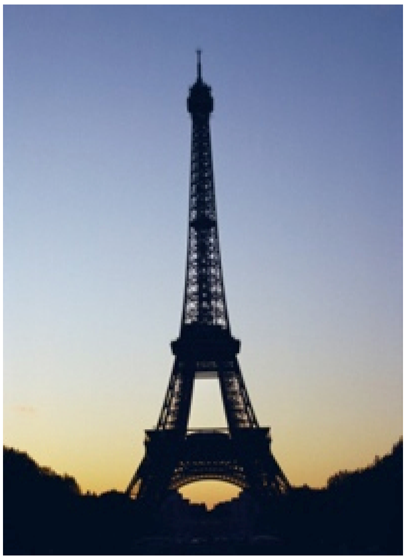
Written by **Bruce Walker** on August 2, 2010

Add France to Critical List



The vast and bloated leviathan of government seems to be finding itself beached all over the world. California is virtually facing a budgetary meltdown, since its deficit is simply too great for Californians to pay. Greece is rocking on the shoals of national bankruptcy, as are other Mediterranean nations like Italy and Spain. Now France is facing warnings from the International Monetary Fund that reducing France's national deficit to four percent of GDP, instead of to three percent of GDP as recommended by the IMF, will jeopardize the financial stability of not only France but also of Europe.

Nicolas Sarkozy, who defeated a Socialist when he won the Presidency of France, has either lacked the will or the power to make the drastic structural changes to the French economy that would prevent its quickening slide into insolvency. Last year, the French President promised not to embrace the "politics of austerity," but he has shifted that position and last month ordered ministers to use public cars less, cut staff, and made other largely symbolic gestures of belt-tightening.

Pensions, as has been the case in so many other governments, are a very sore spot. Pensioners in France, like everywhere else, watch their benefit package closely and vote regularly in elections. The climate of entitlement, which stretches across the industrial democracies from Japan to Berlin, has led to governments terrified of making the big changes that, alone, can prevent an inevitable collapse of confidence in government.

The International Monetary Fund is projecting that France, and other European nations like Germany, Spain, and Italy, are rebounding and should have growth rates of between one percent and two percent in the next two years; it notes that the public debt burden in France is rising quicklly to a level estimated to be about 80 percent of GDP in 2009, the last year for which data is available.

That will prevent a strong recovery, the IMF reports, unless France (and other European nations) makes significant reductions in current entitlements like pensions and healthcare. The IMF cites planned changes to social security in France to raise the early retirement age from 60 to 62 and the full retirement age from 65 to 67. Those changes, however, require political courage and political will. So far, governments in all the major democracies have continued to pile up "unsecured debt" in terms of future obligations, with no means to pay for that. France had not been one the biggest problems in the current chaos of European economies — Greece, Iceland, Ireland, Spain, and Italy were nations most often mentioned. But now it appears that another nation, a pretty big one, France, has been moved onto the danger list.