

Structural Crisis and Institutional Change in Modern Capitalism

French Capitalism in Transition

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Contents

<i>List of Figures</i>	vii
<i>List of Tables</i>	xi
Introduction	1
1. The Systemic Crises of French Capitalism	11
2. Opposition Between Two Economic and Social Models	56
3. The Search for a New Model	96
4. The Unsolved Contradictions of the Modernists	183
Conclusion	239
<i>References</i>	249
<i>Index of Names</i>	261
<i>General Index</i>	266

List of Figures

1.1. GDP per capita (Log) (Index 1980=1). Data source: AMECO (annual macro-economic database of the European Commission).	12
1.2. GDP per capita, estimated trend growth rate on a rolling ten-year window with 95% confidence intervals. Data source: INSEE.	12
1.3. Labour productivity (Log) (Index 1980=1). Data source: EU KLEMS.	13
1.4. GDP per hour worked (constant prices, USD, PPP 2005). Data source: OECD.	14
1.5. Unemployment rate, 1960–2013. Data source: AMECO.	15
1.6. Percentage of the labour force working less than twenty hours per week. Data source: OECD.	16
1.7. Employment rate, all persons. Data source: OECD.	17
1.8. Employment rates of prime age (25–54) individuals. Data source: OECD.	18
1.9. Employment rates of seniors (over 55). Data source: OECD.	18
1.10. Current account balance (percentage of GDP). Data source: OECD, economic outlook database.	19
1.11. Unit labour costs (Index 1995=100). Data source: OECD.	20
1.12. Labour compensation per hour worked (Index 1995=100). Data source: OECD.	20
1.13. Real effective exchange rate (1989–92 average=100) based on unit labour costs (total economy). Performance relative to the rest of the former EU-15 (double export weights). Data source: AMECO.	21
1.14. DIRDE (Dépense Intérieure de Recherche et Développement des Entreprises) as a percentage of GDP. Data source: OECD.	22
1.15. Index of industrial production (100=1991) GDP per capita. Data source: OECD.	23
1.16. Combined corporate income tax rate. Data source: OECD.	25
1.17. Index of real estate prices (100=1996). Data source: ECB.	25
1.18. Public debt (percentage of GDP). Data source: AMECO.	26
1.19. Top 1% income share. Data source: World Top Income Database.	27
1.20. Gini (disposable income, post taxes and transfers). Data source: OECD.	28

List of Figures

1.21. Poverty rate (Poverty line 60%) in 2012. Data source: OECD.	28
1.22. Institutional change and economic dynamics. Taken from Amable and Palombarini (2005: 268).	45
1.23. Vote distribution at the first round of the presidential elections as a percentage of registered voters. Data source: Ministère de l'Intérieur.	51
1.24. Monthly evolution of the confidence level of presidents. Data source: TNS Sofres.	52
1.25. Coefficients of an ordered logit model for the level of satisfaction with the government in France. Data: ESS rounds 1 to 6.	53
1.26. Coefficients of an ordered logit model for the level of satisfaction with the government. Data: ESS round 7.	54
1.27. Coefficients of an ordered logit model for the level of satisfaction with the economic situation. Data: ESS round 7.	54
2.1. GDP per capita (constant 1938 francs, logarithmic scale), 1890–1994. Data source: CEPII séries longues macroéconomiques.	57
2.2. GDP share by activity. Data source: CEPII séries longues macroéconomiques.	57
2.3. Employment shares. Data source: INSEE.	58
2.4. Median age of net capital. Data source: CEPII séries longues macroéconomiques.	58
2.5. Military and unemployed as a share of the active population. Data source: CEPII séries longues macroéconomiques.	59
2.6. Inflation rate (household consumption). Data source: CEPII séries longues macroéconomiques.	60
2.7. Current account balance as a percentage of GDP. Data source: AMECO.	60
2.8. Exchange rate DM/FF. Data source: CEPII séries longues macroéconomiques.	60
2.9. Profit rate (corrected for the increased share of wage earners). Data source: AMECO.	62
2.10. Per capita GDP in Europe, 1870–1913, using pre-1913 boundaries (\$ in 1990 international prices). Data source: Stephen Broadberry's EuroGDP2 dataset.	63
2.11. Per capita GDP in Europe, 1913–50, using interwar boundaries (\$ in 1990 international prices). Data source: Stephen Broadberry's EuroGDP2 dataset.	66
2.12. From social structure to political preferences.	84
2.13. Histograms of party grades in 1978.	87
3.1. Balance on current transactions with the rest of the world (National accounts) (UBCA), percentage of GDP. Data source: AMECO.	98

3.2. The unemployment rate in the 1980s. Data source: AMECO.	100
3.3. Profit rate. Data source: AMECO.	104
3.4. Inflation rate. Data source: INSEE.	105
3.5. Investment rate (FBCF/VA). Data source: INSEE.	105
3.6. Coefficients (odds ratio) of a logit regression of the 'yes' vote at the Maastricht treaty referendum of 1992 against dummy variables indicating to which party the individual feels close. Data source: 1995 electoral survey.	135
3.7. Coefficients (odds ratio) of a logit regression of the 'yes' vote at the Maastricht treaty referendum of 1992 against dummy variables indicating individual social characteristics. Data source: 1995 electoral survey.	135
3.8. Coefficients (odds ratio) of a logit regression of the agreement with the statement that the EU will have negative consequences for social protection against dummy variables indicating to which party the individual feels close. Data source: 1997 electoral survey.	136
3.9. Coefficients (odds ratio) of a logit regression of the 'no' vote at the constitutional treaty referendum of 2005 against dummy variables indicating to which party the individual feels close. Data source: electoral survey 2007.	137
3.10. Coefficients (odds ratio) of a logit regression of a dummy variable expressing the relief if the European Union project was abandoned against opinions on privatizations for individuals close to the government parties of the right or the FN.	138
3.11. Coefficients (odds ratio) of a logit regression of a dummy variable expressing the relief if the European Union project was abandoned against opinions on liberalism for individuals close to the government parties of the right or the FN.	138
3.12. Percentage of respondents who trust president Sarkozy to solve France's current problems. Data source: Survey TNS Sofres.	145
3.13. Financial development index. Data source: Chinn and Ito (2006).	148
4.1. Combined generosity index of the welfare state for France and Germany. Data source: Comparative Welfare Entitlement Database.	192
4.2. Unemployment generosity index. Data source: Comparative Welfare Entitlement Database.	192
4.3. Sickness generosity index. Data source: Comparative Welfare Entitlement Database.	193
4.4. Pension generosity index. Data source: Comparative Welfare Entitlement Database.	193

List of Figures

4.5. Margin rate (gross operational surplus/value added) of non-financial firms. Data source: INSEE.	224
4.6. Margin rate (gross operational surplus/value added) in the manufacturing industry. Data source: INSEE.	225
4.7. Investment rate of non-financial firms. Data source: INSEE.	225
4.8. Unemployment rate (percentage). Data source: INSEE.	226

List of Tables

2.1. Support for political parties in 1978.	88
2.2. Policy expectations in 1978 (a).	92
2.3. Policy expectations in 1978 (b).	93
3.1. Electoral scores at the legislative elections (first round).	147
4.1. Support to political parties in 2012.	198
4.2. Policy expectations in 2012 (a).	199
4.3. Policy expectations in 1978 (a).	201
4.4. The <i>Loi travail</i> of 2016 (El Khomri bill).	229

Introduction

This book focuses on the political economy of institutional change. ‘Political economy’ means that the emphasis is on the interactions between economic dynamics and the evolution of the socio-political balance of power.¹ The study of comparative capitalism has often been accused of being too static and functionalist, freezing reality by conceiving varieties or ‘models’ of capitalism that stay unchanged because their institutions perfectly fit with one another, thereby contributing to the impeccable coherence of a structure that delivers superior economic performance until it breaks or mutates into something radically different, presumably under the influence of exogenous forces. Nothing could be further from the perspective adopted in this book.

A previous contribution, *The Diversity of Modern Capitalism*,² proposed a political economy approach to the diversity of developed capitalist economies. The ‘models’ of capitalism presented therein were not analysed as perfect constructions designed to stay immutable, nor were they construed as having existed since time immemorial. The institutions that characterized these models were the result of socio-political compromises that could be—and indeed were—contested and questioned when one or several collective agents had an interest in and the necessary resources for doing so. Even periods of apparent institutional stability are inhabited by tensions and contradictions whose development eventually leads to changes, gradual or not.

All the models of capitalism presented in *The Diversity of Modern Capitalism* have been subject to change, some more than others. As was already analysed therein,³ the Continental European model, or more accurately countries close to this archetypical model, had seen some of their most representative institutions, the financial system or the forms of competition for instance, evolve significantly in a neoliberal direction by the early 2000s. Since then, the

¹ Amable (2003); Amable and Palombarini (2005, 2009).

² Amable (2003).

³ Chapter 6 in Amable (2003).

transformation of European capitalisms kept going on, and other institutional areas were affected, social protection and the labour market in particular; but diversity persisted.⁴

France, after Germany, is the second largest country close to the Continental European model, and this book analyses the transformation of the French model of capitalism since the 1980s.⁵ But the book is intended to be more than a study of the French political economy. Comparative capitalism can benefit from the examination of a single country case study. This book aims to show that the French case study can shed some light on the processes by which models of capitalism in general are transformed under the influence of social and political conflict. If *commonalities* of capitalism matter more than varieties,⁶ the study of one country case can tell much about the evolution of capitalism in general.

The spread of neoliberal policies is a worldwide phenomenon that is difficult to ignore. This development is often interpreted in reference to the inherent properties and the own dynamics of capitalism.⁷ The revolt of capital against the post-Second World War mixed economy engendered tensions between capitalism and democracy. This represents a particular phase of the Polanyian double movement, where the marketization and commodification of societies would be stronger than the oppositional forces that struggle to impose regulatory institutions.

In this perspective, France is an interesting case study, and not simply because of the supposedly 'statist' character of its economy. France possesses a certain tradition of contestation of neoliberalism and capitalism in general. Limiting oneself to the most recent period, France experienced a massive social protest against neoliberal welfare reforms in 1995. ATTAC, the Association for the Taxation of Financial Transactions and Citizen's Action, which fights neoliberal globalization and financial deregulation, and is present in many countries,⁸ was originally founded in France in the late 1990s in order to promote a Tobin tax on financial transactions. The huge success of several books originally published in France that criticized globalization, neoliberalism or social inequality, and the considerable impression they made in the public debate not only in France but in many other countries too, are also signs of the existence of a less explicit social resistance to the marketization of society. One may cite *L'horreur économique* (*The Economic Horror*) written by Viviane Forrester, published in 1996, and *Indignez vous!* (*Time for Outrage!*) by Stéphane Hessel, published in 2010. The former was translated into

⁴ See the contributions in the 2012 special issue of the *Journal of European Public Policy*, 19(8).

⁵ The transformation of the 'German model' has been analysed in several contributions, most notably by Streeck (2009).

⁶ Streeck (2010).

⁷ Duménil and Lévy (2013); Streeck (2013).

⁸ Some 38 in 2016.

twenty-four languages and is considered to be one of the very first contributions to the critique of globalization. The latter, translated into thirty-four languages, inspired many protest movements around the world, such as the Indignados (Movimiento 15-M) in Spain or the Occupy movement in the United States of America. The contestation of neoliberalism was also underlying the critique of the economics curriculum and the various manifestos drafted by students in favour of pluralism, a movement which spread around the world in the aftermath of the financial crisis of 2008, but found its origins in a movement of French students that started in the early 2000s.⁹ Lastly, France experienced its own 'occupy' movement in Spring 2016, Nuit Debout, when a labour market reform project sparked a wave of street protests that bypassed traditional channels of expression such as political parties or unions.¹⁰ The avowed ambition of the movement went beyond the simple contestation of a specific bill; it was to unify the various anti-capitalist resistance initiatives (*convergence des luttes*) in order to initiate a political, social and economic change. The fact that the contestation of the neoliberal transformation of French society found an expression mostly outside political channels was a sign of the French political crisis.

In other words, France is far from being the country the most favourable to the diffusion of neoliberal policies. This has fuelled the misconception that France is, according to a widespread cliché, 'unable to reform'. This is blatantly false. For better or worse, substantial institutional change has taken place since the early 1980s, although the 'French model' of the 2010s cannot be classified as a neoliberal variety of capitalism.¹¹

The notion of 'hybridization' is sometimes used to describe the type of partial transformation and adaptation of productive models.¹² Inspired by the transformation of Japanese capitalism after the Second World War, the idea is that some institutions are imported and adapted rather than simply grafted onto an existing structure. The transformation of the French model reflects the adaptation of neoliberal institutions to the pre-existing French institutional structure, whose elements were for the most part inherited from the Fordist post-Second World War period. Hybridization is not a loss of systemic coherence, but the creation of new institutional complementarities. The question is then under what conditions can such a process take place.¹³

This idea of a partial adjustment of existing models to a common trend can also be found in the contributions that have focused on gradual institutional change, as opposed to a major breakdown of a given institutional structure. This literature mentions that the (neo)liberalization of modern European economies proceeds largely in an incremental fashion, and that

⁹ Post-autistic economics.

¹⁰ See Chapter 4.

¹¹ Amable et al. (2012a).

¹² Boyer (1998).

¹³ Amable (2016a).

the accumulation of seemingly minor changes may have dramatic consequences for social relations and the functioning of the economy.¹⁴ Related ideas may be found in Baccaro and Howell (2011), who argue that a model's transformation may take place without a substantial change in the design of institutions, but in their functioning: 'a mutation in the function and meaning of existing institutions, producing different practices and consequences in new contexts'.¹⁵ Convergence is then possible in spite of an enduring divergence in the forms that institutions adopt. For instance, collective bargaining, once instrumental to the stability of the social democratic model, may—and in fact did—change functions and contribute to the emergence of a neoliberal model.

These elements call for a clarification of the definition of an institution and of the notion of institutional change. For the purpose of simplification,¹⁶ one may distinguish the notion of institutions as (formal) rules from that of institutions as (equilibrium) strategies.¹⁷ The change that Baccaro and Howell (2011) refer to is a change of strategy (in collective bargaining) and outcomes with mostly unchanged (formal) rules. It is not a change of institutions if one considers these to be the formal rules framing collective bargaining. This is also the case for four of the five types of (incremental) institutional change considered by Streeck and Thelen (2005): 'displacement', 'drift', 'conversion', and 'exhaustion' imply no change of the formal rules; only 'layering' does. A change in the 'meaning' or 'functions' of institution is not 'institutional change' if one equates this with a change of the rules, a change of institutional design such as a change in the legal framework.

The fact that a given institution does not correspond to a specific 'function' and may have different 'meanings' for different agents was already emphasized in Amable and Palombarini (2005, 2009), who rejected the functionalist approach to institutions according to which they emerge, exist, and disappear in reference to a well-defined function.¹⁸ As a consequence, one cannot establish a bijection between an institution and a social function. Institutions result from and incorporate compromises between agents with different views

¹⁴ In particular Streeck and Thelen (2005).

¹⁵ Baccaro and Howell (2011: 525).

¹⁶ This question is discussed in more details in Amable (2003: ch. 2).

¹⁷ As discussed in Chapter 3, there are interactions between a change of the formal rules and changing strategies. A change of the rules of collective bargaining such as the Fillon law of 2004 opened new possibilities for collective bargaining, in particular for firms and unions or employee representatives to conclude agreement derogatory to the law, which of course implied that 'social partners' modified their strategies, with consequences for the nature of industrial relations.

¹⁸ This idea was already present in most contributions related to the so-called 'old institutionalism', in particular in the work of Walton Hamilton, who even explicitly considered 'institutional diversion', new uses for old rules: '[the institution] performs in the social economy a none too clearly defined office—a performance compromised by the maintenance of its own existence, by the interests of its personnel, by the diversion to alien purpose which the adventitious march of time brings' (Hamilton 1932 [2005]: 244).

on the institution.¹⁹ Changes in the functions that institutions have in a social structure are therefore inevitable as the relative political power of social groups change.

Institutions are the result of socio-political compromises. They do not abolish social conflict, they merely channel and regulate it. Earlier contributions have defined a situation where social conflict is regulated as a *political equilibrium*,²⁰ but this term should not be understood as the existence of a fixed point or immobility. It is better to think in terms of the (domain of) viability of a given social alliance. A political equilibrium corresponds to the existence of a *dominant social bloc* (DSB), that is, a socio-political alliance of groups whose most important expectations regarding the definition of public policy and the design of institutions have been sufficiently satisfied for them to support the political leadership. But this situation does not necessarily correspond to the absence of change.²¹

A dominant feature of capitalism is the existence of recurring crises. In the framework adopted in this book, a crisis corresponds to the dissolution or the break-up of the DSB. A *political crisis* is a situation where there is no room within a given institutional structure for a political mediation between the social groups belonging to the dominant bloc. The existing institutions may prevent not only the renewing of the former DSB but also the emergence of *any* new dominant bloc. In a *systemic crisis*, political actors cannot find any institutional change strategy that can aggregate a possible DSB.

As the book shows, France was in the 2010s in a situation of *systemic crisis*, a situation that has its origins in the late 1970s. The existence of a *systemic crisis* can be established by considering that the major political events of the past few decades, such as the most important elections, had the question of the definition of a new economic and social model at the forefront: the transition to socialism or, more modestly, to a social democratic model in 1974/81; the attempt to move towards a radical neoliberal model in 1986; the retrenchment of the State from the economy in the 1990s; the defence of a specific *modèle français* in the early 2000s; the *rupture tranquille* and the second attempt at finding a neoliberal solution to the crisis in 2007; the return of the state and the presumed end of deregulated capitalism after the financial crisis and the recession of 2008; and the promotion of a supply-side, 'pro-business', 'structural reforms' strategy after 2012. These frequent changes in priorities are not the expression of irrationality of the politicians or the population, but

¹⁹ Institutions 'contribute to the structuring of interactions in a way that is not required by the functionality of social relations but that does not contradict it either, and they can drive society in a direction that functionality left undetermined or create effects that feed back into functionality' Amable and Palombarini (2009: 133).

²⁰ Amable (2003).

²¹ Amable and Palombarini (2005, 2009).

the manifestation of the impossibility to obtain a sufficiently broad social and political support for a certain strategy for institutional change and the corresponding definition of a new model of capitalism for France. The search for a new economic and social model for France since the early 1980s has been a search for a new DSB too.²²

The changes that the French institutional structure has experienced since the 1980s have gradually and significantly altered an economic and social model that, by the early 2000s, had not mutated into a neoliberal model. This diagnostic still holds in the mid-2010s, but the extent of neoliberal reforms had spread considerably. For the specific case of France, as this book will show, the 2010s may be the crucial decade regarding the transformation of its model of capitalism. The mainstream left, in contrast to a supposedly 'radical' left kept outside of the government coalitions by the Parti Socialiste (PS), made a choice in favour of a neoliberal transformation of the French political economy, a choice which appeared as a more radical version of the famous 'U-turn' in economic policy that François Mitterrand had made in 1982/83, a political choice whose roots can be traced back to the post-Second World War period or even to the inter-war period.

To analyse the changes that took place in France between the early 1980s and the 2010s we need to go back to their historical origins. Although the research revealed in this book is not 'economic history', the argument is 'historically grounded'. A consideration of historical elements is necessary to understand the transformations of the 1980–2010 decades, in particular the evolution of the so-called 'government left' towards neoliberal economic policies. A far too common narrative explains the economic policy U-turn of 1983 as a consequence of the necessities of that time, presenting it as an awakening of the left to 'reality' following the supposed 'economic policy mistakes' of the first months of the Mitterrand presidency. A consideration of the political positions adopted by the left-leaning parties during most of the twentieth century reveals that the direction taken at the time of the U-turn corresponded for a significant part to a political, economic, and social project that had its origins in the 1930s. The difficulties in implementing this project can be related to the failure of finding a corresponding DSB.

Periods of crisis are those of the joint search of a political strategy and a DSB. Political actors compete with one another to propose public policy options and institutional change strategies in order to aggregate a broad enough social bloc composed of groups with different but sufficiently compatible expectations.

²² Which means that contrary to what Palier and Thelen (2010: 120) contend, it is not, at least in the French case, 'the very same cross-class coalitions that have allowed the continental European countries to avoid succumbing to liberalization' that have also helped promoted what they call 'dualization', which is one of the consequences of the neoliberal transformation affecting social protection.

The enduring crisis in France reflects the difficulties that such a search entails. In the 2010s, several competing strategies existed, aiming at the formation of different social blocs.

Crisis periods are also times where the conflict between the social groups trying to take part to the future DSB intensifies. In stabilized periods, corresponding to the existence of a DSB, 'general interest' is defined by the common interests of the dominant bloc. In times of crisis, the dissolution of that bloc engenders an increased uncertainty regarding what the 'general interest' could be. The conflict between social groups for the recognition of their interests is therefore also a conflict of 'legitimacy' regarding their policy expectations. This struggle is one 'for the power to impose the legitimate vision of the social world'.²³

It is therefore necessary to avoid the sterile opposition between 'interests' and 'ideas'.²⁴ Interests are not natural but social objects. Following Bourdieu, one can say that the correspondence between social structures and mental structures has a political function.²⁵ The categories of perception of the world, the classification schemes, tend to represent the existing structures as 'natural', and contribute thereby to framing the competition among agents, and to defining the pattern of solidarities and antagonisms. Therefore, these schemes are not simply the production of a social structure but contribute also to shaping this structure. In this respect, the change that the mainstream left made in its representation of society, from a class-based struggle to an opposition between 'insiders' and 'outsiders',²⁶ is both an expression of changes in its social base and a means to modify this base.²⁷ The partition of society between those who control the means of production and workers gave way to a divide between 'protected' individuals and the others, and the plight of the latter were attributed to the 'protections' of the former, protections resulting from decades of class struggle opposing capital to labour. Likewise, the concern about inequality of power, wealth or income gave way

²³ Bourdieu (1997: 220).

²⁴ Kinderman (2014: 6) recently showed that the two can sometimes be connected in a very trivial way when he studied the so-called Initiative Neue Soziale Marktwirtschaft (INSM) launched by German organized business: 'Gesamtmittel gave the INSM a clear mandate to propagate and popularize Ordoliberal/neoliberal ideas and reforms. To date, Gesamtmittel has spent in excess of 130 million euros to fund the INSM's activities (10 million euros per year from 2000 to 2009, 8.8 million euros per year from 2009 to 2014)—not exactly cheap talk.'

²⁵ 'Max Weber said that dominants always need a "theodicy of their privileges", or, better, a sociology, that is, a theoretical justification of the fact that they are privileged' Bourdieu (1998: 49).

²⁶ The so-called insider-outsider theory was created by economists Assar Lindbeck and Dennis Snower in the late 1980s. After having gone out of fashion among economists, it was picked up uncritically by some political scientists in the mid-1990s, at a time when this theory could adequately support the rightward move of European social democratic parties.

²⁷ The same could be said about the various attempts to substitute an age-based to a class-based conflict in the public policy debate in France in the 2010s.

to the concern about the inclusion of individuals in the labour market and the associated themes of 'dualization'.

The depreciation of the legitimacy of employment protections and the promotion of a new divide running across labour benefitted capital in its ventures against social democratic institutions—or more radical projects about social transformation—just as the divide between modernist and traditionalist capital in the post-Second World War period had benefitted labour in the establishment of those institutions.

Obviously, the dynamics of ideas and interests are entwined, and their analysis is made jointly in this book. For instance, the attempts to promote so-called 'structural reforms'—in fact a change in the institutions aiming at transforming the economy in a neoliberal direction—always involved the repetitive publication of 'reports' that followed the work of 'commissions' composed of more or less the same group of 'experts' who systematically make the same recommendations, depicting an emergency situation requiring to take drastic measures in order to avoid disaster. These conclusions are diffused through the media and contribute to building a 'public opinion' on certain topics. Many publications have analysed the way the mass media have repeatedly diffused the idea that France was declining and should reform itself in spite of a harmful social opposition fed by the alleged stupidity of the masses and the astuteness of particular interest groups, proposing a 'pedagogy' of the crisis that could also be regarded as a rather unsophisticated form of propaganda.²⁸ The will to promote a vision of the future cannot be separated from the strategies that aim to establish a certain economic and social model that corresponds to the interests of would-be dominant social groups.²⁹ Moreover, the theme of decline has been, as Chapter 2 shows, for a long time of particular importance in the French public policy debate. This makes the strategy of promotion of neoliberal reforms based on a simple opposition between movement (towards the future) and immobility (supposedly a source of decline in an ever-changing world), all the more attractive for the social groups aiming to take part in the new DSB.

One should also keep in mind that the political logic, the accumulation of power, differs from intellectual consistency, which is the concern of the

²⁸ See for instance Halimi (1997); Bourdieu (1998); Rimbart (2005); Cusset (2006); Fontenelle (2012).

²⁹ Periods of crisis are also those where some social groups envisage the perspective of being excluded from the DSB and make the experience of a growing lack of influence on the economic policy decision-making process. In the context of increasing European integration, this feeling of a loss of influence on public policy may translate into a demand of increased national sovereignty, as a way to regain a certain influence on the political decision-making process. By contrast, groups whose demands are increasingly taken into consideration may welcome the loss of national sovereignty as a way of getting rid of the constraints imposed by the old (national) socio-political compromises.

intellectual professions. Political actors implement policies in order to consolidate their political power. They may opt for a neoliberal orientation to this aim, but their ambition is not to stay true to the writings of Hayek, Allais, or Eucken. This may create a certain confusion when a specific policy is labelled 'neoliberal' for instance. The problem is not simply that neoliberalism is a broad church, but rather that the search for a stable dominant bloc implies the search for a compromise between different social expectations, and this may be substantially different from following a given ideology. In practice, no actual policy orientation is entirely neoliberal, if one understands by this a strict obedience to the writings of this or that major author of that school of thought.

This book proceeds as follows. The first chapter presents some evidence of the economic and political changes that have taken place in France since the early 1980s. As mentioned before, the dominant interpretations of the French situation focus on economic problems such as slow growth and high unemployment, and the alleged necessity to implement 'structural reforms' in order to solve these problems. Although the existence of economic difficulties plays a role in the French political and systemic crises, that chapter argues that the usual story about structural reforms is partial and misleading. Chapter 1 presents evidence of the systemic crisis and proposes a theoretical framework for interpreting this crisis.

The second chapter goes back to the situation before 1980 and analyses the origins and diffusion of neoliberalism in France. The definition of French public, and especially economic, policy had been influenced by the leitmotiv of 'modernization' since the end of the nineteenth century at least. A specific ideology, modernism, had developed in the period between the two World Wars, in parallel with the attempt to 'renew' the liberal thought that came to be known as 'neoliberalism'. Although distinct, modernism and neoliberalism shared common elements. These common elements became progressively more important than the differences. Modernism gained influence after the Second World War both on the political left and the political right, and progressively lost its most 'social democratic' elements to the benefit of the elements it had in common with neoliberalism.

At the beginning of the 1980s, as the economic crisis of the 1970s endured, two very different projects for the French socio-economic model competed. The left proposed a social and economic project that was a rather fragile compromise between the aspirations of the Communist Party and the somewhat heterogeneous socio-economic visions present in the Socialist Party. The compromise was the development of a series of institutions that oriented the French political economy towards a social democratic model, an evolution understood to represent 'modernization' both from a societal and an economic point of view. The right had on the other hand the intention to give

a stronger neoliberal orientation to its policies, considering that the adequate answer to the economic crisis could only be of a 'structural' nature. An empirical estimation of support for the respective projects of the left and the right shows the existence of two social blocs with different and opposed expectations regarding economic policy.

The third chapter analyses the period after the political victory of the left in 1981. This period saw the beginning of the implementation of the left economic platform, a gradual but significant reversal of policy in 1982/3 and the choice made by the Socialist Party in favour of a broadly neoliberal structural policy counterbalanced with social measures, the failed attempt of the right to adopt a radical neoliberal reform programme, and the later choice of a more pragmatic approach instead. This period epitomizes the concept of systemic crisis: the impossibility to find a political strategy for the implementation of a certain type of structural policy that would find its own social support. In fact, the hesitating political and economic strategies followed after 1981 were both the causes and consequences of the break-up of the traditional social alliances: the right and left social blocs. In this respect, the choice of European integration, mainly as an economic reform strategy, by the right and above all the left governments, was crucial.

The fourth chapter exposes the changes that took place during the Hollande presidency. Hollande's term marked the accomplishment of a long-term strategy of the right-wing of the so-called 'government left': the traditional left political alliance in a coalition government was no longer considered to be necessary, and the transformation of political alliances and the search for a new social base, different from the traditional left social bloc, was a dominant orientation of the presidency. At the same time, Hollande's presidency represented the intensification of the contradiction between the economic and structural policy that the PS-led government wanted to implement and the expectations of the electorate of Hollande.

1

The Systemic Crises of French Capitalism

1.1 The French Economy since the 1980s

The French economic debate in the 2010s was dominated by the perception that the country had fallen behind over the past four decades.¹ Compared with other developed countries, the French economy's growth rate since 1980 had been rather modest (Figure 1.1). France had been outperformed by Japan, Italy, the USA, and the UK during the 1980s and by the former two countries during the 1990s and 2000s. Germany had grown somewhat more rapidly during the second half of the 2000s, and, above all, performed significantly better after the brutal shock of the Great Recession in 2008, thus becoming (again) the model to emulate, in contrast with the appreciations commonly made during the first half of the 2000s, according to which that country was the sick man of Europe.²

Taking a longer time period into consideration, one may better assess the severity of the growth slowdown and understand how a feeling of economic decline may have been present in the French public debate.³ The growth performance since the 1980s appears indeed mediocre when one compares it to the pre-1980 period. Following the first oil shock, gross domestic product (GDP) growth slowed down from a 5.4 per cent annual average between 1950 and 1973 to 3 per cent between 1974 and 1978. The post-1980 period was characterized by a further slowing down. Figure 1.2 shows the trend growth

¹ In 2014, France was under threat of sanctions by the European Commission for failing to respect the obligations under the EU Treaties with respect to the size of its public deficit. Its public debt was downgraded by one rating agency (Fitch), unemployment continued to rise, and it had a large current account deficit in spite of its slow growth.

² See Dustmann et al. (2014).

³ The theme of the French economic decline had (re-)surfaced in the public debate before the 2010s. A book published in 2003 by a conservative publicist Nicolas Baverez, *La France qui tombe* ('Falling France'), obtained considerable commercial success. See Chapter 2 for the debate on French economic decline before the Second World War.

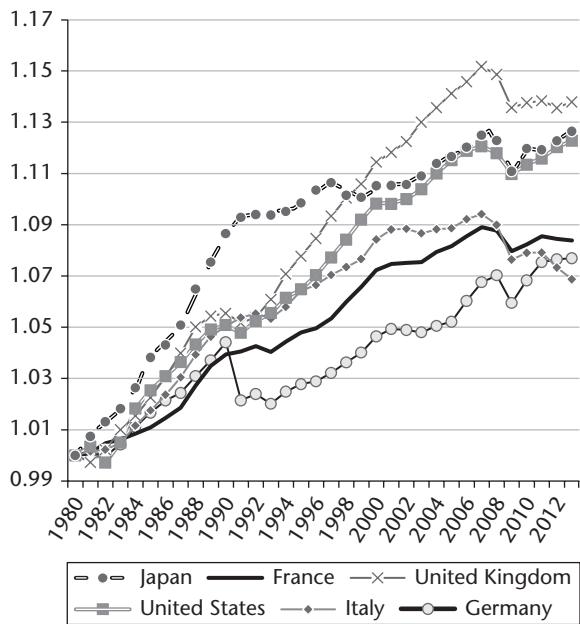


Figure 1.1. GDP per capita (Log) (Index 1980=1).
Data source: AMECO (annual macro-economic database of the European Commission).

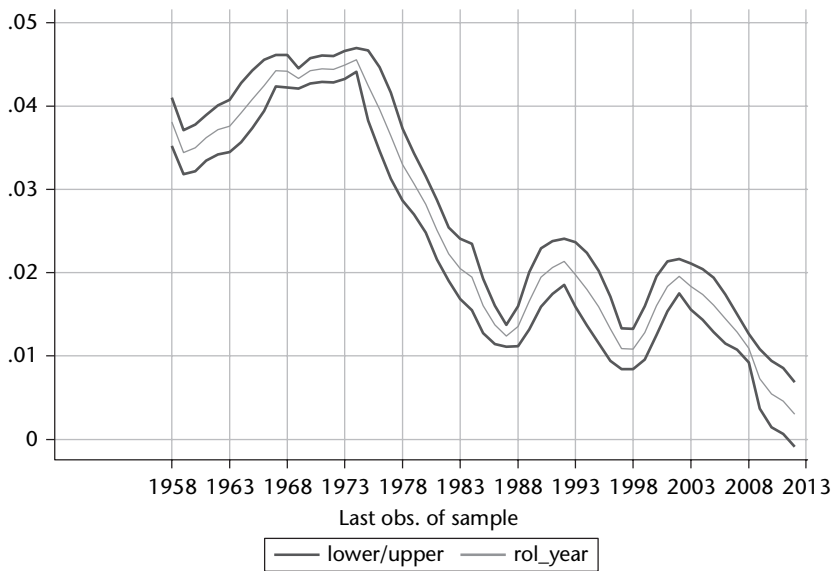


Figure 1.2. GDP per capita, estimated trend growth rate on a rolling ten-year window with 95% confidence intervals.
Data source: INSEE.

rate in GDP per capita since 1948 estimated over a ten-year period.⁴ One can see that the post-war period was characterized by very rapid growth, gathering momentum until the first oil shock. The following years saw a brutal decrease in the GDP per capita growth rate—the trend rate was roughly divided by 2—as well as an increase in the instability of growth, with rather wide fluctuations until the Great Recession, which led to a further slowing down of growth, seemingly leading to a near-complete stagnation.

A first explanation for the growth slowdown is the exhaustion of technical progress. However, the somewhat mediocre growth performance does not stem from a productivity slowdown setting France apart from the other developed countries. Labour productivity continued to grow at the same rate as in Germany for instance, at least until the Great Recession (Figure 1.3), and the French performance was only slightly inferior to that of the UK and Japan, and very different from the experience of southern European countries, in particular Italy, which was characterized by a slow productivity growth until

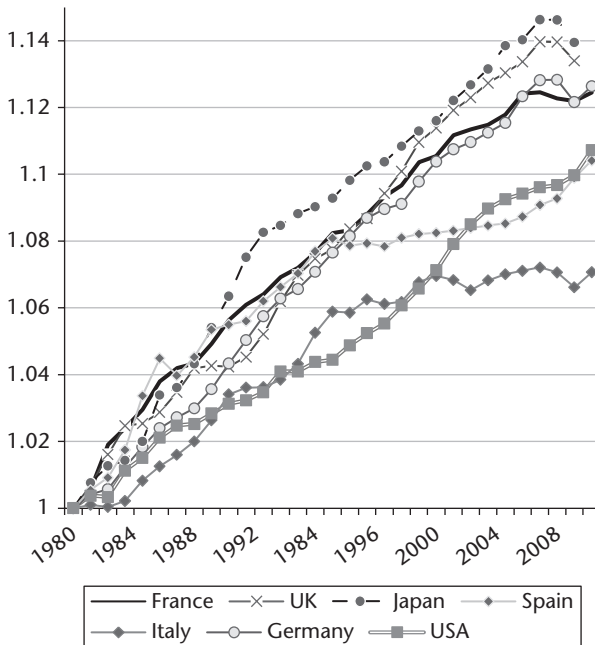


Figure 1.3. Labour productivity (Log) (Index 1980=1).

Data source: EU KLEMS.

⁴ The linear regression is: $\log(\text{GDP per capita}) = a \times \text{time trend} + b$, over a rolling period of ten years starting with 1949–59. Figure 1.2 displays the estimated \hat{a} coefficient with the confidence interval.

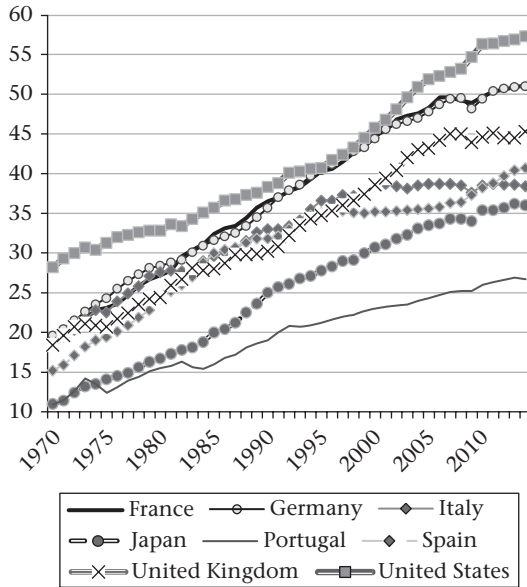


Figure 1.4. GDP per hour worked (constant prices, USD, PPP 2005).
Data source: OECD.

the mid-1990s followed by a quasi-stagnation. Besides, when one looks at productivity levels, France was in the same league as Germany, and among the most productive economies in the Organisation for Economic Co-operation and Development (OECD) (Figure 1.4). Other European countries such as Italy and even the UK were significantly less productive than France in the 2010s.

The consequence of a growing productivity and a slow GDP growth is that the French employment performance had been at the centre of the economic policy debate since the 1970s. Unemployment had already been increasing in the 1960s. After the first oil shock, the unemployment rate rose rapidly (Figure 1.5) to a level that stayed at over 8 per cent almost constantly after the early 1980s. However, the comparison with other developed countries does not make the French experience appear vastly different. The rise of unemployment in the early 1980s was similar to that experienced by similar European countries such as Germany, Italy, and the UK. The same could be said about the Great Recession. On the other hand, French unemployment did not rise as much as it did in Italy.

A second explanation of the slow GDP growth in spite of a high level of productivity could lie in the inability of the French economy to provide jobs for everybody. What distinguished France from other countries is that it never experienced a long enough period of strong decline in the unemployment rate as the USA and the UK did in the 1990s or Germany in the 2000s. These

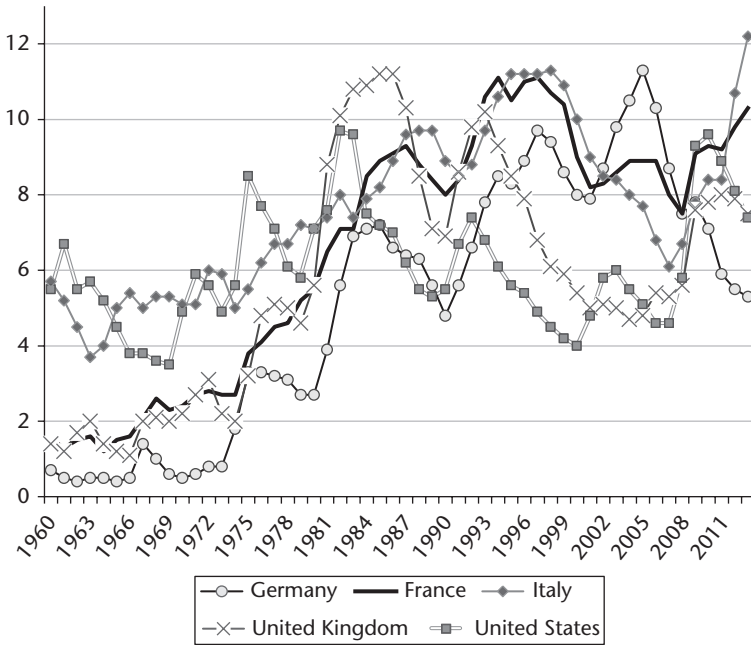


Figure 1.5. Unemployment rate, 1960–2013.

Data source: AMECO.

countries' examples were often mentioned in the public debate when the question of the 'rigidity' of the French labour market institutions and the consequences it supposedly had on unemployment would come up. The failure of the French economy to see its unemployment level decrease was attributed to the failure to follow the models set by respectively the flexible employment relation of the USA (in the 1990s) or the labour market reforms in Germany (in the 2010s). However, as can be observed in Figure 1.5, before the Great Recession, the French unemployment rate had been on a decreasing trend since the mid-1990s. This trend had indeed led Nicolas Sarkozy to promise during the presidential campaign in 2007 that, should he be elected, the unemployment rate would go down to 5 per cent at the end of his mandate in 2012. This expected decrease roughly corresponded to the trend followed by French unemployment since the early 2000s. The Great Recession, however, made this promise impossible to keep.

Another element must be kept in mind when one compares the unemployment figures of France with those of other European countries. In some countries, the decline in unemployment resulted in large part from an increase in part-time employment, and not so much from the creation of full-time jobs. Figure 1.6 shows the evolution of the proportion of part-time

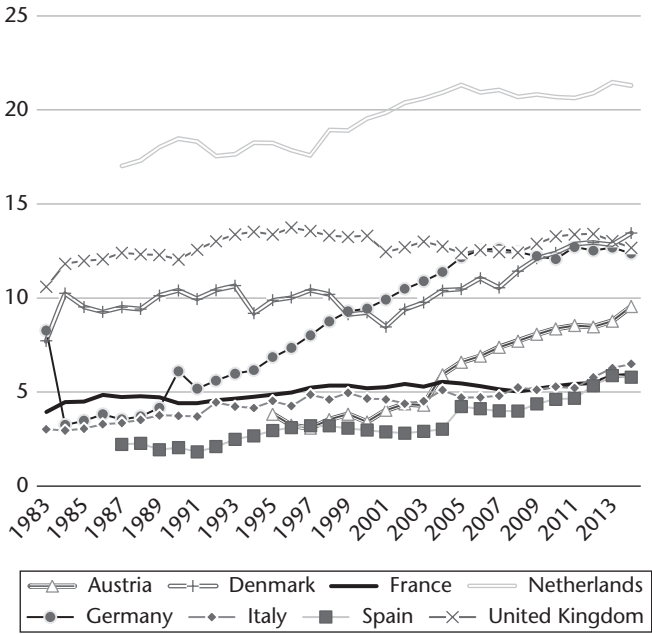


Figure 1.6. Percentage of the labour force working less than twenty hours per week.

Data source: OECD.

employment. One can see that this type of employment did not develop in France as much as in countries such as the Netherlands, the UK, and Germany.

The comparison of employment rates also illustrates an often emphasized weakness of Continental varieties of capitalism (Figure 1.7). Until the early 2000s, one could roughly distinguish three groups of countries: the Mediterranean countries (Italy, Spain), with low employment rates; the social democratic (Nordic) and liberal (Anglo-Saxon) countries, with high employment rates; and the Continental countries (France, Germany) in between. The 2000s represented a period of rapid evolution for some countries. Spain saw the employment rate increase very rapidly, overtaking France in 2004. Germany also saw its employment rate increase rapidly after 2005, while the rates of Nordic and Anglo-Saxon countries remained at their high levels, at least until the Great Recession. France and Italy appeared to be the only countries to have experienced at best a modest increase in their employment rates.

The Great Recession affected countries differently. The decrease in the employment rate was dramatic for Spain and significant for the USA and Denmark. By contrast, the employment rate of Germany continued to increase, an evolution which was commonly understood in France as the consequence of the labour market reforms implemented by the Social Democratic Party (Sozialdemokratische Partei Deutschlands (SPD))/Green coalition during the early 2000s.

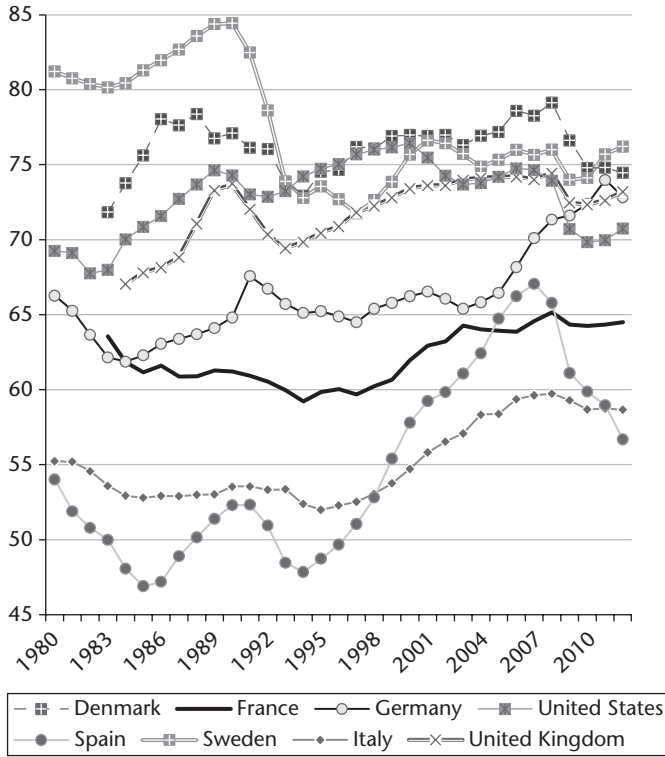


Figure 1.7. Employment rate, all persons.

Data source: OECD.

However, the international differences in employment rates, and the particularity of France, did not concern the bulk of the workforce, that is, prime-age (25 to 54) individuals. As can be seen from Figure 1.8, the evolution of the French employment rate was almost comparable to that of Germany until the Great Recession and French performance was on par with the UK or the USA. The difference in the aggregate employment rate came mostly from senior (over 55) individuals. As shown in Figure 1.9, part of the increase in the employment rate of Germany came from the increase in senior employment. Indeed, a consequence of the Hartz reforms was that senior workers remained in employment for longer, mostly as a result of the reforms making the early exit from the labour market through early retirement more difficult.⁵ Also, Germany was atypical for being the only country where employment rates continued to increase during the Great Recession.

⁵ Amable and Françon (2015).

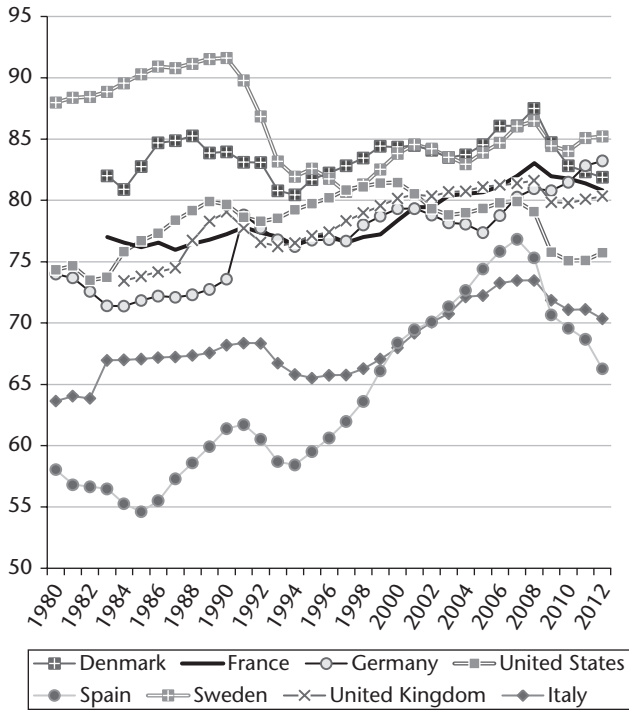


Figure 1.8. Employment rates of prime age (25–54) individuals.
Data source: OECD.

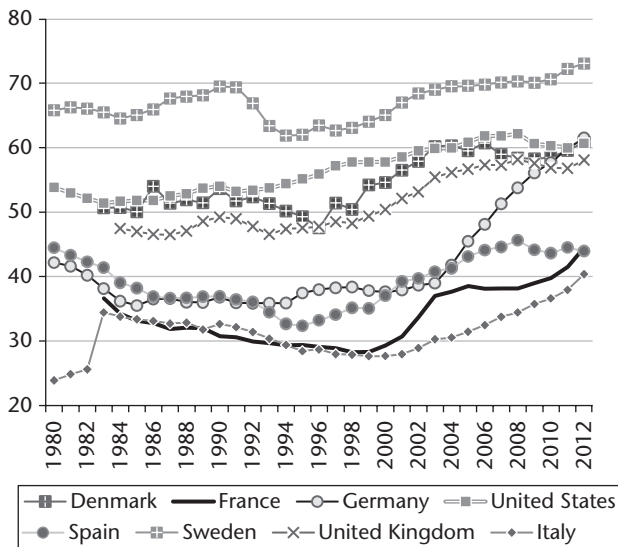


Figure 1.9. Employment rates of seniors (over 55).
Data source: OECD.

