



For a rebound of developed countries

The fate of advanced countries is not written yet. What will be the next wave of innovation? The impact of the demographical transition? How can one capture global savings and finance long-term investment? How will global imbalances evolve? These are four sources of uncertainty which the United States, Japan and Europe must tackle in order to remain driving forces of the new global equilibrium and to revive sustainable growth.

The Cercle des économistes states 8 recommendations:

International

1. Coordinate debt reduction policies within the G7 to avoid non-cooperative actions on debt rescheduling and exchange rate strategies. Simultaneously, encourage exchange rate liberalization in emerging countries.

Europe

2. Rediscuss the schedule of debt payments, at Euro Zone level, particularly for Spain, and envisage restructurations if needed. Debt is not necessarily evil if it finances long-term industrial risk.
3. For countries in macroeconomic distress, use structural funds to finance a decrease in unit labor costs. These funds are currently under- or misused while they could trigger a real fiscal devaluation.
4. For countries able to restart because of their industrial base, bring back borrowing costs to sensible levels. Europe is moving towards a partial pooling of sovereign debt, through the purchase of government securities by the ECB, or the use of the European stability mechanism.

5. A fiscal committee to complement the banking union and the monetary union.
 - a. An independent governance, with a democratic legitimacy, through a qualified majority decision process.
 - b. A principle of common control of national budgets, aiming at a Euro Zone budget.
 - c. A counter-cyclical Stability and Growth Pact.

France

6. Enhance the profitability of the corporate sector through a massive transfer of the companies' social charges to the *Contribution Sociale Généralisée* (CSG).
In addition, eliminate certain rents, move upmarket in the tradable sector and foster long-term savings, thus triggering the positive supply shock that France needs
7. A pro-active policy for the youth.
 - a. Broaden the policy of clustering universities of excellence to programs leading to high employability (*Baccalauréat +3*)
 - b. Implement the single open-ended labor contract with flexibility
8. To reduce indebtedness, implement a retirement system with points, with individual choice of retirement date and with the aim of breaking even in thirty years.