

## [Quick reactions to the French economic plan](#)

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The three legs, climate, competitiveness (helping firms), cohesion (helping people) make good sense. The amount committed, 100 b euros on top of what has already been spent is substantial. But (there is always a but...) help to firms is largely in the form of a decrease in taxes on output ("impôts de production"). These are indeed not great taxes, as they must be paid independent of profit. Removing them is good for firms and for employment. But what is needed for the time being is different.

I believe there were better ways to do it. For example, wage subsidies (which Jean Pisani-Ferry, Thomas Philippon and I argued for) to COVID affected firms, the approach taken in the UK, or paying for fixed costs for COVID affected firms, the approach taken in Germany.

Green investment is highly desirable. The problem is that either the money is spent quickly, and probably partly inefficiently, or it is spent more slowly, may do good for the environment but is unlikely to help the recovery very much.

From a macro viewpoint, what is needed in the next few months, and is not part of the explicit plan, is a tool to maintain overall demand, were it to turn to be too weak. Demand may be weak or not. We (I) do not know:

If infection rates increase again, I suspect worries and precautionary saving will dominate, investment will be weak as firms will want to see more clarity before moving, and even the 100 b euros in the plan just released may not be enough to sustain demand.

I would have liked to see a contingent measure ready to deal with the shortfall, were it to arise. It may come if needed. It would have been nice to have it in the announced plan.

It is primarily help to those firms most affected by COVID. What is offered is too generous to some, and unlikely to be enough for many others. I am worried about a wave of bankruptcies of SMEs in the fall.