

**European Economists for an Alternative Economic Policy in Europe  
-EuroMemo Group-**

***How should the EU cope with the polycrisis?***

-EuroMemorandum 2024-

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EuroMemorandum 2024 draws on discussions and papers presented at the 29<sup>th</sup> Workshop on Alternative Economic Policy in Europe, organised by the EuroMemo Group and jointly hosted with the University of Naples 'Parthenope', from 27th to 28th of September 2023 in Naples/Italy.

## Introduction

As analysed in the 2023 Euromemorandum, developments in the EU need to be seen in the context of the disorder and *polycrisis* that has been generated by the process of disintegration of the neoliberal world order within which the EU was founded in 1993. Drawing on Adam Tooze's definition, the Euromemorandum Group understands a polycrisis as constituted by a multiplicity of shocks that may appear disparate, but that interact so that the whole becomes even more overwhelming than the sum of its parts. The 2023 Euromemorandum diagnosed the polycrisis in Europe as manifesting itself through the interactive effects of climate change, the Covid-19 pandemic, an energy crisis, cost-of-living, care, and reproduction crises, increasing inequalities, war in Ukraine, an emergent hegemonic rivalry between the US and China, and a crisis of democracy.

Although some of these shocks were acknowledged in the October 6, 2023 Council Granada Declaration<sup>1</sup> – a linchpin in the deliberations over the EU's 2024-29 Strategic Agenda – there is little in the concrete policy developments, reviewed in this year's Euromemorandum, that inspire confidence. EU policies across the board are quite inadequate for dealing with the polycrisis. They are the wrong solutions to the wrong problems.

As per the usual format, the 2024 Euromemorandum starts by analysing the macroeconomic environment and the EU's policy stance in chapter 1. Over recent years, the Euromemoranda have analyzed Europe's Green Deal (EGD), critiqued its reliance on finance-led mechanisms ('blended finance'), and argued for an EU-wide public investment programme as an alternative for dealing with climate change and the other dimensions of polycrisis. While the NextGeneration EU Covid-19 recovery fund could be interpreted as an embryonic vehicle for such a course, it is now clear that EU economic policy is moving in a different – namely business as usual - direction. Chapter 1 critiques the contractionary effects of EU monetary and fiscal policy, which, in a misplaced obsession with inflation and public debt, are indeed counterproductive in the context of an urgent need for essential long-term investments. The chapter is particularly critical of ECB's policy of raising interest rates and the highly disappointing outcome of the Stability and Growth Pact (SGP) review. The EU policy-stance has, despite policy advances following the Action Plan of the European Pillar of Social Rights, resulted in outright stagnation and exacerbated poverty, regional and social inequalities, as well as the crisis in social reproduction, the analysis of which is amplified in chapters 2 and 3. This is particularly concerning, given that the one concrete outcome likely to

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<sup>1</sup> European Council (2023, October 6). *The Granada Declaration*. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2023/10/06/granada-declaration/>

arise from the Granada Declaration – a renewed commitment to eastern enlargement in a geostrategic response to Russia’s attack on Ukraine – will result in an even more unequal and heterogenous EU, for which the institutional architecture is completely inadequate.

Regional inequality, uneven development and divergence is a theme that is given particular attention in chapter 3 of the 2024 Euromemorandum. Drawing on the expertise mobilized at the 2023 Naples conference, the chapter contains an in-depth case study of Italy as symptomatic of post-financial crisis south European Eurozone member states that *‘implemented harsh austerity and internal devaluation programmes that impoverished their population, reduced wages and employee rights, weakened their welfare states and social cohesion and impaired the productive capacity of their economies’* and that *‘being ...overindebted....lack the financial means to upgrade their industrial structure and welfare states and carry out ecological and social transformation’*.

