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Macron's legacy will be better than people think'

Dialogo con Philippe Aghion - di Ian Johnston

France's new Nobel economics laureate has long been part of the president's unofficial inner circle. Over Asian cuisine in Paris, he talks to Ian Johnston about how to stimulate European growth, the power of creative destruction — and why Karl Lagerfeld helped him with his homework.

Winning the Nobel Prize is very good," says Philippe Aghion, as the recently crowned economics laureate eyes up the dim sum options at a quiet pan-Asian restaurant on Paris's left bank. "But the important thing is the influence you have."

TAOKAN

8 rue du Sabot, 75006 Paris

Langoustine dumplings	€15
Shrimp dumplings	€13
Salmon sashimi	€13
Thai pineapple salad	€14
Caramelised salmon	€27
Luc lac beef	€31
Soy-peanut spinach	€9
Sesame aubergine	€8
Fried noodles	€7
Iced mochi x2	€10
Evian water	€7
Coca-Cola Zero	€7
Lapsang souchong tea	€8
Espresso	€5
Total	€174

Aghion won the Nobel last month alongside Joel Mokyr and Peter Howitt for their work showing how innovation drives sustained economic growth. His work gives him heft in Europe and his native France, where he weighs in on everything from wealth taxes to whether AI will power a new dawn of sustained productivity growth or turf thousands out of their jobs.

He also has a long association with Emmanuel Macron. The professor stresses he is not an adviser in an official capacity, but one Élysée official has told me Aghion provided the “economic matrix for Macronism”.

I hope to quiz him on all of this as I cycle to lunch past the bitterly divided National Assembly, where politicians are wrangling over the country's budget. Arriving early, I find France's latest Nobel laureate already seated at a corner table. Dressed in a dark blue suit, jumper and tie — an outfit equally appropriate for the lecture theatre or the corridors of power — Aghion is peering through thick glasses at a large leather binder laid out on the tablecloth, perusing what appears to be a bulging agenda.

He is juggling a range of speaking engagements and political meetings, all while maintaining his 150 hours of annual teaching commitments at the Collège de France in Paris's nearby Latin Quarter, Insead business school and the London School of Economics, he says.

I get a sense of his teaching style when a waiter comes to take our order. With a professorial tone, Aghion launches into a detailed description of the vast menu. "Everything is very good," he concludes, making clear he comes to TaoKan a lot.

We eventually opt for sharing starters: steamed prawn and langoustine dumplings, salmon sashimi and a Thai pineapple salad. Aghion chooses Luc Lac beef, a Vietnamese dish, as a main. I opt for caramelised salmon. To complete the feast, Aghion suggests sides of soy-peanut spinach, sesame aubergine and fried noodles. After he declines a glass of wine, I add a Diet Coke.

Despite Aghion's long career in the world's leading academic establishments, his upbringing as the child of Jewish immigrants to Paris from Egypt was rather more alternative. His mother, Gaby Aghion, was an innovator in her own right. In 1952, she founded the fashion house Chloé, which pioneered prêt-à-porter fashion, and worked alongside chief designer Karl Lagerfeld for 20 years. "Lagerfeld used to do my German homework," Aghion says, "that's why I didn't learn much German."

His father helped spark a political awakening. A communist and art gallerist, Raymond Aghion was a friend of the surrealist poets Paul Éluard and Tristan Tzara, with whom Aghion holidayed as a child. He has little memory of holidays with Tzara but his father's interest in surrealism — which he believed "was an accessible way for the illiterate to criticise bourgeois culture" — left a mark. "I was a communist and obsessed with that, but I would see politicians articulating economic reasons and getting to opposite conclusions," he recalls. "That's how I came to economics. I need to understand the world to transform the world: that was my motivation."

For Aghion, who now defines himself as a "social democrat", the key comes from inclusive but innovative economic growth. "We cannot distribute what we have not produced," he says.

Aghion received the Nobel for his work with Howitt on "creative destruction", providing mathematical proof for theories developed back in 1942 by Austrian economist Joseph Schumpeter. They showed how long-term innovation and growth are based on a cumulative process, achieved when

new companies can enter a field, innovate and displace incumbent innovations, in a constantly renewing process of creative destruction.

As baskets of dumplings, dips and salads arrive at our table, I ask why Europe doesn't seem able to pull this off. Growth in the Eurozone has been rapidly outpaced by the US since the start of the century, while China is no longer copying western manufacturers but leading innovation in fields such as electric cars, high technology and biotech.

