

Anthony de Jasay on France

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As to the subject that I want to put forward to you, there is already in the title a subject for contestation or disagreement. I say the sick man of Europe meaning France and some of you will object that if France is a sick man so is practically every other European country. Maybe Austria is an exception but we are not sure about that. Therefore, it is unfair to single out the French case and I don't take this view, I take the opposite view. I believe it's rather a unique case which deserves the objective the sick man of Europe implying it is actually sick, the others just have problems. The way I propose to validate this thesis is simple. First, I will touch on the symptoms that France is showing but I will not go very deep into this because you have not come here to hear from me what you can pick this up in the media, I will just remind you of them. After taking the symptoms into our inventory, I will suggest to you some causes. These causes will be very immediate, obvious, and not very profound causes but will be a step towards things I would like to consider: ultimate causes. These are not popularly acknowledged or accepted and they, too, will be somewhat superficial, as many philosophers tell us that every cause has some other cause behind it and we could go on and on and find ever deeper and fundamental causes for any phenomenon. The result is an infinite digress, a usual trap in which philosophers get themselves caught. To avoid this trap, the remedy is just to cut the process short brutally and I propose to do this at the level of these secondary causes.

Now, after telling you what I'm going to do, I'm now going to do it. Just take a very brief inventory of the symptoms. I believe the most characteristic symptom of the French illness is the apparent incapacity of the immune system to do anything about it. The body politic just doesn't react; it produces a large effusion of rhetoric, of how things will be portrayed in such a way. In fact nothing is happening and I don't believe anything substantial will happen because this body for some reason doesn't have the characteristic of most bodies that is to try to correct an illness and find a remedy, I see none of this in France.

My second symptom is the unemployment, which is between 11% and 13% of the active population. Of course there are several definitions of French unemployment but any one you chose, it's almost unpardonable for a developed country to carry 11% plus unemployment year after year with no change. This is a frightening stability, that I would rather like to call stagnation but the French are proud of it and they like to call it stability, "our social model is extremely stable." Well indeed it is stable and one sign of its stability is the stable unemployment at an unacceptable level.

The third symptom, which is now being remarked upon but not sufficiently, is the deficit. Not the deficit of the budget which is grave enough, but of the external accounts, especially the current balance of payments which is about as a true a measure of whether the economic concern is moving forward or backward as any other conceivable measure. I believe it's a highly significant measure and insufficiently emphasized. What is very much emphasized is the budget deficit, in the newspapers, I'm not going into it, it's a permanent feature going on 40 years. And there are again solid promises of reducing it but I can only say we have to wait for the proof that these promises will be followed by corresponding action.

The last symptom which I believe is also very important, as much so or more than the budget deficit but not discussed as much, is the share of public expenditure that the central government and local governments, total public expenditure on national income, which has now officially reached 57%. My suspicion is that in reality it is near 60%, which is a singular achievement which only one state has ever exceeded, which was Denmark. It has reached a level at which now, I believe, France is the world leader. I needn't underline the effect on an economy on the incentives that exist in this economy if 57% or 60% of the product is preempted by the public authority i.e. the individual has no option what to do about it. He is asked to produce it and 57% on the average is taken off and spent

by collective decisions on all sorts of worthy purposes, I'm not at all trying to suggest that this is wasted. It's all for one good purpose or another including the whole body of a highly developed welfare state but there again the effect is like that of a sick body, it reduces the capacity of the body to react and move out of a deeply unsatisfactory situation.

So much about symptoms, how about causes. I have been on a level of platitude so far because all of this you have found and can find in the newspapers. What you can less, probably, find in the newspapers are three of what I call "proximate causes," causes that are very near to the final effect. And the first one I suggest is the relation between the French state and the trade unions. France has about 7% of the salaried population with union membership. I think with that they are certainly the least unionized state in Western Europe and therefore elsewhere. That is not in itself a symptom or cause of symptoms of illness, but it's a very paradoxical situation because it is coexistent with an immense force of union influence on everything. In a way I would almost be inclined to say the unions, especially the leading, ex-communist CGT Confédération générale du travail, is in itself more powerful than the government. This is very odd because as I said only 7% of the employed population are union members and only between 4% and 5% is of the public sector. So in the private sector, private industry, private commerce, no more than about 3% are union members. It's amazing that they exercise the power they do. Where does this power come from? It comes from the government. The historical background to this was the great student rebellion in May 1968. The government was in a great panic because the students were out in the street, building barricades and burning automobiles and this frightened the government. de Gaulle fled to join the French army in southwestern Germany where he felt a security from the students. But what the government was afraid of is that this movement, limited to the students, will spread to the industrial working class. It was the immense relief to the government to find that in fact the unions, especially again the leading union, the CGT which was at least at that time pretty well a department of the communist party, took a distinctly hostile position towards the students, despising them and refusing access of the industrial plants, where the students wanted to come and make propaganda and recruit for the revolution. The unions blockaded this and stopped this because to join forces with the students who were all, or most, little boys and girls of papa and mama (considered as such), would be to betray everything the communist party stood for at the time. It would be like asking Stalin to accept Trotsky as an ally. The upshot was that the unions saved the government and the student revolution sort of petered out.

