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Why Is the Eurozone's Leverage of Competitiveness Neglected in Economic Theory?

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Abstract

The purpose of this paper is to explain the relative neglect of the Euro's leverage of competitiveness and the differential impact of the common currency on the competitiveness of the Eurozone countries. Since the Eurozone's leverage of competitiveness is not widely recognized, it is first simply demonstrated here by means of an apt analogy with handicap sports, such as horse racing and golf. The importance of the competitiveness leverage is then examined by reference to the contrasting experience of Greece and Germany. Finally, it is argued that there is a discordance between economic theory (and particularly the theory of international trade) and the concept of competitiveness. This extends across a number of dimensions, ranging from historical origins, ideology and methods to fundamental theory. This dissonance has led to a disregard of competitiveness by mainstream academic economics, not only in the context of the optimal currency area literature but also more generally, and constitutes the reason for the neglect of the Eurozone's leverage of competitiveness.

Keywords: competitiveness, currency appreciation/depreciation, Eurozone, structural reform, exchange rate, euro adoption, euro's leveraging effect
JEL: F02, F15, F43

Introduction

The aim of the present paper is to explain mainstream economic theory's neglect of the Eurozone's leveraging effect on the competitiveness of its member countries. The Eurozone (and for that matter any free trade non-optimal common currency area) tends

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to leverage competitiveness, either positively or negatively, for most of the member countries.[2] This leverage effect is an important property of free-trade common currency areas, which has not received the attention it deserves in the relevant literature.[3] In order to clearly situate the issue to be examined, we will begin in a more general manner.

Robert Mundell's (Mundell, 1961) seminal work on the optimal currency area (OCA), along with subsequent contributions by McKinnon (1963), Kenen (1969) and others, primarily focused on macroeconomic criteria, such as labour mobility, capital mobility, fiscal integration, and symmetry of economic shocks, in order to assess whether a group of countries can share a common currency without severe economic disruptions. Competitiveness was not among the criteria focused upon at the time and was also largely ignored in the subsequent burgeoning OCA literature. This is probably due to the fact that competitiveness, being a multi-faceted concept that encompasses a broad range of qualitative and quantitative factors (such as productivity, innovation, cost structures, regulatory environments, and industrial policies), many of which are difficult to measure precisely or compare across countries, is certainly not easy to incorporate into standard economic models, which tend to rely on less conceptually complex quantifiable indicators.

Moreover, as a policy variable, competitiveness is harder to handle than most other policies (such as monetary and fiscal ones), which are commonly used in common currency areas. Improvements in competitiveness require structural reforms and these are subject to three different quite strong headwinds.

The first obvious headwind is the opposition by all those who consider the reforms inimical to their interests. Organized vested interests with political weight, especially in conjunction with an absence of firm political will and unequivocal commitment to reform, are no doubt the source of the strongest headwind. This headwind evidently attracts the attention of the public eye and its being in the limelight tends to obscure the other two headwinds, which tend to reinforce it.

The second kind of headwind has its source in leftist ideology and its ambivalence, not to say hostility, towards competitiveness. Given that the ideal of equality is of paramount importance and often the sole aim of political activity for the left, competitiveness and the associated notions of competition and distinction on the basis of superior/inferior economic performance seem discordant and even rankling to the leftist mind-set. This is particularly so, in the case of those on the left for whom equality in outcomes is the ultimate aim.

The third headwind is to be found within the economics profession and arises from the neglect of the competitiveness concept in mainstream economic theory. This neglect is the sole concern of the present article and it will be argued that it largely accounts for the attendant neglect of the Eurozone's leveraging effect.

[2] The notion of competitiveness and the leveraging effect is analyzed, with particular reference to Germany, in (Skouras, 2016) and Greece in (Skouras, 2019).

[3] Recent analyses underline how Europe's competitiveness challenges are evolving but with no attention to the euro's leverage effect on competitiveness (European Commission, 2024; Giordano et al., 2024).