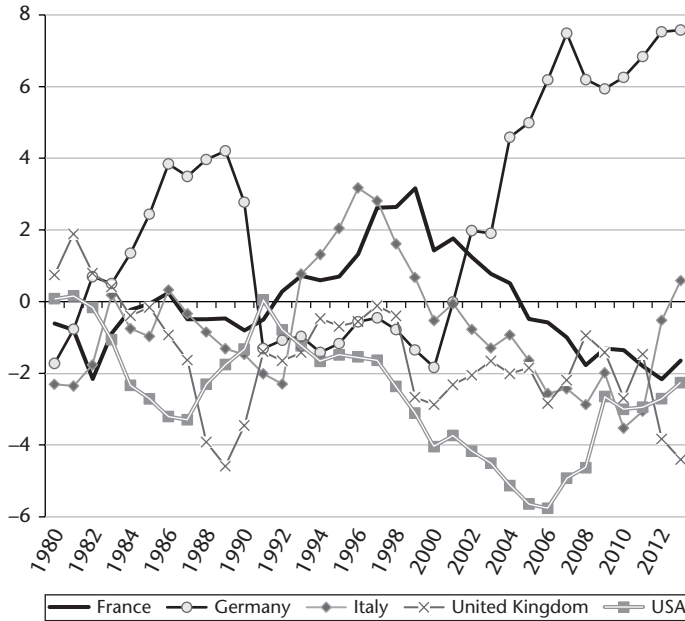


Figure 1.10. Current account balance (percentage of GDP).

Data source: OECD, economic outlook database.

Another important issue in the French economic policy debate was external competitiveness. Current account deficits were present during the first half of the 1980s. Foreign competitiveness was no longer an issue during the 1990s but it reappeared dramatically during the 2000s (Figure 1.10). The contrast with the foreign trade performance of Germany, France's main trade partner, is patent. A consideration of world export shares from the mid-1990s onward would also emphasize the decline of France in contrast with the relative stability of Germany. The evolution of the French current account balance paralleled that of Italy. The period starting with the end of the 1990s/beginning of the 2000s, that is, the final phase of European Monetary Unification, saw a rapid and dramatic increase in the German account surplus coinciding with a dramatic drop in the French (and Italian) current account balance. The poor performance of liberal economies (the USA and the UK) over the whole three-decade period may also be noted.

These contrasting evolutions raise the question of the causes of the French current account deficit. The high surpluses of Germany followed from the increase in cost competitiveness (Figure 1.11), in part a consequence of a prolonged period of particularly strong wage 'moderation' during the early 2000s (Figure 1.12). Compared with other countries, the cost competitiveness of France did not seem particularly weak, but the comparison with

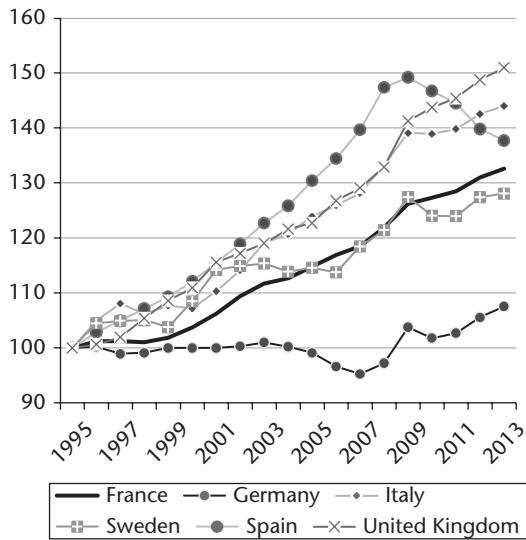


Figure 1.11. Unit labour costs (Index 1995=100).
Data source: OECD.

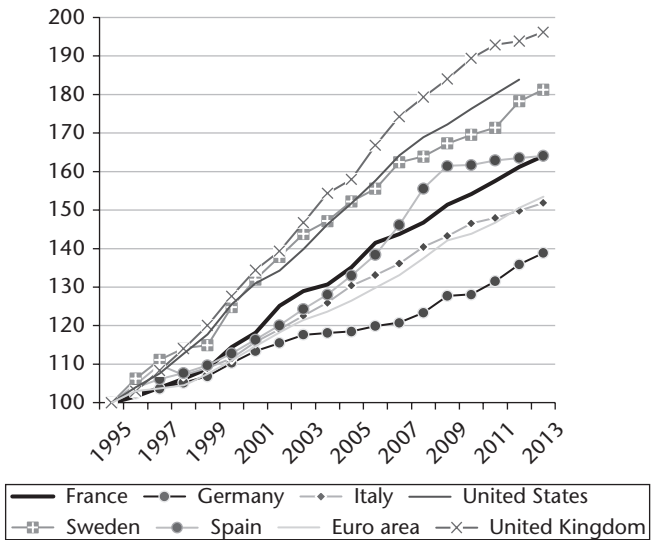


Figure 1.12. Labour compensation per hour worked (Index 1995=100).
Data source: OECD.

Germany, itself an exception, made the French performance look poor. Figure 1.13 shows the evolution of the real effective exchange rate (REER). The period 1989–92, when the current account was approximately balanced in both France and Germany, is taken as a reference point. The

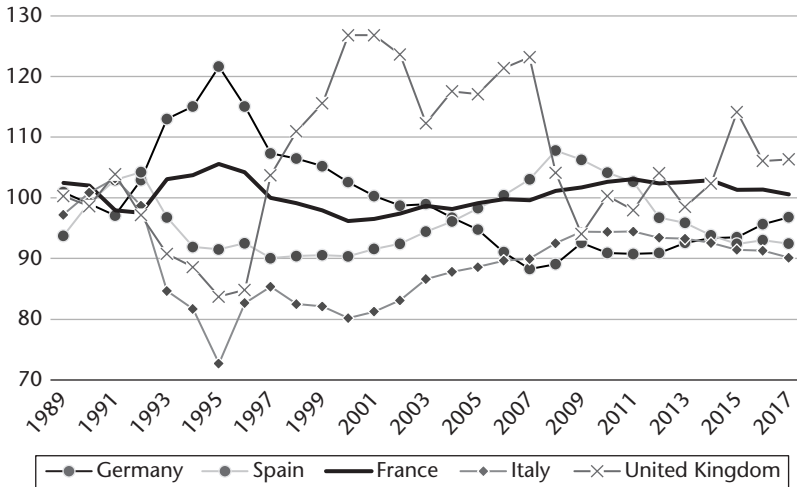


Figure 1.13. Real effective exchange rate (1989–92 average=100) based on unit labour costs (total economy). Performance relative to the rest of the former EU-15 (double export weights).

Data source: AMECO.

evolution of the REER shows how Germany improved its price competitiveness vis-à-vis France in the 2000s after a period of overvaluation at the beginning of the 1990s.

Le Moigne and Ragot (2015) specifically investigated the differences in competitiveness between France and Germany since the mid-1990s, distinguishing between sectors exposed to international competition (29 per cent of the value added in France in 2012; 40 per cent in Germany) and ‘sheltered’ sectors. They found that differences in the evolution of production costs were particularly significant in the sheltered sectors. Also, French price competitiveness in exposed sectors was maintained at the cost of reduced profit margins. In sheltered sectors on the other hand, margins continued to increase until the Great Recession. The picture drawn is a familiar one: the competitiveness problem of France stemmed from a specialization in medium-quality goods which implied a rather high degree of price sensitivity. A decrease in price competitiveness vis-à-vis other competitors led to a deteriorating export performance. The difficulties of the French economy to improve product quality could be seen through the stagnation in the R&D/GDP ratio after a period of increase during the 1980s (Figure 1.14). This contrasted with the evolution of the same ratio for countries which invested less than France in R&D at the beginning of the 1990s and which increased considerably their R&D effort: Finland, Austria, and Denmark for instance.

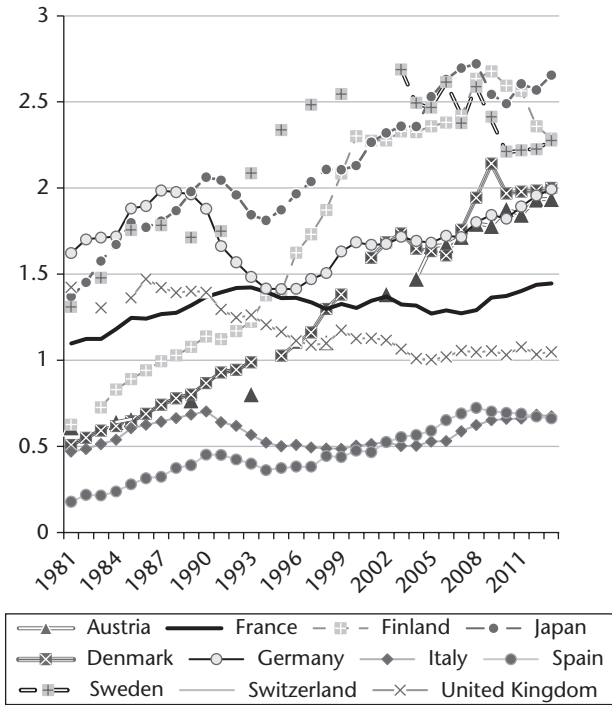


Figure 1.14. DIRDE (Dépense Intérieure de Recherche et Développement des Entreprises) as a percentage of GDP.

Data source: OECD.

Deindustrialization was more pronounced in France than in other European or developed countries (Figure 1.15), and the specialization of France increasingly turned towards the service sectors. In a comparison of Germany, Spain, the USA, Italy, Japan, and the UK, Mrabet (2015) showed that the specialization of France was intermediate between those of two groups of countries. The first group comprised Italy and Spain, specialized in construction and tourism; the second group included the USA and the UK, specialized in finance, insurance, and real estate. Both groups were distinct from Germany and Japan, specialized in manufacturing with a high technological content.

The decline of manufacturing affected industries characterized by an intermediate technological content (e.g. automobiles) more than others, which resulted in a narrower industrial base, with an acceleration of a trend that was observable already in the 1980s:⁶ a polarization of the industrial base between industries with a low technological content (food industry, metals, and so on)

⁶ Amable and Mouhoud (1990).

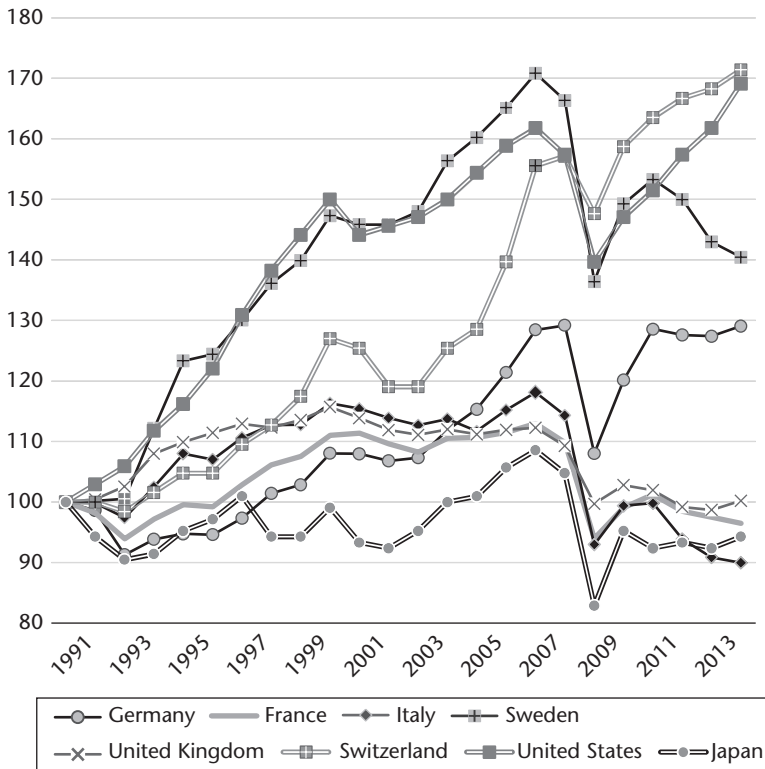


Figure 1.15. Index of industrial production (100=1991) GDP per capita.

Data source: OECD.

and high-tech sectors such as aerospace where the influence of the state's industrial policy was maintained, in particular because of the links with defence.

The failure of the French industrial strategy was epitomized by some former 'national champions': Alstom (transport equipment, energy, turbines), Alcatel (telecommunications), and Areva (nuclear energy) in 2016, and Arcelor (steel) in 2012. Once major actors in their respective industries, by the mid-2010s these companies were either on the verge of bankruptcy (Areva) or partly or entirely bought out by foreign companies (Arcelor was sold to Mittal Steel, Alcatel to Nokia, Alstom to General Electric). Some strategic mistakes explained in part the problems faced by these firms, but the main reason for this decline was the financialization of French capitalism. Turning away from 'dirigisme',⁷ the state relinquished its role as a planner, financier, and main customer of these firms to become at best a passive investor. In fact, the

⁷ Discussed further in Chapter 2.

evolution of the role of the state, from a developmental actor to an investment banker, led the management of these firms to adopt the practices and strategic options associated with global financialized capitalism. This had no positive consequences for either the development of these firms or the industrial base and the employment level of the nation.

Other less traditional influences of competitiveness must also be taken into account. Askenazy (2013) mentioned fiscal optimization as a potential explanation for the worsening of the French current account. Through the mechanism of transfer pricing, multinational corporations can influence the trade balance which may lead to distorted measures of 'competitiveness'. At the beginning of the 2010s, about one-third of international trade was conducted between French multinational corporations and their foreign subsidiaries. For Askenazy, one-half of the trade deficit between France and Germany could have resulted from fiscal optimization; the drop in corporate taxes in Germany had made it more profitable to 'locate' profits in that country rather than in France, which gave an incentive to French multinational corporations to increase the transfer prices paid by the corporations to their German subsidiaries. The same mechanism could have been present in the trade flows with other OECD countries where the corporate tax rate had decreased more than in France in the 2000s (Figure 1.16).

For Askenazy (2013), the evolution of transfer prices could also explain the drop in profit margins, the decrease in relative prices, and the increase in dividends. With regard to dividends, Cordonnier and colleagues (2015) focused on the cost of capital (interest payments and dividends) and showed that this cost had significantly increased since the mid-1970s, after having decreased during the 1960s. The increase in the 1970s and 1980s was mostly owing to the rise of interest payments, but increasing dividends explained why the cost of capital stayed at a rather high level in spite of the sharp drop in interest payments after the mid-1990s.

Another source of the increase in production costs was the rise of real estate prices and asset prices in general. Using data from the European Central Bank (ECB) (Figure 1.17), one can assess the difference between France and Germany in this respect. France, like Spain, experienced a sharp increase in real estate prices at the beginning of the 2000s. Prices had more than doubled in the decade after 1996 and, contrary to Spain, the financial crisis and the Great Recession did not have a very significant impact on their level. By contrast, German real estate prices stayed almost constant for more than ten years after 1996, increasing only after 2010.

Askenazy (2013) sees two channels through which the increase in asset prices may affect firms' competitiveness: the costs of investments and the altered firms' performance ratios. The influence of asset prices on investment costs is obvious, but one must not neglect the impact on firms' financial

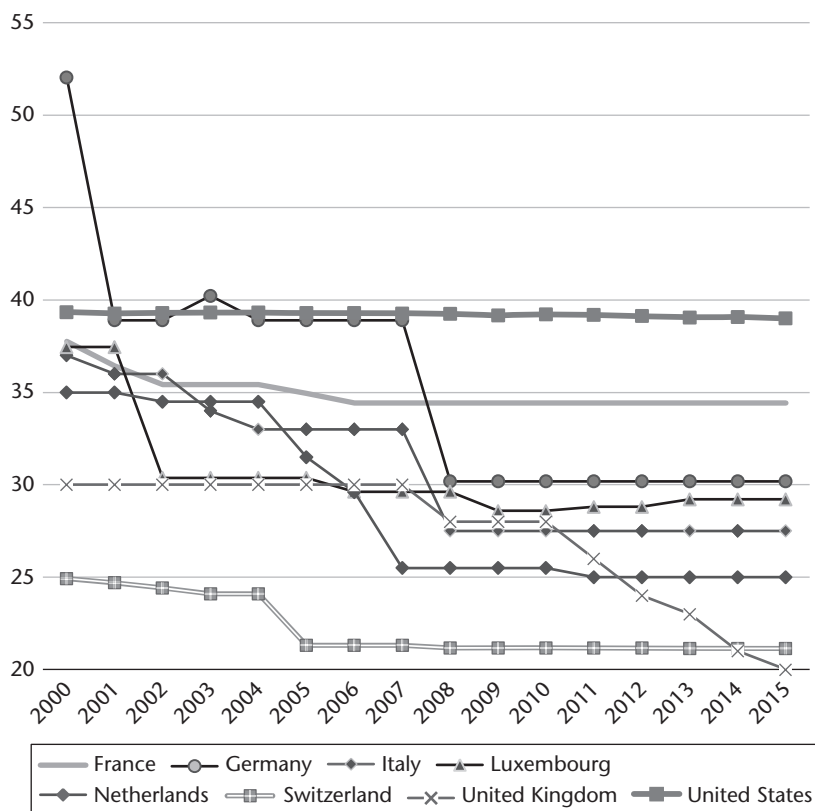


Figure 1.16. Combined corporate income tax rate.

Data source: OECD.

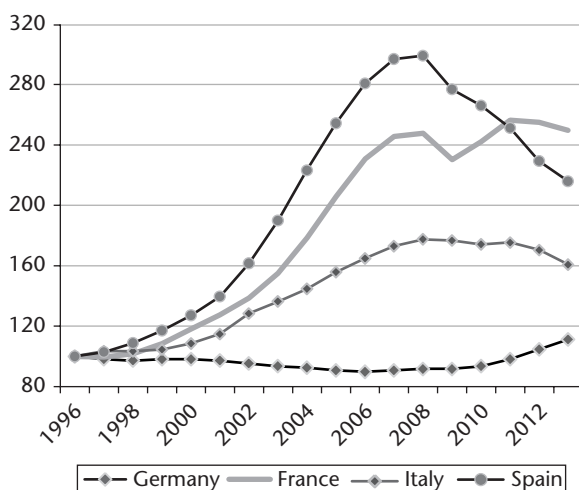


Figure 1.17. Index of real estate prices (100=1996).

Data source: ECB.

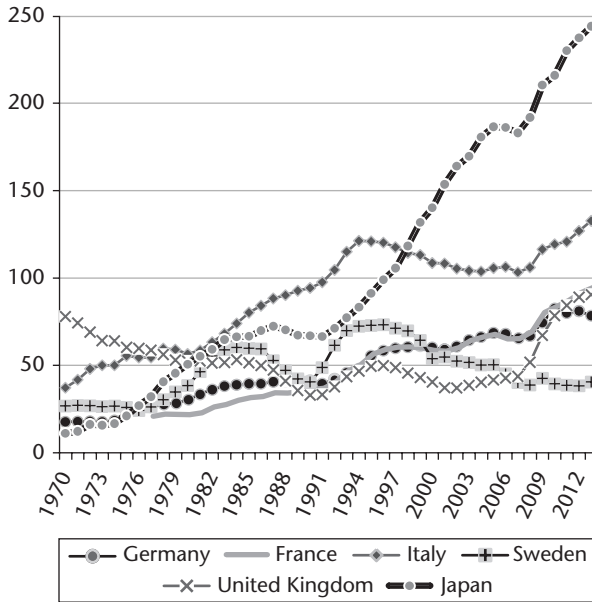


Figure 1.18. Public debt (percentage of GDP).

Data source: AMECO.

policies. An increase in the nominal value of firms' assets implies that larger dividends must be paid to shareholders to keep financial return ratios constant. Askenazy (2013) estimated the extra charge resulting from the dividends and investment costs to be nearly 4.5 per cent of the value added of non-financial corporations, which corresponded to 30 per cent of employers' social contributions in 2011, and which was also twice the amount of the corresponding increase in unit labour costs.

Furthermore, France was commonly characterized by the high level of public debt. A look at the comparative evolution of public debts since the 1970s does not make France appear as a special case (Figure 1.18). The relative debt level of France grew faster than other developed countries in the 1980s and even more so in the early 1990s, but followed the same trend as most other developed countries thereafter. The evolution of the French debt was remarkably similar to that of Germany until the Great Recession. The decrease in the German relative debt level in the early 2010s stemmed in part from a higher growth rate. There are two exceptions in the picture: Japan, and Sweden—for opposite reasons. Countries which had seen their public debt decrease, such as Sweden, were the exception. In the Swedish case, GDP growth rather than public expenditure cuts explained the drop in the debt/GDP ratio. Countries which saw their debt decrease during the 1990s and 2000s, such as the UK, had it rise again with the Great Recession.

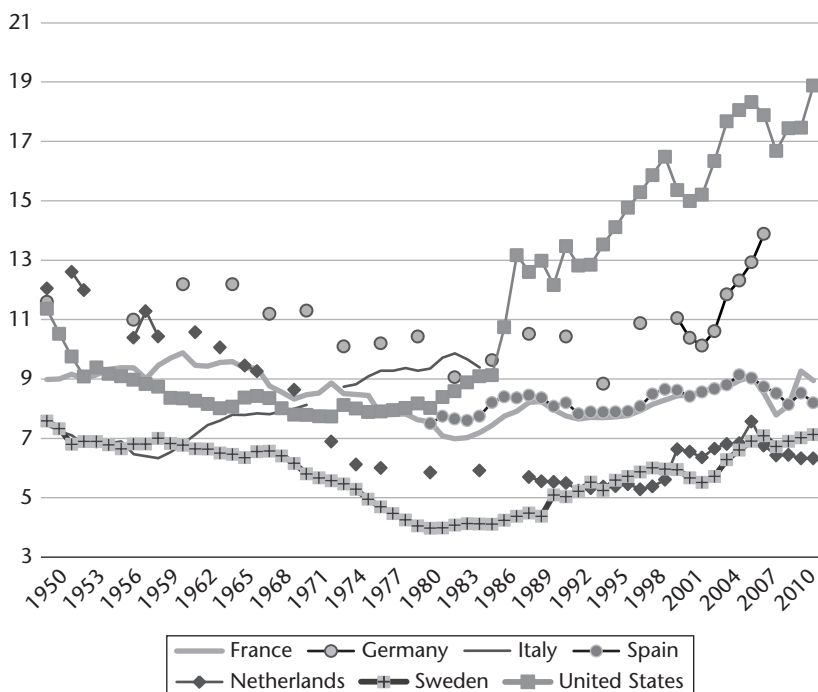


Figure 1.19. Top 1% income share.

Data source: World Top Income Database.

Finally, the 2010s saw the increased importance of the debate on inequality. As shown in Figure 1.19, the level of inequality, measured by the top 1 per cent share of income, was comparatively high in France in the 1950s but decreased more or less steadily until the 1980s. The share started to grow thereafter but at a more moderate pace than in most other developed countries, and particularly the USA. The contrast with the rapid rise of the top 1 per cent share in Germany during the 2000s is quite strong. Looking at the Gini coefficient (Figure 1.20), in the 2000s France was characterized by an intermediate level of inequality, higher than in Nordic countries but markedly lower than in Anglo-Saxon countries. The same applied to poverty (Figure 1.21); the French tax and transfer system succeeded in reducing the poverty rate from a rather high to a rather low level. Therefore, although inequalities were rising, the situation did not appear as dramatic as in other developed countries in the early 2010s, a diagnosis that the OECD established in its 2011 report on inequality.⁸

To sum up, by the mid-2010s, the French macroeconomic performance had been mediocre for at least three decades, without being catastrophic. But the

⁸ OECD (2011).

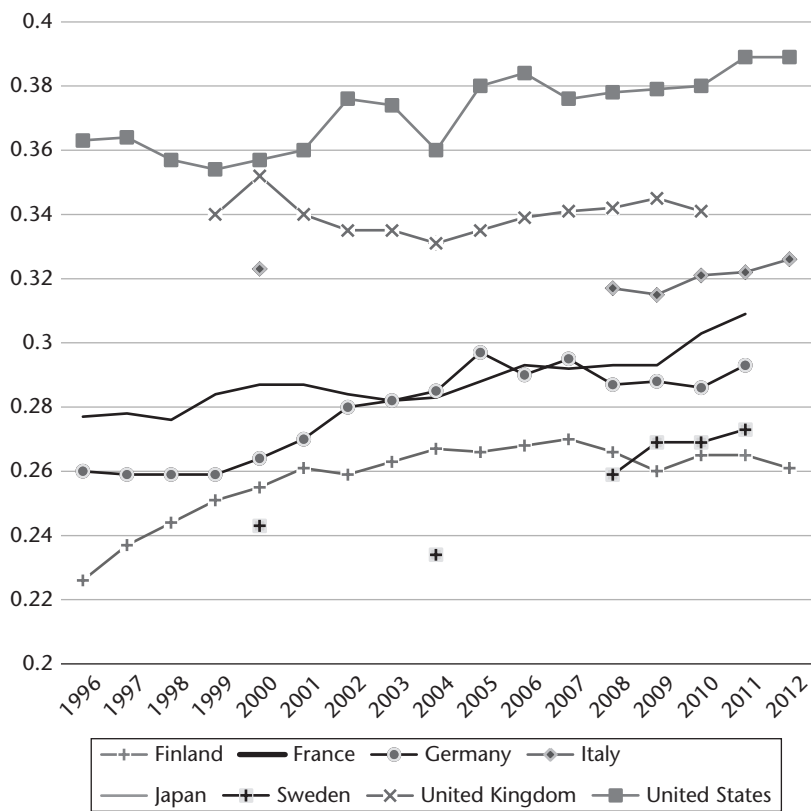


Figure 1.20. Gini (disposable income, post taxes and transfers).
Data source: OECD.

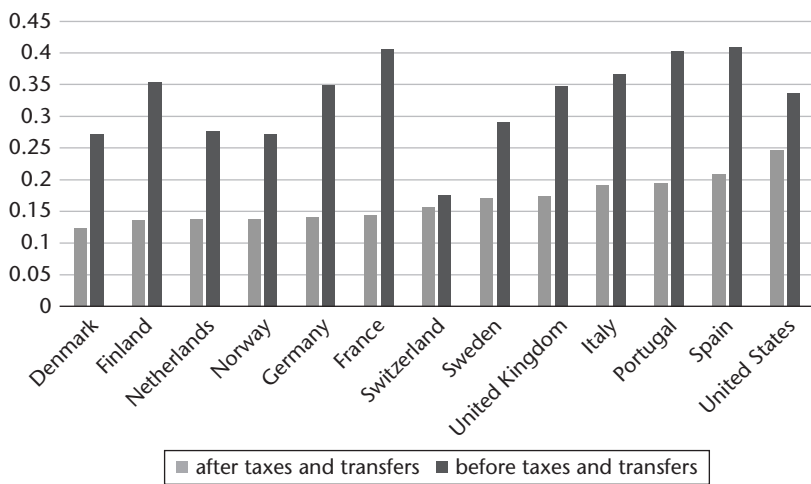


Figure 1.21. Poverty rate (poverty line 60%) in 2012.
Data source: OECD.

very strong contrast between the pre- and post-1980 periods reinforced a general perception of decline, a topic which had been very present in the French history of the twentieth century.

1.2 The Continental European Model: An Outdated Economic Model?

The growth slowdown, the persistence of high unemployment, the recurring foreign trade deficits, and other economic difficulties led to the prominence among policy makers and political elites of an analysis that identified the French economic problems with the presence of inadequate and outdated institutions—the inadequacy of the French institutional structure to the requirements of the modern economic competition among nations. The solution was presented as the ‘necessary’ implementation of ‘structural reforms’ in a significant number of areas in order to radically change the French economic model.⁹ This diagnosis was not strictly limited to the French case, but also encompassed other European country cases.¹⁰ The gist of the dominant narrative was that France and other Continental European countries in general should get rid of the institutions they inherited from the post-war Fordist growth period, and adapt their respective economic models to the requirements of a ‘modern’ innovation-based economy requiring flexibility and adaptability.¹¹ This literature took some elements from the ‘endogenous growth’ theory, and in particular the so-called ‘Schumpeterian’ branch of this theory,¹² which focused on ‘creative destruction’ and stressed the importance of the profit motive in the drive of private entrepreneurs to innovate. The general conclusion of this literature was that innovation motivated by profit expectations was the source of growth, and implied that obsolete firms, skills, and products should be replaced with new and better ones. Institutions that hindered the process of creative destruction by diminishing innovative firms’ profits or protecting obsolete jobs, firms, or industries were considered a disincentive to innovation and were hence taken to be contributing to the slowing down of growth.

The view of innovation promoted by this literature was very similar to what Mariana Mazzucato (2014) called the ‘Silicon Valley myth’,¹³ with dynamic

⁹ Aghion, Cetto, and Cohen (2014) advocated such ‘structural reforms’ in their book, *Changer de modèle* (Changing models).

¹⁰ See for instance Sapir (2004).

¹¹ Sapir (2004).

¹² Aghion and Howitt (1998).

¹³ Mazzucato (2014: 45–55)’s intent was to debunk a series of myth about innovation, among which: ‘small is beautiful’ (overstating the importance of small- to medium-sized enterprises (SMEs)), ‘venture capital is risk loving’, ‘we live in a knowledge economy—just look at all the patents’, ‘Europe’s problem is all about commercialisation’, ‘business investment requires less tax and red tape’.

new innovative entrants replacing complacent incumbents: 'Increasingly, new firms and SMEs are the major sources of growth and new jobs.'¹⁴ In this vision, less product market regulation implies more competition, new entrants introducing new and better products or techniques, an increased pressure on incumbent firms to improve their production methods and the products they sell, and hence more innovation, productivity, and growth. This view of innovation gradually became dominant from the late 1980s and was constantly propagated through numerous policy reports. The European Commission advocated product market liberalization and the implementation of competition policy as a way to boost productivity:

Well-functioning product markets [...] favour the entry of new companies with new products or brands to bring onto the market, and boost the incentives for all firms to innovate and create new goods or services. Stronger competition also makes resource allocation more efficient and increases the incentives for companies to improve their competitiveness and productivity.¹⁵

The implementation of such a pro-competition policy implied getting rid of the various market 'rigidities':

Rigidities in labour and product markets have hindered competitiveness adjustment, efficient resource allocation and productivity growth [...] Areas for enhanced implementation of existing EU internal market rules have been identified (those with the largest potential): services, financial services, transport, digital market and energy. European Commission analysis shows large potential gains could be reaped from structural reforms in product and labour markets.¹⁶

This vision was shared by the ECB

Measures aimed at increasing services market competition may increase economic efficiency and economies of scale. This would support a higher level and growth rate of labour productivity in the services sector and promote a more dynamic economy.¹⁷

And the OECD (2014: 1):

In order to improve business competitiveness, France should [...] optimise competition on the goods and services market. Poorly designed regulations for certain

¹⁴ Kok (2004: 28).

¹⁵ Presentation page of the Directorate-General for Economic and Financial Affairs (DG ECFIN) on the European Commission's website. <http://ec.europa.eu/economy_finance/structural_reforms/product/index_fr.htm>.

¹⁶ European Commission's contribution to the G20 summit in Brisbane, 15–16 November 2014. <https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_european_union.pdf>.

¹⁷ ECB (2006).

products and services can lead to lower competition and higher prices, not only for final consumers but also for the businesses that use them in their production process. This can be the case, for example, with energy, transport, retail trade, as well as legal, accounting and architecture services. Some regulations intended to protect the exercise of a profession or to allow a monopoly in a given sector can also impede efforts to enhance competitiveness throughout the industrial chain.

In addition (p. 18):

Stiffer competition on goods and services markets can enhance productivity through various mechanisms. For example, firms subject to competition will be inclined to pay greater attention to managing their costs in order to preserve their profit margins. Similarly, competition can encourage them to undertake technology-intensive investments and to innovate constantly in order to remain at the technological leading edge and to preserve an advantage over new-entrant start-ups.

Liberalization was not intended to stop at product markets, as 'rigidities' in the labour market were blamed for high unemployment. The structural reforms that the OECD (2014) recommended for France were thus intended to diminish the cost of labour by reconsidering the minimum wage policy and change employment protection legislation (EPL):

Labour legislation effectively discourages permanent hiring and thus contributes to segmentation of the labour market and to weak employment. The labour market reform must therefore seek to reduce labour costs and to reconsider certain aspects of employment protection, while promoting qualification and employability in order to enhance the competitiveness of businesses and boost growth. (p. 8)

Product and labour markets reforms were understood to be linked. As a consequence of more intense competition in product markets, the possibilities for a stable employment relationship were considered to be drastically diminished. In markets where innovation-based competition dominated, employment stability was supposed to have become a luxury that firms whose market position was supposedly under constant threat could not afford. In order to survive in such a competitive and constantly changing environment, firms would have to be able to hire and fire rapidly. This would lead them to express demands for a relaxation of the legal constraints on dismissals. Employment security would be the responsibility of the individual, who would have to take care of his or her investment in skill acquisition in order to improve his or her chances of entering the labour market. Following this, institutions hampering the rapid adjustment of supply and demand in the labour market should be dismantled: centralized wage bargaining institutions and actors, such as trade unions, or any kind of regulation that would create a sharp divide between 'insiders' and 'outsiders', and would keep the

former sheltered from the harsh realities of market competition, whereas the latter would bear the brunt of labour market adjustments. Centralized negotiations would have to be replaced by decentralized bargaining; employment protection was expected to decrease with the generalization of flexible labour contracts that would ensure a better adjustment between firms' needs and employees' skill and wage levels. This would imply the relinquishing of the ambition of a 'solidaristic' wage-setting, whereby the level of high wages would be limited while that of low wages would be increased. This would have consequences for the level of wage inequality.

The new competitive conditions were understood to also have consequences for social protection. The welfare systems that had emerged in the aftermath of the Second World War were considered to be too 'passive', leading to low levels of participation in the labour market, and imposing too high costs on labour. The 'active' welfare state would have entitlements more tightly linked to labour market participation, thereby encouraging employment and improving the sustainability of the system. More basically, this would lead to a drop in the level of generosity of social benefits.

Liberalization also concerned the financial system, but the focus on that specific area was understandably somewhat less pronounced after the financial crisis of 2008. The received argument was that the development of financial markets would foster that of new firms which had difficulty in sourcing adequate financing within the constraints of a bank-based financial system that was taken to be biased towards market incumbents. Small innovative firms allegedly needed risk-loving venture capitalists, who could only thrive in an environment with sophisticated financial markets. Besides, the development of financial markets would also benefit the economy by improving the control on firms' managers and prevent the latter and the banks from colluding at the expense of the share-owners.

Therefore, the dominant narrative in structural policy circles was that a move towards market-based, liberal, capitalism would represent a solution to the competitiveness problems that Continental European countries in general and France in particular experienced. The market liberalization paradigm was proposed as a coherent package.¹⁸

The mood very briefly changed after the onset of the financial crisis in September 2008. What came to be known as the Great Recession was initially perceived as a crisis of deregulated, 'Anglo-Saxon' capitalism. The immediate impact of the crisis on growth and employment was large. The US unemployment rate reached European levels, which made the argument opposing countries with low unemployment and a deregulated labour market on the

¹⁸ Braga de Macedo and Oliveira-Martins (2006); Amable (2009).

one hand to countries with high unemployment and high levels of legal employment protection on the other hand, less powerful, at least temporarily. Moreover, countries that had high employment protection saw, *ceteris paribus*, unemployment rise less and more slowly than countries where employment protection was low.¹⁹ In times of crisis, labour market flexibility favoured mass dismissals, and some European countries showed better resilience precisely because of the 'rigidity' of their labour markets. More generally, the allegedly outdated Fordist institutions acted as 'automatic stabilizers', preventing a downward adjustment spiral in wages, effective demand, and employment.

The Great Recession therefore led to a reappraisal of the merits of the French economic model. The belief in the superiority of deregulation as a dominant paradigm for modern economies did not seem so solid anymore. In France, Nicolas Sarkozy, who was elected president in 2007 on the back of a programme of neoliberal reforms, declared the end of *laissez-faire*:

In fact it is a certain idea of globalisation that ends with the end of the financial capitalism which had imposed its own logic to the whole economy and contributed to perverting it. The idea of the almighty market that should not be hindered by any rule, by no political intervention, this idea was a crazy idea. The idea that markets are always right is crazy [...] The current crisis must drive us to rebuild capitalism [...] We have been close to a catastrophe [...] We cannot run this risk again. (Nicolas Sarkozy, Toulon, 25 September 2008)

At the apex of the crisis, the secretary-general of the OECD even admitted that the French model was performing better than others in time of crisis.²⁰ *The Economist* abandoned for a moment its permanent campaign for neoliberal reforms to unveil a new European hierarchy of capitalism:²¹ the French model first, *Modell Deutschland* second, and the Anglo-Saxon model at the bottom end. The idea of a re-foundation of capitalism cropped up, provoking some concern in business circles. The *Journal des Finances* summed up the general mood among the CEOs gathered at a roundtable discussion on the financial crisis: 'Top managers fear the exit from the crisis more than the crisis itself.'²² But some top managers were ready to fight back: 'When I hear about the re-foundation of capitalism, I reach for my gun.'²³ The OECD soon returned to its usual policy recommendations: 'It is important to emphasise that the debacle in financial markets does not call into question

¹⁹ Amable and Mayhew (2011).

²⁰ Interview with Angel Gurría on the website of the *Observatoire des inégalités*: <http://www.inegalites.fr/spip.php?page=analyse&id_article=1103&id_groupe=11&id_rubrique=28&id_mot=40>.

²¹ See the cover of the 7 May 2009 issue.

²² Roundtable moderated by Yves de Kerdrel in *Journal des finances* No. 6319, 10 January 2009, *Les grands patrons redoutent plus la sortie de crise que la crise elle-même*: 15–16.

²³ Michel Cicurel, CEO of the Compagnie Financière Edmond de Rothschild.

the beneficial effects of recommended reforms of product and labour markets.²⁴

After a brief moment of panic, the dominant economic policy discourse reverted to business as usual. In fact, the economic evolution after the outbreak of the financial crisis proved too good an opportunity to miss for the promotion of the neoliberal structural reforms programme. The Great Recession had provoked a brutal decrease in growth and a sudden increase in public deficits, a consequence of the existence of automatic stabilizers (a drop in tax income and a rise in social expenditure following the recession), as well as the specific stimulus packages and measures taken to prevent a banking crisis: around 2 per cent of GDP for 2009–10 in France, but over 8 per cent in Germany. The soaring deficits and debt levels led the European Commission to press for fiscal consolidation as early as 2009, with the aim to reach, before 2012, levels below the 3 per cent deficit limit set under the Maastricht Treaty. The context of the ‘Euro crisis’ helped change the dominant mood in favour of fiscal orthodoxy and structural reforms. Therefore, austerity measures followed the stimulus packages, with the unsurprising effect on growth and unemployment.

With growth stalling and unemployment rising again, the dominant policy debate in France reverted to the inevitability of ‘structural reforms’, all the more so that the relatively good economic performance of Germany was—wrongly—attributed to its reform programme of the early 2000s. The same policy prescriptions as before the Great Recession were again in vogue, with the exception, however, of the part concerning radical financial liberalization. For instance, Aghion and colleagues (2014: 8) bemoaned France ‘progressively falling behind’ since the early 2000s because, ‘in spite of the urgency, France has not restructured or even controlled its public debt, nor reformed its labour and product markets in a significant way’.

1.3 Political Cowardice Would Explain the Lack of ‘Necessary Reforms’

Why were the alleged ‘necessary reforms’ not implemented? An explanation, particularly favoured by some economists, is that lack of courage of politicians was to blame. Even politicians who agreed that market liberalization would produce the expected positive effects in terms of faster growth, higher employment, and innovation in the medium to long run, considered that the effects of structural reforms would be negative in the short run. The dominant

²⁴ OECD (2009: 5).

explanation was that, faced with short-run electoral constraints, politicians had balked at the reforms, unable to summon the necessary courage to do what allegedly had to be done. A sentence attributed to the former Luxembourg prime minister and president of the European Commission, Jean-Claude Juncker, summed up a common opinion among European political leaders: 'Everybody knows what has to be done but nobody knows how to get re-elected thereafter.' Former European Commissioner Oli Rehn also blamed the lack of courage of European leaders: 'Politicians have been unwilling to do the necessary reforms because they are dominated by short term interests and obsessed by the many elections.'²⁵

The impossibility to implement allegedly indispensable reforms because of so-called 'populist' opposition is in fact a classic theme of the neoliberal literature.²⁶ The idea that such matters should be left to a competent elite who would need be preserved from the demands for protection coming from those who refuse the discipline of competition is a cornerstone of the neo-liberal ideology. The 'solutions' that neoliberalism usually consider are based on a combination of enlightened elites and constitutional rules, resulting in limits set to democracy. Elitism and exclusion of the masses are common themes found in the liberal and neoliberal traditions. Losurdo (2011) has shown how exclusion was at the root of the classical liberal ideology, and analysed the contradiction between the ideals of liberty and autonomy proclaimed by the liberal thought and the reality of the liberal political order.²⁷ Liberalism claimed the promotion of individual freedom, but not for everyone. The benefits of liberalism were intended to be reserved for the community of the free, separated from the rest of humanity along racial, economic, or educational lines. The implication was that the prominence of the upper classes was to be established in the face of popular subversion, and of modernism against the opposition to necessary changes.

Early critiques of laissez-faire had contested the idea that every individual is the best judge of her or his best interest,²⁸ and the neoliberal literature is impregnated with elitist views on how to design economic and other policies.²⁹ These ideas have permeated the economic thought, and the modern expression of the necessity to impose structural reforms on a reluctant population resembles the discourse parents deliver to children reluctant to go to the dentist.

Declarations such as those of Rehn and Juncker, according to which the electorate tends to reject the 'indispensable' reforms, are nevertheless difficult

²⁵ 'À Bruxelles, le changement, ce n'est pas pour maintenant' by Romaric Godin, *La Tribune*, 5 June 2014, p. 39.

²⁶ Amable (2011).

²⁷ Amable (2014a).

²⁸ Fisher (1907).

²⁹ Amable (2011). This is discussed further in Chapter 2.

to interpret in a traditional political economy framework. If structural reforms are indispensable or inevitable, their rejection by the electorate is a manifestation of a lack of rationality. The preferred explanation of the pro-structural reform technocracy is usually expressed in terms of myopia; the neoliberal transformation of economic institutions would produce 'good' results, but beyond the time horizon of the general public, who would then focus on the negative consequences that would occur in the short term. Former prime minister Mario Monti resorted to this type of explanation in his justification of the electoral defeat in the 2013 Italian general election:

There are delays [...] from the moment when a good policy measure is implemented—be it a structural reform or budgetary deficit containment—and the moment when the benefits are visible [...] But there are [...] big political problems in the understanding by the public opinion if these beneficial responses do not materialise [...] [I]f [...] you do the right policies but you don't get the recognition, there may be a backlash against the right policies and the coming up of political forces that, of course, oppose the right policies.³⁰

But there is some inconsistency in relying on agents' irrationality for explaining their wrong assessment of the reforms' effects while at the same time relying on mainstream economic theory for assessing the supposed positive impact of the reform on long-term economic performance: agents' rationality is a cornerstone of mainstream economic theory.

Other explanations dispense with that sort of ad hocery, and prefer to explain the resistance to neoliberal reforms by the opposition of interest groups. For a variety of reasons, opponents to the reforms would be better organized than their potential beneficiaries. Most of the literature favouring such explanations has a strong normative bias in favour of the neoliberal reforms, considering thus the interests opposing the reforms as illegitimate.

The interpretation that supposedly 'necessary' reforms are not implemented because of political obstacles was of course largely present in the business press. The main obstacle to the implementation of structural reforms in France would primarily be the 'fearsome power of the French street'.³¹ In 2007, *The Economist*, for instance, hoped that Nicolas Sarkozy's ambitious structural reforms plan would put an end to French exceptionalism:

[Sarkozy] pledged to get France back to work, to scrap exorbitant public-sector privileges, to cut taxes and to set free a strangled labour market. [...] Mr Sarkozy was admirably clear about his intentions, and he won an equally clear electoral mandate in May.

³⁰ Brussels blog, *Financial Times*, 28 February 2013. <<http://blogs.ft.com/brusselsblog/2013/02/from-monti-a-warning-to-france-and-others/>>.

³¹ 'France: Sarkozy's Thatcher moment', *The Economist*, 15 November 2007.

But *The Economist* was not certain that Sarkozy was up to the job. 'Don't give in' was their advice, but because 'Mr Sarkozy is by nature a deal-maker, a man disposed always to look for compromise', the fear was that 'in the confrontation that he now faces' he would give up on the promised reform programme.

One can also find this conception of a reform process made indispensable by the international economic constraints but facing obstacles in the national political sphere in academic research. As noted before, in spite of the importance of the French state, it was widely acknowledged by the early 2000s that France had abandoned the nation-centred 'dirigiste' model,³² but this had been at a cost: 'In response to a more open European economy, France made its markets more competitive and increased its level of social protection at the same time.'³³ This evolution, however, was not unanimously approved. 'France has needed two sets of reforms—a first set of reforms to get rid of dysfunctional dirigisme and a second set of reforms to address some of the problems stemming from the first set of reforms, from social anaesthesia measures',³⁴ and this apparently had to stop one day because one could not stay under anaesthesia forever. Further reforms would help France to 'move beyond the social anaesthesia model'.

What prevented this allegedly beneficial move was the same old problem: efforts to 'reform' 'have often failed in the face of popular resistance'.³⁵ But optimism should nevertheless prevail because, over the past six decades, 'adjustments have been anything but easy and have been accompanied by considerable protest and conflict, but somehow, the French have always managed to make the necessary changes'.³⁶ And France had apparently every chance to succeed in this direction in 2008, with or without Sarkozy:

It is by no means clear that Sarkozy is the man to turn France around. [...] The president seems to be vacillating between a genuine effort to modernise France and electorally motivated pay-offs to conservative constituents that weaken the economy and antagonise the unions [...] but] sooner or later, French leaders, whether Sarkozy or an eventual successor, will bite the bullet and make the changes, however painful and unpopular, that are necessary to restore the country's economic vitality.³⁷

As one can see, the usual story of painful-but-necessary reforms that had to be implemented if one wanted to avoid going down the slippery slope of decadence, in spite of the resistance of irrational populations intoxicated by the opium of 'social anaesthesia', and the cowardice of opportunistic politicians, was very popular in the early twenty-first century.

³² Schmidt (1997).

³³ Hall (2007: 56).

³⁴ Levy (2008: 429–30).

³⁵ Levy (2008: 430).

³⁶ Levy (2008: 430).

³⁷ Levy (2008: 432).

1.4 Are Neo-Liberal Reforms the Key to Tomorrow's Growth?

The underlying assumption behind the 'political cowardice' thesis is that 'structural reforms' would undoubtedly improve economic performance. Although this assertion is taken for granted in many publications, serious doubts may be raised.

1.4.1 *Financialization*

Before the financial crisis and the Great Recession, the 'structural reform' literature advocated the development of financial markets in order to foster the development of new technology firms. As mentioned previously, the argument was that new entrants found it more difficult than incumbents to secure financing by traditional intermediaries such as banks, and that innovative SMEs, crucial vectors of long-term growth in the 'structural reforms' ideology, would depend more on equity markets and venture capital, and hence on the development of financial markets. By extension, financial systems relying mostly on banks were supposed to be biased in favour of incumbents and less favourable to competition and innovation than financial systems relying on financial markets.

A classic criticism addressed to financial markets is 'short-termism'—the impatience of shareholders would lead to bias in management decisions in the direction of short-term strategies, aimed at delivering a high return rapidly, and away from long-term industrial innovative and risky strategies. Empirical studies showed that the structure of ownership mattered for R&D investment in Europe; the presence of long-term institutional investors had a positive effect on R&D investment, whereas short-term impatient finance (mutual funds and hedge funds) had a negative influence.³⁸

A received argument is that new innovative firms needed venture capital and private equity, whose development would be fostered by the 'deepening' of financial markets. But if the venture capital model of financing might have been suited to some forms of innovative investment, it did not necessarily correspond to every type of innovative venture, even in biotech, an industry seemingly well-suited to the venture capital model. According to Pisano (2006: 7): 'Venture capitalists have a time horizon of about three years for a particular investment—nowhere near the ten or 12 years most companies take to get their first drug on the market.' This led to the unwelcome result that many biotech companies financed by venture capital ended up having no new innovative products.³⁹ Montalban and Sakinc (2013), analysing the

³⁸ Brossard et al. (2013).

³⁹ Lazonick and Tulum (2011).

consequences of increased financialization and competition on the productive models in the pharmaceutical industry, showed that the growing pressure of institutional investors and shareholder value management led large pharmaceutical companies to adopt the 'blockbuster drug model', which is an unsustainable model for the industry. Further, as shown by Mazzucato (2014), the most important agent in the financing of truly radical innovation is the state. Venture capital usually intervenes not only after the basic and applied research stage, but also after government programmes have partly financed the commercial viability stage.