It remained a sort of hidden but powerful dogma of belief in French political circles that the unions are allies. In a triangle between the government, trade unions and the capitalist industry, the two points that are closest are government and unions. On every major dispute the government stood on the side of the unions and exercised pressure upon the private enterprises to yield, to give away, and to capitulate. When the dispute was between the government and the unions, as was often the case, then again the attitude of the government was capitulate as fast as you can. So the unions obtained, with a 7% membership, a power simply because the public opinion has learned that they always win. And if they always win, that must be because they are very strong and if they are very strong, then we had better be on their side and not oppose them. It's an illusionist's trick to invest with apparent power a body which is fundamentally weak because its only members who are unionists and the workers themselves are passive. They follow the unions because they are so strong, and believes it pays to be on their side. There is this self-reinforcing illusion that if they win, they must be strong and if they are regarded as strong, they will win. That is my first suggested cause of the French illness; the government will always capitulate.

I will put forward the second cause, which is perhaps a little more abstract but very very real. And that is the failure, the imperfect capacity of the French mind to diagnose reality. I'll give you a number of examples to substantiate what I claim. There is tremendous unemployment. Youth unemployment is particularly grave as it is at least twice as high as average unemployment. All the economists now tell you that a very high minimum of wage cuts off a certain segment of the

potential labor force, which will only be employed at some lower level. If the official minimum wage had no such effect, then there would be no point in imposing it because it would be ineffective and remain an empty word, which I believe is now proving to be the case in Switzerland where they are introducing a minimum wage which will have no practical effect because there is no unemployment on which it could act. Now it seems to me that the French minimum wage causes perhaps between half and $\frac{3}{4}$ of a million extra unemployment, especially among the young and unskilled. The minimum wage on an hourly basis is about €9.60 euros. Frau Merkel, for reasons which I simply cannot understand, gave away to these social democrats as part of the coalition agreement, a German minimum wage which has not existed before at €8.50 against the French €9.60. Even that €8.50 is secured by all sorts of escape clauses which allow it not to be applied. Now, if you are convinced that €8.50 just suits the German economy, then it's about €6 that would suit the French economy. In fact, it's not €6 it's €9.60, as if the French economy had absolutely no problems of what to do with the unskilled. Now when you say, as some economists are trying to say, that this is absurd because it is a characteristic of economic reality that France can live with a much higher minimum wage than any other civilized industrial country, with now the exception of Switzerland which is putting an even higher one, then they are confronted with the indignant question: "How would you like to live on €9.60 an hour?" And this is a very humiliating question, of course I wouldn't like to live on €9.60 an hour. But that is considered a sufficient reason for maintaining this €9.60 level, which is an absurdly high level in view of the reality of the situation. But there is this total unwillingness to accept reality when it is a matter of, should we say fairness. "Oh it is unfair to expect people to live on that! Therefore, we should put it at this level." The upshot of course is that reality manifests itself because it comes out somewhere, high unemployment pay, too little production, too much expense on unemployment relief/wage and it all comes out in an increased budget deficit. But that relationship isn't being accepted as cause and effect. "Oh it's unfortunate that there is a budget deficit but we must not dream of reducing this minimum level which is already too low! You can't expect to live on it." This is just one of these cases where the refusal to look at reality and accept reality would be very nice, that is if we could pay €14/hour as the minimum wage. But unfortunately the money isn't there. This part, that the money isn't there, is rejected.

