Covid-19 and Public Debt

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Summary: The morality defined by the political system of the market economy is based on the respect of debt repayment. However, public debt is different and has not to be analysed as a worse management of public resources. Contrary to private agents, State has not, in principle, a limited time horizon and it is possible to repay its debt over long periods by "rolling over its debt". Moreover, public debt helps to regulate the economy in times of crisis. When a Covid-19 arrives, public health becomes the national and international priority and the public debt is a solution to solve both the pandemic and the problems of unemployment, health costs and education gap that it causes. Public debt is an instrument for societal change, with less inequalities, poverty and precariousness.

La moralité définie par le système politique de l'économie de marché est basée sur le respect du remboursement de la dette. Cependant, la dette publique ne doit pas être analysée comme une mauvaise gestion des ressources publiques. Contrairement aux agents privés, l'Etat n'a pas, en principe, un horizon temporel limité et il est possible de rembourser sa dette sur de longues périodes en "roulant sa dette". De plus, la dette publique permet de réguler l'économie en période de crise. Lorsqu'un Covid-19 arrive, la santé publique devient la priorité nationale et internationale et la dette publique est une solution pour résoudre à la fois la pandémie et les problèmes de chômage, de coûts de santé et de déficit éducatif que celle-ci occasionne. La dette publique est un instrument de changement sociétal, avec moins d'inégalités, de pauvreté et de précarité.

Covid-19, pandemic, public debt, inequalities, precarity
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Before the pandemic, world's public debt was considered excessive, mainly by the standards set by IMF, the European Union and the euro zone. Today, with the pandemic Covid-19, world economy is facing an economic crisis that only the public authorities can contain, at least in the short term. In France, the Arthuis Commission is proposing to control public debt and return to debt reduction by the end of this decade. However, the economic stakes go beyond the crisis caused by the pandemic. It is also a question of preparing a different society, one that is less unequal and capable of engaging in sustainable economic development in the face of global warming. The concern is more about the excesses of international financial speculation, growing social inequalities and living conditions on Earth, which threaten the economic and social future of new generations much more than public debt.

The morality defined by the political system of the market economy is based on the respect of debt repayment. It is about managing public affairs as a good "father of the family", this is the liberal doxa. When the debt increases, a restrictive policy must be implemented because a high level of public debt is dangerous and harmful for the following generations. Public debt would be a form of betrayal of future generations by today's generation. Public debt can be illegitimate when it is contracted by an undemocratic country or for questionable purposes, notably because of the expensive lifestyle of the state or if it leads to crowding out effects to the detriment of the private sector. The financial debt of the state is quantifiable, time-bound and costly. It has to be repaid, or else suffer a penalty from creditors, especially the financial markets. Even when the country is in crisis, when a high level of unemployment persists, it is necessary to return as quickly as possible to a balanced budget.

Talking about public debt without highlighting the specific role of public actions in relation to private activities and without analysing the reasons for its appearance or its development leads to counterproductive and often absurd economic policy proposals. Firstly, it must be noted that private economic agents have a limited time horizon, unlike a state, which is not destined, to disappear and which can hardly go bankrupt. The latter can therefore repay its debt over long periods by "rolling over its debt", i.e. by borrowing to repay its debts. Moreover, public debt helps to regulate the economy in times of crisis. Finally, financial capitalism encourages the growth of inequality and injustice. It is often this type of operation that impoverishes all citizens for the benefit of the privileged few. When unemployment rises, the liberal doxa continues to advocate a restrictive policy under the pretext that a high level of public debt is dangerous and harmful for the following generations.

The state does not have to manage its affairs "as a good father", because public debt also has a political connotation, one that makes it possible to define what the national life of citizens should be. The choices are political in terms of expenditure, resources and debt. Several methods of analysis should be put in place to reason about the advantages and disadvantages of public debt. What is the capital expenditure on roads, community facilities, and education? Who pays the taxes and how? Who should finance the debt, the financial markets or the citizens directly? In 1992, the Maastricht Treaty established the rules: the public debt and deficit cannot exceed 60% and 3% of GDP respectively. This is a political choice, which has no theoretical basis.