We will begin with clarifying, the notion of competitiveness by briefly looking at its origins. In the third part, we indicate the way in which the Eurozone leverages competitiveness and then, in the next part, consider the significance of this effect by briefly surveying the contrasting experiences of Greece and Germany. Finally, in the fifth part, we will enquire into the reasons that mainstream academic economics tends to disregard this competitiveness leverage effect, concluding with some comments in the final section. The focus throughout is on country or national competitiveness as developed by the World Economic Forum (WEF) in the Global Competitiveness Report (Schwab and Zahidi, 2020) and the Institute for Management Development (2024) in its World Competitiveness Yearbook – see the second part below).

National competitiveness and its origins

The origins of the competitiveness notion are to be found in business economics rather than in international economics theory. Professor Michael Porter, of the Harvard Business School, most notably gave an impetus to the study of competitiveness and emphasized its importance both at the micro and macro levels. Starting in 1979-80, he showed its significance at the micro level, for firms and industries, and in 1990 at the macro level, for national economies (Porter, 1980; Porter, 1990). At both levels, it became clear that competitiveness is dependent on a host of institutional and structural, as well as other factors commonly ignored in standard economic theory. Thus, the concept of competitiveness found an easier reception and its study developed mostly in business schools and outside economics departments.

For example, at the level of the firm (or micro level), the Marketing discipline has traditionally recognized that competitiveness depends on performance in the so-called 4 Ps - i.e. Product, Place, Price and Promotion while, before long, the factors underlying competitiveness have been extended to 7 Ps by adding Packaging, Positioning and People.[4] Concurrently and more radically, there has been also a considerable shift of focus to the building and maintenance of customer relationships, modifying accordingly the traditional list to 4 Cs: Customer value, Convenience, Cost and Communication (Lauterborn, 1990). Consequently, the concept of competitiveness is richer and certainly more complex in Marketing than in microeconomic theory, where only the price dimension of competitiveness is usually recognised and seriously attended to.

More significantly, at the macro or country level, the study of competitiveness was most developed by two Swiss policy-oriented organizations, the Institute for Management Development (IMD) in Lausanne and the World Economic Forum (WEF) in Geneva. Competitiveness, in their view, is a highly composite and all-encompassing composite notion that includes a host of factors, not only economic but also social and institutional, which are relevant to the efficient functioning of an economy. It comprises the quality

[4] The origin of the 4 Ps is credited to (McCarthy, 1960); the extension to 7 Ps is due to Booms and Bitner (1981).

and performance of the education system, the legal and judiciary system, labour relations and the functioning of the labour market, market structure and the degree of monopoly, as well as any other institution that noticeably affects a country's economic performance. In other words, it is the sustainable productivity of the economy as a whole; 'sustainable' meaning essentially structural and with due regard to the prospects for its continuous future improvement and 'as a whole' meaning all-inclusive and taking into account not only the long-term structural factors but also the short-term macroeconomic ones.

Consequently, the international competitiveness indices produced annually by the two organizations cover a host of institutional and structural factors, as well as the standard macroeconomic ones, though they differ in methodology and the relative weighting of the large number of variables that they consider. For example, the World Competitiveness Yearbook produced by the IMD uses 340 criteria to compare the competitiveness of 63 countries (Institute for Management Development, 2024) while the Global Competitiveness Report of the WEF covers 140 countries and relies on 110 variables (Schwab and Zahidi, 2020). These are grouped in 12 "pillars", which encompass the various determinants of competitiveness: Institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods markets efficiency, labour market efficiency, financial market efficiency, technological readiness, market size, business sophistication, innovation. It should be clear that this is the notion of competitiveness, which is relevant to the present article.

The Eurozone's leverage of competitiveness

The Eurozone is not an optimal currency area and competitiveness among its members differs substantially. In international trade, with exchange rates freely fluctuating, differing competitiveness among trading countries is reflected in currency relative values. A loss of competitiveness tends to cause currency depreciation, while a gain in competitiveness tends to cause currency appreciation. Exchange rates thus tend to reflect competitiveness and adjust so as to compensate for any changes in competitiveness. In other words, freely fluctuating exchange rates tend to level the competitive field in international trade and have a competitiveness-equalizing effect.

