by its own specific nature. Thus, understanding the grounds underlying the economic model shall in practice relate to the specific context of social, political, economic and culture realm. Having no knowledge about these fundamentals, it is hard to discuss capitalist economic systems. Furthermore, the meaning of this concept evolves in line with the changes taking place on the international arena, in the system of values and cultural patterns. Detailed analyses of these relations are successfully conducted by the representatives of a neoinstitutionalism school, best known for the works of the following surveyors: H.Demsetz, R.Coase, D.North, J.Buchanan, W.Niskanen and A.Downs.<sup>5</sup> The school examines *inter alia* the influence of mental patterns within society – called the „mental models” – on the development of economy of a particular country, which translates into its prosperity. The main thesis of the school reads: common habits and patterns among individuals in a particular country are the decisive factors determining whether the country is a poor or a prosperous one.

Comparative political economists have noted that there are many modes of managing capitalist economies.<sup>6</sup> The most basic formulation of this concept is a dichotomous distinction between coordinated market economies (CME) and liberal market economies (LME).<sup>7</sup> Currently patterns of the economic system create a system triad described in detail in the economics literature that embraces: the American laissez-faire capitalism, the European model of the social market economy and the Asian capitalism. Each of these models has its strengths and weaknesses.<sup>8</sup> The above survey is an attempt to describe and compare the economic basis of socio-economic models: European social model (ESM) and East Asian economic model (EAEM).

## **The European model**

The idea of the European social model (ESM) so far has not been defined, despite the fact it has been rather frequently used in the more and more extensive literature regarding the European Union. Since country socio-cultural arrangements differ among European countries, talking about a common “European social model” could be misleading.<sup>9</sup>

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<sup>5</sup> Fiedor B. (ed.), *Kierunki rozwoju współczesnej ekonomii*, Wrocław 1991, pp.176-186.

<sup>6</sup> Schonfield A., *Modern Capitalism: The Changing Balance of Public and Private Power*, New York 1965.

<sup>7</sup> Hall P., Soskice D. (eds.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, New York 2001.

<sup>8</sup> Mączyńska E., *Civilization at the Turning Point, Economic and Social Dilemmas*, paper prepared for the Congress of Political Economists International (COPE), 19th Annual Meeting, July 12-19, New Delhi 2008.

<sup>9</sup> Kleinman M., *A European Welfare State? European Union Social Policy in Context*, Palgrave, Basingstoke 2002, pp 44-59.

Substantially, there are four different models in the European countries: Nordic, Anglo-Saxon, Mediterranean and the Continental, and each of them is based on different assumptions.<sup>10</sup> Since globalization and its influence on our lives is the cause and the background of the debate on the European social model,<sup>11</sup> ESM is the project constituting the desirable path of evolution of the above referenced models. In order to present the assumptions underlying the system it is necessary to name the issues ESM tackles. Substantially, these are: different levels of economic growth of EU countries, differences in views upon the country-citizen relations, as well as historical differences.

ESM - pertaining to serve as more than common grounds for the economic systems functioning in the EU - is a mixture of values, achievements and aspirations, realized by different European countries in various degrees and forms, refers to the idea of *welfare state*.<sup>12</sup> The four fundamental features of ESM are:<sup>13</sup>

- 1) strong state interventionism and high share of tax income in the structure of the Gross Domestic Product (GDP);
- 2) strong system of welfare state, providing social protection for all citizens, especially including the ones in most urgent need;
- 3) the need to even the economic and social differences through implementation of system related solutions;
- 4) considerable role of social dialogue, public-private partnership, run by trade unions and other agendas promoting labor rights.

As noticed by Giddens, also the natural environment protection policy gain importance and may be from some time added to the above list.<sup>14</sup>

The most distinctive feature of ESM is the devotion to the principles of social justice, which assume priority of actions taken for the benefit of people over the maximization of profit. In other words, European social justice is the right of each citizen facing difficult situation to expect help.<sup>15</sup> This leads to the promotion of full employment, common access to healthcare and education, proper social security, welfare for the economically underprivileged and socially excluded groups. Summing up – ESM most distinctive feature

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<sup>10</sup> Sapir A., *Globalization and the Reform of European Social Models*, Bruegel 2005.