The financial crisis of 2008 made it perfectly clear that the most important consequence of financialization was not so much a push for radically innovative firms but rather a transformation for the worse of the financial system itself. Disintermediation allowed large corporations to bypass banks and led both commercial and investment banks to redirect their activities. The development of financial activity blurred to a considerable extent the distinction between banking and market finance, transforming banks into actors with a significant market activity, developing and marketing financial products, and turning them away from traditional activities such as deposit taking and lending. Investment banking activity also changed, from providing advice on mergers and acquisition and issuing bonds and shares for corporate customers to own account trading with sophisticated financial products.⁴⁰ At the same time, households increasingly turned to consumers of financial services products such as mortgages, insurance, savings, and pension plans,⁴¹ whose development is also favoured by welfare state retrenchment.

As became painfully evident during the financial crisis of 2008, the financial industry had a very poor understanding of the way risks were being accumulated through the development and marketing of increasingly sophisticated financial products (credit default swaps, derivatives, and so on). It also became clear that the risks involved in the development of financial activity had little if anything to do with product and process innovation at the root of long-term growth.

Financialization also fuelled the growth of inequalities. Between 1996 and 2007, the growth of salaries of top finance managers was responsible for half of the increase of the share of the top 0.1 per cent in France.⁴² More generally, Lazonick and O'Sullivan (2000) argued that 'maximising shareholder value' was an ideology justifying the tremendous rise of the income of top managers, with the expected consequence on the level of inequality in the USA. Top managers exploited the possibilities offered by the development of stock

⁴⁰ Ertürk and Solari (2007).

⁴¹ Ertürk et al. (2005).

⁴² Godechot (2012).

markets: a sizeable fraction of executive pay was due to the exercise of stock options.

Also, contrary to a popular idea, the contribution of stock markets to financing the economy has always been very small and sometimes even negative, in the case of companies buying back their own shares, manipulating the share prices, and boosting the value of stock options.

1.4.2 *Labour Market Flexibilization and Employment Performance*

Placing the blame for high and/or persistent unemployment on labour market ‘imperfections’ in general and protective labour market in particular had been a constant of the structural reform literature since the 1990s at least. The underlying idea was that European labour markets institutions hinder the proper functioning of these markets, making them ‘inflexible’. The policy recommendations were usually to remove the obstacles to flexibility: decrease the generosity of unemployment benefits (level, eligibility criteria, duration of the indemnity period, and so on), weaken job protection legislation, and, taking account of institutional complementarities, lower the level of regulation in product markets in order to improve competition or even to develop the financial markets.⁴³ These recommendations are so commonplace that it is often taken for granted that there would exist an overwhelming empirical evidence that shows clearly the responsibility of labour market and related institutions in the persistence of employment.

In fact, nothing could be further from the truth, for the evidence was anything but overwhelming. As Howell and colleagues (2007) have shown, the results from early studies linking specific protective labour market institutions to unemployment are fragile and do not survive systematic scrutiny. Studies such as Baccaro and Rei (2007) and Bassanini and Duval (2006) found only a limited impact of some institutions on unemployment. Estimating unemployment equations, the former found that most of the coefficients for EPL, unemployment benefit replacement rates, and the tax wedge were insignificant. The only significant influence came from changes in union density. More generally, unemployment resulted mostly from restrictive macroeconomic policies and that there was next to nothing to support the claim that one could solve the problem of unemployment by deregulating the employment relation. Even Bassanini and Duval (2006) could not find a significant impact of EPL variable on unemployment in their ‘baseline’ test. They found,

⁴³ OECD (1996). OECD (2006) proposed a revised ‘Jobs Strategy’ putting forward the Danish flexi-security model as an alternative to complete market deregulation.

nevertheless, that the generosity of the unemployment benefit schemes exerted a detrimental influence on unemployment.

Amable, Demou, and Gatti (2011) considered the impact of labour market institutions not simply on unemployment, but more generally on joblessness and its two components, inactivity and unemployment. The choice of a broader range of indicators was justified by the fact that there was not always a sharp divide between the unemployed and the economically inactive; jobless individuals could be considered as being on a spectrum between active job searching and inactivity.

The results for a sample of eighteen OECD countries between 1980 and 2004 provided little in the way of support for the usual labour market flexibility policy recommendations. Like some other studies, a positive (that is, increasing) impact on joblessness of variables such as the unemployment benefit replacement rate and union density was found. But EPL and coordination of wage bargaining were found to be significantly and negatively related to joblessness. The impact of coordination appeared to be more important for unemployment than for inactivity. EPL had no significant influence on unemployment but impacted positively on employment performance through a decrease in inactivity. The influence of institutional arrangements seemed therefore to be subtler than that implied by most 'structural reforms' policy agendas.

The consideration of institutional complementarities may lead one to wonder whether labour market flexibility reforms would produce their effects in conjunction with other neoliberal reforms, those meant to increase product market competition for instance or, more accurately, to liberalize product market regulation (PMR). Estimations made, including an interaction term between PMR and EPL, supported the standard view that product market liberalization would bring about a higher level of employment. However, the impact of EPL was still negative, even at the mean value of PMR. In all cases, the implementation of liberalization policies in both the labour and the product markets would, according to the estimations, result in a decrease in employment and activity. A more effective employment-boosting policy could be to implement a joint policy of product market liberalization combined with an increase in the level of employment protection.⁴⁴

Regarding the impact of the generosity of unemployment benefits, Howell and colleagues (2007) stress the fragility of the estimations. Wulfgramm and Fervers (2015) showed that the generous income support for the unemployed promoted re-employment stability. This is a result that many theoretical models

⁴⁴ See Amable and Gatti (2006) for a theoretical justification.

have also obtained: in a search-theoretic framework, more generous benefits generally improve the quality of the match between a job seeker and a firm.

1.4.3 *Product Market Liberalization and Innovation*

The dominant, ‘common sense’,⁴⁵ view stated that product market competition fosters innovation and productivity, and the policy recommendation was to liberalize product markets by lowering the degree of regulation, which is taken to be preventing the entrance of new innovative firms contesting the position of incumbents.⁴⁶ Again, most of the policy-oriented literature in this area takes for granted that the evidence points unambiguously towards a positive effect of competition—or rather a negative effect of regulation—on innovation, productivity, and growth.

The most common theoretical reference in this area has come from various contributions by Aghion and his various co-authors, who consider a theoretical framework where quality innovation occurs in a step-by-step fashion and competition takes place within an industry between two firms which are either at the same quality level or are at different levels, with a leader and a follower. In the most common version of the model, leaders have no incentives to innovate, which leads to the feature that the incentives to innovate are stronger when the industry is characterized by the presence of two firms at the same technological level. Two conclusions can be derived from his setting. The first is that the relation between product market competition/regulation and innovation takes the form of an inverted U-shape. The incentives to innovate are stronger at intermediate levels of competition. The second outcome is that competition matters more in terms of innovation for countries that are close to the technological frontier, which are also countries with more industries characterized by firms having the same technological level.

The latter conclusion is important for the policy recommendations addressed to developed (OECD) countries. Since these countries are close to the technological frontier, it is all the more important to liberalize product markets. More specifically, these recommendations concerned utilities and network industries that were characterized by the presence of one public firm (electricity, telecommunications, transport, and so on).

The standard theoretical model has been subject to various criticisms, mostly contesting the idea that leading firms do not innovate. Leaders may have some technological advantages that allow them to innovate despite the implied destruction of own rents. Amable and colleagues (2010) showed that

⁴⁵ Aghion and Griffith (2005).

⁴⁶ This section takes some elements from Amable and Ledezma (2015).

even in a framework similar to Aghion and colleagues (2005), the possibility for the technological leader to innovate in order to make the follower's innovation more difficult led to a reversal in the relationship between competition and innovation in the so-called neck-and-neck industries: competition may become detrimental to innovation, even more so as one moves closer to the technological frontier.

The standard view was also challenged empirically. By linking the OECD indicator of PMR with the distance to the technological frontier for a panel of OECD countries and industries, Amable and colleagues (2010) showed that the marginal effect of PMR on patenting intensity grew with the closeness to the technological frontier and became significantly positive close to the frontier.⁴⁷ Amable and colleagues (2016) estimated a system of equations relating R&D to innovation (patenting) and innovation to productivity for different subsamples of countries/industries according to the distance to the technological frontier. Using different thresholds to distinguish between leaders and followers, they showed that product market regulation exerted a positive effect on both innovation and productivity for the leaders but not for the followers.

Case studies also questioned the relevance of the policy prescription in favour of liberalization in order to obtain more innovation and productivity. Calderini and Garrone (2003) found that after the liberalization of the telecommunication industry, patenting activity had increased, whereas the number of scientific publications had decreased, a fact they interpreted as a shift towards applied research and away from fundamental research, which would reveal a 'short-termist' bias. Case study evidence from the electricity sector in the UK shows that the liberalization of 1990 was associated with a decline in R&D efforts whereas patenting activity had increased.⁴⁸ This phenomenon was interpreted as an increased commercialization of the industry. Also, contrary to the 'common sense' theory, new entrants spent less on research and development than the former incumbents, thus contributing to a lower levels of R&D in the sector. This phenomenon was not seemingly limited to the UK, but was also observed in the USA and Japan. Sanyal and Ghosh (2013) found that the level and quality of innovations in the US electricity industry declined after the beginning of the liberalization process in 1992.

Therefore, the empirical evidence was far from being overwhelmingly in favour of the positive effects of liberalization/deregulation/privatization policies.

⁴⁷ The same positive sign was also found in Nicoletti and Scarpetta (2003) and Conway et al. (2006) with PMR indicators highlighting economy-wide aspects of PMR and productivity growth, used as a proxy for technical progress.

⁴⁸ Jamasb and Pollitt (2011).

1.5 Institutions, Institutional Change, and Political Crises

The dominant narrative of the impossibility in implementing indispensable reforms because of the lack of courage of politicians needs to be qualified. First, in light of the empirical studies on the relationship between institutions and economic performance, it is far from evident that the 'structural reforms' advocated by international organizations, the business press, and some social scientists were as indispensable as advertised. Second, most of the reforms in question have distributional effects, in terms of income, wealth, risks, or bargaining power. Opposition to the reforms was therefore not necessarily a sign of myopia or lack of understanding of their effects by some social groups. Third, politicians may have adopted a cautious strategy regarding the implementation of structural reforms because they were fully aware that they lacked sufficient social support for them. This was not so much a sign of a lack of courage than one of political rationality.

In order to better understand the social and political conflicts around structural reforms, it is therefore necessary to turn to a political economy of institutions. In a political economy perspective, institutions are the outcome of political conflicts, 'institutionalised compromises' (Delorme and André 1983) transformed into 'rules of the game' (North 1991). The influence of institutions is multiple: they structure social conflict, economic relations, and political competition. The space for political mediation is bounded by institutional constraints. There is, therefore, a 'game' that can be played at two levels: (1) from within the existing institutional framework, which corresponds to the incorporation of the constraints and possibilities inherited from the previous socio-political compromises; and (2) by changing the institutional framework in an attempt to relax the constraints and extend the space for mediation, which implies reopening conflicts that had been settled through institutionalized compromises.

The source of social conflict can be found in social differentiation.⁴⁹ The position of agents in the social structure, because of the risks they face and their levels of income and wealth, leads them to have different expectations and express different demands. The demands of the various groups are often in conflict with one another and cannot in general all be satisfied under the resource constraint of a given period. The role of political leadership is to select the demands that will be satisfied by the implementation of specific policies or the specific design of certain institutions. The objective of the political actors is to obtain support for their actions. Their policy agenda is therefore determined by the search for this support. In the neorealist approach of Amable and Palombarini (2005, 2009), social conflict is 'regulated' when the political leadership benefits from a stable socio-political support (Figure 1.22).

⁴⁹ Amable and Palombarini (2005, 2009).

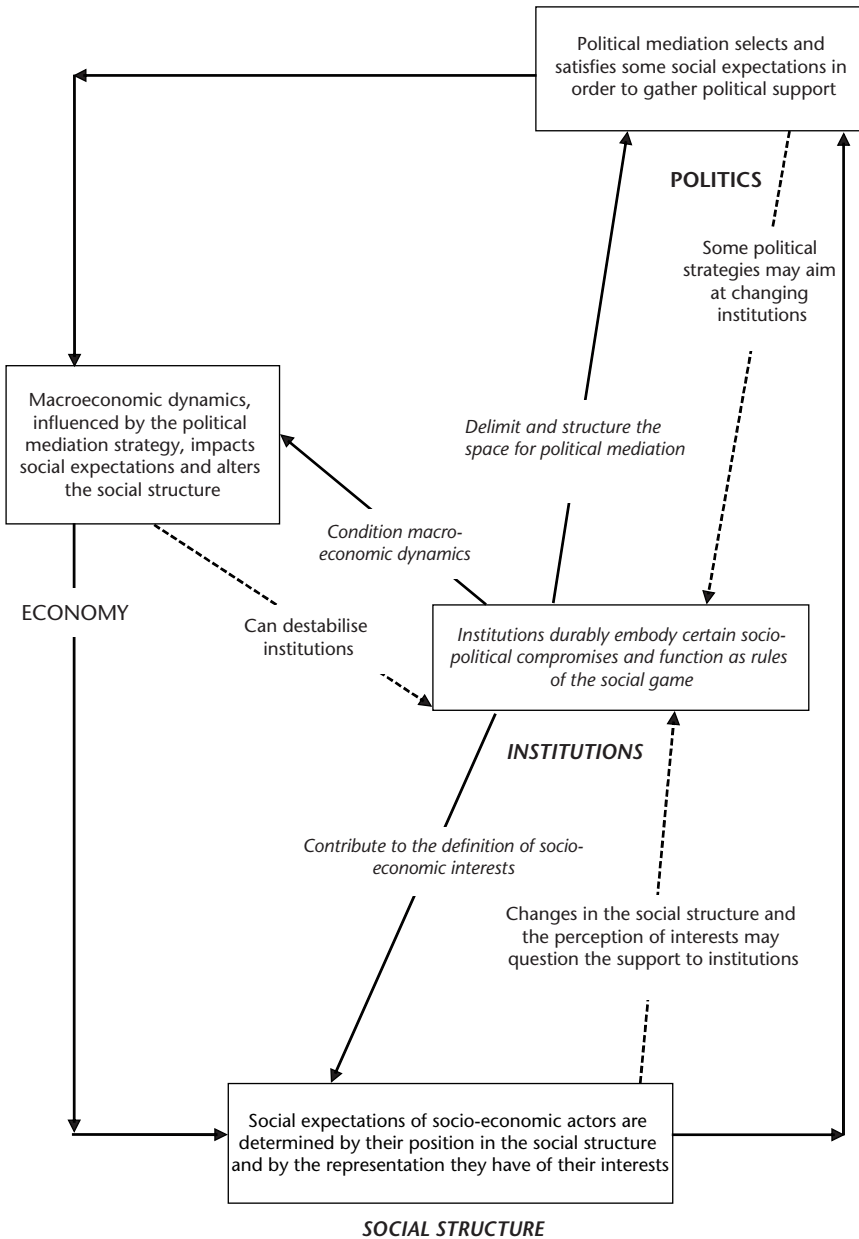


Figure 1.22. Institutional change and economic dynamics. Taken from Amable and Palombarini (2005: 268).

'Ideas', or more generally ideology, influence how agents perceive their position in the social structure, how they define their own interests, and how they identify interests sufficiently close to their own so that they can consider the possibility of collective action to promote them. This process leads agents to have certain expectations and express them as political demands to be satisfied by public policy or institutional design. The competition among interests is also a competition among ideologies in order to impose a certain vision of the world, its problems, and the way to solve them through public policy. The dominant ideology reflects the separation between the expectations that are regarded as 'legitimate' and those whose satisfaction is not considered to be part of the 'general interest'.

Social groups whose demands are satisfied to a sufficient extent and support the government's political strategy form a dominant social bloc (DSB). The support supplied by the dominant groups is conditional on the institutional environment and the possibilities it opens. Support does not imply a perfect alignment of all the demands of the social group and the government's policy; it may also be a choice by default: the best alternative considering what is available in terms of political supply.

The notion of 'institutional complementarity' (IC), common in comparative capitalism,⁵⁰ has therefore a political economy dimension. Amable and Palombarini (2005, 2009) distinguished several notions of IC depending on the point of view adopted. For (collective or individual) agents, two institutions are complementary when they jointly contribute to the satisfaction of their demands or the promotion of their interests. For the political leadership, two institutions are complementary when they jointly reinforce the chosen strategy, for instance they reinforce the stability of the DSB or are instrumental in the search for a new DSB. The same applies to the notion of institutional hierarchy. For a social group, the hierarchy of institutions reflects how these institutions affect their interests. The most important compromises for the promotion of the interests of the group are at the top of the hierarchy. For the political actors, the hierarchy of institutions is defined in reference to their social base. Hierarchically superior institutions are those that matter most for the stability of that base or, depending on the political strategy followed, for the renewing of the social base.

From this perspective, the stability of a particular socio-economic model cannot be *directly* assessed by the measure of its macroeconomic performance, but by the socio-political stability of the compromises that led to the most important institutions of that model. This stability itself depends on the possibility for the political leadership to find a space for mediation between

⁵⁰ Amable (2000, 2003, 2016a).

the different demands emanating from the existing or potential DSB. The possibility of mediation is understandably constrained by the macroeconomic situation, but cannot be reduced to it.

A political equilibrium is a situation in which social conflict is regulated, which means that there exists a stable DSB validating the strategy of the political leadership and that the contestation stemming from social groups whose demands have been disregarded, the 'dominated' groups, is of no threat to the dominant political order, because it represents a minority position within the political representation space, or because it can be legally repressed with the use of force.

A political equilibrium is not necessarily or even predominantly a situation whereby institutions do not change. Since institutions are the outcome of a certain socio-political compromise, changing them implies reopening a conflict that has been previously settled. This may nevertheless correspond to a desired move from the point of view of the political leadership, depending on the power balance between social groups, both between the DSB and the dominated groups and within the DSB, as well as on the internal dynamics of groups.

A strategy instrumental to the stabilization of the DSB may be to implement institutional change to the detriment of dominated groups, excluded from the DSB, and to the satisfaction of the groups which are part of the DSB. It may also include implementing change to the satisfaction of dominated groups when this is not adversarial to the most important interests of the DSB, with a view to expanding the DSB or diminishing the opposition to the dominant political strategy. As stressed by Amable and Palombarini (2009), there may be contradictions between the institutional change strategy followed by the government and the expectations of some dominant social groups. Depending on the relative bargaining power of those groups opposed to change, this may lead the political leadership to either renounce or delay the tentative change in the face of opposition from dominant groups, or to carry on and give up the support of some dominant groups. Opposition to change may, of course, also come from dominated groups, who, in certain conditions, may gather sufficient political power to successfully stall or delay the change desired by the political leadership.

Social groups are not homogeneous and the political expression of their demands results from a compromise. Consequently, it is obvious that the DSB is not homogeneous either, but composed of social groups with expectations that are made compatible by the political strategy of the leadership. The mediation found by political actors reflects the power balance between groups at a certain time, and the internal dynamics of these social groups, also under the influence of economic evolution, may see the importance and socio-political weight of some subgroups grow, just as the internal dynamics of

the DSB may alter the balance of power between its components. Therefore, social groups and blocs evolve and these evolutions may bring into question the hierarchies of the expectations of social groups, the political expression of demands, the internal balance of power of subgroups, the perimeter of the groups, the strategies of the political actors, the nature of the compromises, and the existence of the DSB.

Inter- and supranational aspects must also be taken into consideration. Part of an institution's design is decided at a higher level than the national level. But this must not be misinterpreted as the irrelevance of the national level, because the international treaties that frame this so-called 'multilevel governance' involve nation-states. This opens up possibilities as well as adds new constraints on national political compromises.⁵¹ Social groups differ in their organizational capacity to use the supranational level, their role within or outside of the DSB, and hence their influence on the government's action. This matters particularly for a country such as France, a founding member of the European Union. The existence of multiple levels of definition of public policy implies that the action of some social groups needs not be limited to pressures on national actors, but can extend directly at the level of other supranational actors. The action of foreign governments also has an impact on the national strategy of social groups. This action may help to steer the national political action in a certain direction by reinforcing the international constraints on the definition of economic policy at the national level. Again, the European Union provides many possibilities for the establishment of constraints on the definition of national economic policy.

The existence of a supranational level of governance, such as that resulting from the process of European integration, increases the distance between the socio-political compromises established at the national level and the interstate bargaining at the supranational level; in the face of a coalition of countries, a given country may face the situation where it has to give in or exit, and this latter possibility may entail huge political or economic costs.⁵² The extension of some national compromises at the supranational level is therefore difficult, which explains the advantage that 'negative integration' possesses.⁵³

⁵¹ Laskos and Tsakalotos (2013: 161) mention that the PASOK (Panhellenic Socialist Movement), initially hostile to European integration, revised radically their position when the party leadership realized that EU subsidies, particularly those related to the common agricultural policy, were very useful for shoring up the social alliance of the party.

⁵² In the 2010s, no country illustrated better than Greece the way in which 'Europe' could be a powerful ally for imposing neoliberal reforms on a reluctant population: 'PASOK under Kostas Simitis hardly murmured a note of dissent from the European centre-left relocation within the political space of neoliberalism [...] As with Papandreou, Simitis' stance towards the EU was largely instrumental. Europe was a powerful ally in carrying out preconceived reforms and marginalizing opposition to these reforms. What this really entailed was not a European ideal, but a national strategy within Europe' (Laskos and Tsakalotos 2013: 23).

⁵³ Scharpf (1997, 2009).

But joining the European Union and participating in furthering integration are not random decisions, and one may suspect that there is some strategic thinking involved, even if agents' expectations at the time of decision-making may not be entirely correct. Therefore, the supranational governance level does not invalidate the consideration of socio-political alliances at the national level; it contributes to changing the conditions under which they can be established and maintained over time.

The dissolution of existing compromises leads to situations of crisis. A political crisis corresponds to a situation where there is no room left for political mediation between the demands of dominant social groups within the constraints of the existing institutional structure. This situation corresponds to the breakup of the DSB; it becomes impossible to satisfy the hierarchically superior demands of the groups comprising the DSB. Solving the political crisis implies that the political leadership must find a solution. This could involve the attempt to recompose the DSB, by incorporating groups previously excluded even at the expense of groups that were previously part of the DSB. But there is no guarantee that this is possible, in which case relaxing the institutional structural constraint may be necessary, that is, implementing institutional change in order to improve the probability of finding a social alliance likely to form a stable DSB.

A *systemic crisis* corresponds to situations where political actors are unable to find a strategy to aggregate a DSB. Such a situation is characterized by a high degree of instability. The social alliances, in particular the dominant one, are no longer stable, and a process of recomposition takes place. At the same time, the institutional change strategies implemented by the political leadership change the level of satisfaction of most social groups, or subgroups, regarding their demands and expectations, and this has consequences on the support that these groups are willing to give to the government. Institutional change also changes the relative power of subgroups and their attitude towards the government's political strategy. This may destabilize social groups and may also make the search for a DSB all the more complicated. To sum up, in a systemic crisis, there is no solution to the problem of jointly finding a stable DSB, an institutional structure, a policy mix, and a political strategy.

1.6 The Political Crisis

In order to demonstrate the existence of a political and even a systemic crisis in France, it is necessary to turn to the political events of the last four decades. Many signs point to the existence of a political malaise, expressed in the loss of influence of mainstream parties and the rise of dissenting forces. The most

obvious manifestation is that incumbent governments systematically failed to be re-elected between 1978 and 2012. Governmental instability was a standard feature of the Fourth Republic (1947–58) but this was not a sign of political crisis, since more or less the same DSB supported the successive short-lived governments. By contrast, the first phase of the Fifth Republic (1958–81) was characterized by strong governmental stability. Roughly the same coalition of right parties governed without interruptions between 1958 and 1981. The defeat of the right coalition in the presidential election in 1981, after a narrow victory at the legislative election in 1978, ushered in an era of instability where incumbent coalitions failed at each major election, leading to a succession of left and right coalition governments.⁵⁴

Further, between 1981 and 2012, the electoral score in the French presidential election of ‘outsiders’—defined as candidates who have left mainstream parties and have no prospect of entering a government coalition, or candidates who have always been outside of the left and right mainstream parties—has increased considerably.⁵⁵ Until 1988, apart from marginal candidates such as Bertrand Renouvin, a royalist candidate who obtained 0.17 per cent of the votes in 1974, the bulk of the outsider votes went to the Trotskyist and ecologist candidates. After the emergence of the Front National (FN) during the 1980s, the scores of Jean-Marie Le Pen dominated the outsider category until 2007. After that time, another category of outsiders became prominent—candidates who had quit the respective government parties they belonged to and formed their own parties while, willingly or not, remaining outside of the mainstream left and right alliances: François Bayrou’s Mouvement Démocrate (MoDem) at the centre-right and Jean-Luc Mélenchon’s Front de Gauche (FdG) on the left, for instance. The ecologists evolved in the opposite direction, from the outsider to the insider category, after their participation in the PS (Parti Socialiste)-led government coalition in 1997.

Whereas outsiders jointly obtained the support of 7.5 per cent of the registered voters in 1974 and 8.2 per cent in 1981, their combined score rose from 18 per cent in 1988 to 32.6 per cent in both 2007 and 2012 (Figure 1.23). In

⁵⁴ The two episodes where one right government followed another one are no exceptions to this phenomenon, and must be interpreted as the expression of internal divisions and the manifestation of a craving for change rather than a support to the previously governing coalitions: (1) an almost centre-left Chirac protecting the welfare state against the conservative Balladur and his neoliberal policy in 1995; (2) Nicolas Sarkozy’s programme of *rupture* with the alleged immobility of Chirac’s presidency in 2007.

⁵⁵ The outsiders are Royer, Laguiller, Dumont, Le Pen, Krivine, Renouvin, Muller, Sebag, and Heraud in 1974; Lalonde, Laguiller, Garaud, Bouchardeau, and Debré in 1981; Le Pen, Waechter, Juquin, Laguiller, and Bousset in 1988; Le Pen, Laguiller, de Villiers, Voynet, and Cheminade in 1995; Le Pen, Laguiller, Chevènement, Besancenot, Saint-josse, Madelin, Megret, Boutin, and Gluckstein in 2002; Le Pen, Besancenot, de Villiers, Laguiller, Bové, Nihous, Schivardi, and Bayrou in 2007; Le Pen, Mélenchon, Bayrou, Dupont-Aygnan, Poutou, Arthaud, and Cheminade in 2012.

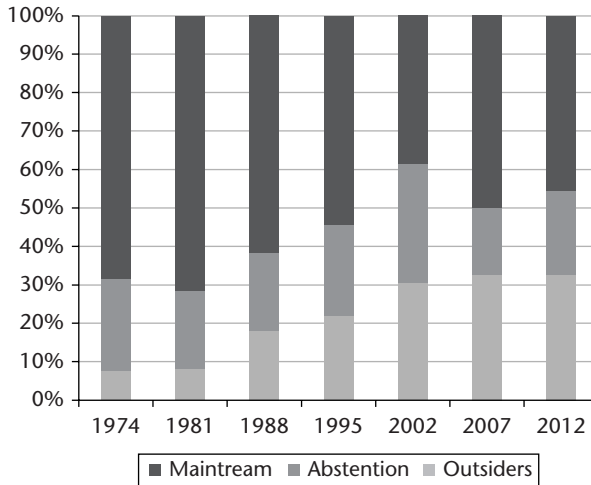


Figure 1.23. Vote distribution at the first round of the presidential elections as a percentage of registered voters.

Data source: Ministère de l'Intérieur.

2002, an outsider, FN's candidate Jean-Marie Le Pen, even reached the second round of the election while the former prime minister Lionel Jospin, candidate for the main party of the left (the PS), failed to do so, in spite of the rather high level of popularity he had enjoyed during most of his term. The 2002 election represented the lowest score for mainstream candidates, who gathered no more than 38.5 per cent of the registered voters. In fact, after 2002, the mainstream candidates never obtained the support of more than 50 per cent of the registered voters.

In the European election of 2014, the FN became the first political party with 25 per cent of the votes. This success was confirmed in the regional election of 2015, where the FN obtained 28 per cent of the votes in the first round.

The emergence of new parties and the decline of old ones is not in itself a sign of political crisis. It could be the consequence of structural change taking place in French society: the increase in income, wealth, or education levels; deindustrialization and the growth of the service economy; or any other social or economic change that would lead to a decline in some political demands and the emergence of new expectations, which would be carried forward by new political organizations, without necessarily implying a breakup of the social alliances. But other signs proved the existence of a crisis in France. Most new parties had been kept outside of the government coalitions. Elected presidents lost popularity at an increasing rate. It took nearly eleven years for Jacques Chirac (1995–2007) to reach a level of confidence of 20 per cent,

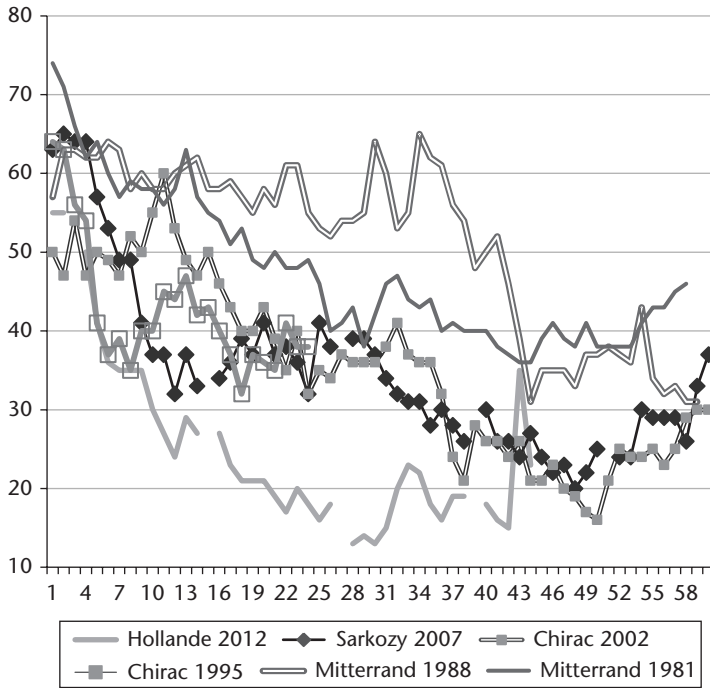


Figure 1.24. Monthly evolution of the confidence level of presidents.

Data source: TNS Sofres.

four years for Sarkozy (2007–12), and a little over eighteen months for Hollande (2012–17). Such a low level was never even approached by any of their predecessors (Figure 1.24).⁵⁶ All these elements revealed the difficulty in finding a political equilibrium with a defined economic strategy supported by a stable social base.

Other elements pointed to the specific situation of France regarding the level of satisfaction of citizens. The European Social Survey (ESS) provides the answers to a series of questions, in particular one concerning the level of satisfaction with the action of the government, to which the answers range from 0 (extremely dissatisfied) to 10 (extremely satisfied). Taking the answers to this question from the first (2002) to the sixth (2012) round of the ESS, and estimating a simple ordered logit model, including dummy variables for the ESS round (2 to 6; round 1 is the reference category) and a minimal set of controls—sex (gndr), age in level and squared, and the education level (eiscsd) in several harmonized categories: (0) Not possible to harmonize (reference category), (1) less than lower secondary, (2) lower secondary, (3) lower tier

⁵⁶ Figures from TNS-Sofres, <<http://www.tns-sofres.com/cotes-de-popularites>>.

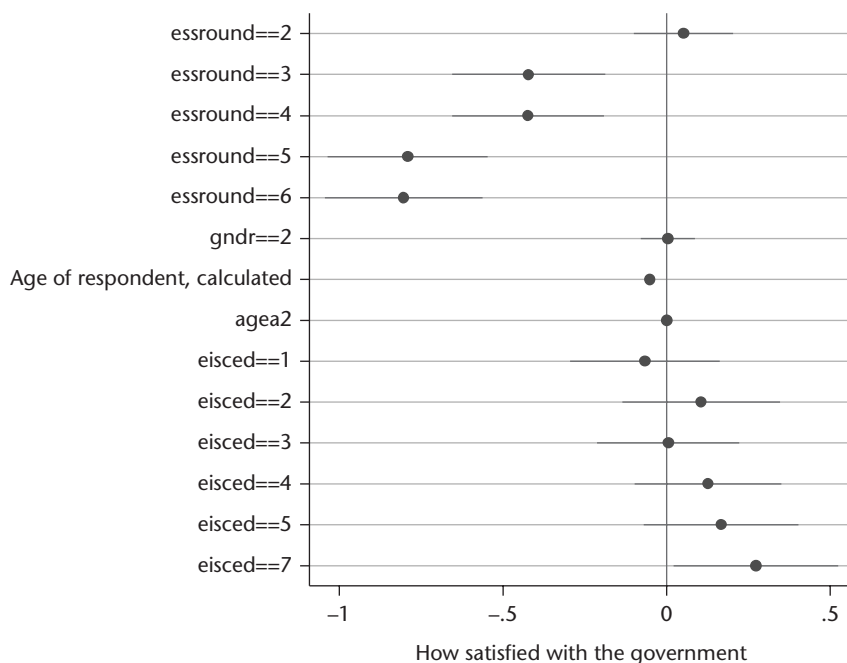


Figure 1.25. Coefficients of an ordered logit model for the level of satisfaction with the government in France.

Data: ESS rounds 1 to 6.

upper secondary, (4) upper tier upper secondary, (5) advanced vocational, (6) lower tertiary education, (7) upper tertiary education—one obtains the results represented in Figure 1.25.

The values of the coefficients of the ESS dummy variables (rounds 2 to 6) show a clear declining pattern (Figure 1.25). Controlling for other influences (and noting that the higher the level of education, the higher the satisfaction level), French citizens apparently became increasingly less satisfied with their governments as time went by.

The same type of estimation was made for all countries of the seventh round of the ESS (2014). Estimates are reported in Figure 1.26. France (FR), along with Poland (PL) and Slovenia (SI), was characterized by a significantly lower level of satisfaction among its citizens than most other European countries. One notices also that satisfaction increases according to the level of education. Looking for other characterizations of this dissatisfaction, the same type of estimation was made for another question: the level of satisfaction with the economic situation. The results of this estimation, made with the seventh round of the ESS, are featured in Figures 1.27. France's citizens appear to be more dissatisfied than the citizens of most other European countries.

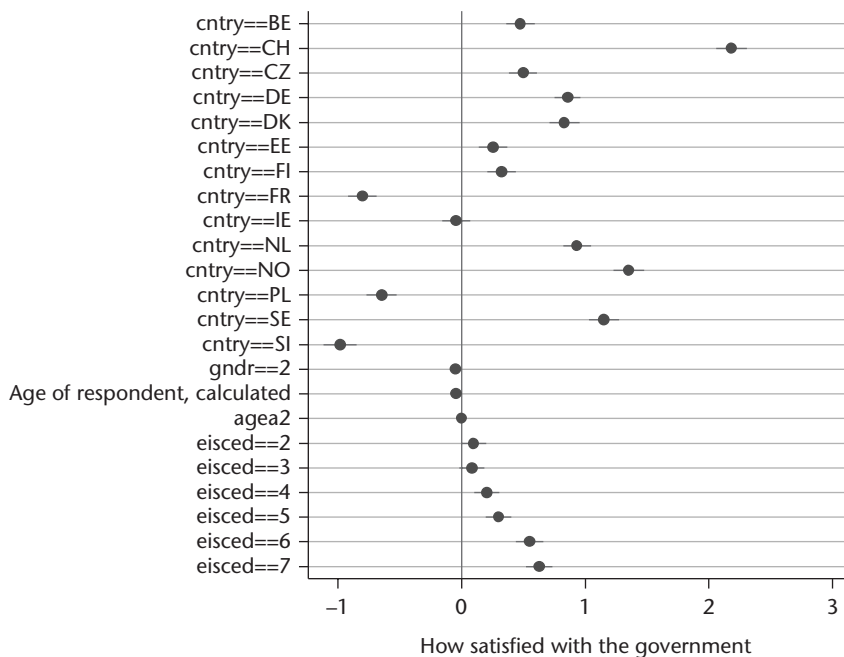


Figure 1.26. Coefficients of an ordered logit model for the level of satisfaction with the government.

Data: ESS round 7.

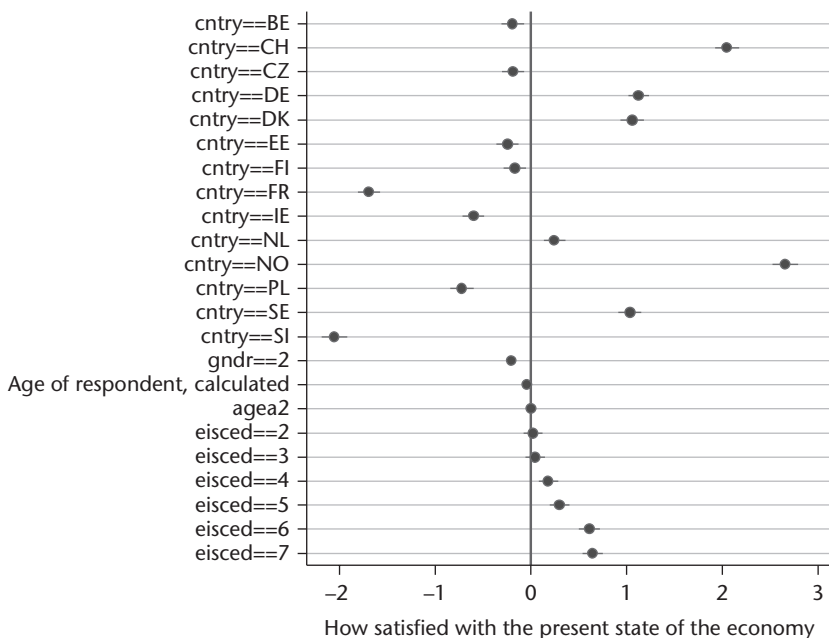


Figure 1.27. Coefficients of an ordered logit model for the level of satisfaction with the economic situation.

Data: ESS round 7.

Therefore, during the 2010s, France was characterized by a high level of dissatisfaction with the government's actions and the economic situation, and exhibited an increasing degree of political instability.

Finally, the most patent expression of dissatisfaction with the economic and political situation took place in reaction to a labour law reform project in April 2016.⁵⁷ A movement similar to those of the indignados in Spain or Occupy in the USA started in Paris and spread to the rest of France. Sparked by the strong neoliberal content of the so-called 'labour law', the movement turned into a generalized contestation of the existing economic and political order.

⁵⁷ This is discussed in more detail in Chapter 4.

2

Opposition Between Two Economic and Social Models

2.1 France at the Beginning of the 1980s: the Enduring Economic Crisis

As mentioned in Chapter 1, the post-Second World War period was for France one of stable and rapid growth, and dramatic economic structural change. Contrasting with the slow growth pattern of the pre-Second World War period, gross domestic product (GDP) grew at an average annual rate of 5.4 per cent between 1950 and 1973, and the growth of the standard of living (GDP per capita) was extremely rapid too (Figure 2.1). The weight of agriculture diminished rapidly: it contributed to 18 per cent of GDP in 1949, but only to c.4 per cent at the end of the 1970s (Figure 2.2). Manufacturing's share in GDP stayed over 25 per cent until the beginning of the 1960s, when it started to slowly decline. Nevertheless, the share of manufacturing was still over 20 per cent at the end of the 1970s. Consequently, the weight of the service sector increased continuously, largely as a consequence of the externalization of some activities by manufacturing firms. Employment shares reflected these evolutions (Figure 2.3): there was a very rapid decline of agriculture, which represented almost 30 per cent of employment at the end of the Second World War, but less than 10 per cent in the 1970s. Industrial employment's share stayed more or less at the same level while the share of service employment increased, mostly due to commercial services.

The modernization of France can also be observed in the age structure of capital. The low productivity of the French productive system was in part due to the outdated equipment present in production units.¹ The investment

¹ In 1945, the most modern steel plant in France had been built in 1906 by the Germans, as the Lorraine Region was part of the German Empire (Kuisel 1984: 368).

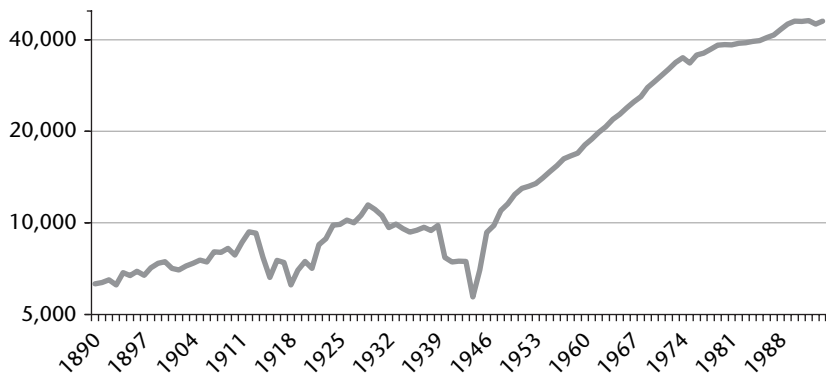


Figure 2.1. GDP per capita (constant 1938 francs, logarithmic scale), 1890–1994.
Data source: CEPII séries longues macroéconomiques.

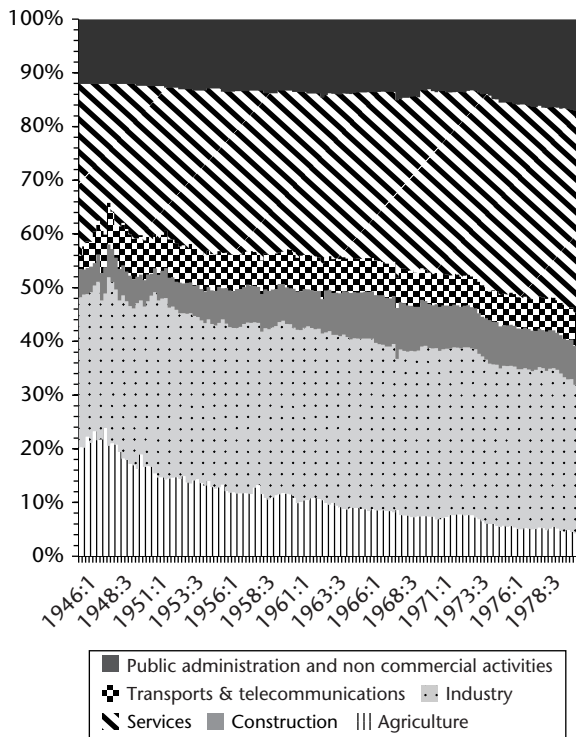


Figure 2.2. GDP share by activity.
Data source: CEPII séries longues macroéconomiques.

effort of the post-war period led to a considerable decrease of the age of capital, both in equipment and buildings (Figure 2.4). The economic crisis of the 1970s interrupted this evolution and the investment slowdown led to a rise of the age of capital.

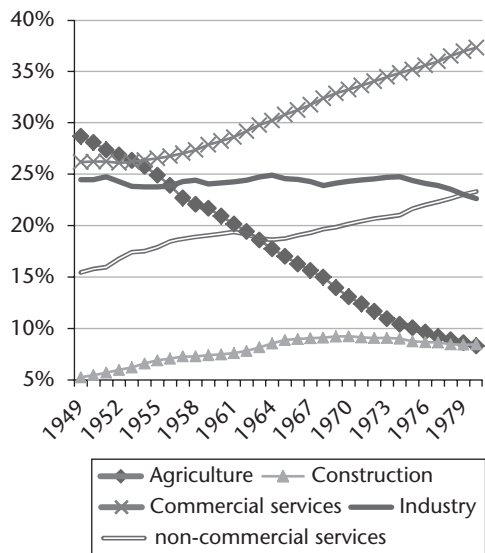


Figure 2.3. Employment shares.
Data source: INSEE.

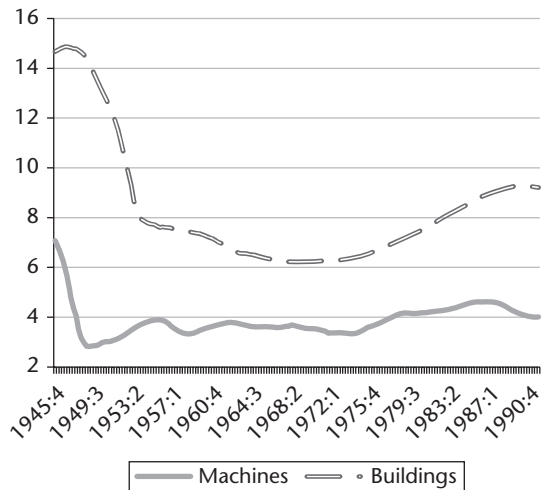


Figure 2.4. Median age of net capital.
Data source: CEPII séries longues macroéconomiques.

Following the first oil shock in 1973, GDP growth slowed down to an annual average of 3 per cent between 1974 and 1978, and unemployment, which had been kept at a low level for two decades after the Second World War, rose steeply above 4 per cent (Figure 2.5). The early perception of the crisis of the 1970s by political and economic leaders was that it was simply a more severe

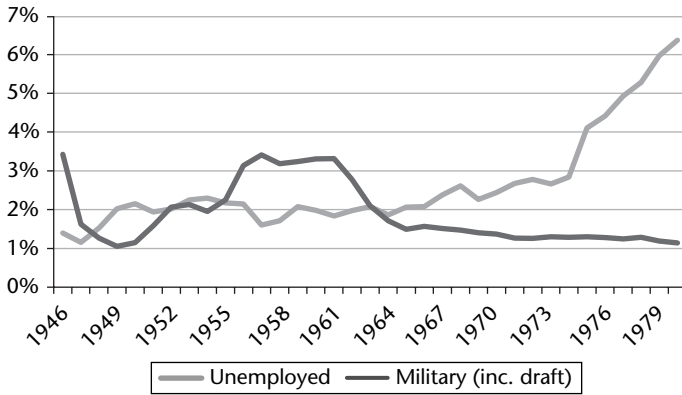


Figure 2.5. Military and unemployed as a share of the active population.

Data source: CEPII séries longues macroéconomiques.

downturn than usual in an otherwise rather typical business cycle, with the sudden increase in energy prices as the only novel element. According to this perception, shared by the majority of employers and policy makers, there was no need to change the fundamentals of economic policy or question the growth model. Macroeconomic policy before the oil shock had been characterized by a constant hesitation regarding its priority objective: (i) the fight against inflation, which, after having been drastically reduced in the immediate post-war years had picked up again until the monetary reform of 1959,² and had been increasing rapidly after the mid-1960s (Figure 2.6)³; or (ii) diminishing unemployment, whose increase, noticeable after the mid-1960s, became more dramatic in the mid-1970s. This hesitation had a concrete consequence, a succession of measures alternatively destined to boost economic activity in order to reduce unemployment or to slow it down in order to combat an inflation that resulted in part from the demand-expanding measures taken in the previous phase. This stop-and-go lasted until 1976.

The level of trade deficits (Figure 2.7) and the depreciation of the French Franc (Figure 2.8) led president Giscard d'Estaing to decide to take a different course in economic policy. Elected in 1974, V. Giscard d'Estaing had chosen his main ally in the presidential campaign, Jacques Chirac, as prime minister. Tensions between the two components of the right coalition, Giscard d'Estaing and the UDF (Union pour la Démocratie Française) on the one hand, Jacques Chirac and the post-Gaullist party Union pour la Défense de la République (UDR) on the other hand, which were in part the consequence of the failure of the reflationary

² The monetary reform introduced the new franc replacing the old franc with the parity 1 for 100.

³ One may note the very high number of military personnel during the Algerian war (1954–62).

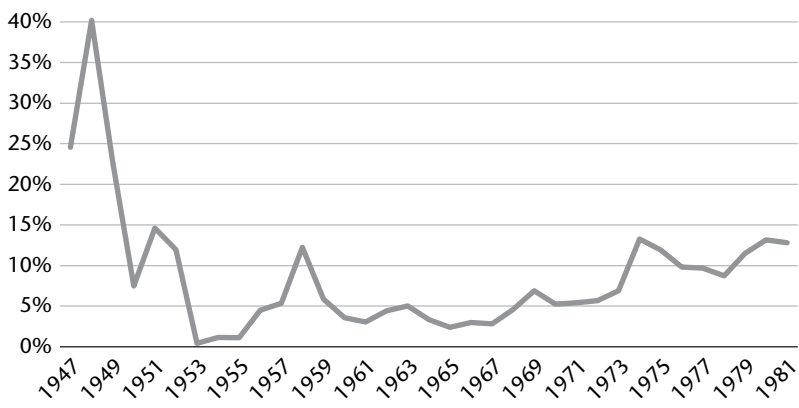


Figure 2.6. Inflation rate (household consumption).
Data source: CEPII séries longues macroéconomiques.

