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– EuroMemo Group –

European Economists for Alternative Economic Policy in Europe

A Green New Deal for Europe – Opportunities and Challenges

EuroMemo 2020

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Content

Preface

With New Year 2020 we also welcomed a new decade. We could read many articles in which the 2020s were compared to the 1920s. Liberal newspapers discussed the question if the 2020s might copy the imaginary "roaring 20s" with rising stock markets and cultural exuberance, while authors that are more critical were particularly concerned about the possible rise of fascism.

On an abstract level, we indeed see a challenging isomorphism between the 1920s and the 2020s. Politics realised three alternatives to fight the capitalist crisis of the interwar period. We had the Soviet approach of centralised planning and investment in department two (production goods); the national socialist centralised planning and investment in military spending; and Roosevelts policies which invested not only in department two, but also in department one (private consumer goods). In macro-economic terms, all three ways favoured a centralisation of the economic decision making processes, at least concerning controlling the banking sector and the investment function of the societies.

We are today in a comparable situation. Our societies still suffer from the economic crises following the breakdown of Lehman Brothers and the plethora of procyclical and anti-citizens and anti-worker decisions, taken afterwards by the ruling elites in the EU. Following a short Keynesian spring after the crises hit Europe, neoliberalism was enthroned once again as guiding principle with the ever-increasing austerity policies. We have to be fair: this is not all the mistake of the EU, although the EU has, over the years, become a major obstacle in macroeconomic policies in itself. We have countries like Ireland, Greece and Portugal, which the EU forced to cut their welfare states into pieces. Elites in other states instead, like the once of the member states of the "New Hanse", impose self-inflicted economic pain on their own citizens without any external pressure. The *2020 EuroMemorandum* describes correctly how only an active fiscal policy and a true EU budget could help the European societies here.

The situation at the dawn of our new decade is such, that this macroeconomic scenario is not enough to threaten the living standard of the Europeans. We face another challenge that complicates the economic situation and discourse further. The climate crisis will lead to a shift in demand for goods: away from private consumer goods and towards collectively used "environmental protection goods". It is wrong to believe that a drastic reduction in CO_2 emissions would be suffice. Scientists tell us about many "planetary boundaries" we are not allowed to cross. In economic terms, this would lead to a massive rise in environmental regulations to "internalise external costs". By tendency, we will see a rise of detailed regulations for all kinds of services and goods. This year's *EuroMemorandum* anticipates this structural development path in the last chapter discussing "Legal obstacles to socio-ecological transition" – obstacles being deployed by the current powers that be.

We will thus see a strong rise of needed regulations in services and goods on the one side. On the other side, we will also see a strengthening of the public sector with a concomitant socialisation of the investment function of the societies. In EU terms this strengthening of public investment is the debate of how we can finance the New Deal of the European Commission, the struggle for a Just Transition Fund and of course for the next Multiannual Financial Framework.

The future is unwritten, so much is clear, but as no Soviet Union threatens capitalism; capitalism still seems to be the hegemonic system. Moreover, contrary to what some might hope, the massive net investments, which will be imposed on the industry by new regulations like in the automotive, the energy or the housing sector will lead to a rise in profit for private capitalists and will give them a rejuvenation treatment.

Left, progressive and green political forces, social movements and trade unions are hence confronted with a unique possibility for joining hands and fight for one common cause. The challenge to rebuild our European economy, so that it does not cross the "planetary boundaries", will unavoidably lead to a politicisation of our economies due to enhanced needs for public regulation of goods and services and due to the socialisation of the investment function. In political science terms, this means that we shift from a profit based to a rent based economy. If this rent is appropriated individually by oligopolistic actors, our democratic systems are even more in danger than we might believe when we deplore todays "post-democracy".

The unifying political goal therefore must be the democratisation of all economic processes. The macroeconomic demand gap and the mitigation of the climate catastrophe will lead to the end of the fairy tale of the de-politicized anonymous markets – and the answer must be: wherever political decision are needed, democracy must prevail.

This year's *EuroMemorandum* delivers the much-needed economic arguments for the intellectual disputes on how to achieve this political goal.

Roland Kulke, 18. Feb. 2020

This EuroMemorandum draws on discussions and papers presented at the 25th Workshop on Alternative Economic Policy in Europe, organised by the EuroMemo Group in cooperation with the Paris University 13, from 26-28 September 2019 in Paris.

Summary

Introduction

In tandem with deepening social inequalities, renascent authoritarian nationalisms and the crisis of global governance, the climate crisis and other planetary boundaries urgently need comprehensive and effective policy responses. Properly designed, a Green New Deal, understood as a political compact to combine massive investment for ecological conversion with an agenda of social inclusion, could be a first step to get a more comprehensive and long-term trajectory of socio-ecological transformation off the ground. In contrast to proposals such as from DiEM 25 and progressive US democrats like Alexandria Ocasio-Cortez, the European Green Deal proposed by the new European Commission falls however short of effectively addressing the current challenges. The proposed amounts of funding are limited, subject to political agreement with member states and overemphasize private sector contributions. The policies for securing a fair transition, leaving no one behind, remain vague. The international dimension remains stuck in a competitiveness paradigm and prioritizes the EU's interest in securing free access to raw materials at the expense of concrete proposals for fostering international cooperation. Ultimately, a longer-term process of socio-ecological transformation will eventually have to overcome the expansionist dynamics of capitalism.

1. EU macroeconomic policies and climate change

Developments in the Euro area and the EU economy in 2019 confirmed the downgrading of the European Commission's expectations in late 2018. Indeed, the European economy has entered a period of low growth – low inflation, with noticeable structural shifts in the manufacturing sector and large divergences across member states. High uncertainty is generated by both global and European factors. International trade tensions are multiplying from the US and China's confrontation over tariffs to disagreements between South Korea and Japan on crucial goods for technology supply chains and the US threats to impose tariffs on European imports. On the European front, the exit of Britain from the EU will lead to serious sectoral disruptions in European economies and incur significant costs for both Britain and the EU.

The Euro area has no fiscal capacity to match the monetary union, neither is it able to take discretionary budgetary action, allowing for stronger automatic stabilisers, through e.g. an unemployment insurance fund, an issue that was raised in the recent past but was dropped almost instantly! Indeed, the current deadlock with respect to the EU budget is indicative of the difficulty of achieving consensus on issues that are vital for the survival of the Union.

Monetary policy on the other hand has remained accommodative as central banks across the world have shifted to policies aimed at stimulating the economy. While such policies have had a marginally positive effect on growth and recovery within the EU28/ Euro area, central bank policy remains firmly within the dysfunctional and dangerous terms of reference of mainstream, 'neoliberal' supply-side economics.

Against this background, climate change needs to become established at the centre of the main debate. In terms of EU macroeconomic policy, the centrepiece of policy should be a major public investment programme to promote an ecological and social transition towards a sustainable and equitable economy. Such a programme should promote investment at European, national and local level. The overall priorities should be determined following full discussion of development needs by the European Parliament and should aim to reverse the marked regional imbalances in the EU.

Detailed decisions about the allocation of resources at national and local level should be taken by democratically accountable bodies at the corresponding level. In each country an existing or newly created National Development Bank or Institution should be responsible for providing finance and implementing investment strategy at national and regional levels. Financing for the programme should be mobilised by drawing on Eurobonds, Central Bank credits and an EU-wide tax on corporations.

Last but not least, the mandate of the ECB needs to be revisited to allow it to contribute to tackling climate change. The ECB, with its large portfolio, is par excellence in a position to assume a leading role in ensuring that climate change is brought about effectively and efficiently.

2. Climate change, urban and agricultural policies

Two of the most fundamental ecological problems are climate change and the loss of biodiversity, which are linked. The following proposals could contribute to a transformative Green New Deal. 1) Establishing an EU future investment fund, for mobilizing investments for socio-economic transformation. 2) Improving the ETS before phasing it out. The first step would be to reduce the volume of the emission permits available; then stepwise replacement of the ETS by eco taxes, especially a carbon tax, should be introduced. 3) New electricity needs new instruments. To use electricity from renewable energies, it is necessary to stabilise intermittent supply through storage capacity. The reliability of electricity supply is a public good and should be provided by public authorities. 4) Another approach to land use and forestry. The incentives to use wood as bioenergy should be abolished. An integrated approach across sectors and administrative boundaries would entail a wide application of ecosystem-based management and nature-based solutions. 5) Alternative local, regional and urban policy. In order to focus on the necessary changes and to evaluate the effects of such measures, a set of indicators from the cultural, socio-economic and biophysical spheres is needed. The regional doughnut visualization with its 18 indicators could help to elaborate a roadmap towards a sustainable social and industrial metabolism. Such tools could be used for organizing a broad democratic discussion and collectively working on such a roadmap.

3. Labour market and social policies

With the decade coming to a close, it has become clear that the Europe 2020 strategy has failed to achieve one of its most central, and important targets (and, incidentally, the only actual social policy-related target). Against the background of 'smart, sustainable and inclusive growth', a target of reducing the number of EU citizens at risk of poverty by at least 20 million had been set. And yet, poverty did not fall in many member states, and there are still around 113 million people at risk of poverty; EU social policy has failed to bring inclusive development to their lives. Moreover, social policy and labour market policies are inextricably connected. In this context, it is alarming that in-work poverty is also on the rise in Europe. In this year's EuroMemorandum chapter on labour market and social policies, the initial focus is on a critical appraisal of the social investment approach that has become quite central to the EU's social policy strategy. Following this, the discussion then zooms in on specific dimensions of social policy, including a critical discussion of the Italian 'basic income' scheme, as well as the gendered dimensions of social policy developments. In order to engage also with concrete suggestions for alternatives, the chapter then offers an outline of the job guarantee, a proposal which is not uncontroversial but which would offer an interesting counterpoint to supply-side active labour market policies. The chapter then closes with further suggestions and a call for a truly social, inclusive and sustainable social and labour market policy.

