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Economics in Practice - Country Analysis

Team 12: France

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France



http://www.shadowhelix.de/images/thumb/4/49/Flagge_Frankreich.svg/800px-Flagge_Frankreich.svg.png

France is a country in the middle of Europe. “It is bordered by Belgium, Luxembourg and Germany to the northeast, Switzerland and Italy to the east, and Andorra and Spain to the south. The overseas territories include French Guiana in South America and several islands in the Atlantic, Pacific and Indian oceans.” The capital in Paris. Paris is also the country's largest city and main cultural and commercial center. Other major urban areas include Lyon, Marseille, Toulouse, Bordeaux, Lille and Nice.[1]



<https://www.dreamstime.com/royalty-free-stock-image-france-europe-map-image4291046>
(mit Snipping Tool bearbeitet)



1. System of government in France

France has a Prime-Minister and he is the head of government. He is the most important man in France, he has the power to rule the country. He has the lead over the Council of Ministers. There are sixteen ministries, like the ministry of Culture, the ministry of Justice and the ministry of Europe and Foreign Affairs. The Prime-Minister has to take responsibility for the Ministers of State. At the moment Emmanuel Macron is the Prime-Minister in France.



https://nl.wikipedia.org/wiki/Emmanuel_Macron

The system of government is President of the Republic. The Prime Minister ranked the members of

the government in precise order.

They are ranked in three orders

- Ministers of State: they're senior ministers and members of the Council of Ministers.
- Ministers: they're members of the Council of Ministers as well and they lead government ministries.
- Secretaries of State: they're junior ministers. This is the lowest rank in the French ministerial hierarchy.

The French president is directly elected by the people. To gain the passive suffrage you have to be a French citizen, you have to be at least 18 years old and you have to have all of the civil rights. This means that you mustn't have any problems with the judicial branch. The president is elected every five years.

The lower house of the parliament is elected together with the election of the president. The lower house consists of 577 members. The upper house (senate) is elected in another election.

The senate has 348 seats and is elected every three years. In each election half of the members are elected which results in a tenure of six years.

2. Economic System in France

France operates as a mixed economy that combines capitalist and socialist characteristics. Capitalism involves private ownership of capital and other means of production. Under socialism, the government directs economic activity and owns all or part of most industries. Despite extensive reforms over the years that have reduced government intervention in the economy, the French government still exercises great control over the economy, owning shares in many of the country's largest companies.

3. Economic and Financial Indicators

GDP (PPP)

2018 estimate

Term	Value	International Ranking
Total	\$2.960 trillion	10th
Per capita	\$45,473	26th

[2]

2017

Term	Value	International Ranking
Total	\$2.835 trillion	
Per capita	\$43,760	

[3]

The GDP (PPP =product per capita) in France for 2018 is expected to be \$2.960 trillion and with this value France is ranked 10th in the whole world. In 2017 the GDP was \$2.835 and therefore you can see that the GDP increased from 2017 to 2018.

The per capita GDP means that the total GDP is divided by the population. In this calculation France is ranked 26th in the international comparison. The per capita GDP did increase as well from \$43.760 in 2017 to \$45.473 in 2018.

The U.S. Department of State reported that in 2009 France had an annual gross domestic product of nearly \$2.7 trillion, making it the world's fifth-largest economy. The gross domestic product, or GDP, is the total value of a nation's economic output. The State Department also noted that France has an active presence in international trade and is the second-largest trading nation in Europe, after Germany

The Human Development Index is an index which looks at the development and the formation of the population of a country. The current value (2017) of France is 0.901. This is very good figure which is why France is in 24th place all around the world.[4]

In general you can say that "France has a mixed economy that combines extensive private enterprise with substantial state enterprise and government intervention"[5], which means that the government has significant influence over the most important sectors in the economy. In 2014, France was the second largest economy in the European Union [6] and in 2018 France is estimated to be the 10th largest economy in the world.[7]

In 2009 "France was the world's sixth largest exporter and the fourth largest importer of manufactured goods." [8]

