

## Even worse than a fire:

What the debates following Notre Dame's partial destruction tell us about society, and why we should react

Action Institute

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## Introduction

In the aftermath of the fire that severely damaged Paris' Notre Dame Cathedral, the mourning has been mitigated not only by the fact that this monument of French and European spirituality and history was ultimately saved by the firefighters, but also by the stunning amount of funds already pledged for the reconstruction of its destroyed parts: at least 750 million euros. Notably, French tycoons participated with hundreds of millions each: the Arnault family (LVMH), the Bettencourt family (L'Oréal), the Pinault family (Kering).

The cynical might surely doubt the good faith of these donations, and suspect a marketing and PR investment. Though, motives are unknowable, and, even if such an objection were true, it might serve as evidence that, in a market economy, the pursuit of shareholders' value creation can also manifest itself through philanthropic efforts, especially in an age when information is immediately and extensively spread and consumers' purchasing decisions are influenced by companies' broader societal role.

Apart from that, and from rejoicing in this prompt and generous reaction to a dramatic event, there would seem to be very little to add. Very little to add indeed almost anywhere in the world, except in France.

### 1. It isn't easy to be rich in France

Firstly, charitable donations are tax deductible: French tax laws include a 66% tax reduction for individuals, capped at 20% of taxable income, and a 60% tax reduction for companies, capped at 0.5% of turnover. Some critics claim that, as a consequence, a large part of the Notre Dame donations will actually be provided by the state (all taxpayers) rather than by the donor. This line of reasoning obviously does not consider that - generally speaking - tax deductions for charitable donations are allowed not because legislators feel particularly magnanimous, but because, without private contributions, the government would likely have to foot the whole bill. This is particularly true in our case, since, as a remnant of anti-religious revolutionary zeal, the French government and other public entities are in the peculiar position of actually owning all the churches built

before 1905, and are therefore responsible for their maintenance: without private contributions, the onus to rebuild Notre Dame would really fall fully and directly on the state.

Secondly, raising so much money to help rebuild a cathedral seems inappropriate to some, including Philippe Martinez, head of France's largest trade union (CGT): they believe that the funds would be better spent for other, supposedly worthier, causes. This stance in part reflects Marxian materialism and its dismissal of the supernatural (Notre Dame being not only a national monument, but also - and primarily - a Catholic cathedral), as well as a lack of acceptance of private property and the ability to use it however it pleases its owner. In part, it is the attitude of criticising either for the sake of it (i.e., bitterness derived from envy), or for ulterior - less than noble - motives: it is the same criticism that Judas Iscariot manifested to St. Mary of Bethany, when she poured a very expensive perfume on Jesus' feet: "Why wasn't this perfume sold and the money given to the poor? It was worth a year's wages" (John 12:5). Jesus praised Mary for her actions, while rebuking Judas, who - as St. John the Evangelist reveals - actually wanted the perfume to be sold only because he kept the common purse and stole from it.

Finally, the donors' generosity has been used against them, according to another quite twisted argument: Ingrid Levavasseur, one of the leaders of the "gilets jaunes" movement, which still has relevant popular support after causing disruption and chaos for over six months, claims that large donations from French tycoons are a proof that inequality in the country is at unacceptable levels, therefore reiterating her call for higher taxes on the rich.

It is not clear at all that, under certain circumstances, inequality should be undesirable, as we will see in a bit. In any case, France is not a country with comparatively high income inequality metrics: even by just considering Europe, where Gini indices are on average lower than in other regions, France appears to be only the 15th most unequal out of 39 countries, according to the World Bank, with an inequality level similar to those of Ireland and Germany, and lower than those of Spain, Italy, the UK, and Switzerland. More than that, France is already the developed country with the highest percentage of government expenditures (56% of GDP), and - as a consequence - it is characterised by

one of the highest tax burdens (44% of GDP). As a comparison, the respective numbers in the United States are 42% and 25%.

Yet, François Hollande won the 2012 presidential election also by flirting with extreme taxation proposals. When in office, he actually implemented a 75% marginal income tax rate, starting at one million euros, even though the unfortunate experiment ended shortly thereafter, when it became apparent that the exodus of high-income taxpayers had caused government revenues to drop. In retrospect, it seems quite obvious for Laffer's curve to have a downward slope at such high rates, but, just a few years after Hollande's debacle, Jean-Luc Mélenchon, leader of La France Insoumise, received around 20% of the votes in the first round of the 2017 presidential election, with a platform advocating a 100% marginal income tax rate, starting at four hundred thousand euros. Mélenchon's position was purely ideological; he could not care less about the economic impact of such a measure, as he explained: "I believe that there is a limit to the accumulation [of wealth]. If there are any who want to go abroad, well, goodbye!". Later that year, he was elected to the National Assembly, by winning his seat in Marseille.

