The Daily Dish

A Lesson From the French!

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Sometimes the headline says it all. So when the *Financial Times* leads with: "French supertax on wealthy raises only a quarter of planned revenue," there is a temptation to simply note "mais bien sûr!" and move on. That would be a mistake. Miracle des miracles there is a lot to learn from this fiasco.

First of all, this started with an effort to install a Sanders-Warren-style wealth tax:

> *Leftwing parties last year mounted an unsuccessful push for a much harsher approach known as the "Zucman tax" after the French economist Gabriel Zucman, who has advocated for it globally. It would have required people with fortunes of more than €100mn to pay a minimum of 2 per cent tax annually on all their assets, including their companies, shares of companies and unrealisedgains.*

Zucman tax proposals feature a ratio of practicality-to-leftist-fantasy of roughly zero, so what ensued is hardly a surprise. Second:

> *President Emmanuel Macron's centrist prime ministers — who led fragile minority governments with three different figureheads in 18 months — have enacted a more modest version.*

Only in France is Macron a centrist. And only in Davos is this accepted eyewear.

Third, there are the facts of the matter:

> *The French finance ministry said that a so-called "differential contribution" applying to those earning more than €250,000 a year raised only €400mn for the 2025 tax year instead of the €1.9bn it initially projected. The tax was designed to ensure that such high earners paid at least 20 per cent of their income in tax. For 2026, the tax is expected to raise €650mn, €1bn less than planned, the ministry said, creating a budgetary hole that the government has said will be filled with other taxes and spending cuts.*

The left clings tightly to two contradictory beliefs: The rich should always be taxed more heavily and the rich will always avoid more taxes. It turns out that everyone will (legally) seek to minimize taxes and the rich have access to better tools, especially when presented with unrealistic tax schemes. It might be time to update those beliefs.

Finally, there is the core lesson for the U.S. on how the French got into this disastrous episode:

> *Under pressure to narrow a budget deficit that stood at 5.4 per cent of GDP last year, Macron's governments have also hit France's biggest companies with higher taxes.*

That pressure emanated from global capital markets, which blanched at France's large deficit and high ratio of debt to gross domestic product. Guess whose deficit is larger and debt comparably high? Yes, the U.S. of A. If nothing changes, global capital markets – which operate in the United States under the name bond vigilantes – will pressure the U.S. to enact growth-killing tax hikes as well. Higher interest rates and higher taxes are not the recipe for the Golden Age of Capitalism.

The only feasible way to head this off is to control federal spending to reduce deficits and debt. Period. And in one-plus terms in office, President Trump has shown exactly zero interest in controlling spending. And he has embraced Sleepy Joe Biden's do-not-touch approach to Social Security and Medicare, which happen to comprise more than 50 percent of all non-interest spending over the next 10 years.

This has to change, and now.