

The French-German Disconnect

A recent article in the French newspaper *Le Monde* drew attention to an important difference between the French and the Germans. The French, said the author, think that the government spends other people's money; the Germans think that the government spends their own money. This, if true, is important because each attitude must affect the politics as well as the economic policy of its respective country.

How could such a difference arise? Is it accountable by the fact that a higher percentage of Germans than French pay income tax? (In France, half the population pays none.) Income tax is the most obvious form of tax, and if you don't pay it you may be under the absurd impression that you pay no tax at all. But if something can be bought or sold, done or not done, the chances are that it is taxed.

Income tax is in fact but a small proportion of government receipts, though it is popularly taken as a metonym for taxation as a whole; and it would be interesting to know whether the Germans have a more accurate knowledge than the French of how much of the price of a gallon of fuel, for example, or of a packet of cigarettes is accounted for by tax. If people had an accurate knowledge of such matters, they might be less inclined to accuse the oil companies of greed when they raise their prices by what is a tiny fraction of the total that the customer will pay; but in any case, in France there seems to be a cultural predisposition to assume that while private profit is reprehensible, public expenditure paid for by tax is inherently good. Paradoxically, this does not preclude in France a private avidity for money or a belief that cheating or deceiving the taxman is a proper sport, like cycling or swimming, for everyone to indulge in. If this is a contradiction – well, which of us is entirely consistent?

And, to add complication to paradox, it must be admitted that

the French, by comparison with the British, say, receive good value for their taxation. The country is conspicuously well-administered, as anyone who has driven through it will attest; and, in my experience, French bureaucrats, however much their onerous and Byzantine exactions may be detested, are much more intelligent and efficient than British ones. The French have a faith in their state which is in part justified. Its benefits are obvious every day; its stultifying effects are less evident except to the smaller proportion of the population that attempts something new.

The Germans, by contrast, have, or want to have, faith in their currency. The folk memory of inflations is still strong in Germany and with reason. Inflation is their bugbear and fiscal rectitude therefore their policy, irrespective of who is in power. The rebuilding of the country and the achievement of monetary stability is their source of national pride. Financial rectitude is visible in their private lives as well: the Germans use credit cards far less than the French, let alone the British. When the German banks joined in the financial debauchery of the 1990s and 2000s, afraid of missing out, it turned out that they were no good at it. Speculation was not their forte.

The article that drew attention to the national differences said that the Germans had never been keen on Keynesianism – unlike the French. But this, it seems to me, is to misunderstand Keynes. Like everyone else, the Germans have run deficits in their time, but never with the idea that deficit-spending was a route to wealth, let alone *the* route to wealth. For the Germans, you could have deficits provided you also sometimes had equal and opposite surpluses.

This, surely, is closer to what, rightly or wrongly, Keynes thought. He thought deficits an expedient to deal with a temporary decline in demand consequent upon the business cycle. He was an old fashioned liberal: he did not see government deficits as the creator, *the onlie begetter*, to

quote the dedication to Shakespeare's *Sonnets*, of demand itself. Indeed, he saw two kinds of deficits, those of investment and those of consumption. The former would bring some kind of economic return; and it is true that France now disposes of a splendid infrastructure that conduces to economic efficiency, to say nothing of its addition to the amenities of life; but the latter, deficits for the sake of current consumption, are (regrettably, in Keynes' view) sometimes necessary for social and humanitarian reasons, as well for economic ones. What Keynes did not envisage was deficits as a permanent way of life, just as the founders of the British Welfare State did not envisage welfare as a permanent way of life.

There is another source of difference in attitude between France and Germany, namely demographic. France has a growing population, Germany a declining one. The ageing of Germans means that more and more of them will be living on savings and fixed incomes. The stability of the currency is therefore in their interest; by contrast, more of the French have an interest in expropriating creditors (the old) to the advantage of debtors (the young). As Keynes himself put it in *Social Consequences of Changes in the Value of Money* with characteristic brio:

... a change in prices and rewards, as measured in money, generally affect different classes unequally, transfers wealth from one to another, bestows affluence here and embarrassments there, and redistributes Fortune's favours so as to frustrate design and disappoint expectation.

To cobble together in a monetary union two large countries – two large blocs of countries – with such different attitudes and interests was in the highest degree irresponsible. One of the justifications regularly trotted out for the European Union is that it brings peace, as if, without it, Slovenia would attack Spain. In fact, by making neither living together nor divorce feasible, it is fostering, at least potentially, a

conflict such as that of the former Yugoslavia. The old hatreds are stirring: at the end of a book titled *Bismarck Herring: The German Poison* just published, and available everywhere in France, the French left-wing – yes, *left-wing* – politician and former presidential candidate, Jean-Luc Mélenchon, says that France still has independent military power, with the clear implied message that Germany does not. *Boches beware!*

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