Foreign Policy Research Institute

E-Notes

A Catalyst for Ideas | Distributed via Email and Posted at www.fpri.org | April 2012

THE 2012 FRENCH PRESIDENTIAL ELECTION AND THE FUTURE OF THE FIFTH REPUBLIC

By Andrew Glencross

Dr. Glencross is a lecturer in international relations at the University of Aberdeen in the United Kingdom.

In 2007 Gaullism gained a new avatar: Nicolas Sarkozy. His election to the French presidency was based on a carefully orchestrated campaign to update this center-right ideology associated with French grandeur, a *dirigiste* industrial policy, and European leadership. Five years on the French economy limps along with anemic growth, public finances and the external balance of trade are woeful, whilst Angela Merkel calls the shots in the European Union. This is a dismal record, coming on the back of three decades of budget deficits and eroding global influence -- so dismal, in fact, as to question both whether the Fifth Republic created by de Gaulle is fit for purpose and what Sarkozy or his main competitor, François Hollande of the Socialist Party, can do to rescue it.

SARKOZY'S RISE TO THE TOP

As befitting his (central European) immigrant background, Sarkozy pledged to open up the higher echelons of political life to minorities. This was part of a wider strategy of "rupture," intended to make France more dynamic by loosening state regulation and lowering taxation. The mantra of "working more to earn more" specifically targeted the 35-hour working week introduced by a socialist government during cohabitation with previous president Jacques Chirac. As interior minister for the hapless Chirac, Sarkozy could scarcely conceal his presidential ambitions. Nowhere was this more evident than in his vituperations against illegal immigration and radical Islam, calibrated to demonstrate his preoccupation with preserving an older sense of French identity. With nearly 17 percent of the electorate having voted for far-right candidate Jean-Marie Le Pen in 2002, Sarkozy understood well the parameters within which he could establish majority support for a policy of rupture.

The difficulties of realizing this policy program, even with a legislative majority, have left the incumbent president fighting for his political life. Certain major public sector reforms have been completed: the merger of the enormous tax assessment and tax collection bureaucracies, extension of the retirement age, and granting universities financial autonomy. Yet voters are more inclined to see the visible signs of failure in the economic sphere. Taxes have increased, promises to enhance purchasing power proved empty, France's credit rating has been cut (with a further downgrade likely), and youth unemployment remains stubbornly high—a reflection of the 17 percent growth in overall unemployment during this five-year presidential term.

Presidential personality is also proving an electoral millstone. The abiding image of the administration's first years was a frenzy of policy announcements delivered to the television cameras from the four corners of France, and beyond, whenever a problem raised its head. Such hyperactivity led the press to label Sarkozy the *omniprésident*. This desire for media attention was intended to showcase his ability to get France moving in a new direction but revealed rather a state of agitation, with ministers and press officers scrambling to clarify policy statements. Amongst ordinary voters, however, the moniker that has stuck is that of "President Bling-Bling"—a reference to his penchant for ostentation as well as to his social circle of moneyed friends and celebrity supporters.

A similar accusation would certainly have stuck to the Socialist Party's most probable presidential candidate, the wealthy and charismatic Dominique Strauss-Kahn. He was the rival Sarkozy most feared, which is why he was dispatched to Washington D.C. to head the International Monetary Fund. DSK's undoing was supposed to be Sarkozy's boon (at the heart of the DSK scandal is the Sofitel Hotel in Manhattan, owned by a large French company, fuelling conspiracy theories about a covert government-sponsored entrapment operation). The Socialist Party's primary elections saw a convincing win for Hollande, a career politician infamously dismissed as fit only to "captain a pedal boat" by one of his socialist rivals. Yet opinion polls have proved resoundingly positive for this stolid yet likeable character. His proposals to raise a 75 percent income tax on the super-

rich, increase public sector employment and reduce the austerity burden confronting ordinary citizens by renegotiating the EU's new fiscal treaty curry favor with disgruntled centrist voters.

In response, the president is resorting to asking voters for a second five-year term in order to make good his project for reforming France. The model for this reform is now Germany, with its enviable record of fiscal discipline, lower unemployment, and lucrative trade relationship with Asian economies. To remake France in a German image, Sarkozy is proposing a return to Gaullist methods: the referendum. This was the device used by de Gaulle both to ratify the constitution that created the Fifth Republic in 1958 and to introduce, subsequently, direct election for the presidency. If granted a second term the intention would be to hold a referendum to reform the unemployment insurance system. This reform would oblige those out of work to undertake training or take a public interest job, failing which they would be cut off from welfare.

