



The French Crisis Is Rooted in Something Deeper Than Debt

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THE FRENCH CRISIS IS ROOTED IN SOMETHING DEEPER THAN DEBT

In a post-unipolar world, maintaining balance is paramount. In the past, France's influence was a key factor in this dynamic, which was based on a finely calibrated internal equilibrium. In a tightly-knit French system, losing this in one area can lead to imbalances in all the others, with far-reaching consequences. France's difficulty in balancing its budget and its resulting debt spiral stem from its loss of balance in all other areas. A combination of dysfunctional democracy, socio-political disjunction and an all-encompassing lackadaisical state structure is pushing France towards the precipice. To avoid this, France must not only reverse certain trends but also reinvent itself. If it fails, the entire interlocked edifice—national, European and global—is at risk of undergoing a radical readjustment. Tragically for France, there is nothing left in the international system to prevent this from happening.

France has been in decline for some time, and the situation may now be deteriorating beyond the point of no return. While the country is certainly struggling under the weight of its ever-burgeoning debt, it is not the only issue. Its gradual decline from its status as a great power is due to a combination of growing internal structural weaknesses and increasingly significant external pressures. Leaders around the world are watching events in France unfold with cautious alarm. Although it regularly succumbs to revolutionary zeal and upheaval, the international system has always viewed France as a stabilizer, not a disrupter. The question on everyone's mind is whether France can pull itself together to secure its rightful place and bring much-needed stability to Europe. For now, the numbers paint a negative picture, and the reality behind these numbers is very concerning.

Following the recent jewelry heist at the Louvre, national auditors found that only 39 percent of exhibition rooms had surveillance cameras due to a lack of funds caused by constant reductions in state subsidies.¹ This is a tragic example of France spending more yet still not enough on essential elements of its national existence. It indicates a sharp disjunction between budget deficits and national purpose.

THE NUMBERS ARE SOUNDING THE ALARM

France has not balanced a budget since 1974.² Since then, it has been creating constant deficits. As for the public debt, it grew from 20 percent of GDP in 1974 to 60 percent of GDP in 2002 (the limit under the Maastricht Treaty) and stood at nearly 96 percent of GDP in 2015.³ Under the relaxation of fiscal restraints during COVID-19, the national debt snowballed to the current level of 113 percent of GDP. This means that the structural budget deficit reached 5.8 percent in 2024,⁴ making it an uphill battle to keep budget deficits below the three percent agreed upon under the Maastricht Treaty. If this had happened ten years earlier, it might not have been so concerning because interest rates were historically low. Today, there are two parallel evolutions: There is upward pressure on interest rates, and French bonds as an investment category are becoming less attractive. Pension funds, big buyers of sovereign bonds, are moving toward riskier high-yield assets. The recent reforms of the pension system in the Netherlands is a confirmation of this trend. Financing budget deficits using cheap debt is no longer a sustainable option. So, it boils down to increasing taxation or reducing deficits.

It sometimes feels like the biggest engineers of taxation are French. Their country taxes its citizens and companies way too much and spends a lot more than that amount on welfare and the state. According to OECD statistics, France ranked first out of 38 OECD countries in terms of the tax-to-GDP ratio in 2023. In 2023, it had a tax-to-GDP ratio of 43.8 percent compared with the OECD average of 33.9 percent.⁵ The top personal income tax rate is 55.4 percent, the second highest after Denmark.⁶ As for the corporate income tax rate, it is 25 percent, more than 2.5 times that

of Hungary.⁷ All this is topped up by a valued added tax rate of 20 percent. Total public revenue amounted to €448.2 billion in 2023.⁸

On the expenditure side, according to François Villeroy de Galhau, Governor of Banque de France, in 2023, French public spending was the highest in the euro area, reaching 57 percent of GDP compared with an average of 49.5 percent in the euro area.⁹ The central banker laments that France joined the euro area with a public debt ratio equal to that of Germany (59 percent in 2001); since then, Germany's debt has increased by eight percentage points while that of France has risen by 53 points.¹⁰ He believes that what sets France apart in particular is the level of its social protection expenditure, which amounts to 34 percent of GDP, compared with the euro area average of 29.5 percent.¹¹ What is interesting is that the governor of Banque de France presented these statistics in a notice titled, "Governance of public expenditure and public services: is there any hope left?"

Economic and geopolitical evolutions leave little room for hope—those days are sadly over. Hope must now come from within. For as far as international economic evolutions are concerned, there is no easy way out. France is the fifth biggest issuer of debt, issuing five percent of total global debt. Its share is one percent higher than that of Germany, whose population is 30 percent more than that of France.¹² In 2024, while government debt was 113 percent of GDP, private debt (household debt, nonfinancial corporate debt and others) was 276.51 percent of GDP.¹³ This means that France relies heavily on global financial markets to sell its debt. Decades ago, investors had a huge amount of savings but very few options for safe places to invest. Now, the situation has changed. There are many places to invest one's savings, and France is considered risky, which reflects on its long-term stability and capacity to repay its debt.¹⁴ Due to the inflation shock during the pandemic, these days investors, mainly pension funds, are demanding greater returns.¹⁵ Clearly, the solution to reducing the deficit and debt must come from within. It cannot be taxation alone. France needs deep structural reforms. However, there are doubts about the chances of this happening in the near term.