## **2. How claiming tax deductions can be heroic**

If French tycoons and their companies offered to help reconstruct Notre Dame with the aim of showing they are good (corporate) citizens, they obviously made a mistake: their gesture attracted bitter reactions from not immaterial sections of society, and potentially backfired, so that, in order to avoid further controversy, both the Arnault and Pinault families publicly announced that they would not claim any tax deduction related to these donations.

Such capitulation to unreasonable criticism should prompt all that believe in a free market economy to reflect deeply. As we noted, France already features one of the highest tax burdens in the world, but a part of its population calls for even higher taxes in the name of equality.

This is the symptom of a malaise that affects countries characterised by high taxation and government spending, where the problem is not only related to economic

wellbeing, but - even more importantly - reaches the moral fabric of society. In fact, people have, on the one hand, little hope of improving their material condition through hard (and smart) work, since in any case much of the potential profit would be paid out in taxes<sup>1</sup>, and, on the other, they feel they have the right to live decently off their fellow citizens' work and resources<sup>2</sup>. The larger the number of individuals depending on government transfers, the larger the government will grow, given that there will be an increasing majority of voters supporting more taxes imposed on the minority. But that minority will reduce the amount of work and resources invested in the country, try and find (hopefully lawful) ways to avoid paying taxes deemed unjust, and eventually leave to more friendly jurisdictions. Government revenue will collapse, and the angry majority will advocate for even higher taxation on the thinning minority. We can then observe a vicious circle: in any case, the result will be a (statically) less unequal, but poorer, less mobile and less optimistic country, with high levels of social envy and conflict.

Wouldn't it then be worth having a more unequal, but more dynamic society? As noted by Nassim Nicholas Taleb in his latest book, "Skin in the game", "only 10 percent of the wealthiest five hundred American people or dynasties were so thirty years ago; more than 60 percent on the French list are heirs". Also, even though inequality is (statically) relatively high in the United States, 56% of Americans will be in the top 10% of the income distribution at least one year in their life.

With this in mind, a provocative but sensible proposal to French tycoons would be the following: if you want to give one hundred million euros of your own money to help Notre Dame, actually donate three hundred million and fully take advantage of your tax deductions to get the government pay the difference (assuming a 66% deduction and that the deduction cap is not reached)<sup>3</sup>. This way, you will help two noble causes: the

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<sup>1</sup> It has to be noted that high and progressive taxation not only discourages work in general, but risk taking and bolder ventures in particular: two people earning the same amount of money over a ten-year timeframe might end up paying very different tax bills, with the one having a more volatile income likely being unfairly penalised compared to the one having a more stable income

<sup>2</sup> At the same time, the rich are not even praiseworthy for helping the poor, given that the transfer of resources through taxation is compulsory

<sup>3</sup> Given that the cost of rebuilding Notre Dame has not been estimated with a decent approximation yet, it is possible that donations will exceed the amount actually necessary. This should not be a problem: donors

reconstruction of an important cathedral and symbol of our civilisation, and a reduction in the size of the government (“starve the beast”, the Reaganite would say). Be as unapologetic as Trump was during the first presidential debate in 2016: when Hillary Clinton accused him of paying no federal income taxes due to a broad use of deductions and other loopholes, he essentially replied that he could employ his own wealth more efficiently than the government: “It would be squandered [by the government], too, believe me”.

Such a stance by French tycoons would be very unpopular, and they would probably face ostracism: sometimes doing the right thing requires heroism, and in this case it would most likely help ignite a healthy and necessary debate on the direction of society, whose relevance goes far beyond national borders. Facing the controversy arisen on his family’s pledged donation, Bernard Arnaud observed that “there’s some pettiness and jealousy in the air, instead of people thinking about the general interest. In many other countries, we’d be congratulated”. He is right: he should walk the talk, and proudly claim his well-deserved tax deductions.



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can release their pledged sums gradually over time, only if needed, or otherwise designate a secondary worthy cause to be funded once the Notre Dame reconstruction project has been completed