Le Changement? French Socialism, the 2012 Presidential Election and the Politics of Economic Credibility amidst the Eurozone Crisis

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This article analyses Hollande’s presidential election campaign and victory of 2012, placing them in the historical, organisational and ideological context of French Socialism and the French party system. It argues that an effective campaign, an unpopular adversary and a French party system context unusually conducive to pooling the Left’s electoral resources akin to 1981 all aided Hollande’s cause. Despite limited ideological renewal, Hollande’s internal party coalition promised a scaled-up reformism in the areas of finance, redistributive taxation and ambitious ‘reindustrialisation’ policies. However, the eurozone crisis and degraded French public finances will hinder prospects for such growth-oriented political economic change.

Following the first win for the left in France’s premium political battle since 1988, François Hollande was elected on 6 May 2012 by 51.64–48.36% to become only the second Socialist President since the Fifth Republic was established in 1958. The polls had long been predicting Hollande’s victory. Indeed, Sarkozy’s historically poor approval ratings and immense unpopularity for much of his presidency suggested the rejection of the mainstream right could have been much more decisive. As tends to happen in French presidential campaigns, the gap in the polls between the two main contenders narrowed considerably as the contest approached. An almost iron law of anti-incumbency gripped the Fifth Republic from 1981 onwards, with the electorate repeatedly punishing the broken electoral promises and poor governmental records—especially on unemployment—of mainstream left and right alike. After a hiatus in 2007, this swung back into action in 2012.
This article explores some of the structural and contingent factors affecting French Socialism’s electoral performance. The first section puts the themes of the Parti socialiste (PS) campaign and programme—in particular the political economic vision and Hollande’s response to the ongoing eurozone crisis—in historical, organisational and ideological context. It considers the ideological character of Hollande’s programme and campaign, highlighting French Socialism’s limited renewal since the 1990s. The second section examines the difficulties contemporary French Socialism faces in its quest for power within the presidentialised Fifth Republic, focusing on the party’s organisational characteristics and the configuration of the party system. The third section analyses the campaign’s central themes, considering how the Socialists overcame these impediments in 2012. Discussion here is centred on the personal qualities of Hollande and Sarkozy, respectively. The final two sections explore in-depth the campaign-defining issues of the changing politics of fiscal rectitude in the context of the ongoing eurozone crisis. Section four analyses this within domestic French politics, and finally section five shifts the focus to the broader European stage.

1. Hollande’s presidential programme of 2012 and French Socialist ideology

Hollande’s programme and campaign reproduced familiar French Socialist ideas. Despite the protracted period of opposition since 2002, it betrayed little novelty or ideological innovation within French Socialism. Hollande’s ideological and programmatic positioning within the party has always been moderate centre-left. His programme reflects the ideological lineage of the Michel Rocard/Lionel Jospin dominant internal coalition (ligne majoritaire) that prevailed in the post-Mitterrand era PS and which Hollande had presided over as first secretary in the late 1990s and early 2000s.

In the 1980s and 1990s, the party moved away from making in opposition unrealistic promises to transform or break with capitalism which could not plausibly be delivered in office. The party’s historic ‘double discourse’—wherein, as Jospin once put it, ‘there was a need to deny in its language what the party conceded to in reality’ (1991, p. 102)—was present in the 1970s and early 1980s, when the union of the left strategy proposed its ‘rupture with capitalism’. Jospin did much to eradicate the ‘double discourse’, his 1987 conference motion advocating a ‘secularisation’ of French Socialism which entailed a simultaneous shift away from extravagant maximalist programmes and transcendalist rhetoric, and from an analytical framework heavily influenced by Marxism (Bergounioux and Grunberg, 1992, p. 452). Following French Socialism’s social democratising moment at the 1991 Arche conference, the PS accepted a ‘new horizon’ of liberal market capitalism. The party thereafter spoke as it meant to
govern, making promises it had a sporting chance of keeping when in office. Jospin’s ‘left realism’ between 1995 and 2002 was a conscious and explicit attempt to remove the gap between the rhetorical flourishes of French Socialism in opposition and the reality of its governing practice in office (Clift, 2003).

Although he would become Jospin’s chosen successor in the mid- to late 1990s, Hollande’s early association was with Jacques Delors. The latter was equally crucial in the assimilation of a moderate, realistic ‘culture of government’ into the party’s core identity. Seen in this light and this lineage, the familiarity of Hollande’s political economy and policy proposals is not surprising. What is somewhat unexpected is that, despite the lack of ideological innovation, Hollande’s programme nevertheless scaled up the reforming ambition. French Socialism shifted—rhetorically at least—in a more radical, maximalist direction in the three important areas of financial and bank regulation, redistributive taxation and revivifying industrial policy.

