

Reflection group

lead by

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**THE  
PATH TO A  
POSITIVE  
ECONOMY**

 La  
**documentation**  
Française 

**fayard**

## SYNTHÈSE EN ANGLAIS

# Restoring long-term thinking as a top priority

A constant feeling of emergency is prevailing in today's economy, and in society as a whole for that matter. But if long term stakes were not taken into account, our lives would literally be a living hell.

A positive economy is an economy that reorients capitalism towards long-term challenges. Altruism toward future generations is a much more powerful incentive than selfishness which is supposed to steer the market economy.

Many positive initiatives already exist, from social entrepreneurship to socially responsible investments, from fair-trade to socially responsible corporations and also most public services. And yet, they remain small-scale: in order to succeed, the positive economy requires a genuine paradigm shift.

The current crisis can be mostly explained by the non-positive aspects of the economy: the predominance of a short-term-oriented mindset has taken over every sphere of the economy, starting with the financial sector. The original mission of finance, to transform short-term deposits of savers into long-term investments, has been completely overlooked over the past thirty years in many countries, with the expansion of deregulation, disintermediation and computerization. Finance has thus become an industry of its own, partly isolated from the rest of the economy, and all too often willing to dominate it instead of supporting and serving it.

Here is how the dictatorship of emergency has spread: businesses have become a means of generating immediate financial profit for shareholders who are always more demanding, more volatile and fleeting, and who disregard the other stakeholders involved. Hence, company leaders have lost all leeway to build long-term strategies.

Moreover, the crisis that spread over the world is no longer a purely economic: it has taken on a social and moral tinge. The inequalities triggered by the economic system have enticed a majority of individuals to go into debt so as to not be excluded from consumption society and many of them, over-indebted, are stuck in tragic situations.

If we want to face up to the challenges — whether ecological, technological, social, political, spiritual — ahead of us by 2030, we must transform our economic system into one that fully takes long-term thinking into account. Otherwise, irreversibility thresholds will be overstepped, and the world will run amok into a widespread unrest that would be prone to the fueling of an illegal and criminal economy.

Embracing a positive economy will enable us to resolve our current crisis while avoiding these disasters. One of the prerequisites is to build patient capitalism, based on positive finance, retrieving its role of backing the real economy. Positive economy is meant to create growth, wealth and high-quality jobs. Numerous studies show that positive businesses are not any less efficient and profitable than others: on the contrary, the precise fact that they place long term issues at the core of their strategies makes them sustainable. Transforming our present-day economic system into a positive economy would create a dynamic capable of pulling France out of the sluggish growth which fuels our pessimism and our feeling that the country is bogged down in a stalemate.

To achieve this paradigm shift, we must first provide ourselves with the tools to measure the progress we have made and what is still ahead of us to accomplish. This report thus suggests using two new indexes: the index of the positivity of the economy, and the “Ease of Doing Positive Economy” index.

The index of the positivity of the economy was built by this reflection group to take a snapshot of degree to which a country’s national

economy can be considered positive. An annual update of this index will enable to gauge the progress made.

The GDP growth rate is among the 29 different variables that make up for this index. This indicator is designed to be enriched, improved and adjusted on the basis of exchanges between actors. France is ranked 19<sup>th</sup> among the 34 OECD countries. Ranked at the 5<sup>th</sup> position among world economic powers to date, France should at least hold this same position when it comes to the positive economy.

Besides, for a country to have a positive economy, it must undergo a series of structural changes and create a framework (throughout law or its tax system) prone to favor its development: a national economy's will to become more positive is thus measured by an index conceived specifically for this report, called the "Ease of Doing Positive Economy" index.

Once these measurement tools created, it is time to take action. Quickly. Strongly. This report lists 45 recommendations destined to make positive economy happen, which can be boiled down into two groups: purely economy-targeted recommendations and broader society-targeted recommendations. These recommendations consider social and environmental factors no longer as a restraint but as structuring elements of the positive economy in themselves. They are designed for governments as well as for any economic entity. Many involve legal reforms: law is the one and only tool that can restore long-term thinking. Actions should be taken on all levels: in a global economy, national policies are not enough. Hence, the recommendations in this report are not strictly national: it will be necessary for France to call for changes and push through reforms at the European council, the G8, the G20 or even in the UN.

These recommendations are to be taken as a whole. They trigger a positive (r)evolution which must be initiated as soon as possible. Among these 45 recommendations, there are 10 key-measures, outlining the most important projects to be undertaken in the next five years to pave the way for the positive economy.

Some specifically target businesses. First of all, it is of utmost importance to enshrine in law the positive mission of companies by changing its definition (recommendation #1). Indeed, today, businesses

have no legal definition in French law. The civil code article regarding binding partners suggests that a business is an entity that only cares about its associates. The new definition suggested by this report includes the social, environmental and economical missions of a firm. Also, the creation of unified or at least harmonized positive extra-financial indicators (recommendation #4) is needed to provide us with a measurement tool of the positive impact of economic entities, necessary for transparency and healthy competition. The report also calls for a reshaping of all accounting standards (recommendation #5), so as to integrate the missing idea of long-term thinking and enabling to take into account the positive actions of a company. Finally, a business will only become positive if it adopts positive decision-making processes and governance: the stakeholders' influence on the company's strategies needs to be rebalanced so as to place every one on an equal footing (recommendation #17).

Some of the 10 key-measures are focused on finance – and more specifically financing –, through a variety of actions. First, France should suggest to the G8 or G20 the creation of a global positive economic fund (recommendation #8). This implies to rethink the structure of our fiscal system according to positive or negative externalities, so as to encourage or discourage certain behaviors (recommendation #24).

Institutional reforms are also necessary: the notion of long-term should be enshrined in law and institutions. On a national level, an authority dedicated to the well-being of future generations should be created, for instance called the Long-term Council, and based on the current Economic, social and environmental council (recommendation #35). In order to spread the idea of long-term thinking on an international level, we might consider drawing up an international charter on universal responsibilities, defining the duties present generations should take upon themselves towards future generations (recommendation #37), and creating an international environmental court (recommendation #38).

Finally, education is key to foster altruistic, environmentally responsible citizens, who are concerned with the interests of future generations (recommendation #29).

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Ten other propositions can be launched as of now, creating the necessary impetus to kick off a positive economy in the next twelve months. They belong to different categories: first, regarding firms (allowing tax breaks for social innovation; launching positive cooperation clusters; supporting policies enhancing the accountability of the producers); second, regarding consumers (mandatory display of the positive impact of products so that consumers can make enlightened choices); third, regarding governments and their key role as a component of demand (leveraging demand through state commission; environmental and social performance public-private contracts); fourth, regarding finance (strengthening crowd-funding possibilities; controlling high frequency trading); finally, regarding innovation by betting on high-potential sectors (initiating the energy transition; supporting digital technology).