



Fiscal Policy and Politics

A Case Study of France Under President Macron

Dr David Rees. 2024

Based on the books 'Le Président des Ultra-Riches' (Michel Pinçon and Monique Pinçon-Charlot) and 'Le Méprisant de la République' (Monique Pinçon-Charlot)

Politics and Conflict

France is a country of conflict. Social progress occurs when the society or the working class oppose the government by striking or protesting. According to Marx, the government looks after the rich (bourgeois) and the rich have political power.

The level of intranational inequality in a society is based on Fiscal and Social Policy.

Fiscal Policy in terms of the degree of Progressive or Regressive taxes.

Social Policy in terms of the Minimum Wage, State Pensions, Unemployment Benefit, Housing Benefit, Child Benefit etc.

France's History of Conflict

- 1789 [The French Revolution](#). 1st Republic
 - Abolition of the Monarchy
- 1848 [The French Revolution](#). 2nd Republic
- 1871 [Paris Commune](#). Napoleon exiled. 3rd Republic
- 1936 [Popular Front](#). Socialist victory. General Strike. Matignon Agreement.
- 1995 [General Strike](#) (in protest to welfare cutbacks)
- 2018 [Yellow Jackets](#) (in protest to diesel tax increases)

See '[Timeline of French History](#)' (Wikipedia)

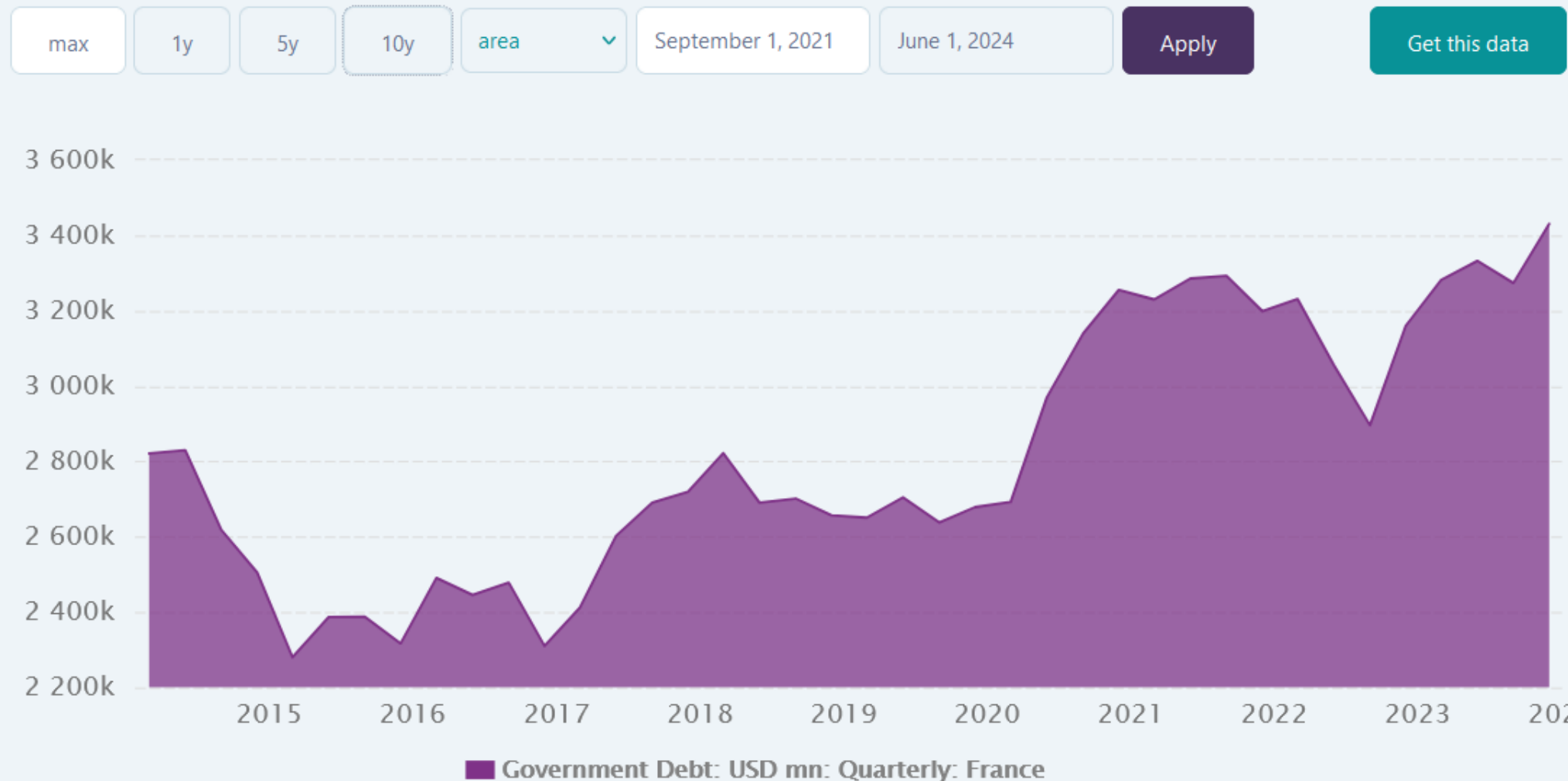
['Une Histoire du Conflit Politique'](#) 1789-2022. Cagé and Piketty

