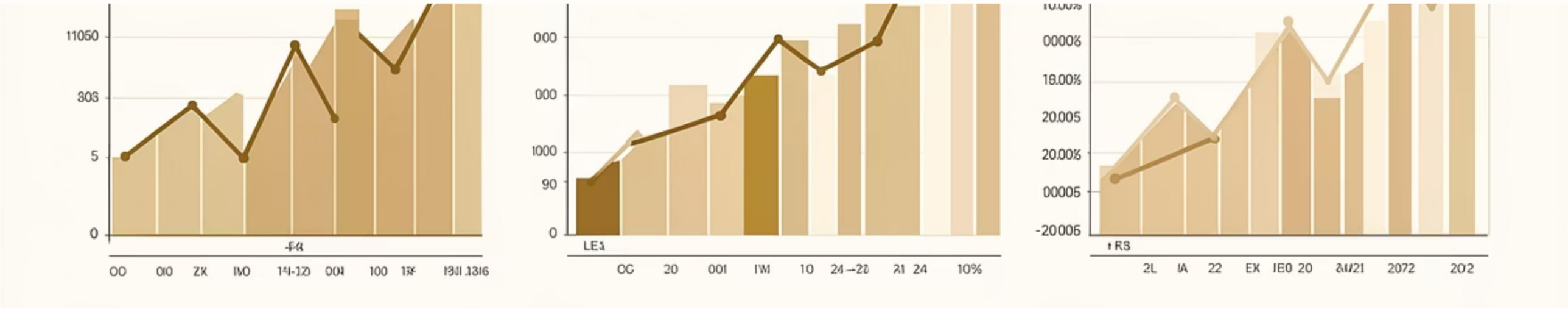
What forms of government investment in France would generate positive or negative multiplier effects?

Great economy thinkers S8 Leo SCHNEIDER

ESSCA



CONTEXT

France at a Critical Juncture

110%

Public debt-to-GDP

Historically high levels requiring strategic allocation

€3T

Total public debt

Every euro must generate lasting value

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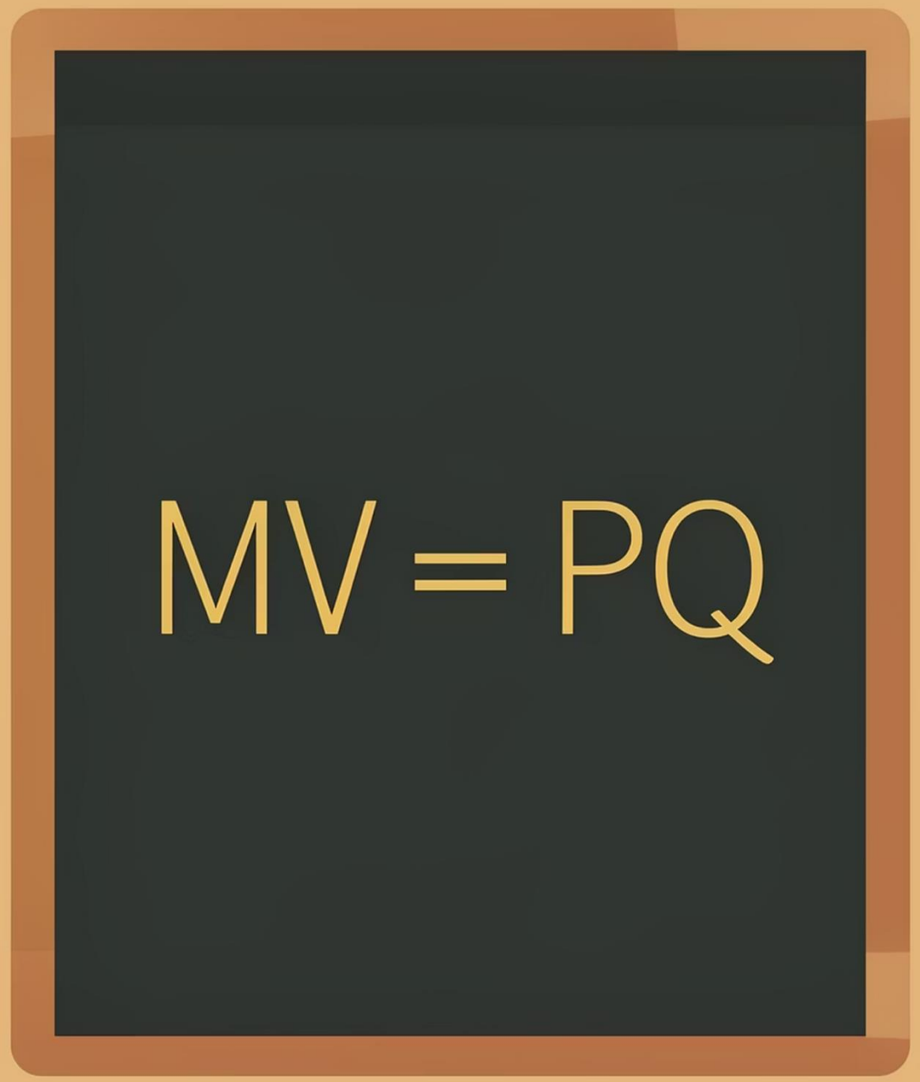