<sup>11</sup> Giddens A., *Jak ocalić model socjalny*, „Dziennik”, 18 Nov. 2008.

<sup>12</sup> Golinowska S., *Europejski Model Społeczny w działaniu - droga do sprostania wyzwaniom przyszłości*, in: *Dialog*, vol 3, 2008, s. 30-38.

<sup>13</sup> Giddens A., *The World Does not Owe us a Living!*, „Progressive Politics”, vol. 4.3, 2005.

<sup>14</sup> Giddens A., *A Social model for Europe?*, in: Giddens A., Diamond P., Liddle R. (eds.), *Global Europe, Social Europe*, Cambridge 2006.

<sup>15</sup> Książopolski M., *Europejski model społeczny*, in: Firlit-Fesak G., Szyłko-Skoczny M., *Polityka społeczna*, Warsaw 2008, p.422

is the belief that social justice may contribute to economic effectiveness and progress.<sup>16</sup> Europe is convinced that there exists no major contradiction between economic competition and social cohesion. Furthermore, society oriented policy may be treated as one of the key factors of the adjustment processes taking place in the economy undergoing restructuring, as it limits thereto related risks, is conducive to gaining new qualifications and tranquilizes social conflicts.

ESM was formed in the 50-ties and 60-ties of the XX<sup>th</sup> century, when the European elite became aware that poverty, unemployment and injustice are destabilizing factors.<sup>17</sup> Still a dozen years ago, EU was not implementing common society oriented policy, as it was the domain of nationalistic countries having considerably different legal and economic solutions. The development of the European social model was affected by the vision of deepened integration of Europe created by J. Delors<sup>18</sup>. The development of integration was followed by pressure on the coordination of social issues.

In the year 2000, with a European Council taking place in Lisbon, the European Union adopted an overall strategy to build a competitive knowledge economy, capable of sustainable economic growth with more and better jobs, greater social cohesion and respect for the environment.<sup>19</sup> Together with the Lisbon Strategy, there was announced the Social Policy Agenda 2000.<sup>20</sup> The main objective envisaged by the Agenda is „*more coherent society: equal opportunities*”. Fighting poverty and social exclusion was accepted as the starting point. The European Council defined the concept of ESM at the Barcelona summit 2002: „*The European social model is based on good economic performance, high level of social protection and education and social dialogue. An active welfare state should encourage people to work, as employment is the best guarantee against social exclusion*”.<sup>21</sup>

ESM is still evolving. The current direction of development is limiting state-financed social activities in favor of state-financed promotion of science and investment in human capital - from *welfare state* to *workfare state* model. For an individual it is a shift from *lifelong working* to *lifelong learning*. In order to achieve this target European Union engaged the concept of *flexicurity* – the idea of full employment and high level of social

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<sup>16</sup> Hemerijck A., *The Self-Transformation of the European Social Model(s)*, in: Esping-Andersen G., *Why We Need a New Welfare State*, Oxford 2002, pp. 173-174.

<sup>17</sup> Rosatti D., *Europejski model społeczny*, Warsaw 2009. p.26.

<sup>18</sup> Delors J. , *Our Europe*, London 1992.

<sup>19</sup> Presidency Conclusions of the March 2000 Lisbon European Council.

<sup>20</sup> Commission Communication (Social Policy Agenda), COM (2000) 379

<sup>21</sup> §22 of the Presidency Conclusions of the March 2002 Barcelona European Council, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/71025.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/71025.pdf)

security – borrowed from the Scandinavian model. At the same time, EU acknowledges that work in social-oriented Europe has its specific requirements. Thus, the European Committee supported the concept of *decent work* formulated by the International Labor Organization (ILO).<sup>22</sup> These activities constitute response to the potential worsening of labor standards due to the globalization of national markets. Generally, the paradigm of the European social model bases on the fact that economic, employment and social policy form a policy ‘triangle’ in which they mutually reinforce one another.

