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## Reforming the French

*Sarkozy tries to wean his countrymen from the state's teat.*

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Paris

French President Nicolas Sarkozy is finally getting around to tackling what may be the biggest challenge of his first term: pension reform. Having now formally introduced his plans, Mr. Sarkozy seems intent on making the French realize that their main employer—the government—is broke, and can't afford to pay them. How do we know this? Because Prime Minister François Fillon said it nearly three years ago, even before the recent economic crisis.

You'd think French taxpayers would be thanking Mr. Sarkozy, given that France's national debt is expected to hit 84% of GDP this year. Instead, the president's concern for the long-term welfare of the employer of choice for so many Frenchmen has earned him a record-low 26% approval rating.

That's a shame. Mr. Sarkozy's reform would be a small but meaningful step to wean the French off a system that can no longer support an unproductive base of government workers. The planned measures include gently nudging the legal retirement age to 62 by 2018 from 60 today; and by 2012, ceasing to pay civil servants to retire after only 15 years if they have produced three kids. But ample protections would remain. For instance, those whose "hard labor" has diminished their capacity to work by 20% would still be able to retire at age 60.

Thus Mr. Sarkozy's pension reforms aren't exactly dramatic to anyone with an ounce of perspective. Still, the mere introduction of these ideas into French society triggered a paralyzing public-sector strike last month, disrupting trains, planes, and various union-run services. The disgruntled are threatening more.

So with the great, chapped bosom of the Gallic nanny-state running dry, French unions are behaving like so

many three-year-olds, planning to stomp and cry until they get their way. Meanwhile, Paris is currently paying up for the traditional month-long summer holiday for these same workers, who apparently hate working so much that they can't bear the idea of putting in another two years under the proposed reforms.

Even with such light reforms, Mr. Sarkozy knows he has to muster up some good old class envy, even if it does more for appearances than government revenues. Hence, Mr. Sarkozy's pension-reform report is littered with the word "solidarity," which is European code for forced redistribution. Under the reform, the "rich"—that is, normal folks making more than 69,783 annually, who aren't nearly rich enough to avoid taxes altogether—will pay 41% in marginal income taxes, from 40% today. And those who choose to try their luck at investing in the hope of quietly bringing in a few more euros without holding up trains, would be faced with a one-percentage-point rise in capital-gains taxes: to 17% from 16% on real estate, and to 19% from 18% on securities. All this to help convince French workers that they can bear being productive through the age of 62.

Actually, Mr. Sarkozy has already offered the French a means of escaping the work life against which they constantly protest. Last year, with the Auto Entrepreneurship program, the president gave every French resident a chance to start a business. Under the initiative, new entrepreneurs would pay only 12%-21% in income taxes on up to 80,300 in annual revenues for a sales-related business and 32,100 for service providers, while getting basic health insurance and pension rights. The idea is for the government to back off as much as the French would ever want it to, and to let citizens have a go at doing

what they love. Since the beginning of this year, more than half of all business registrations in France have been for auto-entrepreneurship.

Such freedom may not appeal to everyone. For entrepreneurs, 80-hour workweeks are common, as is working day and night with little regard to schedules. But since entrepreneurs would generally rather be working than doing anything else, this isn't such a drawback. And the fact that being one's own boss can mean operating from a laptop on the beach at a time of one's own choosing, may help explain why entrepreneurs so rarely feel the need to hijack public transit to improve their lot.

Instead of token tax hikes and socialist rhetoric, this is how Mr. Sarkozy should have sold his pension reform: "If you don't like the system, step outside of it. Be self-sufficient. Create opportunities for yourself and maybe others by doing what you love. Then maybe, someday, you too will be relieved when you come across a rare French government like mine that isn't looking to bleed businesses dry."

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