Underlining what is a dual electoral message about work and national identity, the president has also floated the idea of allowing citizens to vote on granting the suffrage to foreigners for local elections—a reform advocated by Hollande. The question of municipal voting rights subsequently became linked to a remarkable furor over allegations that halal meat is being sold unmarked to unsuspecting French consumers. A senior government figure in Sarkozy's ruling party suggested foreigners could use local elections to force the secular schools of the republic to serve halal meat in their canteens. As a wedge issue to separate the main candidates—whilst also courting votes from those sympathetic to the far-right Front national—the decision to weigh in on the halal controversy is unsurprising. Yet, given the amount of initiatives and time the President has devoted to reconciling Islam with French republican principles, beating this particular drum risks showing voters the continuing shortcomings of France's approach to integration.

Indeed, the investigative aftermath of the horrific lone-gunman terrorist shootings is casting the spotlight not only on the effectiveness of French counter-terrorism but also on the radicalization of a young man (possibly his brother too) born and educated in the republic. Whatever the concerns surrounding the security services' role, the fear that will prey most on the minds of the electorate is that of an enemy from within. In this context it is not hard to imagine frustrated citizens preferring to support a radical break—pro- or, more likely, anti-immigrant—with a failed system of integration.

WHAT WENT WRONG?

For the past three decades French governments, regardless of party ideology, have been waiting for economic growth to balance budgets and fund spending commitments. They might as well have been waiting for Godot as the reality is that French national debt has quadrupled since 1980. Unlike in the United States, this debt orgy is not the result of defense expenditure or an aggressive political campaign to reduce the tax burden. Whether out of a Keynesian belief in stimulating demand or because of the domestic political costs of cutting spending, French politicians have chosen to borrow in order to finance levels of public expenditure that are only sustainable in the long run through improved economic growth.

A key corollary of this strategy was European integration. European economic and monetary union, signed into the European Union's founding treaty in 1992, was intended to provide the growth necessary to stop resorting to deficit financing. The Euro appealed to French policy-makers because it promised to eliminate currency-related transaction costs and reduce trade volatility based on fluctuating exchange rates. However, the benefits to French exporters never materialized, even in an enlarged EU. Many lay the blame on rising labor costs as compared to Germany, with the effects magnified now that both share a currency. In 2011, France's trade deficit reached a historic high of 70 billion Euros, illustrating not just a lack of competitiveness for intra-EU trade but also an inability to break into markets in emerging economies. Here the contrast with Germany is particularly stark. Angela Merkel can boast of a trade surplus of over 150 billion Euros in 2011 whilst growing economic ties with China means the size of this trade relationship is soon set to surpass that with France.

This lackluster economic performance constitutes a serious blow to the Gaullist policy of championing industry via public contracts for companies, which would then go on to export domestically-developed products. Demand for French nuclear power plants, high-speed trains, military aircraft and the like has suffered due to increased international competition in these areas. Besides the obvious downsides of interference with corporate governance and decision-making, *dirigisme* has floundered by over-investing in large-scale companies. This has come to the detriment of promoting finance and training for owners and workers in small and medium-scaled companies. A look across the Rhine is again enlightening in this respect: there it is clear that this sector, the *Mittelstand*, is at the heart of high-valued added, export-oriented job creation and growth.

Economic under-performance only goes so far though in explaining the failure of French leadership within the EU. Although a very reluctant supporter of supranational political integration, de Gaulle realized that closer ties with Germany could act as a multiplier for French diplomacy. The last such instance was probably the push for the European single currency during the presidency of François Mitterrand that strangely Gaullist socialist. Since that time, it is the United Kingdom and Germany that have left a decisive imprint on European integration—to the detriment of French projects.

In the face of French skepticism, the United Kingdom won the argument for a large expansion of the EU into Central and Eastern Europe in 2004. This move brought into the fold a number of countries enthusiastic about NATO and the

transatlantic relationship at a time when Jacques Chirac was expostulating about US hegemony. British policy-makers also saw EU enlargement as a way to keep the EU focused on liberalizing trade and stimulating growth. The addition of countries hostile to clumsy state intervention in the economy could thus serve as an antidote to French ambitions to create a more protectionist bloc.

