



France, the State, and Globalization

Zaki Laïdi

Sciences Po

Paper prepared for Resolving the European Debt Crisis, a conference hosted by the Peterson Institute for International Economics and Bruegel, Chantilly, France, September 13-14, 2011

Everyone recalls the famous Stalinist expression “socialism in one country”. In a very different context I will argue that French strongly support globalization provided that it does not modify their way of life or alter their social model. Their preference goes to globalization in one country. But there is here a strong paradox. They are the most reluctant westerners to market economy and globalization which is regarded as a source of social disorder. But at the same time they have expressed a real capacity to cope, with its constraints. Why is it so? What implications does this reality have on the European crisis and on French conduct? That are the main points this paper will try to explore.

The Specificities of the French Political System

At the institutional level, it should be noted that France has a unique and very particular political system in Europe. This system is commonly described as “presidential” or “presidentialist.” However, these terms are misleading because the French presidency substantially differs from the American presidency; counterweights to executive power are much weaker in France than they are in the United States. Unlike all the other European systems, the French one is characterized by a very marked subordination of the legislative to the executive. This feature is all the more remarkable as it stems not from constitutional texts, but rather from political practices that have been established now for nearly 60 years.

Indeed, a comparison between France and Germany shows that the French Parliament formally has no less power than the Bundestag to control government action. Why does the French Parliament not play its full part? Why does it fail to use its constitutional powers to its advantage? There are two explanations. The first and most important one by far derives from the practice of electing the President of the Republic by direct universal suffrage since 1962. Everything proceeds from the President, including the Parliament’s legitimacy¹. The trend towards a stronger presidency has increased in recent

¹Except when the parliamentary majority is different from the presidential one. This situation has only occurred three times in 30 years. Its chances of occurring are now very low because the presidential elections

years. President Sarkozy has been described as a hyper-President because he has sought to maximize his power, while reducing the powers still held by the prime minister².

The second source of voluntary subordination of the Parliament to the executive can be found in another French particularity: the accumulation of mandates, whereby a politician may simultaneously hold national and local office. This unique feature, which dates back to the 1970s, means that a deputy is never fully dedicated to parliamentary work. The deputy's added political value is accordingly diminished. If the deputy is part of the presidential majority, he or she is basically expected to rubber-stamp the government's decisions. The parliamentary majority thus has little power of initiative; by definition, the opposition has even less, despite a constitutional reform designed to increase its power. For example, it is of great significance that two of the main presidential candidates from the opposition Socialist Party (Martine Aubry and Ségolène Royal) are not MPs. The former was defeated during the 2002 legislative elections, but this did not prevent her from becoming the First Secretary of the Socialist Party. The latter chose to hold local rather than national office. The fact that nobody has challenged this state of affairs confirms the power of the presidency over the French political system, and even over the opposition that claims to combat the imbalance.

How does this very distinctive configuration affect political decision-making during periods of crisis such as the one we are currently experiencing?

First and foremost, it grants the executive considerable room to maneuver compared with the legislative. It is unimaginable, for instance, that a French debate on Eurobonds take place in the Parliament, let alone its opinion be heard. Parliamentary subordination was further ascertained in August 2011 in the middle of recess when the government proposed a series of new austerity measures, which called into question a good number of economic and fiscal policies enacted by the Parliament since 2007. Nobody in France thought to ask how these policies could be overturned without consulting the Parliament. A formal vote took place last week. But amendments to the government package were very limited.

The centrality of the executive has a second consequence. It grants the executive discretionary power, not only regarding national representation, but also with regard to the French administration. There has been a lot of talk about the length of Mrs. Lagarde's tenure as Finance Minister since in the 10 years before Nicolas Sarkozy was elected in 2007 the average tenure of a minister at the Ministry of Finance was not more than one year.