ESM is more than just a social model. It also directly influences production, employment and productivity and thus economic growth, competitiveness and other objectives of economic policy. There arises a question – is it possible to describe this enterprise in entirely neutral manner? It is a widely discussed issue. ESM has its adherents, however some individuals are highly skeptical for ideology, religious or economy reasons.<sup>23</sup> The skeptics claim that ESM may be the cause of crisis and stagnation phenomena, noticed for a long time in the European economy. The economic consequences thereof are: high level of burdens imposed on taxpayers and economy, gigantic non-wage labor costs and decline of competitiveness of the EU member states. The adherents of ESM claim that high social expenses may be perceived as a form of investment in human capital<sup>24</sup> and that blaming the welfare state for low economic growth and competitiveness may be a bit hasty, as shows the example of the Scandinavian countries. According to its adherents, ESM constitutes a specific „added value” and the civilization asset of the Europeans and the main competitive advantage that EU has over the USA and Asia.

By implementing ESM, the European Union goes beyond the economic nature and the assumptions of the project are not ideologically indifferent. Europe builds its social system basing on a purpose-rational model expressed by *inter alia* scientism, naturalism and materialism. The consequences of the dominance of this philosophical approach refer to the general question about the influence of instrumental rationality on our lives, customs, politics, the system of values and believes. The Europeans consider it to be the best solution of the socio-economic problems, at the same time perceiving rationalism as

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<sup>22</sup> European Commission, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, *Promoting decent work for all. The EU contribution to the implementation of decent work agenda in the world*, COM 249, Brussels, 2006.

<sup>23</sup> Prokurat S., *Anatomia eurosceptycyzmu na przykładzie „Naszego Dziennika”* „Studia Europejskie”, 2/2008, pp.89-114.

<sup>24</sup> Iversen T., *Capitalism, democracy, and welfare*, Cambridge University Press, Cambridge 2005.

the foundation of European identity. Today rationalism is recognized as a kind of ideological superstructure in the integrating Europe much more widely than did e.g. the Christian Democratic founding fathers of the Community.<sup>25</sup> Rational approach solves numerous social problems, creating however other problems on different fields. There occur various tensions on the ground of ethics, expressed *inter alia* by the dominance of rational science over religion and the need of rational effectiveness in economics, which does not always correspond to the expectations regarding differently social justice. The authority of European bureaucracy grounded on the assumption of the primacy of reason, coined in the age of Enlightenment, not always responding to the general will, which gives rise to further widely discussed issues such as: the European dispute regarding the decline of democracy in the EU institutions, superabundance of legal acts and excessive bureaucracy.

Historian Tony Judt has argued that the 'European social model' "binds Europe together" in contrast to the 'American way of life'.<sup>26</sup> This is a widely shared opinion. ESM is thus a project supporting and coordinating the process of European integration – it is a means and not the target itself. There exists an intellectual consensus the European integration on the ground of free market economy is impossible.<sup>27</sup> European integration, aiming at preventing wars among the EU member states, is thus based on interventionism, wherein the European social model serves both as the declared „social philosophy of the European Union” and the social dimension of the European integration in terms of politics and economy, implemented via different channels and through various activities.<sup>28</sup>

## **The Asian model**

The opinion that the XXI<sup>st</sup> century will belong to Asia seems obvious. Over the last half-century “Asian tigers” from the South-East Asia more than doubled its share of global GDP and increased per capita income at an average growth rate more than two times that in the rest of the world. The „Asian tigers” mentioned in the well known World Bank

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<sup>25</sup> Rakusa-Suszczewski M., *Max Weber, racjonalizm i pytania o przyszłość Europy*, „Studia Europejskie” vol.4, 2008, pp.33-55.