French Deficit and Debt

As we will see, **Fiscal reforms** that have reduced **Fiscal Revenue** by over 50bn€ a year have led to the current increase in **Deficit** (currently 6.1% GDP = 50bn€ drift. See [Le Monde](#) (04/24)) and increased Debt

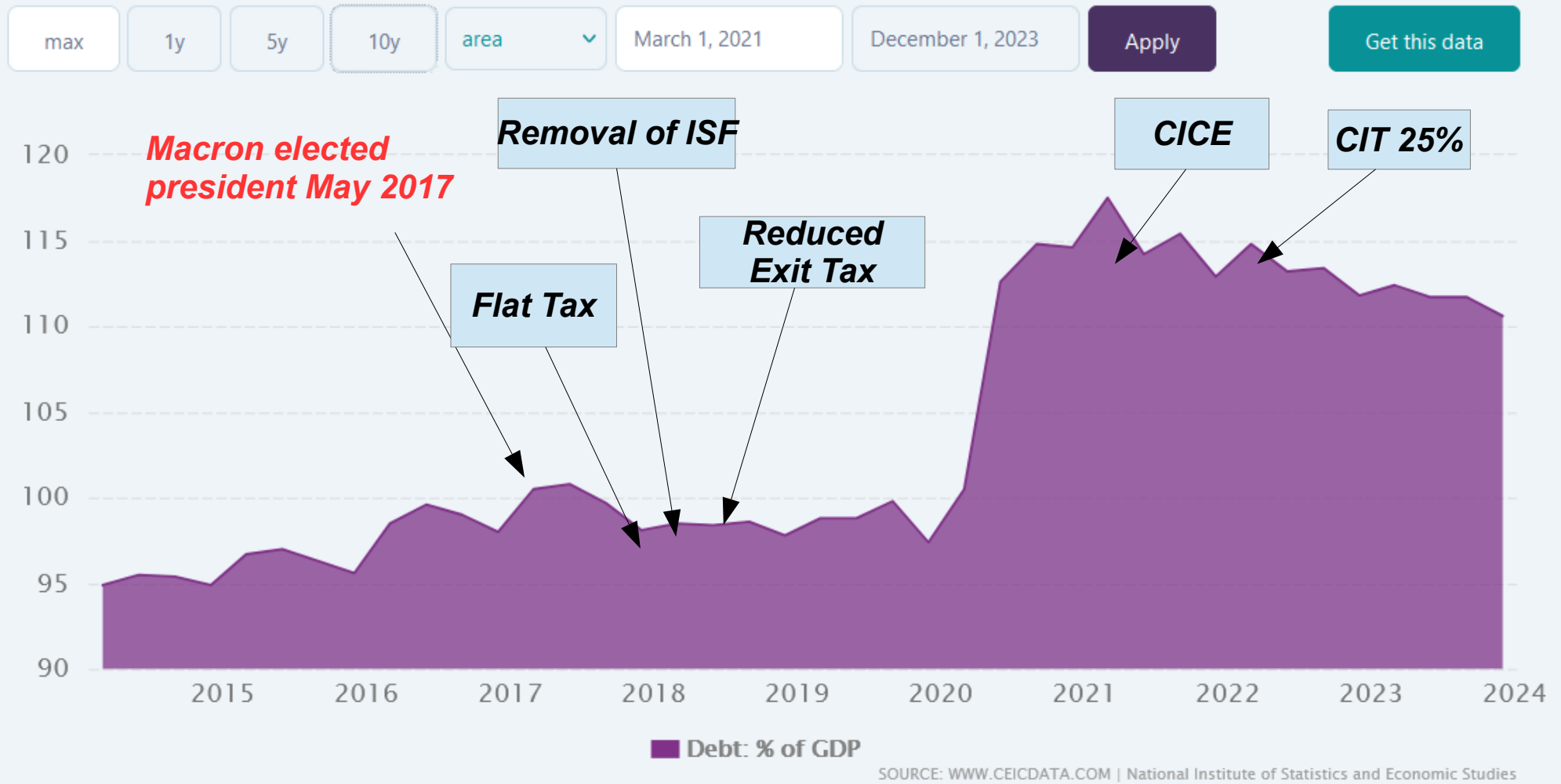
French debt

View France's National Government Debt from Dec 1995 to Jun 2024 in the chart:



French debt as % GDP

View France's Government Debt: % of GDP from Dec 1995 to Dec 2023 in the chart:



[See European Debt %GDP comparison](#)

[See EU debt comparison \(Statista\)](#)

The Removal of Wealth Tax (ISF)

2018. France's wealth tax (ISF) is replaced with a housing tax (IFI).

Shares, life insurance and financial benefits are now excluded from 'wealth'.

For the richest people in France, 90% of their wealth is this financial wealth that is now excluded from the new tax.

Symphony



A shell company 'Sonata Yachting Ltd', registered in Malta (Tax Haven) is owned by LVMH (Arnaud's company) which lends the boat to Arnaud. Typical tax avoidance by the rich.

For details and references, see Pinçon and Pinçon-Charlot. Le Président des Ultra-Riches (2019), p17, footnote 5.

From the ISF to the IFL

The ISF Wealth Tax earned 5.4 billion Euros in 2017.

- The IFL was destined to earn 800 million Euros.
- The nett loss for the government (and benefit to the super-rich), is 4.6 billion euros per year.

