

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

***EUROPE AND THE WORLD BEYOND THE POLYCRISIS:  
POSSIBLE FUTURES***

**-EuroMemorandum 2025-**

**Introduction**

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EuroMemorandum 2025 draws on discussions and papers presented at the 30<sup>th</sup> Workshop on Alternative Economic Policy in Europe, organised by the EuroMemo Group and jointly hosted with the University of Applied Sciences BFI Vienna, from 12th to 14th of September 2024 in Vienna/Austria.

This year's EuroMemorandum is dedicated to Jeremy Leaman, a beloved colleague and comrade, who will be missed.

## Introduction

2025 is the 30<sup>th</sup> anniversary of the publication of the first Euromemorandum. Also, 2024 marked 25 years since the Euro was launched. Finally, in 2024 the EU produced a whole host of reports that analyse developments over the longer term and forecast and strategize well into the future. This includes the Strategic Agenda of the European Council, the Political Guidelines of the President of the European Commission, the Letta Report and above all the Draghi Report. For that reason, the format of the 2025 Euromemorandum is different from usual. Rather than taking the usual one-year timeframe as the main focus of analysis, this year's Euromemorandum considers developments with a broader timescale in mind.

The exception to this is the first chapter, which condenses our usual annual review of economic and social developments into one chapter. It follows the usual format of analysing developments, critiquing EU policy and offering alternatives.

While developments in the EU and a world riven by polycrisis are highly concerning, the chapter points to certain positive developments. Inflation came down in 2024 because of falling energy prices. Unemployment rates have also come down because employment rates increased substantially. What is more, new employment is predominantly in the form of standard employment. The Platform Work Directive and The Minimum Wage Directive have been enacted and are expected to improve workers' protection if transposed and fully implemented. Minimum wages have also increased in the EU in real terms. The contribution to the post-pandemic recovery by Next Generation EU (NGEU) has demonstrated the potential of fiscal federal instruments. It is currently serving an important role in shoring up public investments that counteract a substantive contraction of private investments. The recovery has been comparatively strong in some parts of the EU periphery, including Spain, Poland, Croatia, Malta and Cyprus.

However, in 2024 the European economy as a whole had its second successive year of stagnation, and Germany its second year of negative growth. Also, growth in employment is petering off. Everything points to the major risks of relying as much as the EU does on private investments and export-led growth. The contraction of private investment has been the main driver for the current stagnation, caused by geopolitical instability – the wars in Ukraine and the Middle East. As this year's EuroMemo is being published, the US Trump Administration is announcing large 20-25 percent tariffs on commodities such as aluminium, steel and automobiles. Furthermore, ECB's aggressive hike in interest rates motivated by an unsubstantiated concern with secondary causes of inflation has been a second major cause behind the contraction of private investment. Health and safety and working conditions are also deteriorating in the post-pandemic period, with particularly adverse effects on women.

Given these developments, the April 30, 2024 introduction of EU's reformed fiscal Stability and Growth Pact (SGP) is highly unfortunate and inadvisable. If fully implemented, it would lead to a return to an inflexible and restrictive fiscal policy regime and the end to the parenthesis of a more flexible, countercyclical fiscal policy during the COVID-19 pandemic. This would exacerbate tendencies of stagnation and uneven

development and is not what the EU needs in the new geopolitical climate and the necessary socio-ecological transformation to deal with climate change. It does not help that NGEU is not envisaged to continue beyond its current lifetime. By contrast, monetary policy has been easing, but it is unlikely to counteract the return to fiscal austerity. However, the reformed SGP may not survive the year due to geopolitical developments, with White Paper *Readiness 2030* recommending the re-activation of the General Escape Clause for military expenditure and mutualised borrowing for these purposes. Apparently, Ordoliberal rules are more easily set aside for militarisation -with weaker multiplier effects- than for socio-ecological transformation

In recognition of the failure of 'competition policy only' in halting EU decline vis a vis the United States and China, there has been a renaissance of industrial policy in the EU, at least discursively. These developments are assessed in chapter 1, with particular attention to the National Recovery and Resilience Programmes (NRRPs) of NGEU. Overall, these developments have been disappointing in their lack of strategic direction and lack of democratic accountability. They are essentially operating as supports for finance-led accumulation and internal devaluation. It is also concerning that industrial policy is being increasingly militarised. On the positive side the NRRPs have given more local autonomy from Troika conditionalities, which in some cases have facilitated strategic investments in the green and digital transition. However, in other cases there has been a complete lack of direction, and there is a trade-off between national and local ownership and EU-level coordination. Overall, more research is needed to evaluate the industrial policy effects of the NRRPs and NGEU.

