

France, Aix-en-Provence, Sunday 7th of July, 2019

Final statement from Le Cercle des économistes 19th edition of Les Rencontres Économiques d'Aix-en-Provence



This final statement from *Le Cercle des économistes* is a call to reason, to greater lucidity and most of all, a call to action in order for us to face the great threats of our time. These threats originate from the overlap of a multitude of new transitions.

We fully recognize the gravity of the crises which deeply shake our world, be they democratic, territorial, commercial, geopolitical, social or ecological. A generalized loss of confidence in ourselves, in others and in the future, has spawned from them. The study which McKinsey carried out for *Les Rencontres* found that on average, 49% of the global population believes that future generations' living standards will deteriorate.

Trust is a concept which has always accompanied economists. Let us remember Adam Smith's *Theory of Moral Sentiments*, which defines trust only as a rational and probabilistic calculation, based on past observations and the hope of future gains. Let us also remember the notion of *Animal Spirits*, developed by Keynes, according to which psychological and emotional factors determine a large part of our choices and actions. This drives us away from pure rationality, especially since we live in a very active world of transactions, investments and new consumption, which could appear as irrational considering the uncertainty of our future.

If we were to distinguish a trio of the most important thinkers on this subject, with the first two being Smith and Keynes, we would undoubtedly choose Arrow as our third, considering his understanding of development disparities between countries. The innovation in his approach is that he

does not explain these disparities by differences in material factors, such as capital accumulation, but rather by differences in countries' respective levels of trust. The formal rules which determine all interactions in a society have an associated cost. High levels of trust reduce these costs, which in turn encourages exchanges and investments, thus contributing to a country's growth.

Our own definition of trust incorporates all of these theoretical elements, whilst also taking into account the specific characteristics of our time:

Trust is the risk we accept when we rely on someone else, with the aim of establishing a cooperative relationship lasting through time. It is not only the satisfaction of our individual interests, but is rather founded on our perception of a common interest. It implies that legitimate authorities provide unbiased and up-to-date information to citizens. Its founding principles are universal, but it takes its full meaning in the specific social and cultural characteristics of each society. Trust is a concept which concerns institutions, nations, Europe and all other forms of communities.

Most importantly, we must not confuse trust and optimism. Trust is specific to each period and each context, while optimism is not. The dramatic lack of trust we see today has several causes: the acceleration of time, the emergence of new superpowers, as well as new lines of division and new risks. Among all these challenges, the uncertainty of the energy transition weighs down on our societies and is worsened by various actors' lack of transparency with regard to the real economic and social costs it will inevitably have. At the same time, European labor markets will be profoundly transformed by the industrial sector's shift to a service industry. They will be hit by shocks in the levels of qualification needed by employers, for which the education system as it stands cannot adapt to rapidly enough. In the political realm, participative democracy is showing some limitations, despite having opened interesting perspectives. In the face of these many challenges, European countries should stand united, since they share both values and a common history. However, Europe seems powerless and divided. In other regions of the world, the geopolitical situation is just as critical.

We believe that trust cannot be re-established solely through a few isolated and short-term measures, but rather through the reconstruction of a solid base of shared values. These values may have the same headings as those of the past, but their content is markedly different. We may take the examples of multilateralism, solidarity or science and knowledge. The shape that multilateralism has taken on for the past 50 years is dead; migratory phenomena are transforming the ways in which we consider solidarity; global warming has changed the scope of our traditional ecological values,... This is where France and Europe have a very particular role to play. This region is undoubtedly the area where individual freedom and collective expression are the most developed, which explains our major responsibility in these challenging times.

We may ask ourselves: what values are strong enough and unifying enough to allow us to face the great metamorphoses of our world and renew trust? We have identified eight which we believe to be the most relevant to take on this major challenge, but are aware that they may appear both rather evident, and most likely insufficient.

The first value is the **prioritization of education and training**, since school is the first place where we learn to cooperate and live as a community. By giving more importance to soft skills and by defending the right to equal opportunities for all, education may be one of the most important pillars to rebuilding trust.

The second value is slightly more complex: we call it the **adherence to science as a value of truth and progress, and as an engine for the bettering of our living conditions**. This implies a significant effort in teaching and transmission, as it is not a value which is naturally shared by all. On the contrary, some see in it a cause of fear and loss of liberty.

The third value can only be understood if it is anchored in real policies; it is the **respect for the diversity of all identities and cultures**. This diversity can be a vector for strong social cohesion and the guarantor of a healthy democracy.

Next is **solidarity**, which is based on dignified human relations, as well as our capacity to bridge gaps with others, who may not be like us. This value is threatened by populist discourse and the fear associated with migration, but it is only through it that mutual trust can flourish.

In today's world, technology is slowly replacing human contact and has created a severe form of loneliness in the workplace and a feeling of constant urgency. The acceleration of time has created new forms of suffering (stress, hyperactivity, depression), which are partly responsible for today's crisis in trust. To address this uneasiness, we must look into the question of **well-being at work**, while taking into consideration the new characteristics of professional activity in the 21st century, as well as new generations' aspiration to have meaningful careers.

The next value is that of **environmental citizenship**, which needs to be transmitted to younger generations and integrated into all our lifestyles and consumption patterns. It should also be a significant factor in every public decision, at every level of governance.

When we talk about trust, two more values are absolutely essential to mention. The first is **finding a new balance of liberties**, which concerns privacy as well as the ability to circulate while rebalancing the inequalities between the winners and losers of globalization. The second is the **rebirth of a new form of social justice**, which must be adapted to today's world and its inequalities.

