



Conclusions

Academic Conference
30th Anniversary of the Establishment of the Single Market

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Chief Economist

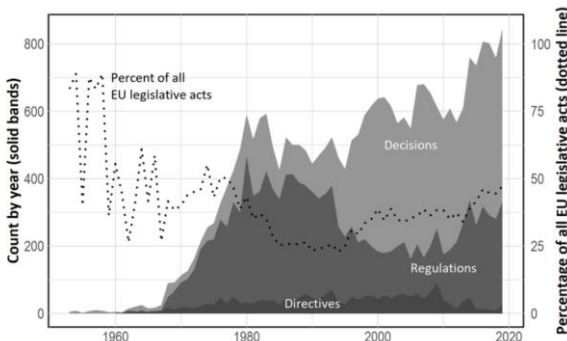
DG GROW
European Commission

7 December 2022

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The single market is not just economic incentives It provides access to goods, services, ideas, cultures and languages

Fig. 1 Annual EU single-market legislation, 1953-2019

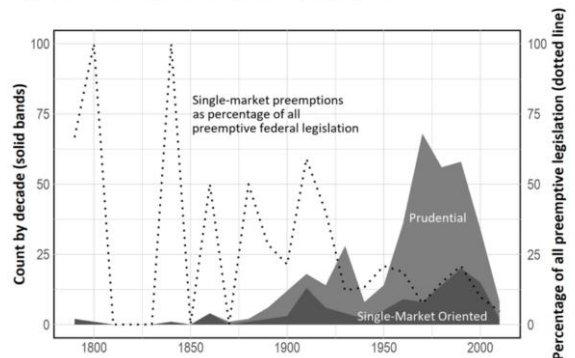


The “completeness” of the EU Single Market in comparison to the United States

Craig Parsons
Professor of Political Science, University of Oregon/Senior Researcher, ARENA Centre for European Studies,
University of Oslo

Andy Smith
Research Professor, Centre Emile Durkheim, Sciences Po Bordeaux

Fig. 2 U.S. federal single-market legislation by decade, 1790-2012



“The political project of the European Single Market is not merely functionally designed to respond to economic incentives”



2

Large single market gains via “Brussels Effect” regulations as global standard setters



Comparison for the EU, the US, and China

	Pr[Reg _{ikt} ^s = 1]
= 1 if Reg EU _{k,t,t-5} ^s	0.010*** (0.000)
= 1 if Reg US _{k,t,t-5} ^s	0.006*** (0.000)
= 1 if Reg CN _{k,t,t-5} ^s	0.005*** (0.000)
Observations	4,681,589
Adjusted R ²	0.790
Country _i – HS6 _k – Year _t FE	Yes
NTM Chapter FE	Yes

Note: Robust standard errors in parentheses with *** denoting significance at the 1% level.

Positively associated with prior similar EU regulations, market and treaty-driven forces

The Brussels Effect: Are consumer health and safety regulations across the world shaped by the European Union?

Cristina Herghelegiu¹ Fernando Martin Espejo²

¹CET, DG GROW, European Commission

²KU Leuven



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The single market increases competition and generates higher allocative efficiency

	Top10 _{njt} (6)
Aggregate productivity _{njt}	
Unweighted mean productivity _{njt}	
Allocative efficiency _{njt}	0.0921*** (0.0271)
Capital intensity _{njt}	0.00251 (0.00287)
Log(avr. firm size _{njt})	7.557*** (1.546)
Log(aggregate markup _{njt})	1.146 (2.407)
Year FE	Yes
Country-industry FE	Yes
Observations	5,820
# of industries	47
R-squared	0.946

A more efficient market environment inducing a *decoupling* from increased mark-ups, weaker competition and higher market power

CompNet The Competitiveness Research Network

Firm concentration and productivity in Europe

(joint with Tommaso Bighelli, Marc Melitz and Matthias Mertens)

Filippo di Mauro

IWH Senior fellow
Chairman of CompNet



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Superstar propensity is higher for highly productive firms in tradable sectors

Testing P1b: Euro & Productive Firms/2

	(1) Top 5%	(2) Quartiles	(3) Bottom 50%
$P^5 \times euro$	0.190*** (0.018)		
$Q^1 \times euro$		0.015 (0.017)	
$Q^2 \times euro$		-0.005 (0.015)	
$Q^3 \times euro$		0.035** (0.017)	
$Q^4 \times euro$		0.130*** (0.021)	
$M \times euro$			-0.050*** (0.007)
Firm Effects	Yes	Yes	Yes
Industry-Year Effects	Yes	Yes	Yes
Observations	5,661,484	5,661,484	5,661,484
R-squared	0.873	0.873	0.873

Note. *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.1. Baseline controls are included. Standard Errors are clustered at the country-industry level.