<sup>26</sup> Laity P., *Uncomfortable truths. Interview with Tony Judt*, "The Guardian", 17 May 2008.

<sup>27</sup> Kołakowski L., *Czy Europa może zaistnieć*, in: *Czy Pan Bóg istnieje i inne pytania?*, Kraków 2009, pp.161-179.

<sup>28</sup> Golinowska S., *Europejski model socjalny i otwarta koordynacja polityki społecznej*, „Polityka Społeczna” No. 11-12/2002.

publication of 1993: *The East Asian miracle: The Economic growth and public policy* are: Korea, Taiwan, Hong Kong, Singapore,

Country	[1]	[2]	[3]	[4]	[5]
<i>East Asia</i>					
HongKong	12.8	22	14	3,9	33 479
South	26.8	27	30	4,5	20 590
Malaysia	15.5	21	12	4,8	11 201
Singapore	13.0	15	20	5,2	28 368
Taiwan	12.4	-	-	4,5	27 721
Thailand	17.0	17	29	2,8	8 368
<b>Average</b>	16.2	20	21	4,3	21 621

Country	[1]	[2]	[3]	[4]	[5]
<i>EU-15(excluding Luxemburg)</i>					
Austria	43.4	50	51	2,2	33 896
Belgium	46.8	50	45	2,1	32 524
Denmark	50.0	53	63	2,1	34 367
Finland	43.6	50	43	3,6	31 367
France	46.1	54	52	2,2	30 104
Germany	40.6	47	50	1,3	30 253
Greece	33.5	47	48	3,9	22 691
Ireland	34.0	34	45	7,5	38 075
Italy	42.6	48	-	1,3	28 396
Netherlands	39.5	45	48	2,6	34 359
Portugal	37.0	48	53	2,4	19 707
Spain	37.3	38	60	3,7	27 284
Sweden	49.7	56	53	2,8	31 691
UK	39.0	45	53	2,8	32 265
<b>Average</b>	41.6	47.5	51	2,8	30 498

Malaysia, Indonesia and Thailand.<sup>29</sup>

Table 1: East Asia and Europe compared

Source:

- [1] *Tax revenue as a percentage of GDP*, Index of Economic Freedom, Heritage Foundation (2009),
- [2] *Public expenditure as a percentage of GDP*, 2003-2005, IMF Government Finance Statistics Yearbook (2005),
- [3] *Total tax payable by businesses as percentage of gross profit*, World Bank Doing Business database 2006 (2005),
- [4] *GDP as % growth*, 1996-2005, World Bank World Development Indicators database (2007),
- [5] *GDP per capita, PPP*, IMF World Economic Outlook database (2006).

In the South-East Asia differences between particular countries are much more visible than in Europe. Dependant on the region, we meet different religion, culture, law or political regime. Therefore there is no clear Asian economic model.<sup>30</sup> Nevertheless, in literature the model referred to in the context of the economic growth of the Asian tigers is identified as ‘The East Asian Economic Model’ (EAEM). This model legitimates the non-democratic rule as the governing system securing economic growth. Substantially, EAEM is a development strategy unique for Asia, which key constituents are:

<sup>29</sup> In this publication World Bank also included Philippines among eight “high-performing Asian economies”, but now it remain far poorer and are less relevant.

<sup>30</sup> Narine S., *Explaining ASEAN: regionalism in Southeast Asia*, London 2002, p.179.

- 1) economic freedom of enterprises and specific government – business relations, due to which government does not do anything without consulting business,
- 2) interventions are carried out through a system of ‘administrative guidance’ rather than through formal legislation,
- 3) free labor markets with co-operative relationships between management and labour, epitomized by the system of lifetime employment,
- 4) low taxes and public expenditures on social transfers (table 1),
- 5) specifically understood competition, which contrary to the laissez-faire models does not accept the dictum that “the more competition the better.” The governments in these countries have taken the view that, from the perspective of promoting investment and technical change - it has been encouraged but also restricted in a number of ways. This results in pro-innovative orientation of the economy.
- 6) high rate of domestic savings, changeability of consumption and investments and decreased need to take up foreign loans,
- 7) enormous inflow of Foreign Direct Investment (FDI) and considerable number of state financed investments,
- 8) export-friendly policy, allowing to gain funds for the purchase of the imported goods,
- 9) high educational standards and strong tendency to invest in both public and private education.