4. Implications of the digital economy for Europe

With the digital economy expanding rapidly and offering undeniable benefits in various cases, it is clearly essential to raise serious questions about the threats emanating from unbridled expansion in a technology-, market- and profit-led manner before judging the place of these technologies in addressing challenges such as climate change and biodiversity. The EU institutions fail to do this sufficiently. The role of the state in directing the trajectory of innovation and research is critically important in the context of any meaningful socio-ecological transformation or Green

New Deal, if technology is to be shaped in directions which prioritise public goods rather than continually increased consumption. A visible and contentious problem associated with digitalisation is the weakening or potential loss of social security in a wide sense, given the proliferation of atypical and precarious forms of work in the digital economy contributing to the undermining of the welfare state alongside other contributors. Control of data and privacy are fundamental. Data are parts of the commons; they are produced in the public sphere by the public and need to be defended against private appropriation. They are in increasing demand for the provision of services in the public interest; personal data have to be protected against surveillance, and control has to be kept entirely with the individual concerned. In the context of socio-ecological transformation, there is a strong case for developing a concept, above all, of cooperative advantage which places less emphasis on growth, smart or otherwise, and rather prioritises the shared promotion of investment in environmental and social justice, in employment, training and the full recognition of societal and family activities. The digital economy should find its place in that context.

5. Legal Obstacles to Socio Ecological Transition

Socio-ecological transformation in the medium run, and Green New Deal in the short run, require large regulatory efforts. Currently however, we see instead ample regulation that will work to undermine, rather than strengthen, these efforts. Most pressing concerns include the ongoing efforts to ratify Free Trade Agreements (e.g. EU-Mercosur), which are fully invested in the 'economic growth' paradigm. These agreements also include investment law chapters, which give full investment protection to brown industries, that are due to halt or at least increase the public costs of the socio-ecological transition considerably. Furthermore, the EU has given legal status of the so called 'innovation principle', which is bound to undermine the EU precautionary principle – a cornerstone legal principle for the socio-ecological transition. Equally, the new Commission president's proposal for 'one in, one out', which is strongly deregulatory, may on its own block the major regulation needed in a range of areas for a Green New Deal. Finally, the EU has so far not put in place any rules which would link the Common Agricultural Policy subsidies to EU's climate ambitions, despite the fact that agriculture is responsible for some 10% of its CO2 emissions. Nor did the EU make necessary steps in order to adjust the competition and state aid rules to the imperatives of socio-ecological transition. Removing these legal obstacles is crucial, if the EU is not to undermine the efforts which it is trying to pursue by other policy means.

Introduction

In tandem with deepening social inequalities, renascent authoritarian nationalisms and the crisis of global governance, the climate crisis and other planetary boundaries urgently need comprehensive and effective policy responses. Properly designed, a Green New Deal, understood as a political compact to combine massive investment for ecological conversion with an agenda of social inclusion, might provide a political project to get a more comprehensive and long-term trajectory of socio-ecological transformation off the ground. Thus, a truly sustainable economic model would need to transcend the expansionist logic of capitalism.

The climate crisis: common but differentiated irresponsibility?

Atmospheric concentrations of carbon dioxide are now at 406 parts per million (ppm). The last time that occurred the average global surface temperature was around 3°C above levels in the late 19th century. Sea levels were then 10-20 meters higher than now. That was roughly three million years ago. During the relatively benign period of the last 10,000 years, human civilization developed within a corridor of plus or minus 1°C.[1] We now stand at plus 1.1°C, on the brink of leaving the corridor (see Graph 1). If the current trend of 1.5% CO_2 emissions growth p.a. continues unabated, the IPCC Special Report Global Warming of 1.5°C[2] estimates a global temperature increase of 3°C or more by 2100.

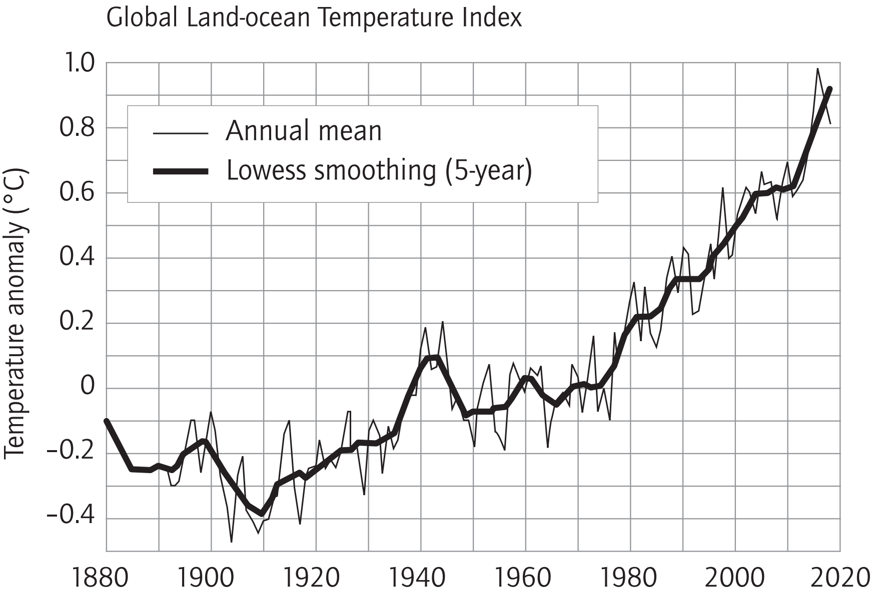
It is no coincidence that the Paris Agreement defined the climate target as 'well below 2 degrees Celsius above pre-industrial levels' and demanded 'efforts to limit the temperature increase even further to 1.5 degrees Celsius'. The IPCC Special Report highlights the dramatic difference in impact between a global temperature rise of 1.5°C versus one of 2°C. This further increase of 0.5°C would double the duration of droughts and more than double the occurrence of extreme weather events. Furthermore, all coral reefs would be destroyed. In order to reach the 1.5°C goal, according to the UNEP Emissions Gap Report 2019,[3] an annual reduction of CO_2 emissions of 7.6% up to 2030 would be required. For the 2°C goal, the respective rate of reduction is 2.7% p.a. These reduction targets are technically feasible, but the decisive issue is of course, whether the political will for implementation exists.

1 According to other research, the temperature corridor is only +/- 0.6° C. See J. Hansen et al, Young People's Burden, Earth System Dynamics, July 2017, Fig 3. https://www.earth-syst-dynam.net/8/577/2017/esd-8-577-2017.html

2 https://www.ipcc.ch/sr15/

3 https://www.unenvironment.org/resources/emissions-gap-report-2019

Graph 1 : Temperature since 1880



Note: Global mean surface temperature from 1880 to 2018, relative to the 1951–1980 mean. The black line is the global annual mean, and the red line is the five-year local regression line.
Source: A. Oswald & N. Stern, Vox EU Blog, 17 September 2019.

What is more, climate change will disproportionately affect the countries of the Global South, that is those regions of the globe, which do not bear any historic responsibility for global warming. While the richest 10% of the global population are responsible for 50% of consumption-related CO_2 emissions, the poorest 50% are responsible for only 10% of these emissions. It also has to be taken into account that the resilience of the Global South to manage climate change is limited, given its lack of both financial and technological capacities. At the same time, the collective preferences of the peoples of the Global South to increase their economic welfare are legitimate, although it is well-documented that the generalization of the consumption levels of the high-income countries would exceed the ecological limits of the planet.

The Paris Agreement tries to account for these different contexts with the principle of 'common but differentiated responsibilities' (Art 2.2). In concrete terms, the agreement commits the parties to provide climate finance funds of $100 billion p.a. by 2020. These funds shall be managed by the Green Climate Fund (GCF). The GCF donor conference in October 2019[4] promised a meagre $10 billion to the fund, of which roughly two thirds come from EU countries (including Britain). Thus, the current pledge amounts to 2.5% of the $400 billion countries have committed to raise for the period 2020-2023.[5]

As things stand now, it is more than evident that the international commitments to implement the Paris Agreement fall far short of what is actually needed.

The Green Deal proposal of the new European Commission: handicapped by austerity and committed to mercantilism

Under the Paris Agreement, the EU committed itself to reduce its emissions by 40% by 2030 compared to 1990 levels. At the end of 2018, emissions levels were 23.2% below 1990; since 2015, however annual reductions have almost stagnated. According to a recent report by the European Environmental Agency,[6] member states' current policies will only deliver a 30% reduction by 2030, while implementing all reported planned policies could bring the total reduction to 36% (see Graph 2). These numbers clearly underscore the need for additional action.

The proclaimed objective of the new European Commission (EC) led by Ursula von der Leyen to make the EU carbon-free by 2050, and to increase the GHG reduction target for the 2030 deadline to 55%, are thus to be welcomed in principle. To this end, the new Commission proposes a European Green Deal (EGD)[7]. The core policies proposed by the EGD involve most importantly:

1. A policy mix to ensure effective carbon pricing throughout the EU economy: this involves the extension of the European Emission Trading System to other sectors, such as the maritime sector and air transport. Coverage shall also be considered for road traffic and emissions from buildings. In order to reduce carbon leakage, a Carbon Border Adjustment Mechanism will be proposed, which shall start with a number of selected sectors and be gradually extended;
2. An EU industrial strategy with a new circular economy action plan in order to reduce the material throughput of the EU economy and to increase reuse and recycling of materials, which currently stands at a meagre 12%. The resource-

4 https://www.greenclimate.fund/documents/20182/24868/First_replenishment_of_the_Green_Climate_Fund__Summary_pledge_table.pdf/96ea94f9-d8f7-1ce1-198c-3f7fe1f47c30

5 Adding initial commitments to the GCF of 5.6 billion USD up to 2019, that number would increase to 3.75%.

6 https://www.eea.europa.eu/publications/trends-and-projections-in-europe-1

7 https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

efficient design of existing and new products shall be promoted by a 'sustainable products' policy including both financial incentives and regulations.