However, one should not be under any illusions about this longevity. It is primarily due to the Minister's extreme submission to the Elysée's authority. In no way does this detract from her skills and qualities. The fact nonetheless remains that because Mrs. Lagarde did not have any national political mandate, she was automatically dependent on the authority of the head of state. The presidency's power over economic decision-making has continued to grow as the state has seen its power in economic matters diminish. The residual power naturally went to the Elysée. This development is striking at the economic level and it partially explains why widening public deficits have not been addressed within the system. It is very tempting to make discretionary use of the sovereign privilege of public expenditure, especially when it is not financed. Unrestrained use over the past thirty years eloquently testifies to this.

take place before the legislative elections; moreover, the terms of the Assembly and of the President of the Republic are now of the same length.

A Country that More Easily Produces Decisions than Consensus

It is important to emphasize this institutional and political reality as it allows the head of state to very easily commit France to initiatives with its partners. Nicolas Sarkozy has often been annoyed or irritated by Mrs. Merkel's legendary caution towards his proposals. Their different approaches have been attributed to undeniable differences of temperament, but these do not explain everything. In Germany, the Chancellor must constantly compromise with her coalition members, with the parliamentary majority, and with all the Länder. The French President of the Republic does not have to consult with virtually anyone other than his advisors, who owe him their positions. In times of crisis the French political system may seem to be operationally efficient because it reacts more quickly, as attested by the extreme speed with which France implemented an anti-crisis plan in the aftermath of the 2008 crisis. Could one therefore deduce that this centralized system is just as efficient when more painful trade-offs are involved, such as the reduction of public deficits?

This question requires a nuanced response. While the French political system's centralization is conducive to rapid decision-making, the flipside is a difficulty in producing consensus. The French system knows how to produce a decision, but not how to produce consensus. It is much easier to decide by oneself to spend (French debt has quadrupled in the past 40 years and public expenditure accounts for 56.2 percent of GDP) than to produce consensus to reduce public spending. This is where another significant difficulty in the system comes into play: the preference for a plebiscite over a consensus. Every time a president is in difficulty, he can always appeal to the people to settle the issue.

The state's inability to pursue a sound policy of public deficit reduction can also be explained by the extremely strong ideological direction taken by most of the debates in France. This ideological strand is the historical product of the interplay between the state and its creation of political identity. In France, the state's retreat is more or less associated with national decline. In the best case this retreat may be considered a necessity but rarely a salutary choice, even according to the French Right. The valorization of the state stems from French political culture since the French Revolution and it at least partially transcends the Left-Right divide. Indeed, the French Right remains incomparably more statist than the other European rightwing parties, albeit slightly less statist than the French Left. Moreover, the differences between the Right and Left are in degree and not in kind. All this can only be understood by reference to a political culture that is historically rooted and built around a basic hostility to liberalism.

French Defiance of the Market

Upon taking office Nicolas Sarkozy claimed that he would change this reality. The break did not take place, however. Mr. Sarkozy himself has never purported to be a liberal. He has repeatedly extolled state proactivity and expressed condescension towards those seeking to reduce it³. The Left's reflex is identical. A politician of the Left calling for a reduction in public expenditures would be marginalized and suspected of rightwing drift. One can moreover be both rightwing and anti-liberal in France. There is a deep divide between what

³78 percent of the French believe that politicians have the power to change society. CSA survey: la politique peut-elle encore changer la vie? [can politics still be life-changing?] Available at: <http://www.csa.eu/multimedia/data/sondages/data2011/opi20110505-la-politique-peut-elle-encore-changer-la-vie.pdf>.

could be called cultural liberalism, which is overwhelmingly accepted and promoted by both the Left and Right, and economic liberalism, which is verbally attacked by the Left and half-heartedly defended by the Right.

Everyone thinks of the renowned *Globescan* poll with regard to attitudes towards free enterprise and the market economy⁴. This poll revealed a French particularity. Over a set of 20 countries 61 percent of respondents considered the free market system to be the best possible system, while the average dropped to 36 percent in France, compared to 65 percent in Germany and 74 percent in China. Among the 20 selected countries, France ranked last in terms of support for the market economy. Since the 2008-2009 crisis this reluctance has grown⁵. A comparative study conducted in December 2010 highlighted that only 15 percent of the French believe that the market economy and capitalist economy work well and should be conserved. Even Italy had a higher percentage (26 percent), let alone Germany (42 percent), the United States and China⁶. The issue is understood differently across the political spectrum in each country. Yet again, it is in France that commitment to capitalism is socially weakest.