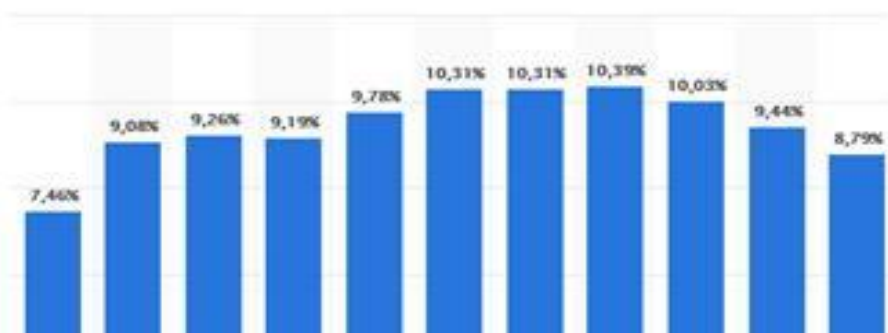
In 2002 France launched the Euro as its currency together with eleven other countries to replace the French franc.[9]

On 25 March 1957 the Treaty of Rome was signed by politicians from France, Belgium, West Germany, the Netherlands, Luxembourg and from Italy.

Since then France was a member of the European Economic Community which is now called European Union.[10]

Unemployment

In the chart below you can see the development of the unemployment rate in France from 2008 until 2018.



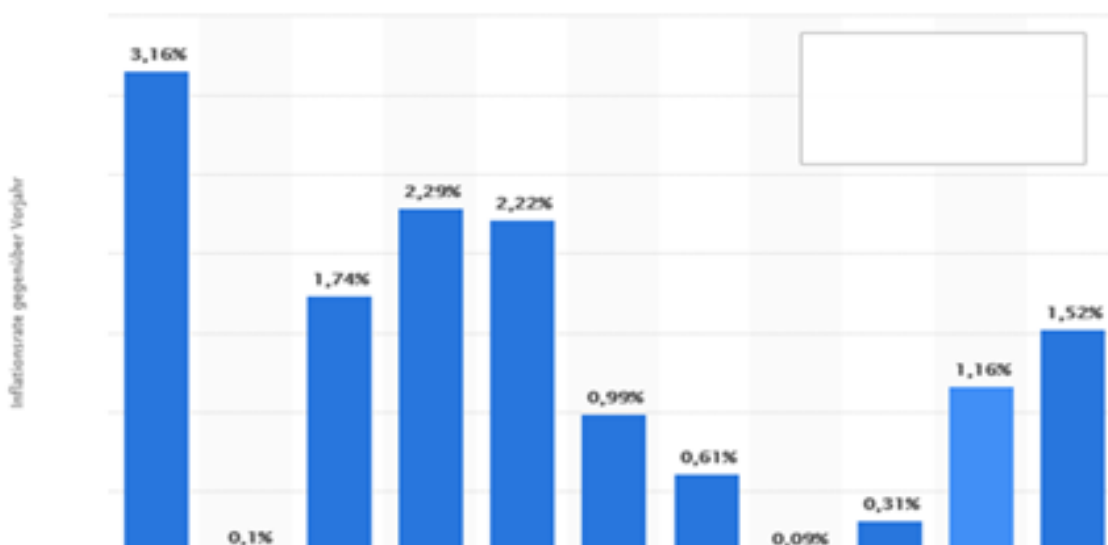
<https://de.statista.com/statistik/daten/studie/17310/umfrage/arbeitslosenquote-in-frankreich/> [28. November, 2018]

The unemployment rate in France is currently 8.75 %, which means a decrease by approximately 0.6 %.[11]

This is a relatively high figure compared to other european countries. Germany, for example, has an unemployment rate of 3.8%, Monaco is rated best in Europe with a quote of only 2.0%. [12]

I think that the high rate of unemployment is caused by the failed immigration policy in the last century. A lot of people live in so called “banlieues” which are very poor, suburban quarters near cities like Paris or Marseille. If you live in this areas it is almost impossible to get a good job.

Price Stability / Inflation



<https://de.statista.com/statistik/daten/studie/167248/umfrage/inflationsrate-in-frankreich/> [28. November 2018]

In this graph you can see the development of the inflation rate in France. In 2018 the inflation rate is 1.52%^[13] which is more or less the average of the last 10 years. It is obvious that the inflation rate is not very stable.

