“The unpopular democracy”

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Editorial - Denis Kessler

Public and social deficits, economic stagnation, external debt, mass unemployment, lack of competitiveness, investment at half mast, a backslide in international GDP rankings per capita and a decline in school performance… The French model is having difficulty breathing. We have artificially prolonged its life, but we have transferred its cost onto future generations, who will have a considerable public and social debt to bear. The inevitable rise of interest rates, moreover, when the current ultra-accommodating monetary policies have ended, will increase the bill even further. Financing problems and European regulations have made it necessary for us to begin, under duress, to absorb the debts, but at the price of considerably increasing mandatory contributions. This unreasonable, all-fiscal and all-social choice is the latest expedient being used to keep the French model, whose inefficiency and ineffectiveness is blatantly obvious to everyone, on life support. We need look no further than the recommendations made by the OECD in September 2012, by the European Commission in June 2013, and by the IMF in August. Anyone who travels will encounter this critical examination of our destiny.

When, in a democracy, we pass certain thresholds of income collectivisation, when we systematically replace individual choices with collective choices, when public property supplants private property, we eliminate all the drivers which, combined, lead to productivity, and therefore to growth and a higher standard of living. We multiply the disincentives to work, to create businesses, to invest, and we encourage people to seek welfare payments and to behave like “stowaways”. We should not, therefore, be surprised that we are entering a long period of virtual stagnation. To cap it all, the damage caused by pursuing this model
inevitably justifies, in the eyes of its sycophantic supporters, new public and social measures, new contributions and deficits. What a huge amount of historic errors have been made in the name of pseudo social progress – financed on credit, and then by contributions and taxes which, sooner or later, amputate people’s spending power! Retirement at 60, the 35-hour working week… When you compare France’s performance to those of our competitors in terms of education, health and employment, nothing justifies the extraordinary over expenditure of the French system. The benchmark is pitiless: everywhere else is doing more with less. The relentless pursuit of this “model” has an increasingly visible consequence: the growing divide between the public and private sectors, between administrative and civil society, between the sector that is sheltered from the situation and the sector exposed to global competition, between the offices and the factories, and so on.

The recent tinkering with pension reform is a perfect illustration of these choices. Contributions by companies and employees have been increased, companies have been burdened with a new contribution relating to strenuous work, the legal retirement age has not been changed, totally unrealistic growth and unemployment assumptions are being made, and we will not begin to tackle spending through an increase to the pension contribution period until after the elections, in seven years’ time. Most importantly, we have not touched any special pension schemes and we have not balanced the books of the civil service pension scheme, even though these are responsible for most of the deficit expected in 2020! We are seeking the maximum contribution from those who we know will receive nothing in return. And, of course, nothing has been put into place to enable private sector employees to add to their pensions in an efficient way, pension funds having been banished from the French political vocabulary. End of story. Successive French governments have always been hesitant about tackling structural reform head on, along the lines of Germany or the UK. They are convinced that the social fabric will resist such far-reaching changes, having been traumatised by the failure of the Juppé plan and by major strikes. They are also convinced
that maintaining this so-called French "model" presents a positive cost-benefit ratio, at least in the short term.

The political efficiency of the “model” is disappearing. As with popular democracies, prolonged economic stagnation generates frustration and dissatisfaction from a growing part of the social fabric. Social charges no longer appear to bring any benefits. Omnipresent bureaucracy is rejected. The reactions of civil society – the delocalisation of people and assets, growing resistance to taxes, increased anti-social behaviour and distrust of laws and regulations – all bear witness to the profound dissatisfaction of the population. By trying to appeal to the masses, French democracy has become unpopular.

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