Flash Economics

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The results of 7 years of "Macronism" of economic policy in France

The economic policies pursued by Emmanuel Macron can be broken down as follows:

- policies that have been crowned with success: tax reforms (flat tax, pension reform, industrial policy, apprenticeship reform) that have led to an increase in business investment and the employment rate, the beginnings of a recovery in the industry, and a rise in France's attractiveness.

- policies that have not been implemented when they should have been: lack of reform of the education system (with a fall in children's educational attainment), weak incentives to invest more in new technologies, weak R&D spending (investment in new technologies and R&D spending have remained abnormally low, resulting in a fall in productivity), housing policy that does not correct the shortfall in the number of homes.

In summary, we can say that the "financial and fiscal" economic policy has been successful, but that serious shortcomings have persisted in the "education, technology and housing" economic policies.

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Economic policy successes since Emmanuel Macron's election

Since 2017, France's economic policy has had five key components:

- **lower taxation of income from capital** (from 1 January 2018, income from financial capital can be taxed at a rate of 30% instead of the personal income tax rate, **Table 1**).

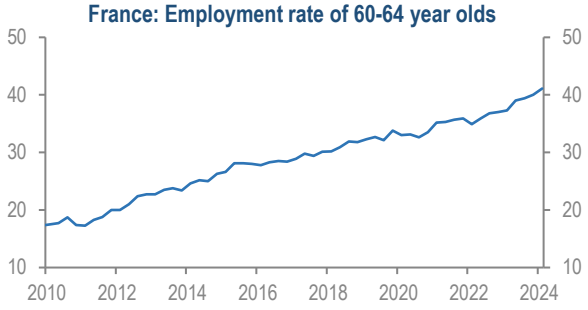
Table 1: Taxation of capital income in France (2010-2022, as a % of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Income of companies	2.5	2.8	2.8	2.9	2.8	2.8	2.8	3.1	2.9	3.0	2.9	3.0	3.4
Income of households	1.1	1.3	1.7	1.5	1.5	1.5	1.4	1.4	1.5	1.5	1.5	1.6	1.8
Income of self-employed	2.2	2.0	1.9	2.0	2.0	1.9	1.8	1.8	1.8	1.8	1.8	1.7	1.8

Source : European Commission

- **pension reform** (raising the statutory retirement age to 64, (**Chart 1**)

Chart 1
France: Employment rate of 60-64 year olds



Source: LSEG Datastream, Patrick Artus Conseil

- **introduction of an industrial policy:**
  - Public aid for investment in strategic industries (batteries, pharmaceuticals, semi-conductors);
  - Public aid for industries of the future (space, quantum computers, artificial intelligence, etc.)

- **apprenticeship reform**, with public support enabling a sharp rise in the number of apprentices (**Table 2**).

Table 2: Number of apprentices in France

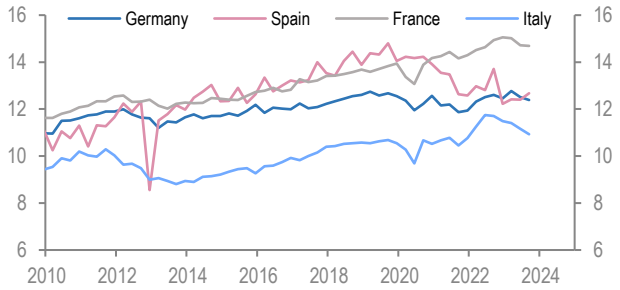
Year	Total apprentices	of which apprentices preparing a higher education diploma
2000	365 874	51 186
2001	362 928	53 654
2002	363 476	56 508
2003	361 966	59 269
2004	368 988	63 091
2005	385 859	70 637
2006	407 809	80 467
2007	425 162	90 115
2008	427 650	97 521
2009	424 742	103 075
2010	426 280	111 405
2011	436 334	122 886
2012	438 143	135 371
2013	424 348	138 012
2014	405 882	138 776
2015	405 205	144 013
2016	412 266	152 454
2017	429 906	166 304
2018	448 127	179 800
2019	478 803	203 846
2020	629 635	323 331
2021	834 063	479 629

Reading: at the start of the 2022 school year, 576,261 apprentices will be preparing for a higher education qualification. Source: INSEE

These policies have been crowned with success :

- **an increase in the rate of business investment**, which is currently higher in France than in the other major eurozone countries (**Chart 2**);
- **an increase in the employment rate** (**Chart 3**);
- an increase in France's attractiveness and **the start of a recovery in industry** (**Chart 4**).

Chart 2
Corporate investment (as % of GDP value)



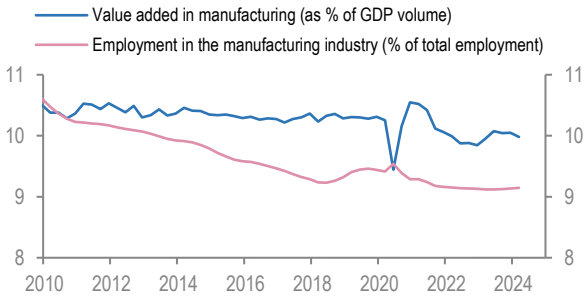
Source: Eurostat, Patrick Artus Conseil.