It is important to be clear about the status of the above proposition. The competitiveness-equalizing tendency of freely fluctuating exchange rates, of course, is only a tendency and, like all tendencies in economics, it has little validity in the absence of the ceteris paribus condition. Competitiveness is certainly not the only influence on exchange rates, the determination of which depends on a number of other factors. It should, therefore, be evident that the competitiveness-equalizing tendency will not prevail in any actual instance, in which the ceteris paribus condition does not hold and this tendency is outweighed by some change in other more influential contingent factors.

It is also evident that this tendency is completely abolished within the Eurozone, since member countries' national currencies and exchange rates are replaced by the euro and the euro's exchange rate. The abolition of the competitiveness-equalizing tendency of freely fluctuating exchange rates both in the intra-Eurozone trade, as well as the trade of member countries with the rest of the world, has a leveraging effect. Compared to the situation before entry into the Eurozone, the leveraging effect is positive for high-competitiveness countries and negative for low competitiveness ones. In other words, the competitiveness of high-competitiveness countries is strengthened by joining the Eurozone while that of low competitiveness is weakened.

An analogy (serving as a non-mathematical model) from the world of competitive sports can be illuminating in explaining this leveraging effect. It can be seen clearly in sports, which attempt to level the competitive field and equalize the winning chances of all contestants by the use of a handicap system. Golf and horse racing are such well-known sports, in which the strong competitors are handicapped to enable weaker ones to compete on roughly equal terms (Bhat and Murtaza, 2016).

In both sports, the contestants' competitiveness is systematically monitored and appropriate handicaps are assigned to all contestants, with the aim of equalizing their winning prospects. Any improvement in competitiveness calls for an increase in handicap while any deterioration results in a handicap reduction. The handicap system thus resembles the operation of freely fluctuating exchange rates in equalizing competitiveness. The difference between the two is that the former is a consciously designed and administered system while the latter results automatically from the impersonal working of freely-operating foreign exchange markets.

What is the equivalent of the Eurozone in the world of handicap sports, such as golf and horseracing? The Eurozone's common currency and exchange rate abolish the competitiveness-equalizing mechanism of freely fluctuating exchange rates both in trading among its members and for any one member's trading with the rest of the world. The euro's exchange rate, which all members share, reflects the competitiveness of the Eurozone as a whole and, being a weighted average,[5] is inevitably too low for high-competitiveness member countries and too high for low-competitiveness ones. The equivalent of the Eurozone in racing would be a twisting of the handicap system from assigning a weight to each individual horse, reflecting its competitiveness, to assigning a weight to a stable of horses, reflecting the average competitiveness of all the stable's horses. It is evident that this common stable handicap would advantage the stable's fast horses and disadvantage the slow ones, both in competition among themselves and in competition with all other horses individually handicapped outside the stable.

Similarly, the equivalent of the Eurozone in golf would be to give a common handicap to the golfers of a particular golf club based on the average competitiveness of the club's members. This would positively leverage the competitiveness of the best golfers and negatively leverage that of the worst ones. The unfair advantage and disadvantage respectively of the club's best and worst golfers is in force both for internal tournaments

[5] The Euro's exchange rate reflects the average competitiveness of all the member countries, weighted by their share of Eurozone trade with the rest of the world.

among the club's members and for open ones with other club's golfers which are individually handicapped.

The above analogy from handicap sports is quite apt and makes clear how the Eurozone has a differential leveraging effect on the competitiveness of the member countries. The question is why this competitiveness leveraging effect has been neglected in the extensive literature on the Eurozone and currency unions.

The answer to this question is to be found in the inattention to competitiveness by mainstream academic economists, particularly international trade theorists, and their reluctance to accept and seriously consider the concept of competitiveness. This matter is discussed in greater detail and the reasons for the inadequate attention to competitiveness are examined in penultimate section below. But before examining the reasons for the neglect of competitiveness, it may be necessary to explain why the competitiveness leverage by the euro is of importance.