The rhetorical war Hollande declared on finance is obviously explicable in terms of the ideological context of the post-global financial crisis (GFC). The vitriol and hostility towards the financial sector are of a tenor and intensity not seen from the mainstream centre of the party (more associated with its left-wing flank factions, perhaps) in many a year. This anti-finance discourse and banker bashing has been very much ‘played onside’ within the wider French political debate since 2008—with Sarkozy and the mainstream right sporadically advancing similar critiques. Hollande made much throughout his campaign, notably in his Bourget speech in January which kick-started his push for the presidency, of his virulent opposition to ‘the world of finance’ and the monied classes. He criticised the faceless financiers and railed against how the world of finance has, over the last 20 years, ‘taken control of the economy, of society, and of our lives’. This was part of a broader campaign theme that Hollande would be a ‘president of the end of privileges’ (‘président de la fin des privilèges’), which was partly ideological, but as much tactical and directed pointedly at Sarkozy’s penchant for rich friends and for placing them in high office (Le Nouvel Observateur, 2012a,b).

Hollande outlined some concrete propositions for the ‘mastering of finance’, such as banning French banks from setting up subsidiaries in tax havens, tighter regulation of bonuses and stock options and the introduction of a law separating credit and investment or ‘speculation’ activities of banks. The latter has been part of the mainstream post-GFC banking reform debate in many countries. The difficulty with delivering on such proposals in the French context is that one great unknown of the eurozone crisis, which fuelled increasing French borrowing costs and bond market concerns during 2011–2012, is the extent of liabilities and fragility of the balance sheets of France’s five biggest banks. Each doubtless has very substantial exposure to the sovereign debt of weaker eurozone economies,
such as Greece and Spain. This explains Moody’s downgrading its credit rating of Société Générale, Crédit Agricole and BNP-Paribas in June 2012. Given the delicate positions of such banks, foisting substantial reform on them amidst the maelstrom of the ongoing eurozone crisis will be a tricky proposition. In view of their large holdings of these weaker eurozone government bonds, any sovereign default would likely lead to big bank failures in France. Then, either the French government or the European bail-out facility would have to bail out the banks (again). The French banks are so large and the public finances so degraded, that it is questionable whether the French state could afford to do so.

Another policy proposal reflecting this anti-finance agenda is the commitment to a financial transaction tax or ‘Tobin tax’. The Tobin tax has long been on the French Socialist wish list. Sarkozy and Hollande clashed over this in the presidential debate. Sarkozy proposed a European-level financial transaction tax, arguing that it would not be viable without at least European-wide support and agreement. Hollande, in contrast, advocated pressing ahead with those who are willing. Significant collective action problems do accompany Tobin tax levying—notably ensuring sufficiently large-scale coverage to avoid financial actors and transactions migrating to systems (like the USA) where it is not levied. Nevertheless, Hollande advocated a European Tobin tax ‘covering all the exchanges, all derivative products, applied by all the countries which want to (implement it)’ (Hollande, 2012b,c), a pledge which resurfaced in his June 2012 European ‘plan for growth’ (see below). This is one indication that the Socialist’s anti-finance agenda operates more at a rhetorical level and less in the complex realities of policy or regulation. There were other still more elusive campaign pledges on finance, notably the outlawing of speculative activity and ‘financial products without a link to the necessities of the real economy’ on French soil, and banning all ‘toxic’ financial instruments. (Le Nouvel Observateur, 2012a,b)

These campaign themes played very well with voters of the left, and indeed beyond, in France—but their practicability is questionable, a point to which we return below.

The second shift—broadly to the left on economic policy matters—related specifically to progressive taxation and redistribution and occurred during the campaign itself. Hollande’s political economic platform shifted in late February 2012, when the anti-finance rhetoric was complemented with a more aggressively progressive stance on taxation. During a television interview Hollande committed to raise to a steeping 75% the tax rate on earnings over €1 million.

This shift in a leftward direction is partly explained by the strong poll showing (right up until the first round) of Jean-Luc Mélenchon, the Front de gauche (Left front) candidate and former PS Minister and Senator who left the party in 2008. His Front de gauche combined the strength of an uncharacteristically united assemblage of those to the left of the PS with the Communist Party. Always a
formidable rhetorician, Mélenchon’s campaign achieved significant momentum. The headway he was making with his uncosted but radical promises about redistribution and reforming capitalism clearly worried PS strategists. The justification and framing of Hollande’s 75% tax rate proposal evoked recent reports of very high CAC 40 executive pay rises (34% in 2010). Redistribution of wealth was a theme of Hollande’s campaign from the outset. His initial programme pledged to tax capital at the same level as labour, a 45% tax rate for those earning over €150,000, progressive reform to the solidarity wealth tax and a limit on tax loopholes at €10,000. It made no mention of the 75% rate (Hollande, 2012a, pp. 15–16).