3. A strategy for sustainable and smart mobility shall be adopted in 2020 in order to achieve a 90% reduction of transport emissions by 2050.
4. A 'farm-to-fork'-strategy to be presented in spring 2020 in order to increase sustainable food production, and decrease the use of chemical pesticides as well as fertilisers. Within this framework, an EU Biodiversity Strategy shall increase protection of biodiversity, and a EU forest strategy shall increase afforestation, and promote forest preservation and restoration.
5. A 'zero pollution' action plan for air, water and soil shall be adopted in 2021 with the objective of creating a toxic-free environment. To this end, a chemicals strategy for sustainability shall 'combine better health and environmental protection and increased global competitiveness […] by simplifying and strengthening the legal framework', which seems to be a somewhat contradictory approach.
6. The financing needs of the EGD – estimated by the Commission itself at an annual €260 billion or 1.5% of EU GDP until 2030 – shall be met by a combination of measures.[8] These include the installation of Sustainable Europe Investment Plan (SEID) worth €1 trillion, which will include a Just Transition Mechanism amounting to €140 billion targeting the regions and sectors that are most affected by the transition, in particular coal mining regions. In order to finance these programs, 25% of the EU budget funds shall be devoted to climate and related finance, amounting in total to some €500 billion. The latter will trigger national co-financing in the amount of €114 billion. In addition, private and public funds from member states in the equivalent amount of €300 billion shall be leveraged via investment guarantees provided by the InvestEU Fund, as well as by loans extended by the European Investment Bank. The latter shall assume the role of the EU's climate bank and double its climate-related lending. It should be noted, however, that this financial programming still needs to be agreed with the EU member states. So far, only €7.5 billion of the total amount pledged from EU budget resources represents new money, the rest coming from re-labelling of budget funds and private investment leveraged via public guarantees.

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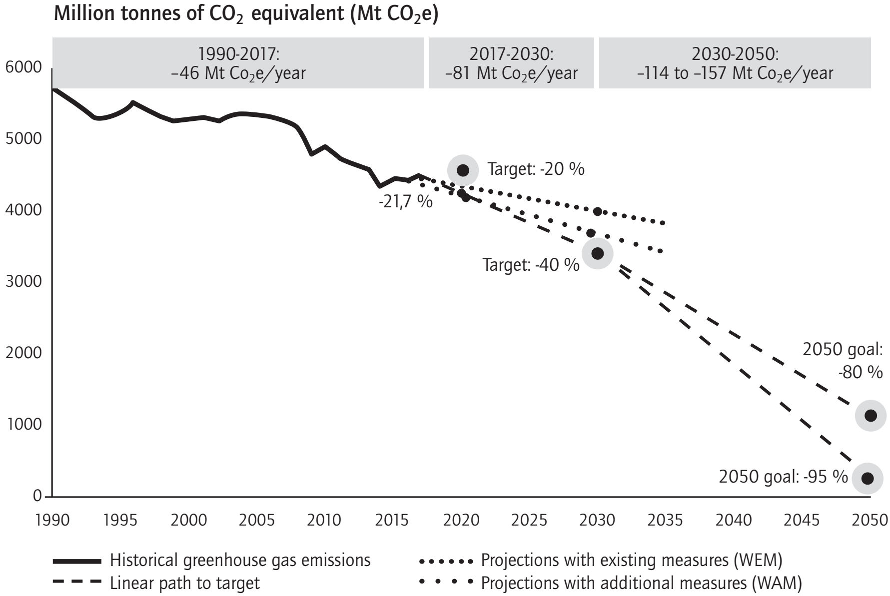
8 See *The European Green Deal Investment Plan and Just Transition Mechanism explained,* 14 January 2020, https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_24

Graph 2: Greenhouse gas emission trends, projections and targets in the EU, 1990 – 2050



Source: EEA: Trends and Projections in Europe 2019. Tracking progress towards Europe climate and energy targets, EEA Report 15/2019, p. 20

The financial backing behind the EGD thus remains largely fictitious for the time being. Whether under these circumstances the EC will be able to live up to its plea of guaranteeing a just transition that will 'leave no one behind', is highly uncertain.[9]

Notwithstanding a number of feasible proposals, the policy package of the EGD falls thus short of the required effective response to the scale of the challenges posed by both climate change and the deep social crisis. The scale of the SEIP, for instance, will likely be far too limited and its focus on triggering private sector investment is not only overly optimistic, but misleading. Instead of the prevailing model of blended finance, where governments take on the risks, while private investors earn the profits, the public sector itself should provide the needed funds for socio-ecological investment. The programme proposed by DiEM 25, with a total value of €5 trillion

9 It should however be noted that the new EC also plans to implement a number of social policies, as outlined in the political guidelines of the new Commission, including legislation for a European minimum wage, a European Unemployment Benefit Reinsurance Scheme, and a European Child Guarantee.

funded by green bonds issued by the European Investment Bank and guaranteed by the European Central Bank (ECB) is much more likely to deliver the required results.[10] In this respect, the success of ECB President Christine Lagarde's plan to include climate change as a mission-critical priority for the ECB will be crucial for the viability of a more effective EU climate policy.[11] Equally important is a transparent and participatory process of allocating funds to projects. If anything, the key lessons from the 1930's New Deal in the United States are precisely that strong political leadership as well as grass roots involvement are pivotal in order to overcome the resistance of vested interests and other obstacles along the way.[12]

While the policies of the EGD discussed so far can arguably be qualified as well-intentioned but insufficient, other proposals of the von der Leyen Commission are clearly wrong-headed and must be rejected. Most importantly, it endorses the 'deep and comprehensive'- free trade policy agenda in place since 2006 and supplements this by a call for a higher commitment to common security policies as well as tightened external border controls, the latter being promoted under the highly problematic slogan of 'protecting our European way of life'. These proposals belie the stated commitment to promoting multilateralism. With a few exceptions, concrete initiatives to promote international cooperation and solidarity are largely lacking in von der Leyen's programme. To which ends the announced 30% increase in the EU budget for external actions will be deployed, should thus be closely watched and scrutinized by progressive EU civil society.

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Given its urgency, this year's EuroMemorandum makes the case for a properly designed and sufficiently funded Green New Deal as the most promising way to tackle climate change in the short to medium term. We are however fully cognizant of the fact that even a progressive Green New Deal will not suffice to overcome the expansionist logic of the capitalist mode of production. To this end, the required profound socio-ecological transformation must result in the emergence of truly sustainable as well as equitable and democratic modes of production and lifestyles. The EuroMemo Group will strive to make a contribution to this intellectual and existential challenge in the years to come.

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10 Adler, D. and P. Wargan (2019): Financing the Green New Deal for Europe. Mobilising the European Investment Bank to power Europe's green transition. Paper presented at 25th Annual Conference on Alternative Economic Policy in Europe, Paris, 26-28 September 2019.

11 See https://www.ft.com/content/61ef385a-1129-11ea-a225-db2f231cfeae

12 Lehndorff, S. (2019): Towards a „Green New Deal": Anything to learn from the New Deal of the 1930s?, Presentation at 25th Annual Conference on Alternative Economic Policy in Europe, Paris, 26-28 September 2019

1 EU macroeconomic policies and climate change

Developments in the Euro area and the EU economy in 2019 confirmed the downgrading of the European Commission's expectations in late 2018. Indeed, the European economy has entered a period of low growth – low inflation, with noticeable structural shifts in the manufacturing sector and large divergences across member states. High uncertainty is generated by both global and European factors. International trade tensions are multiplying from the US and China's confrontation over tariffs to disagreements between South Korea and Japan on crucial goods for technology supply chains and the US threats to impose tariffs on European imports. On the European front, the exit of Britain from the EU will lead to serious sectoral disruptions in European economies and incur significant costs for both sides, Britain and the EU. Overall, as the OECD chief economist Laurence Boone has pointed out, 'The danger is that we get into a vicious circle of lower trade and investment and higher uncertainty'.[13]

Table 1 EU Autumn 2019 forecast

	Real GDP		Inflation		Unemployment		Current Account		Budget Balance	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Euro area	1.1	1.2	1.2	1.2	7.6	7.4	3.3	3.2	-0.8	-0.9
EU	1.4	1.4	1.5	1.5	6.3	6.2	1.9	1.8	-0.9	-1.1
USA	2.3	1.8	1.8	2.1	3.7	3.7	-2.5	-2.5	-6.7	-6.7

Source: Autumn 2019 Economic Forecast; https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2019-economic-forecast-challenging-road-ahead_en

As shown in the above table, the European economy is performing at a relatively low level. Furthermore, the forecasts for the individual member states reveal significant differences, signalling an asymmetric reaction to external developments.

In particular, the largest economies are expected to grow at an even slower rate than the average, if not stagnate. Thus Germany's GDP is forecast to increase by 0.4% in 2019 and 1% in 2020, France's by 1.3% in both years and Italy's by just 0.1%

13 https://www.oecd.org/economy/oecd-sees-rising-trade-tensions-and-policy-uncertainty-further-weakening-global-growth.htm

in 2019 and 0.4% in 2020. Hence, although the performance of 20 member states is expected to be above average, the European economy as a whole is being dragged down by its three largest laggard members.

Although unemployment in the EU is, by comparison to e.g. the USA, relatively high, employment has shown a certain degree of resilience, which is expected to continue in the near future. This is largely explained by the shift towards sectors like services with lower productivity increases, lower worker compensation and flexible working conditions. However as pressures intensify, it is not certain that this trend will adequately shield employment. Furthermore, on a regional basis, unemployment rates are quite diverse, with southern Europe displaying significantly higher rates of unemployment.

The comparative performance of the EU and the US as shown by the current account and budget balance indicators (Table 1) points to the different policy mix employed in each case. The EU pursues a comparatively tight fiscal policy and aims at a surplus current account. In fact, the average EU indicators shown in Table 1 are exceeded by far by Germany, which is expected to record a 7% current account surplus as well as a 1.2% budget surplus in 2019.

The uncertainty in global trade is hitting business investment in the Euro area hard, given its high openness and the high share of manufacturing in its exports. In fact, the contribution of net exports to Euro area GDP growth is forecast to be negative in 2019 and quasi neutral in 2020.

These developments weigh especially hard on Germany's export-oriented economy, with industrial production declining by 4.3% between September 2018 and September 2019. Part of Germany's malaise, with its large car manufacturing sector, is due to a downward shift in global car sales, reflecting both a cyclical and a structural shift.