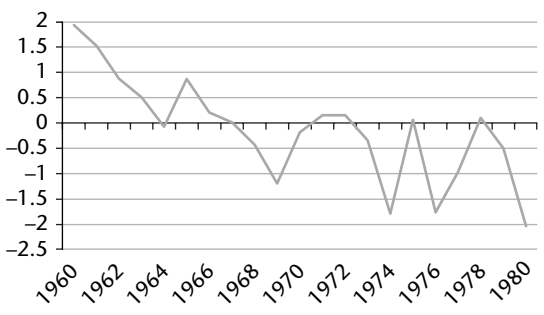


Figure 2.7. Current account balance as a percentage of GDP.
Data source: AMECO.

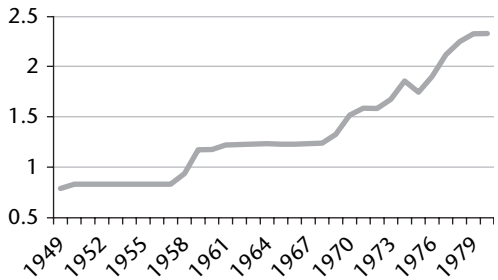


Figure 2.8. Exchange rate DM/FF.
Data source: CEPII séries longues macroéconomiques.

measures taken in 1975, led to the departure of Chirac in 1976 and his replacement by a university professor of economics who had previously been a vice-president of the European Commission (1967–73) and minister for foreign trade in the Chirac government (1976): Raymond Barre.

Unlike many among the economic and political elites,⁴ Raymond Barre was convinced that the economic crisis was not a more severe episode of the standard business cycle but represented a significant economic structural change. Barre's interpretation of the economic situation led him to believe that the high growth rates of the post-war period would not be seen again before long.⁵ The slowing down of growth, the increase in inflation and the rise of unemployment were interpreted as the entry into a new era characterized by increased competition and diminished expectations. This implied a change of economic policy, with a new focus on the fight against inflation, which was deemed necessary in order to improve external competitiveness and send a signal to economic agents about the credibility of the new economic policy. This would imply to relinquish the objective to diminish unemployment with macroeconomic policy.

The various measures taken by Barre after 1976 promoted austerity as the general economic policy direction. Competitiveness would be achieved through currency stability. The policy of a strong (stable) currency, the so-called *franc fort* (strong franc), would represent an incentive for firms to become more competitive. From Barre's point of view, unemployment could not be fought *directly* through economic policy measures. Only an increase in the capital stock could provide the way to increase employment in the medium to long run. The role of economic policy was therefore to foster investment. The crisis had caused a drop in profitability (Figure 2.9). Barre popularized the so-called 'Schmidt's theorem',⁶ according to which today's profits are tomorrow's investment and the next day's employment.

The objective was thus to boost firms' profits by decreasing labour cost. In the short run, this implied that firms should relinquish the labour hoarding policy they had adopted since the onset of the crisis. Firms had considered the economic situation as temporary and had consequently refrained from massive layoffs, waiting for the reflationary measures that were customary in the previous economic policy regimes, and the ensuing activity reprisal. The signal sent by Barre was that there should be no hope for that to happen since the crisis implied structural and not demand-management measures. An improvement in firms' profitability was therefore to be achieved through layoffs (which implied the acceptance of an increase in unemployment), 'wage moderation', and eventually a decrease in social contributions, which

⁴ Significantly, the 'modernist' (see section 2.2.1) part of the *patronat* (e.g. José Bidegain) was convinced of the structural character of the crisis.

⁵ Weber (1986: 220).

⁶ This is not in reference to Wolfgang Schmidt's subspace theorem but comes from a sentence pronounced by German chancellor Helmut Schmidt in a speech in November 1974. France is the only country where this made a significant and lasting impact in the public debate.

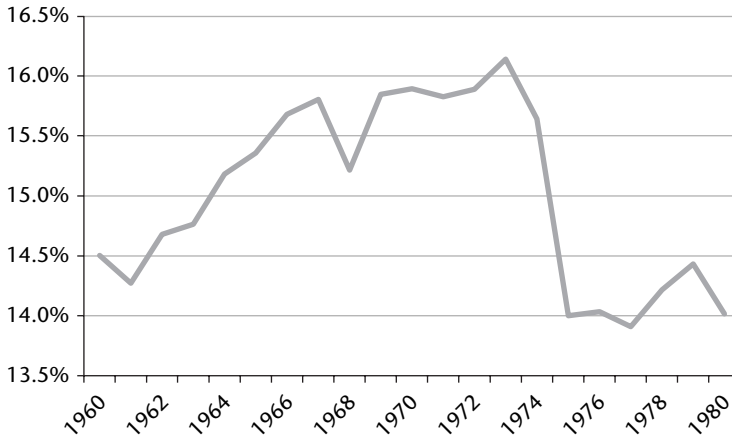


Figure 2.9. Profit rate (corrected for the increased share of wage earners).⁷

Data source: AMECO.

would imply a redefinition of social protection, at least in its financing mode.⁸ Firms, now convinced that the government had given up for good the traditional Keynesian view of demand management, reoriented their demands in the direction of a pressure for labour cost decrease and employment flexibility: the definition of working hours, the possibility for temporary employment and the suppression of the administrative authorization for collective layoffs.

The year 1976 marked therefore, with the change of prime minister, an important step towards the adoption of a neoliberal economic policy. The roots of neoliberalism in France are nevertheless more ancient.

2.2 The Emergence of a Neoliberal Project

2.2.1 *The Influence of the 'modernists'*

The general idea that France suffers from a certain backwardness in technology, management methods and economic structures has been present in the public (policy and academic) debate since at least the defeat in the Franco-Prussian war of 1870–1.⁹ This particular historical event had then triggered

⁷ The ratio employee/self-employed increased substantially during the period considered. In order to correct for this effect, the average wage of employees was used to estimate the labour income of self-employed.

⁸ Cf. Gauron (1988: 247–51). Foucault (2004: 205) analyses a report on the French social protection system published in 1976, in which the emphasis is put on the detrimental consequences of social contributions for labour costs and hence labour demand.

⁹ Bouchard (2008) quotes Fernand Braudel and Ernest Labrousse in their *Histoire économique et sociale de la France*, vol. 1, 1450–1660, *L'État et la ville* (Paris: Presses universitaires de France, 1977,

appeals to modernize the university, whose deficiencies were partly held responsible for the military defeat and its consequences. But the topic of backwardness, in connexion with related themes such as the supposed reluctance to change attributed to all or part of the French population, or the general perception of decline, reappeared periodically in times of crisis. A connected issue was the role public policy, either raised in order to point out the responsibility of the state in the unfortunate state of things, or to praise public intervention as a solution.

In the twentieth century, wars and their aftermaths proved to be suitable historic opportunities to raise the issue of adaptation and change. After the First World War, the impression that France suffered from backwardness vis-à-vis other industrialized countries in general and the USA in particular was widespread among certain fractions of the administrative and economic elites, a perception stemming from the difficulties experienced by the authorities to sustain the war effort. Comparative development statistics did not contradict this perception (Figure 2.10): at the beginning of the First World War, GDP per capita in France was substantially lower than that of the USA, the United Kingdom, and even Germany, and the pre-First World War trend did not exhibit any tendency to catch-up and close the gap.

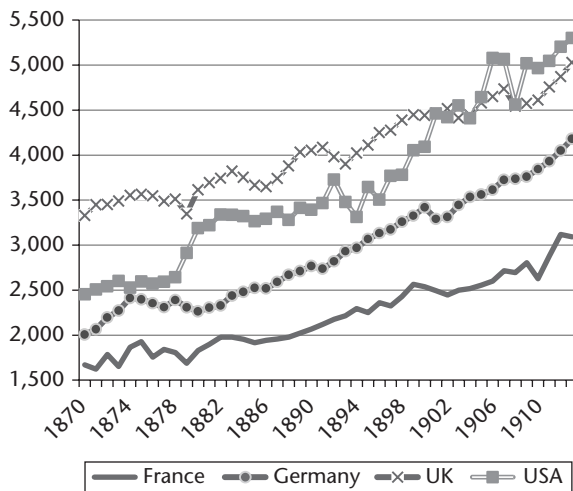


Figure 2.10. Per capita GDP in Europe, 1870–1913, using pre-1913 boundaries (\$ in 1990 international prices).

Data source: Stephen Broadberry's EuroGDP2 dataset.

p. 357), pondering about the causes of French backwardness in the sixteenth century. Landes (1949) promoted a cultural explanation of French backwardness.

The deficiencies of the French productive system had been made painfully evident during the war, and the intervention of the state had been crucial in permitting a substantial production effort through a rational management of resources. The deficiencies of French firms had led to a widespread preoccupation about the necessity to improve production methods, which were considered as archaic in comparison with the British and, above all, American standards. This implied questioning the fundamental elements of the pre-war economic and social order, characterized by (i) the prominence of a dogmatic liberalism that condemned any type of public intervention in the economy for the sake of *laissez-faire* at the time when, under the pressure of the working-class movement, the first elements of the welfare state were built (Delorme and André 1983), combined with (ii) the protection of specific interests, particularly agriculture, against competition.

The so-called 'neo-capitalist' movement gathered manufacturing employers who were partisan of a wide diffusion of the Taylorist principles of scientific work organization. It was supported by engineers trained in the *grandes écoles*,¹⁰ who had entered the governance structures of French firms, bringing there a rationalist ethos.¹¹ The modernization movement was also present in the administration, and the modernizing elites aimed to spread the Taylorist principles and apply private sector management techniques in the public services.¹² More generally, the 1920s and 1930s saw the emergence of several movements at the initiative of manufacturing industry managers and engineers, whose aim was to promote the measures necessary for the rationalization and development of the French economy: le redressement français (Ernest Mercier), les Nouveaux Cahiers (Auguste Detoef), X-Crise¹³ (Jean Coutrot) and so forth. In parallel, some movements (Ordre Nouveau, Troisième Force, Esprit . . .) less linked to the industry and at the initiative of intellectuals, were looking for a third way between liberal capitalism and 'inefficient parliamentarism' on the one hand, and collectivism and communism on the other.¹⁴

The impulse for the modernizing and rationalizing of the French economic system implied a redefinition of the role of the state. Public intervention, in a partnership with private firms, was considered admissible in order to circumvent the excesses of individualism. The power of the public administration would have to be extended while those of the parliament would need to be

¹⁰ Elite higher education institutions such as Polytechnique, Centrale, and so on.

¹¹ Kuisel (1984). ¹² Ruiz (2009).

¹³ X-Crise was one of the vectors of the modernist movement in the 1930s. This movement, which would probably be called a 'think tank' today, was founded in 1931 by engineers educated at the école Polytechnique who wanted to find rational solutions to the economic crisis of the 1930s. They were critical of archaic individualist, liberal capitalism, and promoted instead the emergence of a 'coordinated economy', a term which will be much used in the comparative capitalism literature of the 2000s and 2010s.

¹⁴ Bourdieu and Boltanski (1976).

reduced. Political actors were considered to be too sensitive to the demands for protection expressed by inefficient producers responsible for economic backwardness. Modernization would have to be undertaken by a technocratic elite circumventing various political oppositions in order to bring about the structural changes necessary for an improvement of productive efficiency.

This modernization was intended to incorporate a social aspect too. The manifesto of the Redressement français of 1926 mentioned the errors made by the liberal elites in this area, notably by considering that labour was a mere commodity. Broadly defined corporatism was considered rather favourably. Auguste Detoef (Nouveaux Cahiers) was in favour of a mandatory membership to a unique depoliticized union in order to foster 'social dialogue'. The rise of the standard of living made possible by the implementation of modern production and management methods should benefit all classes of society, in particular workers, who would enjoy a certain degree of economic security, and this would keep them away from the temptation of communism.

But the modernizing impulse was also present on the union side, particularly in the CGT (Confédération Générale du Travail). The objectives of unions were more geared towards industrial democracy than those of employers, as well as the nationalization of key industries and the necessity of an administrative guidance of production plans. But there were some common elements with the economic elite's vision of modernization, such as the faith in technical competence rather than in *laissez-faire*. A common idea was that industrial concentration and mass production, the crucial elements of a modern productive system, were incompatible with the anarchy of production that individualized capitalism had led to.

The modernists gained a certain influence in political circles, particularly when André Tardieu was head of government (three times between 1929 and 1932), and André-François Poncet in charge of the 'national economy', with a mandate to devise an economic policy that would make it possible for France to catch up with the standard of living of the USA.

The crisis of the 1930s, which hit France later than most other developed countries (Figure 2.11), made it even more blatant that a simple countercyclical economic policy was insufficient to cure the economic problems of capitalism. The idea that some deeper 'structural' reforms were necessary was very common, and not only among modernist circles. The deficiencies of *laissez-faire* and the fact that Nazi Germany as well as the Union of Socialist Republics (USSR) seemed not to be affected by the Great Depression increased the attractiveness of economic planning. Various attempts to define an economic plan emerged in different segments of the political spectrum. Some planning attempts were conceived against 'statism', and preferred to stress the provision and coordination aspects of the economic plan. On the left, under the influence of Belgian socialist Henri de Man, planning was conceived as a way to rationalize production and

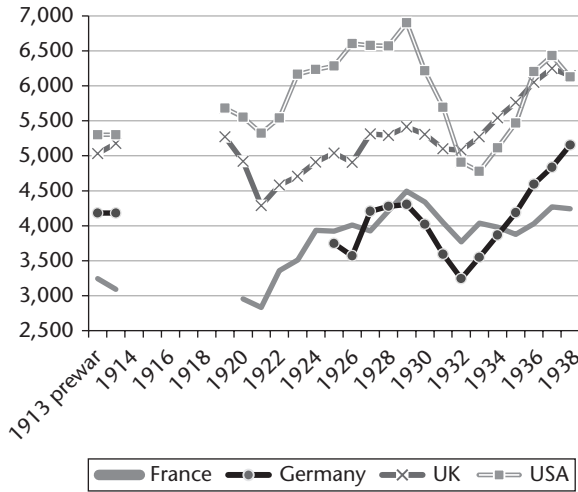


Figure 2.11. Per capita GDP in Europe, 1913–50, using interwar boundaries (\$ in 1990 international prices).

Data source: Stephen Broadberry's EuroGDP2 dataset.

improve of the standard of living of the working classes, without the necessity to transform the economy according to the Soviet model. Trade union confederation CGT proposed a plan for the nationalization of industry in 1935. Planning had for the left a political aspect too, which was to achieve the unity of the working and middle classes in order to fight the emergence of fascism.

The rapid military defeat of 1940 was seen as the confirmation of the decadence of the pre-war period and led to renewed attempts to modernize the French social structure, both within the Vichy administration and in the Resistance movement. The collaborationist Vichy government incorporated modernist as well as traditionalist aspects. Paxton (1972) has characterized the modernist character of the Vichy regime as a public policy designed and implemented by technocrats within the context of an authoritarian regime able to overcome possible political resistance. The general tone was critical of trusts and class conflict, in favour of corporatism and an economy guided by a technocratic elite. The education of this elite was the task devoted to the Ecole des Cadres d'Uriage, an education institution where new methods of management were experimented, involving discussions, bargaining and the elaboration of compromises among the different factions of the elite.¹⁵ Most of the management of the Ecole d'Uriage joined the Resistance movements after 1942.

On the Resistance's side, modernism embodied a more democratic ambition. Non-communist Resistance carried the ideals already present in the

¹⁵ Bourdieu and Boltanski (1976).

1930s: the search for a 'humanistic socialism' and a synthesis between the planned and the market economy, a certain defiance vis-à-vis parliamentary mechanisms, the will to overcome class struggle, a strong opposition to Marxism, and so forth. Communist resistance considered that the defeat was a consequence of the weakness of the French economy and that planning would enable the productivity improvements that were necessary for social progress. The general tone was 'productivist' and meritocratic, with a concern for redistribution and taxes.¹⁶ The programme of the CNR (Conseil National de la Résistance) aimed to establish a 'genuine economic and social democracy' after the war,¹⁷ and was a compromise between the objectives of the non-communist and communist Resistance movements. Economic planning would be based on consultation, and monopolies would be nationalized. The parallel was often made between the failure of the defensive strategy of the military in 1940,¹⁸ and the economic Malthusianism and protectionism characterizing the French economy before the war.¹⁹ But the opposition to Soviet-style planning, and therefore to the political forces that were favourable to this type of economic change, the Communist Party, also characterized modernism.

The figurehead of the post-Second World War modernist movement was Pierre Mendès-France, a leftist deputy before the Second World War, who had joined de Gaulle in London during the war and became minister of the national economy in the first post-liberation government in 1944.²⁰ He was briefly president of the Council of Ministers²¹ for a few months in 1954–5, a period during which he refused to accept the support of the communist deputies and thereby rejected the union of the left movements. But Mendès-France's influence on the French political life, both on the left and on the right, extended far beyond this brief stint. Charles de Gaulle took inspiration from Mendès-France, and his presidency (1958–69) can be considered as the heyday of modernism.

2.2.2 The End of Liberalism and the Birth of Neoliberalism

The critique of laissez-faire is a common characteristic of modernism and neoliberalism.²² Contrary to an all-too-common opinion, neoliberalism is

¹⁶ Bourdieu and Boltanski (1976).

¹⁷ CNR (National Council of the Resistance).

¹⁸ Epitomized by the Maginot line.

¹⁹ This term, very much in vogue in the modernist circles, refers to economic policies, supposedly influenced by the works of Thomas Malthus, whose aim or consequence is to restrain production and investment, thus preventing economic development.

²⁰ Mendès-France was in favour of austerity in order to fight inflation as well as 'structural reforms' to modernize and democratize the economy. He resigned after eight months for lack of political support for the austerity measures he wanted to implement.

²¹ The equivalent of prime minister.

²² This section includes elements explored in Amable (2011).

not synonymous with laissez-faire or even a minimal state. Many recent contributions have emphasized the specificities of neoliberalism,²³ distinguishing it from other and older forms of liberalism. A fundamental distinction lies in the character of the market and market exchange. For neoliberalism, self-regulating markets are not conceived as a natural reality, which has the consequence that public intervention cannot be envisaged as a simple negative of the market. Whereas the most common conception of the state in classical liberalism would be that of a 'night watchman', the state is expected to have a much more active role in neoliberalism.

The central notion of neoliberalism is competition. Following Foucault (2004), Dardot and Laval (2009) trace the emergence of competition as the ultimate principle of social regulation for the neoliberal vision of society in social Darwinism, the doctrine according to which the struggle for existence is a struggle against nature that makes human beings compete with each other for scarce resources. Social Darwinism regarded competition between individuals as a law of nature (Sumner 1914: 19) that led to the survival of the fittest. The target of this ideology was redistribution and social policy. For social Darwinists, attempts to lessen inequalities would amount to promoting inefficiency. Sumner (1914: 19), for instance, presented the alternative faced by society in the following terms:

We can take the rewards from those who have done better and give them to those who have done worse. We shall thus lessen the inequalities. We shall favor the survival of the unfittest, and we shall accomplish this by destroying liberty. Let it be understood that we cannot go outside of this alternative. Liberty, inequality, survival of the fittest; not-liberty, equality, survival of the unfittest. The former carries society forward and favors all its best members; the latter carries society downwards and favors all its worst members.

Consequently, the only government regulation acceptable for social Darwinists was one that made up for the imperfection of competition and thereby strengthened the fitness imperative.²⁴

Neoliberalism emerged out of the critiques addressed to liberalism and laissez-faire in the late nineteenth and early twentieth centuries. Once taken to be a philosophy of individual liberation, liberalism in practice had proved to be a defence of the established order, which promoted conservatism, strengthened existing social hierarchies and was an obstacle to the recognition of individual merits. Worse, the neglect of the social problems that 'free markets' created had led the masses to turn towards socialism:

²³ Foucault (2004); Denord (2001, 2007, 2009); Laval (2007); Dardot and Laval (2009); Mirowski and Plehwe (2009); Amable (2011).

²⁴ Sumner (1914: 81).

the menace of socialism can best be met if we understand and acknowledge the evils which it is intended to remedy. The preliminary to remedy is diagnosis, and an accurate diagnosis will save us from the error of both extremes—the extreme, on the one hand, of an overdose of socialism, and the extreme, on the other hand, of omitting all medication whatever. (Fisher 1907: 27)

The Bolshevik revolution and the Great Depression, which the newly created Soviet Union and the ‘command economy’ found in the authoritarian regimes in Germany and Italy seemed to be impervious to, were events that seemed to signal the end of liberalism, which resulted from an inevitable internal evolution according to modernist Auguste Detoeuf (Nouveaux Cahiers). In this context, the search for a renewal of liberalism, for an alternative to both laissez-faire and the ‘command economy’, became the search for a neoliberalism.

The founding moment of neoliberalism was certainly the *colloque* organized by French philosopher Louis Rougier in 1938 following the publication of Walter Lippman’s book, *The Good Society*.²⁵ The aim of the *colloque* was to gather people who would contribute to a ‘constructive’, or new, liberalism. The neoliberal perspective considers that laissez-faire liberalism destroys itself because competition is constantly threatened, leading to monopolies and a plutocratic regime (Rougier 1938). It is therefore necessary to conceive a particular institutional framework which would enhance and preserve the principles of competition.

Rougier and others used a metaphor on traffic regulation to illustrate the difference between neoliberalism, *laissez-faire*, and the ‘command economy’. *Laissez-faire* lets car drivers free to travel the way they want, leading to traffic jams and accidents; central planning gives precise indications on what drivers must do with their car. Neoliberalism simply establishes a traffic regulation leaving drivers free to choose when to use their car and where to go provided certain rules are respected. This would preserve individual freedom while preventing chaos and accidents.

The action of the state in a neoliberal society would be to set the rules and constantly intervene to preserve a competitive market order regulated by the price mechanism.²⁶ The state in a neoliberal society is therefore neither weak

²⁵ Denord (2007); Dardot and Laval (2009). Participants in the *colloque* included Austrian economists Friedrich von Hayek and Ludwig von Mises, the founders of Ordoliberalism Wilhelm Röpke and Alexander Rüstow, economists Robert Marjolin, Stefan Possony, Jacques Rueff, but also intellectuals such as Raymond Aron, Michal Polanyi, industrialists such as Auguste Detoeuf, and Walter Lippmann himself. Some of the participants would be at the origins of the Mont Pèlerin society after the Second World War.

²⁶ Rougier later distinguished between *interventionisme*, a state intervention that is compatible with the price mechanism, and *dirigisme*, a type of state interfering with the mechanism of supply and demand by deciding in an authoritarian way price levels and quantities produced. However, the definitions of these terms in the public policy debate of the following decades were quite fuzzy.

nor inactive, and for ordoliberals, it is even strong. It intervenes in order to preserve the functioning of competitive markets. Even conservative neoliberals such as Hayek admit the existence of public services, under the condition that they should be in competition with private providers, at least potentially.²⁷ These elements show how much 'deregulation' is a misnomer to characterize neoliberal transformation. A neoliberal economy implies the existence of regulations and agencies in order to enforce competition. Nevertheless, certain differences persisted within the broad neoliberal school regarding the type of competition policy to be implemented.²⁸

But opposition to competition and pressure for egalitarian demands and redistribution measures softening the effects of competition are bound to appear, not only from those who would have an interest in being preserved from the rigour of competition, but also from foolish masses who fail to understand what is good for them: 'Not only is it false that men, when let alone, will always follow their best interests, but it is false that when they do, they will always thereby best serve society.'²⁹ Therefore, neoliberalism promotes the idea that a competent elite should decide and be preserved from the demands for protection: 'The world consists of two classes—the educated and the ignorant—and it is essential for progress that the former should be allowed to dominate the latter.'³⁰ For Lippman (1937), the foundation of a sustainable and just social order demands that 'intrinsic superiorities' be substituted to 'extrinsic inequalities' derived from privileges. The enforcement of these principles makes it impossible to conciliate a system of impartial rules of the game with popular sovereignty.

Two decades before the first contributions of the public choice economists on constitutional theory, Rougier (1938) advocated constitutional reforms that would preserve the choice of a ruling elite dedicated to the defence of the common rules of individual competition from 'acting minorities' and 'lunatic majorities'. A combination of enlightened elites and constitutional rules putting strong limits to democracy and popular sovereignty: these elements will be found in the post-Second World War neoliberal literature to various extents.

The social question was considered differently according to the contributors to neoliberalism and the period. The strictest liberal point of view considers that *any* organized interest is a threat to competition. Hayek (1973), for

²⁷ Hayek (1960).

²⁸ One may for instance distinguish within neoliberalism between the German ordoliberal, the French and the Austro-American traditions. Ordoliberalism is the most hostile to 'imperfect' market structures such as monopolies or oligopolies. The French tradition would accept a certain intervention of the state in market structures for developmental purposes. The Austro-American school would be the less interventionist in competition policy.

²⁹ Fisher (1907: 21).

³⁰ Fisher (1907: 20).

instance, regards trade union monopolies as a greater danger than production monopolies. The latter result from a higher productivity of the most efficient producers whereas the former stem from the suppression of competition. But other contributors to the emergence of neoliberalism, particularly in the 1930s, had a more positive opinion of trade unions. Even Jacques Rueff, whose positions were close to those of Hayek, thought in 1939 that the renewal of liberalism could only be possible if supported by trade unions.³¹ In the discussions concerning how the renewed liberalism should be called, Rueff had even proposed to call it a 'left socialism' or a 'social liberalism'.³²

2.2.3 Neoliberalism in France

The common view of the French economic model as state-led capitalism conceals the fact that France is also a country with a strong liberal tradition. French economic thought in the late nineteenth century was dominated by liberal economists who celebrated the virtues of the market and strongly condemned state intervention.³³ The private firm was celebrated for its flexibility, its capacity to react to changing market conditions and its ability to innovate by the then dominant liberal economist Paul Leroy-Beaulieu in 1891.³⁴ In contrast, the state was presented as inefficient and a protector of private interests at the expense of the tax-payer.

As demonstrated by the *colloque* Lippman, France was associated with neoliberalism from the very start. The diffusion of neoliberalism in France was therefore not a matter of importing an Anglo-Saxon doctrine.³⁵ In the follow-up to the *colloque*, a centre for the renewing of liberalism was created (Centre International d'Etudes pour la Rénovation du Libéralisme, CIRL) and a publishing company, the Editions Médicis, was founded in 1937 in order to diffuse a literature fighting Marxist-inspired state interventionism. However, the Second World War, the defeat of 1940 and the compromising of Rougier with the Vichy regime put a provisory end to this first attempt. After the war, the Mont-Pèlerin society took over the task of the diffusion of neoliberal ideas.³⁶

An important element characterizing France is the common preoccupations between neoliberals and modernists. Modernism as an ideology should not be identified with neoliberalism, but a certain number of important convergences explain the evolution of certain modernist preoccupations of the 1920s and 1930s, and economic policy guidelines of the 1940s to the 1960s, into propositions for neoliberal reforms from the 1970s to the 2010s.

³¹ Denord (2007).

³² Rueff (1949).

³³ At a time when the intervention of the state in the economy was growing.

³⁴ Kuisel (1984).

³⁵ Denord (2007).

³⁶ See Walpen (2004).

Neoliberalism and modernism emerged approximately at the same time and shared a set of common critiques of the failures of the traditional liberal ideology and *laissez-faire*. Both the modernist movement and neoliberal thought aimed to go beyond the simple opposition between state and market, and wanted to redefine the contours of state intervention: to impel a modernization and rationalization of management methods and economic structures for the former; to preserve the efficiency of competitive mechanisms for the latter. This led to the expression of themes that are almost identical between the two movements: the condemnation of protections as a source of inefficiency; the necessity to adapt to changing conditions, and for the old to make way for the new; the necessity to reward competence and merit, and the condemnation of rents and privileges, understood as a means to overcome class struggle;³⁷ elitism, the praise of technical competence and the defiance with respect to political mechanisms; and above all the search for a third way between socialism/communism and *laissez-faire*.

The same individuals were frequently involved in both movements: Auguste Detoeuf or Robert Marjolin, for instance, modernists who took part in the *colloque* Lippman. Denord (2007: 86) recalls that one of the leading figures of X-Crise, Jacques Branger, looked for an alternative to both the command economy and *laissez-faire*, an alternative that would respect the principle of a regulation of society by market mechanisms and a 'guided competition'. For Branger, this alternative, if one had to give it a name, would be called 'neoliberalism'.

The tentative implementation of a modernist programme before the Second World War reflects this general orientation. The objective set for André-François Poncet by the modernist head of government André Tardieu was to design an economic policy which would be neither socialist nor liberal, and would incorporate the action of the state understood as a guide and support to private initiative.³⁸ Paul Reynaud, finance minister in 1938–9, considered that the state had the responsibility to guide the economy while leaving agents free. This idea, which emerged in the 1930s and 1940s, but led to more concrete action only after the Second World War, is that *dirigisme* was the alternative solution to both *laissez-faire* and socialist planning. Liberalism had failed, but regulation would hamper economic activity: one had to find a third way.

³⁷ The necessity to reward merit and promote the equality of opportunity was proclaimed in a speech of then Head of State Philippe Pétain on 11 October 1940: 'The new regime will be a social hierarchy. It will not be based on the misconception of the natural equality of men, but on the necessary idea of equality of "opportunities" [...] Only work and talent will become the foundation of the French hierarchy. No French will be prejudiced against because of her/his social origins [...] Class struggle can only disappear [...] if one removes the causes that formed these classes and set them against one another' (our translation).

³⁸ Kuisel (1984: 167).

Dirigisme could be understood in two different ways. The first one was that the economy should have a *director*, which implied a version of the 'command economy' that all liberals, including the neoliberals, were hostile too. The second meaning was that the economy should be given a *direction*; and this would be compatible with the price mechanism. Some neoliberals even spoke of a 'directed liberalism', which would imply a certain 'liberal interventionism'. *Dirigisme* represented an ordered economy which was not led at every moment but let free within certain limits, which corresponds to the broad definition of neoliberalism given by Rougier with his traffic regulation metaphor.³⁹ Kuisel (1984) even (quite rightly) defined the *dirigiste* post-Second World War period for France as a neoliberal order.⁴⁰ Obviously, *dirigisme* did not imply the same type of state intervention in the immediate post-Second World War, when shortages were frequent, price controls were introduced, and the reconstruction imperative dominated, as it did from the 1960s on. In fact, French-style indicative planning evolved towards concertation and coordination,⁴¹ far from the 'command economy' that every school of neoliberalism abhorred.⁴² The 6th Plan (1971–5), whose elaboration involved the active participation of business representatives, aimed to achieve a growth based on a competitive industry, which implied an active competition policy.⁴³ Progressively, planning had become less of an institution for building a wide social compromise, and more of a forum of coordination and dialogue between the state and business.

Like neoliberalism, modernism cherished technocratic competence and held at least some of the democratic institutions in a relative contempt when it considered that they prevented the promotion of the general interest in favour of the defence of specific interest, or when they fuelled 'ideological' conflicts. Modernists thought that economic development and prosperity would, with the help of 'social dialogue', lead to the end of 'ideologies' and the conversion of the masses and the elite to a common ideal of prosperity and social consensus. 'Social dialogue' would be the way workers would be driven to accept the decisions taken by an elite whose legitimacy would lie in competence.

³⁹ Although Rougier himself made a distinction between *interventionnisme* (good) and *dirigisme* (bad). See note 26.

⁴⁰ At the heydays of *dirigisme*, the main economic advisor of president de Gaulle was Jacques Rueff, closer to Austrian economics than to Keynesianism, a participant to the *colloque* Lippman, and a founding member of the Mont-Pèlerin society.

⁴¹ See also Shonfield (1965).

⁴² Maurice Allais wanted a 'competitive planning' that would combine the advantages of a market economy and those of the state's action. He later called it 'institutional planning' to emphasize that his ambition was to have a decentralized economy operating within institutional structures that the state only could define (Diemer 2010).

⁴³ Margairaz (2011: 248–9).

Some elements in the technocratic literature of the 1960s and 1970s were analysed by Bourdieu and Boltanski (1976). One finds again the well-known elements common to the modernist and neoliberal ideologies such as the necessary promotion of the equality of opportunity⁴⁴ and the objective to provide education opportunities according to the capacities of the individuals and not the social origins, the imperative to overcome the '*société bloquée*' (the blocked society unable to implement 'necessary' changes), to go beyond the left/right cleavage, and rely on a competent elite to implement a rational policy aiming at the modernization of the country.

The emergence of neoliberalism as the dominant theoretical reference for the design of economic policy in the 1970s must therefore not be understood as a negation of the modernist ambition, but rather as a reorientation of this ambition or an increased emphasis on some aspects of this ideology, away from the social preoccupations that that might have been present in the origins, and giving more importance to the free functioning of the price mechanism.

Valéry Giscard d'Estaing, president between 1974 and 1981, is probably the politician most clearly associated with the diffusion of neoliberalism in French politics.⁴⁵ Significantly, he chose Raymond Barre, an economist who had translated Hayek,⁴⁶ and had been the first president of the Geneva Association between 1973 and 1976,⁴⁷ as his prime minister in 1976. In his 1976 book, *Démocratie française*, published when he was still president in order to expose his perspectives for France, Giscard d'Estaing wrote that France should go beyond the 'traditional ideologies', collectivism and planned economy on the one hand, classical liberalism and laissez-faire on the other hand. A significant part of the book presented standard neoliberal themes. Competition was considered to be the most efficient stimulant to compel individuals to give their best.⁴⁸ The trouble was that, just as an animal defends his territory, the 'natural' reaction of individuals was to try to regroup in order to accumulate defences against competition. This, according to Giscard d'Estaing, explained why one had seen the development of a variety of institutions and organizations, statuses, protections, coalitions, cartels, unions, and professional organizations, whose aim was to restrain competition, and which led to a concentration of power.

⁴⁴ In a publication of the Commissariat général du plan (planning agency) (CGP 1964: 39) for instance.

⁴⁵ His father, Edmond Giscard d'Estaing, had been a contributor to the neo-capitalist movement in the 1930s.

⁴⁶ *Scientisme et sciences sociales. Essai sur le mauvais usage de la raison* (1953 translation of *Scientism and the Study of Society* part of the *Counter-revolution of science*).

⁴⁷ Naczyk (2016). The Geneva Association is a think tank for the insurance industry, founded in 1973 by senior continental and British insurers.

⁴⁸ Giscard d'Estaing (1976: 45).

State intervention was then conceived as the promotion of competition, and as a means to preserve liberty against organized powers. Competition was not considered to be a spontaneous occurrence:⁴⁹ its establishment and maintenance implied public intervention. Giscard d'Estaing opposed individual to collective liberty, the latter being a power to be fought or contained. More specifically, nationalizations—a central issue for the debate opposing the 'command economy' to neoliberalism since the 1930s and a central theme of the economic policy manifesto of the left in the 1970s—should be opposed because they would mean the transition towards a command economy hostile to competition.

In the following book,⁵⁰ published after his defeat at the 1981 presidential election, and describing the perspective for a comeback to power, Giscard d'Estaing contended that France should learn to live in a new economy characterized by an intense creativity, which, according to him, implied that the 'statist' French model should disappear just like the centrally planned economy, its 'blood brother', would eventually have to. These arguments, almost identical to the so-called 'Schumpeterian' view of innovation-based growth that was so much in vogue in the 2000s and 2010s, were presented by Giscard d'Estaing two decades before the publication of the Sapir and Kok reports: one had to accept an economy of innovation and spontaneity that demanded less state intervention, less formal constraints, and more emphasis on the quality of the competitive environment and the adaptive possibilities it conveyed. Modernist Jacques Delors developed similar thoughts in his 1985 book: 'our old model has proved to be worn out when faced with new competitors. It is inefficient against the new industrial revolution driven by technical progress'.⁵¹

Giscard d'Estaing (1984) criticized again the 'antisocial' liberalism and preferred 'social liberalism', which implied the development of contractual relations between wage earners and the firm. Collective bargaining was considered positively, but should have to take place at the firm level in order to take account of the 'diversity of reality', and involve 'reformist' trade unions. This diversity could not benefit from too rigid and unified a legal framework, which would justify that the extent of labour laws should be limited. The motto of Giscard d'Estaing in the early 1980s was 'less state, but a better state'. The idea spread under different forms, such as 'a modern state is a modest state'. The phrase, taken from the title of a book by Michel Crozier, was adopted by many politicians from the right as well as from the left.⁵² In

⁴⁹ Giscard d'Estaing (1976: 103).

⁵⁰ Giscard d'Estaing (1984).

⁵¹ Alexandre and Delors (1985: 110).

⁵² For instance, by André Vallini, PS (Parti Socialiste) member of parliament in an interview, *Libération*, 19 June 2009.

fact, the idea that the pattern of state intervention had to be changed drastically has been present in the political discourse at least since the 1970s, the emphasis being either put on less regulation or on the importance of social dialogue.

2.3 The Political Project on the Left

The position of the left was much different from the promotion of a supposedly social liberalism. The ambition was to initiate a democratic transition towards socialism, starting with the building of a social democratic model.

2.3.1 *The Programme Commun*

The political situation on the left at the end of the 1970s differed substantially from that during the 1960s. François Mitterrand, in a book published in 1964,⁵³ *Le coup d'état permanent* (the permanent coup), had drawn the conclusions from the failure of the left during the Fourth Republic, in particular the failure of modernist Pierre Mendès-France. The institutions of the Fifth Republic implied a drastic change of strategy.

After 1947, the 'non-communist left' had taken part in various government coalitions of the Fourth Republic, but the possibilities for a left government were ruined by the Mendès-France doctrine, which kept the Communist Party outside of the governing coalitions. This had for consequence an attrition of the left and favoured governmental instability: the Communist Party could only be an opposition force—their deputies would vote against a government but their votes in favour of another government were refused by the other left parties.⁵⁴ With the constitution of the Fifth Republic, whose majoritarian political institutions made the alliance with the 'non-communist left' parties superfluous for conservative parties, the anti-communist doctrine of Mendès-France condemned the left to be in the opposition forever. By making it possible for a stable right government coalition to emerge,⁵⁵ the political institutions of the Fifth Republic almost automatically called for the building of a left coalition including the Communist Party.

The economic doctrine of the non-communist left was partly influenced by Marxism, but increasingly dominated by what Fulla (2016) calls 'Keynesiano-Mendesism':⁵⁶ a rejection of Marxism in favour of a mixed economy where

⁵³ Mitterrand (2010).

⁵⁴ The Communist Party always obtained at least 25 per cent of the votes at the legislative elections of the Fourth Republic (1945–58).

⁵⁵ A coalition that governed for twenty-three years.

⁵⁶ Fulla (2016: 33–4) distinguished three influences in the economic doctrine of the 'socialists' Section Française de l'Internationale Ouvrière (SFIO), Fédération de la Gauche Démocrate et Socialiste (FGDS), etc., and, after 1971, the PS) between the 1960s and 1981: a Marxist influence

a democratically elaborated plan would regulate the market economy. This is left modernism incorporating strong influences of the *planiste* movement of the 1930s. The political ambition was to transform the socialist doctrine following the example of the Sozialdemokratische Partei Deutschlands (SPD) after the Bad Godesberg congress of 1959. This approach was shared mostly by the economic experts of the administration (ministry of finance, planning agency, etc.). This ideology was developed in various clubs, such as the Club Jean Moulin (CJM),⁵⁷ created at the beginning of the Fifth Republic in 1958, when the Gaullist administration rejected the non-communist left in the opposition. The aim of CJM was to contribute to a debate on modern democracy, and orient public policy choices through the promotion of 'technical competence'. CJM rejected liberal capitalism and preferred democratic planning and a mixed economy. The charter of the club mentioned the usual elements of the modernist ideology: the end of 'ideologies', the association of workers to the management of the firm, the importance of rationality in decision-taking, the promotion of competence, the defiance vis-à-vis the parliament, and so on. CJM gathered most of the top administration of the planning agency, including Jacques Delors who created his own club, the Club citoyen 60 in 1959.⁵⁸ After 1963, CJM took an active participation in the political competition, supporting, together with other clubs, various initiatives of the non-communist left. CJM later joined the FGDS of François Mitterrand, and stopped its activities in 1970. Some members joined the staff of Gaullist prime minister Chaban-Delmas to contribute to the project of a 'new society'.

Tensions were strong between this doctrine of 'democratic planning' and the Marxist vision of the Communist Party (Parti Communiste Français PCF),⁵⁹ and they persisted even after the establishment of a coalition contract between the socialists and the communists in 1972. The issue of the state control of the productive system through nationalizations was particularly conflictual. The Keynesiano-Mendesist view was hostile to a nationalization programme whereas the PCF considered it a necessary step to initiate a transition toward socialism.

The socialist parties⁶⁰ and Mitterrand alternated between one and the other position,⁶¹ depending on the political situation, the intensity of the

not too dissimilar from the ideology of the PCF; a mix of *régulationnistes* and Keynesian influences; and the Keynesiano-Mendesists.

⁵⁷ The description of CJM is inspired by Le Strat and Pelletier (2006: 191–3).

⁵⁸ Delors formed another club in 1973, *échange et projets*.

⁵⁹ Delors warned in 1964 against the risks associated with an overdeveloped public sector (Fulla 2016: 165).

⁶⁰ The PS was created in 1971 at the Epinay Congress. Before that, the SFIO and other formations (PSU (Parti Socialiste Unifié), Mitterrand's FGDS) represented the non-communist left.

⁶¹ Mitterrand even envisaged privatizations during the 1965 presidential campaign, causing a furore among the communists (Fulla 2016: 182).

competition with the PCF for left votes, and the more or less urgent necessity to reach an agreement with the PCF. After 1967–8, when the need for an electoral alliance became more pressing, particularly after the disastrous score obtained by the candidate of the non-communist left, Gaston Defferre, at the 1969 presidential election (5 per cent), and under the influence of the 1968 radical contestation movement, the Marxist tone of the Parti Socialiste (PS) manifesto was strengthened. But this was little more than paying lip service to the revolutionary spirit of the period. In fact, the socialists' red lines when bargaining with the PCF were the respect of liberal democratic principles and *the pursuit of European integration*. The socialists were on the other hand ready to make concessions on the economic and social aspects of the manifesto, including the extent of the nationalization programme.

The foundation of the PS in 1971, and the elaboration of a common government programme in 1972 defined the new elements of the political competition for the following decade.

The common manifesto (*programme commun*) which defined the government programme of the left coalition (*union de la gauche* including the PS, PCF, and MRG) bore the influence of the modernists, but did not contain any neoliberal element. The main measures were nationalizations and real wage increases, as well as a deepening of social protection and industrial democracy. Nationalizations of banks and most of the industry (natural resources, armament, aerospace, pharmacy, nuclear energy, a large part of electronics and chemicals) were the most significant measure of the manifesto. The control of a large part of the economy was intended to give the government the possibility to implement a dynamic industrial policy. Public firms would nevertheless retain a certain autonomy in their management. However, tensions within the left existed on this issue.⁶² Intellectuals of the PS and the so-called 'second left' (Box 2.1) judged that the *programme commun* had made too many concessions to a statist vision of the economy and to the demands of the working classes. But these concessions were necessary because of the defence of the red line of European integration.

The *programme commun* included a preservation of real wages through an automatic indexing of wages on inflation. In fact, the *patronat* had not always been hostile to such a measure, at least until 1973 and the oil price shock, because they considered that this would put a ceiling on real wage increases, thereby slowing them down. Other measures were the decrease in VAT for consumption goods, the increase in and extension of sickness, family and unemployment benefits, a guaranteed full pension at the age of sixty (fifty-five for women) as well as an increase in pensions, the establishment of a legal forty-hour week, the establishment of equal rights for immigrant workers, the

⁶² Fulla (2016: 252).

Box 2.1 THE 'SECOND LEFT'

The origins of the so-called 'second left' can be found in the opposition both to the French colonial wars of the 1950s and to the Soviet Union, although the term itself was coined by Michel Rocard in 1977 only. Going back in history, one could find some proximities with various strands of social Catholicism. The second left was characterized by the hostility to the 'bureaucratization' of society, distinguishing itself from the 'first left' by its opposition to Marxism and state ownership of the means of production, preferring a 'self-managed socialism' (*socialisme autogestionnaire*). But for the majority of the individuals involved, *autogestion* (self-management) was understood more as a type of associations of trade unions to the management of the firm than as a means to radically transform the production relation and break with capitalism.

The main political expression of the second left was the Parti Socialiste unifié (PSU), whose first secretary between 1967 and 1973 was Michel Rocard, before he joined the PS. The second left was influential in labour confederation CFDT (Confédération Française Démocratique du Travail), which has its roots in the Christian union movement.

The critical attitude towards state intervention led to a critique of the welfare state as well as a certain reverence towards market mechanisms. Pierre Rosanvallon, one the theoreticians of the second left at CFDT, published several books and articles promoting 'civil society' and stressed the proximity of the self-managed ambition with the liberal project to limit the power of the state.

In a magazine article announcing the death of the second left, one of its main contributors, Jacques Julliard, estimated that the promotion of civil society had merely been instrumental to the development of financialized capitalism and the spread of neoliberalism ('Ce qui est vivant et ce qui est mort dans la nouvelle gauche', *Le Nouvel Observateur*, 14 April 2010).

prohibition of layoffs without providing an alternative employment, the promotion of collective bargaining, the increase in union rights, the decrease in taxes for small shops and craftspersons, the increase in the progressivity of the income tax, the establishment of capital controls within the common market, the creation of a national investment bank and an institute for financing commerce, and the creation of a public service of national education, which in practice would eventually mean the end of the private school sector.

These measures implied rather radical changes to the structure of the French economy but could hardly be considered as a revolutionary programme for the establishment of a centrally planned economy. Nevertheless, in a context influenced by the radical contestation movements of the late 1960s, and faced with the competition of the PCF, the PS did not use a 'moderate' rhetoric: 'Violent or peaceful, a revolution is first and foremost a break-up. Whoever does not accept the breakup [...] with the capitalist society cannot be a member of the socialist party' (F. Mitterrand, speech at the founding congress of the PS, Epinay-sur-Seine, 1971).⁶³ The implementation of the

⁶³ Video accessible at <<http://www.ina.fr/video/CAF89019626/mitterrand-video.html>>.

programme commun was, as late as 1975, presented by the PS as a transition towards self-managed socialism. The PCF on the other hand thought that it could not immediately represent a step towards socialism. But the real ambition was described by Mitterrand in his 1973 book. For him, the aim was to establish a higher level of democracy both on the political and the economic level. Looking for a French 'model',⁶⁴ Mitterrand was ready to take the best elements present in the experiments made in other countries: Scandinavian democracy, German-style mixed economy, and so on.

However, the *union de la gauche* broke up shortly after the victory at the local elections of 1977, when tensions between the PCF and the PS exacerbated regarding the so-called updating of the *programme commun*. Tensions had already emerged after the defeat of Mitterrand at the 1974 presidential election, attributed by some PS leaders to the measures of the *programme commun* included at the demand of the PCF. Michel Rocard, figurehead of the 'second left', openly criticized nationalizations and praised market mechanisms for the realization of his *socialisme autogestionnaire*,⁶⁵ and he judged unrealistic the ambition of regaining positions lost to foreign competitors in the domestic market. Also, the PS considered that a large part of the *programme commun* had become obsolete after the crisis that started with the first oil shock in 1973. The socialists refused a further extension of the nationalizations of the *programme commun* to the oil, automobile, and steel industries, and the full control of all the subsidiaries of nationalized conglomerates.

The main reason behind this breakup was the divergent dynamics of the political parties within the union, with a declining PCF and a rising PS. The breakup was the main reason for the electoral defeat at the legislative elections of 1978, where the left parties only obtained 41 per cent of the seats with 48.6 per cent of the votes.

2.3.2 The 110 propositions

Following the breakup of the *union de la gauche*, the PS devised their own manifesto for the 1981 presidential election, where François Mitterrand was their candidate, with 110 propositions which in part took some of the measures contained in the *programme commun*. The modernist inspiration of the *programme commun* was kept: the modernization of the French productive structure was to be accomplished through the nationalizations of the banking system and the bulk of industry in order to allow the implementation of an

⁶⁴ Mitterrand (1975: 151).

