

France needs unthinkable free market revolution

By Jacob Arfwedson

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The front-runners for next spring's French presidential election are Nicolas Sarkozy for the right and Ségolène Royal for the left. As the 18th century epigrammatist Antoine Rivaroli, count de Rivarol, said: "What isn't clear isn't French." Yet, in terms of policy, there is little substance to differentiate the two at present.

Both abhor "ideology"; that is, making principled commitments on welfare reform and reducing entitlements or public sector trade union privileges. Both proclaim to be in favour of "what works", refusing to assign any merit to capitalism, liberalism and globalisation, at least by name.

Mr Sarkozy, in spite of a return to classical values (toughness on immigration, criminals and support for family values), would need to make a decisive step in favour of free markets to make a difference. Formerly a supporter of economic liberalism, he has softened his discourse in favour of rassemblement – something for everyone. The fear of being associated with foreign examples of market reform is evident in spite of his pro-American stance.

Ms Royal has conducted a successful media campaign, at least until her recent stumbles, without offering any essential programme. Other candidates on the left are similarly avoiding commitment. An important reason is that French socialists have refused to embrace market reform as a strategy, unlike other sister parties in Europe. The socialists want to see poverty solved by further tax-and-spend policies, pushing the record of the past three decades into oblivion.

Unthinkable as it seems in France, it is time for left and right to heed lessons from successful experiences in Europe and elsewhere.

These come in three categories. First, radical change (the famous 100 days of opportunity, where reform may be implemented without painful resistance from interest groups), such as in Slovakia where the previous rightwing government appealed to the people directly to eliminate economic privileges. Second, reform by persuading people there is a lack of alternatives. This was done in places such as Estonia, Ireland and New Zealand (including introduction in nine European countries of a flat tax and, in some places, radical reduction of the civil service by negotiation). Third, market reforms on the sly, without official discourse: this entails a delicate strategy of buying out rent-seekers, such as unions and civil servants.

Successful countries have used a mix of these solutions to reduce the weight of the welfare state. But the essential principles are universally applicable: setting citizens free to opt out of the system, be it pensions (Chile), education (Sweden) or privatisation of public services (New Zealand). The public systems remain for those who prefer to stay and competition is available for those who embrace it.

In France, Germany or Italy, this approach has yet to be seriously considered. A serious reform effort is needed to affront corporatism. Mr Sarkozy has declared that he is neither a Ronald Reagan nor a Margaret Thatcher, but he needs the stamina of the former and the courage of the latter to deal with the bundle of welfare entitlements and set a clear agenda for reducing public spending.

French education is managed on Marxist principles, including the private sector, which depends on government approval of teaching programmes and financing. Any effective solution must be based on consumer choice, through a voucher scheme that gives pupils and parents the choice to seek competitive alternatives.

Seventeen "plans" to reform the state health insurance system have failed. The idea of opting out by seeking private insurance (guaranteed by European Union legislation) has so far come to naught, as the few dissidents who have tried it have found French courts unwilling to enforce this right.

On pensions, citizens wanting to opt out of the state system fear being faced with paying twice, waiting for the next government plan to tax the "excessive benefits" of private insurance contracts.

In short, public monopolies must be opened to competition. Vying for the presidency, both leading candidates are loathe to be specific. As Napoleon Bonaparte said: "You win, and then you see."

It is time, though, that the French people were freed to make fundamental choices for their own lives. That would be an exemplary solution for welfare reform in Europe as well as a truly revolutionary option for France.

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