

FRANCE

Economic Freedom Score



World Rank: **67** Regional Rank: **30**

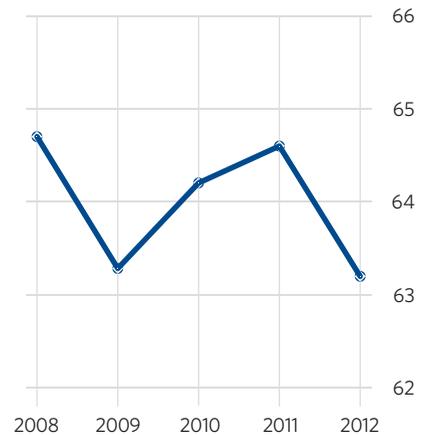
France's economic freedom score is 63.2, making its economy the 67th freest in the 2012 *Index*. Its overall score has declined 1.4 points due to deterioration in business freedom and the management of public finance. France is ranked 30th out of 43 countries in the Europe region, and its overall score is slightly higher than the world average.

The French economy remains diversified and relatively resilient, with entrepreneurial activity generally facilitated by such institutional strengths as strong protection of property rights and a fairly efficient regulatory framework. Various reform measures have been adopted to increase the economy's competitiveness and flexibility, but overall progress has been marginal.

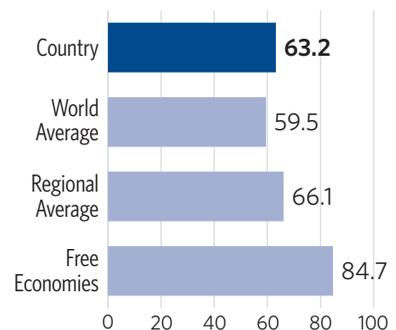
The state dominates major sectors of the economy and remains a large shareholder in many semi-public enterprises. Government spending accounts for more than half of total domestic output, and the budget has been chronically in deficit. Various stimulus measures have resulted in a deterioration of public finance, increasing the fiscal burdens imposed on French taxpayers. A politically contentious pension system reform that increased the retirement age was passed in late 2010.

BACKGROUND: Under President Nicolas Sarkozy of the center-right Union for a Popular Movement party, France has made some attempt to deregulate the economy, but significant reforms remain incomplete. France was formally reintegrated into NATO's military command structures in April 2009 but remains apart from NATO's Nuclear Planning Group. In March 2011, France was a leading participant in NATO's military engagement in Libya. Though a founding member of the European Union, France struggles in the expanded Union to maintain its traditional influence over EU policy. France has a diversified industrial economy but remains the top recipient of market-distorting agricultural subsidies under the EU's Common Agricultural Policy. Economic and social integration of a growing Muslim population has proved difficult. In July 2011, former Finance Minister Christine Lagarde was appointed managing director of the International Monetary Fund.

Freedom Trend



Country Comparisons



Quick Facts

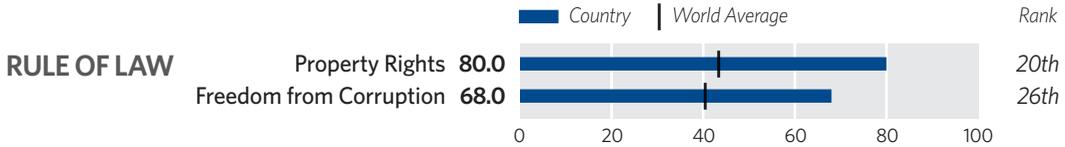
Population: 63.0 million
GDP (PPP): \$2.1 trillion
 1.5% growth in 2010
 5-year compound annual growth 0.7%
 \$34,077 per capita
Unemployment: 9.3%
Inflation (CPI): 1.7%
FDI Inflow: \$33.9 billion
Public Debt: 84.3% of GDP

How Do We Measure Economic Freedom?

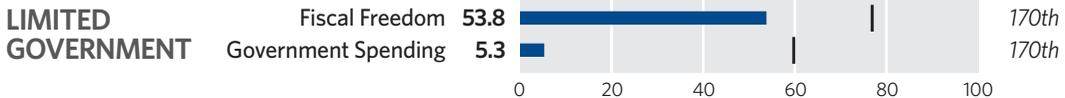
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

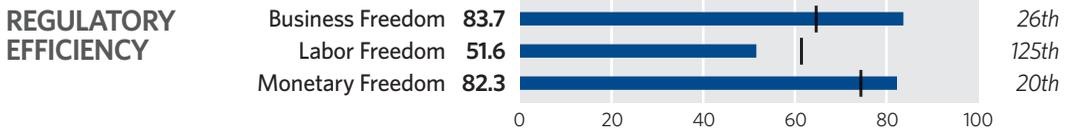
THE TEN ECONOMIC FREEDOMS



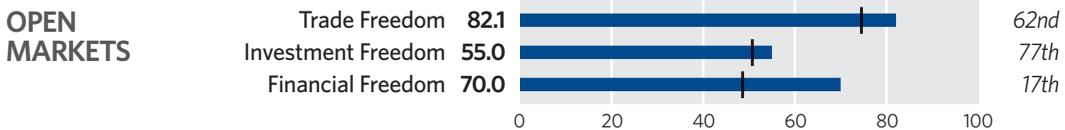
Property rights and contract enforcement are secure, with the rule of law strongly maintained. The well-functioning judiciary is independent and sustains the country’s basic foundations of economic freedom. Intellectual property rights are well respected in accordance with international standards. Anti-corruption measures are in place to ensure transparency and clean government.



The top income tax rate is 41 percent, and the top corporate tax rate is 34.4 percent. Other taxes include a value-added tax (VAT), and the overall tax burden corresponds to 41.9 percent of total domestic income. Government spending has increased to a level equivalent to 55 percent of total domestic output. The deficit remains more than 6 percent of GDP, pushing public debt up to more than 80 percent of GDP.



The regulatory framework remains relatively efficient. With no minimum capital requirement for launching a firm, the business start-up process is straightforward. The labor market is burdened with rigid regulations and lacks the capacity to generate more vibrant employment growth. While ostensibly protecting workers, the labor code hurts competitiveness and increases unemployment. Price controls affect a number of products and services.



France’s trade policy is the same as that of other members of the European Union, with the common EU weighted average tariff rate standing at 1.4 percent. However, layers of non-tariff barriers raise the cost of trade. Investment regulations are generally transparent, but bureaucratic impediments persist. The financial sector remains under relatively strong state influence, with a small number of foreign banks operating in mainstream banking.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.5	Business Freedom	-1.9	Trade Freedom	-0.5
Freedom from Corruption	-1.0	Government Spending	-11.1	Labor Freedom	+0.2	Investment Freedom	0
				Monetary Freedom	-1.4	Financial Freedom	0