



## America, France, and the Free Market

It's fashionable to claim that the free-market ideas of Nobel-laureate economist Milton Friedman have failed the country, and that it's time for new policies. Campaigning in 2020, Joe Biden declared that "Milton Friedman isn't running the show anymore." More recently, New York Times columnist David Leonhardt noted that people like Friedman promised that the free market "would bring prosperity for all. It has not."

This is nonsense. For one thing, I wish we lived in a world fashioned more fully by Friedman's ideas. Sadly, while his insights have indeed influenced some U.S. economic policies, particularly during the Reagan administration, the extent of their implementation has been quite limited.



Veronique de Rugy

Friedman, for example, would be appalled that federal debt is now roughly the size of annual GDP, having grown like a kudzu vine since registering at around 25% in the early 1980s. Taxes remain lower since the Reagan revolution took place, but our incomes are often taxed multiple times. Nearly every aspect of our lives is regulated by various agencies — local, state and national. And — no surprise — cronyism is alive and well.

Still, Friedman's critics are right to treat him as a monumental figure. His ideas helped make trade freer and school choice mainstream. His clarity in contrasting markets with government opened many eyes to the benefits of capitalism. We are immeasurably better off for it. If you don't believe me, look at my native France, where Friedman has had almost no influence.

The French economy is weighed down by one of the heaviest tax levels among wealthy democratic nations, with regressive taxes and social security contributions representing a significant portion of GDP. This tax haul funds France's extensive web of social-welfare programs, including health care, education and pensions.

French regulation is also comprehensive, covering many aspects of employment, business operations and environmental protection. The labor code is particularly onerous. Additionally, its government plays a direct role in the economy, with a significant number of partially state-owned enterprises and interventionist policies intended to safeguard employment and prioritize equality and social cohesion.

Let's see how they're doing.

U.S. GDP per capita is now \$76,398; France's is \$40,964. The U.S. unemployment rate is 3.9%. As of the second quarter of 2023, France's was 7.2% — a relatively low figure for a country that often faces double-digit rates even outside of recession periods. We shouldn't be surprised at any of this, considering France's stringent rules on working hours, dismissals and employee benefits, which make it difficult for businesses to respond to market conditions. The country is slathered with reasons not to



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hire people.

Youth unemployment is a significant indicator of how well an economy integrates its young population into the job market. As of May 2023, France's youth unemployment rate was 17.2%, with historical data showing an average of 20.6% from 1983 until 2023. In November of 2012, it peaked at a Great Depression-like level of 28.20%. This is the result of well-documented structural issues distorting France's labor market. Rigid labor laws dissuade employers especially from hiring young, inexperienced workers.

In contrast, in October 2023, the U.S. youth unemployment rate was 8.9%. These are not just numbers; they have real implications for young individuals' economic prospects, skills development and long-term career trajectories. As such, American youth, for all its complaints, is much better off than its French peers are.

Some claim that this is a fair price to pay for France's social cohesion and equity. I don't see it. Over the last decade, France has experienced significant social unrest rooted in economic, political and social issues. One of the most notable periods of unrest was the "Yellow Vest" movement that began in 2018. It was sparked by the announcement of another increase in the fuel tax on top of hundreds of other taxes. It quickly morphed into a broader movement against economic inequality and the cost of living. The protests were marked by widespread demonstrations, some of which turned violent.

France is also renowned for its labor strikes, which often bring millions of protesters onto the streets. The frequency and intensity of these protests underscore the challenges that France faces in balancing economic reforms with social cohesion.

The U.S. isn't perfect. Its social cohesion could certainly be better. But given a choice between an economic system that has been somewhat influenced by Friedman and one that's barely been influenced by him at all, my choice is clear. I made it when I left France and became an American.

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