There was subsequently some equivocation about to whom, how and for how long the 75% would be applied. Indeed, on taxation generally, Hollande’s campaign made a large number of pledges regarding different levels of taxation and different types of tax break. This, whilst revelatory of the byzantine complexities of the French fiscal regime, was not great electoral politics—since the message got muddied somewhat. The take-home point, however, was the redistributive dimension of the campaign, with repeated pledges to tax the rich more and make them bear more of the burden of adjustment. The bottom line is that the 75% rate, however it is applied, is in cross-national comparative terms strikingly high—and reflects a bolstering of French Socialist commitments to egalitarianism and redistribution through progressive taxation.

Thus with the ‘Tobin’ tax, the 75% tax rate and the rhetorical opposition to finance, some maximalist flourishes and left-wing policy stances characterise Hollande’s macroeconomic and financial policy. These elements are perhaps still more evident in micro-economic policy, and specifically a revitalised industrial policy. This third shift can be traced back to October 2011, when Arnaud Montebourg eclipsed Ségolène Royal with his 17% first round score in the PS primary. Montebourg emerged as ‘kingmaker’, championing some fairly left wing, interventionist (dirigiste), anti-globalisation political economic themes. The internal coalition forged by Hollande on winning the second round of the primary reflected an ideological settlement incorporating some of these programmatic elements. Montebourg was made Minister of Industrial Reconquest (redressement productif), no less, in Hollande’s first government. Montebourg promised an interventionist industrial model, involving ‘less liberalism’ and ‘more public power’ under Hollande’s presidency (Libération, 2012a). Hollande’s programme and website detailed an array of ambitious policy initiatives to deliver the ‘reindustrialisation’ of France through a more muscular industrial policy and a series of new bodies, institutions and policies (Hollande, 2012a, pp. 7–10).^1

^1Available at http://www.avecfrancoishollande.fr (last accessed 13 August 2012).
Hollande also promised to create a public investment bank, mobilising savings in favour of small- and medium-sized companies and announced plans to introduce specific savings products channelling savings towards industrial investment. One priority was to tackle the ability of increasingly mobile productive capital to relocate factories outside France in re-organising global production chains. This scourge of ‘delocalisation’ brings together a heady brew of touchstone issues in France: globalisation, multi-national corporations (especially foreign ones), unemployment and the (lack of) power of the French state to regulate capitalism.

In response, one Hollande industrial policy pledge required firms in receipt of state aid to pay it back if they ‘delocalise’. The new Minister of Industrial Reconquest was despatched by his president to try and avert the closure of threatened French factories. In addition to trying to help producers in difficulties, the Hollande programme pledged to address the adverse employment consequences of deindustrialisation through expanding the role of the state and public sector, notably promising environmental public works, insulating thousands of homes and supposedly creating tens of thousands of jobs.

This all sounds like the post-war national champion nurturing of France’s ‘developmental’ state (Shonfield, 1969; Zysman, 1983). Similar measures were reined back in the 1980s, it should be recalled, both because they were extremely costly and because the French state was in the habit of ‘picking losers’ (Levy, 2000, p. 321). Despite Hollande’s emphasis on more social and environmental ‘reciprocity’ (read ‘protectionism’) in trade policy, the scope for activist, interventionist, discriminatory industrial policy is circumscribed in today’s global economy by international economic law and regulation. Subsidies, aids and discriminatory measures increasingly fall foul of competition policy and anti-trust regulation—be it at the EU or WTO levels (Clift and Woll, 2012). Hollande’s promises of interventionism and discriminatory trade policy assume away such constraints and are accordingly unrealistic. Furthermore, Hollande has committed to restore France’s public finances and balance the budget by 2017. Given the parlous state of French public finances, there are clear limits to how grandiose an industrial policy France can afford.

As a result of these three shifts—reforming finance, dramatically raising taxation on the wealthy and reviving interventionist industrial policy aspirations, the Hollande campaign and programme represented something of a return to the PS ‘double discourse’ of old. On finance and industrial policy in particular, Hollande could be accused of making unrealistic promises to transform capitalism in ways which cannot plausibly be delivered on in office. Thus the efforts of Jospin in the 1990s, where he was aided and abetted by Hollande as PS first secretary, to eradicate French socialism’s tendency to ‘deny in its language what the party conceded to in reality’ have been partially undermined during the 2012 campaign.
2. The PS and the French party system: a presidential party?

The difficulties contemporary French Socialism has faced in recent decades in its quest for presidential power can be explained partly by the party’s organisational characteristics. These constitute structural impediments to its effective performance within the presidentialised Fifth Republic. The PS as an organisation has been an odd sort of presidential party, peculiarly ill-suited at times to selecting credible candidates and then uniting and rallying behind them to provide the organisational infrastructure to support their campaign as the ideal-typical French presidential party ‘should’ (Gaffney, 1990). The destabilising, fissiparous, fragmentary effects of the ‘presidentialised factionalism’ written into the party’s statutes and structure help explain the often strained relations between Socialist presidential candidates and the PS (Bell and Criddle, 1988, 1994). So too does the party’s attachment to parliamentarism and elements of the French Republican tradition antithetical to presidentialisation and bonapartism (Bergounioux and Grunberg, 1992).