The significance of the competitiveness leverage by the euro

It is important to note that all EU countries are legally obliged to eventually join the single currency once they meet the requisite criteria. Now that the UK has left the EU, Denmark only has a permanent exemption from the obligation to adopt the euro. Following Croatia's recent entry, six remaining states are presently on the Eurozone's enlargement agenda: The Czech Republic, Hungary, Poland, Romania, Sweden, and, of course, Bulgaria (formally joining on January 1, 2026), for which (European Commission, 2025) provides a detailed assessment of the country's competitiveness and structural readiness. Except Sweden, all these countries, including notably Bulgaria, tend to have low competitiveness not only relative to Germany but also to most of the Eurozone countries (especially, Austria, Belgium, Finland, France, Ireland, Italy, Luxembourg and the Netherlands).

Sweden should have no difficulty entering the Eurozone and stands to gain in terms of competitiveness. Its reluctance to do so seems to be dictated mostly by political considerations relating to the lack of popular support and unwillingness to devolve national control of monetary policy to the European Central Bank. But it is evident that the six low-competitiveness countries should enter with caution and due regard to their state of competitiveness and its distance from that of the other Eurozone members. The crucial issue that needs to be considered is whether entry will improve or worsen the prospects for a substantial gain in competitiveness.

A gain in competitiveness is essential for a sustainable increase in the economy's productivity and economic welfare. Economic welfare is ultimately dependent on the level of competitiveness and, therefore, the focus should be firmly on how entry will affect competitiveness. The necessary increase in competitiveness requires a sustained effort on a broad range of reforms. This is more difficult than meeting the macroeconomic requirements for entry and depends on the determination of the government, the stance of the opposition parties and, more generally, the functioning of the political system. All these, including the intensity of partisan strife, are important elements that need to be taken seriously into account in the far from easy assessment of how entry will likely affect the country's economic progress.

In other words, the question that must be answered is whether entry will strengthen or weaken the forces for structural and institutional reforms, not only in the labour market but also economy-wide, relative to those opposing them. It is the assessment of how entry will affect these forces that should ultimately determine the decision to opt for early or delayed entry.

The experience from the entry of Greece (Skouras, 2016) and other low-competitiveness countries shows that such serious assessment is rarely the case. The decision tends to be taken on the basis of short-term criteria, with governments usually focusing on how it is likely to affect their electoral prospects in the next election.[6] In this calculation, the exchange rate at which the domestic currency is substituted by the euro becomes of critical importance.

Even though there is a process of consultation with the European Commission and the other Eurozone member countries, the exchange rate at the time of entry is ultimately decided by the entrant country's government. The decision tends to be based more on political than strictly economic considerations and consequently there is a certain bias in favour of a high exchange rate. This is because a high value of the domestic currency increases the country's wealth in nominal terms and makes everyone richer in term of euros. Incomes, real property prices, bank deposits and cash are all worth more in euros when the domestic currency is converted into euros at a higher exchange rate. Consequently, in the short term and for the purposes of winning the next elections, the party in power stands to gain politically by opting for the highest possible conversion rate it may convince the Eurozone to accept.

Choosing the short-term public euphoria of a high exchange rate is, nevertheless, quite misguided. The appropriate policy for a low-competitiveness economy is exactly the contrary; a responsible government should aim to achieve entry with the lowest possible exchange rate. A low exchange rate will not for long offset the low competitiveness but it can provide a much needed breathing space in the race to implement the required structural and institutional reforms. It will provide some protection, even if not fully compensate, against the competitiveness loss caused by the euro's leveraging effect. It will also avoid creating a false sense of prosperity and the illusion of convergence with the more developed and richer members of the European Union.

