Let’s have the courage to reform!

DENIS KESSLER

This is the mantra of the head of SCOR, who is also an economist. In this column, he cites foreign successes and laments French spinelessness.

It has now been ten years since we should have adopted, under Chirac and then Sarkozy, the golden rule of budgeting to protect future generations from our collective ineptitude. François Hollande has not adopted it either, since this rule will be contained within an easily changeable, organic law. Making it part of the constitution would have given it much greater force. Those currently saying that we need to slow down the pace of deficit reduction, or that we should distinguish structural deficit from economic deficit, are the same people who advocated deficit as a route to economic recovery. As a result, we have maximum debts and minimal growth! The more we delay these structural adjustments, the more we delay the return to lasting growth.

**Great Britain and Italy are showing the way**

However, there is another golden rule that Europe should have adopted, regarding the way in which the deficit is reduced: the reduction should be achieved primarily through lower spending and not through higher compulsory contributions. The 2013 budget is going to make a historic dent in the finances of households and companies, even though our level of compulsory contributions is among the highest in the world. And even though we are living in a period of generalised slowdown. This policy will weaken civil society and the productive sphere even further. Thus, we are going to harm consumption, investment and hiring. Therefore, I propose another rule: as soon as the State asks for an extra Euro of tax or contributions, it should reduce public spending by 2 Euros. However, we are doing the opposite: in order to find 30 billion Euros, we are going to levy 10 billion from households and 10 million from companies, while promising a reduction in State spending of just 10 billion. Without even specifying where these hypothetical savings will come from. That’s fraud!

To overcome the crisis, which is structural and not economic, countries must also carry through deep-seated reforms. There is no point in creating a new commission to think about competitiveness, when we already know which reforms we need. David Cameron and Mario Monti have pushed these reforms through, as did Gerhard Schröder in his day. And the examples of Sweden and Canada prove that countries actually can be profoundly reformed. In France, the urgency of the
situation is not understood. But we are probably entering a double dip, just when many thought that economies were picking up again. There has been an error in the diagnosis, so there is an error in the therapy. If the crisis were economic, we would be right to use homeopathy. But this is not the case. A structural crisis needs structural reforms. If we put off all the changes needed, the situation could become catastrophic. Let's have the courage to tell our fellow citizens that we are going to go through some very difficult years, but that, if we successfully carry through some historic reforms, we will arrive at a new era of growth, which will probably be very different from the ones we have seen in the past...

The scale of the work to be done is so great that partisan divides will need to be put on hold in order to form a national unity government, composed of the men and women who wish to put the country back on its feet, to return to healthy public finances through State reform, to build a federal Europe, and to regain competitiveness. Like Germany, we must finally give absolute priority to our country’s production sector. France’s ranking in the orchestra of nations is now at stake.

POLITICS
The former N°2 at the MEDEF advocates a national unity government.

Him and Hollande
For a long time, he worked in tandem with DSK. The economist and intellectual has become a company leader. A supporter of free-market economics, and steeped in international culture, he is light years away from the universe of the president.