The New 'Flat Tax' (PFU)

The PFU (Prélèvement Forfaitaire Unique) is a tax on the profits from capital (shares, speculation etc.) Prior to this flat tax at 12.8%, any revenue was included in total revenue, and therefore taxed at the progressive income tax rate – at 45% for the richest with an annual income over 156K€.

- The poorest workers pay 14% on their salaries
- The richest pay 12.8% on their dividends (the source of their income)
- This PFU costs the government 4 to 5 billion euros per year.
- 44% of the benefit of the PFU is for the top 1% in France
- For the 100 richest people, Bercy calculates their gain at 172K€ per person

Forbes

MAY 31, 2018

FRENCH PRESIDENT
**EMMANUEL
MACRON**

"I WANT THIS COUNTRY
OPEN TO DISRUPTION."

LEADER OF THE **FREE MARKETS**

AS TRUMP TOUTS TARIFFS AND BRITAIN BLUNDERS TOWARD
BREXIT, FRANCE (FINALLY) EMBRACES ENTREPRENEURSHIP.
PLUS: THE MOST POWERFUL PEOPLE ON EARTH

The end of the Exit Tax

President Macron rescinds
the Exit Tax (taxing money
/ capital leaving France)

The head of the tax
division at Bercy
calculates the loss at 6
billion euros.

Reducing Corporation Tax

- Macron decides to reduce Corporation Tax from 33.3% to 25% by 2022 (Finance Act 2018)
- *"The tax rate is gradually being lowered to 25% by 2022 as per the Finance Act of 2018"* (French government [document](#), 2024)
- This has reduced government tax revenue by 11 billion euros
- 25% is the official, standard rate – way above the 'actual' level of receipts. For details of French Corporation Tax see [these details](#) from the French tax office
- French tax authorities have discovered more than 38,000 secret French accounts containing 12 billion euros worth of assets in the Swiss bank ([Euronews - video](#))

Summary of changes

The 2022 Finance Act provides for the following changes to the CIT rate:

Tax base	Tax rate	
	2021	2022
Profits up to 500,000 euros	26.5%	25%
Profits over 500,000 euros	26.5%	25%
Qualifying companies with turnover less than 10M Euros	15% on the first 38,120 euros	15% on the first 42,500 euros

Source: *RSM*

CICE – a 20 billion euro annual present for French companies

- Emmanuel Macron (advisor to President François Hollande) proposes a tax credit to companies worth 6% of the total salary bill for salaries less than 2.5 times the minimum salary
- The objective – to create employment
- PSA (Peugeot etc.) gains millions of euros per year (74 million in 2014) while at the same time laying off workers!
- In 2019 the CICE is transformed into a reduction of company social contributions

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Reduction of Income Tax

- President Macron reduced income tax for companies not subject to VAT
- These companies are mostly banks and speculative funds
- Traders now pay 13.6% instead of 20% tax
- Loss of tax income: 250 million €

BNP Paribas

- The dividends of the bank BNP Paribas increased by 12% in 2018.
- The Director, Laurent Bonnafé received a salary in 2017 of 4.45 million euros (13,244€ per day!)
- At the same time 200 agencies were closed with 730 job losses
- The CAC 40 companies distribute the majority of their profits to their shareholders (taxed less than salaries)

Heads of the CAC 40

- In 2017, the heads of the CAC 40 companies received, on average, 5.1 million €, a 14% increase in one year.
- The income paid in shares instead of a salary has gone from 5% to 36% (lower tax) (*Proxinvest*)
- The top 10% in France received 46% of the tax gains under the Macron reforms.
- The top 1% (280,000 households) benefited most (*Romarc Godin, 2017*)
- The top 10% hold 50% of wealth. The bottom 50% have only 5%.

Oxfam report

- The wealth of the French billionaires has been multiplied by 3 in 10 years.
- 32 French billionaires have as much as the bottom 40% of French citizens.
- The CAC 40 spent 2/3 of their profits on dividends rather than in investment.
- In the last 20 years, the number of people under the poverty line has increased by 1.2 million
-

Source : *Oxfam*

Cultural Hegemony

- Bernard Arnault (73b€) owns *Les Echos*, *Le Parisien* and *Radio Classique*
- Serge Dassault (23b€) owns *Le Figaro* and *Le Particulier*
- Patrick Drahi (7b€) owns *Libération*, *L'Express* and *BFM TV*
- Vincent Bolloré owns *Canal +*, *CNews*, *C8* and *CStar*
- Xavier Niel is shareholder of *Le Monde*, *Télérama*, *La Vie*, *Courrier International* and *L'Obs*

90% of French media is under the control of 9 billionaires (Acrimed) (Pauline Perrenot, 'Les medias contre la gauche, Agone, 2023)

The Government

- President Macron from 2017 is surrounded by 15 (out of 32) Ministers or Secretary of State who are millionaires
- Muriel Penicaud, Minister of Labour. 7.5m€
- Nicholas Hulot, Minister of the Environment. 7.2m€
- Françoise Nyssen, Minister of Culture. 4.6m€
- Agnès Buzyn, Minister of Health. 3m€
- Florence Parly, Minister of Defence. 2m€
- Nathalie Loiseau, Ministry of Foreign Affairs. 1.9m€
- Edouard Philippe, Prime Minister. 1.7m€