Chapter 1 proposes the following policy alternatives, the details of which can be found in the chapter:

- A sizeable Europe-wide investment plan, in close co-ordination with corresponding national plans, to promote socio-ecological transformation and accelerate the technological transformation in the EU's industrial sector. This would require:
  - an EU investment fund covering the needs of both EU-level transition projects and of complementary national ones;
  - an enlarged EU budget corresponding to 5 percent of GNI;
  - a permanent EU central fiscal capacity backed by common borrowing.
- An alternative fiscal governance framework which would include:
  - a 'golden rule', exempting net public investment aimed at the socio-ecological transformation from budgetary balance;
  - 'debt sustainability rules' paying attention to the cost of servicing the public debt relative to GDP, rather than its level;
  - a framework of democratic accountability through the European Parliament.

- Redistributive social and fiscal policies
- Fair wages and social dialogue
- Pay transparency
- Progressive labour market regulations
- Regulation of platform work, bogus self-employment and algorithmic management
- Improve working conditions, health and safety at work
- Adequate income and employment guarantees against poverty and social exclusion

The other chapters are written in a different mode, focusing on long-term developments and long-term forecasting. Chapter 2 offers a general analysis of EU dynamics in the broader global system and offers five future scenarios. This is done in direct engagement with the Draghi Report. It critiques the Draghi Report for returning to the tired and failed attempts to copy the American model of development (financialisation, supply-side economics) but without a sizable federal budget and for operating with a concept of ‘open strategic autonomy’ that could mean virtually anything. Furthermore, the Draghi Report is critiqued for lacking reflexivity in its analysis of increased securitization, authoritarianism and the weaponisation of interdependence. Rather than reflecting how EU actions might have contributed to these ‘decoupling’ developments, the EU is simply assumed to be ‘some kind of force of good’.

Chapter 2 concludes by painting a number of future scenarios. It warns that EU ‘business as usual’ is likely to result in further authoritarian populism, disintegration, and nationalism (S1) although, especially security threats, could also engender developments towards an EU-level nationalism (S2). Neither of these scenarios augur well for dealing with common global challenges such the prospects for climate catastrophe and geopolitical conflict that could result in nuclear war. Scenario 3 (S3) is one where the EU adopts policies such as those advocated by civil society agents, including the Euromemorandum Group, and the EU becomes a potential ‘transformative global actor’ ‘that would further cognitive, ethical-political and institutional learning on regional and global scales’. Scenarios 4 and 5 deal with global developments and how the EU as a ‘transformative global actor’ might be drawn into social transformation and reform, in the latter case (S5) in the wake of crises generated by global disasters.

Chapters 3, 4, and 5 offer detailed analysis of dimensions of long-term developments within what chapter 2 categorizes as Scenario 1 and what it would take to direct developments towards scenario 3. Chapter 3 does so by focusing on developments in the EMU and underlines the unsustainability of business as usual which is, as the

conclusion states, 'not an option' in the long run. Returning to the definition of the Brundtland Commission, chapter 4 takes a broader view on sustainability to include social sustainability and the reproduction of a democratic public sphere and architectonic capacities. The central thesis of the chapter is that prevailing trends (S1 and S2 in chapter 2) are definitely neither socially sustainable nor sustainable in terms of the reproduction of a democratic public sphere. The chapter sees EU economic governance as a particular instantiation of neoliberalism and finance-led capitalism that has led to increased commodification of social life, not the least through privatisation. The chapter ends by arguing that a caring and needs-based economy as advocated by Euromemoranda through the years is not only of intrinsic value but would also help in the cultivation of reflexive democratic agency that may promote change towards scenario 3 as elaborated in chapter 2. The idea of a caring economy is further amplified in chapter 5. Taking a more global perspective, it argues that a paradigm shift in that direction is necessary if the EU is to become a constructive transformative actor in the world system (scenarios 3 through 5 in chapter 2). The current strategy based on a certain conception of 'green growth' as per the European Green Deal (EGD) and related policy, even if properly implemented, is not generalisable on a global scale and therefore assumes a Eurocentric global privilege that has been asserted in the world system at least since the 16<sup>th</sup> century (scenarios 1 and 2 of chapter 2). In other words, it is based on an 'imperial mode of living' 'implying a disproportionate claim on global resources, sinks, and labour power'.<sup>1</sup>

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<sup>1</sup> Brand, U., & Wissen, M. (2021). *The imperial mode of living: Everyday life and the ecological crisis of capitalism*. Verso Books.