In 2021, these European rules have been shattered, because due to the Covid-19 pandemic, all economic agents call for the public effort. The same has been true for the United States since the election of Joe Biden to the White House. However, when the pandemic clouds move away, the liberal economy will again call for wage moderation and debt repayment, particularly in favour of private financial institutions, which today dominate the functioning of a market economy that is also accommodating rules and laws that protect capital (such as patent regulations or the uncompromising maintenance of monopolistic competition, increasingly monopolistic and less and less competition, such as GAFAM), often to the detriment of labour.

I. The ambiguous, sometimes perverse, but always political nature of public debt indicators

To measure the importance of public spending, the European Union measures its ratio to GDP. This indicator provides information whose interpretation is often ambiguous. The same applies to public debt, which is always compared to GDP, but the interpretation of this ratio encompasses very different realities in different countries. Accounting analyses of the relationship between a country's debt and its assets would be more meaningful and judicious. The emphasis on public debt by international institutions, through the so-called Washington Consensus, has been catastrophic for the national economies of many developing countries. Finally, government debt is not an indicator of government imperialism.

The ratio of public spending to Gross Domestic Product (GDP)

In France, public spending represents nearly 56% of GDP. This statistical observation is not very judicious, however, because it suggests that the private sector ultimately receives only 44% of the wealth produced each year. Family benefits account for 20% of GDP, but are not spent by the state, but by the recipients. Similarly, public services such as education, justice, police and national security are necessary for the overall economic system to function. Public revenues are not just levies for the "lifestyle" of the state. They are sometimes used directly to finance household expenditure or to support private production, while providing a public service. The financing of schools or hospitals does not constitute an amputation of private sector production, as is too often thought and said. Non-market production comes from a political decision whose cost is socialised by ex post payment through taxation. The service is thus distributed almost free of charge to citizens, according to the needs expressed by Parliament, which represents the citizens. It is on this basis that the state will then levy the tax. There is therefore a pre-financing of the production of the service, and then the recovery of the costs incurred. With market production, the profit of the owners and shareholders is added to the real cost for the buyer.

In fact, the state plays a role as a binding prescriber, but above all as an intermediary in the redistribution of its resources. In addition, the state produces non-market services (e.g. health care, education, justice), which are productive and increase the wealth of a country without being priced on a market. It represents nearly 17% of GDP in France, but this sum is largely undervalued, since the State does not pay itself dividends. The difference with market goods and services is that the resources to finance non-market goods and services are financed by compulsory levies. The content of public spending is a societal choice, based on collective security, the fight against poverty and inequality and the education and training of citizens (Fontanel.

The idea of high debt may indeed lead potential investors to disengage as new creditors. However, France's indebtedness, for example, is not "perverse". It is true that slightly more than half of the debt is located abroad, but this is also a sign of the confidence of operators. Moreover, all the debt is denominated in euros, which eliminates exchange rate risks. Finally, restructuring procedures would be open to it in case of major risks, linked to an unexpected international economic crisis.

The same commonly used ratio of public debt to GDP covers very different national economic realities

It is not very meaningful to link public debt (a stock) to GDP (a flow), unlike the use of the debt burden, even if this order of magnitude gives a general indication of the potential of future debt in its evolution. In a situation of underemployment, a public spending policy increases economic growth and if its effects are clearly positive, despite the increase in the public deficit (PD), it is more bearable in the long run if the resulting rate of growth of GDP is higher than the rate of growth of the debt. It should be remembered that macroeconomic figures sometimes overwhelm the finesse of the analysis. It is obvious that increasing military spending in a country without a weapons industry will have clearly less interesting effects than investing in roads, urban planning or means of communication. Depending on the level of effective demand, a positive development of public spending can lead to an increasing inflation rate, which then limits the cost of debt. The richest people do not want inflation, because it reduces the real value of their claims.

France's public debt can be compared to that of other countries, but this does not prejudge the quality of the economic policy conducted. The notion of low or high debt depends on the history of a country and the behaviour of its citizens towards this situation. There is no per se maximum level of public debt and studies by some of the leading economists in this field often show the effects of manipulation of governments and public opinion[1]. The conclusions of Reinhart and Rogoff's paper showing declining growth rates with debt above 90% influenced the policies of governments and international organisations, until audits showed complacent omissions of figures and statistical errors. Indeed, the critical level of debt is not easily determined, as several criteria

[1] Reinhart, C., Rogoff, K. (2010), Growth in a time of Debt, *American Economic Review*, n°100.

must be taken into account, including the qualities of the investors and the nationality of the creditors.