The auto manufacturing industry is an example of how the lack of an integrated policy approach to climate change can cause harm. In particular, new emissions rules and the shift to electric vehicles are taking a toll on the industry. For example, in Sweden the 'bonus malus' rule, which rewards buyers of cars with low carbon emissions, is hurting demand for larger cars. The phasing out of diesel and the greater use of ride-sharing is also reducing demand for cars, especially large ones. Similarly, Germany's 2030 emission targets are weighing on its transportation sector.

While these changes are in the right direction in terms of climate change policy, they need to be accompanied by compensating changes on the level of fiscal and monetary policy.

In its annual report submitted to the German parliament in early November 2019, the Council of Economic Experts, Germany's top economic advisers, urged the German government to raise infrastructure spending and cut taxes. The Council advises the government to abandon its commitment to a balanced budget approach, known as the 'Schwarze Null', or 'black zero', as it would prevent it from using fiscal policy to stimulate and rebalance the economy. This is however unlikely to happen any time soon, given the 'sacrosanct' nature of this budgeting rule and the associated debt brake, which by now applies to all EU member states.

The Euro area has no fiscal capacity to match the monetary union, neither is it able to take discretionary budgetary action, allowing for stronger automatic stabilisers, through e.g. an unemployment insurance fund, an issue that was raised in the recent past but was dropped almost instantly!

Indeed, the current deadlock with respect to the EU budget is indicative of the difficulty of achieving consensus on issues that are vital for the survival of the Union. The EU executive has proposed an EU budget of 1.11% of the EU 27 gross national income (GNI) for the next budgetary period (2021-2027), a proposal that was dismissed as a non-starter by EU leaders. Net contributors, including Germany, Austria, the Netherlands, Sweden and Denmark, are unhappy with larger transfers to the EU and instead want to limit the overall size to 1% of the EU's GNI. Further, member states disagree not only on the total size of the budget but also on the allocation of funds for large envelopes, including cohesion and agriculture.[14]

Monetary policy on the other hand has remained accommodative as central banks across the world have shifted to policies aimed at stimulating the economy. The European Central Bank (ECB) has renewed its net asset purchases at a monthly pace of €20 billion as of 01/11/2019, reduced the interest rate on the deposit facility by 10bp to -0.50% while it introduced a two-tier system, whereby part of a bank's holdings of excess liquidity will be exempt from the negative deposit facility rate. In addition, it launched a new series of quarterly targeted longer-term refinancing operations (TLTRO III) in order to ensure the smooth transmission of monetary policy and further support the accommodative stance of monetary policy.

While such policies have had a marginally positive effect on growth and recovery within the EU28/ Euro area, central bank policy remains firmly within the dysfunctional and dangerous terms of reference of mainstream, 'neoliberal' supply-side economics; i.e., permissive towards the deployment of private debt to finance mergers, acquisitions, share-buy-backs, unsustainable asset bubbles, permissive above all towards financialisation and, on the other hand, obsessively intolerant towards public debt, as reflected in the dangerous 'debt brake'/ 'black zero' policy.

Against this background, climate change appears to be outside the main debate. For example, the European Commission's Autumn Forecast refers to climate change, as one of five 'structural factors' underlining the low global and European growth

14 The gap produced by Britain leaving the EU is estimated at an annual rate of €12-14 billion.

rate, the other four being: population ageing, low productivity trends, the slowdown in China and protectionist tendencies.

In terms of EU macroeconomic policy, the centrepiece of such policy should be a major public investment programme to promote an ecological and social transition towards a sustainable and equitable economy. In 2014 Commission President Juncker did launch a plan to mobilise €315 billion of private investment over several years, involving minimal EU financing. By 2019 the EU investment plan has expanded substantially, but it still relies on private finance and has no strategic planning.

In line with other progressive proposals, the EuroMemo Group advocates a 10-year public investment programme equal to at least 2% of EU GDP (around €320 billion) per year.[15] The programme should promote investment at European, national and local level. The overall priorities should be determined following a full discussion of development priorities by the European Parliament and should aim at reversing the marked regional imbalances in the EU. Specific areas of investment should include:

1. protection of the environment and limiting the impact of climate change through promoting sustainable transport systems, energy efficiency and renewable energy, a shift to sustainable agricultural production and demilitarisation;
2. a strengthening of high quality public education, health care and welfare systems that are available to all sectors of society;
3. the expansion of Information and Communications Technologies and the promotion of innovation which gives priority to providing social and employment security with what the ILO calls 'good work'.

Detailed decisions about the allocation of resources at the national and local level should be taken by democratically accountable bodies at the corresponding level. In each country an existing or newly created National Development Bank or Institution should be responsible for providing finance and implementing the investment strategy at the national and regional levels. Financing for the programme should be mobilised by drawing on Eurobonds, Central Bank credits and an EU-wide tax on corporations.

Last but not least, the mandate of the ECB needs to be revisited to allow it to contribute to tackling climate change. In fact, a debate amongst central banks is ongoing regarding their role in mainstreaming environmental, social and governance (ESG) factors in the financial system. For example, in 2017 46 central banks and regulators joined the Network for Greening the Financial System launched by Mark Carney,

15 The following proposals draw on Mario Pianta, Matteo Lucchese and Leopolodo Nascia, 'The policy space for a novel industrial policy in Europe', September 2019. For a recent trade union call for a fair and climate neutral investment programme in Europe, see Reiner Hoffmann, chair of the German Trade Union Confederation, 'It's time to get real about Europe's just transition', September 2019.

then Governor of the Bank of England. The ECB, with its large portfolio, is par excellence in a position to assume a leading role in ensuring that climate change is brought about effectively and efficiently.

2 Climate change, urban and agricultural policies

Two of the most fundamental ecological problems of our time are climate change and the loss of biodiversity. The debate on climate change has been relativising the issue of biodiversity, often thereby ignoring the interconnections between the two: biodiversity loss reinforces the impact of climate change and weakens resilience against climate change. Both issues have been known by scientists for more than 120 years.

The European Union, with its economic and trade strategies, its enlargement and development policies, with the military and 'security' actions of its member states and its own actions in this field, has led to an increase in these problems. The EU and its member states bear significant responsibility for the present problems of humanity and have failed to take urgent action to tackle the biggest of these, notably global warming, loss of biodiversity, poverty, violence against people and their living conditions. Up to recently at least, they were not willing to initiate the economic stimulus packages needed to launch programmes for a socio-ecological transformation which would create decent employment on a substantial scale. There have been many proposals for such initiatives over the years and, in particular, various proposals for a 'Green New Deal' (GND). The new Commission announced the European Green Deal in December 2019, though with limited ambition; it is discussed in the introduction above.

At the current speed of reducing greenhouse gases (GHG), the EU would need around 170 years to reach its minimum reduction target of 80% by 2050, relative to 1990. For reaching the 95% reduction target, it would need around 350 years. According to the most recent findings, '[…] we identify the committed global mean sea-level rise until 2300 from historical emissions since 1750 and the currently pledged National Determined Contributions (NDC) under the Paris Agreement until 2030. Our results indicate that greenhouse gas emissions over this 280-y period result in about 1m of [already] committed global mean sea-level rise by 2300, with the NDC emissions from 2016 to 2030 corresponding to around 20 cm or 1/5 of that commitment. We also find that 26cm (12cm) of the projected sea-level-rise commitment in 2300 can be attributed to emissions from the top 5 emitting countries […] over the 1991–2030 (2016–2030) period. Our findings demonstrate that global and individual country emissions over the first decades of the 21st century alone will cause substantial long-term sea-level rise.'[16] People have to flee the rising waters, while others are forced to move due to a lack of drinking water and spreading aridity. It is a major challenge to achieve rapid action against the increasing destruction. Accordingly, it is essential is to find ways to act now and in a combined and forceful way against these destructive tendencies. Previous EuroMemoranda contain many concrete proposals for an offensive approach to tackle these problems.

The EuroMemo Group supports the efforts of others to push for a progressive Green New Deal. Diem25 for example has proposed a wide-ranging Green New Deal for Europe, involving a range of contributors.[17] This fits with various proposals made in the past by the EuroMemo Group, especially concerning the mode of financing proposed: green bonds issued by the European Investment Bank (EIB). 'These instruments allow the EIB to raise significant amounts of money without breaking Europe's fiscal rules. Backed by the European Central Bank, the bonds are a safe investment for Europe's ailing savers and pension funds, while directing idle funds to parts of the continent suffering from unemployment, poverty and climate and environmental breakdown.'[18] Given the likely formidable resistance of some powerful interests in delaying serious and urgent action for effective ecologically and socially sustainable change, the need for the development and enhancement of progressive proposals for a genuine, transformative GND, including the manner of achieving these, is all the more urgent. The following proposals could contribute to this, among others:

1. **Establishing an EU future investment fund:** A genuine Green New Deal demands unprecedented investments for socio-ecological transformation. An overall spending target should include substantial increases in the EU funding programmes that benefit the environment. EU funds should be barred from fuelling any climate-harmful projects, such as fossil gas infrastructure. Ecologically harmful subsidies at the EU level – from financing fossil fuels, trade policies, Common Agricultural Policy, Regional Development Funds, Connecting Europe programs – should be abolished. The finance resulting from these steps, as well as from a future EU carbon tax and other eco taxes, and green bonds, should contribute to this EU investment fund. The fund would be used for socio-ecological

16 Clark, Peter U., Gütschow, Johannes, Meinshausen, Malte, Mengel, Matthias, Nauels, Alexander, Schleussner, Carl-Friedrich (2019): Attributing long-term sea-level rise to Paris Agreement emission pledges, PNAS, November 19, 2019, 116 (47) 23487-23492; first published November 4, 2019. https://doi.org/10.1073/pnas.1907461116

17 Diem25 (2019): Green New Deal for Europe: A Blueprint For Europe's Just Transition, Draft For Public Consultation.

18 Ibid.

investments that would create good quality employment. The economically weakest EU member states and regions should be the greatest beneficiaries from these.