Fisher's Analytical Framework

The equation of exchange reveals what truly matters

MV = PT

Money × Velocity = Price × Transactions

Real output matters

Success measured by increasing T, not inflating P

Intertemporal focus

Capital as productive stock generating future services

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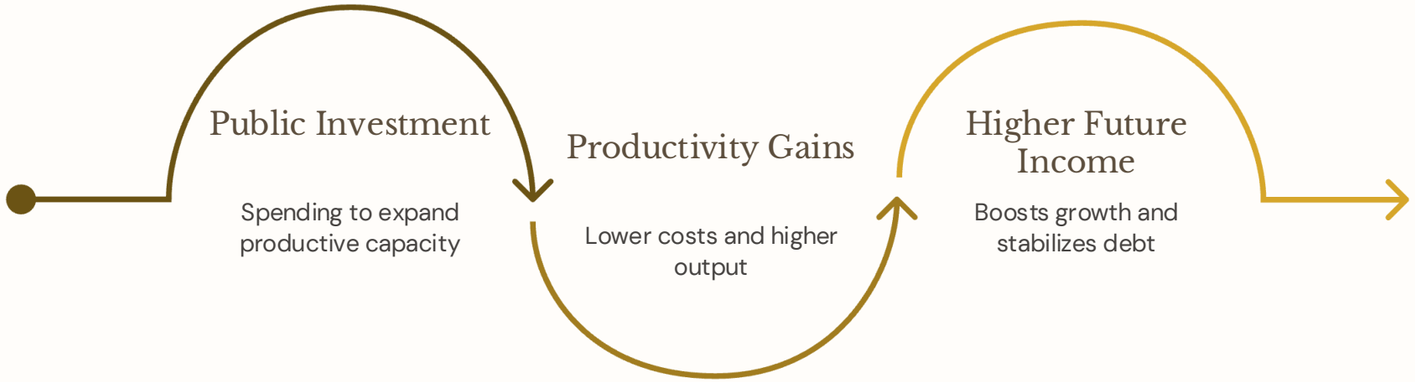
DEFINITION

What Defines a Positive Multiplier?