Annual Fiscal Loss of Revenue

- Loss of the ISF Wealth Tax 4.6 billion €
- PFU Flat Tax 4.5 billion €
- Reduction of Corporation Tax 11 billion €
- CICE tax rebate 20 billion €
- Non-VAT Income tax reduction 250 million €
- Loss of the Exit Tax 12 billion €
- Reduction of a Hunting Permit 18 million €

TOTAL

52.368 b€

Reduction of Social Spending

- Minus 1b€ for 'Contrats Aidés' – the equivalent of 120,000 jobs in this sector.
- Minus 1.7b€ for housing allowance (APL)
- Discussion of selling 40,000 social apartments per year
- Estimated savings of 9b€ due to the revised pension plan (see [Rees, 2023](#))
- Increase in Diesel tax (inelastic) – 4.4b€ extra tax revenue (see [Rees, 2018 and 2022 for details](#))
- Tax rebate for electric cars (5,000€) - total loss not found

Fiscal Evasion and Fraud

- IN 2018 the estimated loss of revenue is 100b€ (Solidaires-Finances)
- 2018 French deficit. 80B€
- From 2013-2018 fraud has increased by 20b€
- Since 2010 over 3,000 jobs of Tax Inspectors have been lost
- Macron introduces 'Le Droit d'Erreur' (the right to make a mistake)

Summary 2017-2024

- Loss of Fiscal Revenue 52b€ (loss)
- Fiscal Evasion and Fraud 100b€ (loss)
- Reduction of Social Spending 11.7b€ (gain)

- French Deficit 2017. 59b€. (2.6% GDP)
- French Deficit 2024. 154b€ (5.5% GDP)

- French Debt 2017. 2,005b€ (97% GDP)
- French Debt 2024. 3,000b€ (111% GDP)

Quotations

In April 2023 Fitch's (rating agency) reduced France's rating from AA to AA-

"The political stalemate and social movements (sometimes violent) represent a risk for President Macron's reforms and could create pressure in favour of an expansionist budget and the removal of the reforms already made"
(Fitch)

"The President of the rich, we hear about it a lot. Is this what you think ?"

"No, it's not true. He is the president of the very rich."
(François Hollande) (Quotidien, 25 April 2018)

See Rating Agencies' [rating of France](#).

French 10-Year Bonds

Data Source: from 30 Apr 2007 to 1 Apr 2024

The **France 10 Years Government Bond** reached a maximum yield of 4.852% (13 June 2008) and a minimum yield of -0.446% (15 August 2019).

France - 10 Years Bond Yield

Zoom 1m 3m 6m YTD 1y All

21 Sep 2007 → 24 Mar 2024



Debt servicing in 2021: 38.5b€ In 2022: 51.5b€ (Fiscal loss 52b€)

Deficit and Debt

The French deficit (annual) is linked to debt servicing which depends on the Interest Rate to be paid on 10-year bonds. This, in turn, depends on the rating of French debt by the rating agencies.

As seen in the previous quotation, the rating agencies approve a neoliberal pro-business, anti-social economy.

The fiscal 'presents' given to the rich and to companies have considerably reduced fiscal income. The state then turns to an Austerity programme to reduce social expenditure and keep salaries down instead of increasing revenue with a socially-responsible fiscal system.

As debt-servicing increases, then the deficit increases, so the debt increases, so borrowing increases and so on.

Un Pognon de Dingue

Macron ran his presidential campaign on a 'neither right nor left' position.

"On met un pognon de dingue dans les minima sociaux. (...) On met trop de pognon, on déresponsabilise et on est dans le curatif" (12 June 2018. Video by Sibeth Ndiaye)

"We spend a load of money on social aid. (...) We spend too much, we remove responsibility and we become care-takers".

Les chiffres clés

10

allocations non contributives en France dont :

- le revenu de Solidarité Active (RSA),
- le minimum vieillesse (Aspa),
- l'allocation de solidarité spécifique (ASS),
- l'allocation adulte handicapé (AAH)

7 millions
de personnes

ont bénéficié de ces aides sociales en 2016 soit

11% des français



L'État a versé

40,5 milliards d'euros

pour les minima sociaux en 2016



Malgré son coût considérable



Efficacité indéniable sur le taux de pauvreté

Sans versement des prestations sociales, le taux de pauvreté en France aurait atteint

21 %

Grâce au versement des prestations sociales, le taux de pauvreté s'est maintenu à

14 %



Prestations focalisées sur les personnes âgées qui ont un risque de pauvreté moindre que les jeunes depuis 10 ans



3 millions d'enfants

vivent actuellement sous le seuil de pauvreté en France

SOIT

1 / 5 enfant



Total cost (including housing aid) 57b€.

Fiscal revenue loss due to Macron's reforms – 52.4b€

N.B. Social aid goes to people with a 100% MPC – which, with the Multiplier Effect, comes back to the government in tax.

Wealth increase for the rich (low MPC) has a much poorer impact on the economy.