⁶⁵ In 1976, before an assembly of private managers (forum de l'Expansion), Rocard declared that one could not take the tangent with the market, whose constraints had to be respected. In a 2010 article (*L'Obs*, 1 April 2010), he still stressed the necessity to respect the 'laws of the market'.

industrial policy improving the innovative performance of the economy (a target of 2.5 per cent of GDP was set for R&D expenditure). The emphasis was to be put on the expansion of domestic demand and production, thereby giving up the priority to foreign competitiveness that had been economic policy's priority under the Barre government. The GDP share of foreign trade was intended to be brought down below 20 per cent by 1990. This 'reconquest' of the internal market was intended to take place within a broad restructuring of the French productive system,⁶⁶ with an increase in investment in technology intensive and relatively price- and currency-fluctuations-insensitive products. The controversial nuclear policy would have to be submitted to referendum. A reflation policy was to be based on the development of public employment, the lowering of VAT rates on staples, and an increase in the minimum wage.

The manifesto also specifically mentioned the employment relation: the open-end contract would be reaffirmed as the normal employment contract, and new rights would be given to trade unions and employee representatives. The thirty-five-hour week was to be progressively achieved. Social protection would be extended and the retirement age would be set at sixty for men and fifty-five for women. The unification of the welfare state would be guaranteed through the creation of a universal national system of social protection.

2.4 The Differentiation between the Left and Right Blocs

Finding a stable social base had always been a problem for the modernists since the 1930s. The social support for the radical transformation of the management methods and productive structures that a modernist strategy would have entailed was at the time rather limited, as the failure of the planning movement to achieve anything concrete showed it.⁶⁷ A similar though less acute problem was faced by the most progressive forces of the Resistance movement after the Second World War. Although the conservative forces were relatively weak immediately after the war because of their compromising with Vichy and the Nazis, the left was not unified enough to form a bloc in the sense of having convergent objectives and a common manifesto. For instance, in spite of the social democratic ambitions of the CNR, the nationalizations of 1945–6 represented more a technocratic type of *dirigisme* than the socialization of production for which some fractions of the Resistance movement had hoped.⁶⁸ There was no unity in the appreciation of the

⁶⁶ The dominant concept at the time was that of '*filière*': vertically integrated industries allowing the exploitation of synergies.

⁶⁷ Kuisel (1984: 211).

⁶⁸ Kuisel (1984).

necessity of social changes among the three main political forces: the Socialists (SFIO), the Communists (PCF) and the Christian-Democrats (Mouvement Républicain Populaire, MRP). The direction that was taken, a modernization under technocratic guidance, was the lowest common denominator in the different modernist movements, based on the perceived necessity to improve productivity in order to raise the standard of living. As mentioned before, the political option of Mendès-France, which was to refuse a political alliance with the PCF, implied that the (non-communist) left's potential social and political support was too narrow.

Modernism implied a change in organization, both at the micro and the macro level, as well as a new type of social coalition supporting the modernization. A central theme of modernism was that both the economic and social structures of France were archaic and that their modernization would imply facing the opposition of certain vested interests. On the other hand, modernism pointed to the necessity of a new type of social alliance gathering social groups whose common interest would be the modernization of the economy and social relations. In the ideas of its promoters, modernism had to be supported by a 'cross-class' coalition of modernizers, which would be composed of the most dynamic elements of the bourgeoisie, the working class, and the farmers. Modernizers believed or pretended to believe that such a 'cross-class' alliances had existed in the resistance to the German occupation and the Vichy collaborationist government during the Second World War. Their ambition to follow this movement was an important part of the modernist ideology.

On the other hand, the opposition to modernization was expected to come from the most traditional employers, who would oppose any type of social or economic progress for fear of losing their authority and social position. The opposition would also be composed of the social groups, trade unions and political parties preferring a class-based confrontational attitude to 'social dialogue',⁶⁹ and central planning to the promotion of private initiative under public regulation. As seen in section 2.2.2, this bears resemblance to some of the ideas present in the neoliberal ideology. In practice, this took the form of 'indicative planning' and an active involvement of the state in the economy, a mixed economy that would be neither based upon laissez-faire liberalism nor central planning.

Modernists were favourable to international competition because they held the traditional protectionist attitude of a significant fraction of employers as one of the causes of the pre-Second World War economic decline of France. The traditional paternalistic *patronat* was favourable to a limitation

⁶⁹ In particular, 'social dialogue' at the firm level would make workers' representatives, confronted with the daily problems of firms' management, internalize the economic constraints that firms had to respect, leading them to express economically 'realistic' demands.

of competition because it preserved their economic power as well as the social structures they wanted to keep. By contrast, opening to international competition would give the modernist fraction of the employers the possibility to contest the position of traditional firms and limit their role and influence in the definition of economic and social policies. International competition was therefore expected to lead to a modernization of the economy and a change in the 'mentality' of employers as well as that of the working class.

In practice, the social support for the *dirigiste* modernization, was found in a right social bloc after the founding of the Fifth Republic in 1958. As mentioned before, the institutions of the Fifth Republic stabilized the political power of the right coalition and rendered the constitution of a left coalition including the PCF more or less inevitable. The basis for such a compromise could also be found in some of the modernist ideals, which found their expression in the production- and productivity-enhancing measures of the *programme commun* and the promotion of social democratic measures concerning the employment relation and social protection.

Therefore, at the end of the 1970s and the beginning of the 1980s, the choice offered to the electorate could be summarized as an opposition between two types of economic policy and structural reform programmes. On the left, a political alliance (*union de la gauche*), in spite of having broken up in 1977 and been awkwardly mended between the first and the second round of the 1978 elections, was still the main reference for a possible government coalition. The perspective was, officially at least, a gradual breakup (*rupture*) with capitalism. On the right, the main parties (post-Gaullist RPR (Rassemblement pour la République) and UDF) were redefining their economic policy orientations away from the support for effective demand and the search for external competitiveness through devaluations, towards wage austerity and the restoration of firms' profit margins, currency stability (the 'strong franc' policy), the fight against inflation and the decrease in state intervention, opposing the economic and social transformations of the *programme commun*. The right parties, in spite of an open rivalry between their respective leaders, kept their joint participation in a government coalition as a political objective without any credible alternative.

2.5 The Differentiation between the Left and Right Blocs: An Empirical Analysis

This section analyses the social bases of the left and the right with the help of electoral survey data. In the following, these data are used to investigate the links between social structures and the economic policy expectations of the electorate, and the influence of these on the potential political support of political parties.

2.5.1 *From Social Structure to Political Preferences*

In order to analyse political demands, the simple theoretical framework represented in Figure 2.12 will be adopted. An individual's position in the social structure is assumed to influence her or his expectations with respect to economic policy. These in turn determine the political preferences and the degree of support to the different parties. One can also take into consideration the direct effect of the social position on the political preferences, representing support not mediated by policy expectations. For the purpose of the empirical investigations, the structure represented in Figure 2.12 defines a recursive model which will be estimated by structural equation modelling techniques.

The data used in the analysis come from the French post-electoral survey for 1978 (BDSP 1978) which has data for 4,456 individuals.

The position in the social structure will be mainly determined by six types of variables: sex, age, occupation, income levels, church attendance, and the type of living environment. A few additional variables, specific to a survey, will also be taken into consideration.

Men will be the reference category. Five age brackets will be taken into consideration: 18–24, 25–34, 35–44, 45–54 (reference category), and over 55. Occupations will be defined with the help of the Institut National de la Statistique et des Études Économiques (INSEE) classifications: farmers (reference category), managers, craftsmen and shopkeepers, high-skill public sector employees, high-skill private sector employees, medium-skill public sector employees, medium-skill private sector employees, foremen and technicians, public sector clerks, private sector clerks, service workers, skilled (blue collar) workers, unskilled (blue collar) workers, specialized workers (a category of unskilled worker executing a simple task in conveyor belt factories), police and security forces, student, unemployed, retired.

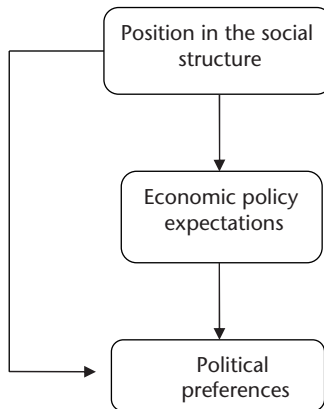


Figure 2.12. From social structure to political preferences.

The level of household income is individualized by dividing it by the square root of the size of the household in order to account for possible intra-household economies of scale. The survey samples are then divided by deciles, and the first income decile is taken as the reference category. The church attendance variable will separate individuals who attend at least twice a month from the others (reference category). The living environment will separate those who live in a rural area from the others (reference category).

The size of the firm in which the individual works is considered: small (under fifty employees), medium (fifty to 500 employees, the reference category) and large (over 500 employees). Also, a question was asked about the opinion on the future of the type of activity the individual was working in: declining, stable (the reference category), or expanding.

The questions relevant for the policy expectations relate to general policy issues (taxes, income redistribution, public services, labour market regulation, etc.) as well as the relevance for the policy debate at the time of the election (e.g. the issue of nationalizations). In the survey, the respondent is asked how favourable he or she would be to a series of policy options. Four answers are possible: totally against, rather against, rather favourable, totally favourable, which will give as many categorical explanatory variables, with the 'rather against' taken as the reference category. The policies considered are the following: suppressing the advantages of many in order to reduce social inequalities; extending the nationalized sector even if this implies limiting the scope of the private sector; increasing taxes to provide free public services (health, transports, school, etc.); limiting the increase in your standard of living in order to curb inflation; prohibiting dismissals until an alternative employment is found; the establishment of foreign firms in France. Another question asked was whether the suppression of the right to strike would be a serious threat to civil rights. Four answers are here again possible, according to the degree of seriousness. Individuals finding it 'rather serious' will be the reference category.

In order to consider possible divides linked to culture and lifestyle, besides those based on economic policy issues, as in the now popular bi-dimensional representation of the political space, variables reflecting social values have been incorporated in the analysis. According to the bi-dimensional view, a new cultural divide, not independent of social structural determinants, opposes authoritarian values and communitarian conceptions of justice to the values of cultural liberalism, internationalism, and gender equality.⁷⁰

In the electoral survey, a question concerned the possibility for an underage girl to take the pill without the consent of her parents. Four answers, from totally against to totally favourable were possible. The 'rather against' will be

⁷⁰ Bornschier (2010).

the reference category. Another question asked whether the respondent would prefer to work more in order to earn more money or to work less even if this implied earning less.⁷¹ Finally, a question was asked as to whether school should give a sense of discipline and effort or form people with an open and critical mind. Categorical variables corresponding respectively to the 'work more to earn more' and 'form people with an open mind' approaches will be considered.

Political preferences are appreciated with the answers to the question about the degree of sympathy of the respondent for the different political parties. Taking as a dependent variable the degree of sympathy for a party rather than the vote makes it possible to consider the potential support rather than the electoral outcome for a single election. Besides, the response rate to the sympathy question is usually higher than the corresponding rate for questions about the vote. The information content of the sympathy question is also higher. Respondents give a grade to all parties whereas the vote goes by definition to one party only. Also, a certain degree of strategic voting for the first round can be expected both on the right and on the left, leading to a blurring of the respective social bases of the different parties, and a probable underestimation of the potential support of small candidates/parties.

Data for the following parties were available: the PCF; the Parti Socialiste Unifié (Unified Socialist Party, PSU); the far left, not a party but a movement composed mostly of Trotskyite parties; the Parti Socialiste (Socialist Party, PS); two parties which compose the UDF, the formation of president Giscard d'Estaing; the Centre des Démocrates Sociaux (CDS) and the Parti Républicain (PR); the Rassemblement pour la République (Post-Gaullist Party, RPR). Each party was given a grade between 0 and 6.

The distributions of grades for each party are featured in Figure 2.13. One can notice the overall good opinion that respondents express about the PS. On average, 'extreme' parties gather more low grades than mainstream parties (e.g. the far left).

The empirical model is estimated with the maximum likelihood method, with probit or ordered probit estimations depending on the variable considered. Ordered choices will be taken as categorical variables when they are explanatory variables (e.g. the degree of approbation of government's intervention to reduce inequality in the degree of sympathy for a party equations), except when these choices are a grade between 0 and 10. The linearity of the answer scheme makes it acceptable to consider the grade itself and not the

⁷¹ This question is interesting since the choice to work and earn more was a very popular presidential campaign slogan for Nicolas Sarkozy in 2007, aimed at the working classes preoccupied with their low purchasing power and taken to appreciate the values of hard work as opposed to laziness.

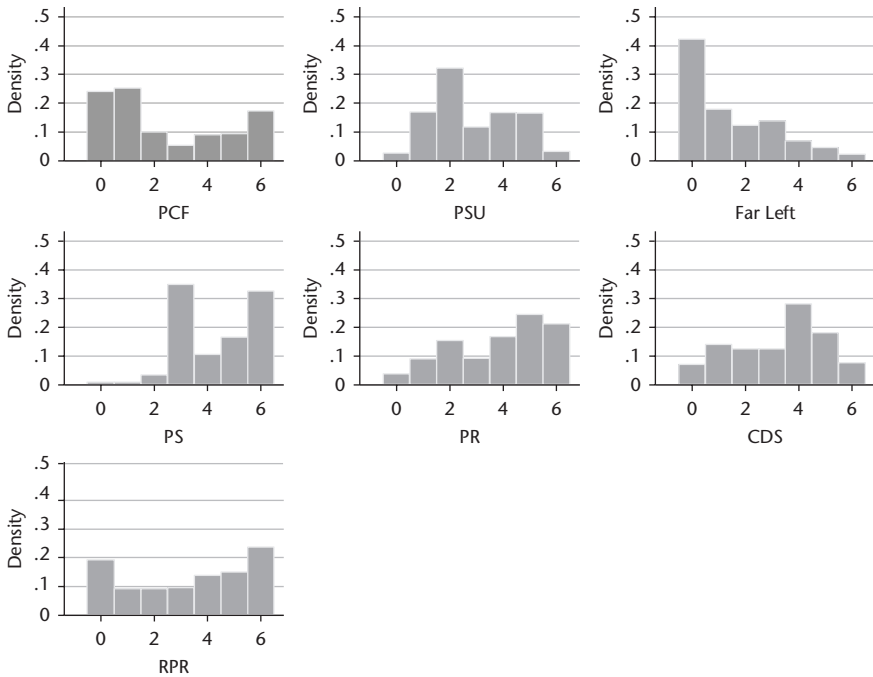


Figure 2.13. Histograms of party grades in 1978.

grade categories as explanatory variables. Grades will be taken as an ordered choice variable when they enter as dependent variables in the model (e.g. in the equations determining the influence of the social position on the evaluation of the fairness of the pension reform for instance).

The estimation of the model starts with the inclusion of all possible paths, that is, all possible explanatory variables in every equation. After having estimated the complete models, likelihood ratio tests were performed to check the significance of the various explanatory paths within the model (i.e. the significance of variable coefficients in the model's equations). The successive application of likelihood ratio test led to the rejection at the 5 per cent level of 543 paths. This led to more parsimonious and easily interpretable model than the unconstrained model.

2.5.2 Estimation Results

Estimation results for the restricted models are presented in Tables 2.1–2.3. Starting with the sympathy towards political parties (Table 2.1), one notices the existence of a strong divide on economic issues along the traditional

Table 2.1. Support for political parties in 1978. Significance levels: *** 1%, ** 5%, * 10%.

	PCF	PSU	Far left	PS	PR	CDS	RPR
Suppress the advantages of many to reduce social inequalities							
Totally favourable		0.167*** (0.048)		0.140*** (0.048)		-0.145*** (0.049)	-0.152*** (0.050)
Broaden and develop the nationalized sector							
Totally against	-0.166*** (0.064)	-0.141** (0.065)		-0.431*** (0.059)		0.200*** (0.064)	0.319*** (0.066)
Rather favourable	0.446*** (0.061)	0.347*** (0.060)	0.394*** (0.057)	0.414*** (0.055)	-0.608*** (0.054)	-0.427*** (0.061)	-0.532*** (0.062)
Totally favourable	0.989*** (0.076)	0.425*** (0.072)	0.713*** (0.068)		-0.953*** (0.069)	-0.661*** (0.076)	-0.758*** (0.077)
Raise taxes for free public services							
Rather favourable					-0.109** (0.054)		
Totally favourable							-0.175** (0.080)
Limit your standard of living to curb inflation							
Totally against	0.252*** (0.052)	0.169*** (0.050)			-0.218*** (0.051)		
Rather favourable			-0.168*** (0.052)			0.201*** (0.050)	
Totally favourable						0.216*** (0.073)	
Forbid layoffs until a new job is found							
Totally against		-0.204** (0.081)	-0.213** (0.089)			0.251*** (0.085)	

[illegible]

Table 2.1. Continued

	PCF	PSU	Far left	PS	PR	CDS	RPR
25–34			0.234*** (0.057)		–0.216*** (0.058)		
35–44		0.188*** (0.057)			–0.173*** (0.063)		
Over 55						0.272*** (0.055)	
Lives in a rural area		–0.216*** (0.070)					
Churchgoer	–0.395*** (0.067)	–0.144** (0.064)	–0.215*** (0.072)	–0.399*** (0.065)	0.294*** (0.064)	0.459*** (0.064)	0.346*** (0.066)
Income							
6th decile			–0.295*** (0.084)				
7th decile			–0.309*** (0.083)				
8th decile			–0.302*** (0.086)				
9th decile			–0.354*** (0.083)				
10th decile			–0.228*** (0.081)	–0.284*** (0.072)			
Occupation							
Craftsman, shopkeeper						–0.203** (0.096)	
Private sector intellectual profession	–0.473** (0.201)						
Public sector intellectual profession		0.448*** (0.095)		0.193** (0.098)			

Structural Crisis and Institutional Change

Table 2.2. Policy expectations in 1978 (a). Significance levels: *** 1%, ** 5%, * 10%.

	Suppress the advantages of many	Broaden and develop the nationalized sector	Raise taxes for free public services	Limit your standard of living to curb inflation	Forbid layoffs until a new job is found
Woman			-0.120*** (0.037)		
Age					
18-24		0.201*** (0.060)	0.144** (0.058)	-0.132** (0.060)	0.208*** (0.064)
25-34			0.113** (0.044)	-0.156*** (0.046)	
Over 55		-0.186*** (0.045)			
Lives in a rural area					-0.294*** (0.057)
Retired				-0.146*** (0.052)	-0.172*** (0.053)
Churchgoer	-0.201*** (0.051)	-0.555*** (0.056)		0.332*** (0.051)	-0.343*** (0.053)
Income					
4th decile				0.169*** (0.065)	
5th decile				0.210*** (0.064)	
6th decile				0.272*** (0.068)	
7th decile	-0.131** (0.064)			0.249*** (0.069)	-0.155** (0.069)
8th decile		-0.166** (0.067)		0.325*** (0.069)	-0.191*** (0.071)
9th decile				0.245*** (0.070)	
10th decile	-0.152** (0.062)	-0.258*** (0.065)		0.503*** (0.067)	
Occupation					
Manager		-0.529*** (0.143)			-0.842*** (0.139)
Craftsman, shopkeeper		-0.319*** (0.090)	-0.263*** (0.082)		-0.461*** (0.086)
Public sector intellectual profession		0.285*** (0.086)			0.183** (0.088)
Private sector high- skilled		-0.299*** (0.096)			-0.350*** (0.095)
Public sector clerk		0.238*** (0.071)			
Technicians		0.211** (0.088)			
Skilled workers	0.144** (0.066)	0.355*** (0.071)		-0.234*** (0.065)	0.355*** (0.074)
Specialized workers		0.281*** (0.073)	-0.157** (0.065)	-0.290*** (0.066)	0.252*** (0.074)

Two Economic and Social Models

Workers		0.469*** (0.084)		0.161* (0.082)	
Service workers		0.314*** (0.086)			0.306*** (0.086)
Police or church	0.334** (0.163)				
Student	0.309** (0.150)				
Works in a small firm		-0.188*** (0.046)	-0.093** (0.041)		-0.173*** (0.046)
Works in a declining industry	0.136** (0.055)	0.266*** (0.056)		-0.134** (0.054)	0.124** (0.060)

Table 2.3. Policy expectations in 1978 (b). Significance levels: *** 1%, ** 5%, * 10%.

	Establishment of foreign firms	Suppression of the right to strike	Pill for minor girl	Work more to earn more	School should favour critical sense
Woman		0.295*** (0.043)	-0.125*** (0.040)	-0.133*** (0.045)	-0.115** (0.049)
Age					
18-24	0.331*** (0.060)		0.836*** (0.071)	0.285*** (0.071)	0.917*** (0.080)
25-34	0.244*** (0.047)		0.631*** (0.053)		0.527*** (0.063)
35-44	0.333*** (0.052)		0.232*** (0.057)		0.178*** (0.069)
Lives in a rural area	-0.108** (0.054)	0.244*** (0.055)	-0.149*** (0.056)	0.140** (0.062)	-0.172** (0.069)
Unemployed		-0.192** (0.093)	0.300*** (0.092)	-0.206** (0.099)	0.374*** (0.102)
Retired		0.173*** (0.051)	-0.125** (0.059)	0.300*** (0.058)	-0.220*** (0.073)
Churchgoer	0.284*** (0.052)	0.341*** (0.052)	-0.585*** (0.054)	-0.145** (0.059)	-0.243*** (0.066)
Income					
6th decile			0.150** (0.067)		
7th decile			0.270*** (0.068)		0.221*** (0.077)
8th decile			0.376*** (0.070)	-0.278*** (0.076)	
9th decile		-0.177** (0.072)	0.274*** (0.072)	-0.201** (0.078)	0.280*** (0.082)
10th decile	0.152** (0.062)		0.462*** (0.069)	-0.244*** (0.073)	0.411*** (0.078)
Occupation					
Manager	0.432*** (0.130)				

(continued)

Table 2.3. Continued

	Establishment of foreign firms	Suppression of the right to strike	Pill for minor girl	Work more to earn more	School should favour critical sense
Private sector intellectual profession		-0.546*** (0.187)	0.444** (0.178)	-0.722*** (0.207)	0.994*** (0.209)
Public sector intellectual profession		-0.970*** (0.098)	0.373*** (0.086)	-1.060*** (0.106)	1.073*** (0.103)
Private sector high-skilled	0.365*** (0.091)		0.234** (0.096)		0.389*** (0.112)
Public sector high-skilled		-0.380*** (0.125)			0.379*** (0.138)
Private sector clerk		-0.251*** (0.061)	0.183*** (0.057)		0.215*** (0.070)
Public sector clerk		-0.375*** (0.074)		-0.242*** (0.075)	0.346*** (0.082)
Technicians		-0.527*** (0.102)		-0.219** (0.098)	0.317*** (0.106)
Skilled workers		-0.377*** (0.077)			
Specialized workers		-0.157** (0.073)			0.176** (0.080)
Workers		-0.243*** (0.080)			
Student		-1.223*** (0.191)	0.606*** (0.169)	-0.862*** (0.171)	1.432*** (0.242)
Works in a large firm		-0.197*** (0.060)		-0.200*** (0.061)	0.165*** (0.064)
Works in a small firm		0.211*** (0.045)			
Works in a declining industry	-0.139** (0.054)	-0.119** (0.059)		-0.209*** (0.064)	

left-right opposition: nationalizations, industrial relations and social conflict (the right to strike), income inequalities, austerity and the fight against inflation, as well as employment protection. Left positions on these issues were mostly defended by the young, the low and middle incomes, the working classes, and public sector employees (Tables 2.2 and 2.3). On the other side, for right economic policy options one found the support of high incomes, seniors, churchgoers, managers and shopkeepers, high-skill private sector employees, and inhabitants of rural areas. These findings confirm the existence of a traditional class-based support for left and right economic policies respectively. One may also note that the answers to the question on taxes and free public services, although a classical problem in the political economy of public goods very imperfectly reflected this classical opposition.⁷² Not only

⁷² See for instance Bergstrom and Goodman (1973) or Persson and Tabellini (2000: ch. 3).

was the matter hardly relevant to differentiate the support to the different parties, but also the social base for this type of policy was particularly difficult to identify or interpret according to income inequalities (Table 2.2).

As expected, 'cultural' divides reflected only in part the economic policy oppositions. The school issue split the electorate along traditional left-right lines, although, when one turns to the social support for this question, one notices a skill- and income-based divide cross-cutting the usual partition of the left and right constituencies. This is also true, but to a lesser extent, for the 'work more to earn more' question. Other cultural issues mattered less for the left-right opposition: the pill question for instance. Partisans and opponents on this issue were divided mostly according to age and income levels, the young and more affluent respondents being more liberal than the others.

Also, the literature stressing the emergence of a cultural divide has insisted on the consequences it would have for the left,⁷³ splitting the 'old left', focused on economic issue and with a social base consisting of traditional working class groups, form a 'new left', with a social base composed of more educated and better off individuals, more concerned with post-materialist values. The results of Tables 2.1–2.3 show that societal issues produced a rift within the traditional base of the right as well, based on skills and income levels. The better-off and more skilled fraction of the right social base, high-skill private sector employees and high income individuals, sided with the better-off and more skilled fraction of the left base on these cultural issues against a fraction of the traditional base of the right (shopkeepers, churchgoers, seniors, etc.). This proximity was limited to cultural issues and did not extend to economic policy matters.

The direct influence of social structural characteristics on party support was also strong. Church attendance and age did not only strongly influence policy preferences or cultural values, they also directly influenced the degree of sympathy towards one or the other party. Churchgoers were strong supporters of the right, and the young were broadly favourable to the left. The working classes were strongly supporting the left, mostly the Communist Party and the far left. The level of income played a more moderate role, influencing only the degree of sympathy towards the far left, which was strongly decreasing with affluence. The causes for the strength of this direct influence may be either the inability of the questions on economic policy and cultural values to adequately reflect the expectations of the electorate, or the strong links between social structure and party sympathies independently of specific economic or cultural issues.

⁷³ Lipset (1981); Kitschelt (1988).

3

The Search for a New Model

3.1 Contradictions between the Policy of the Left-wing Government and Left Bloc Expectations

The election of François Mitterrand as president in May 1981 with 51.8 per cent of the votes put an end to twenty-three years of domination by the right-wing political coalition. The new government included a small number of communist ministers. The measures contained in the *110 propositions* started to be implemented rapidly. However, the new government's left orientation started to be questioned as early as 1982, and the U-turn in economic policy was completed in 1983.

3.1.1 The 'U-turn'

Much has been written on the economic policy of the first months of the Mitterrand presidency and on its failure to durably foster growth and lower unemployment.¹ Let us simply recall here the main elements. After the 1981 victory, the left coalition government implemented a rather standard Keynesian-type economic policy fuelled by increases in real wages (the legal minimum wage was raised by 10 per cent in 1981) and in social benefits (family, old age, and other social benefits were increased by 20–25 per cent). But the demand expansion was not limited to the consumption side; it also concerned employment and investment, as 55,000 new civil servants were hired and 20,000 local administration jobs were subsidized. The government also sponsored the construction of social housing and brought new capital to nationalized firms in order to foster investment. Following Mitterrand's presidential manifesto, the *110 propositions*, the left coalition government swiftly implemented major economic reforms: the banks and major industrial firms were

¹ See Fonteneau and Muet (1985) for a macroeconomic analysis of the economic policy of the left.

nationalized, the retirement age was lowered to sixty, a fifth week was added to the legal annual paid holiday, and so on. The employment relation was also concerned by reforms implemented very rapidly through two ordinances in February 1982, which restricted the use of fixed-term employment contracts to specific situations and limited such contracts to six to twelve months depending on the activity, with the possibility of renewing the contract only once. Besides, the recourse to temporary work agencies was restricted to a few cases. A bonus of 5 per cent of total pay was to be given at the end of the contract.

The economic policy implemented in the first month of the new left coalition government is frequently regarded as a failure, and the following 'U-turn' seen as an inevitable correction.² The expression 'U-turn' is itself somewhat deceptive. The French only speak of a 'turn', which is closer to the reality of the policy change than the 180° change implied by the term 'U-turn'. Fonteneau and Muet (1985) distinguished three phases in the period before the U-turn. The first phase, from May 1981 to the devaluation of June 1982, was expansionist and aimed at reducing unemployment. The second phase started with the economic measures accompanying the devaluation of the franc. This represented the beginning of the U-turn and signalled a shift of economic policy towards the fight against inflation. The third phase was the completion of the turn with the austerity measures of the '*plan de rigueur*' of March 1983: a 1 per cent surcharge on income tax payments, the suppression of 7 billion francs from the projected budgetary expenditure, the increase in taxes on tobacco and alcohol, higher prices on public services, and more. The minister of economy and finance, Jacques Delors, estimated that there was an excess demand representing 2 per cent of gross domestic product (GDP). Consequently, the austerity measures were designed to remove 2 per cent of the GDP.³ With the U-turn, the priority of economic policy was no longer to fight unemployment but to reduce the balance of payments deficit. In a way, this was the last episode of the stop-and-go macroeconomic policy that had become customary in France, or at least the last episode as far as the 'go' phase was concerned.

The expansionary policy of June 1981 was implemented at the worst of times, when the USA and the other Organisation for Economic Co-operation and Development (OECD) countries adopted recessive policies to fight inflation, and in a context of restrictive monetary policies. The French attempt to sustain economic growth led to a dramatic increase in the external deficit (Figure 3.1) and failed to decrease unemployment. Currency adjustments were therefore necessary and the French franc (FF) was devalued three times in less

² For instance Sachs and Wyplosz (1986).

³ Delors (2004: 160).

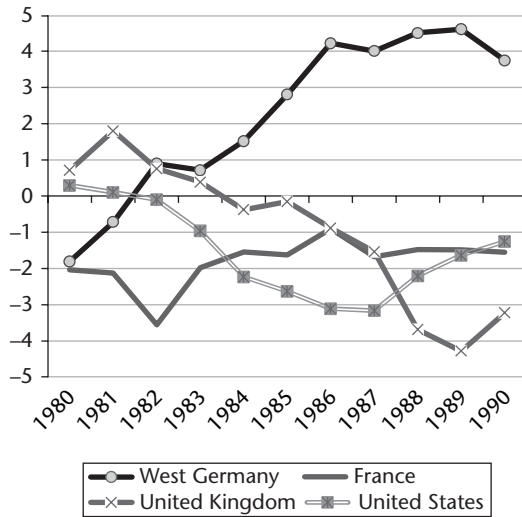


Figure 3.1. Balance on current transactions with the rest of the world (National accounts) (UBCA), percentage of GDP.

Data source: AMECO.

than eighteen months: in October 1981 (3 per cent), in June 1982 (5.75 per cent) and, de facto vis-à-vis the Deutsche Mark (DM) and the Dutch guilder, which were revalued by 4.25 per cent against all European Monetary System (EMS) currencies except the lira (which was devalued against all other currencies by 2.75 per cent) in March 1983. However, these devaluations were mostly making up for the inflation differential vis-à-vis the rest of Europe that existed before the left coalition took over in 1981.

The question was then whether it would be possible to maintain the franc in the EMS, which implied a reorientation of economic policy towards the fight against inflation and the decrease in deficits, or dropping out of the EMS, in order to regain the leeway to pursue the economic structural policy started in 1981, which could only give results in the medium to long term. This question was also a matter of political economy: should the government implement the economic policy that the left's social base expected, which implied to leave the EMS, or change the course of economic policy in order to stay in the EMS and implement measures of austerity that the left electorate had rejected in 1981?

The Parti Socialiste (PS) and the government were split on this issue and each side opposed and tried to win Mitterrand over to their preferred option. Mitterrand made a choice with significant economic, social and political consequences, and finally opted for staying in the EMS and the associated economic policy of *rigueur*: no more demand expansion, the focus was to be on the supply side. The nominal peg of the FF to the DM was the main objective and economic

policy would have to be restrictive enough to enable it. The focus shifted to a structural policy geared towards the creation of a business-friendly environment⁴ and wage moderation had to be implemented by firms. According to Attali (1993), Mitterrand was well conscious of the implications of the U-turn in economic policy: 'I am torn between two ambitions, constructing Europe and bringing about social justice. The EMS is necessary to achieve the former and limits my ability to bring about the latter.'⁵

On the other hand, Mitterrand's choice is unsurprising if one remembers that European integration was one of the red lines of the PS during the negotiations that led to the *union de la gauche*. The concessions made then to the PCF on the issue of nationalizations were a sign that the economic orientation of the *programme commun* was of secondary importance; and one may seriously question the sincerity of the numerous appeals to break up with capitalism, which were made only in a context of competition with the PCF for the supremacy within the left coalition. When the moment came to make a choice between European integration and a socialist/social-democrat orientation of economic policy, the most important objective was preserved at the expense of a left economic policy.

The failure of the reflation policy of 1981 to increase significantly growth and employment, and above all the worsening of the trade deficit, were dramatized by all those who, within the PS and the government, were hostile to the most significant left measures of the presidential manifesto in the first place, and wanted a change of course. Minister of foreign trade Michel Jobert compared the worsening of the foreign trade balance to the military defeat of 1940,⁶ and Jacques Delors publicly called for a 'pause' in the reforms as early as November 1981,⁷ only six months after Mitterrand's election, as the first implementation of the social measures contained in the *110 propositions* had been decided.

Michel Rocard, then minister of planning, commissioned⁸ the American economist Robert Eisner⁹ to write a review and evaluation of the working commission reports and other preliminary documents of the Ninth Plan.¹⁰ The hope was that the conclusions of the review would provide support for the U-turn in economic policy. Contrary to expectations, the conclusions

⁴ Lordon (1997). ⁵ Attali (1993: 399).

⁶ Formerly foreign minister during the presidency of Pompidou.

⁷ As Delors admits it in his *Mémoires*, the use of the word 'pause' was deliberate. It echoed the use of that word by socialist prime minister Léon Blum in 1937, which was interpreted by the left's as well as the right's respective social bases as the beginning of the end for the first ever French left government of the Front populaire. For Delors in 1981, using this word was intended to produce a 'psychological electroshock' among the left (Delors 2004: 148).

⁸ Through Dominique Strauss-Kahn.

⁹ Robert Eisner was later elected president of the American Economic Association.

¹⁰ Collombat and Servenay (2014: 358).

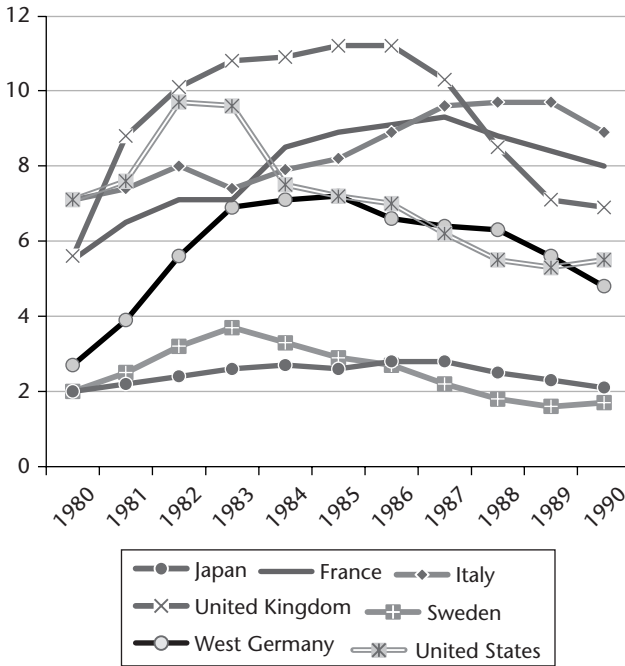


Figure 3.2. The unemployment rate in the 1980s.

Data source: AMECO.

went in the opposite direction,¹¹ and instead of supporting the U-turn, Eisner considered that ‘an obsession with foreign payment deficit and collapse of the franc has led France to unwise austerity measures’. For Eisner, a better solution would have been to spur investment and growth through a floating franc, which was the option favoured by the left side of the government and the PS.

Eisner (1983) remarked that the unemployment and growth performance of France was not significantly worse than that of other OECD countries, a fact which can be confirmed in Figure 3.2. The trade deficit performance was not satisfactory, and that was what most preoccupied the French government in connection with the value of the French currency. Eisner asked whether *rigueur* necessarily meant austerity, and whether the task of a socialist-led government was not to try to eliminate involuntary unemployment especially since, thanks to the large nationalization programme, they had the necessary policy tools in their hands. But the ‘national obsession with foreign trade deficit’ triggered fears of debt accumulation and the risk of ‘having to go to the

¹¹ The review made by Eisner vanished from the archives of the planning agency (Michel Rocard was minister for planification). What is left of this episode is the article in Challenge (Collombat and Servenay 2014: 359).

IMF'. Eisner noted that (i) the impact of the trade deficit on debt and the associated extra interest costs were moderate, and (ii) trade deficits were likely to persist in other countries too. Indeed, as Figure 3.1 shows, the USA and the UK experienced similar or even larger trade deficits in the second half of the decade. For Eisner, the trade deficit problem did not justify running the risk of stalling the economy with austerity. A better option would have been to let the exchange rate float because an overvalued currency (within the EMS) created trade deficits. 'France might have been better served by acting on her threat to pull out of the European monetary system and let the franc float. For sovereign nations—France and West Germany in particular cannot keep their currencies moving in unison with divergent economic policies.'¹²

The standard interpretation of the U-turn of 1983 is that it represented an awakening to 'economic realities',¹³ or a consequence of the 'necessity' to implement a supply side-oriented policy because of the external constraint.¹⁴ This interpretation is dominant not only in the economics but also in the political economy literature.¹⁵ According to this view, the failure of the 'Keynesian' strategy implied a reorientation of the economic policy away from demand management and '*dirigisme*', towards the search of competitiveness, and the promotion of the firm as a strategic actor for economic growth. This analysis was also propagated by important actors in the French policy such as Michel Rocard and Jacques Delors,¹⁶ for obvious political tactical reasons: their preferred economic policy could be presented as the only possible solution—there was, allegedly, no alternative.

The U-turn was a defeat inflicted to the economic and social policy of the left (Hoang-Ngoc 2005) that had negative consequences on the social support of left parties and led to the electoral defeat of 1986.¹⁷ As the analysis of the previous chapter has shown, this radical change in the economic policy stance was in direct contradiction with the expectations of the left electorate.

This line of economic orthodoxy, also presented as a choice in favour of European integration, was followed with varying degree of strictness by all following left governments (1988–93 and 1997–2002), with the same electoral consequences. The left even had to face social contestation coming from groups belonging to its own social base during Mitterrand's second mandate (1988–95): a strike movement of the tax administration employees constrained the finance minister to grant them a special bonus in 1989; a large protest movement of nurses took place in 1991 during the last months of the Rocard government. The 1993 legislative elections saw the PS obtain 20 per cent

¹² Eisner (1983: 40). ¹³ Olivennes (1993). ¹⁴ Sachs and Wyplosz (1986).

¹⁵ For instance Hall (1986); and Palier et al. (2006).

¹⁶ Alexandre and Delors (1985); Delors (2004).

¹⁷ The PCF dropped out of the coalition in 1984 but maintained its support to the PS government.

of the votes and constrained Mitterrand to a second *cohabitation* with a right prime minister.

The difficulties for the PS to have the social base of the left accept what was in fact little more than the continuation of the policy of Barre were well understood. Lionel Jospin, first secretary of the PS in 1983, presented then the U-turn as a temporary deviation from the left policy (*parenthèse*), which implied that the new course of economic policy would eventually be reversed.¹⁸ Significantly, this was not the way Delors and the other supporters of the U-turn saw it.¹⁹ For them, the U-turn was a permanent change of economic policy in the 'right' direction.

Considering the debates around the U-turn merely as an opposition between a demand-oriented versus a supply-side policy leads to miss crucial elements. Even at the time, there existed analyses on the left that pointed out the structural weaknesses of the French productive model:²⁰ the slowing down of productivity gains, the growing inability to raise more or less harmoniously wages and profits, and so on. The crisis was analysed by the *régulation* school as the crisis of Fordism and not as a simple problem of effective demand in a traditional business cycle. It was also noted that structural problems were the type of low-end Fordism that characterized the French productive model (Lipietz 1983), with an exacerbated Taylorism that relied on a low-skilled workforce, which compelled French production to adopt a potentially inadequate international specialization compared to the German Diversified Quality Production or the Japanese specialization in electronics and robotics. A demand-expanding policy implemented at the beginning of the 1980s could have some beneficial effects (maintaining unemployment under control and achieving short term productivity gains) but could not cure the structural deficiencies linked to the specific aspects of the French productive model just mentioned.

The risks involved with a policy of real wage increases were also well-known at the time. French economist Serge-Christophe Kolm had published a book in 1977, *La transition socialiste* (Socialist transition), where he analysed the possibility of success of the *programme commun* in the light of the experiences of the left governments in Chile and Portugal. He described for these two

¹⁸ Lionel Jospin considered that the economic and social policy implemented when he became prime minister (1997–2002) represented a breakup with the U-turn of 1983. This is only partly true. The average annual growth rate, which was 1.2 per cent between 1990 and 1997, raised to 3.2 per cent between 1997 and 2001 and employment increased by 2 million during the same period. But the Eurozone enjoyed approximately the same growth path, which resulted from the relaxing of the restrictive budget policies that had been implemented during the period prior to the introduction of the Euro. The budget policy of the Jospin government until 2001 was slightly restrictive, which was unnecessary considering that France was far from full employment (Sterdyniak 2012).

¹⁹ Delors (2004: 161).

²⁰ Boyer and Mistral (1983).

countries a chain of events that led from significant wage increases, in particular for low wages, to inflation and stagnation through a drop in profitability and investment, an increase in foreign trade deficit, an exhaustion of the foreign currency reserves, and a depreciation of the national currency. The stagnation and decrease in real wages that would follow would have as a political consequence the defeat of the left. In order for the French left to avoid the fate of their Portuguese and Chilean counterparts, Kolm's advice was to take carefully into account the different economic interdependencies and the time constraints, to engage in a medium-term structural transformation of the productive system, and above all to change the logic of economic decision making away from a market, profit-seeking, logic, and in favour of an increased autonomy of workers and a deepening of the socialist dimension of the programme.

In fact, the left manifestos, either the *programme commun* or the *110 propositions*, took into account some of France's industrial structural deficiencies and aimed to correct them through a recapitalization of nationalized industrial firms. Nationalizations were precisely designed to enable a reinvestment policy, breaking up with the financial logic consisting of 'cashing in profits stemming from production activities localised abroad'.²¹ The long run objective was to rebuild an industrial production fabric in order to consolidate poles of competitiveness. High tech industries were competitive in areas where the intervention of the state had been decisive (aerospace, telecommunication, electronics, etc.). Besides, the industrial fabric had been negatively affected by the strong franc policy of the Barre government. Regaining long-run competitiveness demanded a reversal of this policy, which implied at least the possibility of leaving the EMS. In this perspective, the only possible assessment of the success or failure of the left economic policy would have been possible in the medium run at the earliest, not after six or even eighteen months. The sequence of events described in Kolm (1977) did take place, and this was used by the rightist fraction of the PS as an opportunity to bury the most significantly socialist intentions of the left programme, in favour of *rigueur*.

The reflation policy of 1981–2 was not out of proportion, particularly when one compares it with that of the Chirac government in 1975. In fact, considering the first-round cost of the fiscal policy, Fonteneau and Gubian (1985) estimated that the 1975 reflation was stronger than that of 1981: 2.3 per cent of GDP against 1.7 per cent. As mentioned before, the macroeconomic environment of 1981–2 was not favourable to the reflation and part of the outcomes would have had to be attributed to the restrictive policies implemented in the rest of the OECD. But the general conclusion that the

²¹ Jean-Hervé Lorenzi quoted in Cartelier (1983: 151).

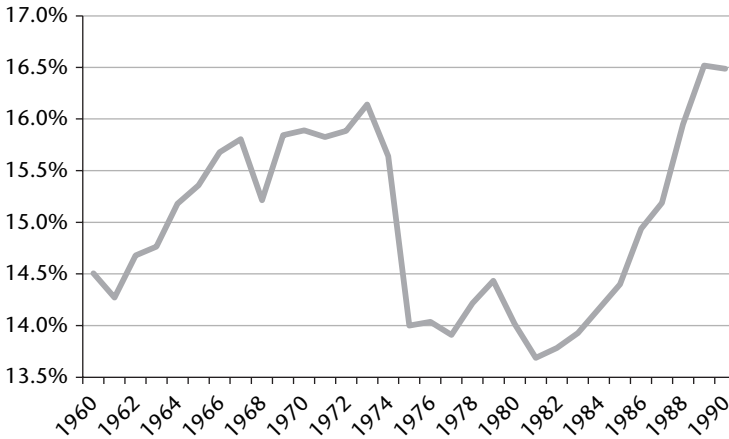


Figure 3.3. Profit rate.

Data source: AMECO.

French economic administration and the majority of the PS chose to draw from this experience was that it was the death certificate not only of Keynesian economic policy,²² but also of a certain type of structural policy. From now on, a specific type of supply side policy should have the priority: firms' investment would have to follow from an increase in profit margins and competitiveness would have to be regained through the fight against inflation, the latter obtained through wage moderation even at the expense of rising unemployment: in other words, Barre's programme. The *rigueur* policy succeeded at increasing the profit rate (Figure 3.3) and rapidly decreasing inflation (Figure 3.4). The external deficit was also rapidly reduced (Figure 3.1) but the increase in the investment rate was rather modest and short-lived (Figure 3.5), and unemployment rose and stayed above 8 per cent of the active population.

3.1.2 The Search for a New Social Alliance

The questioning of the French economic model at the beginning of the 1980s was not limited to a debate around the desirability of a reorientation of macroeconomic policy towards more orthodox prescriptions regarding monetary or budgetary policy. Considered from a *régulationniste* point of view, the post-Second World War growth regime was exhausted: it could no longer reproduce the conditions enabling the stability of the social compromise

²² Until 2008, that is.

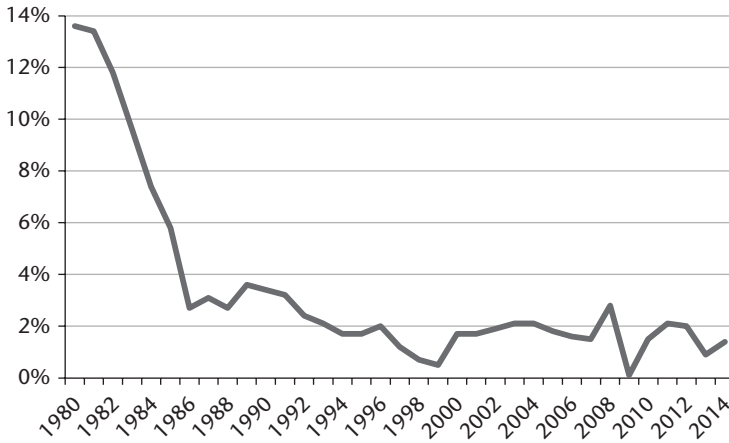


Figure 3.4. Inflation rate.

Data source: INSEE.

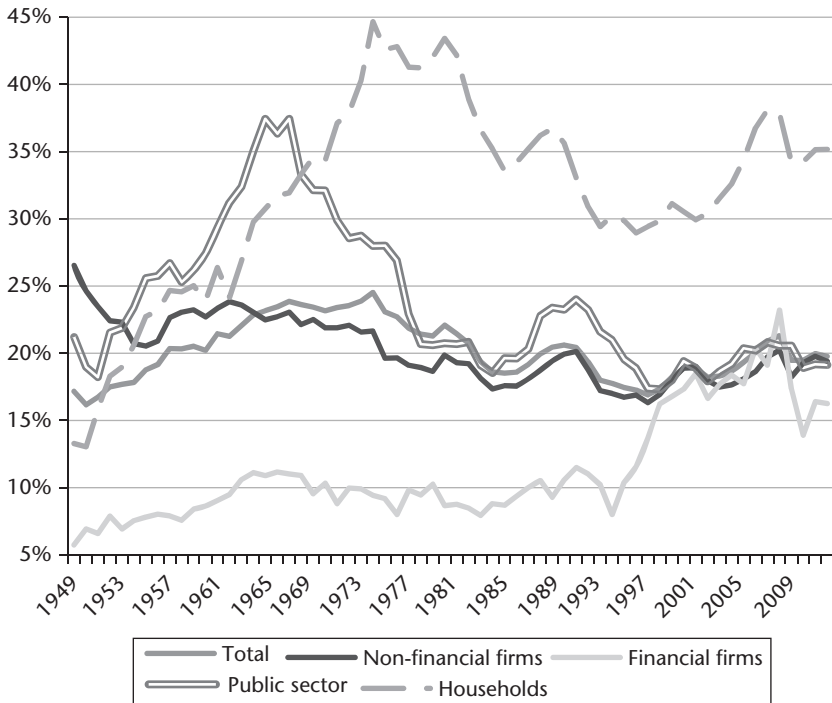


Figure 3.5. Investment rate (FBCF/VA).

