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Ladies and gentlemen, first of all I would like to thank the organisers of the Forum for choosing to reward my work, the credit for which I of course share with many co-authors, whom Vincent was kind enough to name. I also thank them for giving me this opportunity to address you. It is an immense honour.

Perhaps I could begin by mentioning the elephant in the room, as they say in English. Or rather the elephants, since there are two of them. It is not necessarily easy to speak after Philippe Aghion and Javier Milei. I do not have their experience of the world, not to mention Javier Milei's charisma. So, to try to make up for this handicap, I have decided to fully embrace my role as a young economist and talk to you about young people — perhaps somewhat presumptuously including my own generation. More precisely, I want to talk to you about the liabilities being left to them, which in my view are holding back growth.

The subject is obviously a burning one. Just yesterday, France's ten-year borrowing rate came close to 5%. This means that if public debt were refinanced at that rate over the coming decades, the annual interest bill on the existing debt alone would reach 180 billion euros a year, or around 100 billion after adjusting for inflation. That would be the cost of the liability you hear about every day: the 3,600 billion euros of public debt.

My own work, however, deals with something else: what is called implicit debt, that is, the social commitments of the state, and more specifically those of social security systems such as pay-as-you-go pensions. When you contribute to a pension system, your contribution creates an implicit claim: the promise that, once retired, you will in turn receive a pension commensurate with the efforts you have made. These claims held by contributors constitute an implicit debt for the state, and therefore a liability for the following generations, who bear the burden of financing them.

We are talking about absolutely colossal sums, which matter both for understanding how growth has been shared over the past fifty years and for understanding our capacity to create wealth over the next fifty. My work estimates this implicit wealth of households at around 50 trillion dollars in

the United States. That is a big number, even though the American pay-as-you-go system is much more limited than France's, for example. To give you an order of magnitude, the pension contribution rate is around 28% of gross salary in France, compared with only 11% in the United States.

These 50 trillion dollars completely change the story of how growth was shared during the twentieth century in liberal democracies, the vast majority of which adopted this kind of social system. If we are to believe today's great inventors of taxes, rising wealth inequality would reflect an extremely unequal sharing of the fruits of growth. But the productivity gains that raised our material standard of living were largely distributed through the emergence of these social systems: pension insurance in France after the Second World War, or, in the United States, Franklin Roosevelt's New Deal. On average, an American retiree receives around 2,000 dollars a month from the pay-as-you-go pension alone, or around half a million dollars over twenty years of retirement. The orders of magnitude are roughly similar in France.

These annuities are systematically excluded from the wealth inequality statistics published by Thomas Piketty, Emmanuel Saez and Gabriel Zucman. Yet if they are included in the calculation, it turns out that there has been almost no increase in wealth inequality in the United States since the 1980s. Listening to these economists, one sometimes has the impression of being back in the nineteenth century as far as inequality is concerned. And yet nineteenth-century authors would never have excluded annuities from the calculation of wealth. Quite the opposite: it was in annual income from rents that they measured wealth. Balzac tells us that Eugénie Grandet was widowed at thirty-six, with an income of 800,000 livres a year. Jane Austen tells us, in Pride and Prejudice, that Mr Darcy had ten thousand a year.

Since we are taking a detour through the nineteenth century, let me mention for a moment my favourite economist — well, after Philippe Aghion — David Ricardo. Ricardo's great fear was that landowners' rent, Mr Darcy's rent, would absorb a growing share of the income from economic activity, and that this capture would end up discouraging investment and lead to a stationary state of the economy, in other words to the end of growth. Unlike Philippe Aghion, David Ricardo had not had the good fortune of reading Schumpeter on creative destruction, and his fears proved largely unfounded thanks to technical progress.

Nevertheless, Ricardo's fear that a growing share of the fruits of economic activity would escape workers, investors and entrepreneurs seems to me more relevant than ever, particularly in France. This immense implicit wealth of retirees, and of those approaching retirement age, is the liability of the next generations of workers. In France, this implicit debt is estimated at between 400 and 500 percentage points of GDP for the pension system alone, to which one could add the promises of the health insurance branch.

The annual financing of these annuities rests mainly on wages, and it is a potential brake on economic growth. Why? First, financing pensions requires levying around a third of wages. By raising the marginal cost of labour, these contributions reduce its effective remuneration and

therefore discourage activity. Second, unlike most other developed countries, and unlike France before the 1990s, these contributions are no longer really capped. They therefore particularly penalise the most highly skilled work and deter the most highly skilled from settling in France. Finally, because this model is no longer really funded, it contributes heavily to the instability of public finances we are facing. None of this is good for growth.

We must now ask ourselves where this political deadlock comes from. Retirees see their pension as an asset acquired by paying their contributions. There is therefore a real sense of ownership over this annuity, and cutting pensions is experienced as a betrayal of a promise. Of course, they forget too quickly that their pension is levied on workers whose capacity to contribute is not infinite, and who never committed to honouring these claims: those claims were granted when today's workers were still at school, or even before they were born.

So what should be the main objective of a major pension reform? In my view, it is to reconcile two political objectives that seem contradictory. First, to strengthen this sense of ownership by clarifying contributors' property rights. Second, to make these social entitlements explicitly dependent on the economy's capacity to pay. We can no longer bring the country to a standstill every five years whenever a parametric adjustment is needed. These adjustments must become automatic; they must be part of the initial contract. The terms of that contract need to be set for all generations, rather than constantly renegotiated. For those of you who are interested, I will be publishing an essay on this subject in January. Other countries have managed to do this — Sweden, for example.

To conclude, I believe that the sharing of wealth and of fiscal effort between generations is not a zero-sum game. On the contrary: we must correct it in order to restore the value of work and revive growth.

Thank you.