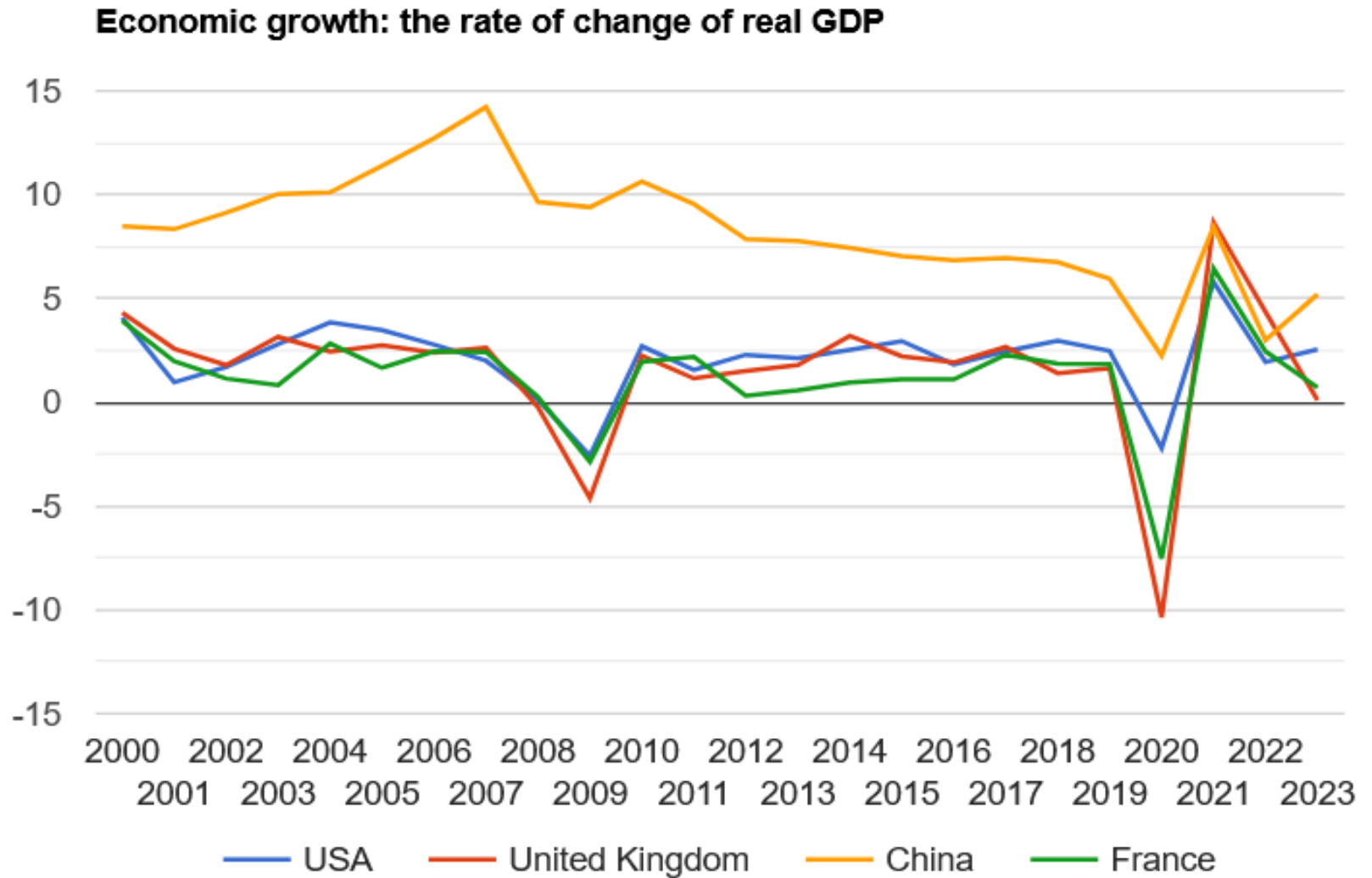
Social Aid "Un Pognon de Dingue"

- RSA. For people without enough resources. 11.6b€
- Prime d'activité (help for part-time workers). 5.5b€
- Other Social Aid. 6.8b€
- Old age minimum. 3.1b€
- CMU. Health access for the very poor. 2.2b€
- Public housing help. 17.2b€
- **TOTAL 46b€. Less than 2% of GDP (2,790b€)**

Does not include Family benefit (child benefit – everyone gets it), Handicap benefit, Health (paid for by Social Security from salaries) and Pensions (paid for from salaries)

Source Telerama. Data 2018.

GDP Growth Rates



Measure: percent

Source: The World Bank

French GDP growth 2024 Q1 was 0.3%

Poverty in France

Poverty in France - statistics & facts

In July 2017 right after being elected as French President Emmanuel Macron declared that homelessness was one of his priorities for the year ahead. Seven years later, Emmanuel Macron is still president however, the [number of people living on the streets](#) consistently increased since his first election in 2017 and reached 330,000 in 2023.