Opinion of capitalist model and the market economy						
	Supporters of the Left			Supporters of the Right		
	A system that functions well on the whole and should be conserved	A system that functions poorly on the whole but should be conserved because there is no alternative	A system that functions poorly and should be abandoned	A system that functions well on the whole and should be conserved	A system that functions poorly on the whole but should be conserved because there is no alternative	A system that functions poorly and should be abandoned
USA	55	32	13	63	28	9
Germany	48	46	6	66	30	4
Great Britain	40	44	16	57	41	2
Italy	15	70	15	45	44	11
France	4	44	52	32	62	6

Source: IFOP, December 2010.

This cultural reluctance to accept the market economy was further confirmed in a comparative study on the relationship between consumers and their bankers. The comparison between the United States and France is especially telling. When the French were asked what they expect of their banker, 66 percent responded that a banker should best serve his client's interests⁷. The figure for the United States is only 49 percent. This difference reveals quite a bit about attitudes towards the market. The majority of Americans do not expect their banker to best serve their interests because they fundamentally know that the latter is primarily driven by self-interest. Above all, Americans expect that the rules of the game be transparent and the banker accountable. The French see this as a relatively

⁴20-Nation Poll Finds Strong Global Consensus : Support for Free Market System But Also More Regulation of Large Companies. Available at: http://www.globescan.com/news_archives/pipa_market.html.

⁵Regard sur la mondialisation dans 10 pays [Outlook on globalization in 10 countries]. January 2011, IFOP la croix, December 2010. Available at: http://www.ifop.com/?option=com_publication&type=poll&id=1390.

⁶ Idem.

⁷All the data for this study is extracted from the opinion poll.

secondary concern. French political culture reflects the idea that all agents, be they political or economic, first and foremost need to be vested with a mission of general interest. The French first turn to the state to assume this mission. However, when the state is not able to do so, it is not easy for the French to resign themselves to the idea that market actors might not be able to replace it. Banks are regarded by a majority of French citizens as a public utility (service public). All these ideas are not necessarily clarified or formalized in the minds of citizens, but they do mold their vision of the world. The French people's tepid support for the market nevertheless has an important political counterweight that is important in the current European context. A majority of the French remains strongly supportive of redistribution mechanisms, which the French deem to be indispensable market correction mechanisms.

It therefore comes as no surprise that they are among the greatest proponents of aid to Greece, for example. In June 2011, 59 percent of the French supported an aid package for Greece, compared to 58 percent of Spaniards and 73 percent of Italians⁸. Of course, this generosity can be explained by France's relative vulnerability. In Germany, for example, support for Greece does not exceed 41 percent. It is generally the countries in most danger that are calling for redistribution at the European level. While there is some truth to this explanation, it does not completely explain why most of the French support a policy of aid to Greece and to other countries in the eurozone facing serious threats. The French are very comfortable with the idea of redistribution, regardless of political affiliation⁹. As a result, French commitment to Europe has remained strong and has not crumbled. To the contrary, 61 percent of the French remain attached to it despite the hard times; only 29 percent call for a return to the franc, compared to 38 percent in May 2010.

The Gap between Overall Perception and Individual Assessment

Aggregate data does not by itself convey the complexity of the French case. French public opinion on all these subjects consistently shows a significant gap between the general perception of a problem and the way in which the French individually grasp the gravity of this same problem. That is, French public opinion is systematically very worried, very pessimistic, and very negative when it comes to assessing the market economy, capitalism and globalization, whereas the results are more nuanced when the French are asked to assess the consequences of this reality on their lives. According to one poll 68 percent of French employees believe that globalization is a bad thing for them as workers¹⁰. However, when employees were asked to assess the impact of globalization on the company in which he or she personally works, the figures became less stark: 45 percent believe that globalization offers them some positive prospects, versus only 30 percent holding the opposite view. The "citizen employee" is hostile to globalization but the "individual employee" is much less so.