Data source: INSEE.

based on the dynamics of increasing productivity and income growth.²³ Therefore, using the traditional macroeconomic policy tools within the framework of an unchanged structure of institutional forms amounted to flogging a dead horse. A sustainable resumption of accumulation required the constitution of new institutional forms.

Besides, the action of the state should be seen neither as the dangerous instrument in the hands of malevolent bureaucrats eager to secure rents at the expense of consumers and the private sector, nor as a powerful tool at the disposal of a benevolent social planner guided by the pursuit of the common good. The exhausting of the growth regime was also that of the social compromise. The action of the state, or more accurately that of the leading political actors, was therefore to propose measures aiming to recompose institutionalized compromises between social groups, a necessary condition for finding new possibilities of a balanced growth in a stabilized institutional framework.

Lipietz (1984) defined the Fordist period as the outcome of a partial and temporary alliance between a fraction of industrial capital and wage earners. In this context, the *rapport salarial*²⁴ became the most important institutional form.²⁵ In an explicit reference to Gramsci, Lipietz (1984) identified the crisis of Fordism as a crisis of hegemony. Hegemony rests on the power of an alliance of social classes bound by collective values that make the domination of this alliance as legitimate. In this perspective, the crisis of the Fordist growth model is also the dissolution of the dominant social alliance. For Amable and Palombarini (2005, 2009), this is the dissolution of the dominant social bloc, due to the impossibility to find a solution to the contradictions that emerge out of increasingly divergent expectations of groups belonging to the dominant bloc as well as the divergent dynamics of social groups, both within and outside the dominant bloc, modifying the balance of power between the dominant alliance and excluded groups.

The instability of the social alliances at the beginning of the 1980s did not go unnoticed. Gauron (1983) pointed out a fundamental contradiction between the project of economic modernization carried by the governments of the Fifth Republic, and the will to keep more or less intact the existing archaic political and social structures. As a consequence of the economic modernization and the rapid economic growth, French social structures and the balance of power between social groups were deeply altered. Economic modernization implied the relative decline of social groups (farmers, shopkeepers, craftsmen, etc.) favourable to the right governing coalition. At the same time, industrial

²³ Boyer and Mistral (1983).

²⁴ This term is usually translated as the 'wage-labour nexus'.

²⁵ Boyer (2004).

modernization and the rise of service activities increased the weight of blue-collar workers and clerks, who were more favourable to the left, or, for the most skilled fraction of these groups, expected a different type of economic development, more focused on the quality of life.

Conservative forces tried to prevent a social and political evolution which would hurt their interests and clash with their values. Before 1981, the most conservative part of the right's social base resisted the social implications of the modernization of the French model of capitalism. Right governments managed until that date to find a mediation between the desire for stability of social relations expressed by the most traditional part of its social base, with the expectation of economic modernization coming from the most successful social groups. The solution of the problem was well summed up in Giscard d'Estaing's slogan for the 1974 presidential campaign: *le changement sans le risque* (change without risk). That solution prevailed politically for twenty-three years (1958–81), in spite of episodes of sometimes intense social contestation, such as May 1968. At the same time, the conservative forces increasingly turned towards a neoliberal and authoritarian conception of society.²⁶

Following a popular line of argument at the time, the victory of the left in 1981 was interpreted by its central actor, François Mitterrand, in the following terms: the political majority had caught up with the sociological majority. Following this interpretation, the rapid transformation of a still largely rural society into an industrial and urban capitalism called for a social democratic evolution which the Fifth Republic had for the most part tried to repress, particularly after 1970. The victory of the left in 1981 was therefore seen as a much delayed alignment of the social and political realities to the unavoidable consequences of the evolution of capitalism.

This diagnosis of a long-delayed match between the sociological and political majorities had, according to Lipietz (1984), the consequence of causing the left to believe that the problem of their social base was already solved, neglecting the tensions within the left bloc between on the one hand the expectations of a state-controlled economy protecting existing jobs, and on the other hand the demands for autonomy and an alternative mode of development. But this is a mere re-expression of the opposition between the 'first' and the 'second' left. The findings of the previous chapter show that these tensions were not dominant in the partition of the social blocs in 1978. The left bloc was relatively compact around the working classes and the public sector employees, with expectations of a 'traditional' (first) left policy (standard of living, social protection, industrial democracy, etc.). These expectations were disappointed after the U-turn.

²⁶ Gauron (1988).

The U-turn, which began in 1982, raised the issue of a hypothetical equilibrium between the economic policy options, the growth dynamics and their social and political consequences. Alain Lipietz (1983), in a conference of left economists held in November 1982,²⁷ thought that 'the greatest risk of the current economic policy is to look for a socio-politico-economic equilibrium where there is none. There is an equilibrium to the left or to the right, but not where the government looks for it.' He described the attempt of the government as the search for a social pact made of some type of Grenelle agreement²⁸ augmented with social dialogue. However, the economic situation limited the size of the possible wage increases and the competitiveness strategy was based on the increase in investment that a rise of profitability was supposed to make possible. Lipietz considered that this strategy was bound to fail and that the left missed an opportunity to build a different, solid, social base. The expectation of the government left in the early 1980s was that a large enough fraction of the working classes would support the modernization strategy, just at the time when the dominant technological changes implied industrial restructuring with negative consequences for blue-collar employment,²⁹ that is, a population who were an important part of the left constituency. Bernard Guibert concurred and estimated that there was no longer a possibility for a modernist class alliance,³⁰ and Guibert added that the corporatist alliance, uniting the modernist fraction of the employers with the majority of the wage earners, was no longer possible either. In fact, considering the results documented in the previous chapter, the U-turn in economic policy and the structural reforms that followed made sure that such an alliance would be impossible to sustain.

3.2 The Mainstream Left

3.2.1 *From Modernism to Neoliberalism*

As mentioned in the previous chapter, the modernist ideology influenced, to different degrees, all political forces after the Second World War, in particular the 'non-communist left'. Attempts to cross-over to the left, the trade unions, and the non-communist left were also deliberately made by neoliberals in the 1930s, in particular when the Centre International d'Etudes pour la Renovation du Libéralisme (CIRL) was founded by Rougier and Marlio after the *colloque* Lippman in 1938. France was associated with neoliberalism since

²⁷ *Les Temps Modernes* N°441bis, Avril 1983, p. 373.

²⁸ The Grenelle agreement between the trade union confederations and the government concluded the strikes of May–June 1968 with substantial wage increases.

²⁹ In particular the unskilled blue collar workers: *ouvriers spécialisés* (OS).

³⁰ *Les Temps Modernes*, p. 375.

the beginning, and the quest of a liberal alternative to laissez-faire and socialism had been present in the different political agendas of the left as well as the right during the whole post-war period. Since a significant characteristic of neoliberalism is the opposition to the planned economy and socialism in general, the part of the left that rejected central planning and was opposed to the Communist Party developed themes that progressively came closer to the central pillars of the neoliberal thought. In particular, after the Second World War, the so-called 'second left',³¹ opposed to Marxism,³² and originally favourable to workers' self-management (*autogestion*), took up the most characteristic modernist themes, not only on economic matters (the pursuit of growth) but also on social issues, expressing a strong inclination towards social dialogue over class conflict, preferring contract over law in matters of industrial and labour relations, and so forth. Their figurehead was Michel Rocard, long-time rival of Mitterrand within the PS, several times minister during the first Mitterrand presidency, and prime minister between 1988 and 1991. Rocard constantly pleaded for a so-called 'realism' in the definition of economic policy. His position was to some extent neoliberal, refusing both the archeo-liberal and the socialist (central planning) ideas, and even using the traffic regulation metaphor, initially developed by Louis Rougier for neoliberalism,³³ to define his own vision of 'socialism': the responsibility of the state would be to regulate exchanges and define a framework for competition with as much care as for traffic regulation.³⁴ Further, according to him, socialism described a competitive society: 'where there is no competition, there is no life. Competition is biological.'³⁵

The ideology of the second left was present in some labour union confederations, in particular CFDT (Confédération Française Démocratique du Travail), a confederation that emerged out of a scission of the catholic union CFTC (Confédération Française des Travailleurs Chrétiens). Already distinguishing themselves from Confédération Générale du Travail (CGT), close to the Communist Party, in the 1960s and 1970s by a strong hostility towards central planning, CFDT strengthened its opposition to state intervention in the 1980s, in parallel with their increasing orientation towards the representation of white collar workers and high-skilled employees' interests. In a parallel evolution to the PS, CFDT became more favourable to a supply side-oriented

³¹ Rocard and the second left represented 20.4 per cent of the PS members in 1979, but Mauroy, who was on a similar economic doctrinal line, obtained 13.6 per cent. Therefore, even in 1979, at least one third of the PS was far from being hostile to market mechanisms.

³² A constant reference of the second left and more generally the non-Marxist left was the Nordic countries, admired for their economic and social achievements, linked in the interpretation of the liberal left, to the fact that the social democratic parties of these countries had supposedly renounced Marxism and class struggle as early as the late nineteenth century.

³³ See Chapter 2.

³⁴ Garnier and Janover (1986).

³⁵ *Libération*, 25 May 1985, cited in Garnier and Janover (1986: 41).

economic policy and some aspects of welfare state retrenchment,³⁶ and more generally adopted a so-called 'reformist'—as opposed to 'conflictual'—attitude in collective bargaining, which, until then, was the exclusive of the third largest union confederation, Force Ouvrière (FO).³⁷

But this evolution was not limited to the second left. As in Giscard d'Estaing's writings, one finds many instances of the expression of a necessary third way between absolute statism/central planning on the one hand and ultra-liberalism/laissez-faire on the other hand in the speeches and writings of PS leaders in the 1980s.³⁸ Prime minister Laurent Fabius almost plagiarized the former president when he declared in 1984 that there were not two but three schools of thought: the two extremes, ultra-statism (*le tout Etat*) and ultra-liberalism, and a third, balanced way taken by his government.³⁹ Jacques Delors, a prominent modernist, who was a member of the Christian union CFTC and then of its secular evolution CFDT, becoming the social affairs advisor to the (right) prime minister Jacques Chaban-Delmas in the late 1960s, and minister of economy and finance of the first left governments of the Fifth Republic between 1981 and 1984 before becoming president of the European Commission between 1985 and 1995, also pleaded for an 'économie mixte' (mixed economy) that would be neither wildcat liberalism nor a state-controlled economy.⁴⁰ Dominique Strauss Kahn (2004) later defined his 'socialism of production' as a pattern of state intervention for the sake of the efficient functioning of the market economy.

Jacques Delors is certainly the most representative character of the evolution of the left towards neoliberalism because of the functions he occupied in the government and later in the European Commission. His views on economic policy were revealed in a book published in the mid-1980s,⁴¹ shortly after he left his position as finance minister and before he joined the European Commission, at a time when he could 'speak his mind' without worrying about 'tactics, precautions or imperatives of opportunity' (p. 221). In contrast to his public image as a social democrat and a moderate, he delivered in that book an amazingly violent charge against the economic policy options favoured by the left coalition to which he belonged.

³⁶ CFDT supported the pension reforms of 1995 and 2003 enacted by right governments, increasing the contribution period necessary for a full pension.

³⁷ Force Ouvrière (FO; also known as CGT-FO) has its origins in a scission of the CGT in 1948, gathering the anti-communist part of CGT. FO received during its first years a financial help from the CIA. The American agency had an obvious interest in the development of a non-communist competitor of CGT.

³⁸ This trend has continued until the most recent years. In 2012, Pierre Moscovici, then minister of finance in the Ayrault government, presented his inspiration as coming from all those who defended a temperate economic liberalism against an unbridled capitalism. Speech of Pierre Moscovici, Paris, 22 November 2012.

³⁹ Garnier and Janover (1986: 45).

⁴⁰ Alexandre and Delors (1985).

⁴¹ Alexandre and Delors (1985).

Every significant aspect of a left economic policy was denounced and derided as an illusion for fools. The ‘heavy, rigid, bloated’ (p. 56) social protection system ‘weakened’ modern societies (p. 55). Unemployment benefits were ‘nothing less than a powerful disincentive to work’ (p. 56). What was to blame for economic problems was the reluctance to face risk of the French people, who dreamt of a society rid of all insecurities (unemployment, sickness, poverty, etc.); risk itself was described as the engine of success (p. 69). Alexandre and Delors, using an almost Friedmanian or Hayekian rhetoric, condemned the substitution of institutional to individual solidarity (p. 59) because this took responsibility away from individuals and bloated public expenditure, decreasing firms’ competitiveness through heavy taxes and contributions. But this could not go on forever according to Delors, and this inflation in the provision of security had to stop (p. 57); one had to break the taboo of a universal social protection (p. 61) and envisage means-tested benefits. Realities ‘as sovereign and immutable as the stars and the night’, the market, the firm, international competition, were there to bring the French back to their senses. Nobody could escape the law of competition (p. 69) and everyone should urgently convert to the spirit of the market (p. 123). What was needed, according to Alexandre and Delors (1985), was nothing less than a transformation of minds (p. 122), a rehabilitation of the market, the firm, profit, and *patrons* in order to free the economy from heavy regulations and taxes (p. 122).

The firm and profit were described by the two authors as the central elements of economic policy. According to them, the economic crisis had fortunate consequences in this respect: firms were recognized as the leaders of the forced march towards the future (p. 34) and it brought even the socialists to praise profit. The state on the other hand had, since the crisis of 1973, intervened too much and in a disorderly manner (p. 89). The regulatory burden prevented firms from facing the challenges arising out of the functioning a market whose laws were assimilated to laws of nature (p. 94). The task was formidable, since even Ronald Reagan was experiencing difficulties in initiating a much needed deregulation (p. 90). The secret of competitiveness was to emulate dynamic and innovative Italy,⁴² a country where entrepreneurs did not fear to ‘take liberties with regulations’ (p. 81). Labour regulations too should be less burdensome and flexibility was praised as long as one kept the ‘fundamental social rights’ (p. 132).

As expected, the book strongly defended the U-turn. The reflation of 1981, a concession made to the ‘foolish expectations’ (p. 84) of the left’s social base, was described as an economic nonsense but a political necessity (p. 72). But

⁴² As surprising as it may seem to a reader in the 2010s, Italy was considered as a model of economic success in the early 1980s.

there was no alternative to the *rigueur* (p. 75). Alexandre and Delors boasted about the fact that profits had picked up again (p. 48) and capital was now less taxed than labour (p. 80), and they welcomed the development of financial markets that had made the rich richer (p. 118), a necessary step in the restoration of private initiative (p. 119). Besides, according to them, a society progressed also through its inequalities (p. 64). Of course, this policy had disappointed the left electorate, partly because of the weakness of trade unions (p. 134), but mostly because false hopes were all-too-common among the left constituency. 'History will tell whether the pre-1981 utopians or the 1982–3 realists are responsible for the sudden loss of confidence of the left' (p. 84). In fact, history did tell.

But the political solution did not imply staying within the limits set by the left coalition. Indeed, Alexandre and Delors (1985) regretted the separation of society into two blocs that clashed with one another. The book bemoaned the 'civil wars' and the 'centrist void'. The trouble was particularly strong because left and right governments were constantly under the outrageous influence of 'extremes', namely the communists and the 'populists' (p. 33). The proposed solution was to gather the 'wise of each side' (p. 28), who would take turns in governing, uniting all classes of society in common effort. One had to search for a 'historical compromise' (p. 212). Unfortunately, the authors lamented, this economic compromise had not found a social and political counterpart (p. 34).

At about the same time (1982), a think tank, the The Fondation Saint-Simon (FSS), was created in order to 'develop the analysis of the contemporary world' and 'open a new space for the reformist thought': to bring closer the 'smart left' and the 'smart right'.⁴³ FSS gathered high ranking public administration staff, private sector top managers, intellectuals (Pierre Rosanvallon,⁴⁴ François Furet), journalists, and publicists. FSS gathered people who shared the same 'modernist and reformist ethos'.⁴⁵ The objective was to break with the so-called 'archaism' of the left, epitomized by the *programme commun* and the faith in nationalization, and open new spaces to reformist thinking. FSS organized conferences and seminars and published many documents and working papers promoting a liberal view of society, associating political democracy to the market economy. It stopped its activities in 1999, having accomplished its mission, according to Rosanvallon.

⁴³ Cusset (2006: 70).

⁴⁴ Rosanvallon was one of the theoreticians of the second left and CFDT. Cusset (2006: 72) deemed his intellectual influence considerable; he was instrumental in the turn towards economic liberalism that the left newspaper *Libération* took in the early 1980s.

⁴⁵ Pierre Rosanvallon, 'La Fondation Saint-Simon, une histoire accomplie', *Le Monde*, 23 June 1999.

3.2.2 The Search for a New Social Base

The search for a new compromise, which had been going on since 1983 at least, can be considered as the main source of electoral difficulties for the PS as well as a potential solution to these difficulties. Judging that the corporatist (Fordist) alliance between wage earners and a fraction of capital was no longer sustainable, the dominant fraction of the government left, the right wing of the PS, advocated the transition towards a new alliance supported by a different social base from that of the traditional left political alliance. The search for a new social base cannot be separated from the search for a new economic model for France, a model which could not be the one that the *programme commun* or the *110 propositions* promised to build, but would be centred on profit-driven investment and competitiveness through ‘wage moderation’: two traditional modernist themes seen through neoliberal lenses.

Three consequences derive from this strategic choice of a new social base. The first one is that the PS-led governments tried to strike an alliance with employers, in spite of the initial distrust of the latter towards a left government. The attempts started very early on, with Mitterrand declaring in December 1981, after the wave of nationalizations, that the private sector was understood to be a partner of the state for its industrial strategy and not an opponent.⁴⁶ The general attitude evolved towards more responsibility put on private enterprises. Before that, a secret meeting had taken place between François Ceyrac, president of the employers’ association CNPF (Conseil National du Patronat Français), and Jacques Delors on 28 May 1981, less than three weeks after the election of François Mitterrand and before the legislative election.⁴⁷ Delors told Ceyrac that he intended to follow Barre’s footsteps and defend the nominal peg of the franc to the other European currencies, although he could not decide alone and he was not certain to obtain the support of PS. As we saw, this policy orientation, which was definitely adopted eighteen months later with the U-turn, was no less than the death certificate of the left economic policy.

Patronat and its main association, CNPF, opted, under Ceyrac’s follower Yvon Gattaz,⁴⁸ for a strategy of pressure and lobbying, instead of a permanent opposition to the new left government. The latter strategy was favoured by large corporations whereas small and medium-sized firms favoured the former option. Gattaz tried to convince prime minister Mauroy that lower unemployment would result from a higher growth, which would come from export competitiveness. The latter would stem from investments, which were only possible if profitability was restored. His demand was satisfied. Gattaz, kept

⁴⁶ Speech of François Mitterrand, for the centenary of the Ecole des Hautes études commerciales (HEC), Paris, Palais des Congrès, 8 December 1981.

⁴⁷ Interview of François Ceyrac in Collombat and Servenay (2014: 208).

⁴⁸ Yvon Gattaz was elected president of CNPF in December 1981.

pressuring for lower contributions and labour costs; Delors declared in 1982 that firms' taxes and contributions should no longer increase.⁴⁹ Employers' social contributions were suppressed for net job creation in two industrial areas that had suffered much from the restructuring of traditional (steel) industry in 1984 (Longwy and Pompey). Gattaz interpreted this move as a proof that his strategy, which insisted on the alleged detrimental effect of social contributions on employment, was the right one. In fact, the decrease in social contributions for low wages in order to lower labour costs, and hopefully to increase employment, proved to be the most resilient economic policy option from the 1990s on.

Gattaz' strategy was two-pronged:⁵⁰ a defensive strategy on quantitative issues (taxes and contributions), followed by a qualitative offensive on regulation. CNPF subsequently launched the battle for labour market flexibility: extension of the possibility to use fixed-term contracts, flexible working hours, lower layoff costs, a higher threshold for the obligation to have workers being represented in a *comité d'entreprise* (works council). Gattaz proposed the creation of a new 'flexible' employment contract to which would be attached reduced social contributions, which would not be taken into account in the determination of the social and fiscal obligations varying with the number of employees, and for which the prior administrative authorization for dismissal would not be necessary. The promise was that this new contract would create or preserve 500,000 jobs.⁵¹ The negotiation with the unions on the broader topic of 'flexibility' failed in 1984,⁵² leading the CNPF to wait for what then looked like an almost certain electoral victory of the right at the next legislative election in 1986.

The second consequence was political. The supply-side, pro-employer, orientation of the economic policy contradicted the expectations of the left social base. These expectations could not be entirely neglected for fear of breaking the left social bloc, and this put a constraint on the definition of economic policy and created tensions in a political left in search of a mediation between divergent expectations. The assessment of the unsurmountable character of these contradictions within the constraints of a left coalition explains the refusal of Jacques Delors to run for candidacy at the presidential election in 1995, mainly because he had no hope of finding the political majority necessary to support the economic policy he wanted to implement: the 'necessary reforms' for the 'modernization' of the French economy and the deepening of European integration. A left coalition implied the inclusion

⁴⁹ Weber (1986: 334). ⁵⁰ Weber (1986: 356–7).

⁵¹ That figure was rapidly brought down to 400,000 by Gattaz.

⁵² Nevertheless, the Fabius government passed an act that extended the possibility too have recourse to temporary work agencies and introduced longer fixed-term contracts (two years) for specific cases.

or at least the passive support of the PCF, a party with which Delors, in a 'Mendesist' spirit, wanted to make no compromise. The centre parties were long-term allied of the right and too weak to change sides. Besides, a sizeable part of the PS was still not ready to relinquish the electoral alliance with the PCF.

But the most significant consequence was that the choice of economic policy implied in the long run a change of the social base of the 'government left'. In 1999, PS prime minister Lionel Jospin mentioned the possibility of finding a rather fuzzy 'new alliance' between the working and middle classes, and the 'outsiders'.⁵³ More realistically, the middle classes were the core constituency of the PS, and a new definition of the social base would imply to rely on the fraction of the left social base less threatened by structural reforms or supply side-oriented macroeconomic policy, and aggregate the elements of the right constituency that would be likely to support such policies. This tentative new social bloc, whose central elements were the skilled middle and upper classes, and whose dominant characteristic was the exclusion of the working classes, was called the *bloc bourgeois* by Amable et al. (2012a,b) and Amable and Palombarini (2014).

3.3 Europe as a Reform Strategy

3.3.1 Modernization through Europe

European integration has systematically been regarded as a 'modernizing' factor by a fraction of the French economic and political elites. Charles de Gaulle, in his *Lettres, notes et carnets (tome 9)*, noted that the common market would force French industry to modernize. In the early 1950s, employers had been divided on the issue of European integration under predictable lines: a traditional fraction, small firms or traditional industries, feared the opening of the domestic market to foreign competitors, whereas a modernist fraction, competitive industries, and large firms, hoped to benefit from the opening of foreign markets to their production. However, by 1957, *patronat* as a social group were ready to accept the common market. Liberals also found an interest in European integration, expecting it to lead quasi-automatically to a dismantling of the *dirigiste* structures.⁵⁴

The modernizing impulse given by European integration was not enough to convince all modernists that everything would go well. The most prominent modernist politician, Pierre Mendès-France, was the one who warned specifically about the risks of the common market for social protection systems. In a

⁵³ Rey (2004).

⁵⁴ Denord (2007: 264).

famous speech before the National Assembly,⁵⁵ he concurred with the objective of creating an integrated European market because he thought that this would lead to an improvement of the standard of living in the long run. But he stated important reservations on the conditions under which competition would take place, refusing to adhere to the simple idea that the enlargement of the market would lead to economic and social benefits no matter what.

The issue of an unfair competition between social protection systems, and the risk of a race to the bottom was central to the speech of Mendès-France. He expressed doubt on the thesis, then defended by the French government in order to allay fears about the consequences of the common market, that integration would result in a harmonization at the top, and that competition would eventually be fair because all European social systems would be homogenized.⁵⁶ The Treaty of Rome limited then social harmonization to the equality between men and women, and the legislation on working hours and paid holiday, which was far from sufficient for Mendès-France. Besides, he judged that the freedom of movement for capital would aggravate the problems stemming from the competition between social protection systems.

Harmonization on the best standards was all the more doubtful that Mendès-France identified within Europe different and diverging views about the social model:⁵⁷ 'on that matter, I warn the government: we cannot let ourselves be stripped of our freedom to decide on matters so close to our very concept of progress and social justice; the consequences may be too serious from the social as well as the political viewpoint. Let us watch out too: the mechanism, once set in motion, will not be stopped.'⁵⁸ Nothing epitomizes better the degeneracy of (left) modernism into neoliberalism than the position of Jacques Delors, often presented as an intellectual and political heir of Mendès-France, a quarter of a century later. The only trouble that would then worry the architect of the single market would be the inability of the French to accept that the world should dictate its economic laws to them.⁵⁹

The achievement of the single market was the main ambition of Delors when he took over the European Commission. As he recalled in a French TV interview in 1991,⁶⁰ an 'enthusiastic' support for this idea came from the industrialists. Indeed, one of the industrialists' lobbies in Brussels, the European Round Table, had published, under the name of their president, Wisse Dekker, CEO of Phillips, a document advocating the suppression of

⁵⁵ 18 January 1957.

⁵⁶ Employers had no intention of looking for harmonization at the top. François Ceyrac, president of CNPF, declared in 1972 that social legislations should not be aligned to the best European standards for fear of 'killing the European economy' (Gauron 1983: 148).

⁵⁷ President of the Council (prime minister) Guy Mollet (socialist, Section Française de l'Internationale Ouvrière (SFIO)) was favourable to the common market for geopolitical rather than economic reasons.

⁵⁸ Our translation.

⁵⁹ Alexandre and Delors (1985: 19).

⁶⁰ *La Marche du siècle*, September 1991.

trade and fiscal barriers to trade.⁶¹ At exactly the same time (January 1985) Jacques Delors expressed his idea for Europe: to abolish fiscal and trade barriers.⁶²

European economic and monetary unification experienced a spectacular development under Delors' presidency. The white paper of 1985 published by conservative Industry Commissioner Lord Cockfield launched the process that led to the single market of 1992.⁶³ In 1987/8 a draft directive on the liberalization of capital movements was elaborated. In 1988/9 the report of the Delors committee on the single European currency was published. In 1989/91 the process that led to the Maastricht Treaty was initiated and in 1993 the white paper on 'Growth, Competitiveness and Employment' was published. It recommended a series of 'structural reforms' and national employment pacts destined to promote labour market reforms: lower social contribution for firms, decrease in 'constraints' on firms, a 'sensible' evolution of wages and other 'reforms'.⁶⁴

Delors is often associated with (mostly failed) attempts to supplement economic and monetary unification with a social dimension. In fact, he applied to Europe the same concept that he had implemented in France: so-called 'social dialogue'. The aim of European-level social dialogue was to have a tripartite exchange where trade unions would accept the idea of European integration, an idea already enthusiastically promoted by employers. Delors' view on social harmonization was far from a convergence to the best standards. On the contrary, his objective was rather to have a *minimal* common basis for social rights.⁶⁵ Besides, his view on the labour market was that flexibility was necessary.⁶⁶ In fact, the social dimension was subordinate to the achievement of the single market and the Single European currency. The march towards European integration could only be pursued in disequilibrium, with social Europe lagging behind. Quite logically, the charter of fundamental social rights proposed in 1989 simply stated that harmonization should not be made at the bottom, and contained, by Delors's (2004: 327) own admission, mostly general statements with little practical consequence.

It is also significant that Delors pushed for capital movements' liberalization in 1986, whereas Lord Cockfield's white paper was more cautious on that topic,⁶⁷ because this was a necessary condition for pursuing monetary integration.⁶⁸ This was precisely what was pointed out as a threat to the social model by Mendès-France in his 1957 speech. Moreover, Mendès-France had warned against the danger of the disequilibrium approach later favoured by Delors, who accepted that the social dimension should be less developed than

⁶¹ *Europe 1990: An Agenda for Action*.

⁶² Denord and Schwartz (2009: 95).

⁶³ With whom 'socialist' Delors was in 'full agreement' (Delors 2004: 204).

⁶⁴ Delors (2004: 429).

⁶⁵ Delors (2004: 200, 312).

⁶⁶ Delors (2004: 199).

⁶⁷ Delors (2004: 203).

⁶⁸ The project was adopted in 1988.

the economic dimension in order to foster this latter aspect of the European project:

The Common Market is planned to include the freedom of movement for capital [...] Capital has a tendency to leave socialist-leaning countries and this exerts a pressure in the direction of relinquishing the socially advanced policies [...] The procedure that is followed, consisting in postponing the solution to problems that could not be solved right away, is bad [...] It is in France's interest] that these problems should be solved before signing the treaty.⁶⁹

3.3.2 *The Lisbon Agenda*

An example of the partly involuntary promotion of structural reforms by the left is given by the initiative known as the 'Lisbon strategy' or the 'Lisbon Agenda' (LA). Although of limited practical consequences, the LA epitomizes the way an initiative of social democrats looking for a new growth model for Europe based on new technologies can easily degenerate into a programme for neoliberal structural reforms.

Maria Joao Rodrigues, an economist and social democratic labour minister of Portugal was at the origin of LA at the time of the Portuguese Presidency of the EU in 2000.⁷⁰ The basic idea of LA was that the European model needed to be 'renewed', with the explicit assumption that this implied that Europe should become a competitive economy, and that competitiveness resulted from an active participation to the 'knowledge-based' economy, which then implied bolstering investment in 'knowledge'. The so-called 'knowledge triangle'—research, innovation and education—was expected to generate new competitive advantages considered crucial for sustaining the European social model.

At the European Summit of 2000 in Lisbon, the council noted that:⁷¹

[t]he European Union is confronted with a quantum shift resulting from globalisation and the challenges of a new knowledge-driven economy. These changes are affecting every aspect of people's lives and require a radical transformation of the European economy.

A new strategic goal for the next decade was set:

to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.

⁶⁹ 1957 speech before the National Assembly. Our translation.

⁷⁰ The agenda itself was elaborated associating a group of researchers such as Bengt-Åke Lundvall, Luc Soete, Robert Boyer, Benjamin Coriat, Pier-Carlo Padoan, Iain Begg, Adam Török, Janine Goetschy, and so on.

⁷¹ This and the following quotes are taken from the conclusion of the Lisbon European Council, 23–24 March 2000. <http://www.europarl.europa.eu/summits/lis1_en.htm>.

The context was deemed favourable for the launch of such an initiative. The economic environment was satisfactory: 'With the current improved economic situation, the time is right to undertake both economic and social reforms as part of a positive strategy which combines competitiveness and social cohesion' and the political centre of gravity in Europe had shifted in favour of centre-left governments (with the presence of the centre-left alone or in coalitions in Germany, the UK, France, Italy, Portugal, and so on).

The diagnosis proposed by LA was that Europe suffered from a certain number of deficiencies which prevented it from fully contributing to the emerging knowledge-based economy, which would eventually prevent European countries from sustaining their social model. The employment rate was too low because of an insufficient participation in the labour market by women and seniors. There was a long-term structural unemployment and marked regional unemployment imbalances. The service sector was underdeveloped, particularly in telecommunications and Internet. There was a widening skills gap, especially in information technology where an increasing number of jobs remain unfilled. The overall strategy aimed at 'preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market; modernising the European social model, investing in people and combating social exclusion; sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix', with the promise that 'an average economic growth rate of around 3% should be a realistic prospect for the coming years' provided the prescribed reforms were implemented.

The Lisbon agenda in its origins was a mix of neo-Schumpeterian analyses, with an emphasis on knowledge creation and innovation, and analyses trying to find a social democratic solution to the problem of the sustainability of the European social model. Progressively however, the neoliberal character of LA became more evident. For instance, in 2003, the presidency of the union concluded that:⁷²

Priority action under the Growth Initiative will be carried out in the context of delivering on the Lisbon structural reform agenda including increased product, capital and labour-market flexibility [...] Enhancing competitiveness will play a crucial role in this regard while keeping in mind environmental considerations and the social dimension [...] Fully integrated and stable financial markets will play a crucial role in channelling savings into productive investment and enhancing economic growth [...] EU legislation should not be a handicap to EU competitiveness compared to that of other major economic areas.

⁷² <http://www.consilium.europa.eu/en/european-council/conclusions/pdf-1993-2003/presidency-conclusions_brussels-european-council-1617-october-2003/>.

The priorities were clear: one should strive for competitiveness through liberalization; the social and environmental concerns had simply to be 'kept in mind'. A report published under the direction of former Dutch prime minister Wim Kok was not very favourable to LA, and estimated that there was an 'overloaded agenda', problems of 'poor coordination' and 'conflicting priorities'. The Kok (2004) report stressed the 'urgency of the situation' that 'citizens' had to be made aware of. It suggested refocusing LA on the knowledge-based society, internal market (services, financial markets), firms' environment, labour market, and sustainable development.⁷³ This refocusing implied bluntly to forget the social cohesion dimension.

The mid-term review of LA criticized the governance of the project. The need to increase 'political ownership' led to make the reforms included in LA a national initiative.⁷⁴ A set of integrated guidelines were published, and member states were expected to turn them into national reform programmes. As shown in Amable et al. (2009), the recommendations of the guidelines would not so much 'renew' the European social model as dismantle it. For instance, none of the crucial components of the European social model were meant to be protected or promoted, but replaced by their neoliberal equivalents: no solidaristic wage-setting associated with centralized bargaining, but 'the right framework conditions for wage-bargaining systems [...] with a view to promote nominal wage and labour cost developments consistent with price stability and the trend in productivity over the medium term, taking into account differences across skills and local labour market conditions'; unemployment would be decreased through labour market flexibility; social cohesion coming from labour market inclusion and skill upgrading; and so on.⁷⁵

⁷³ Some recommendations are worth keeping in mind in the light of the financial crisis that was going to take place four years after the publication of the report: 'facilitate the integration of retail financial markets, in particular by reducing restrictions on refinancing mortgage debt and offering improved possibilities to finance a larger proportion of the purchase price of property via more generous and cheaper mortgage loans could extend home ownership and also boost consumption'. (Kok 2004: 26).

⁷⁴ This was criticized by Pisani-Ferry and Sapir (2006), who stressed the presence of interdependencies (either spill-overs or policy complementarities) between structural reforms and the need for a coordinated strategy that would exploit the possibilities given by the 'policy learning' effect.

⁷⁵ It is significant that one of the academics taking part in the elaboration of the Lisbon agenda, Luc Soete, wrote the following in a document prepared for the UK presidency of the EU in 2005: 'Maybe it is time for a fundamental rethinking of the "universality" of social security systems as they were developed in Europe over the last Century [...] and [...] recognize the duality in the labour force between work involving "labour" [...] and [...] activities providing self-satisfaction in terms of recognition, realisation and creativity [...] Workers, involved in the second sort of activity, which I would call knowledge workers, [...] appreciate social "security" guarantees to their employment, but these will be used as a substitute rather than as complement to their own lifelong learning efforts and investments [...] The extension of social rights to knowledge workers appears from this perspective not only unjustified, undermining the financial sustainability of the European social model, but could also explain the lack of dynamism of knowledge workers in Europe [...] We will

From a comparative capitalism viewpoint, the initial philosophy of LA was to try to find a hybrid of the neoliberal and the social democratic models of capitalism: flexibility in product and labour markets would be compensated by an increase in the coverage and generosity of social protection associated with an ambitious training and retraining policy. However, there was a certain ingenuousness in the confidence put in the compatibility of the two models. The Lisbon initiative paid no attention to the institutional complementarities between the most important institutional forms of the various models of capitalism existing in Europe. The 'knowledge-driven' model of capitalism was never analysed from the point of view of its economic, social and political sustainability. In its most naïve expression, LA was based on the belief that the combination of investment in 'knowledge' with the implementation of 'structural reforms' would make European firms more 'competitive', leading them to create 'more and better jobs', which would then enhance social cohesion. In short: 'If the EU makes the right economic reforms now, it can secure a prosperous, fair and environmentally sustainable future for Europe.'⁷⁶

3.3.3 *The European Constraint*

'Europe' increasingly became a source of constraints for the sustainability of the social model. The necessity to scale down social protection because of European integration was indeed a justification put forward by right prime minister Alain Juppé in 1995 when he presented a social security reform project that met a formidable social opposition. The reform was allegedly the consequence of the need to reduce public deficits in order to meet the requirements of the Maastricht Treaty. A similar argument was used one year later to support the general economic policy orientation. One understands then why European integration was increasingly perceived as a vehicle for 'structural reforms' or even a 'life insurance against socialism'.⁷⁷ In 2003, E. A. Seillière, president of Medef,⁷⁸ considered favourably the 'European constraint' as a way to orient France towards a certain type of reforms.⁷⁹ 'Europe is a machine to reform France against its will' thought D. Kessler, former vice-president of Medef in 2000.⁸⁰ Pascal Lamy, chief of staff of Delors

have to convince our fellow European citizens that change is part of life and that the best form of security and employment protection is the development and preservation of skills through an active investment in knowledge' (Soete 2005: 12–13).

⁷⁶ Cecilia Malmström, minister for EU affairs. Speech, Sieps, 28 May 2009, Swedish presidency—finding solidarity in the face of crisis: <<http://www.government.se/contentassets/39dc028c99f54e30964c5a7aa8557f8a/speeches-2006-2010—cecilia-malmstrom>>.

⁷⁷ Right ultra-liberal politician Alain Madelin quoted in Halimi (2004: 395).

⁷⁸ The main employers' association CNPF changed names in 1998 and became the Mouvement des Entreprises de France: Medef.

⁷⁹ Halimi (2004: 392).

⁸⁰ *La Tribune*, Paris, 4 December 2000.

at the European Commission and later director-general of the World Trade Organization, estimated that ‘the reordering and the “marketisation” of the French economy [...] were made by Europe, thanks to Europe and because of Europe’. According to Jean Pisani-Ferry, former economic advisor of Strauss-Kahn, ‘Europe was our structural adjustment programme. [...] From the opening of the borders to the opening of service markets to competition, through disinflation and the reduction of budget deficits, France has let European integration play the role that the IMF or the World Bank play for poorly governed countries.’

This vision of the necessity to impose structural reforms from the outside,⁸¹ was more recently presented as a solution by Wolfgang Schäuble, German minister of finance, speaking at a Brookings Institution conference (16 April 2015):

In some [...] member states it is very difficult to implement structural reforms for the labour market. If you discuss with my French friends, whether it is [finance minister] Michel Sapin, whether it is [economy minister] Emmanuel Macron, they can tell you a long story how difficult it is to convince the French public opinion and of course the Parliament and political majorities that structural reforms in the labour market are needed. Spain was by the way forced by the institutions we used to call troika [...] France would be happy if someone could force the Parliament but it is difficult, it is democracy. As long as you give them ways out, you will never get the hard decisions you have to take. Any democratic system [...] tends to take the more comfortable decisions if you have the alternative to do so. You will only get the tough, long-term needed decisions if you have no more alternative comfortable decisions.

The will to impose ‘reforms’ to France was even stronger when Schäuble mentioned in a private conversation with then Greek finance minister Varoufakis that he would like to see the Troika (European Central Bank (ECB), European Commission, IMF) intervene in France the same way they did in Greece.

Mendès-France, again, had forecasted the consequences of European integration for French sovereignty over economic policy:

the salvation of money [...] requires sometimes a financial policy made of courage and rigour. Sacrifices may be needed, and perhaps we have sometimes lacked [...] the] necessary courage [...] But it nevertheless is the Parliament’s prerogative to choose and to distribute these sacrifices and I cannot stand the idea that they could be [...] chosen for us [...] by countries [...] whose] first objective is not necessarily the well-being in France [...] and the progress of our economy.⁸²

⁸¹ ‘[D]elegating power to supranational authorities in order to achieve reforms while being able to shift the blame onto someone else’ (Boeri 2006: 11).

⁸² Speech before the National Assembly, 18 January 1957.

European integration, equated with a structural reform programme directed against the most fundamental elements of the social model supported by the left social base, was bound to have serious electoral consequences for the left in general and the PS in particular. Lionel Jospin, prime minister between 1997 and 2002, who spectacularly failed to pass the first round of the presidential election, was aware of the consequences of the unconditional adherence of the PS to the European integration project for the social base of the left:

The reluctance of public opinion [w.r.t. European integration] was measured by the narrow margin with which the Maastricht treaty was approved and then the rejection of the Constitutional Treaty itself in 2005 [...] a rift appeared between a large part of the public and [...] the elites.⁸³

But according to him, this situation could not be changed: 'As Prime Minister, I did not question the independence of the European Central Bank. I could not do it.'⁸⁴ Therefore, the only possibility left to a PS prime minister was to regret the state of things: 'Of course, I regretted the too liberal course of European construction, but I did not use it as an excuse to turn my back on the European project itself.'⁸⁵ This attitude had in fact been a constant for the socialists. Already in 1970, during the discussions that led to the agreement on the *programme commun*, the socialists strongly defended European integration against the communists, while admitting at the same time that the form that the common market had taken did not satisfy them.⁸⁶

3.4 The Right: the Difficulty of Implementing a Neoliberal Strategy

3.4.1 *Neoliberal Reforms Divide the Right Bloc*

The implementation of neoliberal policies and the issue of European integration have represented a problem for the political right too. Right coalitions governed three times for two years each in 1986–8, 1993–5 and 1995–7, and ten years between 2002 and 2012. Coming back to power in 1986, the right had radicalized its economic policy stance. As we have seen, the economic policy orientation of conservative parties had already taken a neoliberal turn after 1976/8, to the extent that the theme of the last speech of Valéry Giscard d'Estaing for the presidential campaign of 1981 was 'less state' (Giscard d'Estaing 1984), in opposition not only to the so-called *dirigiste* stance of the post-war French economic policy, but also the 'micro-*dirigisme*' practiced

⁸³ Jospin (2010: 255).

⁸⁴ Jospin (2010: 254).

⁸⁵ Jospin (2010: 253).

⁸⁶ Fulla (2016: 238).

during his own mandate.⁸⁷ The influence of the contemporary ‘conservative revolution’ taking place in the UK and the USA was also present. The revival of the liberal thought in the 1970s–80s with the so-called ‘new economists’⁸⁸ took inspiration from the Austro-American school of neoliberalism rather than from the French⁸⁹ or German ordoliberal schools.⁹⁰ In a competition with Giscard d’Estaing for the leadership of the right, Chirac, who had declared itself in favour of a French-style labour movement (*travaillisme à la française*) and initially criticized Barre for his supposed archeo-liberalism, and his party, RPR (Rassemblement pour la République), progressively became more dogmatic in their approach to neoliberalism, dropping the references to Gaullism in favour of an imitation of Thatcher and Reagan.

Chirac had promised in 1984 that the intention of a future right government coalition would be to make a ‘rather brutal break-up’ with the economic policy implemented so far,⁹¹ and with the French economic model in general. It would in fact be a double breakup: not only with the policies implemented by the left coalition, but also with the disguised socialization that the evolution of the French economy and society represented since the 1970s.⁹² The joint UDF (Union pour la Démocratie Française)-RPR manifesto proclaimed the will to ‘free the economy to find growth again’. More precisely, the right coalition in power wanted to suppress what was left of the price control mechanisms inherited from the 1945 ordinances; exchange rates controls had to be abandoned; competition in the financial sector would be fostered; energy, telecommunication and transport industries should be deregulated. Also, the decrease in public expenditure was supposed to make it possible to lower taxes, and in particular the income and profit taxes. Labour market flexibility was expected to lead to employment creation. The ‘principle’ of a minimum wage would be kept, but it would be adapted according to the ‘possibilities of the economy’ and the ‘situation of industries’. Bargaining was expected to take place at the firm’s level, the scope of application of firm-level agreements would be extended. In general, labour regulation would be adapted to suit firms’ specificities. Social protection was also supposed to be liberalized, but the manifesto remained rather vague on this very sensitive issue. Retirement at 60 would not be abolished but more options would be offered to individuals regarding their choice of retirement age.

⁸⁷ Managers accused the administration under Raymond Barre’s government to intervene in the day-to-day management decisions of private firms in spite of having reduced macro-level *dirigisme* (Weber 1986: 252–3).

⁸⁸ Some of the so-called ‘new economists’ had been associated with the non-communist left: former members of CFDT or PSU. One of them, Jean-Jacques Rosa, was a former secretary-general of the Club Jean Moulin (Denord 2011: 20).

⁸⁹ Allais, Røpke or the modernists of the 1930s such as Detoef.

⁹⁰ Eucken, Røpke, Rüstow.

⁹² Denord (2011: 20).

⁹¹ Radio interview, Grand Jury RTL–*Le Monde*, 5 May 1984.

After having won the legislative election in 1986 with 45 per cent of the votes and 50 per cent of the seats,⁹³ the new government coalition under prime minister Chirac launched a series of significant neoliberal reforms: privatizations, labour market deregulation and an attempt to make universities 'autonomous'.

A substantial programme of privatizations was launched immediately after the electoral victory of 1986. Moreover, firms remaining in public ownership were to be managed according to the same criteria as private firms, including the possibility to sell subsidiaries to private investors. The list of privatized societies included Saint-Gobain, Paribas, the Compagnie Générale d'Electricité, the Société Générale, Matra, Suez, and so on. Altogether, the privatization programme of 1986–8 represented over 60 billion francs. The whole programme significantly diminished public firms' employment which, by the end of 1988, amounted to 7.2 per cent of total salaried employment against 10.4 per cent in 1985.⁹⁴

Such a programme implied the development of financial markets. Following the initial liberalization steps taken under the PS-led government, finance minister Balladur loosened capital controls and deregulated brokerage commissions. At the same time, savings were fostered by specific tax reductions linked to individual voluntary defined-contribution retirement savings plan, which were managed by banks and insurance companies.⁹⁵ This first attempt at developing a private savings pillar for the pension system was put to a stop in 1989, after the left went back into power.

The most significant labour market flexibility promoting measure was the suppression of the prior administrative authorization for economic dismissal. Obtaining this authorization for individual or collective layoffs for economic motives had been made mandatory by law in 1975, at a time when unemployment was steeply rising. Ever since, the suppression of this obligation had been a demand of CNPF, which had commissioned a study to their research centre in order to show that this measure would create 370,000 jobs. Expected to diminish the reluctance of employers to hire, the measure mostly diminished the cost for companies to implement restructuring policies. Dismissals for economic reasons increased by 17 per cent in 1986.⁹⁶ In 2012, Etienne Pinte, rapporteur of the two laws that suppressed the prior administrative authorization for economic dismissal, admitted that this measure did not create a single job but at best contributed to the maintenance of the existing level of employment.⁹⁷ A series of other measures were also introduced:

⁹³ Left parties obtained 42 per cent of the votes and 43 per cent of the seats, and the Front National (FN) 9.7 per cent of the votes and 6.1 per cent of the seats.

⁹⁴ Chabanas and Vergnaud (1996).

⁹⁵ Naczyk (2016).

⁹⁶ Malo et al. (2000).

⁹⁷ <<http://alternatives-economiques.fr/blogs/abherve/2012/02/18/la-suppression-de-lautorisation-administrative-de-licenciement-na-cree-aucun-emploi/>>.

extension of the maximum duration of fixed-term contracts and temporary work assignments to twenty-four months, possibility for the employers to choose between fixed-term and open-ended contracts in all situations.

The right coalition government also attempted to modify the status of public firms' employees, in particular in the national railway company, SNCF (*Société Nationale des Chemins de Fer Français*). An attempt to modify the wage scale led to the longest rail strike since the end of the Second World War in December 1986/January 1987. The strike was successful and the project was dropped.

Inspired by conservative academic circles and far right student unions, the draft law on higher education of July 1986 had the ambition of giving a large autonomy to universities: possibility to decide on the level of tuition fees, to select students, to establish curricula, and confer diplomas. The bill was met with intense opposition from the majority of students, and massive demonstrations with violent clashes with the police took place in December 1986. The death of one demonstrator and the threat of a joint protest movement unifying students and striking SNCF workers led to the cancelling of the bill.

The attempt at the 'rather brutal break-up' promised by Jacques Chirac had raised a massive social opposition and created problems even within the social base of the right. Indeed, as the estimation of the structural model shows,⁹⁸ in the 1988 election, support for the traditional right-party coalition came from voters that supported a rather radical change of the French economic model: for them, the suppression of trade unions or the right to strike would not be too serious an attack on civil rights; they expressed an opposition to redistribution and state intervention, and so forth. But the voters supporting the most extreme expression for these policies were found in a neoliberal hardcore of shop-keepers and affluent private sector white collar workers, and in the traditional Catholic electorate. This hardcore was relatively narrow and the social base of the right traditionally included private sector wage earners who held more moderate opinions on economic policy reforms than the neoliberal core.