German firms took advantage of historic and cultural ties to compete successfully for business in new EU member states. More surprisingly, diplomatic relations between Berlin and capitals further east have blossomed. Nowhere is this more evident than in Poland. In 2003 a row over national voting rights in the EU system spilled over into bitter recriminations over what Nazi occupation had done to Polish demographics. By contrast, the current Polish foreign minister admits to fearing German power less than German inaction over the Euro crisis. Buoyed by this support from new member states, the German Chancellor has presided over a fundamental change to the EU system, with Sarkozy playing second fiddle but desperately seeking to craft an image of co-leadership.

The essence of the new EU fiscal compact is a further bailout of Greece (not legally permissible under the existing rules) in return for an enhanced mechanism to police fiscal discipline within the Eurozone. If put into practice—highly debatable given the ineffectiveness of the previous such arrangement—this of course will spell the end of France's decades-long debt expansion. With Germany having already added a balanced budget constitutional provision in 2009, the onus is on France to do the same to render its EU commitments more credible. Naturally, cutting spending and balancing the books will mean incurring significant political costs. The fact that this sea change in French public policy is the result of external constraints imposed through European integration should serve as the obituary notice for Gaullist pretensions.

LOOKING FORWARD

Nevertheless, Sarkozy has gone on the offensive to win back diffident voters by pledging to re-affirm French leadership in Europe. In a recent stump speech he trod familiar ground by hectoring the EU to introduce a "buy European" law for public procurement. Indeed, he accompanied this with a threat that, should this legislation not be forthcoming, within a year France would introduce unilateral protectionist measures. Hollande is playing the same game by promising to renegotiate the new fiscal compact so as to allow France (and other EU countries) more breathing space for balancing their budgets. In other words, old habits die hard amongst a political class uncertain—despite all the talk of rupture or Holland's campaign unoriginal slogan of "change"—of how to conduct meaningful socio-economic reform.

The two main political parties thus remain wedded to an institutional system no longer capable of fulfilling the hopes once invested in it. Yet it is probably a mirage to think that institutional reform will solve the problems besetting the Fifth Republic. This logic of tinkering has already been applied to no avail. In 2002 the presidential term was reduced from seven to five years to reduce the chance of cohabitation and make government more coherent. The unspectacular results of this new arrangement suggest that the area where change is most necessary concerns the political narratives peddled by elites.

In particular, whilst the rest of Europe faces an existential crisis over renewing the social contract between states and citizens, it seems absurd to keep propounding the myth of a uniquely successful French social model. Mythologizing the policies associated with France's post-war economic boom goes hand in hand with desperate attempts to blame current woes on assorted external threats that must be counteracted. A model that has relegated immigrants to the physical periphery of large cities, privileged pensioners and older workers above the aspirations of young people, and stifled entrepreneurship certainly requires a more honest self-examination.

Currently, what political candor that exists is relegated to the margins in the form of third-party candidate François Bayrou. He articulates a message that crosses Ron Paul's libertarianism with Ralph Nader's social conscience, notably by excoriating the complacency of the dominant parties and identifying the shortcomings in France's social model. Bayrou is hoping to do better than his 18.5 percent in the first round of the 2007 election, allowing him to influence the policy platform of the eventual winner. Unlike in 2007, however, in this campaign the surprise third-party candidate is Jean-Luc Mélenchon, who is currently wooing socialist voters with his promises to re-establish the 35-hour work week, provide a generous increase in the minimum wage, and return the retirement age to sixty. The popularity of this unfunded program, which is pressuring Hollande to move to the left, suggests political candor about the fiscal state of the Fifth Republic is not much of a vote-winner in 2012.

Whoever wins the top job will do so using promises about growth, debt reduction, and better social integration. Failure to deliver on these—the more likely scenario in the context of a general Eurozone downturn—will further fuel citizens' disappointment with a Republic that has kept the Gaullist rhetoric minus the accomplishments. The forthcoming five years thus augur increased popular frustrations. As politicians' impotency is further revealed, the temptation for a more extreme break will rise; after all, France has a venerable tradition of such genuine ruptures.

For more information, contact Eli Gilman at 215-732-3774, ext. 255, email fpri@fpri.org, or visit us at www.fpri.org.