Another illustration of this discrepancy between overall perception and personal perception can be found in French views on the economic future of their country. Here

⁸ IFOP. Available at: http://www.ifop.com/media/poll/1562-2-study_file.pdf.

⁹ This preference is confirmed by the BVA poll on aid to Ireland, which received greater support than aid to Greece, even though aid to Ireland followed aid to Greece. Available at: http://www.bva.fr/administration/data/sondage/sondage_fiche/942/fichier_bva-la_matinale_-_les_francais_et_laide_a_lirlande96c4f.pdf.

¹⁰ All the figures on workers' attitudes towards globalization are extracted from the TNS-Sofres poll on globalization and employment. Available at: <http://www.tns-sofres.com/points-de-vue/7B26B64DF41B412DB4C1B9687C2319B5.aspx>.

again, the figures are enlightening. The French are not only hostile to the market economy, but foresee an extremely gloomy future. A comparative study in 2010 underlined that 3 percent see greater prosperity in the future, while the global average is 38 percent¹¹. On the flipside, 36 percent see the future in negative terms and 61 percent anticipate no change in either direction. When these same questions were not asked generally but rather were applied to the individual situation of each respondent, the results improved: 15 percent of respondents believe their situation in the future will be better (versus 3 percent at the general level) and 48 percent estimate it will remain unchanged. A recent study on social perceptions of the crisis underscores this same disconnect between a negative global perception and a more nuanced individual perception. Some 61 percent of the French fear contagion of the Greek crisis while the share is only 56 percent in Italy, which is more directly concerned, and 34 percent in Germany. However, when the French were asked about the effects of contagion on their individual situations, the outlook was less dour. Only 59 percent believe that the crisis will personally affect them. This may be a high figure, but it is lower than the European average (71 percent). As seen above, the Italians are collectively less pessimistic than the French, but the reverse is true at the individual level.

Major problems like unemployment bring out this same discrepancy. According to the above-mentioned poll, 67 percent of the French believe that the employment situation will further deteriorate. However, only 40 percent think that this deterioration is likely to personally affect them¹².

This gap is significant because it serves as a mechanism enabling French society to adapt to the globalization process. In other words, the social and political behaviors and attitudes of the French do not necessarily convey their spontaneous preferences. Rather, they reflect the French people's capacity to adapt to a reality from which they cannot escape but in which they cannot recognize themselves. Nothing is more alien to French political culture than the idea of an imposed reality that cannot be overcome. Cultural resistance, however, does not preclude the ability to adapt to market constraints. This discrepancy explains how the French can be very protectionist even while France remains a country that is hardly protectionist.

The Political Implications of French Particularity

What are the political consequences of the French particularity that has only briefly been summarized here?

The first and most important one is that political actors have to make sure that any government effort to confront the constraints and rigors of the market is not considered or perceived as mere political capitulation to the market. State heroism in dealing with the market is a hallmark of French political culture even if it affects the leftwing electorate more than the rightwing electorate. Accordingly, combating public deficits must be sold to the public using political rhetoric when neither budgetary rigor nor the reduction of state expenditures receives strong approval from a majority of the French. The preferred route to overcoming constraint is the redistribution of earnings and wealth. This is striking in the

¹¹all the data on visions of the future are extracted from BVA's Voice of the People opinion poll. International survey conducted in 53 countries: 2011 Economic Outlook. Available at: http://www.bva.fr/administration/data/sondage/sondage_fiche/955/fichier_voice_of_the_people_-_janvier_2011150c5.pdf.