The idea that the party’s raison d’être is to provide presidential support has never really been fully assimilated within PS culture. In 2002, Jospin handled this through a by-passing of the party, keeping it at arm’s length and characterising his campaign as ‘not socialist’. In 2007, relations between Royal and the PS were ambivalent at best, acrimonious at worst and at times she campaigned almost against the party. The contrast between 2007 and 2012 was striking; Hollande’s handling of relations with the party which he had led for many years was much more adept. In summer 2011, the PS was buffeted and wrong footed by the Dominique Strauss-Kahn affair—and found itself suddenly with an unanticipated vacancy for 2012 presidential candidate. There were some similarities with the 1995 contest, when party hopes for a Delors candidacy were dashed late in the day, and the party united relatively easily behind Jospin. The timing was not so tight in 2011–2012, and the primary held in October 2011 gave the party a chance to choose between front runners Martine Aubry and Hollande. Aubry declared herself the ‘authentic’ left candidate, labelling Hollande ‘soft left’, but in truth there was little ideological or programmatic distance between them. The fact that neither had been seen as a likely candidate before the Strauss-Kahn affair erupted also took some of the heat and animosity out of the exchanges between them.

When Hollande prevailed in the second round of the primary, he was able to build an internal coalition around his own moderate-left supporters. This was the heir of the Jospin-Rocard factional rapprochement of the 1990s and included many Strauss-Kahn supporters—all of whom had formed part of Hollande’s internal coalition as first secretary for many years. On to this he grafted the more staunch-left Montebourg camp. Hollande’s background and conduct within the
party as its leader secured his moderate-left credentials. Meanwhile, the presence of leftist voices such as Benoît Hamon and Montebourg within his internal coalition (and subsequently his first government), combined with Hollande’s surfing the post-GFC wave of anti-finance animus, provided just enough to convince or at least encourage those further to the left. This is more or less the ideal ideologic-al positioning in terms of internal party dynamics. The PS emerged a relatively united party, seemingly content to have a credible candidate, albeit one who, before the Strauss-Kahn affair, had been trailing miles behind him in the polls. This sense of relief helped all within the party to resist the temptations of bitter infighting which had, in the past, dogged the party as it tried to choose a viable presidential candidate.

Hollande only really began to fully emerge from behind his party at the Bourget campaign launch speech in January, where he affirmed himself as the Socialist party candidate (in sharp contrast to Jospin in 2002). Hollande was able to strike the right balance of maintaining links with the party and drawing organisational (and electoral) support from it, whilst preserving his identity as his own man standing behind his own programme. Hollande’s campaign retained its Socialist credentials throughout and as noted above even shifted leftward mid-stream; ‘I am a Socialist’, Hollande proudly reaffirmed in his 6 May acceptance speech. This was partly because he had seen with Jospin in 2002 the dangers of fighting the second round—which demands the rallying (rassemblement) of support beyond partisan borders, especially moving towards the centre ground—before you have actually reached it.

The issue of how a Socialist presidential candidate should approach the PS’s point of insertion into the wider party system and in particular its relations with the more radical left has often presented intractable problems. The age-old issue for French Socialism—one key reason why in 2012 it secured only its second president since 1958—is the schism between the governmental and the radical left in France. Normally the electoral resources of the two cannot easily be combined, to put it mildly. However, the configuration of the party system in 2012 and the cast of characters offered Hollande the chance to resolve French Socialism’s perennial strategic dilemma, at least temporarily. Mélenchon’s Front de gauche sought to emulate Die Linke in Germany by uniting all the political forces to the left of the PS in one movement, potentially recreating a French party system dynamic akin to 1981. Mélenchon is a gadfly and worthy adversary, but he is, at root, part of French Socialism. He spent decades holding high office within the PS and orchestrating various left-wing factions. His central ‘république sociale’ concept was developed within the PS in the 1990s. It is a direct evocation of Jean Jaurès and thus falls firmly within French Socialist mainstream political culture.
Although trenchant in his critique of Hollande and the Socialists, Mélenchon left the party only in 2008. This made for a different tone and complexion to mainstream/radical-left candidate and party relations in the 2012 presidential race compared with recent precedents. The Front de gauche brought together different left electorates in a manner that could engage in a dialogue (albeit a tetchy one) with the Socialists. Significantly, the leaders of the Trotskyite New Anticapitalist party (Nouveau parti anticapitaliste) declined to get involved in the Front de gauche. This was a strategic mistake, as demonstrated by their derisory first round showing in April 2012, but it was a boon for Hollande. When, after a disappointing 11.1% first round score, Mélenchon called for a transfer of votes to Hollande (without mentioning his name) there was scope for a more effective pooling of the electoral resources on the French left than at any time since the 1980s.