[Show more](#) ▼

Published by [S. Galan](#), Nov 28, 2024

KEY INSIGHTS



Poverty rate

[14.5%](#)

Number of people living below the poverty line

[9.1m](#)

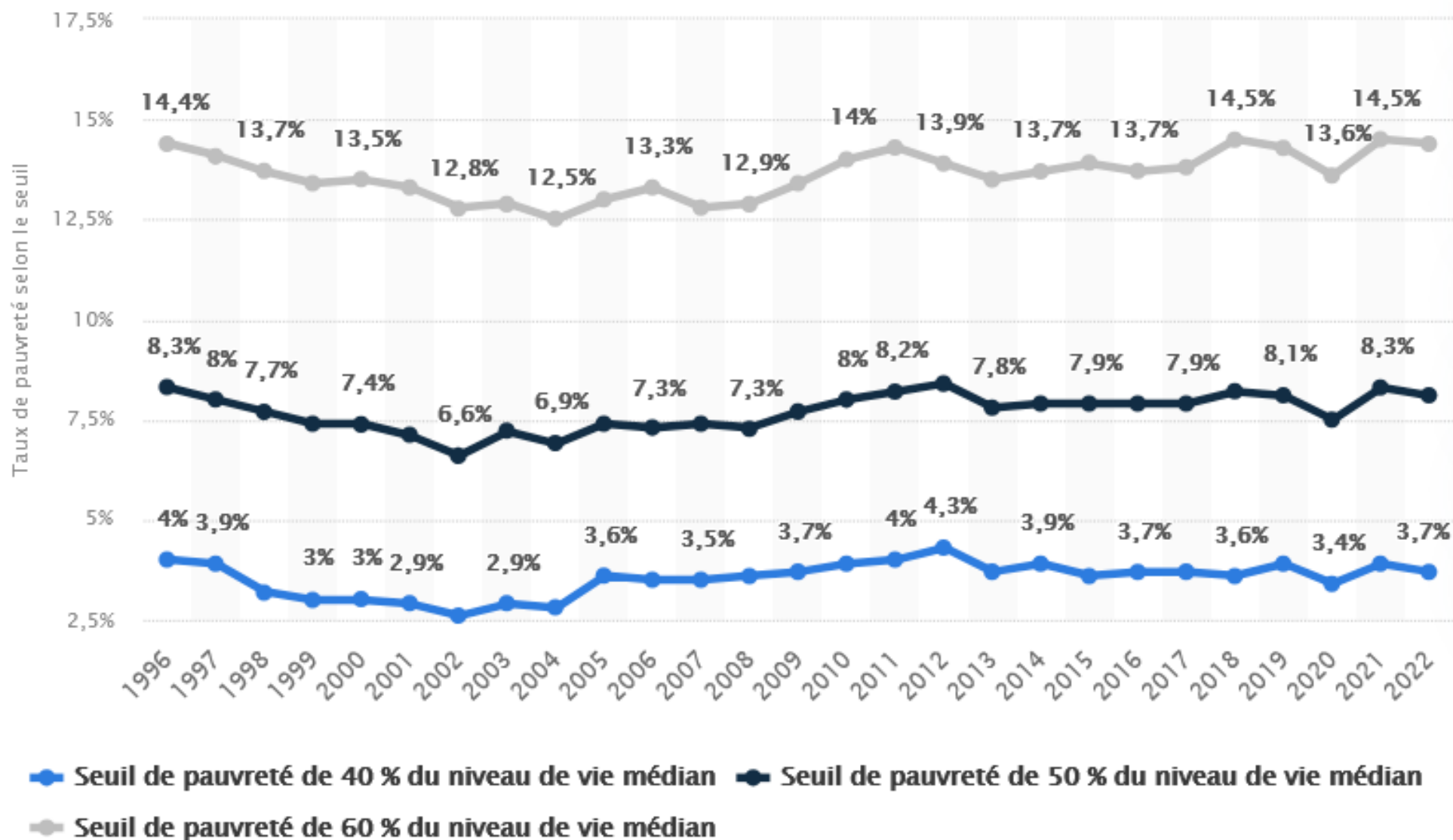
Number of homeless people

[330,000](#)

Source: Statista

Poverty in France

Revenue <40, 50 and 60% of the Median



Inequality levels in France

Average annual wage income in France 2022, by decile
Published by Statista Research Department, Sep 12, 2024

In France in 2022, individuals whose standard of living was below the first decile received an average annual income of 9,570 euros. On the other hand, French people who were part of the richest decile earned an average annual income of 68,560 euros. In comparison, the average yearly income for a French person was 28,050 euros

