

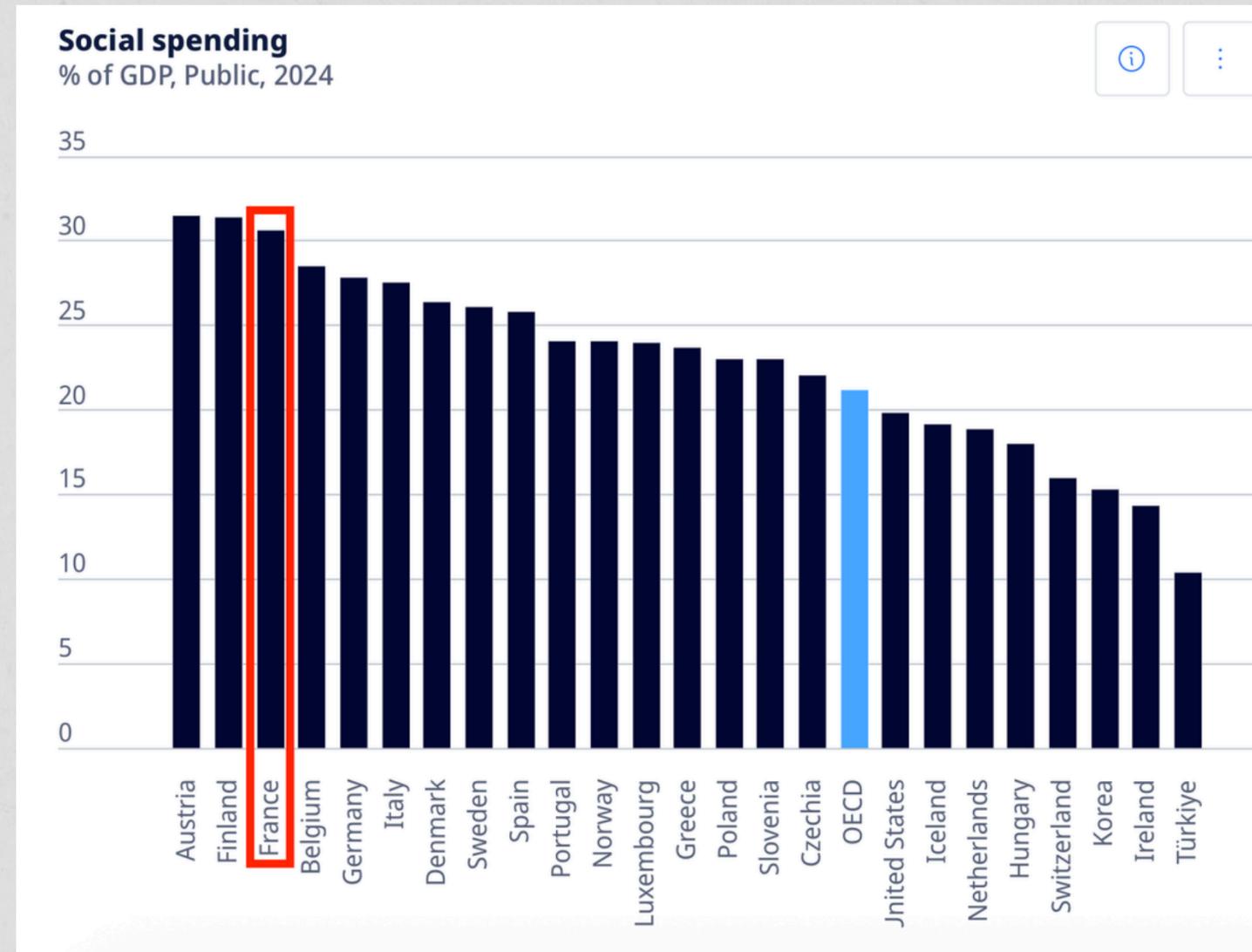


IS THE WELFARE STATE IN FRANCE UNDER THREAT?

Course: Great Economic Thinkers
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Is the Welfare State in France Under Threat?



Source: OECD Social Expenditure Database

France has one of the largest welfare states in the world.

- Social spending \approx 31% of GDP
- Extensive pension and healthcare systems

However, several challenges are emerging:

- demographic ageing
- rising public debt
- economic globalization

Question:

To what extent is the French welfare state facing structural threats, and how sustainable is it in the long run?

What is the Welfare State in France?