2. **Improving the EU Emissions Trading System before phasing it out, and a carbon tax:** The EU ETS is ecologically ineffective and is not just. The first step should be to reduce the volume of the emission permits available. This can be done by governments buying them up and eliminating them. Then its stepwise replacement by eco taxes, especially a carbon tax, could be introduced. This European Carbon Emission Tax would be a fee imposed on the burning of carbon-based fuels (coal, oil, gas). It could become a core tool of policy for reducing and eliminating the use of fossil fuels. An interesting approach could be that the measurement of GHG emissions in this context would not be organised at the micro level of the emitter, but rather at the macro level, combining EU members' direct fossil fuel emissions and the indirect production of fossil energy in imported products.[19] This Emission Tax would be incorporated into the administrative structure of the EU. The levying of the tax would be organized at member state level, with the proceeds transferred to the Commission, within a special Tax Fund. The proceeds would be redistributed across the member states, according to their share in total EU CO_2 emissions. The level of the tax would rise until the reduction aims have been reached, while regressive effects would be countered. This has to be consciously organised and to be combined with other economic and regulatory instruments in such a way that it helps to fight poverty, biodiversity loss and pollution of the air, water and ecological systems in general.

3. **New electricity needs new instruments:** To use electricity from renewable energies whose supply is intermittent, it is necessary to stabilise the supply using substantial storage capacity. The reliability of electricity supply is a public good and should be provided by public authorities. Three points are especially significant here: 1) The ownership of distribution grids within the EU is very diverse; also, tax systems and market rules are highly diverse between member states.[20] 2) Considerable investments are needed for the very large amount of intermittent and non-dispatchable solar and wind electricity and the additional back-up capacity required. 3) The issue of storage of produced renewable energy needs more research and development. Equal physical access to infrastructure for all

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19 Huppes, Gjalt (2019): New institutions design for effective EU climate policy. Paper presented at EuroMemo Group conference, September 2019, Paris; Huppes, G., Deetman, S., Huele, R., Kleijn, R., de Koning, A., & van der Voet, E. (2017), Strategic design of long-term climate policy instrumentations, with exemplary EU focus, Climate Policy, 17(S1), S8-S31. doi:10.1080/14693062.2016.1242059.

20 Huppes, Gjalt (2019): New institutions design for effective EU climate policy. Paper presented at EuroMemo Group conference, September 2019.

should be introduced as a principle. Subsidized investments in hydrogen distribution for fuel cell transport could be useful for creating the learning needed in that domain.[21]

4. **Another approach to land use and forestry:** The recent European Environmental Agency's (EEA) 5-year report on the state of the European environment, in December 2019, shows that existing agriculture and forestry practices are further degrading land.[22] European forest health is seen as worsening up to 2030 and prospects of meeting 2050 objectives – including protecting and restoring forests and adopting more sustainable forestry practices – are in danger of being off track, leading to biodiversity and climate crises. The incentives to use wood as bioenergy have been making the situation worse since 2010 and should be abolished. All forest areas are under increased pressures from infrastructure development such as roads, and together with intensive management practices, are causing biodiversity loss. The nature restoration plan proposed in the European Green Deal should include the support of diverse forests and local tree species, reduced grazing pressure, and green infrastructure corridors. This will not be achieved if a 'one in, one out' principle to limit regulations is introduced as planned (see the final chapter). This principle would in effect act against a policy of better protecting and essentially expanding biological sinks. Mainstreaming biodiversity concerns in all economic sectors and including them in sectoral policies, is crucial, especially for the post-2020 biodiversity agenda - including in trade, sustainable agriculture with especially agroecology, in forestry and hunting, fisheries, spatial planning, energy, transport, health, tourism and the financial sector including insurance. An integrated approach across sectors and administrative boundaries would entail a wider application of ecosystem-based management and nature-based solutions[23].

5. **Alternative local, regional and urban policy:** There is far too little investment in socio-ecological transformation; moreover there is some evidence that investments in this field tend to contribute to social inequality. Within the EU's social investment framework, policy-makers have tried to solve problems by working with capitalist companies. However, at local and regional level the perspective of the people at large should be given priority. It is imperative to take advantage of their experience and their potential, and to empower them to deal collectively

21 Ibid.

22 European Environment Agency (2019): The European environment - State and Outlook 2020: Knowledge for transition to a sustainable Europe, Copenhagen, Denmark.

23 Ibid., p. 90.

with problems of inequality, based on the notion of collective solidarity.[24] This also constitutes the only sustainable way to deal with the complexity of the socio-ecological transformation process. Further, the changes needed to reduce carbon emissions are linked to socio-economic dynamics, to infrastructure development and to industrial processes, as well as to specific cultural values and personal attitudes. In order to focus on the necessary changes and to evaluate the effects of such measures, a set of indicators from the cultural, socio-economic and bio-physical spheres is needed. These are especially needed for a serious discussion of the divergences between social and industrial metabolisms in regions and of how these are determined by policy authorities at different spatial levels, by industrial histories and by the availability of natural resources. Such divergences indicate that transformation policies will have to target regional configurations throughout countries and to address their structural vulnerabilities. The regional doughnut visualisation[25] with its 18 indicators could indeed be a good tool for a better understanding of such configurations and help to elaborate a roadmap towards a sustainable social metabolism.[26] The challenge now is to make use of such tools for organising a democratic discussion and for collectively working on such a roadmap, with specific emphasis on the integration of the socially weakest groups and empowering them for active participation.

24 Stigendal, Mikael (2019): Approaches To Capital In The Socio-Ecological Transformation. Paper presented at EuroMemo Group conference, September 2019, Paris. http://www2.euromemorandum.eu/uploads/stigendal_approaches_to_capital.pdf

25 The assessment of regions is based on the Safe and Just Operating Space (SJOS) framework, following Raworth. Raworth, Kate (2012): A Safe and Just Space for Humanity. Oxfam Discussion Papers, Oxfam; (2017) Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist. London: Random House. The framework proposes doughnut-shaped representation of the environmental and social shortfalls and overshoots of current social metabolisms.

26 i.e. the energy and material exchanges occurring in a society and enabling it to be created and reproduced. See Dallaire-Fortier, Clara Lea (2019): Doughnuts for Transition: Regional Divergence on the Eve of a Green New Deal in the Developed World. Paper presented at EuroMemo Group conference, September 2019, Paris: http://www2.euromemorandum.eu/uploads/dallaire_fortier_regional_donuts_for_transition.pdf

3 Labour market and social policies

With the decade coming to a close, it became clear that the Europe 2020 strategy, issued in March 2010, has indeed failed to achieve one of its most central, and important targets (and, incidentally, the only actual social policy-related target). Against the background of 'smart, sustainable and inclusive growth', a target of reducing the number of EU citizens at risk of poverty by at least 20 million had been set. And yet, poverty did not fall in many member states, and there are still around 113 million people at risk of poverty (about 59 million of them women, 53% of the total); EU social policy has failed to bring inclusive development to their lives. Moreover, social policy and labour market policies are inextricably connected. In this context, it is alarming that in-work poverty is also on the rise in Europe. While preventing in-work poverty is seen as part of the goal to reduce overall poverty in the EU, the proportion of employed persons at risk of poverty has risen continually; in 2018, 9.6% of all EU-28 workers lived in households that are at risk of poverty.[27] The 2019 EuroMemorandum highlighted the inherent contradiction between adequate social protection and sustainable employment, governed mainly at member state level, and the financial sustainability framework set in place through EU rules. Zeilinger and Reiner have shown that the European Semester has led to a comprehensive decline in the annual growth rate of social expenditure.[28] As was intended, social policies have become subordinated to the primacy of balancing public budgets. In this year's EuroMemorandum chapter on labour market and social policies, the initial focus is on a critical appraisal of the social investment approach that has become quite central to the EU's social policy strategy. Following this, the discussion then zooms in on specific dimensions of social policy, including a critical discussion of the Italian 'basic income' scheme, as well as the gendered dimensions of social policy developments. In order also to engage with concrete suggestions for alternatives, the chapter then offers an outline of the job guarantee, a proposal which is not uncontroversial but which would offer an interesting counterpoint to supply-side

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27 Eurostat data. See Pena-Casas, R., Ghailani, D., Spasova, S. and Vanhercke, B. (2019), *In-work poverty in Europe: A study of national policies, European Social Policy Network*, Brussels:European Commission, available at https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8214&furtherPubs=yes European Commission (2019) *In-work poverty in Europe: A study of national policies*, 24 May 2019, available at https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8214&furtherPubs=yes;

28 Zeilinger, Bernhard and Christian, Reiner (2019) 'Trajectories of reforming European welfare state policies under the post-2008 socio-economic governance regime'. In: Stefanie, Wöhl/ Elisabeth, Springler/ Martin, Pachel/ Bernhard, Zeilinger (eds) (2019) *The State of the European Union. Post-crisis Policy Responses*? (Springer: Berlin)

active labour market policies. The chapter then closes with further suggestions and a call for a truly social, inclusive and sustainable social and labour market policy.

Social and labour market policies in the EU – between a rock and a hard place

The social investment paradigm that has come to underwrite much of the recent social policy discourse at EU level seeks to create a bridge between fundamental principles of social protection on the one hand and a supply-side oriented, active labour market policy that brings more people into employment, on the other. In 2013, the EU initiated its Social Investment Package (SIP) in response to the growing poverty and social exclusion with the objectives of tackling poverty, social and labour market exclusions.[29] Several structural problems are identified across the member states: welfare spending and pressure on the public finances; demographics and skill mismatches and the resulting labour market imbalances. The labour market policies of the SIP have been closely linked to tax and benefits policies with a clearly stated objective of 'making work pay.' The SIP also has a gender agenda, with the objective of increasing the labour force participation of women. Important criticisms have been raised with regard to the strong SIP-anchoring of EU social policies.[30] For instance, investment during a period of tight public finance usually entails cuts in the overall social spending budget that undermines social spending on the current needs of families in economic and social distress in the hope of their increasing work effort and pay in the future.[31] Under tight public finances active labour market policies are closer to a neo-liberal policy of 'workfare' or 'making work pay' than re-/up-skilling and the development of more and better paid jobs.[32] Further criticism of the social investment initiative relates to its neglect of social inclusion and cohesion within and between member states that is a by-product of the strict budgetary rules of the monetary union and the soft proposal to achieve social objectives that remain a responsibility of the member states under the rules of subsidiarity.[33] Crucially, the SIP cannot resolve the inherent contradiction between social protection at member state level, and financial sustainability rules which are structured through EU rules.