Fisher's Standard

Long-term structural impact, not short-term demand stimulus

Lower costs + Higher productivity = Real multiplier effect

Investment succeeds when it expands productive capacity and strengthens tomorrow's economy

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⊕ POSITIVE MULTIPLIER

Human Capital & AI Investment

Most valuable capital

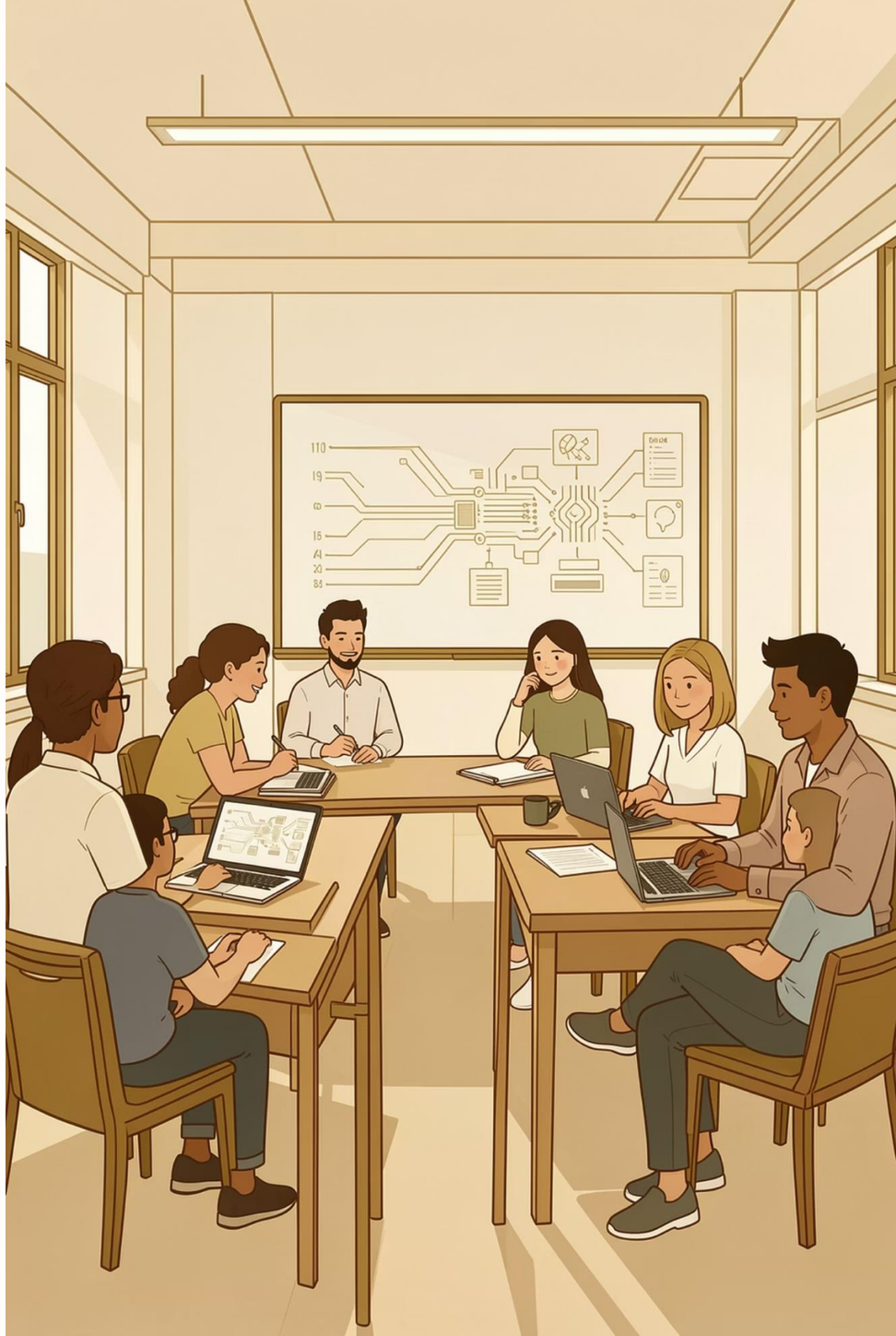
Fisher viewed humans as premier productive asset

