

What France can learn from its nemesis

In three months' time, France will face a crossroads. As voters choose their next president, they should demand that candidates move from platitudes to an adult debate about putting France back on a sustainable economic growth path that will create jobs and wealth.

This debate can be informed by looking at France's nemesis across the Channel. With 2.5m fewer inhabitants than France, the UK generates €76bn (£50bn) more annual gross domestic product. This is equal to €2,400 more per head. Twenty-five years ago, the UK's GDP per head was 75 per cent that of France. Why is it relevant for France to benchmark itself against Britain? Apart from similar populations and GDPs, both have the same percentage of GDP coming from industry (Britain 26 per cent; France 25 per cent) and service (74 per cent; 72 per cent). Both have a 1,000-year history of centralised nation states, were once colonial powers and are now nuclear ones and, as permanent members of the United Nations Security Council, punch about their weight internationally. Both have a inclusive social model with free access to education and health to all. Each has its favourite bogeyman. For Britain it is Europe, because it imposes too many restrictions and is inward-looking. For France, the "market" (a.k.a. ultra-liberal Anglo-Saxon capitalism) is evil because it destroys protections and is too open.

How did Britain go from being the sick man of Europe to a high growth, high employment country? Four million more people work in Britain than in France and they work longer. Margaret Thatcher's government broke down many rigidities and reintroduced market practices in the economy. With Tony Blair at the helm and Gordon Brown at the purse, market fluidity has been introduced in almost all aspects of the economy. Where it has not – for example, in the National Health Service –

public spending has failed to make a difference. Benchmarking, reforms and service delivery have become the mantra of public policy.

Reforms are no easier in the UK than in France; most people instinctively reject them as they fear their consequences. But in the past ten years, British politicians have spent a lot of time explaining what had to be done and why; they have not imposed policies by fiat without engaging in a public debate. However, when the debate was over and action needed to be taken, they have held firm in the face of opposition. There is a general understanding of economic mechanisms and politicians and journalists are economically literate. This makes it easier to have a fruitful debate and sensible policies.

The government has also sought to disengage itself from areas where it did not add value. A case in point is the introduction of the minimum wage in 1999. This has been handled by the Low-Pay Commission, composed of three representatives each of the unions and the employers with three academics who quantify the economic impact of proposals. Decisions have been approved without change by the government. The minimum wage has risen 40 per cent since its introduction and is now at roughly the same level as in France. The big difference, however, is that 1.3m Britons are paid at the minimum wage compared with 2.9m in France, because it is set by economic partners at an economically sustainable level in the UK and by politicians at a politically determined level in France. The civil service is increasingly business focused and acts as a partner to businesses rather than as a controller of what they can do. Welfare resources are targeted to make it easier for the long-term unemployed, older workers, young people and single mothers to get back to work with a carrot-and-stick policy. This results in a near full employment economy, helped by proportionate labour laws.

Britain's acceptance of the world as it is means seeing globalisation as an opportunity. Britain embraces competition which entails benchmarking, a focus on areas of comparative advantage and constant experimentation and change to deliver jobs, growth and wealth. Employment creates growth more than growth creates jobs, so hiring people has been made easier. People do not worry about whether they will find a job, but think of which job they will choose.

However, the UK must deal with low productivity, tired infrastructure, the energy gap and an unreformed NHS. France and the UK face the same challenges of an ageing population putting a strain on both the health and pension systems and the risk of low skilled becoming disenfranchised. The challenges of an integrated world, the benefits of which (such as lower consumer prices) are less visible than its dangers (such as job losses) have to be tackled in much the same way. People need access to quality life-long education. There must be a recognition that business is the engine of growth and wealth creation. Markets must be made truly efficient with an adequate set of regulations. Britain has shown that work is a better way of creating wealth than leisure. These issues must be at the centre of the French political debate. France has the skills, world-class infrastructure and wherewithal to rejoin the competition and win it. Will the candidates rise to the challenge?