

A PRODUCTION TAX NECESSARY FOR THE ECONOMY

It's time to restore an economic production tax in order to equip ourselves with a policy promoting reindustrialization, energy transition and environmental protection.

Removing taxes to revitalize the economy is a lure

Many economists agree that over the past 40 years or so, inequality has continued to rise while significant tax cuts have benefited the richest among us. The concentration of wealth is increasing every year and is now becoming unbearable while for many of our fellow citizens the standard of living is stagnating or declining. Ultra-liberal economic policies continue at the whim of governments and systematically contribute to more inequality .

In twenty years, companies have already benefited from two major tax cuts. These so-called production taxes are being cut under the pretext of boosting employment and growth. Judged insufficient, more recently subsidies have been granted to improve company margins.

- In 1999, the abolition of the business tax on salaries at that time represented a loss of income of about 5 billion euros per year.
- In 2010, the transformation of the business tax into a Territorial Economic Contribution (Contribution Economique Territoriale) saved companies between 8 and 10 billion euros per year.
- Since 2013, the cumulative cost of the Tax Credit for Competitiveness and Employment amounts to nearly 100 billion euros in the State's accounts. Today transformed into a reduction in charges, the CICE has become transparent but is sorely lacking in the public accounts.

These reforms have been justified to the public opinion to improve employment, the competitiveness of companies and their margin in the face of increased competition... They have all been granted without any counterpart in terms of employment, investments or the restoration of the cash flow of companies necessary in case of crisis such as Covid.

The government is on the verge of putting in place an umpteenth reform to further reduce the production tax, again under the same conditions, namely none. This new reform would amount to about ten billion dollars per year... .

The financing of these tax cuts results either in indebtedness or in cuts in public spending (public services, pensions, etc.). Have they produced the expected effects? It must be said that unemployment is still high, relocations have continued, and industrialization has broken down. On the other hand, the financial sector has largely prospered, as has the sector of return on capital.

Today, in order to address the health crisis, the 100 billion dollar recovery plan is likely to be necessary. This new economic aid should better target the beneficiaries, i.e. VSEs, and require compensation for maintaining or creating jobs, productive investments and cash flow. Finally, the government should ensure that these windfalls are not monopolized by finance and/or the payment of juicy dividends.

Let us be clear, it is not a question of implementing an economic policy that curbs initiatives. On the contrary, it is necessary to accompany entrepreneurs in their innovation and to facilitate their steps and free their company. But to make people believe that taxation is detrimental to economic development

is a false idea. Growth and job creation in developed countries have never been stronger than when taxes were higher than they are today. And paradoxically, successive tax and burden cuts have led to sluggish growth, massive unemployment and/or low-paying odd jobs.

We need a strong State capable of orienting growth towards quality in key areas such as industry, health, training, agriculture, energy, etc...

The energy transition must be the foundation of economic policy. It must target all sectors of the economy. It must make it possible to move towards greater independence from the hydrocarbons that weigh down our trade balance. Our production models must radically change to protect our environment.

We must strive for excellence in all areas and make them accessible to all. Access to a resuscitation room in a hospital is more accessible in France than in the United States. And the financing of health care in the French public accounts is less expensive: about \$9,000 per inhabitant in the USA compared to \$4,000 in France. We must preserve this social pact in the field of healthcare and extend it to other sectors. It is a form of redistribution of the wealth produced by all. In the end, a healthy employee is good for the economy.

But to accompany this qualitative approach, the State must invest more heavily in research and training. Compared to other Western countries, France invests less in research. The considerable exemptions decided by governments more than twenty years ago to reduce the costs of business should have been used more consistently for innovation, research and training. There is still time to reverse the trend.

Finally, the production tax cuts compensated by the State end up penalizing the investment capacity of local authorities, even though they are a lever for the local economy, particularly in rural areas where economic development is weakened. It should therefore be restored.