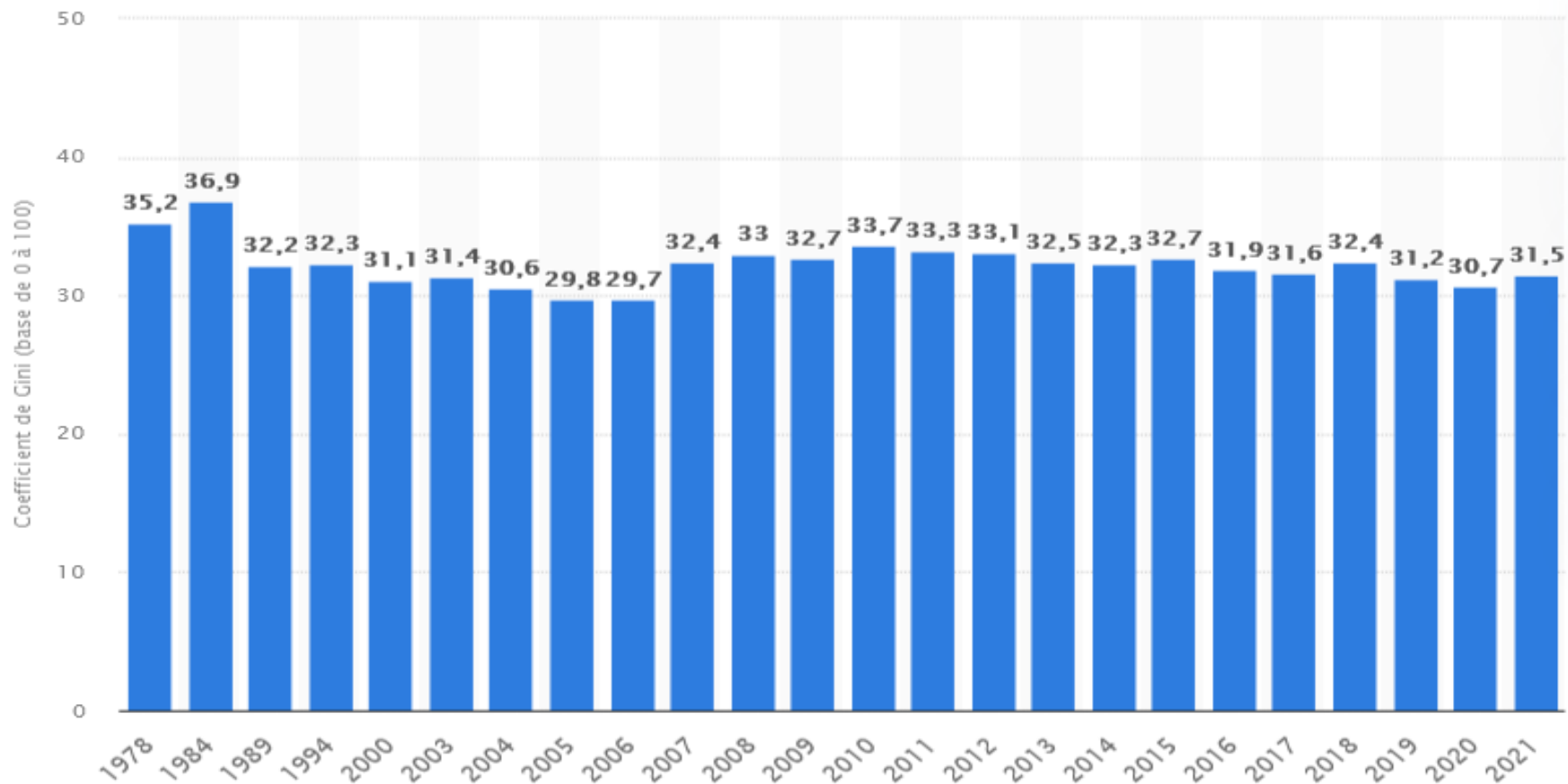
See [EU unemployment levels](#)

