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Final Declaration *Rencontres Économiques 2020*

#Aix en Seine

The Cercle des économistes' roadmap: 15 proposals in 8 axes to address the crisis

This text is the product of a process and a collection of reactions from four sources: reactions from *Le Cercle des Économistes* members (session coordinators), think tanks taking part in *Les Rencontres Économiques Aix en Seine*, the three webinars carried out with eleven youth associations (*La FAGE*, *Mozaïk RH*, *Apprentis d'Auteuil*, *Nos quartiers ont du talent*, *Prométhée Education*, *Fondation FACE*, *Agence du service civique*, *Graine d'orateur*, *l'UNIGE*, *les Déterminés* and *l'UNEF*), and the proposals resulting from the debates of the 52 sessions of *Les Rencontres Économiques Aix en Seine*.

In our view, this text is only the first episode of a series of debates to be launched by *Les Rencontres* which must continue throughout the summer before the launch of stimulus programmes.

An insight from *Les Rencontres* on the state of the world economy

"We entered this new century without a compass." Amin Maalouf was right. Humanity is faced with new perils, unprecedented in the history of civilisations.

No one had predicted the pandemic we are currently experiencing, let alone the severe global economic recession it has brought about. This crisis raises two major challenges. The first is to reflect on emergency solutions to minimise the short- and medium-term adverse effects of this pandemic, be it the rise in structural unemployment, the acceleration of the labour market bipolarisation, or growing concerns regarding non-viable businesses (so-called "zombies"). The second is to imagine the world of tomorrow: how trade and value chains will be reorganised, what the new international financial architecture will be, how migratory movements will evolve - the list is long...

The observations made during *Les Rencontres* relate to the very nature of the events we are experiencing: is it a secular break or an acceleration of a pre-existing turmoil? A consensus emerged as to the fact that it was an acceleration. One might even say that it is hysteria around the intertwining of very profound transformations.

Indeed, before Covid, we were already witnessing major disruptions: climate change, a sharp increase in inequalities, demographic transition and the digital revolution. We were mistaken in thinking that the world had quieted down after the fall of the Berlin Wall and that international institutions would regulate this "global village". On the contrary, the realm of risks has widened: breakdown of technical progress, ageing of the population, unlimited financialisation of the economy, widening of inequalities... The so-called 'end of history' theorised by Francis Fukuyama seems a long way off! The recent health crisis of Covid has reinforced and accelerated this intertwining of shocks.

The governments' response to this crisis was undoubtedly strong and effective. In most countries, it consisted in protecting the productive systems and thus employment, by taking responsibility for the incomes of employees in a number of sectors, who were in fact unemployed. This first stage led to a large increase in debt. The second stage, which we are now experiencing, is that of transition and the end of lockdowns. It is consensually thought that the level of activity at the end of 2019 will only be restored by mid-2022 and this should be borne in mind.

Our view is that this transition will be long. This transition phase, which requires specific economic policies, will last at least until the end of the year. The aim here is therefore to maintain revenues, to support declining sectors of activity, and to avoid as many bankruptcies as possible. Obviously, in this second phase as in the first, the problems of increasing public and private debt are not the priority.

Then comes a third phase, that of real recovery, which combines new forms of growth, consumption, investment tools, tackling climate challenges, inequalities, demographics and innovative ways to work.

The difficulty lies in making a clear distinction between these last two phases and in taking time to reflect and engage in dialogue, in order to find a balance between emergency solutions and the desire to change the macroeconomic and social trajectory. This will take time, but above all it will require dialogue with civil society, and it is on the basis of this reflection that *Les Rencontres* are being held and intend to launch debates and consultations on these subjects.

Developed countries are important, but let's not forget emerging countries! Let's take the example of our closest neighbour, Africa. We were instrumental in ensuring that the Washington Consensus, the idea that economic aid policies should be subject to the proper functioning of markets conditional upon liberal-inspired measures, was challenged by what we called the Dakar Consensus. The latter seeks to reconcile the need for investment and the sustainability of public debt, by allowing greater flexibility (the same flexibility we are giving ourselves today). This new approach should inspire, in the coming months, all aid and cooperation policies with emerging countries.

Back to our priority, France is at risk! Admittedly, the recovery seems to be gathering momentum with the reopening of shops and schools and the possibility of returning to work. However, the recovery also raises a number of questions and anxieties.

We are convinced that only bold and innovative solutions will respond to the three challenges of a major plan that has been debated and shared, the creation for the conditions of a dynamic and supportive society, and the renewal of European and international relations. In this regard, economists must provide technical answers to a number of questions. How far should production be relocated? To think about this, strategic sectors should be defined, elements of sovereignty should be considered, whether it is preferable to diversify sources of supply or produce locally should be decided. Should we have more or less protective border policies, in particular through the carbon tax?

