Flash Economics

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A European country cannot have an economic policy that is very different from that of the other European countries

The economic policy debate in France too often ignores the fact that France is in a competitive world. Since the depreciation of the exchange rate cannot be used since the creation of the euro, a loss of cost competitiveness leads to a loss of production; the same applies to an increase in the tax burden (which will lead to relocations) or a deterioration in the quality of the education system.

Unfortunately, France:

- has a very high tax burden compared with other European countries and the rest of the world.
- also has very high labour costs, both compared with European countries and globally.
- has a very low quality education system.

A further deterioration in France's competitiveness (increased tax burden, higher labour costs, failure to improve the quality of the education system) will ultimately lead to a decline in investment, industrial employment and the attractiveness of France.

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Consider the fact that European countries, and more broadly all countries, are in competition with each other.

The economic policy debate, particularly in France, too often ignores the fact that countries are in competition with each other. This is disturbing in the case of European countries because, since the creation of the euro, a depreciation of the exchange rate can no longer be used as a means of macroeconomic adjustment.

When we look at:

- **tax burden** (**Table 1**), France has a very high tax burden compared with other European countries, other OECD countries and other non-OECD countries;
- **labour costs** (hourly wages in industry, **Table 2**), France is one of the OECD countries with the highest labour costs (along with Belgium, Germany and Sweden);
- **the effectiveness of the education system** (**Tables 3 and 4**), we see that the PISA surveys (globally, concerning children's level in numeracy or literacy) show a very poor performance of the education system compared to other OECD countries.

Table 1: Tax burden (in %, 2022)

Country	Tax rate
Mexico	16.9
China	21.0
Switzerland	26.9
Romania	27.6
United States	28.0
Japan	34.9
South Korea	32.0
Canada	33.2
Brazil	33.5
Poland	35.3
United Kingdom	37.6
Portugal	38.0
Spain	37.9
Sweden	42.4
Sweden	42.4
Germany	41.9
Italy	42.6
Belgium	44.7
France	**47.4**

Source : DG Ameco,, Patrick Artus Conseil

Table 2: hourly cost of manufacturing labour (by rising cost, in dollars, 2021)

Country	Hourly cost
Romania	8.63
Poland	12.33
Portugal	15.14
Spain	28.39
United Kingdom	29.61
Australia	30.86
Canada	33.22
Italy	33.83
Netherlands	44.85
France	**47.07**
Germany	49.56
Sweden	51.43
Belgium	52.99

Source : Conference Board, Patrick Artus Conseil

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

Country	Results
Japan	533
Canada	506
Finland	495
United Kingdom	493
United States	489
Sweden	487
Germany	482
France	**478**

Sources : OCDE, Patrick Artus Conseil

Table 4: PISA results (literacy and numeracy scores, by decreasing numeracy score in the 2022 survey)

Country	Numeracy	Literacy
Singapore	575	543
Japan	536	516
South Korea	527	515
Switzerland	508	483
Canada	497	507
Netherlands	493	459
United Kingdom	489	494
Sweden	482	487
Germany	475	480
France	**474**	**474**
Spain	473	474
Italy	471	482
United States	465	504

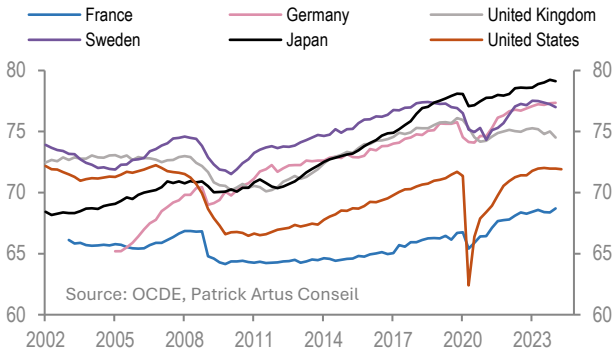
Sources : OCDE, Patrick Artus Conseil

France is therefore at a disadvantage compared with other countries in terms of its tax burden, cost-competitiveness and the effectiveness of its education system.

This can be seen in:

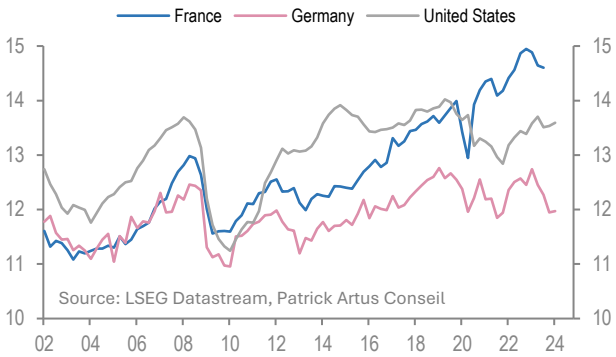
- **France's low employment rate** (**Chart 1**);

Chart 1
Employment rate of 15-64 year-olds



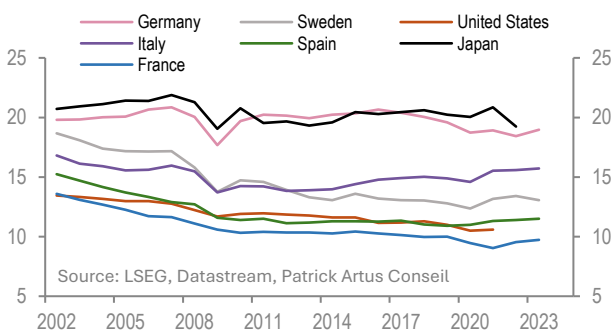
- **the weakness of industrial investment until 2019** (**Chart 2**);

Chart 2
Business investment (value, as % of GDP value)



- **the small size of the manufacturing** (**Chart 3**).

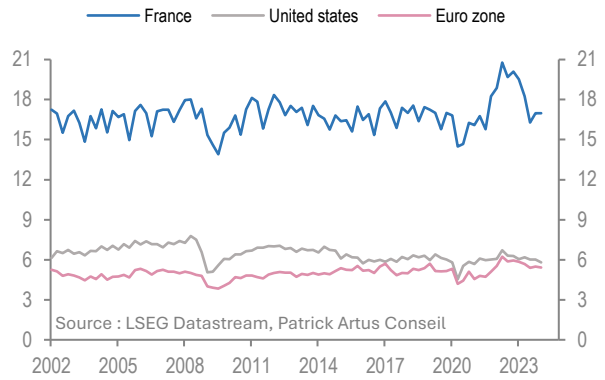
Chart 3
Value added in manufacturing (as % of GDP)



Summary: in reality, an OECD country, and even more so a European Union country, cannot pursue an economic policy that is very different from that of other countries.

Competition between OECD countries and their trade integration (Chart 4) mean that these countries **cannot pursue economic policies that are markedly different from those of other countries.**

Chart 4
Imports from OECD countries*



(*) United States, Canada, Mexico, United Kingdom, euro zone, Sweden and Japan

This implies that if France, for example, introduces a higher tax burden, does not improve the quality of its education system, and increases its labour costs, the result will be increased relocation, a decline in the size of manufacturing, and a fall in the employment rate compared to its level in competitor countries.

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