

Towards a major fiscal reform – at last!

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At the start of the week, Jean-Marc Ayrault announced an overhaul of the French tax system that would involve, among other things, a reconciliation between income tax and the CSG wealth tax. The OFCE will definitely take part in this debate, one that it has already tried to shed light on many times, in particular on the occasion of a [special “Tax Reform” issue of the Revue de l’OFCE](#), edited by Mathieu Plane and myself, and published in April 2012.

Several contributions [all in French] can be mentioned: Jacques Le Cacheux’s article in the *Revue* discusses the purposes and methods of tax reform (“[Sustainability and economic justice](#)”), while reviewing what the fundamentals of fiscal policy actually are. Nicolas Delalande conducts a historical analysis of resistance to tax reform and assesses the constraints on the development and implementation of reform (“[The political economy of tax reform](#)”), all of which seem to be topical subjects today. He stresses that: “Indeed, it may be more difficult to bring together positive support for a measure than to temporarily rally disparate opponents with sometimes conflicting motivations, especially if this involves creating new taxes or affecting established situations.” Mathieu Plane raises the question of the consequences of a tax increase (which did indeed occur in 2012-2013): “In a context of rising unemployment, will it be possible to generate a new large-scale fiscal shock without plunging France into a new crisis? The determination to reduce public deficits solely through structural adjustment is hurting growth and unemployment” (“[Public finances: towards a new tax increase?](#)”). While the government is now announcing it wants a reform that does not change the tax burden, the

question of the impact of fiscal adjustments (this time through cuts in public spending) on growth and, ultimately, the social acceptability of a structural reform of the tax system is still posed for the period 2014-2017. Will the government be able to implement a structural reform in a context where unemployment is high and not falling?

The merger of the CSG tax and income tax raises a number of questions that were already discussed in an article in the *Revue de l'OFCE* in 2007 ([“Towards the merging of income tax and the CSG?”](#)). The legislature needs to decide the issue of either joint taxation of spouses or individualisation for the merged tax as well as how to take children into account ([“Should the family quotient be defended?”](#)). This is a particularly sensitive topic, as it affects the representation of the family and the relationship between the State and the family. It has been the subject of controversy even within the OFCE ([“Reforming the marital quotient”](#), [“In defence of the family quotient”](#)).

By intermingling private interests (what charges for which households?) and social interests (what instruments for what purpose?), the tax issue has always been at the centre of democratic debate. The role of the OFCE is to contribute to this debate with solid arguments backed by data. OFCE researchers will continue to offer their own vision of a “good” tax reform, while discussing its objectives, impact and sustainability in a transparent and rigorous fashion.