Digital skills & AI clusters

Expanding output without inflationary pressure

Intertemporal returns

Substantial long-term gains in productivity and income



+ POSITIVE MULTIPLIER

Technological & Energy Innovation

France 2030 Plan

Nuclear energy

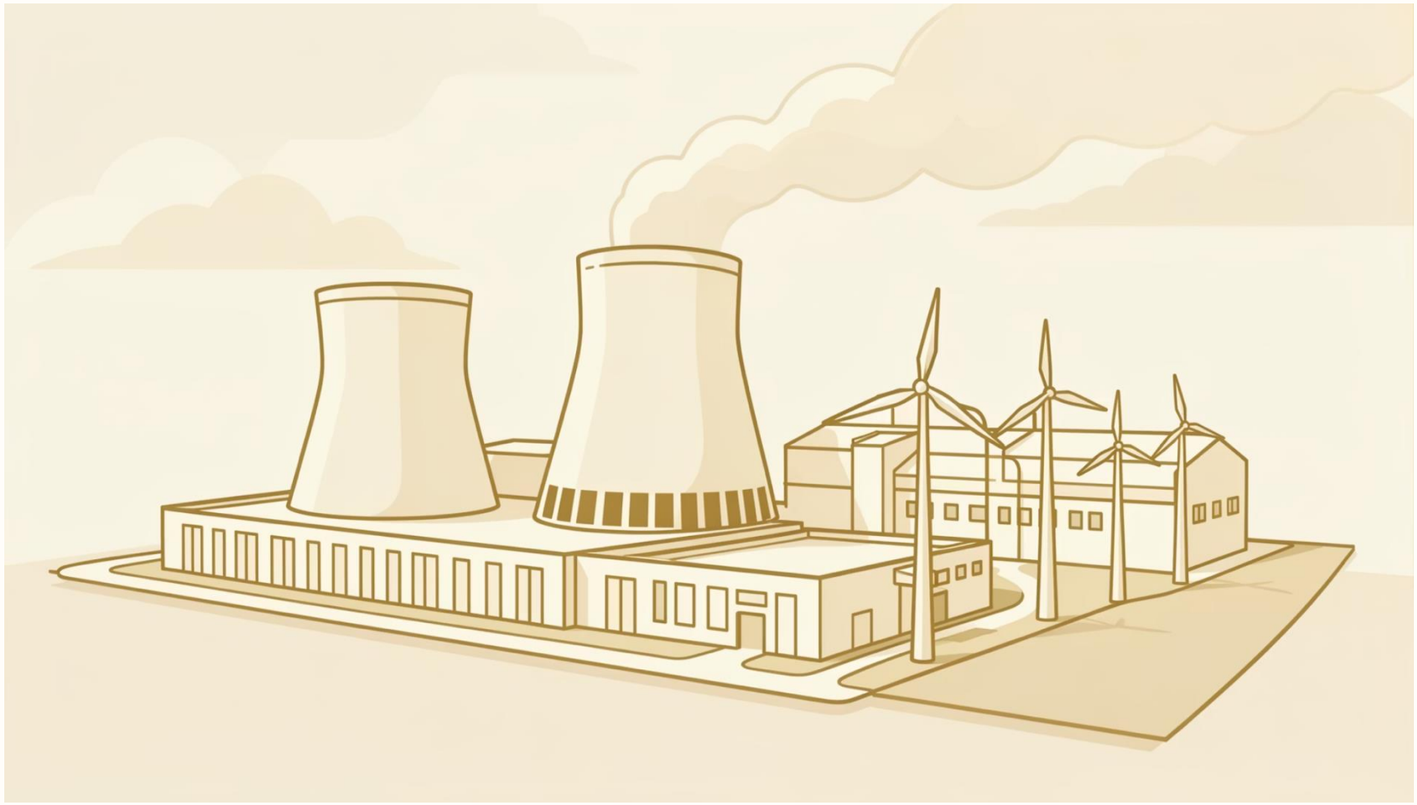