One of the main reasons for this is that democracy in France has become synonymous with the distribution of entitlements. It is no longer about building a national consensus to solve or face future challenges so that national capacities remain strong. Instead, with the lack of strong leadership, direction and national priorities, the French citizen has become fractional. Priorities are now set by individuals and sub-national entities. For their part, the political elites, lacking strong political and visionary projects, are adapting to this new reality by distributing entitlements. The problem is that these are not one-time distributions; they become part of perennial budgetary system. After each electoral cycle the pressure on the budget is increased and structural deficits become inevitable. According to the French Central Bank, deficits are primarily attributable to entitlements like social protection spending, which accounts for 32.2 percent of GDP, compared with an average of 27.2 percent in the rest of the euro area. According to the central bank the difference is five percent—in other words, almost the same as the overall budget deficit.¹⁶ Furthermore, a French Senate committee on public finances examining the 2023 budgetary item of discretionary spending of 211 billion euros, came to the conclusion that 43 billion is unaccounted for, meaning that no solid proofs were provided for the spending.¹⁷ Entitlements aside, what can solve the budget deficits, it seems, is not tinker tailor measures but something more deeper, more fundamental.

Debt is only a problem if you're uncertain about your ability to pay it back. Only a country with a stable polity and currency, dynamic economy and geopolitically sustainable sovereignty can be confident about that. France is a formidable country, with a very talented population, which has shown its ability to spring back to strength at various intervals in history. With the fourth biggest nuclear deterrent and as one of the five permanent members of the UN Security Council, France is a formidable power to reckon with. That said, we thought the Soviet Union was a superpower until it became obvious that it was not. Debt is reimbursed not through symbolic power, but through concrete economic output sustained by a strong socio-political consensus. And this consensus can only come about

if there is a strong national purpose around which citizens can congregate. It is the lack of this last element that is creating a sense of desperation, a feeling that things are getting out of control and the fear of an unstoppable national decline.

THE DEFICIT OF A COMPELLING NATIONAL DREAM

The French population has shown that it can make sacrifices in the past, but this capacity depended upon a deep sense of national belonging, which was based on its common history and a strong belief in the revolutionary heritage of progress. Political and social differences existed, but ample place was given to civic and democratic debate. In this manner, the whole population felt that it was the creator of a unique form of universal civilization, where every citizen felt involved in the pursuance of the gloire française, it acted as a further unifying element. The role of the political elites was seen as being the responsible guardians of this vital and existential sense of belonging to a strong, proud and cherished nation.

To succeed in this not-so-easy mission, France armed itself with elite institutions that produced exceptional leaders in all fields, including politics. They were required to have conviction, fortitude and the capacity to formulate an inspiring and engaging vision for the future of the nation, the right direction it had to take. To acquire these qualities, it was considered vital that leaders had the acute sense of “listening” (l’écoute) to the people and sense their aspirations. This would help in constructing a “national purpose,” the real thrust behind a dynamic economy. This was generally considered to be what was needed to prosper and protect the French “nation.” Furthermore, all these elements would be implemented through strong institutions, run by an efficient bureaucracy, controlled by other independent institutions. At the time of their creation, interlinkages in the system were considered a strength. No one doubted that it could turn into a negative spiral, producing apathy and inertia. Rather than connect with the people, institutions seem to connect with each other and serve each other.

Today's France has gone even further, and it is producing paralysis.¹⁸ The previous sense of belonging has been replaced by "I don't give a damnism" (Je m'en foutisme).¹⁹ The reasons for this are complex but we can single out a few key features and consequences. The first noticeable feature is civic and political disengagement, resulting in mistrust of the political elite, cynicism towards the body politic and abstention at the ballot box. French citizens these days have less confidence in their institutions and elites, as opinion polls now regularly indicate. In a poll conducted in November 2024, three-quarters of respondents (74 percent) had no confidence in the French presidency, and more than eight out of ten (86 percent) had no confidence in French political parties. In the same sweep, the number of respondents who believe that politicians act primarily in their own personal interests has risen by eight percentage points, reaching a peak of 83 percent.²⁰ This indicates a strong disconnect between the political elite and the people. In terms of economic capacity, this means a divorce between the mind and the muscle.

The elites are not listening or are no longer in tune with the people and their aspirations and everyday needs. This means that the political leadership is no longer providing an inspiring national project.²¹ According to a recent poll conducted on November 5–6, 2025, 89 percent of French people consider President Macron's political project a failure. What is more interesting is that this view is shared by 77 percent of his own voters.²² Furthermore, 88 percent of respondents consider management of the country's main concern, purchasing power, to be poor. 83 percent have negative opinions on education, 76 percent on the environment, 85 percent on immigration and 71 percent on security.²³ Red lights are flashing across the board. According to these numbers, if the two Macron presidencies were tropical storms, they would be categorized as force 4 and force 5, respectively. French citizens want to work toward a stronger France, but the political elite is unable to provide a powerful national dream. President Jacques Chirac was probably the last "listening" president. Today, this listening gap is creating a budget deficit and causing national debt to spiral out of control. The deficit of the dream is realistically translating into a budget

deficit. In this context, the feeling that the country is in decline continues to intensify. In fact, 90 percent of French people believe this to be true.²⁴

CONCLUSION

The biggest contributor to France's structural budget deficit seems to be the lack of a national dream. This does not mean that countries with lower deficits have stronger national dreams. It just means that, due to its complex ethnic composition, legacy of the revolutionary period and tradition of progress and the greater good, France is in greater need of one. This sentiment fueled the French economy and its creative genius, as evidenced during the presidencies of Charles de Gaulle through Jacques Chirac. These leaders provided a vision of France that transcended ethnic and social differences, uniting the population. Today, however, there is a clear lack of strong leadership and an uplifting vision for the future. As a result, deficits are recurring and debt is accumulating.

France can solve its fiscal and financial problems only if it elects leaders capable of creating a national dream around which a new national consensus can form. A solution may emerge in 2027 following the next presidential election. For the last decade, the main political goal has been to prevent Marine Le Pen from gaining executive power and entering the Élysée Palace, which has created a deficit in democracy. Once this political deficit is addressed, there may be a clear way out of budget deficits.

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