

SURVEY: FRANCE

The art of the impossible

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A morose France has fallen behind its competitors. But there is nothing inevitable about its decline, argues Sophie Pedder: all it needs is political will



Bridgeman

"SOMETHING seems very wrong with this country. Once the very model of a modern major power—stable, rich and smug—it appears beset now by political and economic instability and by civil unrest and disorder. One observer has even taken to calling it 'the sick man of Europe'. Hardly a month passes without the appearance of a new book or learned article on the decline and imminent demise of a once proud country."

Alarmist talk about France has become commonplace. Home-grown titles such as "France in Freefall", "Gallic Illusions" and "France's Malheur" crowd the bookshelves. Politicians hold seminars with titles such as "The Origins of the French Disease". "Declinism" has become a school of thought. Pessimism prevails. Fully four-fifths of the French tell pollsters that they think "things are getting worse."

But the opening quotation, seemingly so apt for morose France today, is not about that country at all. It was written in 1979 by Isaac Kramnick, an American political scientist, and refers to Britain.

The 1970s were Britain's decade of self-doubt, not so unlike the first decade of the 21st century is turning out to be for France. The country was paralysed by a sense of terminal decline. The mainstream left was beholden to its militants, union friends and class warriors. Politicians were preoccupied by the distribution of wealth, not its creation. Strikes were as crippling as taxes. Industrial jobs were going to lower-cost countries and academic brains to America. Britain was uncomfortable about its place in the world.

Now it is France's turn. The country is gripped by a belief in its own decline. It sees itself as a victim of globalisation, regarding markets as a threat and profits as suspicious. It has a short working week, militant unions and high unemployment. The opposition Socialist Party, in its official programme for next spring's presidential and parliamentary elections, pledges to renationalise the electricity utility, raise the minimum wage, enforce the 35-hour week more vigorously and reverse tax cuts.



Moreover, the creed of anti-liberalism and anti-globalisation is shared by both left and right. The centre-right government of Dominique de Villepin is irredeemably protectionist, fending off foreign predators at every turn. The president, Jacques Chirac, a Gaullist descendant, has called liberalism a greater menace for Europe than communism. France is troubled by its diminished voice in the world and fretful about immigration at home. Fear of change is pervasive.

Just as Britain battled through its winter of discontent in 1978-79, when rubbish went uncollected, school gates unopened and ambulances undriven, France has fought its way through a series of social upheavals in the past 18 months. First, its electorate revolted over the European Union in May 2005, rejecting a new constitution for the European project that its own countrymen co-founded. Next, its multi-ethnic underclass revolted against exclusion, with 20 consecutive nights of rioting in nearly 300

banlieues across the country, forcing the government to declare a state of emergency. Most recently, its students and unions revolted against insecurity, holding countrywide strikes, university sit-ins and protest marches to contest a plan to make it easier to hire and fire the under-26s.

Some historians trace this turbulence and fiery rejectionism back to the collective spirit of the 1789 revolution and the French fondness for the drama of confrontation (as in 1830, 1848 and 1968). Others suggest that these events are symptoms of a dysfunctional democratic system in which the street is a more efficient theatre of protest than parliament.

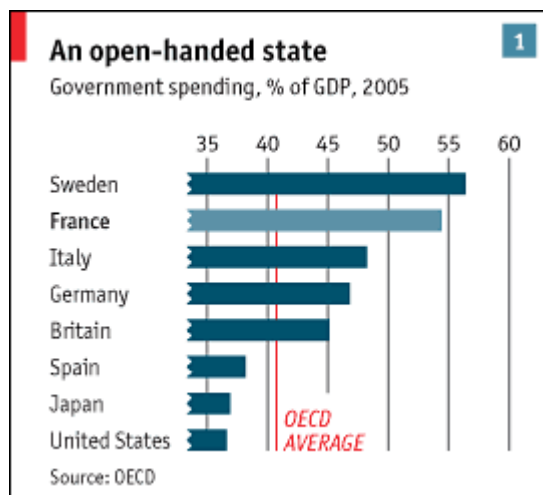
Popular malaise has certainly been simmering for a while. Since 1978 the French have not re-elected an incumbent government. They have gone through 12 prime ministers when over the same period Britain and Germany have each had a mere four heads of government. When the far-right Jean-Marie Le Pen was voted into the 2002 presidential run-off against President Chirac, it was an early distress signal. That vote was partly against immigration, a theme the National Front leader has long exploited. But it was also a protest against what the republican French, with a disarming nod to elitism, call the "political class": the cosy governing caste in Paris. In that election, 35% of the votes went to the political extremes or protest parties on the left and right. The message to mainstream politicians was plain: we've had enough of your empty promises.

Three reasons for gloom

Why are the French so restless? The answer is threefold. First, their economy has lost ground. For example, France's GDP measured at current exchange rates has been overtaken by Britain's, which is now 5% bigger (even though the two countries' populations are much the same). Back in the late 1970s it was the other way round: the British economy was only three-quarters the size of the French one. Over the past 25 years, in terms of GDP per head at current exchange rates, the French have dropped from seventh place in the world to 17th. Even allowing for things France does well, such as health care and welfare, the 2005 United Nations Human Development Index ranked it 16th, down from eighth in 1990. The French feel the slippage keenly. Polls show that "loss of purchasing power" is one of their top concerns.