Reliable baseload power

Hydrogen tech

Clean energy transition

Strategic industry

Competitive advantage



Energy as basic input: lower costs, higher output across entire economy

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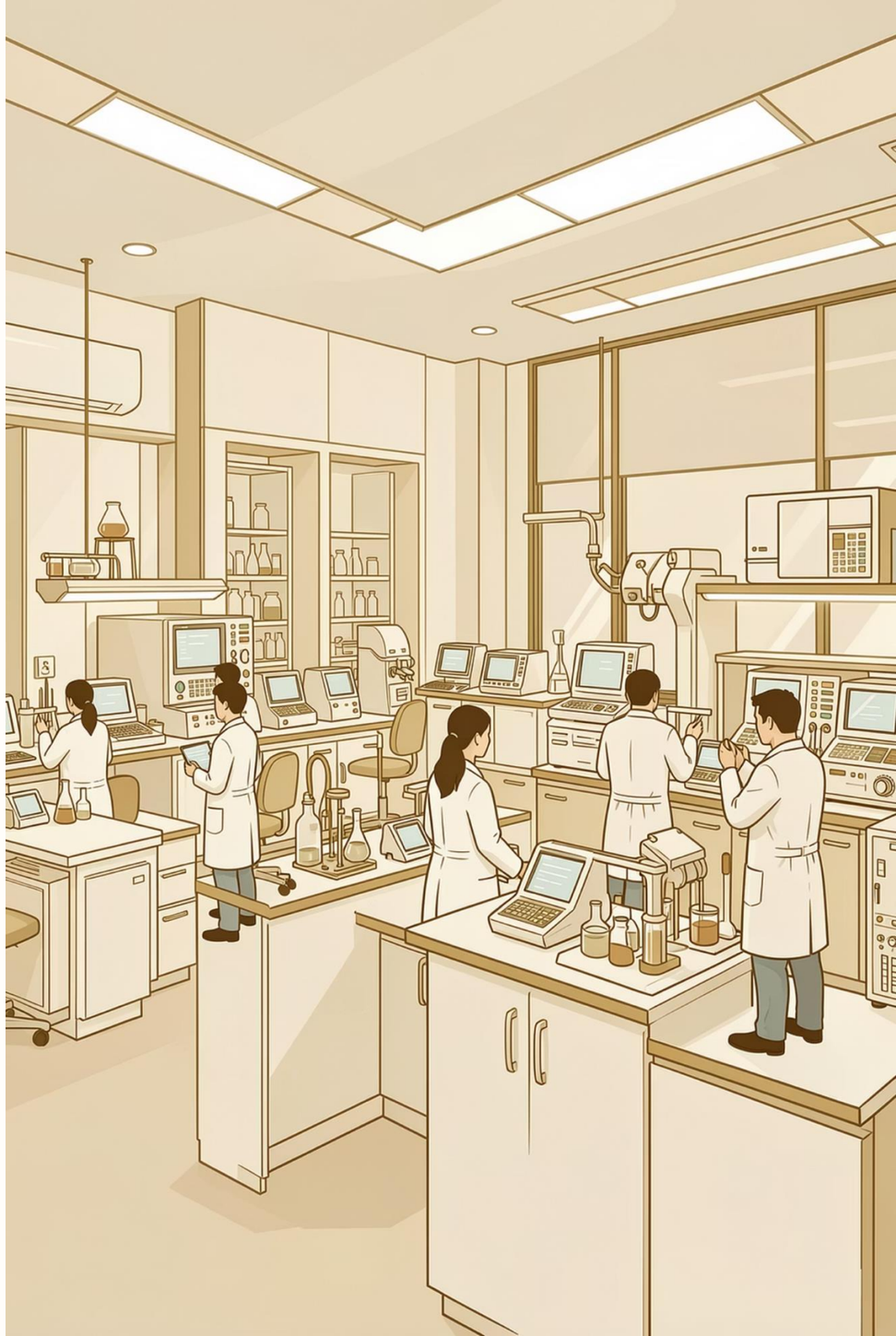
POSITIVE MULTIPLIER