French Gini score evolution

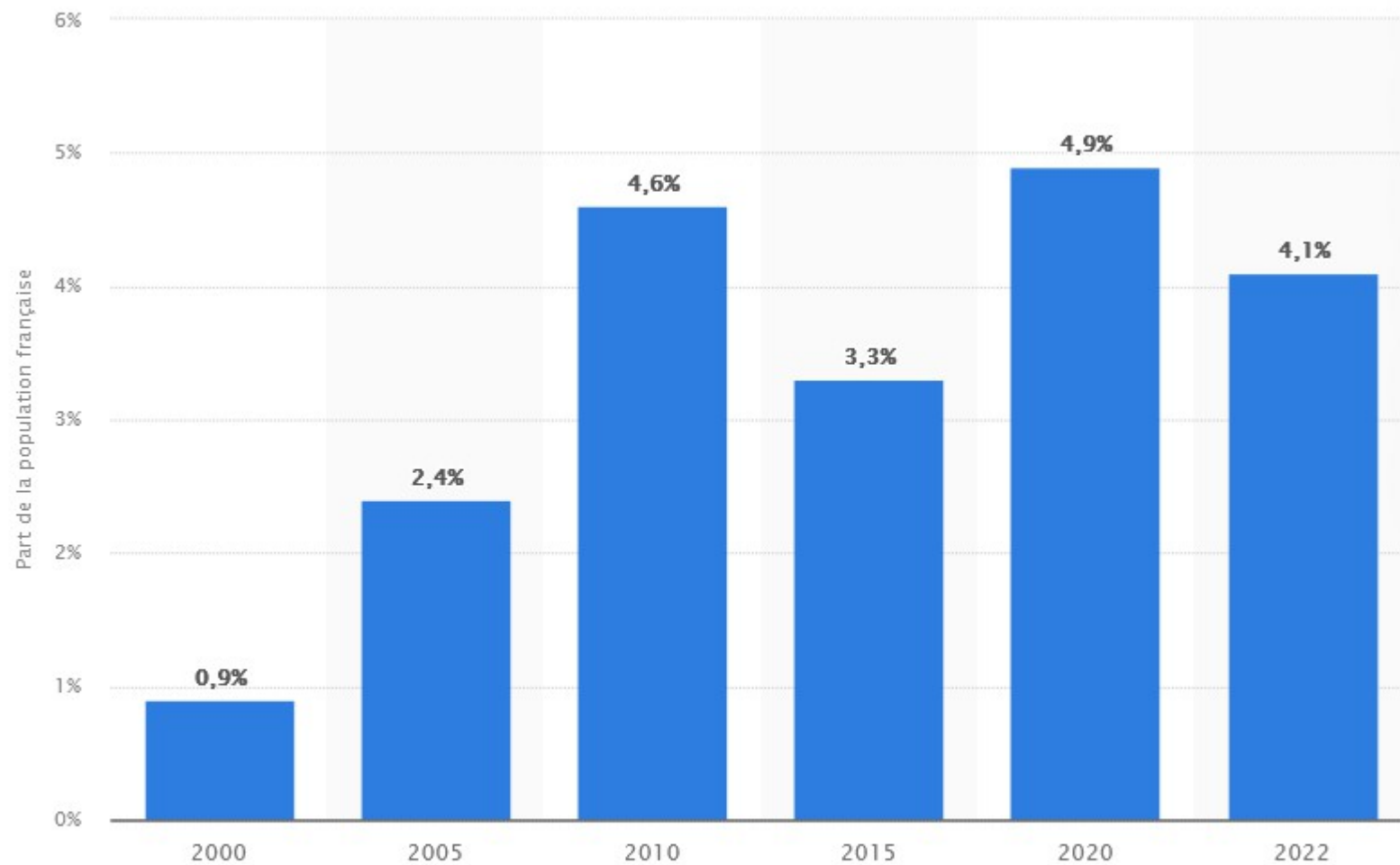
Société > Economie

Évolution de l'indice de Gini, indicateur d'inégalités de niveau 2021

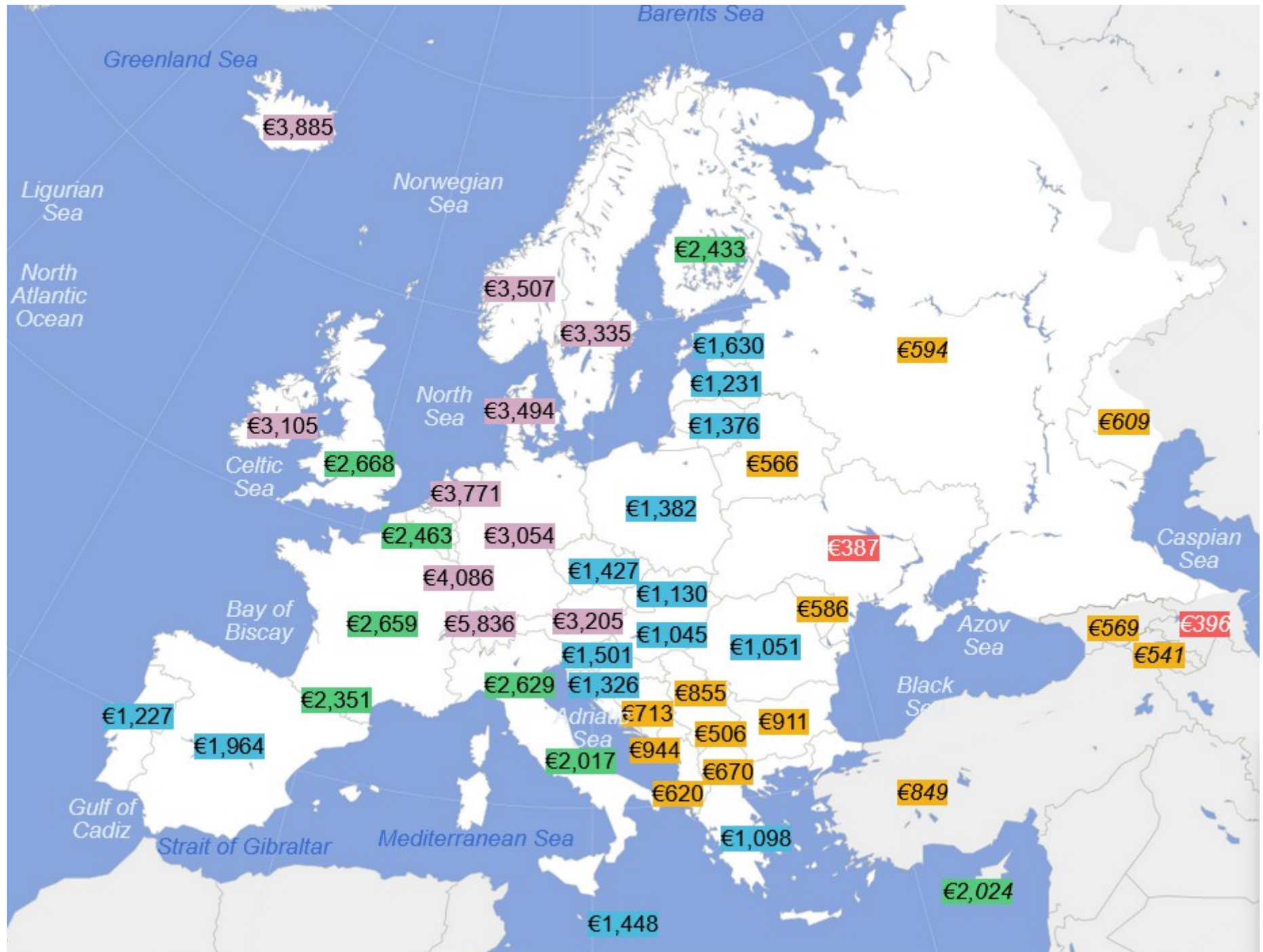
(100 = inégalité ; 0 = égalité)



Millionaires in France



Average salaries in the EU



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