29 European Commission (2013) *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020*, COM (2013) 83 final

30 For a detailed discussion of this critique, see Messkoub, M. (2019) *The financial crisis, poverty and vulnerability: from social investment to an EU social union*, ISS working paper #647, August 2019

31 Morel, N., Palier, B. and Palme, J., eds (2012) *Towards a social investment welfare state?* (Bristol: Polity Press), p. 15

32 Bonoli, G. (2012) 'Active labour market policy and social investment: a changing relationship,' in Morel, et al., eds (2012)

33 Lundvall, B-A. and Lorenz, E. (2012) 'From the Lisbon strategy to Europe 2020,' in Borel, et al., eds (2012), pp. 333-351

Breaking financial rules and objectives are subject to sanctions, whilst social objectives remain 'objectives', increasingly discussed on the basis of social risks rather than basic social rights. However, social rights would theoretically have the same status of financial rules, due to the 'Treaty status' recognized in the EU Charter of Fundamental Rights. At the same time, the financial crisis and the ensuing economic downturn have heavily tipped the balance further against labour, and worsened employment conditions that have come in the aftermath of decades of deregulation in the labour market following neo-liberal policies in most EU countries. Flexibility of labour and deregulation of labour markets were on the agenda of the EU countries well before the crisis, in part as a consequence of the spectacular entry of low cost labour from Asia into the world market and the international competition to cut labour costs. The financial crisis and stuttering regional and national recoveries consolidated this trend towards more flexible contracts and other changes to working conditions that have greatly weakened labour's bargaining position vis a vis capital.[34]

An interesting example of how social policy and workfare ideologies intertwine is the Citizenship Income initiative in Italy. In the most recent years, Italian social policies focused on income support for the poor. Building on previous experiments, in 2017-2018 the centre-left government introduced the Inclusion Income, which evolved in 2019, under the populist government, in a new measure labelled, albeit improperly, Citizenship Income. Financial resources allocated to such measures increased, reaching €7.5 billion in the 2019 budget, an unprecedented amount dedicated to fight poverty in Italy. As of September 2019, 1.5 million families applied for and 1 million were granted the benefits, with an average monthly subsidy of about €500 per family.[35] As a means-tested cash transfer, the citizenship income is based on a workfare paradigm, aimed at compensating for the fact that wages frequently cannot guarantee social protection from poverty. Social inclusion is one of the core objectives; at the same time specific mechanisms focus on excluding immigrants from access. While unconditional basic income policies have been discussed in the 2019 EuroMemorandum, the Italian case is rather different, given its strong conditionality and initial focus on job activation. Overall, it is clear that cash transfers are not an easy panacea to resolve the structural contradictions between social protection and supply-side labour market policies; poverty cannot be eradicated by throwing money at households, tied to severe conditionalities, as if it was an illness that can be cured. Often work or money alone are not the answer, if they are not supplemented by public services aimed at allowing people to deal with all the factors that make them

34 Messkoub, M. (2019) The financial crisis, poverty and vulnerability: from social investment to an EU social union, p.9

35 Marano, A. (2019) *Social policies and workfare in the new Italian basic income scheme* paper presented at the 25th Euromemorandum conference, Paris 26-28 September 2019.

vulnerable. In order to realize inclusive policies that go beyond one-size-fits-all strategies, the EuroMemo Group calls for the acknowledgment of the individuals' *right* to demand high-quality individualized provision of public services, rather than the imposition of a duty to follow low-quality standardised public service prescriptions as a condition for receiving cash benefits.

In the context of inclusive growth, another crucial domain where the EU has not been able to deliver on stated social objectives is gender equality. According to the broad EIGE index, a composite indicator that measures the complex concept of gender equality, in 2019 the EU was still far from achieving gender equality. The integration of a gender perspective in different areas of EU policy is fragmented and lacks continuity. Mainstreaming tools, such as gender impact assessments, are used infrequently in EU policymaking.[36] The Council has highlighted the need for the Commission to set gender equality as a political priority in the current term, 2019-2024, also in relation to the European Pillar of Social Rights and the wider context of the UN Sustainable Development Goals.[37] However, from a critical political economy perspective, a strategy on gender equality that remains rooted in neoliberal policy preferences cannot capture, much less mitigate, the fundamentally unequal and highly gendered systemic dimensions and consequences of labour market and social policies. Two illustrations offer pertinent examples here. As feminist economics unequivocally shows, women perform more unpaid care and domestic work than their male partners, even when they are both employed.[38] The consequence of this unbalanced division on unpaid care and domestic work among household members is that women are more at risk than men of experiencing time poverty. While men have compensated for the time they spend in paid activities by delegating housework to others in the household, women tend to adjust for their increasing labour market participation by reducing time for leisure or rest.[39] Employed persons represent the vast majority of those suffering from time-poverty. The analysis of time-poverty highlights the fact that, for each additional hour of paid work, the percentage of time-poor women increases more than that of time-poor men. In the broader context of the discussion of social rights, time-poverty and its psycho-social and societal consequences need to be taken into account. Social reproduction is a

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36 For more details, see European Institute for Gender Equality (2019), available at https://eige.europa.eu/gender-equality-index/2019.

37 European Council (2019) *Gender-Equal Economies in the EU: The Way Forward - draft Council Conclusions* ST 14254 2019 INIT, 22 November 2019, available at https://data.consilium.europa.eu/doc/document/ST-14254-2019-INIT/en/pdf

38 Aloe´, E. and Corsi, M. (2019) *The impact of time-poverty on employment decisions: A gender perspective,* Presentation at the 25th Euromemorandum conference, Paris 26-28 September 2019.

39 Burchardt, T. (2008) *Time and income poverty* CASEreports (57). Centre for Analysis of Social Exclusion, LSE; Antonopoulos, R. and Memis, E. (2010) *Time and Poverty from a Developing Country Perspective,* Levy Economics Institute Working Paper No. 600.

core site of inequalities and social struggles, and it is crucial that social policies target the gendered nature of these developments. In the workshop, an important but often overlooked dimension within the provision of care was raised in this context, namely the role of siblings in care-giving for people with special needs and/or disabilities.[40] In the absence of a sufficiently detailed policy focus on possibilities for independent living, coupled with adequate personal budgets, welfare for people with special needs and/or, disabilities often ends up relying on siblings and/or other family members; here, more often than not, it is unpaid labour by women who take on these care roles. What is needed instead are policies and guidelines that protect fundamental human rights, while offering European guidelines on allocation of resources and implementation of policies for independent living, with a path for progressive implementation, clearly indicated priorities, and fixed targets.

Alternatives and recommendations

Which alternatives for social protection and inclusive, sustainable labour market policies can be discussed? One suggestion that is currently gaining traction (again), both in academic and intellectual, as well as progressive policy circles, is the job guarantee, to cover social needs and provide useful jobs, defined locally and collectively. The central principle, as defined by Hyman Minsky, is that of the state as the 'employer of last resort'; where the central state or local authorities pledge to provide employment for all those who are prepared to work at the basic public sector wage rate (and possibly above that rate, depending on the qualifications required for the jobs offered). This is not based on workfare as it does not imply an obligation to work; it does not replace, but rather supplements the existing unemployment benefit and social assistance schemes.[41] A characteristic of all these activities is that they take place in sectors where the scope for productivity gains is weak or non-existent. The jobs are in labour-intensive services which generate useful effects that are immediately apparent to the community in fields such as assistance for older people, children and the sick, urban improvements (green spaces, social mediation, restoration of buildings etc.), the environment, school activities, art initiatives and so on, with reference to those activities that do not require specific skills. As Minsky puts it, the aim is 'better application of current capabilities' rather than increasing them. This resonates very much with the inclusiveness and sustainability that should be at the

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40 Quattrocchi, A. (2019) *Women and Siblings: Economic models of caregiving for sisters (and brothers) of atypical people,* paper presented at the 25th Euromemorandum conference, Paris 26-28 September 2019.

41 For more details, see Durand, C. and Lang, D. (2013) The State as the Employer of last Resort Global Labour Column Number 133, April 2013, available at http://column.global-labour-university.org/2013/04/the-state-as-employer-of-last-resort.html

heart of social and labour market policies. The job guarantee discussion has recently risen to prominence again, in particular in the context of Modern Monetary Theory (MMT) as economic paradigm. Examples from existing schemes e.g. in France or Greece provide positive signals; recently also UNCTAD picked up on the idea. While there is much to be critically discussed, the job guarantee proposal certainly offers an important and progressive alternative to supply-side labour market policies.

While this might be more of a long-term discussion, in the short to medium term, work-time reduction and nuanced minimum wage policies need to be prioritised, in conjunction with collective bargaining coverage to resolve some of the contradictions in the disciplining resulting from the European Semester. The EuroMemo Group insists that the contradictions between EU monetary architecture and EU social policy have to be managed in full recognition of the social rights already recognised. Social inclusion needs to be at the heart of policies, including a sustained focus on gendered repercussions. Rather than more market-oriented policies aimed at enhancing competitiveness, what European citizens need is open political debate and collective decisions on how we want to work and live in a way that is sustainable within a world where social protection and ecological crisis have become central fault lines.

Addressing the short- and medium-term objectives of effective social and economic inclusion in labour market and in social policy is given particular valency by the imperatives of the Green New Deal, which takes social justice as both a precondition and parallel objective to the mitigation of the global climate emergency.

4 Implications of the digital economy for Europe

While 'the digital economy' is likely to play a key role in the future economy, it is often unclear in this whether people are talking about a further and radical sectoral shift[42], a new industrial sector, a new business model, a fundamental shift of societal structures through sharing everything, or simply a new stage of rationalisation. The first reason for this variety of views is that the term itself encompasses a variety of developments, e.g. the so-called sharing economy à la Uber and AirBnB, e-market places like Amazon and other online trading vehicles, complex transnational supply-chains or high speed stock market speculation, to name but a few. In this context, it is pointless to examine the standard statistical data because of the contradictions involved. What is nevertheless essential, is to raise serious questions about the threats emanating from unbridled technology-, market- and profit-led digitalisation, which EU institutions fail to address sufficiently and in some cases even at all, before making a balanced judgement about the place of digital technologies in addressing the existential challenges such as climate change and biodiversity, as well as a Green New Deal.