Comprehensive description of EAEM is problematic, since the model is frequently referred to as the ‘Third Way’, in opposition to the laissez-faire capitalism.<sup>31</sup> In the 90’s the adherents of economic liberalism argued that the growth of East Asia was mainly the result of the market mechanisms. However, at the same time the promoters of interventionism emphasized that government intervention actually played a crucial role in the process of economic growth. The economic success of these countries has inspired many economists to study the background of this rapid growth. There also exist opinions that EAEM has little impact on the so called ‘Asian economic miracle’. Paul Krugman states that the development of the South-East Asia was not a miracle at all and the growth takes place only thanks to very hard work of the people and capital expenditures. Increased outlay translates into increased productivity. Thus, according to Paul Krugman the success

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<sup>31</sup> “The Third Way” was originally formulated by Giddens, describing modern european social-democrat movements [Giddens A., *Trzecia droga. Odnowa socjaldemokracji*, Warszawa 1999].



of EAEM lies in the economy of scale.<sup>32</sup> The developed countries, seeing their markets flooded with goods of Asian origin, have quickly declared this model as unjust. Thus, when the South-East Asia faced the monetary crisis of 1997, the Western economists, alike many financial organizations including the International Monetary Fund (IMF), condemned EAEM declaring the model unstable. Although there exist fundamental structural difficulties of the Asian model (like crony capitalism, corruption), the panicked foreign investors were the ones who worsened the crisis. After the crisis was averted, the 'Asian tigers' stepped back on the path of dynamic economic growth and it seems that theoretical prism of EAEM was on the verge of the XX<sup>th</sup> and the XXI<sup>st</sup> century implemented by the People's Republic of China and Vietnam.

It is the role of culture in the development of the Asian model that raises controversies. Some argue that the success of Asia has its roots in the Confucian culture, which translates into effective management, cooperative approach and collectivism. It shall be here noted that Asia, as opposed to Europe, is not a „world stripped of magic” driven by instrumental reason. The Asia people are frequently deeply religious and this world is governed by believes that may be 'incomprehensible' or even 'irrational' for a Europeans (e.g. in Thailand the king is worshiped almost as semi-God, in Korea birth is accelerated so that the baby is delivered exactly on the day indicated by the soothsayer), whereas democracy (alike the Western concept of the human being), so widely accepted in the West, does not correspond to the Asian reality.<sup>33</sup> It is here that the question of “Asian values” enters the debate, as Asian societies once lived in relative harmony with nature. Lynn White claims that our global environmental crisis is mainly the product of the Judeo-Christian religious tradition that puts god above nature, and casts man in god's image. This justifies unlimited abuse of nature in the name of development.<sup>34</sup> The presence of capitalistic European countries in Asia has changed the standards accepted in the cultures of the Asian societies, affecting ordinary life as surely as it did production techniques. As a result commercial values, which obviously were not new, have been strictly subordinated to non-material orientations such as Confucianism, Taoism and Buddhism. Since throughout the Confucian cultural sphere, the merchant stood near the bottom of the social scale, below even the peasant, influence of European modern capitalism inverted their status relative to

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<sup>32</sup> Krugman P., *The Myth of Asia's Miracle*, "Foreign Affairs"; Vol.73, Iss. 6, 1994.

<sup>33</sup> Tan Bhala K., *Twilight of the Despots, Asian Authoritarians and the Need for Enlightenment*, "Harvard International Review", Spring 1999, p. 23.

