

Artificial Intelligence and the Social Market Economy: Can Europe Reconcile Competitiveness, Innovation and Social Cohesion?

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Abstract

The Social Market Economy (SME) is treated in this research as a European idea and style of organising the economic order, rather than as a closed doctrine. Its core rationale lies in combining freedom of competition, public responsibility, social protection and the social legitimisation of the market. The aim of the paper is to determine under what conditions the SME, understood in this way, can remain an adequate normative and institutional framework for the European model of development under conditions of AI driven competitiveness. The scope of the study covers the EU economy and the changing sources of competitive advantage in the digital economy. AI driven competitiveness is understood as an advantage derived from access to data, computing power, digital infrastructure, technological capabilities and the capacity to implement and scale AI solutions in economic processes. The methodology is conceptual and interpretive, grounded in political economy and institutional analysis. The research procedure consists of three stages. First, using the Weberian construction of the ideal type, the core of the SME is reconstructed on the basis of primary sources. Second, AI driven competitiveness is operationalised through four dimensions: digital resources, infrastructure, implementation capabilities, and the social conditions of innovation acceptance. Third, both orders are compared through a matrix covering competition, public responsibility, social protection and the legitimisation of the market. The findings indicate that AI shifts the boundaries of the classical understanding of the SME. It changes the object of competition, as data, infrastructure and technological capabilities acquire strategic importance. It also intensifies the risk of concentration and reveals tensions between efficiency and inclusiveness. At the same time, it shows that social trust and the acceptance of innovation become conditions of durable competitiveness rather than merely its social complement. The paper concludes that the debate on AI in the EU concerns not only the regulation of technology but also the future shape of the European model of development. The SME can remain relevant if reinterpreted as a framework co- shaping the conditions of competition, innovation diffusion, skills development and the legitimisation of transformation.

Keywords:

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