From the employment issue to the broader context

The labour market is certainly experiencing considerable turbulence. However, attributing this to the digital economy alone is clearly simplistic. While some job losses in individual firms can certainly be attributed to digital rationalisation, from a broader perspective we find major reconfigurations of both whole industries and of individual sectors within them. Globalisation as a battlefield is now highly differentiated. This means that we can no longer simply speak of 'low-wage' countries. Rather, we are also witnessing a process of Brazilianisation in the core countries of capitalism, including even the EU's richer core. A common European response to these developments has been dogged by strong elements of economic nationalism among EU member states, which reinforce the frequent policy tendency to seek national competitive advantages in areas like tax avoidance, tax-free zones, shell company formation and commercial secrecy, rather than to cooperate in facing the challenges of digitalization.

However, the regionally integrated automotive sector as well as others provide evidence of the failure and illusions of the 'competition state' in attempts to attract and

42 As in Clark's model (the development from agricultural to industrial to service driven economies); cf. C. Clark The Conditions of Economic Progress, London (Macmillan) 1940

maintain transnational investment, demonstrating rather the power of corporations in the area of tax and regulatory arbitrage, the associated weakness of individual states, and thus reinforcing the need for policy coordination and harmonisation as the only way of managing the dangerous potential of digital technologies from simply minimising costs narrowly conceived and maximising profits for shareholders.

The urgency of controlling the colossal expansion of datafication by giant corporations is underscored by the recent increase in mergers and leveraged acquisitions across the corporate sector and the associated concentration and centralisation of capital, seeking both short-term equity gains and longer-term monopoly advantage.

The drive for new products

While finance capitalism has been characterised by accelerated processes of concentration, it is often not driven by the dynamic of financial factors alone: this is visible in many sectors concerned with the search for new sources of profit – notably investment in often fundamentally new products, based especially in the new 'smart' technologies. The 'Internet of Things' is growing at a dramatic pace, the 'smart house' is being promoted strongly and the first self-driving cars are already on the road even if their future is controversial. This can mean very new directions for many industries. This 'technological drive' goes hand in hand with a 'financial-economic drive'. Developing and marketing such technological innovations by new companies involves high inputs of venture capital and high levels of risk as well as high potential levels of profitability. For example, '[t]he lean platform boom is, fundamentally, a post-2008 phenomenon. The growth of this sector is reflected most clearly in the number of deals made for start-up companies: VC deals have tripled since 2009.'[43] Many of these companies when achieving technical success and/or gathering a lot of personal customer data are acquired by the giant companies.

The role of the state in directing the trajectory of innovation and research is critically important in the context of any meaningful socio-ecological transformation or Green New Deal, if technology is to be shaped in directions which prioritise public goods rather than continually increased consumption.

Social security

A visible and contentious problem associated with digitalisation is the weakening or potential loss of social security in a wide sense, given the proliferation of atypical and precarious forms of work in the digital economy. Hitherto the key reference point for both social security and the associated statutory arrangements for pensions,

43 Srnicek, Nick (2017): Platform Capitalism.

health, unemployment and social welfare has been long-term regular employment based on the so-called standard working day. While this remains, at least formally, the norm for a (declining) majority of EU-based employees, the processes of casualisation and precarisation are clearly exerting pressure on an increasing number of households, as evidenced both by the persistence of real material deprivation in the decade following the Great Crash and, above all, by the widespread growth of the category of the 'working poor'. At the same time, employment insecurity offers major opportunities for employers to reduce both wage costs and marginal wage costs. This in turn increases the pressure on the public sector, most notably in its funding of the main pillars of national social welfare (see chapter 3 above) and in its regulation of damaging employment practices. Again, the statutory foundations of the respective social infrastructures within the EU differ significantly, as does the fiscal potential for sustaining them directly or indirectly. It is nevertheless undeniable that the viability of most systems has been severely undermined by more than a decade of fiscal retrenchment, by the demographic imbalances of ageing populations, and by the increasing spread of the digitalised gig economy and other forms of digital work. The social insecurity of households, compounded by the effects of digitally-facilitated employment arrangements, can be seen to be reinforced by the weakened legal eligibility of individuals in relation to a range of social welfare arrangements, and especially pensions.

Data privacy and data control – a problem also for economic democracy

While the usefulness of many aspects of the recent development of information-'sharing' and smart technologies cannot be denied, it is necessary to be extremely alert to the accompanying dangers. As far as it justified to speak of a Rhine Model of European capitalism, and to the extent that economic democracy is part of it, increasing levels of surveillance and control in the workplace need urgently to be addressed as real threats to this model.

Furthermore, the lack of any proper democratic control of data collection and data processing, going hand in hand with an extreme concentration of companies controlling the data, is leading to a structure that is in some respects changes the organisation of society in fundamental ways: the enclosure of the data commons, the extreme accumulation of wealth, the lack of effective monitoring and control, and also the more or less voluntary retreat of the state. These have paralleled and to some extent followed other areas where those responsible for the public interest have stepped back: social policy being either privatised as a commercial enterprise or outsourced to large charities; political control often handed over to the corporate sector under the guise of either 'corporate social responsibility' or 'corporate governance'. Furthermore, nearly all these developments have been given the EU's seal of approval under the heading of the free market.

To its credit, the Commission has made some moves to counter the excesses of this trend towards super-monopolies that behave more like robber barons than capitalists; for example the cases of Starbucks and Apple. However, as much as these initiatives by the Directorate-General for Competition are welcome, they remain limited, showing little sign of moving towards an adequate European regulation of such companies in the digital domain; this would require instruments that allowed properly effective control of the development of digital industries.

Data-gathering and processing – a threat to the environment

An often forgotten aspect in the debate on big data is the accompanying threat to the environment. This emerges from three sides:

- From the production of digital hardware and its excessive consumption of raw materials – in part non-renewable and difficult to decompose after use.
- From the energy consumption of smart phones and computers, which is already high – in particular when running unneeded, often unknown, apps; they have become permanent companions in our daily lives, arguably exceeding their actual usefulness in many instances. The culmination of this overuse of energy is in turn far exceeded by the energy required to run servers used for handling big data or digital currencies such as Bitcoin[44].
- From the increase in online trade, in its pursuit of the principle of immediacy ('delivery of goods/services here and now') while at the same time also encouraging excessive consumption (predictive shopping or Amazon's recommendation policy: 'customers who bought this product also bought …').

Digital Economy and the Green Deal

Digital technologies clearly have the potential to help considerably with certain aspects of a socio-ecological transformation, including smart electricity grids to integrate variable and dispersed renewable energies, transport sharing, as well as scientific modelling, though there are considerable differences on whether a high-tech

44 Birgit Mahnkopf cites energy consumption by the big data servers of roughly 416 terawatts in 2016, more than the entire usage of Britain, ' The '4th wave of industrial revolution' – a promise blind to social consequences, power and ecological impact in the era of 'digital capitalism'', EuroMemo Group Discussion Paper 01/2019. http://www2.euromemorandum.eu/uploads/01_2019_mahnkopf_the_4th_wave_of_industrial_revolution.pdf

approach should dominate or such technologies would be very much subsidiary as in post-growth approaches generally. EU policy documents often give the impression that whatever the technology can do from an engineering point of view should be implemented, and whatever there is a potential market for should be pursued, as opposed to considering human needs first and then applying these very flexible technologies to meet those needs. AK, the organisation of the Austrian employees' and consumer organisations, has described the Digital Europe objectives (2021-27), including the detailed objectives, given in the legal proposal to implement it, as being 'characterised by a very high level of technocentricity', and excluding the option that 'digital research should not investigate technical innovation exclusively but also its effects on society, citizens and workers with the objective of utilising opportunities for society and minimising the risks.'[45]

The European Commission's Green Deal document of December 2019 mentions a number of applications of digital technologies in this context, some of which it says will be developed with its help (e.g. traffic management), some which should result from regulatory change (e.g. buildings), and some simply potential opportunities. Among these is a statement indicating that the Commission will promote the application of a very high-tech approach with an apparent attempt to take the lead from an industrial point of view (p.9). The document says that in March 2020, 'the Commission will adopt an EU industrial strategy to address the twin challenge of the green and the digital transformation' (p.7).

Use of the internet has already helped to shift the narrative towards the shared dimension of the climate crisis and the shared responsibility of humankind to address that crisis. While vested interests and economic power structures remain the greatest obstacles to an effective Green New Deal, a strong narrative of resistance and international collaboration is gaining traction, in large measure thanks to digital communications.

Conclusion

Controlling the digital economy and harnessing its potential involves a real balancing act, characterised by the following principles:

- data are part of the commons – they are produced in the public sphere, by the public and thus need to be defended against private appropriation;
- data are raw material, increasingly in demand for the production of goods and services that are in the public interest;

45 AK Europa (2018): Programme "Digital Europe" 2021-2027, Position Paper, October, p.6; European Commission (2018): Proposal for establishing the Digital Europe programme for the period 2021-2027, COM (2018) 434.

- personal data are private and have to be protected against surveillance;
- data secrecy/protection has to be respected, and while data can be disclosed for certain purposes (e.g. in relation to medical treatment), control has to be kept entirely with the individual concerned;

The institutions of the EU have clearly tied their colours to the mast of a Green Deal, rhetorically at least, which can be welcomed in general terms. However, there remains the inherent contradiction in the EU's continuing commitment to the 2000 Lisbon objective of creating 'the most competitive and dynamic knowledge-based economy in the world' on the one hand, but one 'capable of sustainable economic growth with more and better jobs and greater social cohesion' on the other. In the context of a socio-ecological transformation, there is a strong case for developing a concept, above all, of cooperative advantage which places less emphasis on growth, smart or otherwise, and rather prioritises the shared promotion of investment in environmental and social justice, in employment, training and the full recognition of societal and family activities. The digital economy should find its place in that context.