It is these initial questions that *Les Rencontres* has answered by indicating the extent to which priority should be given to the relocation of high value-added activities. In particular, elements of current consumption could be partly relocated, but the problems of purchasing power linked to the increase in price and production costs should be acknowledged.

Economists must also consider the criteria and requirements for profitability, and therefore the financing capacities for massive infrastructure investments that we will have to make in the coming years. In this regard too, new financing solutions are being suggested that will make it possible to integrate real long-term vision into investment decisions with lower returns. In the same way, economists are wondering about debt capacity and the extent to which it can be imagined to increase it, whether publicly or privately.

Les Rencontres considered that this debate was not a matter of the utmost urgency, particularly that of debt cancellation, but emphasised that maintaining unconventional monetary policies could have

dramatic effects, since the increase in liquidity will inexorably support the market in financial and real estate assets, thus causing prices to rise as we are seeing today. This is the explanation for this first break between the financial markets and the real economy. The consequences can be terrible. We are likely to see a very sharp rise in the price of these assets, and therefore in the wealth of asset owners, and stagnation of income linked to the weakness of potential growth and the inexorable rise in unemployment. This is probably the main danger to social stability because the gap between capital income and labour income is likely to grow to a hitherto unknown extent.

Finally, economists have to reflect on the trade-off between the urgent need to address unemployment, especially youth unemployment, and the need for green growth. *Les Rencontres* also discussed the impact of new forms of work organisation and the desire to open and de-hierarchise our societies, starting with the French society.

This reflection led us to focus on the following eight streams.

Firstly, priority must be given to young people by obtaining a commitment from employers' organisations that any company which is recovering will be able to hire at least one young person for one year with a total or partial contribution from the State. For those young people who do not get back in employment, the question of opening an additional year of training for young people is raised. This requires a mobilisation of the education system as soon as possible.

Secondly, innovative productive sectors must be relaunched at French and European levels. But let us be careful, the objective can only relate to sectors with high added value, real robotisation plans, all accompanied by a requalification policy. This question arises first and foremost for strategic sectors, the medical sector in particular, but in fact it is whole sectors of our industry that have been affected by excessive offshoring. We will have to focus on high value-added and automatised areas.

Thirdly, we need to create jobs, promote mobility and fight poverty. The characteristic feature of the French labour market is its bipolarisation and the exclusion of part of the population. Poverty in France is due in particular to the low employment rate. This crisis allows us to rethink the requalification of those who are excluded and to give them an opportunity to emancipate.

Fourthly, we must fight against territorial fractures. The territorial disparity of the French society has already been expressed through the so-called 'yellow jackets' crisis'. Relegated to the backstage during

the crisis, the reconnection of French territories is essential. The key measure is to give financial powers and tools to regions and local authorities.

Fifthly, we need to defuse, decompartmentalise and re-establish fundamental ties in French society. For many years, the French social ladder has been broken. It is necessary to review the current organisation of our society in order to remedy the three fractures that undermine it: the generational, political and trade union fractures. Above and beyond this, the unique hierarchical structure of French society in the world is being called into question.

Sixthly, we must rebuild a frugal, efficient and fair State. During the crisis, the French State has shown that it is made of very heavy hierarchies. At a time where public spending is massive, all central, local and hospital administrations must be goal-oriented.

Seventhly, we must build a moral leadership of Europe. Last year, we highlighted widespread disruptions in the world, including the risks of a confrontation between China and the United States. These economic, geopolitical, military, social and demographic upheavals open up opportunities for Europe. They can enable Europe to be the source of a foundation of values, which is the basis of economic and moral sovereignty.

Finally, we need to reflect on climate and long-term intergenerational financing. For twenty years, the world has been living in line with the pace imposed by financial markets, diverting us from long-term projects with allegedly lower profitability. We therefore need to build a world that takes on board the disturbances already mentioned (climate, poverty, ageing and the mastery of technology in our personal lives). Only a long-term perspective will allow these vital objectives for the future of humanity to be taken into account in economies that are disrupted in the short term.

Proposals for action

The proposals for action are structured around 8 specific objectives, to be implemented urgently and which correspond to the following themes:

1. Giving priority to youth
2. Reviving innovative production sectors at the European and French level
3. Creating jobs, fighting poverty and promoting mobility

4. Fighting territorial fractures
5. Defusing, decompartmentalising, re-establishing fundamental links in French society
6. Rebuilding a frugal, efficient and fair state
7. Building Europe's moral leadership
8. Thinking long-term, climate, long-term and intergenerational financing