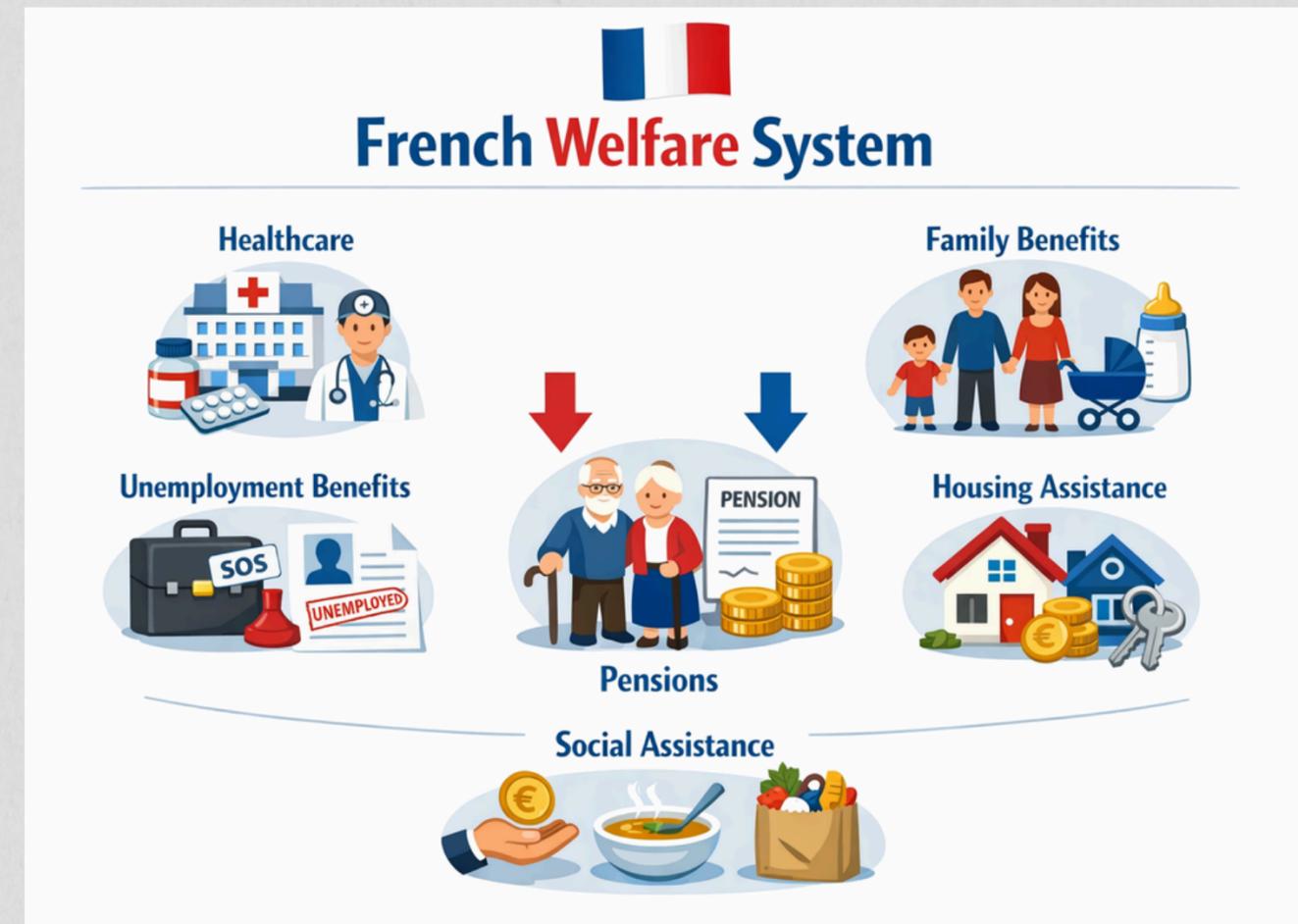
The welfare state refers to government policies that provide social protection.

Main components in France:

- Public pension system
- Universal healthcare
- Unemployment insurance
- Family benefits

Objectives:

- reduce inequality
- protect citizens from economic risks
- maintain social stability



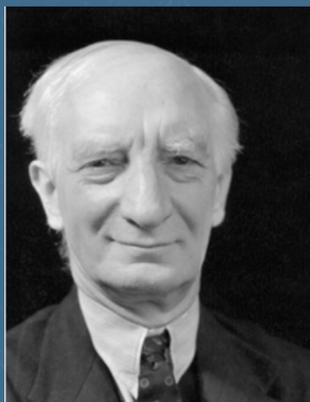
Economic Thinkers and the Welfare State

Different economic thinkers have debated the role of welfare states.