There is one condition for each of these values to be fully expressed in a society: confronting individuals and communities to the reality of the situation that we are living. This must be accomplished in five major areas:

- **Recreating social cohesion and bringing territories back together** by fighting against exclusion at all ages of life and territorial divisions;
- **Reclaiming our lives** by fighting against technological and political dehumanization, as well as the acceleration of time;
- **Creating a project-based Europe** in order to go further than the institutional logic of the EU;

- **Rekindling new forms of international cooperation**, led by the EU;
- **Ensuring security in tomorrow's world** by taking on the major disruptions the world will face with precision and clarity and by finding the means to implement long-term solutions to problems relating to the environment, immigration, and individual and collective security, including cybersecurity.

1. To recreate social cohesion and bring territories back together

- For the revitalization of all territories, **we ask that regions become the architects of plans for education and training** of their population, which they will finance through the transfer of production taxes to their competencies;
- We believe that the place given to social partners in recent reforms is insufficient, especially in the reform for unemployment insurance and retirement. **We ask that the government organize a conference on the subject of employment opportunities on the labor markets of the future, with all social partners and political parties present;**
- **Establish a social contract between generations**, which can be accomplished by constitutionalizing the existence of a universal pension scheme, by ensuring that one fifth of household savings are put aside for retirement savings, with the aim of reaching a total of 800 billion euros in 10 years, by establishing a compulsory insurance scheme against the loss of autonomy, starting at 40 years old, to be reinsured by the State, and by establishing a government real estate sales scheme for seniors, especially those with low levels of income, which would allow them to keep living in their homes;
- **Institutionalize the practice of teaching soft skills at all levels of education and training;**
- **Encourage all levels of governance to regularly call on citizen conventions, for which participation would be mandatory and partly determined through a random draw.** This would allow for more citizen involvement in public debates and decision processes, which is essential for a healthy participative democracy;

2. To reclaim our lives

- To recover our digital sovereignty despite the pervasiveness of fake news today, **establish, protect and respect independent institutions whose role is to inform the general public** (statistical institutions, risk-evaluation agencies, bodies which evaluate public policy, ...) and **create a permanent body for fact checking.** We also ask that the *Banque Publique d'Investissements* create a fund dedicated to startups in the field of fact checking;
- **Start a debate in Europe on the refusal of any form of a monopoly in the treatment, stocking and sharing of data, leading to a possible dismantlement of large technology firms;** strongly support all european firms which develop technologies and procedures ensuring individuals' privacy;

3. To create a project-based Europe

- Modelled on the USA's DARPA, **create a French and German agency for cooperation on projects for breakthrough technologies**, financed by each country's energy and defense departments, and open to any country who wishes to join;
- **Transform the current Budgetary Instrument for Convergence and Competitiveness into a complete Eurozone budget**, used for stabilization in case of a shock;
- **Create a riskless euro asset** to stabilize the European financial system and reinforce the euro's international role. This debt can be used to finance the energy transition;
- **Set a target for a Europe-wide minimum wage**, which should be somewhere between 60 to 70% of the median salary in each country;
- **Modernize European commercial policy** by centering it on competitive issues and by working towards a 'climate club', which aims to be more ambitious than the Paris Agreement, and which could establish incentivizing taxation measures at its borders. In parallel, ask that the EU/MERCOSUR agreement be implemented only once all national parliaments have ratified it;

4. To rekindle new forms of international cooperation

- In last year's final statement, we had the idea of bringing together a group of countries which believe in multilateralism in an initiative called the "Multilateral Alliance", led by Europe. Its role was to maintain an open dialogue on a global scale and be a counterweight to nations which challenge multilateralism, such as the USA.

This idea was put forth by Jean-Yves Le Drian and Heiko Maas during a Security Council press conference on the 2nd of April 2019, during which the two ministers announced the launch of an initiative called the "Alliance for Multilateralism", with the support of Japan and Canada.

Today, **we ask that the two concerned ministers launch the Geneva Congress, on the subject of new approaches to international cooperation, especially on the topics of commercial exchanges, exchange rates and capital flows;**

- Within the framework of OECD negotiations, **find an agreement for a minimal taxation on the profits of multinational firms and for profit taxation to be at least partly based on the distribution of multinational firms' sales;**

5. To ensure security in tomorrow's world

- **Finance the ecological transition either through a great loan financed and guaranteed by the European Union, or by taking advantage of the currently low and potentially decreasing interest rates on debt;**

- **Establish a floor price on the European carbon market**, set to increase gradually but permanently, so that carbon emissions are taken into consideration in every economic transaction;
- **Promote the gathering and sharing of rigorous and scientific information originating from trustworthy organizations** (like the IPCC for instance) on the subject of climate change, global warming and their potential impacts on the world economy;
- **Prioritize the treatment of ocean waste on a global scale by launching an ambitious program called "Save the Ocean" at the upcoming COP25**, through which all countries commit to putting in place systems to filter and collect all waste in bodies of water leading to seas and oceans, as well as to investing in innovative technology to clean the oceans;
- **Rehumanize the welcome of migrants in Europe by authorizing those having obtained refugee status in a Schengen-area country to move to any other country in the same area**, which equates to the end of the Dublin Regulation, **by authorizing those having requested asylum to work as soon as they have filed their request, by reinforcing the accompaniment and training they receive for a better integration on the job market and by creating seasonal and mid-length (3 to 5 years) visas in the Schengen area**;
- **In the interest of an aging Europe and a forward-looking Africa, form a partnership of unprecedented scale between these continents with the objective of increasing access to water and electricity threefold in Africa in the coming 15 years**;
- We are confronted today with two major risks in the digital world: that of cyberthreats, which we consider a new form of warfare, and that of the loss of individual privacy. We ask for the **establishment of an international convention on cybersecurity, which clearly defines what may be considered a critical digital infrastructure** (such as voting and payment platforms), **forbids attacks on such infrastructure, and encourages countries to share best practices for digital security.**