Second, France's heavily planned economy has reached its limits. In the past, the French dirigiste model, which relies on a strong centralised state in the pre-revolutionary tradition established by Jean-Baptiste Colbert, Louis XIV's finance minister, served the country well. It speeded up reconstruction after the second world war. It delivered the *trente glorieuses*, or 30 years of post-war prosperity. And it laid the ground for the rapid transformation of the economy into an industrial powerhouse.

Even today, elements of dirigiste planning have helped to set France up for the modern age. Its high-speed TGV train network reaches into new corners each year: to Strasbourg in 2007, from Lyon to Turin by 2018, with projects to extend lines to Bordeaux, Rennes and Perpignan. As Thierry Breton, the finance minister, points out, France's early decision to invest in nuclear energy, which accounts for 78% of its electricity production, has turned a country short of fossil fuels into a net electricity exporter.



Yet the planned society relies crucially on an intelligent and efficient state, and over the years the French version has become untenable: too many bureaucrats, supported by too many taxes, impose too many rules in too many overlapping organisations. Despite all this effort, there is little sign that the public sector in France is any more efficient than in other rich countries. French public spending accounts for 54% of GDP, compared with an OECD average of 41% (see chart 1). One in four French workers is employed by the public sector. Public debt amounts to 66% of GDP, compared with 42% in Britain, and over the past ten years has grown faster in France than in any other EU-15 country. The baby-boom generation is leaving behind a poisoned legacy: as the title of a recent book puts it, "Our Children Will Hate Us".

Too top down

Moreover, in such a hierarchical system people too often expect solutions to be provided from the top. For example, whereas Google was devised by two graduate students at Stanford University, a rival search engine with the unpronounceable name "Quaero" was ordered by the French government from, among others, two big French companies, Thomson and France Telecom. CNN was founded by Ted Turner, an American entrepreneur in Atlanta; a new French challenger to the cable television network, France 24, which is due to start broadcasting shortly, was invented by Mr Chirac and is financed with government money.

The problems have been building up for some time. Thirty years ago, Alain Peyrefitte predicted that the *mal français*—essentially, a bureaucratic mentality—would stifle creativity and innovation and entrench resistance to change. Another critic wrote in 1994 of a “France suffering from a more profound sickness” than anybody then imagined: a “heavy and inert” state machinery that, if unreformed, would “block the evolution of society”. The prescient author? Mr Chirac.

Even so, politicians have consistently failed to explain to the citizens why the country cannot afford to go on as before. This is the third source of French electoral dissatisfaction. Instead of making the case for change, successive politicians have preferred to blame, and thus to discredit, outside forces—usually Europe, America or globalisation. “The French political class has constructed a wall of lies against the globalised world,” comments Nicolas Baverez, author of “France in Freefall”. No wonder there is no consensus for reform.

Yet this survey will argue that French decline is not inevitable, any more than British decline was inevitable in the 1970s. There is nothing that necessarily predisposes the French to conservatism or resistance to change. Just because political leaders in the past have failed to push through bold reforms—Mr Chirac himself, in 1986-88; Alain Juppé, a former prime minister, in 1995—does not mean that the country is unreformable. The unruly French do not make the task easy, but winning them over is a question of political leadership—the courage to level with voters and tell them why things need to change.

The parallel with Britain is plainly inexact. For a start, France is rather better placed than Britain was in the 1970s. Public finances may be under strain, but there is no financial crisis of the sort that forced Britain to go cap in hand to the IMF in 1976. Corporate Britain at the time was ailing; corporate France now is thriving. The CAC 40 stockmarket index reached its highest level for five years this year and profits are at record levels. French firms are buying up companies across Europe. Both these factors should help France to rebound more rapidly than Britain did. Moreover, France has the second-highest birth rate in the European Union, sparing it some of the demographic worries preoccupying countries such as Britain, Germany and Italy.

Change need not mean trampling on values that the French cherish. Some of those who defend the status quo argue that France is a civilised country that has simply chosen different priorities. Like a misunderstood teenager, it wants to do things its own way. It still believes in solidarity and social cohesion, in small farmers and local markets. It does not want to abandon its poor to the streets and its shopkeepers to Wal-Mart.

Yet economic efficiency and social justice need not be incompatible. The Netherlands, Ireland, Finland, Sweden, Denmark and Canada have all

revived once-flagging economies without destroying their welfare system or way of life. France's long dole queues and troubled *banlieues* are proof that, by keeping things the way they are, the French model is failing to deliver on its promise. France has 3.7m people living in poverty (defined as having a household income of less than half the median income); 2.5m living on the minimum wage; and over 2.4m unemployed.

Politicians will have to explain that tightening welfare rules need not rip a hole in the safety-net; that subjecting hypermarkets to more competition need not drive the *boulangier* or *patissier* from the high street; that removing pharmacists' monopoly on non-prescription drugs need not deprive every village of its green cross. They will also have to persuade voters that the prize is worth having. According to the IMF, more competition in French markets for both goods and services, combined with labour-market reform, could in the long run boost GDP by more than 10%.

The stakes are high. Next year's presidential and parliamentary elections will arguably be the most important for a generation. Unless Mr Chirac unexpectedly decides to stand again, they will bring an end to a stagnant 12-year presidency and provide a chance for a fresh start. France cannot afford to waste five more years.

This survey will identify the most urgent tasks that the new president will face and consider who is best placed to deal with them. The two presidential front-runners—Ségolène Royal on the left and Nicolas Sarkozy, currently the interior minister, on the right—are both in their early 50s, and both claim to offer a break with the past. But is this new generation as reform-minded as it sounds? And how can it build a consensus for change in a country that seems so resistant to being nudged out of its comfort zone?

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