Highly productive firms in the single market seem to conquer larger market shares and diminish the market power of less efficient enterprises

Beyond the Great Reversal
Superstars, Unions, and the Euro

Tommaso Crescioli & Angelo Martelli

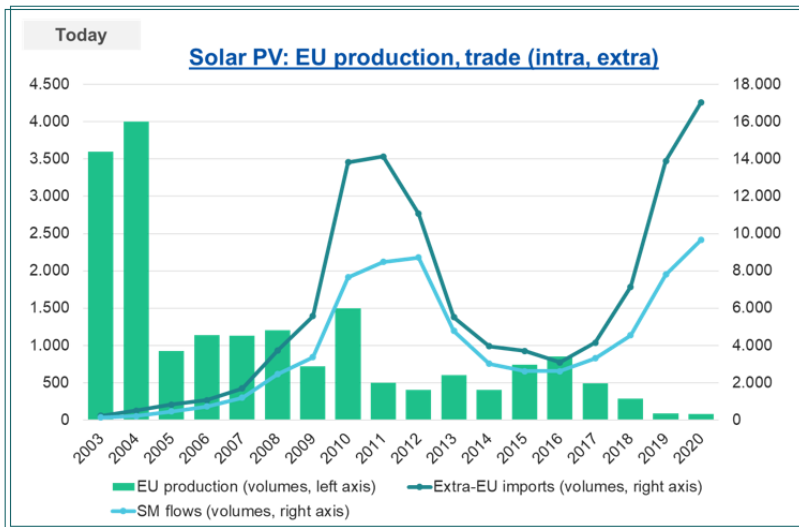
European Institute, LSE

December 2022



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A well-functioning Single Market ensures the distribution of strategic imports across the EU



The difference in overall Single Market integration between services and goods (assessed ca. 16% and 37%) is lower than traditionally understood



Internal Market, Industry, Entrepreneurship and SMEs

Home Single market and standards Industry Entrepreneurship and SMEs Access to finance

Home > About this DG > The Chief Economist Team > Single Market Economic Papers

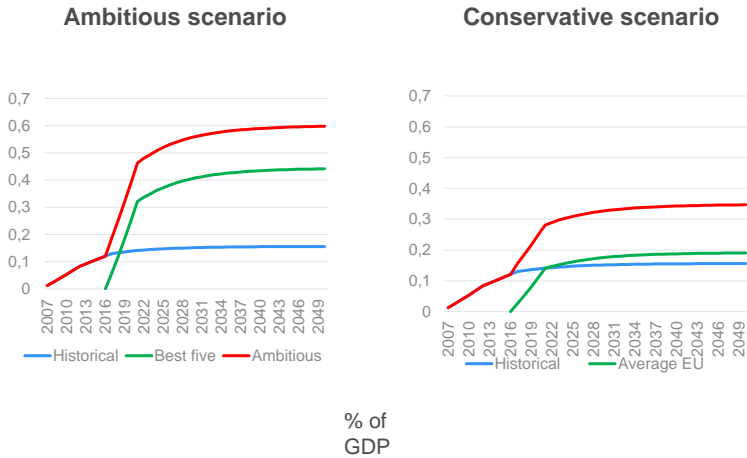
Single Market Economic Papers

This collection will encompass the evidence-based analytical papers of the Commission's Internal Market, entrepreneurship and SMEs department, at times in collaboration with other Commission departments. The Chief Economist Team is responsible for the series' publication, including the peer review of the papers.



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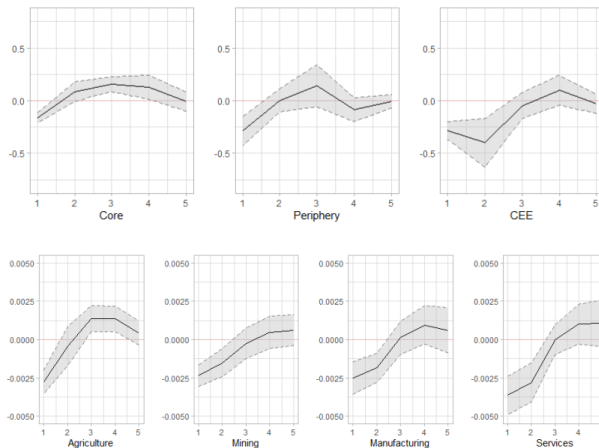
Removing barriers to services brings sizeable GDP and employment gains



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The Single Market is a springboard for GVC participation, with large potential if service barriers get lifted

HETEROGENITY: REGIONS AND SECTORS



Heterogenous impact of GVCs across countries and homogeneous across sectors (except services)

Labour costs and notably skills make unemployment more sensitive to GVC integration

Globalization and unemployment in the EU: new insights on the role of global value chains and workforce composition*

Mariam Camarero[†] Antonia López-Villavicencio[‡] and Cecilio Tamarit[§]