It should be clear from the above, that the competitiveness leverage by the euro is of critical importance for low-competitiveness member countries. It needs to be at the centre of their attention and crucially inform their policy-making both at the time of joining the Eurozone and subsequently in planning a sustained effort to catch-up with the more

[6] There is a bias in favor of early entry since the party in power can thereby claim credit for successfully managing and preparing the economy to achieve a momentous event. The timing decision, nevertheless, needs fortunately to be approved by the Eurozone, which should be aware of the early entry bias.

developed member countries. The lack of a serious effort at structural reforms, on top of the high exchange rate at the time of euro adoption, and the consequent deterioration of competitiveness is the main reason for the Greek state's resort to the IMF nearly 10 years later.

The discussion so far has exposed the significance of the competitiveness leverage by the euro for low-competitiveness member countries. But it should be recognized that competitiveness leverage is also of importance for high-competitiveness member countries. A brief look at Germany's experience can be instructive in this regard.[7]

Germany was aware of the advantages of a competitive exchange rate, as its early post-war growth was largely export-led and assisted by its undervalued currency (Boltho, 2020). Nevertheless, by the late 1990s and at the start of the Economic and Monetary Union (EMU), its currency had become strong and its competitiveness had waned to the point that Germany could be portrayed by the Economist as "The sick man of Europe" (The Economist, 1999).

Germany was also aware of the danger of entering a monetary union with low competitiveness and a high exchange rate, having fresh in memory the experience of its reunification. It was clear that East Germany's low-competitiveness economy was demolished, as a result of equating its currency to that of West Germany. This was tantamount to entering a monetary union at an inordinately high exchange rate.

This might explain the wide extent of consensus in the political class regarding the need for improvement of the German economy's competitiveness. The broad political acceptance of this need is evident in the Hartz labour market reforms. Despite their evident unpopularity among their traditional voters, a Socialist-Green coalition government under Gerhard Schroeder determinedly carried them out from 2003 to 2005.[8]

The effectiveness of the Hartz reforms in strengthening competitiveness (as well as in reducing unemployment) has not been beneath dispute (Storm and Naastepad, 2015; Storm and Naastepad, 2016; Dustmann et al., 2014). Nevertheless, even if it is not the primary cause for the renewed vigour and high competitiveness of the German economy since EMU, it most probably contributed to containing unit labour costs and demonstrated the extent of the political resolve to safeguard competitiveness.

As a high competitiveness member of the EMU, Germany further leveraged its competitiveness. This was because it benefited from the euro's exchange rate, which did not reflect Germany's high competitiveness but the lower (weighted) average competitiveness of all EMU members. Thus, in its trading with countries outside EMU, Germany was able to produce a higher export surplus (implying an equivalently higher accumulation of international reserves and claims on foreign assets) than would have been possible in the absence of the leverage effect.

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[7] Germany is taken as an example but a similar leverage also benefited to varying extent other high competitiveness EMU members, such as Austria, Finland and the Netherlands.

[8] This led to the SPD's defeat in the 2005 elections and the end of Schroeder's political career.

In its trading with other member countries within EMU, Germany's benefits were also substantial. Since trading was effected in euros, they did not include, of course, gains in international reserves and consisted of claims on other members' assets. Nevertheless, Germany's position of higher competitiveness in the EMU provided it with other kinds of benefits, which further reinforced its competitiveness (Skouras, 2019).

More specifically, Germany attracted labour and capital from the less competitive members, especially the Southern countries, which had high levels of unemployment and debt. The international financial crisis of 2008, originating from the US subprime mortgage market, and the ensuing euro crisis, hurt particularly the highly indebted and less competitive EMU members. Both labour, in search of employment, and capital, in search of security, emigrated from these countries to Germany. Labour immigration helped in meeting labour shortages, especially in skills, and inward capital flows reduced the cost of borrowing, buttressing competitiveness and turning thus Germany into a beneficiary of the crisis. Moreover, the disquiet and uncertainty surrounding the prospects of the Eurozone and, in particular, the Greek crisis, tended to dampen the value of the euro, providing a further artificial boost to Germany's competitiveness.