For the 2600 billion of French public debt expected in 2021, slightly more than half of this aggregate is held by foreign creditors, a quarter by institutional investors, the rest by French credit institutions and insurance companies. When domestic bodies finance public debt, when the State repays domestic residents receive the sums due and reinvest them in the national economy. If Japan has a public debt of 240% of its GDP, Japanese citizens and residents mainly hold the securities, which do not raise any difficulty as to the effects of repayments on the national economy[2]. The situation is different if this debt is denominated in foreign currencies on the financial markets, in view of the changes in the value of the currencies and the flight of capital on repayment. In France, the majority of Treasury bills are negotiable, denominated in euros, so the interest rate paid by the State depends on the financial markets.

The European Central Bank (ECB) is independent of governments, with the primary objective of price stability (standard 2% price increase per year). Its independence is guaranteed by the European Treaties, which prevent it from directly financing governments, although the ECB can buy public debt indirectly through quantitative easing. Although Mario Draghi has agreed to engage in a policy of quantitative easing in the face of the pandemic, he is nevertheless strongly criticised within the Eurozone itself. The government auctions its treasury bills to primary dealers. The debt is then traded on the second-hand market. The markets anticipate and take risks according to the expected returns. The rates paid by the State will depend on the demand from private operators and the risk perceived by institutional investors and rating agencies.

Thus, the community of traders influences the economic policies of states, with the notion of risk and return. In the framework of the euro zone, the States do not control this currency and different interest rates are assigned to the member countries according to the policy undertaken by the States. There is therefore a political and ideological constraint in the European treaties that makes the policies of the states particularly controlled and rigid. In fact, a state's ability to repay depends on the potential of its economy, the strength of its tax system, its annual debt burden, its financial and non-financial assets, its

[2] Today, in Europe, government debt securities can no longer be held directly by individuals.

ability to borrow from its citizens and from the financial markets and to "roll over its debt".

Public debt should be compared to national assets

In 1992, the Maastricht Treaty established the rules that public debt and deficit must not exceed 60% and 3% of GDP respectively. This is a political choice, which has no theoretical basis. Moreover, the ratio of this debt to GDP doubly emphasises a concept that has progressively lost its accuracy in measuring real national market production and its capacity to "estimate" the real "monetary" value of non-market services[3]. To come back to the accounting reasoning, in front of the liabilities, we must analyse the assets. The French economy has a positive net wealth, established at 15,500 billion euros (Table 1).

Table 1 - France's net wealth (in billion euros) [4]

Assets	Non-financial companies	Financial companies	Public administration	Households	Wealth France
Non-financial assets	4998,6	318,4	2116,4	7968,9	15.474,65
Financial Assets	9546,3	15292,0	1379,1	5290,2	31.592,5
Total Assets	14544,9	15610,4	3495,5	13259,1	47.067,1
Financial liabilities	11823,4	14888,2	3192,5	1651,5	31.585,0
Net Worth	2721,5	722,2	303,0	11607,6	15.482,1

The share of public assets is certainly declining, notably because 'profitable' services have been privatised, often to the detriment of the community, but it is 4 to 5 times greater than the debt. Moreover, the weight of the debt is not to be neglected, but often the operations it engages in prepare the future of future generations. As it is, future generations will benefit from sustainable public investments and important public services, even if the policies inspired by the liberal doxa tend to diminish their impact. Greece, which was forced by the Troika (IMF, ECB

[3] Guilhaudis, J.F. and Fontanel, J., 2019. Les effets «pervers» de l'usage du PIB pour la décision politique et les relations internationales. *Annuaire français de relations internationales, 20.*
[4] Insee (2018), Comptes de la Nation 2018 (base 2014), Insee

and European Commission) to repay a significant part of its debts, has experienced an economic and social crisis of great violence.

The focus on public debt has been catastrophic for developing countries

It was because countries were heavily indebted that international organizations imposed neo-liberal policies on developing countries to open up their economies to globalization and to privatize public enterprises in order to clean up their economies[5]. The famous Washington Consensus has placed the poorest countries in a situation of guilt, while the responsibility of creditors is also strongly engaged. Today, countries are still obliged to repay debts for operations that have not benefited the local population[6]. "The IMF and the World Bank have long defended the "Washington Consensus", inspired by the Chicago school, based on the principle of "Trade, not aid". It included ten commandments among which the states receiving IMF financing had to privatize public enterprises, deregulate markets, accept industrial property rules, have a balanced budget without public debt, apply a weakly progressive and extended tax reform (favorable to the richest) or free up national financial markets and foreign trade. These principles imposed the pre-eminence of the private sector in the economic sphere. However, the concept of the private sector amalgamates very heterogeneous situations.

