

## France: Able to increase Elite Quality -

France’s relatively low EQx position, ranking 15<sup>th</sup> overall, is all the more disheartening when compared with Germany’s 3<sup>rd</sup> place – the lower quality levels of French elites relative to those of their Northern neighbors means that the gap between the 2 largest E.U. economies is destined to widen, unless bold reforms addressing elite business models are undertaken.

That France is in disarray, and has not regained its footings in the aftermath of 2008, is in many people’s minds, with the images of “les gilets jaunes” literally setting streets on fire. The protest movement which began in October 2018 might re-emerge with renewed force after the quarantine of Spring 2020. The movement started as a demonstration against a planned tax on diesel and petrol, intended to encourage the country to reach its green energy targets faster. However, quickly the movement began to encapsulate a number of additional grievances. Understanding these dynamics is not straightforward. For instance, the Elite Quality Index ranks France 25<sup>th</sup> in terms of *Tax revenue as % of GDP* (DTR, iii.8), but it is unclear if the protesters in their calls for a total tax system reform would reduce France’s systemic levels of Value Extraction, or on the contrary would lead to new forms of rent seeking. An additional source of discontent motivating the movement is the apparent lack of economic prospects in France. Whilst 2019 saw a 10-year low of unemployment, it still performs poorly in the Index, ranking 24<sup>th</sup> for *Unemployment rate* (UEM, iv.12), and 23<sup>rd</sup> for *Youth unemployment rate* (YUN, iv.12).

As part of efforts to defuse the protests and appease the public, Macron announced EUR 25bn of tax cuts and extra spending in order to increase the disposable income of households<sup>1</sup>.

These measures included EUR 5bn of cuts to income tax for lower and average earners, as well as an increase in pensions for the same group<sup>2</sup>. Does this loosening of the purse strings mean that France’s vast public debt, which sees the country rank 27<sup>th</sup> for *Government debt as % of GDP* (DBT, iii.9), is extracting value from the future to solve the problems of the present? Even the IMF described levels as “too high for comfort”<sup>3</sup>.

In other areas France is exemplary, refraining from extracting rents from the future. Macron’s concession to protestors in cancelling the fuel tax has not compromised his promise to “make our planet great again”. Ranking at the top of the *Environmental Performance Index* (EPI, iii.9), France voted into law in July 2019 a climate and energy package that commits itself to becoming carbon neutral by 2050<sup>4</sup>.

Innovative new policy responses with respect to women’s rights are an additional example of France’s elites rejecting rent extraction business models – benefitting at least half of the population no less! As the November 2019 femicide protests demonstrate, there remains much work to be done on the subject, but France’s elites are resolute, and used the country’s G-7 presidency to establish a new Women 7 engagement group. The aim of this group is to ensure commitments will be made to gender equality throughout the G7 process<sup>5</sup>. EQx reflects these steps forward, ranking France at the top in both the *Women’s Power Index* (WPI, i.1) and the *Women, Business and the Law* (WBL, i.3) Indicators. If France is capable of hampering value destruction at the all-important gender and environmental levels, why not in the other areas of our Index?

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**Visual 24:** France performance overview by EQx Pillar vs overall distribution