Reasons for the neglect of competitiveness

There is apparently a difficult relationship between the concept of competitiveness and international trade theory. This is clearly demonstrated in the characterization of the concern for competitiveness as «a dangerous obsession» by Paul Krugman, a Nobel Prize winning international trade theorist. In his words, "…competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous" (Krugman, 1994).[9]

Why is competitiveness dismissed in this way? In order to answer this question, it may be useful to be mindful of the origins of the competitiveness notion, which was developed mostly in business schools and the variety of its constituents (see the second part above).

It is quite evident that these large varieties of institutional and structural determinants of competitiveness render the concept difficult to reconcile with standard economic theory. Most economic theory, both micro and macro, is concerned with the explanation and implications of price formation and, not surprisingly, prices hold a central place in economic models. Thus, a common tendency among economists is to concentrate exclusively on the price dimension among the many dimensions of competitiveness. In this reductionist manner, the complexity of the concept is lost out of sight and competitiveness is turned into either

[9] See, also, (Krugman 1996). Despite the acknowledgment that the only significant economics articles other than Krugman's were Balassa (1965) and Fagerberg (1988), Olszyk (2016) claims that international competitiveness is "an important and popular subject in economics". This conclusion confuses economics with business literature and is an archetypal example of how a bibliometric study based on a superficial understanding of the subject can go badly wrong.

a question of price at the micro level or, in the case of the macro level when dealing with national economies, a question of currency exchange rate.

Thus, it is not uncommon for academic economists to dismiss the relevance of the competitiveness concept particularly when applied to nations, and Krugman's reaction, referred to above, is widely shared and far from atypical. Their argument is that there is a crucial difference between the firm and the national economy, which renders the competitiveness concept meaningless in the latter instance. It may be granted that competitiveness can possibly have a meaning for a firm, since a firm cannot survive for long a reduction in the price of its product below cost and, therefore, needs to improve its performance in other dimensions beyond price alone. But in the case of a nation, survival is not at play and the exchange rate may always fall sufficiently and improve the country's export performance and balance of payments.

In this view, low competitiveness is essentially seen as an inability to balance the current account resulting from an inordinately high level of prices and labour costs. Consequently, a downward correction of prices and wages is always sufficient to restore national competitiveness. Given this assimilation of competitiveness to the price level of goods and labour which renders any problem of competitiveness a matter of price adjustment, there seems to be no need for a special consideration of competitiveness. In other words, the incongruence in methods used by business schools and economics departments and, in particular, the emphasis on the all-important role of prices in standard economic theory tends to make the concept of competitiveness vacuous and redundant in the eyes of academic economists.

But the incongruity of competitiveness with economics is much deeper. The historical incongruence is not only because the academic study of competitiveness originated in business schools rather than economics departments. It is, probably more importantly, due to the fact that the economics discipline (or Political Economy, as it was known at the time) originated in opposition to mercantilism, which is conceptually closely linked to national competitiveness. Adam Smith's work, which is considered conventionally the start of Political Economy, is essentially an attack on and demolition of the mercantilist view that the wealth of nations is dependent on the amassing of gold bullion through national competitiveness and increasing exports. It could thus be said that Political Economy was born in the intellectual act of rejecting national competitiveness as an aim of economic policy. The repudiation of mercantilism's engrossment in the amassing of gold by means of exporting prowess and trade surpluses and, thus, putting an end to the policy of national competitiveness was Political Economy's birthmark. As a result of the historical and ideological clash at this defining moment between the new discipline and the mercantilist beliefs, there seems to be still a considerable residue of distrust and hostility in the academic economics discipline towards the concern with the policy of national competitiveness.

It may be added that the ideological discordance between the new discipline and mercantilism was also due to a moral dimension characterizing Adam Smith's conception of Political Economy. Unlike the mercantilist view of trade as a means of national gain at the expense of another country, the nascent discipline regarded trade as a source of gain for both trading partners. In this view, trade between nations was based on mutual interest and could not fail to be mutually beneficial. Economics has inherited this view of international trade and, consequently, tends to emphasize mutual benefit and disapprove of any impediment to free trade.[10]

To sum up, it has been argued so far that the incongruence between economics and competitiveness, especially national competitiveness, extends from a mismatch in methods to historical contrariety and ideological opposition. But, not unrelated to the above, there is more to the mismatch between economics and competitiveness. Last but not least, there is significant discordance in fundamental theory.