3. Campaign themes

In terms of the configuration of the French party system and the distribution of votes between its left candidates, therefore, Hollande benefited from a more hospitable presidential electoral environment than that encountered by Jospin in 1995 and 2002 and by Royal in 2007. What is more, the programmatic terrain on which the election was fought—the need for interventionist economic policy to tackle the crisis, limit the power of large-scale finance and redistribute wealth or at least the burden of adjustment—was a comfortable one for the Socialists. Whilst issues of immigration, border controls, race and Islam arose within the campaign, they did not prove toxic for Hollande, who defended consistent principles on these themes. He also highlighted the pointed contrast with the stodgy stances and shifting positions taken by a Sarkozy courting far-right votes. Hollande found it very easy to cast himself as the temperate voice of reason—a persona which sits well with his character.

Overall, unlike in 2002 and to some extent 2007, the Socialist candidate could fight the campaign on themes which were his strong suits—personal/presidential qualities and economic crisis response and management. The economy and unemployment were consistent central topics, giving Hollande licence to attack Sarkozy’s record and to criticise the extent to which it fell short of his 2007 promise to reduce unemployment below 5% by the end of his term. When Sarkozy explained that the crisis had blown him off course, Hollande memorably retorted in the presidential debate ‘it’s never your fault, is it?’ The jibe that Sarkozy did not really take responsibility for the shortcomings of his record was a fruitful vein for the Socialist campaign.

French presidential campaigns often contain many twists and turns: the odd gaffe here, an overheard off-the-record message there and occasional about-turns on policy issues. This time, apart from the 75% tax shift, Hollande kept to a
consistent and cautious line. There were highpoints, such as the Bourget campaign launch speech where Hollande began to display his presidential qualities. On the whole, however, the Hollande strategy consisted of unrelentingly underlining in deed and speech how unlike Sarkozy he was. Hollande as candidate was the anti-Sarkozy, demonstrably not interested in money (he committed to reduce presidential pay) or the trappings of office. He made an asset of the fact that his resources of personal charisma were limited, whilst at the same time demonstrating his potential to be a different kind of president.

His anti-thesis to Sarkozy campaign theme was distilled into his ‘I am Mr Normal’ stance. The idea of Hollande as a ‘normal candidate’ who would make for a ‘normal president’ obviously glosses over his illustrious educational background. Ironically, as a graduate of the prestigious civil service college, Hollande is a more fully fledged member of France’s exclusive political elite than Sarkozy. Nevertheless, Hollande’s ‘Mr Normal’ persona and ‘steady as she goes’ approach worked. Socialist strategists calculated (correctly) that whilst Sarkozy continued to lag behind in public opinion, the election was Hollande’s to lose provided he did not do anything rash. ‘Mr Normal’ more or less bored the French electorate into submission. During his combative television debate performance, Hollande made 15 consecutive statements beginning ‘when I’m president I will…’, dichotomously contrasting the open, honest and inclusive qualities that would exemplify his presidency with a clientelistic, divisive and partisan characterisation of Sarkozy’s presidency. This clever rhetorical device allowed him to speak as if the contest were already over. In many ways, it was. As Hollande’s Prime Minister Jean-Marc Ayrault put it in interpreting the victorious results on 6 May, the French had voted for, or perhaps more accurately against, ‘a particular way to act as president of France’.

4. The eurozone crisis, French public finances and the new politics of fiscal rectitude

The drip feed unfolding of the eurozone crisis gave the issue of Europe an especially high profile in the 2012 election. The most important, substantive and divisive policy theme consisted of Hollande’s and Sarkozy’s contrasting assessments of the eurozone’s predicament, the French economy and France’s appropriate response to the crisis. Indeed, one argument was whether there still was a crisis. Sarkozy sought to present the eurozone crisis as largely resolved and afforded himself considerable credit for the mooted resolution in initiatives such as the Fiscal Compact. Hollande, on the other hand, saw France and Europe as very much still in the throes of crisis, highlighting bruising experiences such as the loss of the triple ‘A’ bond rating which happened on Sarkozy’s watch.
The construction of fiscal rectitude has become a major battleground in French politics and beyond in the wake of the GFC. There are two dimensions, one national, the other European. Although the two are deeply intertwined, in this section and the next they are separated for analytic purposes. At the domestic economic policy level, the key dissonance between Hollande and Sarkozy surrounded their contrasting plans to restore the public finances and secure financial credibility. Sarkozy’s scare tactics tried to sow the seeds of doubt about the economic rectitude of Hollande within the French electorate. Evoking the prospect of capital flight and adverse market reaction similar to 1981, Sarkozy’s speeches during April 2012 mobilised Greek myths. Sarkozy equated the future trajectory of France under Hollande’s presidency with Spain’s travails within the Eurozone sovereign debt crisis. Prime Minister François Fillon sang a descant to this, claiming that Hollande’s commitment to renegotiation of the December 2011 EU Treaty would cause a financial crisis (Libération, 2012b).