The same reaction manifests itself in a whole series of measures which have been taken since the socialist government has accepted that there is trouble on the front of the budget deficit. They now say yes, there is trouble, we must do something, the budget deficit is too high leading us cumulatively into an untellable situation. But in the meantime, of course, we must continue to govern the country and one way to do so is to introduce fair legislation such as part time work. There is a certain demand when the labor market is very soft for enterprises and individuals to employ workers part time for a few hours or days a week. The school, which is 99% of the French population, that rejects reality says this is wholly unjust, to give a person work for only two days a week is unacceptable. Let's quickly pass a law (which they have done) that the minimum part time employment is 24 hours a week. Why? Because people need at least 24 hours of work to live! Again, total refusal of reality. The reality isn't how much people need to live, the reality is the amount of resources we have is this and not more than this.

Another typical fresh, quite recent, measure which is a symptom of the deep seeded refusal of reality: work is unpleasant so we will have, (well we already have because it has been passed by parliament) an amendment to the pension laws which says there is what is called *pénibilité*, *peinlichkeit* of work, so there is work and on top of work there is *peinlichkeit* work. People are paid for work, but they're not paid for *peinlichkeit*. So we must introduce a system by which they will also be paid for *peinlichkeit* and this will also be done on a scientific basis. What is the basis? Every employee will have a card and the card will have 10 degrees of *peinlichkeit*, a number from 1 to 10. The employer or his employee representative who is charging the job, must keep this up to date and log on the 18th of May, this man has worked two and a half hours at the *peinlichkeit* of 4 because the hangar at which he was working was ill ventilated and the air wasn't good, or vice versa. There were also three hours which are *peinlichkeit* for some other reason. When the card is completed, it goes

for processing and there will be a coefficient by which his future pension is increased and the contribution of the employer to the pension insurance system will be correspondingly increase. This, at the point where the radio and television and everything is full of at least two or three speeches a day in which they say "We must make French industry more competitive because the pay hour charges are too high and we must do something about it." What they do about it is add to the payroll tax this pénibilité penalty. Total refusal to face reality, but they all say "But after all, it is a matter of justice to take some account of the pénibilité of work."

Yet another of these interesting measures: when you have between 1 and 49 employees, you have a certain charge that is producing paper that is reports, statistics, declarations, etc. for various government bodies to keep an eye on you. When you pass 49 employees, the quantity of papers to be produced gets multiplied all of the sudden by about four and the minimum requirement to fulfill this reporting requirement is at least one qualified employee which you must hire in order for this work to be done, for the government to be satisfied that it is getting all the reports from you that it may want. The result is that there are, I don't know how many, hundreds to thousands enterprises with 49 employees and then there is a great big gap and then the number of employees of enterprises with 50 or more is falling off a cliff. This is proof that a very large number of enterprises are simply holding back and refuse to go beyond 49. When I, living in the country, have any work that needs to be done, either to the roof or carpentry or whatever, I telephone around and say can you come fix this or fetch that and they tell me yes, in about four months. Why don't you employ a man? And they tell me his only free day is Sunday and if he employed a person he would have to spend Sunday every week filling out the papers, and he is not going to do that. Now to close this boring series of anecdotes by which the French state is shooting itself in the foot with great enthusiasm every week about 3 or 4 times on one of these deeply fair and highly intelligent measures, the OECD which deserves a certain credibility has just produced a study which says that unnecessary complication in the French administrative system, that it is administering itself and the usual state functions such as the collection of taxes, public order, justice etc. plus what the French state requires the non-state, that is the private sector, to furnish by way of complicated regulations and shots in the foot, the two together represent 3% of GDP, that's the OECD estimate. That is if it were humanly possible to abolish all of these unnecessary measures, these idiocies, then 3% of extra resources would be released for other purposes. Of course it cannot be done because absolute resistance at all levels by the French body politic to simplify. It has been said I think quite nicely, that is it like asking the goldfish to vote against water. The goldfish won't, in fact now they refuse to vote against water because the question is to drastically reduce second and third degree local administrations beneath the state level and because all those admin provide comfortable jobs for local people who are goldfish and simply refuse for the water to be taken away.

Now I've given you just a few examples of how the decision making process in France is maybe independent of reality. But because you can't really beat reality, it all comes out in the budget deficit in the end which is apparently unmanageable and the promised reactions of the deficit are continually being prolonged. "Yes we are still keeping the promise but the rhythm of fulfilling the promise is going to change" i.e. we are not going to do it, we are only going to do it in the future. That is changing the rhythm.