Public Health as Productive Capital

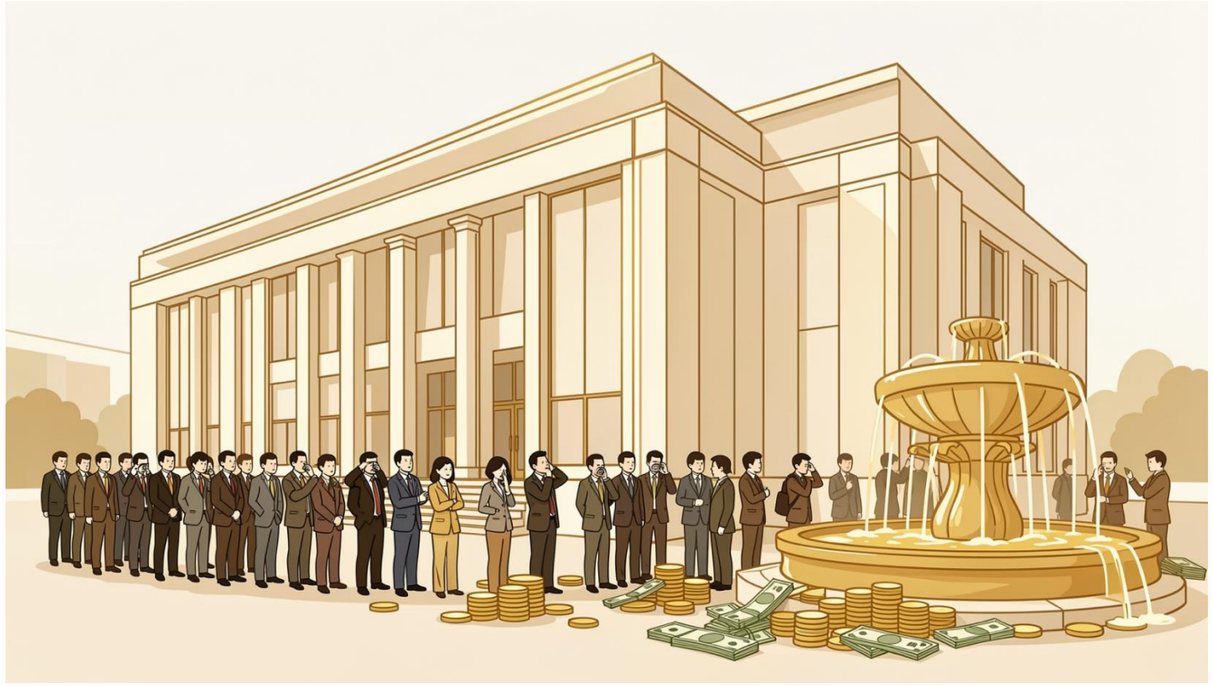
> Fisher pioneered health economics: medical research, prevention, and healthcare capacity are investments in living capital