The theory in question is Ricardo's theory of comparative advantage, which is a fundamental tenet of international trade theory and, indeed, of economics. David Ricardo demonstrated the logical validity of Adam Smith's conception, regarding the mutual gains of trade and showed that specialization on the basis of comparative advantage can make international free trade to be universally beneficent. In other words, a country does not have to be best at anything (let alone everything) to gain from trade; it can always gain, as well as its trading partner, by both specializing in what they are just relatively better.

The implication is that being better (i.e., more competitive) is irrelevant to gaining from international trade. It would thus seem that the concern with competitiveness makes no sense; trade on the basis of comparative advantage is always beneficial whether a country is competitive or not. It follows that if comparative advantage holds a central place in economic theory, the dissonance between economics and competitiveness seems to be striking and difficult to overcome.

Does comparative advantage truly hold a central place in economic theory? There is little doubt that it does. It is indicative of its importance that Paul Samuelson could not name another proposition in economics, not to say in all of social sciences, that is both true and nontrivial. Its logical validity is incontestable and "that it is not trivial is attested by the thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them".[11] This is not far short

[10] Indeed, the predisposition to consider not only international but any trade voluntarily engaged in, as being unquestionably beneficial to all parties involved, is a fundamental tenet of economics.

[11] Challenged by the renowned mathematician S. Ulam, Samuelson was for about thirty years at a loss to state a social theory that was both true and nontrivial. As remembered by him (Samuelson, 1969): "[Y] ears ago … I was in the Society of Fellows at Harvard along with the mathematician Stanislaw Ulam. Ulam, who was to become an originator of the Monte Carlo method and co-discoverer of the hydrogen-bomb, (…) used to tease me by saying, 'Name me one proposition in all of the social sciences which is both true and non-trivial.' This was the test that I always failed. But now, some thirty years later (…) an appropriate answer occurs to me: The Ricardian theory of comparative advantage (…). That it is logically true need not be argued before a mathematician; that it is not trivial is attested by the thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them."

of claiming that the distinctive mark of the well-trained economist is the understanding and assimilation of the theory of comparative advantage.

It follows that the belief in the validity of the comparative advantage theory and, therefore, in the beneficial effects and desirability of free trade is deeply ingrained in the minds of academic economists and any concept, such as national competitiveness, that is seemingly in disaccord with this belief and not readily reconcilable with the theory of comparative advantage, is viewed with suspicion if not outright hostility.

Conclusion

The theoretical mismatch between economics and competitiveness seems to be the most important reason for the difficulty that the economics academic profession has in accepting the concept of national competitiveness. The theoretical reason, combined with the methodological/historical/ideological incongruence of the competitiveness concept with economics, which has been noted above, can explain why this concept has been ignored in international economics theory and the analysis of common-currency single market areas (as well as in the Optimal Currency Area literature).

The analytical neglect of national competitiveness thus also explains why the leverage effect, arising out of differences in national competitiveness in common-currency single markets, has been largely lost from view. As a result of this disregard for competitiveness in standard macroeconomic theory and, particularly, in international economics, the Eurozone's leverage of competitiveness has been missed in the voluminous literature concerning the consequences of the Eurozone's formation and functioning.

This neglect is also noticeable in the deliberations over the continuing enlargement of the Eurozone. These seem to take little account of the leverage effect of competitiveness and its implications for both new entrants and existing members, which tend to be left largely unexamined.

Finally, it is worth mentioning in passing, two other areas in which the leverage of competitiveness may be important and has not yet been given due attention. The leverage effect seems to be quite relevant and yet appears, on the whole, to have been missed in the literature regarding secession from or enlargement of any national territory. Also, it is possibly worth exploring the role of the competitiveness leverage effect in regional economics. The leverage of competitiveness could conceivably serve as a basic justification of regional aid but this possibility has hardly been considered, despite the importance of regional policy and the substantial regional assistance in the European Union.

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