Altogether, the first three chapters of the 2024 Euromemorandum propose the following policy alternatives:

- EU-wide public investment plans that, in close co-ordination with corresponding national plans, promote a socio-ecological transformation and technological transformation of EU industry.
- A fiscal policy that is supported by monetary policy rather than the other way around. Fiscal policy requires an enlarged EU budget equivalent to 5% of GNI, financed by new resources, including taxation of the super-wealthy and of the windfall profits of corporations which benefited from the crisis, such as energy companies and banks. A permanent EU central fiscal capacity needs to be supported by common borrowing. As elaborated in chapter 3, fiscal transfers are essential for engendering capacities in the peripheral states of the EU to pursue the core aim of socio-ecological transformation.
- The EU’s inflation problem should be dealt with through fiscal policy, including selective cuts in indirect taxation of essential goods and services, higher taxation for particular sectors and sections of the population, price controls in sectors of strategic importance (energy, rent, essential food items), support for middle-and-low-income households affected by the cost-of-living crisis, and for businesses with problems meeting increased energy bills.
- The ECB’s mandate should be expanded to include full employment in addition to inflation control and socio-ecological sustainability. The inflation target should be increased from 2% to 4%.

- The new SGP is unlikely to succeed where previous versions failed. An alternative framework is needed where (i) the focus of policy shifts from numerical benchmarks to broader policy targets; (ii) guidelines are set by fiscal standards, rather than rigid rules; (iii) attention is paid to the cost of servicing the public debt relative to GDP, rather than its level; (iv) a 'golden rule' is included, allowing the exemption from the budgetary balance of the net public investment required for socio-ecological transformation.
- The decline in real wages should be tackled by a fair deal for workers, including increases in minimum wages, pay rises, stricter wage indexation mechanisms, taxation and redistribution of excess profits and wealth. Specific attention should be devoted to female-dominated sectors such as the care sector where professional competencies should be better recognized and valued. Strengthening collective bargaining rights is essential in this context.
- Employment re-regulation, job quality and better working conditions should be at the top of the policy agenda. The failure of the December 2023 EU Council to approve the Platform Work Directive was a missed opportunity.
- Minimum income support should be based on a rights-based approach that avoids negative and punitive conditionalities. A rights-based approach would enhance the autonomy of income support recipients, and should secure a right to employment. Investing in a job guarantee would make it possible to combine a rights-based approach with investments in public services and infrastructure to foster socio-ecological transformation.
- Part of the public investment programme advocated by the Euromemo Group should be to foster a care economy as an aspect of a rights-based approach. After decades of fiscal austerity and in the aftermath of the pandemic, public care services are exhausted. Hospitals lack beds, doctors, nurses, carers; schools lack teachers; employment and social services lack resources.
- EU economic governance should be embedded in a democratic participatory framework, where the European Parliament participates in decision-making, oversees implementation, and holds the European Commission and the ECB to account.

Over the last several years, the Euromemorandum has had a dedicated chapter shadowing the policies of the European Green Deal. The 2023 Euromemorandum deepened and amplified our critique of the financialised mechanisms upon which the EGD relies. An overarching message has been that the mechanism is inadequate and not fit for purpose for the extent and speed with which economic transition needs to take place to avert a climate catastrophe. These inadequacies are pushing the EU and the Commission to rely increasingly on nuclear energy, hydrogen, as well as speculative

technological innovation in the field of Carbon Capture Utilisation and Storage (CCUS). This year, chapter 4 is dedicated to a critique of Commission policy on CCUS. It is pointed out that these are high risk technologies that may contaminate ground- and drinking water, and generate explosions and earthquakes. There is no guarantee that the gas can be safely stored underground for thousands of years. Furthermore, reliance on such technologies is not compatible with the immediacy with which action against climate change needs to take place. More radical and democratic measures, advocated by the Euromemorandum group over the years, need to be taken, rather than hoping that the panacea of such ‘miracle technologies’ will save the day. More specifically, given the theme of the chapter, this year’s Euromemo proposes that:

- A clear separation is made between emissions-reduction and carbon-capture and that ambitious targets are set for reducing residual quantities and that Carbon Capture and Storage technologies (CCS) and their offshoots are largely avoided in favour of ecological climate protection strategies.
- That the hierarchy of prevention, recycling and disposal, mandatorily laid down in EU Directives and laws of member states, must cover all areas of waste management, including carbon dioxide.
- A more ambitious phasing-out process is needed, including a ‘target architecture’ of binding quantified step-targets for permitted emissions (for 2030, 2040, 2050).
- The EU must implement its obligations under the Kunming-Montreal Global Biodiversity Framework of December 2023, including the strengthening of natural sinks.
- Reforestation and rewetting of fens must form an integral part of any responsible strategy against climate change.