Chart 3
France: Employment rate of 15-64 year olds



Source: LSEG Datastream, Patrick Artus Conseil.

Chart 4
France : Employment and value added in manufacturing industry



Source: LSEG Datastream, Patrick Artus Conseil

Policies that have not been implemented since 2017 when they should have been.

1) **The first is the lack of reform of the education system**, which has shown signs of increasing deterioration in its quality, as can be seen from the trend in scores in the PISA surveys (**Table 3**).

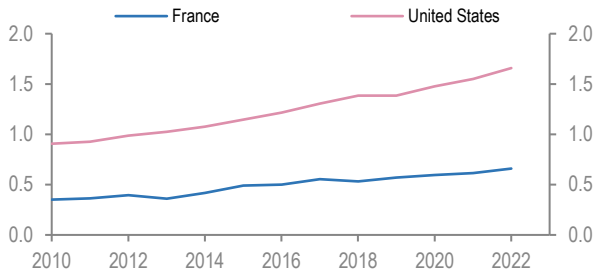
Table 3: PISA results (overall score, by rising score from the 2022 survey)

Country	2003	2006	2009	2012	2015	2018	2022
France	506	493	497	500	496	494	478
Finland	545	553	543	529	523	516	495
Japan	527	517	529	540	529	520	533

Source : OECD, Natixis

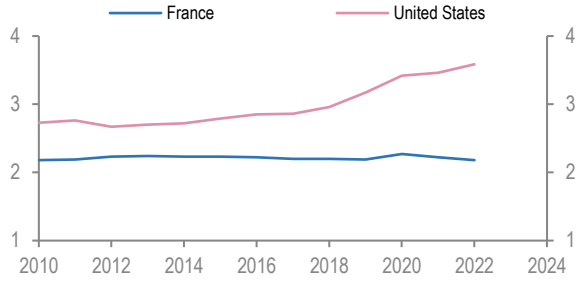
2) **Then there is the persistent shortfall in investment in new technologies** (**Chart 5**), **and insufficient spending on Research and Development** (**Chart 6**), leading to a fall in the level of labor productivity (**Chart 7**).

Chart 5
Investment in information and communication technologies, excluding software (volume, as % of of GDP volume)



Source: LSEG Datastream, Patrick Artus Conseil

Chart 6
Total R&D expenditure (as % of GDP)



Source: Eurostat, Patrick Artus Conseil

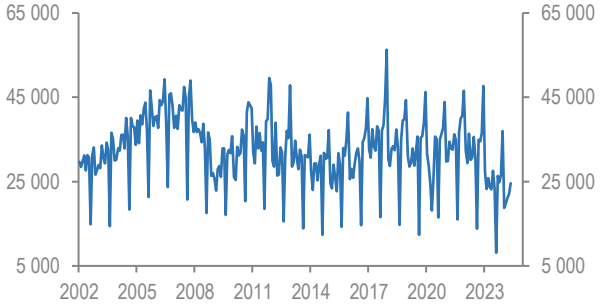
Chart 7
France: Productivity per capita (100 in 2010)



Source: LSEG Datastream, Patrick Artus Conseil

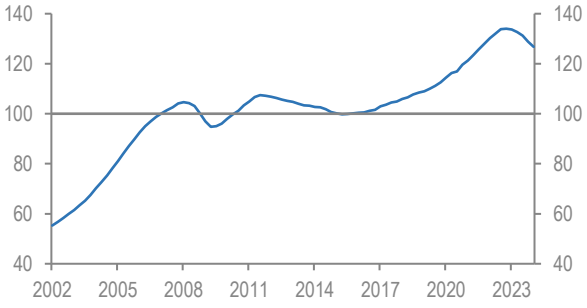
3) **Chronic shortage of housing supply** (**Chart 8**), leading to high property prices (**Chart 9**) and an abnormally high levy on household income as a result of the concentration of aid on policies to support housing demand rather than housing supply policies.

Chart 8
France: housing starts



Source: LSEG Datastream, Patrick Artus Conseil

Chart 9
France: old property prices (100 in 2015)



Source: LSEG Datastream, Patrick Artus Conseil

Summary: Emmanuel Macron's favorable financial, fiscal and industrial policies, the shortcomings of other economic policies.

The economic policy pursued by Emmanuel Macron since 2017 can be divided into two parts:

- **Fiscal, financial and industrial policy**, which has enabled France's investment rate, employment rate and attractiveness to recover, and halted the decline in industry;
- **Poor education policy, poor support for investment in new technologies and research and development, and poor housing policy** have all led to a deterioration in children's skills, a fall in productivity, and a chronic shortage of housing, resulting in abnormally high property prices.

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