<sup>34</sup> Dryzek J., *The Politics of the Earth: Environmental Discourses*, Oxford 1997, pp. 161-162.

commercial values.<sup>35</sup> These inverted priorities appropriated the name of “Asian values” during the “miracle” years of economic growth.<sup>36</sup>

By defining the fundamental qualities, EAEM refers to the high rate of savings and investments, high educational standards, assiduity and export-oriented policy. According to the macroeconomic analysis of the EAEM, the role of the government in the economic growth was limited; the government did not take any actions, except for strong belief in the basic rules of market economy. Thus, the economic success of Asian countries depends on a high productivity. Briefly, this also implies that most welfare policies are production-oriented or economic-led.

## Conclusions

Europeans envy the people of Asia the dynamic economic growth of their countries, while the inhabitants of Asia often wish they enjoyed the high standard of life prevailing in Europe. The basic conclusion of this paper is that the key to understand the systems reigning on both continents is acknowledging the fact that European and Asian people have different ways of reasoning and present various approaches to the notion of competitiveness of their respective economies. While Europe measures competitiveness of its economy through high level of employment, sustainable development, high level of stable employment, social coherence and lack of social exclusion, the competitiveness of the Asian countries is contingent on their citizens’ labor efficiency based on high productivity, which drifts away the vision of the welfare state. Asian countries claim that their strategy is based on efficient utilization of social resources, while services are targeting those with genuine needs.

The important issue is family concept, because with strong family support people could solve their problems without much social welfare provision. Some academics even named this a ‘Confucian welfare state’.<sup>37</sup> This belief implies that oriental societies are harmonious among different sectors of its population, which is a basis of their success. But they’re not. Racism, discrimination occurs in Europe and Asia as well. While leveling income rate, class, gender and racial inequalities is a common problem in Europe, these

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<sup>35</sup> Pye L., ‘Asian Values’: from *Dynamos to Dominoes?*, in: Harrison L., Huntington S. (eds.), *Culture Matters: How Values Shape Human Progress*, New York 2000. pp. 248-249.

<sup>36</sup> Thorton S., *Postmaterial development: the search for a new asian model*, “Development and society”, Vol. 33, Nr. 1, June 2004, p.31.

<sup>37</sup> Rieger E., Leibfried S., *The Welfare State and Social Policy in East Asia: Religion and Globalization*, in: Rieger E., Leibfried S. (eds.), *Limit to Globalization: Welfare State and the World Economy*, pp. 241-335. Cambridge, 2003.

issues seem relatively unimportant in Asia countries. Asian model is not aiming to create a truly 'harmonious society', but rather leave the disadvantaged to themselves and allow them to act, according to their will and abilities.<sup>38</sup> EAEM, unconsciously or not, contribute to justify the social inequalities for the sake of economic efficiency. Thus, Asia countries have its own meaning of "social cohesion" and virtually people are willing to accept it. This strategy was very successful in the past, but this does not necessarily work in the future. Increasing globalization and economic growth have stimulated demand for democracy and social equality. It is therefore possible that in the future the economic system of "Asian tigers" shall drift towards more society-oriented direction.

Max Weber was convinced that fighting capitalism in the name of materially perceived justice shall bring only stagnation.<sup>39</sup> The dilemma of Europe is whether or not it is possible to achieve growth as dynamic as the economic growth within the realm of the system of extensive social transfers and social welfare. According to the point of view assuming that Europe needs reforms, the Asian model appears to have clear advantages over the ESM model: smaller social transfers, lower taxes and freer labor markets.<sup>40</sup> Although EAEM looks almost as attractive as before the crisis, it now seems practically impossible for the European citizens to consent to the development of ESM in direction opposite than the primarily planned.

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<sup>38</sup> The traditional attitude of "no work, no food" is responsible for work ethic among Asians.

<sup>39</sup> Krasnodębski Z., *Max Weber*, Wiedza Powszechna, Warsaw 1999, pp. 99–100.

<sup>40</sup> Anders Åslund, *How Can the EU Emulate the Positive Features of the East Asian Model?*, CASE Network Studies and Analyses No. 338, 2007.

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