This policy has had catastrophic effects for the least developed countries and the imposed privatization process has allowed multinational firms to appropriate national public goods, notably raw materials, at lower prices. After the 2008 crisis, the IMF abandoned this policy, recognizing the importance of public goods for the economic development of a nation. However, the interests of the strongest are still defended primarily by intergovernmental multilateralism[7].

For Africa, the effects of the pandemic are likely to be catastrophic, with the threat of disease, the danger of containment, the collapse of commodity prices and the tourism industry, and the collapse of financial flows and the rise of an informal economy of day-to-day survival. Unlike developed countries, African countries have little access to financial markets,

[5] Fontanel, J. (1995), Organisations économiques internationales, Masson, Paris.
[6] Stiglitz, J. (2002), La grande désillusion, Fayard, Paris.
[7] Fontanel, J. (2021), Mondialisation privée et impasses du multilatéralisme intergouvernemental, Question internationales, Janvier-Février.

even for Nigeria, Angola or South Africa, the three countries that are important economic engines of the continent. On 15 April 2020, the G20 agreed to suspend the repayments of 77 low-income countries, but the temporary nature of this agreement was underlined, for the equivalent of 14 billion dollars.

The European Court of Justice now considers that an issuing state may be tempted to renegotiate a principle if unforeseen circumstances limit the state's financial capacity, which could ultimately affect the human rights of its citizens. Thus, under certain conditions, private creditors cannot invoke the Vienna Convention against a state that imposes losses on them. It is therefore possible to rely on this case law to help citizens in serious difficulty. Creditors also have a responsibility in the loans they offer.

Public debt is not a reliable indicator of government incompetence

When the subprime system (variable-rate mortgages granted to customers with low creditworthiness) and the boom in securitization and derivatives led private operators to take on more and more risk, a simple 1% interest rate increase decided by the US central bank led to the collapse of the housing bubble in 2007. This was followed by the banking crisis in 2008, the effects of which spread throughout the globalized world. This private debt based on the famous "too big to fail" principle led to massive state intervention to prevent the system from collapsing. The result was the privatization of gains and the socialization of losses. States could have asked financial managers to take measures to limit the risks to all national economies. In 2008, the private sector appealed massively to the state in the subprime crisis and then shifted the financing of the economic recovery to public budgets and debt. Instead, private debt became sovereign debt and it is the citizens who have borne the cost of the crisis with austerity policies, reduced public spending and increased precariousness. The example of the Greek debt is indicative of this evolution, with creditors remaining firm on repayments, with the help of the Troika (European Central Bank, European Union and International Monetary Fund). Greece was put under trusteeship in July 2015, which led to large budget cuts in public hospitals, national education or civil servants' salaries. In Greece's case, it was not so much the size of public spending that was responsible as the high interest rates charged in previous 'bailouts'. The money lent was mainly used to repay private creditors (French and German banks), which were partly responsible for the debacle.

Debt can also come from gifts to the private sector in the area of taxation or public spending. Since 2018, the single flat-rate tax (PFU) on capital income has been taxed at 30%, which hardly corresponds to the progressiveness of the tax. The same applies to the abolition of the solidarity tax on wealth, which benefits the richest. Similarly, the effort to support private activity has not always been rewarded with the best intentions of companies. The aim of the Tax Credit for Competitiveness and Employment (CICE) was to give companies room to operate in order to invest, prospect for new markets, innovate, promote research and innovation, recruit, restore their working capital or support the ecological and energy transition by lowering labor costs. 20 billion per year, over the period 2013-2015, 110,000 jobs would have been preserved, i.e. an annual cost of 150,000 euros in favor of the private sector, whereas an average civil servant job costs 58,000 euros per year[8]. The same applies to the Research Tax Credit (CIR), whose possible fraud and the Senate highlights excessive advantages granted to large companies[9]. Finally, the fight against tax evasion would make it possible to solve all or part of the public deficit, especially if international agreements could be put in place to avoid beggar-thy-neighbor policies[10].