I have dealt with a few causes which I would call primary causes which have an obvious and independent effect on the health or rather the ill health of the French economy and indeed society. Now I will try and be more ambitious and go a little further, to a second level of the causes of these causes. I will choose two. One is cowardice. French governments and, indeed you will certainly disagree with me when I say this, French people are inherently cowardly. They live with a constant fear that something terrible is liable to happen unless we take very good care for it not to happen. I remember, for instance, a neighbor of mine who is quite well to do, a landowner. I met him one day at a time when there was a fairly large and unpleasant railway strike and I said it would be very easy to end this strike by such and such. That is to say disperse the pickets who are guarding the points

where the train is directed from one pair of tracks to another. No one else wanted to strike but the trains couldn't run because the points were guarded by the CGT and couldn't be guided to go this way or another way. I say to this gentleman the thing to do is to disperse these pickets and he looked at me and asked "Do you want blood to run in the streets?" There's this obsession that if you don't capitulate to the unions or to whoever is making the noise, then the French Revolution will break out again and you will be beheaded at the guillotine. It's totally irrational. France has one of the strongest riot police of all countries I've ever been in. Desired police is systematically employed to keep guard when a politician goes to make an election speech in a country town, you have 600 riot police guarding the area so nothing can go wrong with this politician. But when it's a question dealing with pickets, there's no riot police. They don't authorize the employment of the riot police. There is this fear that any social conflict is liable to break out into something absolutely terrible at the end of which may be they cut my or your head off. It's totally irrational but very deep, a deep fear and every June, July and August even more so, the press and the media is full of "What will happen at the À la rentrée" where work is resumed in September after the summer when everyone is on vacation. Nothing terrible ever happens but there is such a deep seeded fear in these people that they must look ahead at the À la rentrée as if they were looking ahead at an earthquake. This state of mind reached what I hope was its maximum during the presidency of Jacques Chirac, the most cowardly politician in memory. He tried from time to time to do little reforms and each time there was some opposition. It was rather like you walk along and say "well, I'll do another 100 yards" but there's a bush and little man springs out and says "boo!" At that moment, you turn around because there's this dangerous thing, this little man will do harm. Chirac was like that, he capitulated. Of all of his initiatives, the most shameful was the university reform. Apart from the handful of the elite intuitions, there are four or five, the universities of France are at a very low level for various reasons which I'm not going into. Chirac said it was too humiliating for France to have universities at this level and he appointed a junior minister to do a university reform. He produced a not very radical, sensible reform plan and immediately the student union jumped up and said "boo!" and Chirac dismissed the minister and of course there was no more talk of reform. My first candidate as an ultimate cause for the French illness is fear, lack of courage. You have all the means to resist and break opposition but you just haven't got the guts to do it because of the little man who springs out from behind the bush and says "boo!"

The second ultimate reason, ultimate only because I have to cut the chain of reason short, is the sanctity of belief in equality. I always say that as Christianity faded out as a partner in arms of the monarchy and with the enlightenment, another quasi-religion took its place because there could be no ideological or spiritual vacuum next to the physical power of the government. As Christianity was moving out, egalitarianism was moving in. It has its place, which I much deplore, in every political system which I can think of but it has a quite special, curious and particular place in France. It's not just a tendency to favor equality and egalitarian solutions if possible, which is a common feature of most systems that are called democratic. It's simply to do with the mechanics of majority rule which favors egalitarian solutions. But in France, it is rather like believing or not believing in God. There was a time that no one, or very few people, would stand up and say he or she doesn't believe in God. That, as far as God is concerned, is gone. Now many people are empowered to stand up and say they don't believe in God and it's fine, he is just as respectable as he did believe it God. However, to say "I am not for equality" today in France is simply impossible, you just cannot say it. And this is true of the right as well as of the left. The trick has become sacralized. Every measure is considered, as to its effect on equality if you can invent a probable consequence which may be inegalitarian. The arch example is the selection of students by schools and universities, this is utterly impossible, you cannot even mention it because both left and right will say you're crazy, this is totally inegalitarian, you cannot do that. I can think of no country in which the egalitarian principle has become so much a sacred religion as it is in France. I don't see how this is going to go away. It will no doubt go away as Christianity has to a large extent gone away, it is still present but it is no longer dominant. Maybe in a 150 years' time, egalitarianism will still be present but will have ceased to be predominant. I sincerely hope so, although I will no longer be there to enjoy it. As of the proximate future that we can

reasonably try to guess about, France is going to be more rather than less egalitarian and with that, its illness will be even more incurable than it looks now.

Thank you.