

**NEWS – ECIPE PRESS RELEASE – NEW POLICY BRIEF**

# **If the EU was a State in the United States: Comparing Economic Growth between EU and US States**

*By Fredrik Erixon, Oscar Guinea and Oscar du Roy, Director, Senior Economist, and Research Assistant at ECIPE, respectively*

**Brussels, 3 July 2023** - In a newly released Policy Brief, ECIPE experts sound the alarm over Europe's sluggish economic growth and its potential consequences for prosperity. The report highlights the critical importance of long-term Gross Domestic Product (GDP) per capita trends, revealing that many European economies have experienced extremely low rates of economic growth.

Comparisons between EU countries and US states demonstrate a disheartening reality. If European countries were part of the United States, many would rank among the poorest states. The Policy Brief's analysis of GDP per capita in 14 EU member states, representing 89% of EU GDP, reveals a dramatic decline since 2000. **Notably, France and Germany, historically robust economic drivers, have witnessed a drop in their rankings. French GDP per capita now trails behind the 48th poorest US state, Arkansas, while German GDP per capita fares only as well as the 38th US state, Oklahoma.**

The report exposes a growing wedge of GDP per capita between the EU and the US, reaching 82% in 2021. ***"If this trend continues, the prosperity gap between the average European and American citizen in 2035 will be equivalent to the gap between the average European and Indian today"***, warns Fredrik Erixon, author of the report.

However, the Policy Brief offers a ray of hope. Drawing inspiration from the US states, which have achieved sustained economic growth, the report argues that EU member states possess the potential for a similar feat. ***"Urgent action is required to restore economic growth and competitiveness as central pillars of***

**the EU's economic policy"**, emphasised Oscar Guinea, co-author of the report. Given the challenges posed by climate change, the digital transition, an ageing society, and the need for larger defence budgets, higher economic growth is not just an option but a necessity.

The Policy Brief underlines the need for Europe to prioritise economic growth and reverse the relative decline in GDP per capita compared to the US. While Europe excels in other areas affecting the quality of life, such as health, the widening gap in economic outputs between the EU and the US has become too big to ignore.

This Policy Brief urges policymakers to address the factors contributing to Europe's lingering economic performance. **"Measures to boost Total Factor Productivity (TFP) and technological change, enhance economic dynamism, increase R&D spending, and mitigate energy costs are crucial steps towards reinvigorating Europe's economy"**, claims Fredrik Erixon.

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