Supportive perspectives:



- **John Maynard Keynes** → government spending stabilizes the economy



- **William Beveridge** → welfare state combats poverty and social risks



Critical perspectives:

- **Friedrich Hayek** → large states may reduce economic freedom



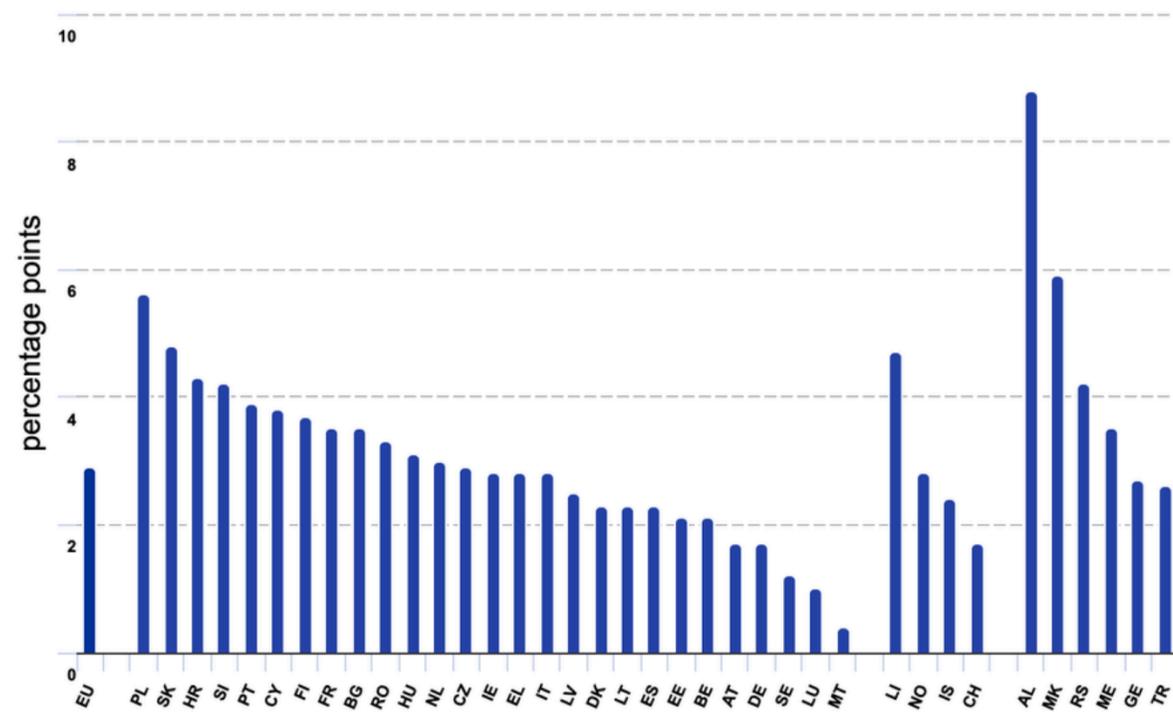
- **Milton Friedman** → welfare programs may reduce incentives

The debate between these thinkers reflects the core question of whether welfare states are sustainable or excessive.

Evidence of Pressure: Demographics and Public Finance

Increase in the share of the population aged 65 years and over between 2015 and 2025

(percentage points)



EU, France, Poland, Romania: 2025 provisional/estimated; EU and Estonia: 2015 break in time series

Source: Eurostat: online data code: - [demo_pjanind](#)

Demographic pressure

- Old-age dependency ratio is increasing
- Fewer workers per retiree
- Pension system becomes financially strained

Fiscal pressure

- public debt \approx 110% of GDP
- Social spending is one of the highest in OECD

Implication:

- Long-term sustainability of welfare financing is uncertain.

Globalization and Economic Constraints

Globalization creates additional challenges:

- tax competition between countries
- mobile capital and firms
- pressure to reduce public spending

Potential consequence:

- Governments may find it harder to finance large welfare systems.

This limits the ability of the state to sustain high levels of social protection.



Why the French Welfare State Is Not Disappearing?

Despite these pressures, the welfare state remains politically strong.

Reasons:

- strong public support
- social expectations of protection
- gradual reforms instead of radical cuts
- welfare state acts as an automatic stabilizer (Keynesian view)

Example:

- Recent pension reforms.