The left’s questionable economic credibility has been a standard trope of mainstream right and conservative candidates and parties across the advanced democracies. Sarkozy’s and Fillon’s warnings of economic crisis and profound loss of market confidence greeting a Socialist victory were over-blown, but preyed effectively upon the huge uncertainties surrounding the eurozone crisis. Given Hollande’s key role in EU-wide debates about recalibrating crisis responses, his anti-finance propositions and discourse doubtless did little to assuage concerns amongst financial market participants about his fiscal and economic rectitude. Yet Sarkozy’s mainstream right programme was uncosted and vague, and he had periodically launched rhetorical sideswipes against ‘finance’ since the GFC erupted. Thus, the right’s claims to superior economic credibility were dubious. Furthermore, the eurozone crisis has shifted the tectonic plates of the politics of fiscal policy for eurozone countries with high debts and high deficits, drastically narrowing the scope for substantive distance between left and right on the public finances. Hollande’s campaign committed to erase the deficit and restore the public finances to balance by 2017, just one year later than Sarkozy promised. Overall, the projected total tax take under Hollande’s programme was only very slightly higher than Sarkozy’s. Thus, the shape and size of the French state under each would have been broadly similar.

Where contrasting constructions of fiscal rectitude did feed through into significant differences of analysis was over the route to fiscal consolidation and divergent strategies for the restoration of public finances. Fiscal rules are integral to this new politics of fiscal rectitude, as Sarkozy’s sustained advocacy of a constitutionally enshrined balanced budget ‘golden rule’ (‘règle d’or’) illustrates. The politics of this is that Sarkozy’s rules-based stance is designed to ‘smoke out’ the soft, fiscally lax underbelly of French Socialism. Socialists’ hostility to the ‘golden rule’ was presented by Sarkozy as proof of Socialist weakness on deficit reduction in
particular and economic rectitude more generally. This was a central theme of the economic policy discussion during the presidential debate.

It is revealing of the inglorious debt and deficit position and the parlous state of the French public finances that there is a discussion about constitutional balanced budget rules at all. Sarkozy’s advocacy of stricter fiscal discipline and tighter and more binding rules is surprising given the strength of the State tradition of interventionism (dirigisme) in France, which attaches great importance to discretionary interventions by political leaders. French Governments of left and right in the 1990s and 2000s engaged in ‘unrepentant sinning’, by for instance routinely flouting, and then loosening Stability and Growth Pact (SGP) rules (Clift, 2006). The early Sarkozy presidency 2007–2009 continued this established dirigiste practice, prioritising discretionary over rules-based economic policy and overstepping SGP debt and deficit targets in order to fund favoured economic policies. Sarkozy’s macroeconomic stance subsequently underwent a damascene conversion to neo-liberal budgetary orthodoxy and rules-based policy-making as Europe’s sovereign debt crisis loomed.

The shift recalls the traditional ordo-liberal German model of economic governance, with its sound money, anti-inflationary bias and its rules-based market order. From 2010 onwards Sarkozy committed France to a hugely ambitious fiscal consolidation programme, detailed in the Stability Programme for 2011–2014 and submitted to Brussels in April 2011. Sarkozy’s aspirations to bring the deficit below 3% of GDP by 2013 envisaged a herculean fiscal consolidation effort. His conversion to the faith of fiscal rectitude and his commitment to restoring sound public finances came too late according to Standard and Poors’ bond ratings agency which stripped France of its triple ‘A’ rating in early 2012. This was not entirely surprising, given debt of around 90% of GDP and extremely ambitious deficit targets which were unlikely to be met.

Interestingly, Hollande’s case against the balanced budget rule accepts the need for fiscal rectitude and pledges to restore the public finances to balance (not things all on the French left or in the PS have always accepted in the past). The argument is about the best way to secure that fiscal rectitude and credibility with financial markets. Hollande claims that a balanced budget ‘golden’ rule, in its adverse impact on growth, would be self-defeating. More fiscal credibility can be secured, Hollande argues, by not signing up to a balanced budget rule which could lock France into a low or no growth scenario, leading to a further deterioration of the debt position and increased borrowing costs. Hollande’s case for re-balancing policy priorities in support of growth critiqued Sarkozy’s plans to further cut taxes on the wealthy at the expense of greater austerity for the rest. This, Hollande argued, would undermine the growth and the recovery so crucial to successfully putting the nation’s finances back on an even keel. Hollande’s position—that growth must be secured in order to achieve debt and
deficit reduction and that fiscal consolidation must be recalibrated in such a way that it does not choke off any prospect of growth—follows the same logic as the ratings agency Standard and Poors’ rationale for their downgrade assessment. This similarity and overlap are not something common in the history of French Socialist argumentation about economic policy!