¹²Idem.

discourse of the Left, which exclusively attributes responsibility for deficits to the government of Mr. Sarkozy for allegedly systematically favoring certain groups to the detriment of the middle class. The Left therefore advocates correcting social disequilibria by increasing the tax burden on the wealthiest. Even in 2011, the idea that France might have a bloated civil service is simply rejected by the Left, especially in an electoral period¹³. It must be said that the civil service has considerable leverage over leftwing parties. The Left has officially promised to revisit the decision taken by Mr. Sarkozy's government to not renew half the posts of retiring civil service employees. It has also continued to promote the creation of government jobs as a means to boost economic growth; increasing the tax burden of the wealthiest is a means to finance these jobs. Therefore, the crisis cannot be said to have truly changed the Left's attitude towards public action and the market. If the Left manages to win the 2012 elections—and this is far from a foregone conclusion, despite Mr. Sarkozy's disastrous poll numbers—it will reproduce the gap between what is said and what is done. When Mr. Jospin was in power for example, he became the prime minister who most privatized public companies. As a leftist though, he could not clearly assume responsibility for this decision and has always refused to emphasize this part of his legacy. This is why one should be cautious when speaking of 'archaic socialists', as this assessment only takes into account positions of principle. Their political agenda is admittedly not very bold, but it would be a mistake to believe that discourse is the only window into leftwing leaders' views on economic issues. In a country where, as aforementioned, all submission to market rules is seen as capitulation or even utter catastrophe, leftwing leaders continue to pretend to believe in state proactivity, which is the Left's major point of differentiation from the Right. This does not mean that, once in power, it would not deal with the huge constraints that currently hamper the French economy.

The gap between words and action is not only a prerogative of the Left, which has not exercised national power for over 10 years now. The Right has constant recourse to it, but to different ends. At the beginning of the 2008 crisis President Sarkozy took positions that were extraordinarily hostile to the capitalist system and financial capitalism. He did not hold back on using political terminology close to that traditionally used by the Left and even the Far Left. His denunciation of financial capitalism did not prevent him, however, from adopting a very conservative attitude towards protecting the French banking system.

Financial capitalism was denounced, but the French banking sector was shielded. The gap was also manifest in the management of the Greek crisis, when the French government very clearly sought to protect French banks that were heavily exposed in Greece. Indeed, all governments legitimately seek to protect their national interests, including the ones that coincide with those of the private sector. From this perspective, Mr. Nicolas Sarkozy did not behave very differently from Mrs. Merkel, except that Mrs. Merkel never used the words and terms that Mr. Sarkozy used to denounce the capitalist system.

What should be recalled here is that at the beginning of the crisis in 2008 many of the French, and especially their leaders, tried to convince themselves that the crisis had happened to reveal the strength of the French model, based on the central role of the state. France was resisting in a world that was damaging itself for lack of market distrust. This is the narrative par excellence that the French would have liked to see spread throughout the

¹³ Reducing the number of civil servants is not very popular in France, even among the rightwing electorate, of which a majority does not want to go beyond the non-renewal of half the positions of retiring civil servants. See *Europeans and the Euro Crisis*. Available at: http://www.ifop.com/media/poll/1599-1-study_file.pdf.

world. It is true that at first the effects of the crisis were relatively well contained in France, notably through the implementation of a recovery plan.

Has this perception changed since the Greek crisis? This question calls for a nuanced answer. Without a doubt, the deepening crisis no longer allows the French and their government to believe that the French model is immune to market pressures. France is experiencing weak growth, high unemployment, and explosive debt. The French are not witnessing the collapse of capitalism as they might have thought in 2008, but rather its supremacy over states¹⁴. In fact, the anti-market rhetoric has toned down, even within the Left. While the Left continues to fiercely fight against the famous golden rule on balancing public finances, it now does so with political arguments and not economic ones. That is, the Left reneges the principle of the golden rule to avoid being politically trapped by president Sarkozy, which it accuses of being primarily responsible for worsening deficits. However, it no longer substantively challenges the principle of this rule and is careful not to attack the rating agencies at a time when they are threatening to downgrade French debt. Here again, French society is ambivalent in its relations to the crisis and market. It maintains its firm and resolved opposition to the prevailing economic system. A large majority (59 percent) even considers that it has consented to enough sacrifices over the past 10 years to not have to consent to any more¹⁵. At the same time, all the opinion polls show that voters systematically favor candidates who avail themselves of classical economic expertise. This is very striking on the Left, where the electorate's voting intentions have clearly swung from DSK towards François Hollande to the detriment of Martine Aubry. The swing occurred because François Hollande, as DSK before him, rightly or wrongly incarnates a form of responsibility and undeniable competence to confront the crisis. This does not prevent France from being the only country in Western Europe where a crazy debate on de-globalization has emerged.