The consequence was that a rift began to appear between the groups still expecting the full implementation of the 1986 manifesto (craftsmen, shop-keepers, high incomes, etc.) and those who felt threatened by some of its most extreme aspects (private sector employees). The most neoliberal parts of the right's manifesto contradicted the demand for security expressed by certain groups within the right electorate. The failure of the radical neoliberal policy implemented in 1986 could be explained by the narrowness of the social base for such a project. If the issue of nationalizations roughly split the electorate

⁹⁸ See Appendix.

into two halves in 1978 and 1988,⁹⁹ other issues, such as labour market flexibility, indicated that there was no political majority for a radical neo-liberal turn. In 1978, only 20 per cent of the respondents were opposed to prohibiting layoffs unless alternative jobs were found. In 1988, 60 per cent of the respondents thought that the government should trust private firms and only 29 per cent estimated that a state control would be preferable. This explains why the privatization programmes launched by the right in 1986 and pursued by all following governments never met the type of social protest that other structural reforms had met, particularly those of the university system and the employment status of SNCF employees. In fact, the radical orientation of the governing coalition of 1986–8 corresponded more to an alignment with the expectations of the neoliberal core of the right bloc rather than a mediation between the groups of that bloc. That had proved to be sufficient to defeat in 1986 a left coalition that had disappointed their own social base, but that was not enough to lead to an electoral victory in 1988.

The failure of the experience of 1986–8 had a lasting impact on the economic policy strategies followed by the right coalitions from then on. The 1993–5 Balladur government refrained from attempting a ‘brutal break-up’ and focused instead on the pursuit of the privatization programme, aiming to constitute so-called ‘hardcores’ of stable shareholders chosen by the Ministry of Finance for privatized companies. Banks (Banque Nationale de Paris, BNP), industrial firms (Rhône-Poulenc, Elf, Usinor-Sacilor, Pechiney) and insurance companies (Union des Assurances de Paris, UAP) were privatized. After this second wave of privatization, the public sector was present mostly in energy transport and telecommunication, representing 7.7 per cent of total salaried employment in 1994.

The only notable attempt at reforming the labour market was an ill-inspired initiative to have a lower minimum wage for the under-26s:¹⁰⁰ the *Contrat d’insertion professionnelle* (CIP). The CIP was a fixed-term contract of a maximum duration of one year that could be extended once. Allegedly designed to favour young people’s entry into the labour market, it was met with a determined opposition precisely from those that were alleged to benefit from it: the young, who were later joined by the unions for massive street protests in March 1994. The CIP was abandoned shortly thereafter.

The Balladur government implemented an important reform of private pensions in 1993. Although the reform passed without causing significant reactions from unions, it was not without consequences for the difficulties encountered by Balladur in the competition with Chirac for the leadership of

⁹⁹ In 1978, 39 per cent of the respondents were in favour of the extension of the nationalized sector, 45 per cent against it. In 1988, 38 per cent of the respondents had a positive opinion of nationalizations and 43 per cent a negative opinion.

¹⁰⁰ At 80 per cent of the *Salaire minimum interprofessionnel de croissance* (SMIC; legal minimum wage).

the right coalition. Chirac took the opportunity to occupy a space in the centre in order to find a more favourable mediation between the various expectations of the right bloc than what Balladur could achieve, adopting a virtually centre-left position, criticizing the lack of reaction of the Balladur government against rising inequalities (the theme of the social divide) and promising to implement a stimulus policy to increase the purchasing power.¹⁰¹ This position was all the more comfortable that the second presidency of Mitterrand had been characterized by a significantly orthodox orientation of the macroeconomic policy, with the aim to participate to European monetary integration, and had antagonized again a significant part of the left bloc. The competition between Chirac and Balladur led to the victory the former at the 1995 presidential election, against Jospin in the second round.

Chirac's centrist position had proved to be more efficient than Balladur's pro-reform stance in reuniting the right bloc. The estimation of the structural model for 1995 in the Appendix shows that the most significant neoliberal opinions (economic policy priority given to competitiveness over wages) were mostly shared by the neoliberal hardcore (28 per cent of the respondents were favourable to such a priority). One observes a classic left-right divide on most economic policy issues, but it is interesting to note the importance of social protection for the voting decision not only among groups that belong traditionally to the left constituency (the working classes and the public sector) but also among private sector employees with the exception of the high-skilled, who are part of the neoliberal core. This was an early sign of the unexpected broad social support that the strike movement of November/December 1995 was going to obtain six months only after the presidential election.

In spite of the centre-left stance of his presidential campaign, once elected, Chirac and prime minister Alain Juppé's policy took a more neoliberal turn than what one could have expected from the many references to the necessity to mend the social divide made during the presidential campaign. Chirac initially took ultra-liberal Alain Madelin as finance minister. Madelin was one of the few leading right politicians who was still thinking along the lines of the 1986 agenda. However, he did not last more than three months at this position.

The first measures of the Juppé government were typically right wing: increase in VAT, decrease in social contributions for private employers hiring unemployed (*Contrat initiative emplois*), freeze of salaries in the public service, plan for decrease in public employment, and so forth. At the same time, following a strategy that was to be kept by the following right governments

¹⁰¹ Chirac criticized the *pensée unique* that blamed unemployment on too high wage costs and declared that 'the payroll is not the enemy of employment'.

thereafter,¹⁰² a national-level agreement (*Accord national interprofessionnel*, ANI) between employers' associations and trade union confederations signed in October 1995, followed by a law in November 1996 opened the possibility of firm-level agreements being signed without trade union representatives, but with elected employee delegates. Rules regarding the possibility of firm-level bargaining were modified thereafter, regarding the scope of application of the agreements or their conditions of validity.¹⁰³

Reform plans regarding the public sector met an immediate opposition. The public service went on strike in October 1995. At the same time, Chirac declared in a television speech that the decrease in public deficit was the first priority of economic policy. A series of measures aiming to decrease sickness benefits were announced in November, but the main issue was pension reform.

Aiming to extend a reform that started with the private sector under the Balladur government, Juppé was sufficiently prudent to target a group that mostly belonged to the left bloc, the employees of state-owned companies, in particular the railway company SNCF, and their special pension schemes. The aim of the reform was to align these more favourable special schemes, and those of the public service, on the general private sector pension scheme, which implied a decrease in the level of pensions for the employees concerned through the extension of the working period necessary to obtain a full pension. Wanting to defuse a social contestation that could be politically costly, Juppé secured the support of a number of 'reformist' trade unionists (from CFDT), academics, and intellectuals.¹⁰⁴ Moreover, some of the measures proposed in the Juppé plan were taken from a white paper on pensions commissioned by the Rocard government in 1991. The plan seemed to work for a short while: trade unions were internally divided as well as between them on the appreciation of the plan and the way to react to it. Divisions were also present in the PS, where some 'reformists' had a favourable opinion of the plan, while others expressed a strong hostility. The position of the PS evolved towards a clear opposition when Lionel Jospin, who had been the presidential candidate obtaining the most votes in the first round of the election a few months before, and appeared therefore as the leader of the whole left, stated that the Juppé reform was unacceptable.

Opposition to the pension reform from the concerned public-owned firms' employees turned into a massive popular movement opposing neoliberal policies in general that went beyond the strict boundaries of the left bloc.¹⁰⁵

¹⁰² See Amable (2016b). ¹⁰³ Freyssinet (2015).

¹⁰⁴ An open letter of support to Juppé's reform signed by prominent intellectuals of the 'second left' such as Rosanvallon was published in *Le Monde*, prompting a reaction from more radical left intellectuals led by Pierre Bourdieu in support of the strike movement.

¹⁰⁵ Two million demonstrated in the French streets on 12 December 1995.

As noted by many commentators, it was as if private sector employees supported a movement they had not been able to initiate two years earlier, when their own pensions were the target of a reform: a strike by proxy.¹⁰⁶ As shown in the estimation of the structural model for 1997 (see Appendix), a marked opposition to the 1995 strike movement came from groups belonging to the neoliberal hardcore. But 53 per cent of all 1997 survey respondents expressed solidarity with the strike movement. This episode mattered greatly during the legislative elections of 1997, which saw the victory of a left coalition.

Regarding private pensions, the most neoliberal part of the right wing and the insurance lobby pushed for the creation of pension funds.¹⁰⁷ Some of the modernist industrial employers were hostile to the financialization of the French economy and did not want the emergence of French pension funds that would behave exactly like their Anglo-Saxon counterparts and increase the control on industrial firms' management. Nevertheless, CNPF supported the introduction of retirement savings plans promoted by the Thomas law in 1997, based on voluntary individual contributions, against the opposition of trade unions. The introduction of such plan was at the initiative of the employer, without the need to come to an agreement with the unions.¹⁰⁸

But each attempt to implement a significant neoliberal reform bore the risk of reactivating the contradictions within to the right bloc: radical neoliberal structural reforms would satisfy the neoliberal core of the social base of the right; the preservation of the essential elements of the French social model was necessary to allay the fears of the more moderate fraction of the bloc but led to a growing impatience among the neoliberal hardcore.¹⁰⁹

These contradictions mattered all the more when a competition on the right had made the definition of the traditional right parties' line more difficult. The Front National (FN) started as a far right movement led by a charismatic but marginal leader, Jean-Marie Le Pen (0.75 per cent of the votes at the 1974 presidential election).¹¹⁰ The FN rose to local and then national significance in the mid- to late-1980s, and obtained 12.4 per cent of the votes at the 1993 legislative elections. Its economic policy line was ultra-liberal, criticizing the right government coalition of 1986–8 for controlling too much the economy, and at the same time protectionist, in a way reminiscent of the liberal line dominating in France before 1914. The FN manifesto included the

¹⁰⁶ Chevandier (2014). ¹⁰⁷ Naczyk (2016).

¹⁰⁸ The left government elected in 1997 abolished this disposition and reintroduced the necessity of a collective agreement.

¹⁰⁹ Amable et al. (2012b).

¹¹⁰ Jean-Marie Le Pen had been elected a deputy in 1956 for the Union de Défense des Commerçants et Artisans (UDCA)/Union et fraternité française (UFF), the movement, led by Pierre Poujade, which represented craftsmen and shopkeepers opposed to the modernist trends of the French economy. UFF was famous for the fight against taxes, administrative controls, and state intervention in the economy in general, as well as its protectionist tendencies.

suppression of the income tax within five years and the abolition of the tax on wealth introduced by the left in 1981; it pitied the plight of shareholders bullied by 'years of socialism'.¹¹¹ The FN was rather pro-European since Europe was understood as a western coalition against the Soviet Union. The fall of the Berlin wall led to a change of attitude in this respect.

By their ultra-liberal position on economic matters, the FN were able to capture part of the right electorate belonging to the neoliberal core, with the exception of highly skilled private sector employees. Support for the FN or for a traditional right-FN coalition came from individuals who had very similar policy expectations from those who support the traditional right.¹¹²

Also, the emergence of the FN during the 1980s and 1990s signalled the rise of the immigration and security issues in the political debate, which represented a new divide for the social base of the right: the younger and more educated fraction did not express so strongly the pro-security and anti-immigration feelings entertained by seniors and the less affluent part of that base. But the issue was potentially more dividing for the left bloc because some groups within the left constituency expressed pro-security or even anti-immigration feelings too: low income, low-skilled, and blue collar workers.¹¹³ This is why putting forward these issues was both a risk and an opportunity for the right parties: pushing forward issues distinctly associated with the FN's manifesto involved the risk of putting at the centre of the political debate issues on which the FN could claim a comparative advantage. But the emphasis on 'societal' issues represented also a partial solution to the division within the right bloc by focusing less on controversial economic reforms such as labour market flexibility and welfare state retrenchment. Right parties could also hope to win over some groups of the left bloc disappointed by the lack of satisfaction given to their economic policy expectations by the left government parties during the two Mitterrand mandates.

Nicolas Sarkozy's presidency (2007–12) represented a partly successful attempt to find a compromise between the diverging expectations of the right social base: (i) a neoliberal breakup implying an increase in labour market flexibility and welfare state retrenchment, while (ii) maintaining for the most part the existing social model, including at the same time (iii) some elements of anti-immigration policy, and (iv) an attempt to improve the standard of living of the working classes, neglected by the mainstream left, through a tax cut on extra hours. In fact, some welfare state retrenchment measures could potentially find support even among social groups belonging in principle to the left social base. The estimation of the structural model for 2007 (see Appendix) shows that stigmatization of the unemployed and

¹¹¹ Ruffin (2014: 71–2).

¹¹² See estimations of the structural models in Appendix.

¹¹³ See estimations in Appendix.

opposition to the minimum income, *Revenu Minimum d'Insertion* (RMI), were partly supported by blue collar workers and clerks.

Sarkozy's manifesto promised that reforms would be implemented within the framework of a 'social dialogue' with renewed bases: the representativeness of trade union confederations would be decided according to the vote shares obtained by confederations in professional elections. The objective of this 'renewal' was, as in 1995, to facilitate the conclusion of agreements between employers' associations and so-called 'reformist' trade union confederations, as well as to extend the possibilities for agreements at the firm level, with employees' elected representatives or delegates designated by confederations if there was no union representation at the firm level.

The attempt to soothe the contradictions within the right social base was acknowledged in the slogan of Sarkozy's 2007 presidential campaign: *la rupture tranquille* (the easy-going breakup), which contrasted both with the failed 'brutal breakup' of Chirac in 1986 and the alleged 'immobility' of the second Chirac presidency (2002–7). The main labour market flexibility-enhancing measure of Sarkozy's manifesto was the replacement for new hires of all fixed-term and open-end employment contracts by a single contract more flexible than the existing open-end contract but with a dismissal indemnity increasing with tenure.¹¹⁴ The increase in employment flexibility would be compensated by the creation of a 'professional social security' intended to be a French-style flexicurity. Anyone laid off for economic motives would be entitled to an unemployment benefit equal to 90 per cent of their previous wage for as long as it would take to find another job. This generosity would imply obligations in return: it would be impossible to turn down more than two job propositions made by the soon-to-be created 'public service for employment', which would merge the employment and the unemployment benefit agencies.

The single employment contract was accepted neither by the employers, who wanted to keep the possibility to use fixed-term contract, nor by unions, who estimated that this would lower employment protection for all employees. Also, the crisis of 2008 and the public finance problems it created put an end to any project of a 'professional social security'.

The neoliberal core expected more drastic changes. In October 2007, Denis Kessler, former vice-chairman of Medef, who had promoted the *refondation sociale*,¹¹⁵ published an article to expose the logic behind the reform programme that the newly elected president should set in motion. The ultimate objective was to 'methodically dismantle' the programme of the Conseil

¹¹⁴ See Amable (2014b) for an analysis of the social support to this proposition.

¹¹⁵ A Medef initiative for collective bargaining without the state's involvement. See section 3.5.2.

national de la Résistance, and remove all that was implemented between 1944 and 1952. The opportunity was that the post-war compromise between the Gaullists and the communists could be questioned. The communists were very weak, and the socialists' resistance would not be very strong either. Kessler interpreted the victory of Sarkozy also as the defeat of the traditional Gaullist part of the right, which was still attached to the post-war compromise.

However, Sarkozy had no intention to opt for a hardcore neoliberal strategy that he knew would fail, and the Great Recession constrained his possibilities even further. He was therefore bound to disappoint the most neoliberal part of the right bloc.¹¹⁶

3.4.2 *European Integration is a Problem Too*

The traditional constituency of the right has mostly been pro-European integration. Most of the employers were converted to the common market by the late 1950s and they generally supported the idea of abolishing intra-European Community trade barriers, and more generally the achievement of the single market.¹¹⁷ Opposition to European integration came from the industries that feared the opening of the domestic market to competitors from low wage member states, in particular activities linked to agriculture.

Individuals with high income and skill levels, which tend to form an important part of the right constituency, had been systematically more favourable to European integration than the average individual. For instance, in 1995, support for traditional right parties was associated with the absence of negative opinions on 'Europe' whereas negative opinions were more associated with support for left parties or the FN.¹¹⁸ In 1997, very negative opinions on the replacement of the French franc by the euro were associated with support for the FN and the relatively lower positive opinion score characterized support for far left parties and the PCF. In 2007, relatively more negative opinions on the European Union were characteristic of support for the FN and the PCF.

The FN used to be a pro-European integration party until the fall of the Berlin wall, calling for the construction of an economic, military, and political Europe as late as 1988,¹¹⁹ and advocating a rollback of the state in order to prepare the French economy for the single market in 1992. However, in 1992, J. M. Le Pen could not find words harsh enough to condemn the 'Europe of Maastricht'. From then on, the tone changed and became increasingly more

¹¹⁶ An expression of this disappointment can be found in Cahuc and Zylberberg (2009). The two right-wing economists pronounced the failure of Sarkozy's reform programme in a book published barely two years after his election.

¹¹⁷ Weber (1986).

¹¹⁸ See Appendix.

¹¹⁹ Ruffin (2014: 45).

critical of the consequences of European unification for the specificities of the French model, including social protection.

Part of this change is without doubt due to realism. The constituency of the FN included not only a neo- or even ultra-liberal core, but also households with low income and self-employed with low productivity (craftsmen, shopkeepers, etc.). These actual or potential FN supporters feared the increased competition that economic and monetary unification would lead to. The opposition to the Euro therefore constituted an important axis of the FN's manifesto from the 1990s on. This orientation appealed to social groups that felt insecure because of European integration. Opposition to this integration had the benefit of satisfying two very different types of expectations from different segments of the potential FN constituency: the ultra-liberal groups who could blame 'Brussels' for red tape, and the low-income groups who feared the consequences of economic integration for their own economic security.

European integration therefore became a dividing issue within the right bloc as well as the left bloc. A few episodes marked the rise of the divide based on European integration. The Maastricht Treaty had to be approved by referendum in 1992. The support for the 'yes' came from a fraction of the PS led by president Mitterrand as well as a fraction of the right government parties (Chirac and Balladur for the RPR). The opposition to the treaty gathered leading figures of the RPR such as Philippe Seguin, ex-ministers of PS-led governments (J. P. Chevènement), the PCF, and the ecologists. Therefore, the pro/anti-treaty divide cut through the left-right divide, along a skill/income dimension.

The leading right opponent of the treaty, Philippe Seguin, even echoed Mendès-France's 1957 warning when he delivered a speech before the National Assembly. After having stressed the dangers of federalism for national sovereignty, Seguin warned that integration would take the form of a normalization of economic policy, around fiscal orthodoxy and the priority given to the fight against inflation rather than against unemployment, which would eventually lead to a scaling down of the French welfare system. Such arguments were shared by the left opponents to the treaty, who denounced a 'social-liberal' drift of the EU.

The referendum resulted in a narrow victory of the 'yes' (51 per cent against 49 per cent) that marked the supremacy of the pro-European integration and economically liberal line within both the left and right political alliance. As shown in Figure 3.6, there were significant differences in the probability to vote 'no' to the referendum, opposing voters close to the FN and parties to the left of the PS to voters close to the government parties of the right and the PS. This divide reflected the different attitudes with respect to the perception of risks and opportunities linked to European integration. The results in Figure 3.7 confirm the socio-economic divide about European integration

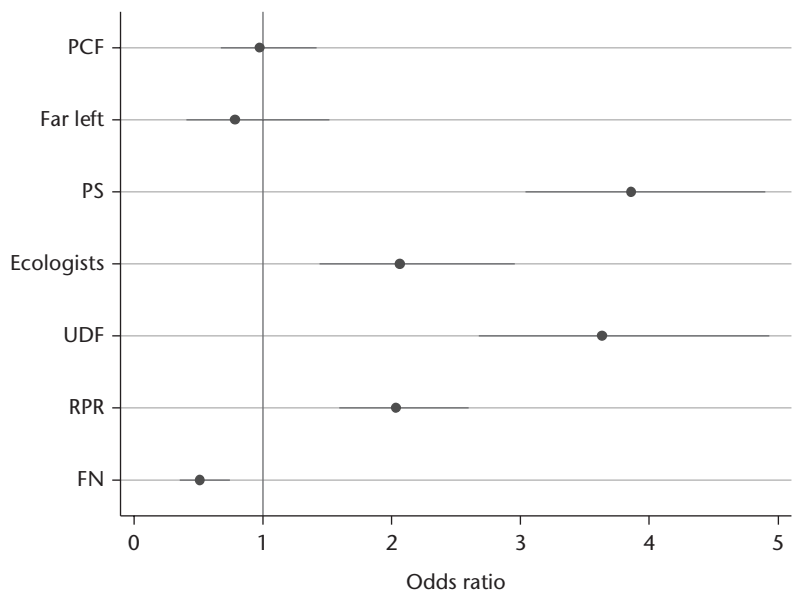


Figure 3.6. Coefficients (odds ratio) of a logit regression of the 'yes' vote at the Maastricht Treaty referendum of 1992 against dummy variables indicating to which party the individual feels close.

Data source: 1995 electoral survey.

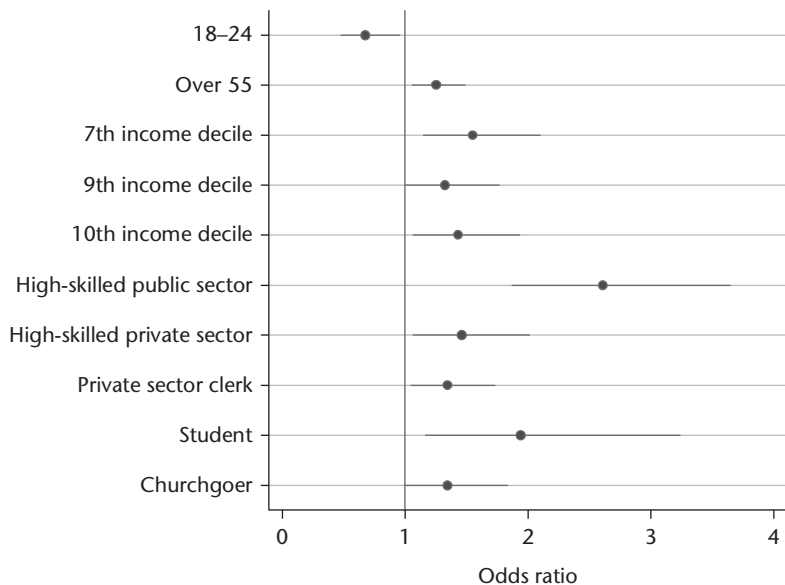


Figure 3.7. Coefficients (odds ratio) of a logit regression of the 'yes' vote at the Maastricht treaty referendum of 1992 against dummy variables indicating individual social characteristics.

Data source: 1995 electoral survey.

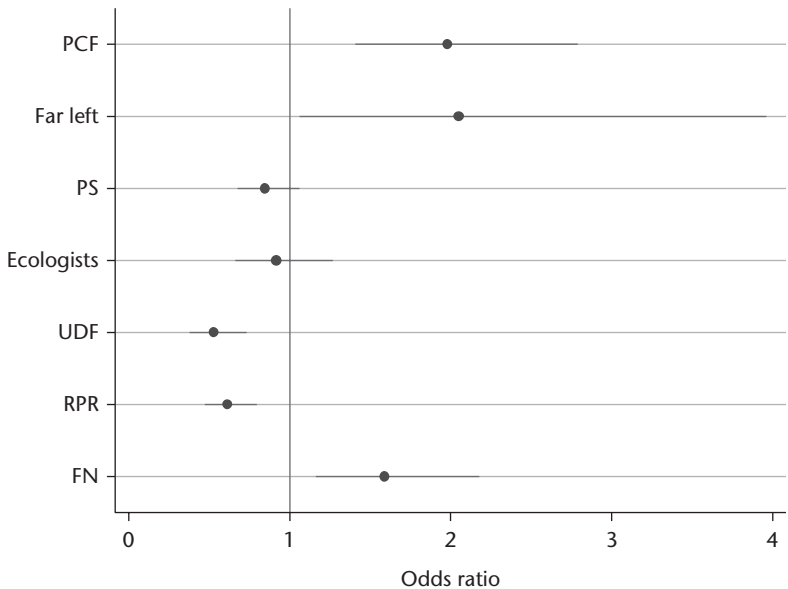


Figure 3.8. Coefficients (odds ratio) of a logit regression of the agreement with the statement that the EU will have negative consequences for social protection against dummy variables indicating to which party the individual feels close.

Data source: 1997 electoral survey.

already documented in the estimation results in the Appendix: pro-integration individuals belong to the better-off and more educated segments of the electorate. The same divides can be observed in Figure 3.8 documenting the probability to consider European integration as a risk of downward adjustment for the social protection system.

The contradictions present within each bloc kept growing after the ratification of the Maastricht Treaty and the pursuit of economic and monetary integration. Figure 3.8 shows that the individuals close to the FN and the parties to the left of the PS feared that European integration would lead to a scaling down of the social protection system in 1997.

Another spectacular illustration of the rift within each bloc was the referendum on the European constitutional treaty in 2005. As in 1992, the PS and the traditional parties campaigned for the ‘yes’.¹²⁰ Following a very active campaign, the ‘no’ won with 55 per cent of the votes. As Figure 3.9 shows, individuals close to the FN and the PCF, and to a lesser extent to ‘sovereignist’ parties, had very different opinions on the desirability of the so-called

¹²⁰ The PS had organized their own internal referendum among registered party members. The yes won obtained only 59 per cent in spite of a marked support of the party’s leadership.

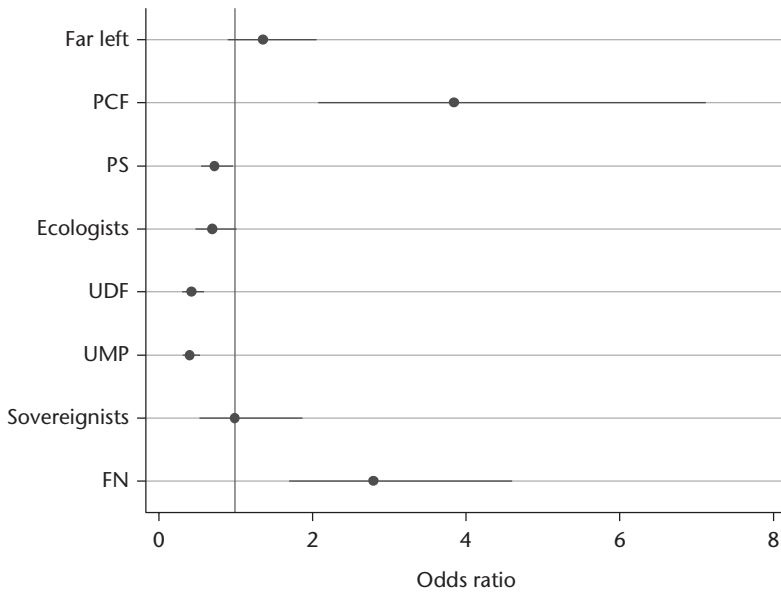


Figure 3.9. Coefficients (odds ratio) of a logit regression of the ‘no’ vote at the constitutional treaty referendum of 2005 against dummy variables indicating to which party the individual feels close.

Data source: electoral survey 2007.

European constitution from individuals close to the PS, the Green Party, or the right government parties.

Therefore, the pursuit of European integration created discontent among the less affluent segments of the right and left blocs and progressively constituted a new divide which reflected only in part the traditional left/right opposition on economic policy, but was nevertheless linked to the neoliberal character of the European Monetary Union (EMU). If this was initially a problem affecting mainly the left bloc, it progressively became one for the right bloc too because the FN became particularly active in the contestation of European integration, taking the lead in the political fight against the Euro in the 2010s. Contestation of European integration came from individuals belonging to the right bloc that held negative views on privatizations and economic liberalism, as Figures 3.10 and 3.11 show.

3.5 The Transformation of the French Model

Both the right and left socio-political alliances faced rising internal contradictions after the 1980s. The political solutions that the respective government

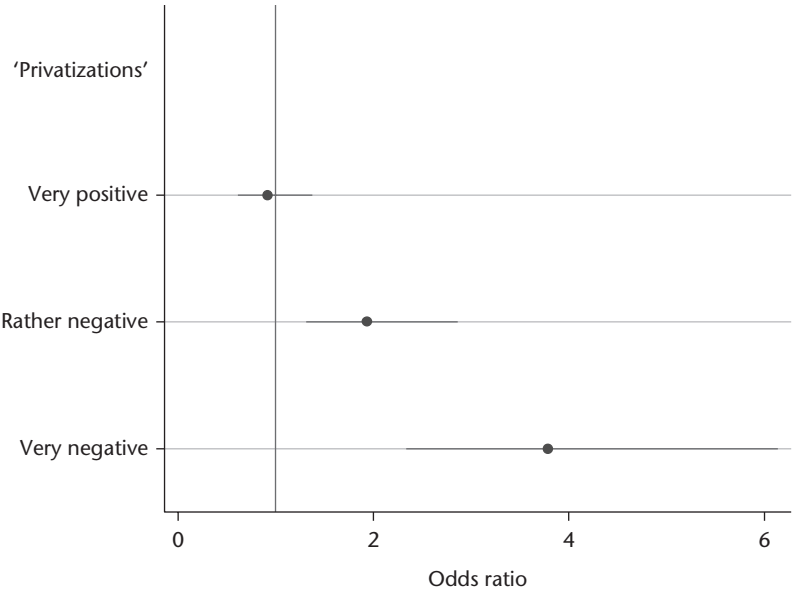


Figure 3.10. Coefficients (odds ratio) of a logit regression of a dummy variable expressing the relief if the European Union project was abandoned against opinions on privatizations for individuals close to the government parties of the right or the FN.

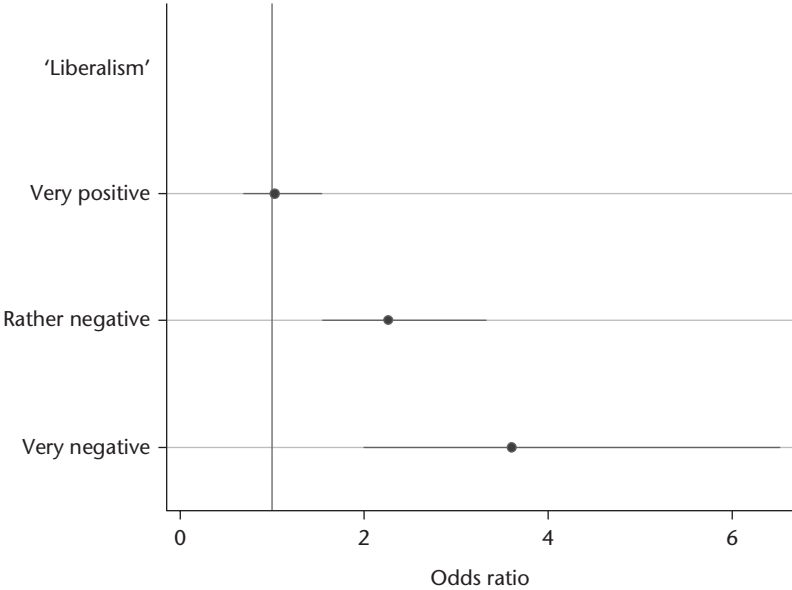


Figure 3.11. Coefficients (odds ratio) of a logit regression of a dummy variable expressing the relief if the European Union project was abandoned against opinions on liberalism for individuals close to the government parties of the right or the FN.

parties of the right and left blocs tried to implement were different. The conservative parties tried to reunite the 'traditional' right bloc whereas the position of the PS with respect to the left social base was more ambiguous, oscillating between the temptation to reunite the left bloc, and the option to build another social alliance, the *bloc bourgeois*. This difference in strategies, expressed in actual policies and institutional reforms, had contrasting consequences for the transformation of the French model of capitalism.

3.5.1 *The Right*

Facing the rift within their social base, the strategy of the conservative parties was to consolidate the right bloc by looking for a satisfactory mediation between the different interests of the groups that identified themselves with that bloc. This had the consequence that no attempt was made to initiate a Thatcherite revolution after the failed experiment of 1986–8.¹²¹ The most sensitive area for the consistency of the right bloc had been the labour market reforms, in relation with social protection: in other words, the wage-labour nexus. Reforming the employment relationship implied risks that the right coalition tried to defuse by using a mix of the following measures: (i) implement reforms 'at the margins', on targeted social groups which were either outside of the traditional right social base, or were not sufficiently organized to envisage a social contestation; (ii) try to secure, through centralized bargaining, the support of at least a fraction of the trade unions for some or part of the reforms.

These tactics were no guarantee of success: the Juppé reform of 1995 failed in spite of the support from some union confederations; the CNE and CPE labour market reforms, though targeted at specific groups, met considerable social opposition, and so forth, but other attempts were more successful. For instance, the ANI in 1995 (leading to a law in 1996), which opened the possibility to negotiate firm-level agreements even in the absence of trade unions. Agreements would have to be signed by elected representatives or delegates mandated by a union. This new possibility, agreed upon at a centralized level, was, after the Auroux laws of 1982, one of the first steps towards the facilitation of decentralized bargaining.

The possibility to increase employment flexibility through decentralized bargaining was extended with the Fillon law of 2004,¹²² which introduced the majority principle for collective agreements to be regarded as valid,¹²³ and challenged the favourability principle according to which labour law

¹²¹ One may note that the attempts at a Thatcherite radical reform programme have always failed in Western Europe. One example being the failure of the CDU/CSU led by Angela Merkel at the German legislative election of 2005.

¹²² Rehfeldt (2004).

¹²³ The applicability of the majority principle differs according to the bargaining level.

predominates over industry-level agreements, which themselves have precedence over firm-level agreements and individual contracts. Hierarchically inferior texts cannot stipulate conditions less favourable to *employees* than what is stipulated in texts at a higher level. The Fillon law permitted to an industry-level (respectively, firm-level) agreement to derogate from the provisions of a nationwide (respectively, sectoral) agreement unless such derogation was expressly forbidden. Thanks to the ANI of 1995, it was now possible to sign derogatory agreements in small- to medium-sized enterprises (SMEs) without union representation.

Right governments also tried to modify existing schemes in a more 'active' and less redistributive way. The RMI was introduced in 1988 by a left coalition government as a new form of social welfare for individuals over twenty-five with no income or rights to unemployment benefits. It granted certain rights to social protection as well as some obligations: the beneficiary had to sign a 'contract of insertion'. The inspiration of the RMI came from workfare and the intention was to establish the respective rights and obligations of the beneficiary and the state. The latter would have the responsibility to facilitate the inclusion of the former in the labour market and ensure that he or she would obtain a minimum income, while the beneficiary would have the obligation to actively search for inclusion in the labour market. However, the emphasis was at least as much on society's solidarity as on the individual's duty to seek entry to the labour market.

The RMI was successively transformed by the following right coalition governments into different schemes, the *revenu minimum d'activité* (RMA) in 2003 and the *revenu de solidarité active* (rSa) in 2009. Each change increased the obligations of the beneficiary and moved the focus from an obligation for the nation to be solidary with the people without income to the responsibility of the individual to actively look for a job. The impact of these changes on the return to employment or the poverty rate were negligible.¹²⁴

The use of unemployment benefits as an incentive to take up a job or acquire new skills through training had been one of the demands of employers, put forward with increased insistence in the 1990s. Under a right government, a unique benefit whose level decreased with the unemployment tenure¹²⁵ was substituted to the pre-existing two-level scheme for indemnity: a normal benefit and a minimum benefit after the rights to the former benefit were extinguished. The incentive effects of the reform were not the ones expected since the return to employment proved to be slower with the new benefit scheme than with the previous one,¹²⁶ but the implementation of the

¹²⁴ Comité national d'évaluation du rSa (2001).

¹²⁵ Every four months.

¹²⁶ Dormont et al. (2001). The impact was particularly pronounced for the high-skilled benefitting from a generous benefit.

measure decreased substantially unemployment insurance expenditure, which was probably the main objective of the reform anyway.

The *loi de cohésion sociale* (Social Cohesion Act) of 2005 strengthened the obligations of the unemployed with respect to job search and modified the definition of a suitable job by abolishing the references to the previous job experience of the unemployed.

As mentioned previously, in spite of having announced a break-up, Sarkozy was eager to avoid social conflict related to the reforms affecting the employment relation, partly because social protection reforms (the pension reform in particular) mobilized the opposition of unions already,¹²⁷ and Sarkozy had no intention to rekindle the social protest of 1995. Sarkozy moved cautiously and the extent of the labour market reform was limited. At the end of his mandate, Sarkozy blamed the lack of more radical labour market reforms on the resistance of 'intermediary bodies'.

He nevertheless looked for the support of unions, or at least some of them, during the bargaining round that took place in 2008 and led to a national agreement, an ANI. A law passed under the Chirac administration in 2007 stipulated that every government project concerning reforms affecting labour relations, employment or professional training had to include a phase of consultation with social partners.

The themes for the negotiation were decided by the prime minister: the labour contract, a French-style flexicurity (*sécurisation des parcours professionnels*) and the unemployment benefit regime. As pointed out by Freyssinet (2009), the influence of the government was also exerted through several complementary channels. First another negotiation tackled the question of the representativeness of trade unions. This issue was included in the programme of Nicolas Sarkozy and new criteria for representativeness, based on the results of professional elections, were eventually promulgated in the law of August 2008.¹²⁸ This change was intended to facilitate the conclusion of agreements between the employers' associations and the so-called 'reformist' trade union confederations (in particular CFTD) or, at the local level, employees' representatives. Second, the TEPA law on work, employment and purchasing power of August 2007 led to a significant sponsoring of overtime work¹²⁹ which furthered the previous efforts made to dismantle

¹²⁷ The pension reform promoted by Sarkozy faced a substantial opposition from trade unions. The social movement culminated in September 2010 with over two million demonstrators in the French streets.

¹²⁸ After the first implementation of the election result-based rule in 2013, the five confederations previously considered as representative remained so. The three 'reformist' confederations (CFTD, CFTC, and CGC) obtained together 51 per cent of the votes.

¹²⁹ Overtime wages were exempted from income and payroll taxes.

the thirty-five-hour week.¹³⁰ In fact, the government even added at the end of 2007 the length of work-time to the list of items to be discussed in the negotiation. Third, the projects to reorganize the public service of employment and merge UNEDIC (originally: Union Nationale Interprofessionnelle pour l'Emploi dans l'Industrie et le Commerce) with ANPE (Agence Nationale pour l'Emploi) had consequences for the space of negotiation. The activation measures under the responsibility of the UNEDIC would fall under the responsibility of the state or subject to a tripartite bargaining.

The ANI of 2008 was signed by three employers' associations (Medef, CGPME (Confédération Générale des Petites et Moyennes Entreprises), and UPA (Union Professionnelle Artisanale)) and four trade union confederations (CFDT, Force Ouvrière (FO), CFTC, and CFE-CGC (Confédération Française de l'Encadrement-Confédération Générale des Cadres)) out of five. It was therefore considered as an important political success. It led to the law of modernization of the labour market whose objective was to build the French style flexicurity promised by Sarkozy. The whole negotiation had been initiated and framed by the government, which had exerted a significant pressure on the participants, particularly the trade union confederations. Trade unions were in a defensive position because of the proximity between Sarkozy's manifesto and employers' demands. The 'reformist' confederations preferred to obtain minor concessions rather than run the risk of having the government promulgate a law satisfying entirely the demands of employers' associations. Unions and Medef also had a common objective, but for different reasons: to scupper the project of the single labour contract. The government was satisfied by the signing of an agreement that was a first step towards more ambitious labour market reforms and the establishment of the French-style flexicurity, which was the cornerstone of Sarkozy's strategy to keep the right social bloc together.

The ANI led to an extension of the trial periods for open-ended contracts, and a relaxation of the obligation of a real and serious cause for dismissal. A new type of fixed-term contract for high-skilled employees was created. The trade union confederations obtained the establishment of the portability of rights to training, and the acknowledgement that the open-ended contract was the basic labour contract form.

But the main outcome of the ANI was the introduction of the conventional termination of the employment relationship (*rupture conventionnelle*): an employee leaving voluntarily a job would be entitled to unemployment benefits and redundancy indemnity. Unlike a dismissal, a conventional termination did not require a motive. From the employers' point of view, the *rupture*

¹³⁰ The Fillon law of 2003 had extended the upper limit on extra hours. The possibility to negotiate this limit at the industry-level introduced by the Fillon law was later extended for each employee by the Bertrand law of 2008.

conventionnelle had the advantage of avoiding a redundancy procedure and the associated costs and uncertainty.¹³¹

At the beginning of his mandate in June 2007, Sarkozy had commissioned the former economic advisor of Mitterrand, Jacques Attali, to write a report including propositions to foster growth in France. The ‘commission for the liberation of growth’ chaired by Attali produced in January 2008 a voluminous report¹³² including no less than 316 propositions. Attali presented the report as a ‘coherent’, ‘non-partisan’ manifesto that had to be implemented as a whole and not partially. The report was intended primarily for Sarkozy’s administration, but according to Attali, could also be used by governments of other partisanship, leaving to governments of different hues the choice to distribute the gains from growth in the way they saw fit.¹³³

The report repeated well-known arguments already exposed in numerous reports a few years before, for instance the Sapir or Kok reports. France was allegedly clinging to outdated institutions inherited from the post-Second World War period and was missing out on the ongoing technological (digital) revolution because the necessary reforms had not been made. A major problem was the too large role of the state, which regulated too much, leaving little initiative to the civil society, hampering the efficiency of competitive mechanisms and preventing the blooming of ‘social dialogue’. Contrary to the post-war period until the 1980s, growth and innovation, spurred by competition, came from new firms, and not from protected oligopolies; hence the necessity to foster the birth and growth of start-ups.¹³⁴ Growth could come back if innovation was fostered through increased competition, with a financial system able to attract capital, and the opening of the economy to foreign trade and investment.

As often in this type of literature, the reforms were purportedly made in the interests of ‘outsiders’ (the unemployed, the young, etc.). But interestingly enough, the report defended explicitly the interests of ‘active middle classes’.¹³⁵

The report’s propositions were a mix of (i) classic neoliberal prescriptions such as the promotion of competition by opening protected trades and industries, the decrease in labour costs by shifting the financing of social protection towards VAT, the application of private sector-type governance to the public sector with the creation of independent agencies for education, health, administration, and the decrease in public expenditure by 1 percentage point of GDP for five years, the introduction of means-tested social benefits,

¹³¹ In 2010, it represented 20 per cent of all open-ended employment contract terminations, to be compared with the share of dismissals for economic motives (15 per cent), personal motives (47 per cent), and resignations (18 per cent) (Berta, Signoretto, and Valentin 2012).

¹³² Attali (2008).

¹³³ Attali (2008: 20).

¹³⁴ What Mazzucato (2014) calls the ‘Silicon Valley myth’.

¹³⁵ Attali (2008: 12).

the fostering of pension funds, financial deregulation;¹³⁶ (ii) 'modernist' recommendations concerning the promotion for 'social dialogue' and the preference for bargaining and contract between social partners over law in industrial relations (iii) the satisfaction of some customary demands of Medef (increase the minimum size for a mandatory representation of employees in works councils); (iv) recommendations to concentrate the financial effort on a limited number of actors, particularly in higher education (ten campuses of excellence had to be created); (v) harmless intentions (improve the level of education), and (vi) vague promises (to secure the conventional termination of employment, to provide an income for job seekers).¹³⁷

The report stressed that the new innovation age implied increased insecurities and called for increased protections for risk-takers. But the latter were understood to be entrepreneurs, not employees losing their jobs because of industrial restructuring. For them, the best protection was training and retraining, leading to improved employability.

The report promised much in terms of economic performance for the end of the mandate if the 316 recommendations were followed: 1 extra percentage point of GDP growth; an unemployment rate at 5 per cent (Sarkozy's electoral campaign promise); two million new houses, a participation rate of 50 per cent for seniors, a debt/GDP ratio at 55 per cent, and so forth.

If external conditions worsened, Attali (2008: 20) had warned, it would be necessary to speed up the implementation of the reforms recommended in the report. External conditions did worsen no later than six months after the publication of the report, but the financial crisis and the ensuing Great Recession led Sarkozy in another direction altogether.

In a famous speech in Toulon in September 2008, Sarkozy declared that the age of self-regulation and blind trust in the capacities of the market was over. In the light of the Great Recession, the French model did not seem so bad after all, as Sarkozy explained it in a speech at Columbia University in March 2010, making a comparison between the French and American social protection systems in the context of the US debate over Obamacare:

That it is possible to have such a violent debate about the possibility for the poor not to be left in the streets to face sickness, alone and penniless! Excuse me but we

¹³⁶ One of the objectives was to make Paris a major financial centre. To that effect, the recommendation was to design financial and stock market regulations after the UK model, in order not to handicap French financial actors in the international competition. One particular recommendation was to include the '*champions of finance*' (p. 95) in the body of regulators in order to increase their influence. This suggestion proved to be particularly ill-inspired in the light of the events that were about to take place six months after the publication of the report and the ensuing debates on the capture of the regulators by the financial industry.

¹³⁷ The vagueness of social measures, inevitable because, in the logic of the report, social partners had to negotiate them, contrasted with recommendations regarding Internet, which had a surprising degree of precision: for example, to make the transition from the IPv4 to IPv6 norm.

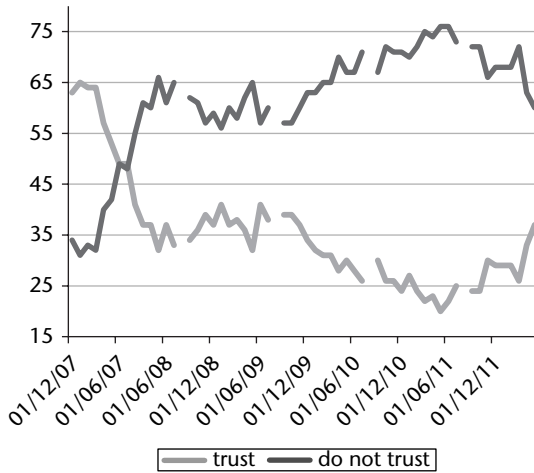


Figure 3.12. Percentage of respondents who trust president Sarkozy to solve France's current problems.

Data source: Survey TNS Sofres.

solved that problem fifty years ago. This raises problems and costs money because health is expensive. But we cannot let people die like that [...] if you come to France, if something happens to you in the street, you will not be asked for your credit card before being admitted to hospital [...] Welcome to the club of states that do not let down the sick persons.¹³⁸

The degradation of public finance prevented the implementation of the 'professional social security' and the rapid loss of popularity of the president (Figure 3.12) hampered any attempts at drastic reforms of the welfare state beyond the pension reform.

The rise of public debt, a consequence of the growth slowdown, and the Euro crisis put France in a weak position vis-à-vis Germany and constrained Sarkozy to follow Angela Merkel in her will to tighten the control of national budgets, which put the final nail in the coffin of the French-style flexicurity, as far as the security side was concerned anyway.

After 2010, the direction taken was to impose a certain austerity which, although not as extreme as in other European countries, had consequences for the satisfaction of the expectations of the different social groups even within the right bloc. In this spirit, the Attali commission published a second report that identified two problems to be solved rapidly: debt and unemployment. The former implied to cut down public expenditure (50 billion Euros in three years), including social expenditure, in order to bring the public deficit

¹³⁸ Speech at Columbia University, 29 March 2010.

under the 3 per cent limit. The latter, in spite of perfunctory references to a French style flexicurity again, was to be solved by letting the social partners negotiate the implementation of a flexible labour contract with protection increasing with tenure, which would eventually become the single labour contract. This latter element led to nothing, and the austerity course dominated.

The objective was to strengthen the eligibility conditions for unemployment benefits and reorient the financing of social protection towards VAT, a move which had two benefits from a political point of view: decrease the fiscal pressure of employers and increase that of mostly outside of the right block or considered already lost (low-income households); weaken unions by decreasing the amount of resources managed jointly with employers.

Other measures were considered at the end of Sarkozy's mandate, concerning the labour market. The so-called 'competitiveness-employment agreements' would trade-off employment against flexibility, enabling a negotiated reorganization of working hours according to a schedule longer than a week and at most a year. The practical consequence was that it would be possible to avoid paying extra hour compensations, which was a further blow against the thirty-five-hour week. Also, the collective agreement would be stronger than the individual labour contract, and working hour reorganization could then be imposed to an individual. These measures were not enough to reunite the right bloc to a sufficient extent and Sarkozy lost the election in 2012.

3.5.2 *The Left*

The strategy followed by the PS was more ambiguous because of the contradiction between the policy they wanted to implement, which could only be sustained in the long run with the support of a social base they did not yet possess, and the expectations of the social base of the left. Campaigning with a left manifesto was therefore necessary to win the election, but disappointing the left social base because of the policy options taken after the electoral victory was almost a certainty. The electoral defeats of the PS-led governments in 1986 and 1993 resulted from the growing gap between the economic policy implemented and the expectations of the left bloc. The existence of these contradictions explains the hesitations in the general course of action taken by the left government coalitions after 1983 regarding the model of capitalism that France should adopt, with a succession of measures destined to reunite the left bloc, and reforms or policy options that aggravated the rift within the bloc and made the search for a new social base, the *bloc bourgeois*, all the more pressing.