But during the year 2018 the inflation increased a lot: In February the inflation was about 1.2% and in until August it had increased up to 2.3%.^[14]

Distribution of Income and Wealth

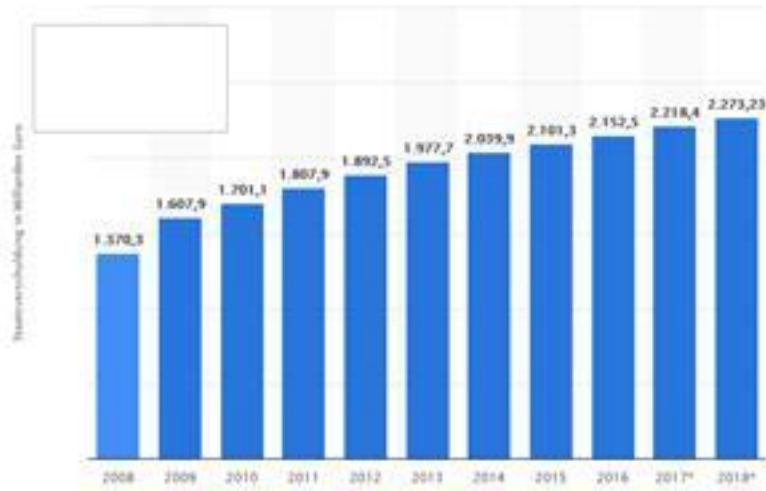
The Gini- coefficient in France was 72.0 in 2016.^[15]

The Gini shows the inequality of the distribution of wealth in different countries.^[16]

26.1% of the people have a property of less than 10,000 US\$, 23.9% of the French inhabitants have a property between 10,000 US\$ and 100,000 US\$. Most of the people, namely 46.7% of the entire population, own between 100,000 US\$ and 1,000,000 US\$. And 3.3% of the inhabitants have more than 1,000,000 US\$.^[17]

When you compare these values to other countries you recognize that the wealth is distributed more or less fairly, because in other countries the situation is very different: In Switzerland 11.6% of the people have a property that is higher than 1,000,000 US\$ and in Ukraine 99.1% own less than 10,000 US\$.^[18]

Government Debt



<https://de.statista.com/statistik/daten/studie/167261/umfrage/staatsverschuldung-von-frankreich/>

The estimated Government Debt in France for 2018 is \$2,273 trillion.

As you can see in the chart on the right, the government debt increased a lot since 2008. [19] In 2015 the government debt was 96.3% of the GDP.[20] France is ranked 23rd in the international comparison concerning the government debts and France has the 6th highest government debts in Europe.[21]

Interest Rate Level (& Recent Development of Interest Rate Level)

As I have already mentioned “France is a member of the European Union which has adopted the euro. France’s benchmark interest rate is set by the European Central Bank.”[22] The current interest rate, indicated by the ECB, is currently 0.00% since 10th March, 2016.[23]

Exchange Rates

The currency in France is the Euro.[24]

These are the exchange rates to some other currencies from the 28th November, 2018:

1€ ≅ 1.13 US \$

1€ ≅ 4.29 Zloty

1€ ≅ 0.89 £ [25]

Size and Importance of the Domestic Market

In France, 57% of the GDP is linked to trade with foreign countries. In other countries like the UK this figure is higher (65%) which means that the domestic market in France is more important than in the UK.[26]

Import and Export

The most important trade partners of France are industrialized, European countries such as Germany, the UK and Switzerland. The most important partner of France is Germany but France has a trade deficit with Germany. In general there are only two countries France has a trade surplus with, namely Switzerland and the UK.

7 of the 10 most important countries are in Europe and all of them have a direct border to France. Another important partner is the US.

What is important to mention is that Russia and China gain influence in the French economy.[27]

4. Conclusion

Currently, France has a good, successful and rich economy but there are several problems that have to be solved: The distribution of wealth is not ideal and there are huge problems concerning the government debt. The french President Emmanuel Macron has already said that reforms in the economy have to be made and that the state budget has to be fixed. [28]

In December 2018 you can see that there have been massive protests against the economic policy made by President Macron. Macron wants to increase the amount of taxes in France. Lots of people are very upset because the unemployment rate is very high and the unemployed people can hardly pay these taxes.[29] These unemployed people are a great factor: If the government made it possible so that the number of unemployed people decreased, the GDP would increase and the distribution of wealth would be fairer. This could be a solution for the French economy.

On the 11th December President Macron announced that the statutory minimum wage will increase and hopefully the purchasing power will increase too due to the higher average salary of the French population.

It'll be very exciting to pursue the development of the French economy.

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[2] vgl. Hddty, France

[3]<https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?pr.x=55&pr.y=9&sy=2017&ey=2018&scsm=1&ssd=1&sort=country&ds=.&br=1&c=132&s=NGDPD%2CPPPDPD%2CNGDPDPC%2CPPPDPD&grp=0&a=>
[28 November 2018]

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