Evaluation

The French welfare state **faces significant but manageable pressures:**

- demographic ageing
- fiscal constraints
- globalization effects

However:

- strong institutions increase resilience
- political support remains high



The welfare state is **not disappearing**, but it is becoming **more constrained and reform-oriented**.

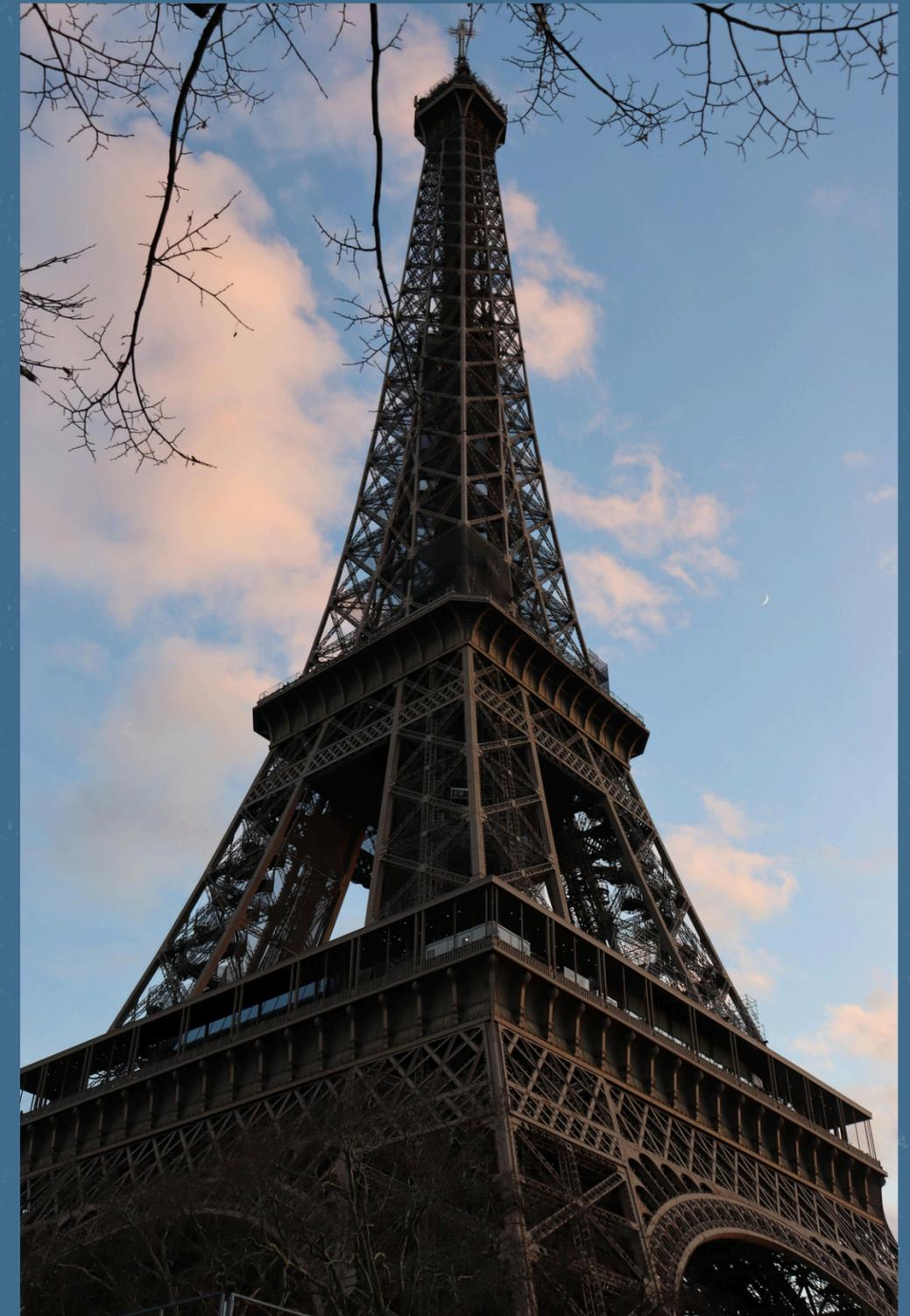
Future adjustments may include:

- pension reforms
- fiscal adjustments
- modernization of welfare programs

Conclusion

Key takeaways:

- France has one of the largest welfare states globally.
- Demographic, fiscal and global pressures create challenges.
- However, the welfare state is likely to evolve rather than disappear.



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