

## France's Hollande Goes Wrong Way On Retirement Age

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**Socialism:** The French got what they asked for when new President Francois Hollande lowered the retirement age Wednesday from 62 to 60. This is the sort of thinking that has and always will doom socialist systems.

Hollande's decree undoes the judicious work of Nicolas Sarkozy, the president Hollande defeated a month ago who raised the retirement age from 60 to 62 in 2010. A prudent act, that was met with days of riots, has been replaced with a foolish one.

But why stop at 60? If early retirement is so desirable, why doesn't the Socialist Hollande drop the age to 55? Or 50? Or even 40?

As it is with all wealth redistribution schemes, some will benefit while others pay for Hollande's change. One estimate has the lower age costing the French fisc \$3.7 billion a year beginning in 2017.

But that projection is like all other government program estimates: It's guaranteed to be far short of what will really be spent.

Supposedly the added cost will be funded by a 0.1 percentage point hike in the payroll tax. But it's naive to think that's sufficient. The demographics are bleak.

For instance, by the middle of this century, "every French working couple will have to carry one retiree on their backs as France's public debt hits 337% of GDP," the Cato Institute's Gene Healy writes.

The pension time bomb is ready to explode all over Europe. Aging populations are becoming more dependent on shrinking working-age populations, which shouldn't be a surprise. In 2004, the European Commission put France on a black list of nations that were at "risk of unsustainable public finances."

The French said at the beginning of the century that they would address the problem. But aside from Sarkozy's modest effort that was overturned by Hollande, nothing has happened. Europe's pension time bomb ticks ever closer to detonation.

The U.S. can avoid a similar fate. The solution isn't radical change but a smooth transition to a system in which part or all of the payroll taxes are invested in personal, private accounts.

Change will be resisted. Because privatization works.

Consider Chile, the first nation where privatization has had a chance to take root. Retirees there who hold private accounts have returns 40% to 50% higher than those in the public system, and private disability and survivor pensions are 70% to 100% higher. Capitalism creates flowing abundance while socialism produces aching scarcity.