1. Healthier population
2. Higher productivity
3. Stronger growth



NEGATIVE MULTIPLIER

Investments That Destroy Value



Dead debt

Current expenditure without productivity gains

Money increases, real output does not

Real estate inflation

Housing policies that raise prices without supply

Asset inflation, not capital accumulation

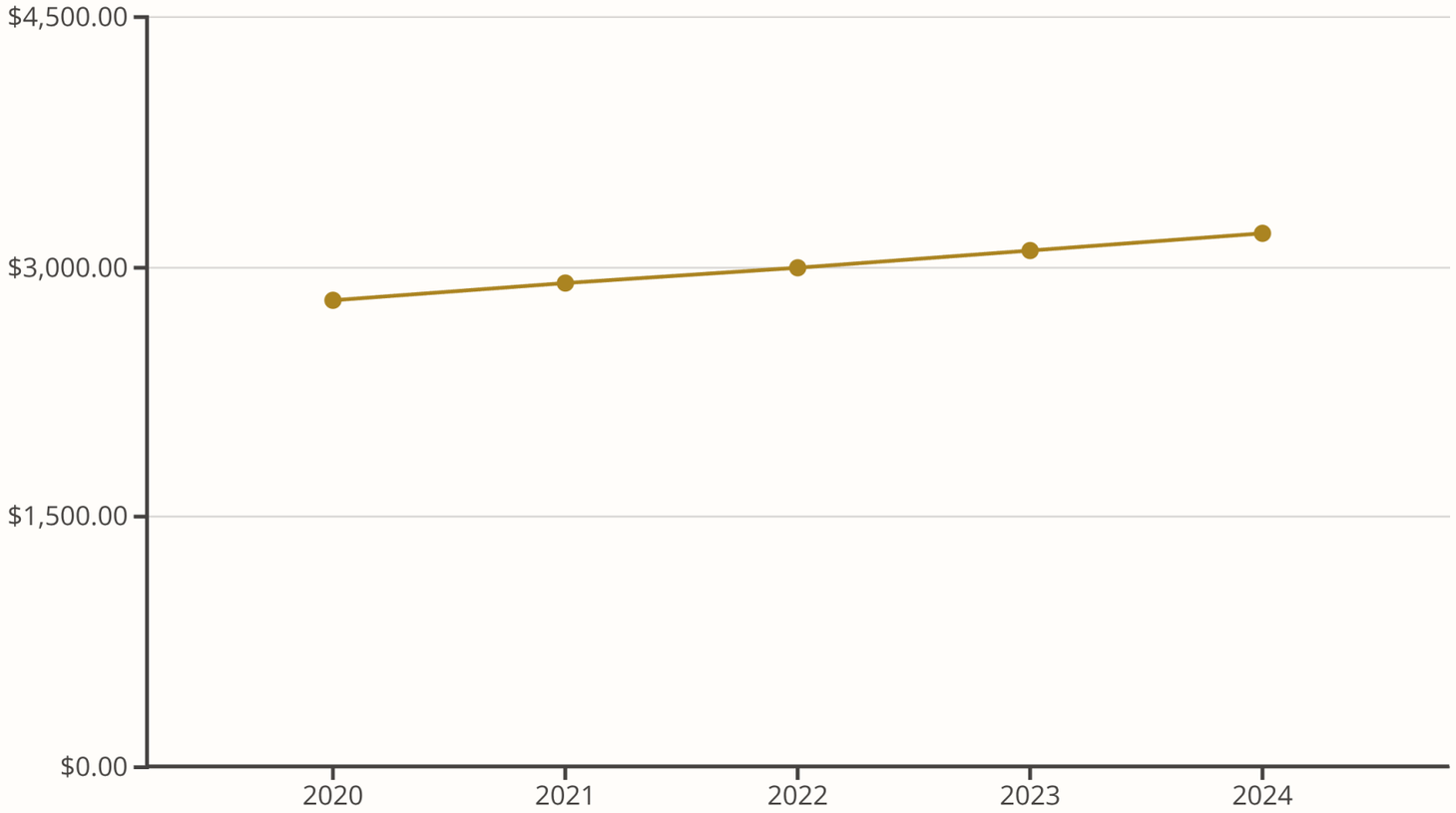
Crowding out

State absorbs savings for low-return projects

Deprives private sector of innovation resources

The Debt-Deflation Risk

When borrowing finances consumption rather than productive capacity



Fisher's Warning

Rising real debt burdens reduce flexibility, discourage investment, weaken long-term growth

Debt disease: Higher obligations without corresponding productive capacity expansion

Strategic Capital Allocation, Not Simple Spending

Positive multipliers

Human capital, innovation, energy, health—expand productive capacity

Negative multipliers

Current expenditure, asset inflation, crowding out—increase debt without returns

> **Fisher's principle:** Public investment is legitimate only when it prepares tomorrow's lower costs through today's expansion of real production

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