II. Public debt, an instrument of economic policy and social choice

All public debt is not good for a country's economy, especially when it concerns corrupt governments, dictatorships that use these funds to set up or maintain an autocratic or despotic system, or politicians who are reluctant to manage public funds rigorously, favoring national or international private interests and demonstration effects. In this deleterious context, creditors have an important responsibility in offering credits to the governance of a state that is unconcerned with the use of its finances by the

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[8] Fontanel, J. (2021), Mondialisation privée et impasses du multilatéralisme intergouvernemental, Question internationales, Janvier-Février.

[9] Berr, A., et al. (2021) *La dette publique. Précis d'économie citoyenne,* Le Seuil. Paris. Pp. 115-129.

[10] Fontanel, J. (2016), *Paradis fiscaux, pays filous. La fuite organisée des impôts vers les pays complices,* L'Harmattan, Paris. Fontanel, J., 2001. *L'action économique de l'Etat*. Editions L'Harmattan. Paris.

citizens. In the event of a change of regime towards a democratic and non-corrupt state, the contestation of debt repayment becomes legitimate.

Economic growth has become a norm, an implacable necessity. It is supposed to be spread over the whole population, with the "trickle down" theory. However, the commitments of the State encourage liberals to question the rules and social clauses of national economies. When attacking the social security deficit and the need to reduce it, they demand a reduction of its action rather than an increase in taxes for the wealthiest populations. This reduces the strength of solidarity needed by a country and democracy itself is called into question. In fact, social policies are put under the control of the financial markets, while the overall salaries of civil servants are still being progressively reduced with index point increases below the rate of inflation for almost 10 years. The state has a duty to exercise counter-cyclical action when the national economy is in crisis.

The political interpretation of the debt, a societal choice

Three major solutions envisaged by heterodox economists are not recognized by the liberal doxa. However, these proposals are not accepted by the capitalism rules.

- The cancellation of the debt held by the ECB would mortgage the future; it would make France lose credit with international investors and would call into question the credibility of the ECB, generating a major political crisis with the countries of the European Union.
- Perpetual debt makes it possible to issue debt without a time horizon, in order to protect against the risks of rising interest rates. However, the demand for this type of investment is too low; instead, it would be better to retain the extension of repayments over time.
- The government has considered "ring-fencing" the part of the public debt linked to the pandemic crisis by allocating a dedicated tax resource to its repayment. This solution echoes Germany's adoption in July of a plan to repay its Covid debt over twenty years, but in essence it does not resolve the issue of the sustainability of public debt in the medium and long term.

However, the rules of the liberal economy, namely the impossibility of an increase in public debt, are still advisable. It is therefore a question of controlling (reducing) expenditure, targeting its evolution at a lower level than that of public revenue.

This reduction in debt is difficult to envisage in the short term, but the budget for 2030 should lead to an intensification of efforts to return to a balanced public finance.

The public debt includes all the debts of all the administrations, the State, the municipalities, the regions or the social security system. Of course, one must take into account the structure of the debt, its dependence on the interest rates set by the markets and the life of the debt (almost 8 years for France, on average). The debt can be constantly renewed, which is called "rolling the debt". As soon as a debt has to be repaid, it is borrowed again. It is therefore a question of maintaining the confidence of creditors, in order to negotiate low but reassuring interest rates. Nevertheless, this dependence on international financial markets is a cause for concern. Until 1980, interest rates were much lower in real terms than economic growth.

Since the Reagan revolution and the application of the Friedmanian monetarist policy, interest rates have become much higher than growth rates, thanks to the anti-inflation policy, the drastic reduction of controlled interest rates and the requirements of the Maastricht Treaty that enshrines the independence of the “Banque de France” and the dislocation of the Treasury circuit. Citizens no longer have the right to borrow directly from the state, which is a considerable advantage for the financial markets, which obviously charge for their services. The central bank can still influence the interest rate on commercial bank loans. When French politicians wanted Paris to become a major financial center attracting foreign capital, the Treasury circuit was dismantled and the fight against inflation became the 'unquestionable' rule.

The government could have chosen to fight unemployment first and for stronger state support for public services. The current situation is therefore the result of a political choice that favours the economic "decision-makers", those who, through the "trickle-down" theory, were indirectly in charge of the wealth of all citizens. In fact, the interests of a few were thus justified in the name of a very questionable collective interest, especially when the incomes of the middle classes in France, but especially in the United States, have grown very little over the past forty years, unlike those of the highest incomes (the famous wealthiest 1% in 2000, the 0.01% in 2021).

