

Economics: a Cure for Pessimism

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In a book devoted to economic anxieties in France, two economists well known in the blogosphere try to make their field accessible while conveying its complexity.

Alexandre Delaigue and Stéphane Méria, *Nos phobies économiques : ces peurs que l'économiste guérit mieux qu'un psy*, Pearson Education, 2010, 224p., 19€

A theory popular in some corporate circles holds that France's poor economic performance can be explained, at least in part, by French people's poor knowledge of economics. Such a claim is not borne out by a serious consideration of the facts. There is no question that French public opinion's familiarity with economic facts and principles is patchy at best. But this situation is hardly unique to France. Americans guess that foreign aid accounts for a quarter of their federal budget, when in reality it adds up to little more than one percent. Moreover, a BVA survey of eight European countries in 2008 concluded that the basic economic knowledge of the French was above average. The British came in right at the bottom.

Economic Pessimism: A French Problem

What is well established, however, is that the French are noticeably more pessimistic than their neighbors, particularly when it comes to economic matters. Alexandre Delaigue and Stéphane Méria open their book by citing a 2009 poll that shows that the French were a considerably less optimistic than other Europeans about the coming decade's economic prospects. A study from late 2010 suggests that the same holds true for the short term: 61% of French people believe that 2011 would be a year of "economic difficulties," which was the largest share of the fifty-three countries considered and well above the international average of 28%.

It is difficult to explain this French peculiarity by invoking economic circumstances. France was, of course, hit hard by the economic crisis that struck in 2008, but production declined less and fewer jobs were shed than in many other major industrial economies. French pessimism seems to be related, rather, to structural features of French society, of which economists have provided abundant documentation in recent decades. From an international perspective, the French are noteworthy for their lack of confidence in institutions (parliament, unions, the judicial system, etc.) and their fellow citizens,¹ with disastrous consequences for social relations in general and work relations in particular.²

French economic anxieties tend to elicit two types of reactions on the part of economic and political elites. The first consists of comparing public opinion to economic statistics, in order to conclude that the French are ungrateful, unusually fearful, or poorly informed. The second, to the contrary, consists on stroking their anxieties by designating scapegoats (the euro, immigrants, globalization, outsourcing, “handouts,” etc.) and proposing simple solutions that provide quick and easy answers to difficult problems.

Taking French Anxieties Seriously

The wager of *Nos phobies économiques* (Our Economic Phobias) is that eight of France’s greatest economic anxieties can be understood without recourse to either of these approaches. On the one hand, the authors’ premise is that French fears, far from being imaginary, must be taken seriously. On the other hand, the solutions they propose are modest in scope. Hence the psychoanalytic language in the book’s title and subtitle, which one might plausibly suspect of being an editorial gimmick. The book’s goal is not so much to offer solutions as to rethink questions—to understand, in a sense, our economic neuroses, the better to live with them.

In this respect, the authors mostly win their wager. This is due in large part to their pedagogical talents, which were already evident to the readers of the website [Éconoclaste](#) and

¹ Yann Algan and Pierre Cahuc, *La société de défiance : comment le modèle social français s'autodétruit*, Éditions ENS Rue d'Ulm, 2007. See, too, the reviews of this book that appeared in *La Vie des idées*: <http://www.laviedesidees.fr/Peut-on-se-fier-a-la-societe-de.html> and <http://www.laviedesidees.fr/Une-histoire-de-la-confiance-est.html>

² Thomas Philippon, *Le Capitalisme d'héritiers : la crise française du travail*, Le Seuil / La République des idées, 2007.

which were discovered by a wider audience in 2008 with the publication of their first book, *Sexe, drogue... et économie*³ (Sex, Drugs, and Economics).