"Europe fails to implement break-through, high-tech innovation," Aghion says, switching from the French we have used until now to paraphrase the landmark 2024 report by the former president of the European Central Bank, Mario Draghi. "The Draghi report completely follows my theories," he continues in perfect, if accented, English.

He recites a gloomy if familiar tale of how trade barriers in Europe mean that companies struggle to compete with each other across the entire internal market. They also have less access to venture capital than in the US, preventing start-ups from growing as easily. Meanwhile, he argues, governments have not put in place industrial policy that encourages the competition that leads to innovation.

"In the US, they reconcile competition and industrial policy," he says, pointing to agencies such as the Defense Advanced Research Projects Agency, which has helped develop tech like GPS, drones and the internet. "In China, the government helps several firms at the same time, so they have what we call yardstick competition. That works very well. We don't have that in Europe."

But if Europe is to make its economy more dynamic, it must be wary of the risks of job losses. To accompany Draghi's proposed reforms, only a fraction of which have so far been enacted by the EU, Aghion advocates a Danish-style system of "flexicurity": generous benefits of up to 90 per cent of salaries to protect those who lose their job, and help retrain them so they can re-enter the workforce. "It makes creative destruction work much better," he says.

Having laid out his theories while putting away his share of the starters, he adds: "I eat too much, you should just finish everything."

I ask about the creative destruction posed by artificial intelligence. Aghion has presided over a commission into the technology's future in France. "I'm optimistic . . . because AI automates tasks not only in the production of goods and services, but also in the production of ideas," he says, noting that his view differs from that of other economists. His own research has also shown an increase in jobs in factories that automise because they become more productive and employ more people. But his worry is a repeat of the internet boom.

To encourage creative destruction, he argues that governments should protect innovators' intellectual property but prevent them from impeding other competitors. But large tech bought up potential

threats, which competition regulators failed to block, and growth suffered. “They expanded to such an extent that they ended up discouraging entry of new firms. That’s very Schumpeterian,” he says, a phrase he repeats throughout our lunch. Microsoft, Amazon, Meta and others who developed in this period now also have a firm grip on the nascent AI economy. “The danger is that a lack of competition would again stifle the growth potential of AI . . . In that sense, I’m not that optimistic.” Should the US break up these big tech companies to enable creative destruction? “I don’t say break them up right away. You have to look at the extent to which some mergers led to deterring entry and innovation, and if that’s the case you insist on data sharing on various things. If you don’t get it, then you can contemplate the possibility of break-ups.”

France’s own great AI hope is Mistral. The start-up has attracted billions in funding for its large language models, but is caught up in a political storm.

The left in France has in recent months been pushing for a 2 per cent wealth tax on all assets for those whose wealth exceeds €100mn, including company holdings. The measure — named after the left-wing economist Gabriel Zucman — would include Mistral’s chief executive Arthur Mensch and the other founders of the almost \$12bn-valued company, potentially forcing them to sell shares to pay the tax.

The threat to businesses like Mistral is one of the reasons Aghion has opposed the measure. He is also unconvinced by proposals from the Socialist party to exempt innovative companies from the levy, as those companies would simply anticipate future levies when they are no longer deemed “start-ups”. “Zucman would kill Mistral,” he says. “France just becomes a Camembert country. We’d just produce Camembert, which is great, but no more AI.” Our main courses arrive and the topic of taxes brings us on to Aghion’s political influence.

Currently, France is contemplating the downfall of its standout creative destroyer: Emmanuel Macron. The president’s pro-innovation, “neither left nor right” movement broke the established political order in 2017 but his approval ratings have now plummeted to the level of François Hollande, the deeply unpopular preceding president whose economic policy Aghion also informed.

I say that we could have opted to meet at La Rotonde, the Parisian brasserie where Macron celebrated his first round victory in 2017’s presidential elections. Aghion was part of the “groupe de la Rotonde”, a group of economists who met regularly with Macron at the brasserie to inform his economic policy before his election. He smiles but adds that their first meeting dates back to 2007, when Macron, prior to becoming a banker at Rothschild & Co, was a sprightly 29-year-old civil servant working on a Nicolas Sarkozy-commissioned economic report. Aghion, who contributed to the report, was then a professor at Harvard.

He was immediately impressed by Macron. “He was a very smart guy. He really wanted me to teach him economics so he used to come to my home all the time. I spoon-fed him. He is very Schumpeterian.”