Debt is only a burden on the national economy if it is managed according to the liberal doxa. Debt finances public services, especially for high-risk services whose profitability, at least in the short term, is not guaranteed. When the action of the state is contested under the pretext that its economic actions lead to 'crowding out', at least in financial terms, the importance of public investments that are useful for private economic and financial activities are obviously minimized or more generally forgotten. This is the case for roads, public facilities, schools, hospitals, justice or police, all public services that favour the economic action of private entities. Moreover, to consider that without public debt interest rates would be lower and would allow many companies to invest is today an untruth, since the very low level of private investment is rather based on the weakness of demand anticipated by companies, at a time when interest rates are particularly low, even negative in constant rates.

The exogenous public expenditure multiplier and accelerator

The level of debt depends on the economic situation of a country. This is not the only basis for determining whether it is good or bad debt. The action of all states to combat the disastrous effects of Covid on national economies underlines this point, "whatever it takes". If spending is cut, there is less economic growth and therefore less tax revenue, which makes it even more difficult in a "snowball" situation that leads to economic crisis. We should not forget the important role of the multiplier and the accelerator. The higher is the multiplier, the more effective the state's action. Today it is lower in France than in 2000 and even lower than in 1960, but it is clearly higher than 1. Moreover, it is always preferable to reduce expenditure rather than resort to tax cuts for the richest that are able to save.

Fiscal policy is counter-cyclical if there are agreements between states, especially European ones. In economic history, increases in public spending are often closely linked to periods of recession. The policies advocated by the IMF to reduce spending are now being challenged within the organization itself. The accelerator effect of investment can also be deployed if companies believe that the increase in activity will be sustainable and that it is therefore appropriate to invest. Economic activity must be supported until full employment is achieved. Finally, we must take into account the stabilizers that mitigate the effects of an economic policy to the downside or to growth. Austerity is socially unjust and often ineffective. Reducing hospital funding is not good for those who cannot afford private clinics. With the policies of governments in recent years, public hospital beds have decreased and private beds have increased. Austerity is bad, especially when full employment is not achieved.

Finally, if the interest rate on public debt securities is lower than the rate of growth, the holders lose comparatively less money than the growth of the country's wealth. Since the beginning of the 21st century, interest rates have always been higher than the growth rate, but at relatively low levels, but it is a safe investment, offering power over governments.

Debt has sometimes been used to reduce social inequalities

Debt can be particularly useful and socially justified. In France, the public deficit is mainly explained by public investment (60% by local authorities). Operating expenses do not increase the state deficit. "Thus, the public debt appears for what it really is: a democratic issue" [11]. However, public debt is held by the richest economic entities. Public securities offer those who can afford it a security of money invested, as well as a comfortable return. The French generally invest little in financial assets, 88% of their value is held by the wealthiest 10%. In the US, the richest 1% owns half of the US public debt. Public debt is therefore not so difficult to live with for the richest people who get income from it. In fact, the state's choice (and it is a political choice) is to borrow from the rich, rather than tax them. In these conditions, to say that with the public debt the state puts the burden on the next generations is at least partially inaccurate, since the heirs who own the resident public securities will always be remunerated. From a financial point of view, the question that arises is also to know the foreign public debt held by French citizens or residents. From an economic point of view, the debt will undoubtedly have enabled new investments to be made from which future generations will benefit directly or indirectly.

Public services make it possible to limit the effects of the growing inequalities made possible by an economic globalization so favorable to the financial system, large companies and their owners. After taxes and social benefits, the gap between the disposable income of the poorest and the richest is halved [12], without taking into account the "equalizing" potential of national

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[11] Fontanel, J. (2016), *Paradis fiscaux, pays filous. La fuite organisée des impôts vers les pays complices,* L'Harmattan, Paris. Fontanel, J., 2001. *L'action économique de l'Etat*. Editions L'Harmattan. Paris.

[12] Brunner, A., Maurin, L. (2018) ; Impôts et prestations sociales réduisent les inégalités de revenus de moitié, Observatoire des Inégalités, 16 janvier.

education or national security for the present and future of the beneficiaries. The financing of the state is based on proportional rather than progressive taxes. It is clear that there is a growing need to restructure the tax system, which today is retrograde in relation to post-war social commitments. Since 2016, the richest and the ultra-rich have seen their disposable incomes increase significantly, unlike the incomes of the middle classes. Yet the historical periods that marked the strongest national economic development were often those with the highest marginal top taxation. It is necessary to call into question the tax niches that only serve those who can pay tax but are part of a "reduction" or "exemption" niche. Finally, it is necessary to introduce an environmental and ecological tax system.