Yet for all the talk of restoring the public finances, the construction of fiscal rectitude on the left and right of French politics is disingenuous. All this donning of hair shirts and holier than thou professions of faith in balancing budgets are really all smoke and mirrors. Looked at in the cold light of day, neither candidate can make bold claims to fiscal rectitude. Both Hollande and Sarkozy have built their fiscal consolidation strategies on extremely over-optimistic 2–2.5% growth assumptions over the next five years, compared with 1–1.5% (at best) predicted by most economists. These apparently small differences translate in fiscal consolidation terms into enormous sums. What these deeply flawed assumptions do is assume away all the pain of the cuts in public spending and service provision which will inevitably accompany any attempt to actually restore balance to the public finances within five years. Both programmes were conspicuously light on details about where their cost savings would come from. There was precious little specificity regarding Hollande’s professed €50 billion in public spending reductions.

In effect, the 2012 presidential campaign, although apparently obsessed with fiscal consolidation, in fact revealed an underlying conspiracy of silence between the two main candidates. Cutting public spending and trimming back public service or welfare provision provoked little or no public debate during the campaign. The politics of fiscal rectitude and the construction of fiscal credibility take a very particular form in France. The age-old gap between rhetoric and reality is reproduced within those very commitments to fiscal consolidation—since they are based on such unrealistic assumptions. Neither Sarkozy nor Hollande came clean with the French electorate about the pain of fiscal adjustment that, in all likelihood, awaits. For example, Hollande’s pledge to repeal Sarkozy’s pension reform and restore retirement at 60 on full pension for those with 41 years’ contributions is symbolic of a refusal to face up to the necessity of painful reform. The French social model will come under increasing fiscal pressure in the face of the parlous state of French public finances stretching throughout Hollande’s five year term and probably decades beyond.

5. Tackling the eurozone crisis: France’s civilising mission and Hollande’s ‘plan for growth’

The ‘civilising mission’ of France on the international stage and Europe as the domain to benefit most from French genius form too tempting a narrative for
French presidential hopefuls to resist. Hollande’s campaign proved no exception, repeatedly advancing his ‘new model’ of political economy in Europe to support growth and counter austerity. Without such additional policy impetus, he argued, both France and the eurozone faced a dark future. Thus, as previously with Mitterrand and Delors, and now with Hollande, French Socialism seeks to pilot the future of the European project.

Much of Hollande’s re-articulating of a French political economy project and painting it on to the European canvas is familiar, notably recalling elements of the 1993 Delors ‘Growth, Competitiveness, Employment’ White Paper (European Commission, 1993). Ever since it came into being, and indeed for some time before, French Socialist politicians have been calling for the re-orienting of the European Central Bank (ECB) towards jobs and growth through a change in its mandate. This long-standing desire to counter the German-inspired anti-inflationary bias of the ECB underpins Hollande’s headline proposition for ‘the reorienting of European integration’, the ‘renegotiation’ of Sarkozy’s and Angela Merkel’s Fiscal Compact agreed at the European Council meeting in December 2011 (Hollande, 2012a,d, pp. 12–13).

This is reminiscent of Jospin’s 1997 pledge to revisit the Luxembourg summit. He sought to restore an ambitious Employment Chapter which the Swedish social democratic government had, in September 1995, proposed to add to the Treaty of European Union (Lightfoot, 1997). Jospin was forced to settle for an inserting of the word ‘growth’ into the Stability Pact to become the SGP and a somewhat cosmetic jobs summit. This time Hollande’s ‘growth pact’ morphed during his campaign from a renegotiation of the Fiscal Pact initially into a growth-oriented complement or supplement to it by the second round. The German government initially made some encouraging noises, but clearly Hollande did not receive satisfaction in his early post-victory discussions with Merkel. He spent May and June finalising his plan for growth, finding common cause with Barack Obama at G8 and G20 meetings along the way.

As one might expect, bits of the interventionist domestic industrial policy agenda find their way into the French Socialist bid to reorient European integration. The vision for European economic policy combines co-ordination of macroeconomic policy and developmental state type industrial policy measures. There are also hints of protectionism, demanding reciprocity of social and environmental standards in the renegotiation of EU trade policy. Hollande’s presidential programme included aspirations, again reminiscent of the 1990s vision of Delors and then Jospin, for EU-wide infrastructural projects (grands projets) to boost growth (Hollande, 2012a, pp. 12–13). During the campaign, Hollande called for the European Investment Bank to provide loans for development projects. Hollande has also advocated various forms of European bond issuance
(much reviled by Merkel), notably the ‘project’ bond for financing new development projects (Hollande, 2012d).

Hollande also harbours aspirations for euro-bonds, backed by the ECB, to ‘mutualise’ the sovereign debt of European countries in difficulty such as Italy and Spain. These Euro-bonds are another long-standing feature of French Socialist plans to reform the EU’s economic institutions. The Delors White Paper of 1993 advocated their introduction to fund internationally co-ordinated ‘Euro-Keynesian’ demand management policies and a trans-European investment in Public Works (European Commission, 1993). Euro-bonds were a point of dissonance in the presidential debate, with Sarkozy rejecting them on the grounds that enough had already been borrowed. They are, more importantly, a major bone of contention between Hollande and the German government and the ECB.