Chapter 5 is dedicated to the global issue of human mobility and migration, and is based on contributions made by researchers from the Horizon 2020 OPPORTUNITIES project<sup>2</sup> to the 2023 Euromemorandum conference in Naples. It begins with an analysis of the contrast between the racialised nature of moral panics in European societies over migration as well as the EU’s racialised and securitised migration regime, and contrasts this with the relatively modest level of migration (the non-EU migrant population in the EU is 5.3% of the total population.) The chapter critiques the Dublin Convention as being contrary to the interests of migrants and asylum seekers as well as contrary to the principle of solidarity between frontline and other member states. The result is that it feeds both a clandestine illegal market of human trafficking and xenophobic politics. On

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<sup>2</sup> For more information see: <https://www.opportunitiesproject.eu/>

the basis of ethnographic ‘cross-talk’ methodology, sensitised to migrant voices ‘from below’, the chapter derives the following policy alternatives:

- De-securitize the migration regime and integrate it with labour market policy. This could provide an ‘opportunity’ to deal with the aspects of the EU’s reproductive crisis pertaining to rapidly ageing societies.
- Replace the Dublin Convention with a regime based on the Solidarity Principle. The manner in which the EU dealt with refugee inflows following the war in Ukraine indicates that this is possible.

The deliberations of the 2024-29 Strategic Agenda are premised on ‘the world becom[ing] more unstable and complex’.<sup>3</sup> Chapter 6 is devoted to the analysis of this instability and complexity, which is amplified by the human tragedy that is the Israel-Hamas war in Gaza. That war threatens to engulf not only all of the Middle East but produce a direct military confrontation between the West and a coalition led by Iran. Situating the war in Ukraine within a broader context of geopolitical rivalry between the United States and China, Chapter 6 offers an alternative account to the self-congratulatory Granada Declaration and its contention of having reduced dependencies, increased resilience and having taken ‘major decisions to protect our people and economies’.<sup>4</sup> It warns against the potentials of the so-called ‘Thucydides Trap’ becoming a self-fulfilling prophecy, fuelling the likelihood of war between the United States and China, where an increasingly militarised EU would be drawn in through increased dependencies on the US and the transatlantic alliance, while Russia aligns itself ever closer to China. The chapter points to the detrimental effects of militarisation on the prospects of achieving the targets for the European Green Deal and the dependence on China for the renewable transition, both in terms of raw materials and the market dominance of China in sectors that are strategic for this transition.

Given the current and dangerous security dynamics, chapter 6 advocates the following alternatives:

- Confidence and security building measures along with a ceasefire and peace agreement between Russia and Ukraine. A ceasefire is also needed in Gaza, where the violence needs to stop. In East Asia security and confidence-building measures are needed to ease tensions.
- A post-imperial sensibility in the West to avoid repeating the past world-historical cycles of hegemonic rivalry.
- Tackling the power of the military-industrial complex in different countries

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<sup>3</sup> European Council (2024). *EU Strategic Agenda 2024-2029*. Available at: <https://www.consilium.europa.eu/en/policies/strategic-agenda-2024-2029/> (accessed January 5, 2024)

<sup>4</sup> European Council (2023). *The Granada Declaration*

- EU cooperation with China on matters such as environmental sustainability, tax evasion and trade without giving up the invocation of human rights.
- A fundamental reorganisation of the world political economy, involving
  - a. global institutions and mechanisms that ensure everyone's ability to access and afford food that is nutritious and sufficient
  - b. trade regime that allows for pluralist developmental policies and more space for autonomous economic policy
  - c. building of new common global institutions ranging from a Clearing Union to global tax organizations and a world parliament.