Public debt as an instrument for societal change

In the face of the climate emergency, new infrastructures will have to be put in place to achieve the ecological transition. Only the State can, directly or indirectly, implement them, notably through debt. It is true that companies will be led to change their ecological behavior through coercion or financial incentives, but firms in a market economy are too concerned about their returns from financial financing to commit themselves to an operation that is nonetheless crucial for the future of our children. Whatever people's opinions, if there is a burden to be feared for future generations, it is more the issue of global warming than that of debt, which is only a potential problem for creditors (who could be blamed for not having taken the right measures to avoid an ecological catastrophe in such a short time). Certainly, the idea of high debt may lead potential investors to disengage as a new creditor. However, France's indebtedness, for example, is not "perverse". Admittedly, slightly more than half of the debt is located abroad, but this is also a sign of the confidence of operators. Moreover, all the debt is denominated in euros, which eliminates exchange rate risks. Finally, restructuring procedures would be open to it in case of major risks, linked to an unexpected international economic crisis.

In this context, it is preferable to renegotiate with creditors and maintain the citizen force of social spending. The issues of cancelling sovereign debt securities held by the ECB (Germany obtained a 50% reduction in its public debt in 1953, with a rescheduling of payments) or the "monetary helicopter" were raised. The first solution provides the state with additional resources to undertake a new ecological restructuring of the economy, whereas the second proposal, which leads to a monetary issue intended to support demand, hardly makes it possible to imagine a future other than that proposed by global warming. To get out of the debt crisis, fiscal policy is necessary; it must direct major investments and the social and societal responsibilities of all economic actors towards the end of an economic development that calls into question the sustainable living conditions of humanity.

In some cases, debt and its burden could be considered illegitimate when the debt becomes unsustainable and the creditors are also responsible. For a state, it is first of all a question of getting out of dependence on the financial markets, which are then in a position to sanction the economic policy of a state and ignore its democratic functioning. However, the European treaties remove a great deal of flexibility from state action by prohibiting direct financing by the ECB, with a view to prohibiting a state's access to ECB payment facilities. It took the commitment of Mario Draghi to guarantee public debts at the time of the pandemic. The promotion of deficit monetization by the central bank is recommended by Modern Monetary Theory, which considers that a state is monetarily sovereign when it issues its currency, determines its unit of account, sets its legal obligations and incurs debt in that currency. This only applies to the United States, which has the exorbitant privilege, despite the policy of benign neglect, of being the basic international currency. We should probably also rely on the targeting of savings and their remuneration, in order to avoid the often erratic shocks of speculation whose individual greed leads to unsustainable collective economic and social crises. It is therefore necessary to renegotiate the treaties, which may have been useful in a specific situation, but now their content creates more problems than solutions to resolve the crises.

"For Josef Stiglitz[13], the so-called trickle-down theory of the effects of economic growth and development on the poor is wrong. In the absence of specific government action, income and wealth gaps only increase, creating dissatisfaction that can lead to social movements that challenge the very functioning of the market and the respect of the rights and obligations of individuals and corporations. On the contrary, the development of income and

[13] Stiglitz, J. (2002), *La grande désillusion*, Fayard, Paris.

wealth inequalities is an essential, even determining cause of economic crises"[14].

CONCLUSION

For Deleuze and Guattari, capitalism is schizophrenic[15]. "Lack is arranged and organized in social production. It is produced by the instance of anti-production that falls back on the productive forces and appropriates them. It is never primary. Production is never organized according to an anterior emptiness, it is the lack that comes to lodge itself, (...) to propagate itself, according to the organization of a prior production. This is the art of a dominant class, this practice of emptiness as a market economy: to organize lack in the abundance of production, to make all desire fall into the great fear of lack, to make the object depend on a real production that is supposed to be external to desire (the demands of rationality), while the production of desire passes into fantasy (nothing but fantasy)[16]. Scarcity is organized as a condition for maintaining the system and its privileges. Economic science camouflages the political character of the economy[17]. The capitalist accumulates for profit and power, he never has the idea of serving the general interest[18].

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