5 Legal obstacles to socio-ecological transition

Socio-ecological transformation in the medium term, and a Green New Deal in the short term, require large regulatory efforts. Currently, however, we see regulations that are arguably sufficient to undermine, rather than strengthen, such efforts. While by no means a comprehensive list,[46] in this chapter we outline a number of important bodies of law and regulation that need to change if the transition is to succeed, followed by a list of preliminary policy proposals.

Trade law: Free Trade Agreements

In recent years, the EU has concluded, or is in a process of concluding, of a number of free trade agreements (FTAs). Some of these agreements (for example, with Canada, Japan or Mercosur) comprise considerable portions of global trade and reach deep into the regulatory processes of the participating parties. Their main purpose is to stimulate economic growth, or growth of global economic flows, irrespective of the quality of these flows, and without specific regard to their social or environmental consequences.

Legally, these trade agreements have the status of 'international' law, that is to say, they are close to impossible to change, especially in the EU due to its internal ratification rules. These agreements thus provide very strong, quasi constitutional weight to whatever is in them. Given then that the EU's FTAs are fully invested in the 'economic growth' paradigm, which additionally can be enforced not only by the counterparty state but also its investors (see below), the EU is giving the highest constitutional status to the unqualified goal of economic growth by concluding these agreements.

Even if the FTAs contain chapters on 'sustainable development', these lack any hard enforcement provisions.[47] Furthermore, and despite the claims to the contrary by the EU Commission,[48] these FTAs agreements may have a considerable impact on the domestic capacity to regulate domestically for socio-ecological transition, inter alia because they create space for greater influence on the part of the business community in the regulatory processes.[49]

46 For instance, the chapter does not cover the provisions related to EU economic and fiscal policies, tax, investment etc.

47 'Trade and Sustainable Development Chapters in CETA - Think Tank,' accessed November 10, 2019, http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)595894.

48 European Commission, Safeguards in CETA, Available at: https://trade.ec.europa.eu/doclib/docs/2017/september/tradoc_156060.pdf

49 Marija Bartl, 'Regulatory Convergence through the Back Door: TTIP's Regulatory Cooperation and the Future of Precaution in Europe,' *German Law Journal* 18 (2017): 969.

Investment law

Investment law - that is Investment chapters in aforementioned FTAs, as well as stand-alone bilateral investment treaties (BITs) - will be some of the major legal obstacles to socio-ecological transition insofar as they give considerable legal protection to the investment in industries that will have to be phased out. How? First, investment protection is neutral to the type of investment to which the protection is offered, giving equal levels of protection to brown industries.[50] Secondly, the level of investment protection itself is very high, given the expansive interpretation of this body of law by various arbitration tribunals – which financially profit from such expansive interpretations.[51] Finally, investment law offers protection only to investors – leaving communities negatively impacted by such investment with little to no voice.[52] Overall, this means that investment law will raise the costs of the socio-ecological transition for the public – in order to compensate a handful of big investors who have profited from climate destruction in the first place. Nothing in the new EU proposal to establish a 'Multilateral Investment Court' redresses these critiques.

'Innovation principle': undermining the necessary precautionary logic

The EU's precautionary principle, that is an attitude of regulatory prudence in the face of scientific uncertainty, is of great importance for the socio-ecological transition. In the past it has served as ground for the introduction of stricter regulation of pesticides, chemicals or food additives in the EU (in contrast, for instance, to the US or Canada, which do not have this protection). In the future, the precautionary approach will have to be become a basis for re-thinking the economy more generally - if we are to limit the negative impacts of new patterns of production processes.[53]

Given its regulatory bite, the precautionary principle has long been contested, foremost by the European and the US chemical industry.[54] In their last and so far successful effort, the European Risk Forum, a lobby group uniting major chemical

50 L. Ankersmit 'Assessing the EU's reform agenda on investment in CETA and the future Multilateral Investment Court', paper presented at the Euromemo Paris Workshop, available at http://www2.euromemorandum.eu/uploads/ankersmit_assessing_the_eu_s_reform_agenda.pdf

51 Alessandra Arcuri, 'The Great Asymmetry and the Rule of Law in International Investment Arbitration,' SSRN, https://papers.ssrn.com/abstract=3152808.

52 Ibid.

53 An important demonstration thereof is the recent decision of the Dutch Supreme Court 'Urgenda', which mandates Dutch state to lower the emissions, interpreting the human right to life and to private life in the light of precautionary principle. For the Dutch decision see https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:HR:2019:2006&showbutton=true&keyword=urgenda; for English see here https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:PHR:2019:1026.

54 For instance, The Innovation Principle – Stimulating Economic Recovery, available at http://www.riskforum.eu/uploads/2/5/7/1/25710097/innovation_principle_letter.pdf.

tobacco and oil companies, has succeeded in creating an 'innovation principle'.[55] This new 'principle' aims to relax the application of the precautionary principle by giving special consideration to its effect on 'innovation', ignoring the basic point that the precautionary principle itself is intended to shape innovation - in beneficial rather than damaging directions. The Council and the Commission, especially DG Research and Innovation, have been willing to embrace this industry agenda, and introduce the innovation principle in both legislation and Better regulation guidelines (see below).[56] In combination with the fact that the EU's free trade agreements, such as CETA, do not feature the precautionary principle,[57] and open additional avenues for its challenge, the innovation principle, if implemented in depth as planned by the Commission and Council, may be an important obstacle on the path to socio-ecological transition.

Better Regulation and 'one in, one out' principle

'One in, one out': The new Commission President's proposal for 'one in, one out'[58] (an existing regulation of equivalent cost to business is to be withdrawn in the same policy area when a new one is proposed) would, on its own, block the major regulation needed in a range of areas for a socio-ecological transition and even the proposed Green New Deal, and should simply be withdrawn. The Commission itself has previously indicated that it is likely to be deregulatory, leading to long delays and blockages for new regulation, and will not work even on its own terms because of the nature of the EU regulatory process.[59]

Common Agricultural Policy

Ecological transition in the agricultural sector is one of the key steps towards a sustainable future. The EU's Common Agricultural Policy (CAP), which accounts for the largest expenditure element of the EU budget, however, fails to contribute to such a green future. The EU has so far not put in place any rules which would link the CAP subsidies to its climate ambitions, despite the fact that agriculture is responsible for some 10% of CO2 emissions in the EU. Instead, the distribution of subsidies is

55 Euromemorandum 2018, p.24; Corporate Europe Observatory, The 'innovation principle' trap, 5/12/18, https://corporateeurope.org/en/environment/2018/12/innovation-principle-trap.
56 See for instance https://ec.europa.eu/info/sites/info/files/file_import/better-regulation-toolbox-21_en_0.pdf
57 Stoll, Douma et al. 'CETA, TTIP and the EU Precautionary Principle,' EU Agenda, available at https://www.foodwatch.org/fileadmin/Themen/TTIP_Freihandel/Dokumente/2016-06-21_foodwatch-study_precautionary-principle.pdf.
58 European Commission, COM(2017) 651, p.10-11; SWD(2017) 675, p.43
59 *Ibid.*

left to the member states, which are either subject to pressures by the strong domestic agricultural sector, postponing the transition in this industry locally[60], or vulnerable to large-scale corruption, as is often the case in 'new' member states,[61] in a way which leaves environmental goals entirely aside.

Competition law and State Aid

The entire edifice of EU competition policy is premised on the ideas of 'market efficiency' and 'consumer welfare', relying on a very narrow understanding of the role of the (internal) market in the life of its citizens. While the main objective of competition (law) is to ensure that consumers have access to the highest number of goods at the lowest prices, competition law remains oblivious to the characteristics of the goods or services provided, or their environmental or social impacts. This formal approach to competition is also reflected in EU State Aid law, which poses limits to the capacity of EU member states to 'aid' green industries, inasmuch as this might interfere with the ostensible level playing field in the internal market. Yet the socio-ecological transition will require both considerable public investment and the curbing of overproduction. What we thus need is 'fair' competition that is attuned to social and environmental needs.[62]

Policy proposals

The law for socio-ecological transformation will require considerable reform of the current legal regime. Several actions however need to be taken immediately, if we are not to aggravate the situation further:

- *Trade*: Non-ratification of CETA or the EU-Mercosur FTA, and a halt to the negotiation of further FTAs that are not based on the concept of sustainability.
- *Investment law*: Abandonment or complete restructuring investment agreements and investment chapters in FTAs. Since the Multilateral Investment Court does not remove the asymmetry between (foreign) investors and all the other groups, it should be either radically reshaped or abandoned.
- *Innovation principle:* The 'innovation principle' should be removed from the EU legal documents, and under no circumstances should the application of the precautionary principle be conditioned by this innovation principle, pushed for by corporate lobbyists. The precautionary principle already directs innovation in

60 See for instance https://www.destentor.nl/apeldoorn/teruglezen-boeren-in-protest-na-vandaag-kan-niemand-nog-om-jullie-heen~a61cf072/?referrer=https://www.google.com/

61 See https://www.nytimes.com/2019/11/03/world/europe/eu-farm-subsidy-hungary.html.

62 Buch-Hansen-Wigger, *The Politics of European Competition Regulation: A Critical Political Economy Perspective,* 1st Edition (Hardback) - Routledge.

a socially beneficial direction and is necessary for the major challenges ahead: climate change, biodiversity, endocrine disrupting chemicals, synthetic biology, nanotechnologies, etc., as well as extending it to financial regulation.

- *One in, one out*: Given the breadth of regulatory interventions necessary for the socio-ecological transition, the new Commission president's proposal for 'one in, one out' could, on its own, block regulation needed in a range of areas for a Green New Deal, and should simply be withdrawn. The Commission itself has previously indicated that the proposal is likely to be deregulatory, leading to long delays and the blocking of new regulation, and will not work even in its own terms because of the nature of the EU regulatory process.
- *Competition and State Aid*: Focus on fairness rather than efficiency and remove competition from sectors where it is counterproductive (e.g. water provision). Align the rules of state aid with climate objectives.

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A Green New Deal for Europe – Opportunities and Challenges

– EuroMemorandum 2020 –

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I support the general direction, main arguments and proposals in the EuroMemorandum 2012

A Green New Deal for Europe – Opportunities and Challenges

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