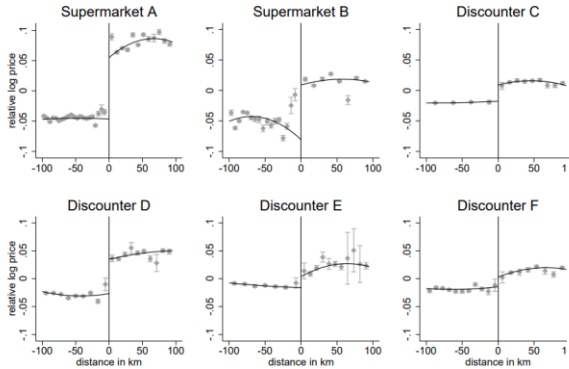
November 28, 2022



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The single market is a cushion for inflation dispersion, even across cross-border regions

Price gaps at the border by retailer (same barcodes)



Visible cross-border price differences despite inflation being less dispersed across borders than prices

Cross-country price and inflation dispersion: Retail network or national border?

Teresa Messner OeNB, Fabio Rumler OeNB, Georg Strasser European Central Bank

30th Anniversary of the Establishment of the Single Market Prague, 7 December 2022



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The Single Market acts as a massive incentive for frictionless and barrier-free trade vs. 'No Deal' Brexit

Impact on postings for different occupations

Dep var: log SOC postings	1. Managers, Directors and Senior Officials	2. Professional Occupations	3. Associate Professional and Technical Occupations	4. Administrative and Secretarial Occupations	5. Skilled Trades Occupations
post vote * prof services exposure	-0.546*** (0.133)	-0.792*** (0.147)	-0.542*** (0.149)	-0.022 (0.133)	-0.239 (0.153)
post vote * tariff exposure	-0.042 (0.048)	0.058 (0.053)	-0.043 (0.057)	-0.055* (0.033)	-0.063 (0.043)
export REER	0.019 (0.029)	-0.018 (0.022)	0.030 (0.025)	0.044** (0.018)	0.060* (0.030)
post vote * EU national share	0.531 (0.850)	-1.077 (0.889)	0.002 (0.976)	0.625 (0.921)	2.231** (0.958)
	6. Caring, Leisure and Other Service Occupations	7. Sales and Customer Service Occupations	8. Process, Plant and Machine Operatives	9. Elementary Occupations	
post vote * prof services exposure	-0.170 (0.121)	-0.241 (0.151)	-0.182 (0.157)	-0.172 (0.174)	
post vote * tariff exposure	0.023 (0.040)	-0.048 (0.034)	-0.090** (0.041)	0.038 (0.078)	
export REER	-0.014 (0.017)	0.009 (0.023)	0.041 (0.025)	-0.014 (0.031)	
post vote * EU national share	-1.281 (0.938)	0.724 (0.932)	2.081** (0.906)	0.635 (0.984)	
Observations	12,780	12,780	12,780	12,780	
TTWA FE	YES	YES	YES	YES	
Month-Year FE	YES	YES	YES	YES	

Notes: 98. % of postings are assigned an SOC code. Standard errors two-way clustered at TTWA & month-year level

The threat of professional services export barriers affected more the posting of higher skilled workers

1.5 M fewer job adverts posted June 2016 - December 2019 due to the threat of export barriers

Unravelling Deep Integration: Local Labour Market Effects of the Brexit Vote *

Beata Javorcik
Oxford, EBRD & CEPR

Benjamin Kett
IMF

Katherine Stapleton
World Bank

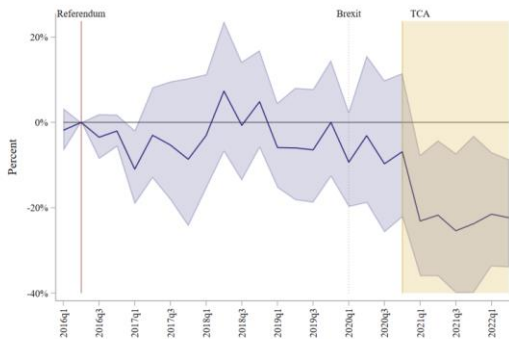
Layla O'Kane
Burning Glass Technologies



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And it has a huge impact leading to a substantial reduction of UK imports post-Brexit

Services imports



- Find TCA reduced services imports from EU by around 25%

TCA has reduced goods and services imports from EU relative to rest of world by around 20%

No evidence of decline in EU relative to non-EU exports to-date

UK Trade in the Wake of Brexit

Rebecca Freeman
CEP

Kalina Manova
UCL

Thomas Prayer
CEP

Thomas Sampson
LSE



The Single Market

1. Is much broader than economic incentives
2. Ensures frictionless and barrier-free trade
3. Brings huge market gains:
 - via the “Brussels Effect”
 - with higher allocative efficiency
 - through economic cushioning (e.g. inflation dispersion)
4. Drives the flow of strategic imports across the EU
5. Is a springboard for global supply chain integration

And there are still **large potential gains ahead**
e.g. from removing persistent barriers to services



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