As part of the Rotonde group, Aghion pushed the 2014 “tournant de l’offre”, a focus on supply-side economics led by Macron as economy minister, before contributing to the president’s 2017 programme. He declines to claim responsibility for specific policies but says he was initially pleased with Macron’s achievements: a “flat tax” that simplified France’s taxes on capital income, and replacing a broad wealth tax with a more focused one on real estate. The moves “went in the right direction”, he says.

But many have criticised these measures as payouts to the rich. While there has been an outpouring of Gallic pride for Aghion’s prize, the reaction has not been entirely positive. In a parliamentary hearing that Aghion participated in the day before our meeting, the far right criticised him as part of an “economic elite”. A far-left deputy said the advocacy of trickle-down economics has defied gravity, as the gap has widened between rich and poor under Macron.

As I scoop up some delicious umami spinach, I put it to Aghion that Macron’s political and economic project has failed to deliver. France’s deficit is one of the largest in the Eurozone and while Macron defeated Marine Le Pen in two consecutive presidential elections, the far right is riding high in polls ahead of the next vote in 2027.

“I think the legacy will be better than people think,” Aghion says. Macron “has really pushed the start-up nation and he is one of the few who has really consistently pushed for the wake-up of Europe”.

But he concedes that Macron made “political mistakes” in his second term. An insipid campaign for the 2022 parliamentary elections left Macron without a majority and meant that Covid-era support was “prolonged excessively”, he says, exacerbating France’s deficit. The following year, the president was unwilling to compromise on plans to progressively raise the retirement age to 64, alienating the moderate left. Snap parliamentary elections in 2024 “didn’t work”, instead leaving the Assembly bitterly divided and Macron powerless domestically.

Aghion says Macron had stopped listening to his advice during the pension reforms debate but they continue to discuss policy. Recently, though, the economist called publicly for the government to “stop the clock” on the country’s reforms, the day before France’s prime minister Sébastien Lecornu announced their suspension to open up budget discussions in the National Assembly.

“Now [Macron]’s open to saying ‘let’s have a referendum on a points system,’” Aghion says, referring to proposals to shift from the complex multitude of pensions schemes in France to a single sys-

tem where workers accumulate points throughout their career which are converted into a pension whenever they choose to retire.

Sensing a news story, I press him for details but he simply adds: “I don’t know if he will do it, but he talks about it.”

We have polished off the side dishes but I have managed just half of the enormous salmon portion. Still, no French business lunch is complete without dessert and Aghion insists we sample TaoKan’s mochi, along with an espresso for me and tea for him.

Small disks of coconut ice cream wrapped in dark chocolate arrive at our table, while Aghion answers a phone call from an aide about a planned debate on inequality with Zucman, an economist he has “great respect” for, despite their differences.

The call gives me an opportunity to return to a topic that has occupied France and the rest of the world: whether governments should tackle the increasing share of wealth held by society’s richest. Labour in the UK is facing calls to raise taxes on the wealthy, while in New York, Zohran Mamdani has just been elected mayor on a platform of more redistribution.

Aghion wants to see France cracking down on holding companies and “unproductive” wealth, but he says, “My difference with Zucman is he’s obsessed with the rich. I’m obsessed with the poor. I don’t wake up saying, oh, God, it’s horrible that [LVMH boss Bernard] Arnault is there. I don’t mind that there are rich people . . . as long as the rich don’t use their wealth to prevent new innovators.”

Days after our lunch, deputies will reject the Zucman tax. But amendments to massively tax multinationals and tech companies have been voted through, in a chaotic budget process currently engulfing French politics.

Meanwhile, Le Pen’s Rassemblement National has proposed its “counter-budget”, in which measures to reduce public spending on immigration would be used to raise funds to reduce the country’s deficits. The proposals and the far-right leadership are “truly bad” and “truly incompetent”, Aghion says. “The danger has never been so big.”

As our lunch — and the Macron presidency — nears its end, Aghion remains upbeat that he can continue to influence the national and European debate. But despite his Nobel win and increased prominence, I wonder if there is much popular appetite for his ideas, as France rejects the politician who championed them. “In Macron there is not enough social dialogue,” he says. “I believe in the importance of having more breakthrough, frontier innovation. But at the same time, we need to deal with the abandonment problem. We need to have social dialogue. And that’s not Macronism, that’s something other than Macronism.”

As we step into the autumn sunshine, Aghion says he wants to continue to push for the Draghi report and resist the RN. But, failing that, there is always research and teaching. “I push the young people with me to be better than me,” he says. “That’s why I chose creative destruction, because the day I become obsolete, it validates the theory.”