These elements all found their way into Hollande’s ‘plan for growth’ prepared for the June 2012 European summit. This included €120 billion of public works funded by redirected EU structural funds, the European Investment Bank, and ‘project bonds’, and the EU transaction tax proposition, as well as other employment creation measures. Although ambitious, the reception within Europe was quite warm. Even within EU institutions such as the Commission, economic ideas had been evolving during 2012, and the need for more emphasis on growth had gained wider traction as the downsides of a myopic focus on austerity had become all too evident as the eurozone crisis deepened.

By the summer of 2012 Hollande’s pro-growth thinking found echoes within major European institutions, as well as with numerous EU member state governments. The plans for over €120 billion of spending received broad agreement, if not the sourcing via bond issuance. But a more significant evolution, thanks largely to Italian and Spanish brinkmanship, was the recognition by the June 2012 euro area summit of the ‘imperative to break the vicious circle between banks and sovereigns’, distinguishing the problem of bank debt from that of national debt (Euro Area Summit Statement, 2012). This crucial shift in the politics of fiscal rectitude led to agreement on ambitious measures, notably to deploy the €500 billion European Stability Mechanism bailout funds both directly to support troubled European banks (thus not adding to government debt) and also to purchase government bonds in order to lower borrowing costs. This could open up ‘fiscal space’ for the growth-oriented economic policies favoured by Hollande, although at the cost of tighter banking supervision under the auspices of the ECB. In general, ongoing opposition from the ECB and German government will likely limit the scale of Hollande’s hoped for re-orientation of European economic policies.
6. Conclusion

The great curse of the French left in presidential elections under the Fifth Republic, and especially since the 1980s, has been that pools of staunch mainstream left and far-left voters are not only dwindling somewhat, but are also implacably opposed to each other. The extreme-left in France—deeply divided within itself—has rarely been able to stomach or envisage recommending a transfer of support to the mainstream-left. Seen in this context, Hollande’s presidential victory was a huge, indeed historic achievement. Moreover, this momentum was sustained—despite historic abstention levels at 45%—into the parliamentary election, when the Socialists won 280 seats. Aided and abetted by the Radicaux de gauche (Left Radicals) and other smaller affiliated parties, the PS secured a comfortable majority for Hollande with 315 seats. Meanwhile, the PS electoral pact with the Greens (Europe-Ecologie-Les Verts) secured 18 seats and the Greens joined the government and the sizeable presidential majority. The Front de gauche, in contrast, which had eschewed electoral pacts with the PS, suffered further disappointment, reduced from 19 to 10 seats. Hollande, then, secured a comfortable majority to enable him to carry out the programme on which he was elected, without the need to rely on far-left deputies for support.

Economic policy debates within the campaign were conducted on interventionist, even Socialist policy terrain. This is one reason why Hollande’s programme contained precious little ideological innovation. Hollande promised changes in the French and European political economy through more radical policy measures on taxation, regulating finance and reinvigorating industrial policy. The need for political economic reorientation in response to the Eurozone crisis was the programmatic centre-piece of Hollande’s campaign. Twice in his acceptance speech Hollande underlined his commitment to reorient European integration and refocus crisis resolution efforts around securing growth as a counterpoint to the focus on austerity espoused by Sarkozy, Merkel and the ECB.

Hollande’s programme suggests a relatively coherent, growth-oriented, activist and interventionist political economic vision. The questionable practicability of some measures suggests a partial return to French Socialist ‘double discourse’. Most glaringly, at the national level, for all this fiscal activism in the short-term and fiscal rectitude in the medium term, serious questions remain regarding the balance between taxing and spending contained in Hollande’s political economic programme. In short, can Hollande afford the economic measures in support of growth he has promised? Without more cuts in spending than were announced in the campaign, it is hard to see how President Hollande can balance the books in the medium term in line with his ambitious fiscal consolidation commitments.

At the European level, his ‘plan for growth’ lacks sufficiently widespread support, notably from the German government and the ECB. Some growth-oriented infrastructural spending and European ‘public works’ will be agreed, but the more ambitious elements, such as Euro-bonds to mutualise European sovereign debt risk, are unlikely to materialise. The chances for delivering on the programme on which Hollande was elected are improved by the current shape of the French party system, the disarray of the mainstream right and the secure presidential majority delivered in the parliamentary election. That said, the unresolved eurozone crisis, with its potential impact on France’s big banks, the French economy and the already deteriorated French public finances, threatens to derail Hollande’s manifesto commitment for ‘change’ (‘le changement’). The reach of Hollande’s civilising mission to re-orient domestic and European economic policy in a more redistributionary, growth-oriented direction in all probability exceeds his grasp.

References


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