The chapter devoted to rising health insurance costs (entitled “Taking Care of Myself is Becoming a Luxury”) is a striking illustration of the efficacy of this approach. The authors’ starting point is the public’s entirely legitimate concerns about the health care system. Health care costs keep rising. Reimbursements for health expenditures keep shrinking. And health insurance deficits keep growing. Twenty pages and several economic explanations later, readers find themselves persuaded that the growth of health costs and public health insurance deficits need not be problems as such, as long as the health care system is properly organized. Along the way, they will have familiarized themselves with two fundamental concepts in the economics of insurance: moral hazard and adverse selection. They will also have a better understanding of the stakes of the health care reform adopted in the United States in 2010.

Most other chapters are just as finely crafted. “Bankers Will Ruin Me” (*Les banquiers me ruineront*) is unquestionably one of the best overviews available in French on the origins of the 2008 financial crisis and on current debates about reforming the financial system. “My Purchasing Power Has Disintegrated” (*Mon pouvoir d’achat s’est volatilisé*) lucidly demonstrates the impossibility of establishing a measure of price changes that matches each individual’s subjective experience. Finally, “Unemployed or Depressed?” (*Chômeur ou dépressif*) offers a thorough array of theories that have been advanced to explain France’s high levels of unemployment over the past thirty years.

A Celebration of Complexity

Needless to say, the authors’ approach has its shortcomings. Their eagerness to accommodate conventional wisdom leads them, in some instances, to oversimplify the facts. To say, for instance, that since 1980, the French unemployment rate never once fell “below 8.5%” is inaccurate. Even if one includes the overseas departments, unemployment was lower in 2001-2002 and 2007-2008. Contrary to the authors’ contention, moreover, income in France did rise at a faster rate than prices over the past decade: according to the INSEE’s figures, between 2000 and 2010, *average* purchasing power grew by 12.7% per capita. This amounts to an unspectacular but not negligible increase of 1.2% per year.

³ Alexandre Delaigue and Stéphane Méria, *Sexe, drogue... et économie: pas de sujets tabous pour les économistes !*, Pearson, 2008.

Furthermore, the vast proliferation of references to recent work in the social sciences, which is one of the book's greatest strengths, can at times leave the non-specialist feeling disoriented. Does the average reader, for instance, grasp the meaning of "skill-biased technological change" or realize that the ability "to create your own economy" is an allusion to a recent book by the American economist and blogger [Tyler Cowen](#)? Finally, one wishes, at times, that the authors had endorsed specific policies when they deemed the arguments in their favor sufficiently compelling. The chapter devoted to unemployment is, in this respect, particularly wishy-washy, though the authors strongly imply that they favor greater labor market flexibility.

A more serious regret is that the chapters are of unequal quality. The authors' approach is typically wonderful when it relates to purely economic matters. But they find themselves on shakier grounds when, armed with the latest social science research, they challenge the concept of gratuity and epidemics. The final chapter, which appears to have been imposed by an editor because of the topical nature of H1N1 (the book came out in April 2010, but its themes were defined in the summer of 2009), is particularly disappointing. First, the abundant scholarly references turn it into an incoherent and ultimately aimless catalog. More importantly, the authors reveal an insensitive streak that is all the more regrettable in light of the seriousness of their subject matter and their target audience. To refer exclusively to the bookkeeping gains (i.e., reduced spending on retirement and health) of an epidemic that is "particularly deadly for old people" is, to say the least, awkward. The difficult question of the monetary worth of human life also merits more delicate consideration: though their approach is entirely conventional, the authors' formulation of the problem ("if a person accepts five hundred dollars in exchange for a 1/10,000 decline in her survival prospects, this means that she is willing to die for five million dollars) could shock the unsuspecting reader.

These reserves aside, *Nos phobies économiques* is a much more accessible and efficient introduction to major economic issues than many books that make this their primary goal. The American journalist Henry Louis Mencken used to say: "For every complex problem, there is an answer that is clear, simple—and wrong." This book's paradoxical merit is not so much to make economics simple as to convince the reader of its complexity.

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