Nevertheless, the fact that this debate remains marginal within the electorate, including the Left, testifies to both the gravity of the situation and the Left electorate's tendency to be extremely prudent and to reject radicalism, be it only verbal. As a case in point, all the parties to the left of the Socialist Party are currently weak even though the worsening crisis should have automatically burnished their credentials.

In coming months three political events of great significance, albeit unequal importance, will unfold.

The first is the selection of the Left's candidate to the presidential elections after a completely unprecedented primary in France. The conditions and results of this selection, which will occur in October, are not negligible since presidential election polls currently show that the Left has a lead over the incumbent president. If the Socialist primaries are successfully carried out (without any contestation and with a participation exceeding 1 million voters) they will automatically enhance the prospects of the Left's candidate. If this candidate happens to be François Hollande, his political prospects will be enhanced by his ability to draw on Left and centrist electorates that already view him favorably. This is only an indication though; traditionally, poll winners one year before presidential elections are systematically beaten. This has nothing to do with the quality of the polls, but rather the vicissitudes of public opinion, which very often only makes up its mind in the last months of campaigning.

¹⁴ On public attitudes towards the worsening debt crisis, see Europeans and the Euro Crisis, detailed results, 29 June 2011. Available at: http://www.ifop.com/media/poll/1599-1-study_file.pdf.

¹⁵ Idem.

The second event, which may occur in October 2011, is the vote on the famous golden rule designed to constitutionalize balanced budgets, albeit in a relatively loose manner. It is far from certain that Sarkozy will submit this proposal to Congress¹⁶ because of the uncertainty of the outcome. The head of state will need explicit or implicit (abstention) support from the Socialists to constitutionalize this rule. As mentioned above, the latter have decided to vote against the measure for essentially political reasons. This situation is a golden opportunity for the incumbent president, at least in theory. If the golden rule passes he will be able to build on a very strong political consensus to intensify deficit reduction measures and enter the next presidential elections in a position of strength despite the sacrifices imposed on voters. French public opinion supports massively the golden rule which is here again an interesting paradox in a country where opposition to market dictatorship is highly regarded. The rule would also allow him to strike a number of decisions he has made since 2007 that have undeniably increased deficits. In the opposite scenario wherein the Socialists refuse to vote for the proposal, or even to abstain, the head of state could appeal to public opinion by emphasizing that Socialist stonewalling could harm France's established credibility. But a boomerang effect against the president cannot be excluded.

If the markets detect an American scenario—where the political class is deemed to have a very weak capacity to reach consensus on managing debt—they will not hesitate to downgrade France's rating. The question is how public opinion will respond to such a development. The incumbent President could attribute responsibility to the Left, while the Left could denounce the President for deliberately using market pressure to get re-elected. The risk would then be of falling into a vicious circle that could be catastrophic for the country if it spiraled out of political control. Political actors are currently playing a very delicate game of brinkmanship. What seems certain is that if the Left hardens its opposition to the golden rule, it will need to prepare a compelling response in the event of a downgrade. François Hollande has said that if elected he will propose to the new Parliament a vote on the golden rule. Even if no downgrade occurs, the debate over the political credibility of public finance restructuring will remain crucial and most likely dominate the presidential campaign.

The presidential elections are precisely the third and last great event that will take place in France in the next few months. They will proceed under unprecedented circumstances with regard to the French economy's extreme vulnerability. However, the result will not be automatically determined by economic constraints. At the moment two equal forces are animating the French social body. The first is the desire to harshly punish the incumbent President of the Republic despite the Left's weak economic credibility. The second is the realism that is conducive to continuity and thus benefits the power of the incumbent. The novelty is that this tension exists not only between the two camps that traditionally dominate French political life, but also most likely within every French citizen, whose points of reference have been blurred by the crisis.

¹⁶ In France, the Congress refers to the joint session of the National Assembly and the Senate. The two bodies must together vote with a three-fifths majority to pass an amendment to the Constitution.