The political consequences for the PS were not so serious initially because the left coalition party that suffered the most was the PCF. The decline of the PCF's electoral share had begun before the left came to power in 1981, but it

Table 3.1. Electoral scores at the legislative elections (first round).

	1978	1981	1986	1988	1993	1997	2002	2007
PS+MRG+DVG	24.7	38.2	32.1	37.5	20.1	27.8	27.9	28.0
PCF	20.6	16.1	9.8	11.2	9.1	9.9	4.9	4.3
Far left	3.3	1.3	1.5	0.4	1.7	2.5	2.8	3.4
Green parties	2.1	1.1	1.2	0.4	4.0	4.4	4.5	3.3
UMP/RPR-UDF	46.7	42.9	44.6	40.5	44.1	36.2	43.9	45.6
MoDem	–	–	–	–	–	–	–	7.6
FN/Far right	–	0.4	9.7	9.7	12.9	15.3	12.2	4.7

Data source: Ministère de l'Intérieur.

accelerated after having participated to PS-led governments without having much of an influence on the main policy options. Looking at Table 3.1, one sees that the most severe electoral losses of the PCF were incurred after the periods where a left coalition governed (1981–6, 1988–93, 1997–2002) and particularly in periods when the PCF was taking part in the government (1981–4 and 1997–2002), whereas the communist electoral share was stabilized or even increased when the right coalition governed. This negative evolution of the PCF's constituency made a reorientation of the PS towards an alliance with centrist political forces more necessary and realistic. However, most attempts failed. Mitterrand's re-election in 1988 gave the Socialist Party an opportunity and the prime minister Rocard called for a 'big bang' in the French political life, a radical change in the structure of political alliances. This break never occurred because the right parties still hoped to find a solution to the contradictions inherent to the right bloc. The victory of the left in the legislative election of 1997 was preceded by another setback in the quest for the centrist alliance, when Jacques Delors refused to be the candidate of the PS in the 1995 presidential election.

But the ambiguity strategy met its limits in 2002, when Lionel Jospin failed to reach the second round of the presidential election, losing the support of the left social base, with 60 per cent of the voters judging that he had not implemented a left policy during his term.^{139,140} This marked the end of the left coalition (*Gauche Plurielle*) including the PCF.

The ambiguity strategy implied constraints on the options taken by the PS-led governments between 1983 and 2002. One may sum up the strategy adopted as follows: neoliberal reforms were implemented in areas that were not at the core of the demands of the left social base, that is, at the top of the institutional hierarchy of the core social groups of the left bloc: social

¹³⁹ Data source: *enquête électorale* 2002.

¹⁴⁰ Trotskyite candidates gathered 11 per cent of the votes while Jospin's score was a little over 16 per cent.

protection and the employment relationship. If necessary, a quid pro quo was established between reforms on the product or financial markets and social reforms affecting the employment relation or social protection. The first option recalls the ‘quiet politics’ analysed by Culpepper (2011): reforms were made in areas with low political salience, such as corporate governance before the Great Recession. Tiberghien (2007) mentions ‘shameful reforms’ done discreetly by an administrative elite guided by a modernist ideology, and without political responsibility. Tiberghien (2007) also illustrates the second option with the quid pro quo between the neoliberal corporate governance reforms and New Economic Regulations law between 1997 and 2000, and the thirty-five-hour week reform. Important changes concerning the financial system and corporate governance were made in exchange for some extensions of employment protection, an increase in public employment and the thirty-five-hour week, itself an ambiguous reform that decreased the duration of the legal working week while at the same time extending the flexibility of work organization.

The neoliberal reforms made by the left until 2012 concerned mostly product markets and the financial sector, partly in relation with European integration. Looking at the evolution of the financial sector since the 1980s, one notices that the bulk of the liberalization reforms were undertaken under PS-led governments (Figure 3.13). Immediately after the U-turn, several laws

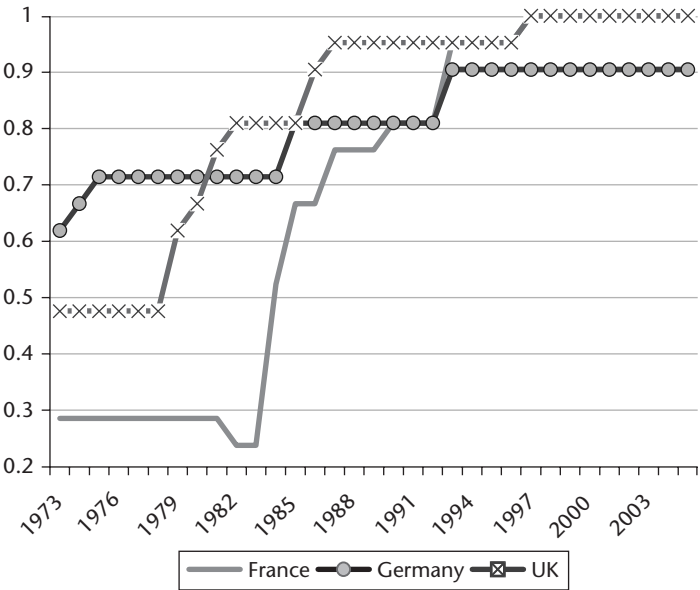


Figure 3.13. Financial development index.
Data source: Chinn and Ito (2006).

liberalized the financial sector, in particular the banking Act of 1984,¹⁴¹ the first major banking reform since 1945, which abolished the distinction between investment and commercial banks, allegedly for the sake of competition. The liberalization movement was confirmed by the law of 1986. These changes made possible the emergence of a particular type of universal bank, a model that was at the centre of the controversy regarding the role of finance during the financial crisis of 2008. The objectives of the changes that took place between 1984 and 1986 were to abolish the split between the different segments of the capital market in order to lower capital costs, to put an end to subsidized credits (which represented roughly 50 per cent of the credits to the economy during the early 1980s), and more generally to liberalize the whole financial system in order to make it more competitive. In practice, this transformation led to the emergence of giant ‘systemic’ banks of the ‘too big to fail’ type.

These first steps were followed by the liberalization of capital movements in 1988–90, the lowering of taxes on capital (1990), the creation of a generous fiscal regime for stock options by finance minister Dominique Strauss-Kahn, under the form of a discreetly added amendment to the 1998 budget bill.¹⁴² The Jospin government also introduced defined-contribution ‘salary savings plans’, whereas one of Jospin’s campaign promise was to repeal the Thomas law, which had instituted a particular type of ‘retirement savings plan’. The idea was again to introduce French-style pension funds in order to provide French firms with the type of patient capital that they lacked, particularly after the demise of the ‘*noyaux durs*’ following the AXA–UAP merger, the emergence of American pension and hedge funds as major investors in the French stock exchange and the diffusion of ‘shareholder value’.¹⁴³ What the Jospin government did was to replace the initiative granted to the employer by the Thomas law by the necessity of a collective agreement to create the various contributive schemes regrouped under the employee savings plans.

Liberalization in product markets concerned mostly privatizations. When the left came back to power in 1988, it did not reverse the privatization decisions taken by the preceding right government. The official doctrine was that there would be neither additional privatizations nor nationalizations, which amounted to admit the substantial privatization wave of 1986–8. No privatization included in the 1986 Act passed by the right government was implemented but the period was nevertheless marked by a series of partial privatizations, by capital opening in public firms or by selling assets. The pursuit of this movement paved the way for further privatizations.

¹⁴¹ Delors was finance minister.

¹⁴² Tiberghien (2007). By contrast, in 1996, the right had increased social contributions on capital gains in order to increase fiscal receipts.

¹⁴³ Morin (1998); Naczyk (2013, 2016).

Between 1997 and 2002, under the Jospin government, a massive privatization programme was launched, in direct contradiction with the promises made during the election campaign, when Jospin had stated his will to put an end to privatizations.¹⁴⁴ Consequently, the manifesto of May 1997 stated that privatizations would be stopped and the public sector promoted: 'Security, education, transports, health, post, telecommunications [...] we refuse the privatisation of public services.'¹⁴⁵ However, once elected, Jospin declared before the National Assembly that while not favourable to privatizations, he was not hostile to 'necessary changes' in order for public firms to be competitive and strike alliances with European partner firms.

In fact, the action of his government went much further than that, and more firms were privatized than under the preceding right governments. The number of public firms decreased from 2506 to 1623 between the end of 1996 and the end of 2002; the share of public employment dropped from 6.5 per cent to 5 per cent.¹⁴⁶ After the privatizations of the Jospin government, public presence in banking and insurance had all but disappeared and the public ownership in industry was significant only in utilities and network industries. Significantly, eight of the twenty-one firms included in the 1993 Privatization Act voted under the Balladur government were privatized under the Jospin administration.¹⁴⁷ There was, however, a difference with the Balladur privatizations insofar as the objective was no longer to stabilize private ownership by the constitutions of 'hardcores' of shareowners, but on the contrary to favour the restructuring of firms and the emergence of European champions such as EADS (European Aeronautic Defence and Space),¹⁴⁸ which implied a change in ownership structures. These privatizations were potentially more dangerous for the political stability of the left coalition government than previous privatizations of industrial firms because they would have direct consequences for employment.

Coming back to power in 1988, the left did little to repeal the labour market liberalization laws passed by the right. In conformity with the 'second left's' ideology, prime minister Rocard encouraged CNPF and unions to negotiate in order to find an agreement on how to amend the legal framework. The decree of August 1989 did not reintroduce the prior administrative authorization for collective dismissal, it merely formulated an obligation for firms with more than fifty employees to formulate a social plan in case of collective redundancies. An Act of January 1993 introduced minimum requirements for social plans. A modest action was also engaged regarding temporary and fixed-term employment. The Act of July 1990 restricted the recourse to temporary

¹⁴⁴ *Le Monde*, 14 November 1996.

¹⁴⁵ *Programme électoral du Parti socialiste pour les élections législatives de 1997*, « Changeons d'avenir. Nos engagements pour la France ».

¹⁴⁶ Cos (2011).

¹⁴⁷ Cos (2011).

¹⁴⁸ Tiberghien (2007).

employment to three specific cases, the maximum duration of a fixed-term contracts was lowered to eighteen months (instead of twenty-four) and the end-of-contract bonus was increased.

In the *quid pro quo* logic, the massive liberalization movement affecting the financial sector and product markets was accompanied by a left orientation of the policy in the labour market and social protection areas. The *nouvelles réglementations économiques* (new economic regulations, NRE) bill introduced in exchange for the *loi de modernisation sociale* (law of social modernization),¹⁴⁹ which increased the end-of-contract bonus for fixed-term contracts to 10 per cent of total pay and extended the necessary period between two fixed-term contracts for the same position. The Act also increased the requirements that firms had to fulfil in case of collective dismissals and restrained the definition of layoffs for economic motives. This latter aspect was subject to partial censorship by the Constitutional Council.

The other important reform of the Jospin administration was the thirty-five-hour law,¹⁵⁰ which was the occasion of a major clash between the left government and the employers' associations. The conference on employment, wages and work-time of October 1997 was concluded by the announcement by the left coalition government of a decrease in the legal work-time from thirty-nine to thirty-five hours a week. CNPF decided in return to withdraw its participation to all national-level negotiations except on youth employment. Signalling the end of an era, the president of the CNPF resigned from his position and the new management of the organization aimed to move away from high-level negotiation with the state, and established firm-level bargaining as its major axis for social dialogue. Industry-level negotiation could be envisaged if need be but the inter-professional level was to be avoided because it was considered too close to the political level, where the influence of the left government was too important.

The will to distance themselves from the state was also present in the initiative taken two years later by Medef. They proposed in 1999 the elaboration of a new 'social constitution' to the five representative trade union confederations. This was to become the so-called '*refondation sociale*' (social re-foundation),¹⁵¹ whose objective was to promote the emergence of pattern of collective bargaining without the state. In its original proposition, Medef criticized the 'confusion' between the respective legitimate areas of regulation

¹⁴⁹ Tiberghien (2007).

¹⁵⁰ Bouillaud (2014): at the beginning of the 1990s, there was pressure coming from academic, associative, and union circles in favour of the thirty-five-hour week and work sharing in general. The right had even partially given in to this pressure with the Robien law of 1996, which enabled a firm-level negotiation of work-time reduction. Most estimations of the impact of the thirty-five-hour week on employment converge towards an increase of 300,000 to 350,000 jobs (Heyer 2012).

¹⁵¹ See Lallement and Mériaux (2003).

of the State and the social partners. Following a broad liberal tradition distinguishing strictly between civil society and the sphere of intervention of the State, Medef wanted the establishment of an 'autonomous social sphere' where employers and unions would define the rules regulating employment relationships and social protection through social dialogue and negotiated agreements, distinct from the sphere that would be strictly the state's jurisdiction.

The initiative was favourably considered by the so-called 'reformist' confederations (CFDT and CFTC), and the broad idea was adopted by the government. But the difficulties appeared with the negotiations concerning the unemployment benefits reform in 2000 and 2001. For Medef, the unemployment insurance should be used as an incentive for an active job search. The idea of Medef was that each unemployed would have to sign a contract stipulating the obligations regarding job search efforts, and the payment of the unemployment benefit would depend on the respect of these obligations. The contract would also include controls and automatic sanctions. Moreover, the definition of a suitable job would be adjusted downwards for long-term unemployed.

There was there a potential conflict of jurisdiction because the so-called solidarity regime of unemployment insurance was managed by the state and more generally, employment policy was defined by the state. The government was not ready to accept such an infringement on its prerogatives. A political conflict was also inevitable because a left coalition could not let the employers' association, even allied with some so-called reformist trade unions, define crucial elements of employment policy, an item very high up in the institutional hierarchy of the left bloc. CFDT and CFTC signed an agreement with Medef that was rejected by the government because some of its dispositions were contrary to labour law.¹⁵²

An agreement was only possible once the government took part in the bargaining with Medef and three union confederations (CDFT, CFTC, and FO). The outcome was the PARE (*Plan d'aide au retour à l'emploi*) in 2001, which introduced obligations for the unemployed in the new insurance regime. The new indemnity regime put an end to the benefit decreasing over time scheme introduced by the right in 1992. The left government had defended the welfare state against the attacks of Medef allied with some 'reformist' trade unions, signalling thereby the importance of this institution for the left bloc.

¹⁵² In particular, the mandatory character of the contract that the unemployed would have had to sign to gain access to unemployment insurance. See Amable (2016b).

Appendix

Estimations for 1988

Data: post-electoral survey CEVIPOF 1988

Political preferences:

One may imagine that the government may be formed by a coalition of several parties. Among the following possibilities, which one do you prefer: PS+PCF, PS only, PS and Centre parties, RPR+UDF (mainstream right), RPR+UDF+FN, PS+UDF+RPR

Policy expectations:

Do you agree/disagree that there are too many immigrants in France?

Do you think that homosexuality is morally condemnable?

To face the current economic situation, should the state control and regulate firms more strongly?

Are nationalizations positive?

Would the suppression of the right to strike a serious attack on civil rights?

Same question for the free choice between public and private schools

Same question for trade unions

Same question for free enterprise

Do you agree with the idea that the state should guarantee a minimum income to every household?

Same question about the need for a hierarchy in society

Do you agree with the proposition that school should foster children's critical sense?

	There are too many immigrants	Homosexuality is condemnable	The state should control the firms	Favourable to nationalizations	Suppression of the right to strike would be serious	Suppression of the free choice of schools would be serious	Suppression of trade unions would be serious	Suppression of free enterprise would be serious	The state should provide a minimum income	School should foster critical sense
Woman		-0.336*** (0.066)		0.223*** (0.068)	-0.510*** (0.067)		-0.244*** (0.065)	-0.297*** (0.091)	0.149** (0.070)	
Age										
18 to 24	-0.673*** (0.116)	-1.201*** (0.125)		0.445*** (0.103)	-0.445*** (0.115)	-0.375*** (0.097)				1.472*** (0.156)
25 to 34	-0.660*** (0.082)	-1.062*** (0.109)								0.997*** (0.125)
35 to 44	-0.396*** (0.087)	-0.567*** (0.111)		0.212** (0.086)		-0.194** (0.084)				0.529*** (0.129)
Over 55		0.608*** (0.107)			-0.451*** (0.077)					-0.569*** (0.129)
Churchgoer		0.538*** (0.120)	-0.668*** (0.162)	-0.363*** (0.123)	-0.322*** (0.116)	1.011*** (0.142)			-0.307** (0.151)	
Risk of unemployment			0.187** (0.089)							
Income										
2nd decile				0.297** (0.119)						
3rd decile										
4th decile	-0.439*** (0.111)								-0.366*** (0.124)	
5th decile	-0.464*** (0.113)				0.267** (0.110)				-0.296** (0.127)	0.437*** (0.128)
6th decile	-0.344*** (0.120)				0.307*** (0.117)				-0.599*** (0.127)	
7th decile	-0.568*** (0.117)	-0.310*** (0.111)							-0.656*** (0.128)	0.391*** (0.129)
8th decile	-0.445*** (0.115)	-0.474*** (0.105)						0.520*** (0.165)	-0.784*** (0.123)	0.254** (0.125)

9th decile	-0.433*** (0.132)	-0.441*** (0.121)	-0.262* (0.148)	0.300** (0.131)	0.342*** (0.128)	0.566*** (0.202)	-1.085*** (0.137)	0.409*** (0.146)
10th decile	-0.665*** (0.132)	-0.816*** (0.114)	-0.686*** (0.169)			0.522*** (0.193)	-1.195*** (0.133)	0.553*** (0.145)
Occupation								
Craftsman, shopkeeper			-0.601*** (0.201)	-0.553*** (0.119)	-0.511*** (0.123)			
Public sector	-0.518*** (0.149)		0.819*** (0.193)	0.623*** (0.152)	-0.392*** (0.150)		0.548*** (0.158)	0.854*** (0.175)
high-skilled	-0.487*** (0.167)							0.671*** (0.195)
Private sector								
high-skilled			0.383** (0.184)		-0.364*** (0.138)	-0.358** (0.181)	0.334** (0.150)	0.373*** (0.156)
Private sector			0.782*** (0.165)		0.360*** (0.136)		0.727*** (0.146)	0.280*** (0.141)
clerks				0.660*** (0.138)				
Public sector				0.709*** (0.137)				
clerks			0.365*** (0.137)	0.402*** (0.097)	0.232*** (0.097)		0.403*** (0.102)	0.674*** (0.101)
Technicians	-0.381*** (0.091)	-0.275*** (0.086)			-0.207** (0.091)		0.733*** (0.098)	
Skilled blue- collar workers	0.223*** (0.081)	0.204** (0.080)	0.972*** (0.127)	0.808*** (0.092)	-0.345*** (0.082)	-0.572*** (0.102)	0.733*** (0.098)	
Specialized workers	0.311** (0.143)		1.069*** (0.175)	0.827*** (0.158)	-0.545*** (0.138)	-0.443** (0.179)	0.675*** (0.164)	
Workers						-0.695** (0.344)		
Personal service workers			1.082*** (0.246)	0.789*** (0.258)			0.812*** (0.260)	
Student	-0.776*** (0.181)							1.244*** (0.262)
Retired							0.350*** (0.088)	
Unemployed				0.759*** (0.196)			0.327** (0.151)	

Structural Crisis and Institutional Change

Preferred government coalition (1988)

		PS—PCF	PS	PS— Centre right	UDF— RPR	UDF— RPR— FN	Ps— UDF— RPR
There are too many immigrants	strongly disagree	0.991*** (0.237)	1.275*** (0.221)	0.850*** (0.179)			
	strongly agree	-0.395** (0.193)		-0.687*** (0.144)	-0.469** (0.182)	0.978*** (0.211)	-0.385** (0.159)
Homosexuality is condemnable	strongly disagree rather disagree				-0.416** (0.166)		0.362*** (0.130)
The state should control and regulate firms more strongly		1.049*** (0.155)	0.718*** (0.141)		-1.106*** (0.234)		-0.443*** (0.150)
Opinion on nationalizations	Very negative				2.012*** (0.202)	1.698*** (0.236)	1.121*** (0.174)
	Rather negative	-0.621*** (0.185)			0.749*** (0.181)	0.492** (0.226)	0.568*** (0.132)
	Very positive	0.588*** (0.213)	0.758*** (0.207)			1.151*** (0.313)	
Suppression of the right to strike as an attack on civil rights	Not serious at all				0.589** (0.277)	0.885*** (0.263)	
	Not too serious				0.502** (0.210)	0.498** (0.238)	
	Very serious			0.336*** (0.116)		-0.729*** (0.206)	-0.433*** (0.130)
Suppression of trade unions	Not too serious	-1.574*** (0.434)	-0.775*** (0.248)	-0.405** (0.178)			
	Very serious	0.836*** (0.184)		0.389*** (0.119)	-0.365** (0.156)		
Suppression of the right to choose between a private and a public school	Not serious at all	0.793*** (0.235)					
	Not too serious	0.696*** (0.179)					
	Very serious				0.785*** (0.160)	0.743*** (0.184)	0.651*** (0.124)
	Not serious at all		-1.104*** (0.367)	-0.836*** (0.278)	-0.690** (0.272)		-0.490** (0.242)
Suppression of free enterprise	Very serious	-0.472*** (0.174)					
The state should provide a minimum income	strongly disagree				0.535** (0.255)		
	strongly agree					-0.302*** (0.114)	
A society needs a hierarchy	strongly disagree			-0.779*** (0.220)	-1.276** (0.553)	-1.210** (0.571)	-1.057*** (0.366)

	rather disagree	0.983*** (0.204)				
	strongly agree	-0.664*** (0.168)	-0.443*** (0.104)			
School should favour critical sense	rather agree			-0.535*** (0.163)	-0.573*** (0.202)	
Woman		0.387*** (0.141)	-0.277*** (0.097)			
Age						
18 to 24			-0.942*** (0.176)			
25 to 34			-0.575*** (0.114)			
35 to 44					0.263* (0.135)	
Churchgoer		-2.786*** (1.011)	-0.929** (0.376)			
Income						
3rd decile					0.761*** (0.271)	
4th decile		-0.785*** (0.258)				
6th decile			0.428** (0.195)	0.705** (0.274)	1.123*** (0.309)	0.547** (0.241)
7th decile			0.930*** (0.272)	0.729*** (0.246)	1.216*** (0.319)	1.649*** (0.349)
8th decile				0.600*** (0.183)	0.772*** (0.260)	1.001*** (0.305)
9th decile				0.509** (0.211)	0.929*** (0.285)	1.126*** (0.337)
10th decile				1.084*** (0.236)	1.176*** (0.307)	1.692*** (0.353)
						1.212*** (0.279)
Occupation						
Managers				1.591*** (0.504)		
High-skilled private sector					0.464** (0.223)	
Skilled worker			-0.656*** (0.197)			
Student			0.755*** (0.256)	1.185*** (0.300)		
Unemployed				-1.199*** (0.444)		-0.738*** (0.276)

Estimations for 1995

Political preferences

What party do you feel closest to?

Policy expectations

Concerning the following current problems in France, how would you rank their importance for your vote in the first round on a scale from 0 to 10?

- Personal security
- Social protection
 - Purchasing power/wages
 - Work-time sharing (decrease in the legal work duration)
 - Environment

Have you got a positive/negative opinion on Europe?

Should the priority of economic policy be given to competitiveness?

Do you agree/disagree with the following propositions?

- There are too many immigrants in France
- Homosexuality is acceptable

1995

	PCF	Far left	PS	Ecologists	UDF	RPR	FN
Importance of personal security					0.177*** (0.033)	0.176*** (0.022)	0.262*** (0.038)
Importance of social protection	0.152*** (0.042)		0.107*** (0.024)				
Importance of standard of living/wages				-0.131*** (0.039)			-0.132*** (0.035)
Importance of working hour sharing			0.102*** (0.021)		-0.095*** (0.029)	-0.053** (0.021)	
Importance of environment		0.331*** (0.091)		0.405*** (0.050)			
State intervention	-0.261*** (0.059)		-0.088*** (0.028)				
Opinion on nationalizations							
Very negative							0.845*** (0.225)
Rather negative							0.369* (0.194)
Very positive	1.054*** (0.205)	1.282*** (0.374)					0.936*** (0.230)
Attitude towards Europe							
Very negative			-1.147*** (0.242)	-1.510** (0.613)	-1.724*** (0.486)	-1.308*** (0.242)	

Rather negative	1.014*** (0.203)	1.091** (0.430)					0.787*** (0.188)
Very positive			0.417*** (0.095)				
Priority should be given to competitiveness	-1.181*** (0.341)	-1.927* (1.021)			1.256*** (0.155)	1.030*** (0.111)	0.594*** (0.186)
There are too many immigrants in France							
Strongly disagree	0.941*** (0.318)	2.025*** (0.445)	0.503** (0.239)	0.752** (0.317)	-1.145** (0.454)	-0.777*** (0.292)	-1.602** (0.679)
Rather disagree	0.607** (0.263)	1.148** (0.475)	0.351** (0.163)	0.637** (0.255)		-0.546*** (0.193)	-1.410** (0.548)
Strongly agree						0.565*** (0.105)	1.600*** (0.198)
Homosexuality is acceptable							
Strongly disagree			-0.280** (0.113)				
Strongly agree				0.388** (0.189)			
Woman	-0.607*** (0.176)						
Age							
18 to 24	-1.060*** (0.299)		-1.036*** (0.183)		-0.578* (0.297)		1.451*** (0.229)
25 to 34	-0.696*** (0.238)		-0.577*** (0.144)		-0.580** (0.235)	-0.295* (0.156)	0.838*** (0.210)
Churchgoer					1.872*** (0.244)	1.532*** (0.210)	1.430*** (0.341)
Risk of unemployment			0.228** (0.100)				
Income							
2nd decile							0.405** (0.206)
10th decile						0.430*** (0.157)	
Occupation							
Public sector high-skilled	1.067*** (0.363)		0.781*** (0.183)			-0.544** (0.216)	
Public sector clerk	1.114*** (0.332)		0.735*** (0.153)				
Private sector clerk			0.445*** (0.140)				
Technicians	0.974*** (0.313)					-0.691*** (0.169)	
Skilled worker	0.646*** (0.247)			-0.550** (0.233)	-0.793*** (0.206)	-0.863*** (0.126)	
Worker	1.301*** (0.370)		0.652*** (0.214)			-0.492* (0.255)	

(continued)

Structural Crisis and Institutional Change

1995 Continued

	PCF	Far left	PS	Ecologists	UDF	RPR	FN
Personal service worker						-1.151***	
Student			0.636***			(0.384)	
			(0.235)			0.579***	
Unemployed		1.034**				(0.215)	
		(0.409)					
Retired					0.513***		
					(0.160)		

1995

	Importance of personal security	Importance of social protection	Importance of standard of living/ wages	Importance sharing of working time	Importance of environment	The state intervenes too much in the economy	Opinion on nationalizations	Opinion on Europe	Priority to competitiveness	There are too many immigrants	Homosexuality is acceptable
Woman	0.146** (0.059)	0.116* (0.060)	0.144** (0.060)	0.177*** (0.059)	-0.248*** (0.059)	0.144** (0.063)	-0.227*** (0.076)	0.141** (0.062)	0.420*** (0.063)		
Age											
18 to 24		-0.289*** (0.095)		-0.234*** (0.088)	-0.385*** (0.087)			-0.578*** (0.130)	-0.759*** (0.141)	0.848*** (0.141)	
25 to 34			0.212*** (0.077)	-0.167** (0.074)				-0.690*** (0.108)	0.744*** (0.106)		
35 to 44		0.211** (0.084)	0.227*** (0.078)					-0.455*** (0.108)	0.439*** (0.107)		
Over 55	0.574*** (0.067)	0.267*** (0.074)						0.285*** (0.102)	-0.486*** (0.131)		
Churchgoer	0.302*** (0.116)		-0.335*** (0.112)		0.240** (0.112)		0.316*** (0.120)	-0.390*** (0.121)	-0.811*** (0.130)		
Unemployment risk					-0.150** (0.070)		-0.146* (0.076)	-0.262*** (0.094)			
Income											
2nd decile										-0.207** (0.102)	
3rd decile											
4th decile										-0.251** (0.119)	
5th decile		0.196** (0.082)			0.343*** (0.078)						

(continued)

1995 Continued

	Importance of personal security	Importance of social protection	Importance of living/ wages	Importance sharing of working time	Importance of environment	The state intervenes too much in the economy	Opinion on nationalizations	Opinion on Europe	Priority to competitiveness	There are too many immigrants	Homosexuality is acceptable
6th decile						0.460*** (0.136)			0.340** (0.164)		
7th decile						0.561*** (0.124)	-0.353*** (0.116)		0.391*** (0.140)	-0.360*** (0.115)	
8th decile						0.526*** (0.108)	-0.241** (0.101)		0.337*** (0.121)		
9th decile				-0.353*** (0.103)		0.542*** (0.117)		0.491*** (0.112)	0.544*** (0.127)	-0.301*** (0.109)	
10th decile			-0.439*** (0.105)	-0.471*** (0.115)		1.135*** (0.124)	-0.697*** (0.116)	0.550*** (0.124)	1.052*** (0.132)	-0.443*** (0.120)	0.326*** (0.118)
Occupation											
Manager				-0.493** (0.206)							
Craftsman & shopkeeper	0.322*** (0.107)	0.222* (0.118)	0.303*** (0.113)	-0.537*** (0.107)			-0.323*** (0.114)			0.541*** (0.117)	
Public sector high-skilled	-0.495*** (0.107)	0.254** (0.115)		0.385*** (0.113)		-0.267** (0.109)	0.306*** (0.116)	0.629*** (0.122)	-0.387*** (0.135)	-0.893*** (0.119)	0.327*** (0.116)
Private sector high-skilled								0.427*** (0.131)		-0.437*** (0.126)	0.300** (0.124)
Public sector employees	0.238** (0.104)	0.603*** (0.115)	0.518*** (0.112)	0.246** (0.105)					-0.598*** (0.138)		0.386*** (0.109)
Private sector employees		0.288*** (0.107)	0.233** (0.103)								

	Technicians	0.280** (0.120)	0.351*** (0.117)					
	Skilled workers	0.224*** (0.074)	0.432*** (0.088)	0.222*** (0.076)	-0.541*** (0.073)	0.313*** (0.079)	-0.203*** (0.078)	-0.941*** (0.106)
	Workers	0.296** (0.137)	0.432*** (0.138)		-0.460*** (0.127)	0.343** (0.140)		-0.763*** (0.185)
	Personal service employees			-0.576*** (0.215)				
	Police		0.421** (0.211)					
	Student	-0.483*** (0.113)					0.560*** (0.130)	-1.030*** (0.232)
	Unemployed				-0.252** (0.103)			0.354** (0.161)
	Retired							0.247** (0.113) -0.455*** (0.123)

Estimations for 1997

Political preferences

What party do you feel closest to?

Policy expectations

Are you for or against the fact that the EU would have a unique currency, which would mean that the euro would replace the franc?

Do you think that in the future, the political power of the EU should be strengthened in comparison to that of member states?

Do you agree/disagree that there are too many immigrants in France?

What is your opinion on privatizations?

Should the priority of economic policy be given to competitiveness?

Are you in favour of:

- decreasing the number of civil servants?
- Decrease the legal work week to thirty-five hours keeping the same monthly salary?

At the time of the November/December 1995 strike movement, did you feel solidarity with that movement?

	PCF	Far left	PS	Ecologists	UDF	RPR	FN
Replacement of the franc by the euro							
Strongly against				-0.541** (0.263)	-0.668** (0.286)	-0.491** (0.198)	0.780*** (0.193)
Rather in favour	-0.622*** (0.215)	-1.115** (0.441)	0.575*** (0.124)				
Strongly in favour			0.991*** (0.164)	0.590*** (0.207)	0.746*** (0.191)	0.364** (0.166)	
The power of the EU should be strengthened		1.052*** (0.368)	0.411*** (0.101)				
There are too many immigrants							
Strongly disagree					-0.558** (0.236)		
Rather agree			-0.544*** (0.123)	-0.647*** (0.188)			0.979*** (0.295)
Strongly agree	-1.118*** (0.247)		-0.632*** (0.143)	-0.975*** (0.224)		0.535*** (0.134)	2.073*** (0.278)
Priority given to competitiveness					0.571*** (0.161)	0.762*** (0.129)	0.614*** (0.187)

Opinion on privatizations

Very negative	1.438*** (0.265)	0.474*** (0.164)			0.569** (0.240)
Rather negative	0.722*** (0.248)	0.303** (0.122)	-0.458** (0.213)	-0.469*** (0.155)	
Very positive		-0.728*** (0.234)	0.734*** (0.207)	0.389** (0.183)	0.624*** (0.232)

Decrease the number of civil servants

Strongly disagree	0.753*** (0.207)	1.237*** (0.379)	0.287** (0.134)	0.402** (0.188)	
Rather agree			-0.430*** (0.121)		

35-hour week without wage cuts

Strongly disagree				1.073*** (0.217)	1.021*** (0.177)	0.840*** (0.230)
Rather disagree				0.787*** (0.189)	0.533*** (0.153)	0.488** (0.225)
Strongly agree	0.886*** (0.203)	0.836** (0.384)		0.346** (0.158)		

Solidarity with the strike movement of 1995

None at all	-1.418*** (0.449)	-1.282*** (0.172)	-1.323*** (0.292)			
Rather not	-1.503*** (0.394)	-0.833*** (0.128)	-0.529*** (0.188)			
Very much	0.560*** (0.206)			-1.166*** (0.400)	-0.872*** (0.244)	

Age

18 to 24	-1.067*** (0.319)	-0.835*** (0.178)	-0.617** (0.297)	-0.896** (0.362)	-0.575** (0.257)	
25 to 34	-0.898*** (0.263)	-0.640*** (0.148)	-0.633*** (0.209)	-0.736*** (0.218)	-0.732*** (0.175)	
35 to 44		-0.285** (0.133)		-0.547** (0.220)	-0.540*** (0.174)	
Churchgoer	-1.216** (0.611)			0.848*** (0.221)	1.023*** (0.181)	0.993*** (0.250)

Occupation

Public sector high-skilled	1.572*** (0.475)		0.737*** (0.273)			
Public sector clerk			0.459** (0.224)			
Private sector clerk			0.749*** (0.200)		0.404*** (0.140)	
Personal service worker			1.110*** (0.379)			
Police					1.403*** (0.375)	1.552*** (0.455)
Student			0.747** (0.348)	0.825** (0.401)	1.068*** (0.283)	

1997

	Franc replaced by euro	Strengthen the power of the EU	There are too many immigrants in France	Priority should be given to competitiveness	Opinion on privatization	Decrease in the number of civil servants	35-hour week with the same monthly salary	solidarity with the 1995 strike movement
Woman	-0.538*** (0.073)		0.167** (0.073)	-0.384*** (0.088)	-0.274*** (0.075)	-0.210*** (0.075)	0.178** (0.072)	
Age								
18 to 24			-0.754*** (0.137)	-0.485*** (0.133)	-0.285*** (0.104)		0.755*** (0.111)	-0.283** (0.133)
25 to 34			-0.586*** (0.092)				0.477*** (0.093)	
35 to 44			-0.533*** (0.090)		-0.333*** (0.088)		0.534*** (0.092)	0.287*** (0.087)
Churchgoer				0.312** (0.123)	0.279*** (0.106)	0.290*** (0.107)	-0.768*** (0.106)	-0.777*** (0.105)
Occupation								
Managers	1.078*** (0.246)			0.591** (0.261)	1.163*** (0.252)	0.848*** (0.234)	-1.519*** (0.245)	-1.331*** (0.245)
Craftsman & shopkeeper							-0.736*** (0.156)	-0.417*** (0.154)
Public sector		0.376*** (0.141)	-1.198*** (0.139)		-0.434*** (0.142)	-0.891*** (0.139)	0.595*** (0.145)	0.595*** (0.145)
High-skilled	0.819*** (0.141)		-0.694*** (0.159)	0.708*** (0.176)	0.600*** (0.163)	0.595*** (0.154)	-0.568*** (0.154)	-0.646*** (0.157)
Private	1.376*** (0.169)							
sector high-skilled								
Public sector clerk				-0.672*** (0.137)	-0.728*** (0.107)	-0.962*** (0.106)	0.453*** (0.105)	0.708*** (0.108)
Private sector clerk	0.298*** (0.097)		-0.211** (0.096)	-0.237** (0.115)				
Technicians			-0.311** (0.141)		-0.405*** (0.145)	-0.477*** (0.142)		

Skilled worker	-0.490*** (0.113)	-0.273** (0.106)	0.411*** (0.117)	-1.104*** (0.148)	-0.919*** (0.116)	-0.402*** (0.114)	0.753*** (0.111)	0.488*** (0.108)
Worker	-0.572*** (0.139)	-0.298** (0.141)	0.493*** (0.143)	-1.138*** (0.196)	-0.526*** (0.141)		0.823*** (0.139)	0.704*** (0.135)
Personal service worker				-1.479*** (0.362)	-0.611*** (0.220)	-0.857*** (0.218)	0.612*** (0.216)	0.844*** (0.214)
Police						-1.046*** (0.262)		
Student	0.563*** (0.133)		-0.895*** (0.172)			-0.683*** (0.135)		0.479*** (0.170)
Unemployed	-0.417*** (0.162)	-0.505*** (0.169)						
Retired						0.296*** (0.080)		

Estimations for 2002

Political preferences

What party do you feel closest to?

Policy expectations

Are you for/against and is it desirable/feasible

- The opening of the capital of EDF (publicly-owned electricity company)?
- A mandatory minimum service in public transport (in case of strike)?
- The decrease in income tax by a third in five years?

If the EU was abandoned tomorrow, would you be relieved or have deep regrets?

Do you agree/disagree that there are too many immigrants in France?

What is your opinion on privatizations?

Do you agree/disagree with

- decreasing the number of civil servants?
- the need for a hierarchy in society?
- Homosexual couples should have the right to adopt children?

What is your opinion on:

- the thirty-five-hour week
- The replacement of the franc by the euro

Do you think that the minimum income scheme (RMI) is an incentive not to work?

Do you think that firms should have the right to fire as they want?

	Far left	PCF	PS	ecologists	UDF	RPR	sovereignists	FN
RMI is an incentive not to work			-0.410*** (0.115)	-0.518*** (0.157)				
Firms should be free to fire	-1.885*** (0.529)	-2.077*** (0.527)	-0.939*** (0.149)	-0.712*** (0.200)				
Minimum service in public transport								
Not desirable	0.768** (0.349)	1.057*** (0.250)				-1.117*** (0.364)		
Decrease by a third in income tax over five years								
Desirable and feasible				-0.399*** (0.148)				
If the EU was abandoned, would you								
Be very relieved							0.584** (0.274)	
Have deep regrets			0.737*** (0.122)		0.617*** (0.215)	0.635*** (0.145)	0.608*** (0.227)	
There are too many immigrants in France								
Strongly disagree	0.709** (0.294)			0.354** (0.173)				2.391*** (0.539)
Rather agree						0.692*** (0.157)		3.552*** (0.522)
Strongly agree						0.734*** (0.171)		
Opinion on privatizations								
Very negative	0.914*** (0.328)	1.201*** (0.241)						
Rather positive					1.111*** (0.214)	0.883*** (0.137)		

(continued)

2002 Continued

	Far left	PCF	PS	ecologists	UDF	RPR	sovereignists	FN
Very positive					1.811*** (0.350)	1.267*** (0.270)		
Decrease the number of civil servants								
Strongly disagree								0.556** (0.238)
Rather agree		-0.922*** (0.316)						
Strongly agree		-1.422*** (0.531)						
Homosexuals should have the right to adopt children								
Strongly disagree				-0.764*** (0.179)		0.364*** (0.132)	0.510*** (0.195)	
Rather agree	1.280*** (0.306)		0.362*** (0.124)					
Strongly agree	1.164*** (0.370)				-1.149** (0.474)			
Opinion on the 35-hour week								
Very negative			-0.681*** (0.205)	-0.839*** (0.287)			-0.507** (0.242)	-0.696*** (0.248)
Rather positive		1.123*** (0.269)	1.036*** (0.142)	0.701*** (0.183)	-0.550** (0.238)			
Very positive		1.566*** (0.313)	1.544*** (0.184)	0.913*** (0.247)				
Opinion on the replacement of the franc by the euro								
Very negative	-1.163** (0.489)							
Rather positive					0.461** (0.227)			
Very positive				0.526*** (0.199)	0.767*** (0.296)			

Women	-0.542** (0.224)	-0.905*** (0.215)
age		
25 to 34	-0.590** (0.291)	0.413** (0.172)
35 to 44	-0.741** (0.300)	0.455* (0.233)
Over 55		0.798*** (0.147)
Churchgoer	-1.018*** (0.269)	-0.846** (0.395)
Income		
10th decile		-0.717** (0.313)
Occupation		
Managers	0.955** (0.437)	1.302*** (0.309)
Public sector high-skilled		1.065*** (0.241)
Technicians		0.598** (0.293)
Retired	0.839*** (0.135)	0.624** (0.275)
		0.806*** (0.188)

2002

	Opening of EDF's capital	Mandatory minimum service in public transport	Cut of income tax by one third in five years	Regrets about the end of the EU	Too many immigrants	Opinion on privatizations	Cutting the number of civil servants	Society needs a hierarchy	Homosexual couples' right to adopt children	–opinion on the 35-hour week	Replacement of the franc by the euro	RMI is an incentive not to work	Firms should have the right to fire
Woman		0.411*** (0.083)		–0.351*** (0.069)			–0.164*** (0.063)	–0.240*** (0.067)	0.278*** (0.066)	–0.130** (0.064)	–0.565*** (0.067)	0.158** (0.070)	–0.229*** (0.085)
Age													
18 to 24	0.327** (0.131)	0.495*** (0.167)		0.314** (0.123)	–1.052*** (0.138)		–0.544*** (0.113)	–0.837*** (0.148)	1.270*** (0.135)	0.280** (0.118)		–0.311** (0.132)	
25 to 34	0.264*** (0.094)	0.226** (0.115)			–0.909*** (0.104)		–0.455*** (0.081)	–0.357*** (0.111)	0.659*** (0.106)	0.291*** (0.089)			
35 to 44					–0.408*** (0.102)			–0.236** (0.109)	0.296*** (0.104)				
Over 55		0.264*** (0.096)			0.483*** (0.094)			0.468*** (0.097)	–0.370*** (0.136)	–0.392*** (0.075)			0.351*** (0.089)
Churchgoer			–0.447*** (0.125)	0.282** (0.130)	–0.317*** (0.119)	0.327** (0.131)	0.269** (0.118)		–0.804*** (0.142)	–0.400*** (0.122)			0.422*** (0.147)
Income													
3rd decile				0.227** (0.105)				–0.248** (0.100)	–0.194* (0.099)		0.249** (0.107)		0.307** (0.133)
5th decile											0.425*** (0.134)		0.476*** (0.166)
6th decile				0.343*** (0.095)	–0.291*** (0.088)	0.286*** (0.093)					0.656*** (0.099)		
7th decile					–0.324** (0.152)					0.474*** (0.145)	0.597*** (0.166)		

8th decile	0.350*** (0.134)	-0.260** (0.122)	0.489*** (0.135)	-0.525*** (0.120)	0.268** (0.124)	0.240** (0.114)	0.869*** (0.135)	0.392*** (0.150)
9th decile		-0.314** (0.122)	0.466*** (0.134)	-0.557*** (0.120)			0.840*** (0.137)	0.325** (0.152)
10th decile	0.485*** (0.134)	-0.294** (0.122)	0.993*** (0.153)	-0.621*** (0.122)	0.485*** (0.130)	0.300** (0.119)	1.235*** (0.143)	0.698*** (0.144)
Occupation								
Managers			0.621*** (0.230)		0.884*** (0.223)	1.145*** (0.202)	-0.708*** (0.200)	0.784*** (0.231)
Craftsman & shopkeeper	0.316** (0.157)				0.592*** (0.158)	0.709*** (0.136)	-0.733*** (0.143)	0.845*** (0.165)
Public sector	-0.353*** (0.128)	-0.373*** (0.136)	-0.575*** (0.122)	-1.357*** (0.121)	-0.480*** (0.129)	-0.713*** (0.115)	0.381*** (0.111)	-0.778*** (0.161)
high-skilled						-0.652*** (0.116)	0.421*** (0.130)	-0.856*** (0.141)
Private	0.377*** (0.145)		0.872*** (0.154)	-0.670*** (0.127)	0.535*** (0.144)	0.638*** (0.126)	0.451*** (0.137)	-0.624*** (0.152)
sector high-skilled								
Public sector clerk	-0.464*** (0.125)	-0.486*** (0.131)		-0.563*** (0.108)	-0.619*** (0.122)	-0.704*** (0.109)	0.562*** (0.113)	-0.560*** (0.136)
Private				-0.270*** (0.109)	0.250** (0.116)	0.442*** (0.100)	-0.338*** (0.129)	-0.473*** (0.142)
sector clerk				-0.331*** (0.129)			0.396*** (0.122)	-0.412*** (0.143)
Technicians				(0.116)			-0.318*** (0.088)	-0.862*** (0.172)
Skilled worker	-0.207** (0.102)	0.244*** (0.084)	-0.231*** (0.088)		-0.270*** (0.097)		-0.335*** (0.111)	-1.202*** (0.142)
Worker		0.294** (0.144)					0.291** (0.142)	-0.430*** (0.163)
Personal service worker							0.372** (0.162)	-0.591*** (0.186)
Police	0.540** (0.243)					-0.664*** (0.201)	-0.323** (0.164)	-1.253*** (0.275)

(continued)

2002 Continued

	Opening of EDF's capital	Mandatory minimum service in public transport	Cut of income tax by one third in five years	Regrets about the end of the EU	Too many immigrants	Opinion on privatizations	Cutting the number of civil servants	Society needs a hierarchy	Homosexual couples' right to adopt children	–opinion on the 35-hour week	Replacement of the franc by the euro	RMI is an incentive not to work	Firms should have the right to fire
Student			–0.758** (0.297)	1.028*** (0.348)	–1.108*** (0.291)			–0.736** (0.320)			1.588*** (0.329)	–0.755** (0.348)	
Unemployed			0.399** (0.179)		–0.369** (0.172)			–0.436** (0.177)				–0.641*** (0.182)	
Retired									–0.343*** (0.129)			0.396*** (0.078)	

Estimations for 2007

Political preferences

What party do you feel closest to?

Policy expectations

Do you agree/disagree with the following propositions?

- The unemployed could find a job if they really wanted to
- Homosexual couples should have a right to adopt children
- There are too many immigrants in France
- Employees who want to work more than thirty-five hours should be allowed to do it
- Income taxes should be raised for salaries above 4,000 euros per month

Do you agree that economic policy priority should be given to competitiveness?

Opinion on privatizations

Opinion on the EU

Do you think that the minimum income scheme (RMI) is an incentive not to work?

Do you agree that firing rules should be relaxed to decrease the reluctance of firms to hire?

Do you agree with that the number of civil servants should be reduced

Should the state control and regulate more the firms in order to face the economic difficulties?

What is your preferred option regarding nuclear energy?

	The unemployed could find a job if they really wanted to	Homosexual couples should have the right to adopt children	There are too many immigrants in France	Employees should be allowed to work more than 35 hours	Income tax should be raised for incomes over 4,000 euros per month	Priority should be given to competitiveness	Opinion on privatizations	Opinion on the EU	RMI is an incentive not to work	To decrease managers' reluctance to hire, firing should be made easier	The number of civil servants should be decreased	The state should control and regulate firms	Hostility towards nuclear energy
Income													
2nd decile									0.411*** (0.116)	0.195* (0.100)			
3rd decile								0.211* (0.114)					
5th decile					0.383*** (0.091)		-0.178** (0.090)						-0.205** (0.101)
6th decile					0.396*** (0.127)								
7th decile					0.713*** (0.113)	0.298** (0.133)		-0.256** (0.112)		-0.250** (0.115)			-0.321** (0.126)
8th decile					0.690*** (0.111)	0.467*** (0.130)		-0.272** (0.112)		-0.233** (0.115)	-0.207* (0.106)		-0.319** (0.126)
9th decile	0.230** (0.110)		0.216** (0.106)		1.034*** (0.113)	0.815*** (0.128)	-0.347*** (0.111)	-0.407*** (0.116)	-0.491*** (0.114)	-0.329*** (0.121)	-0.526*** (0.121)	-0.397*** (0.128)	
10th decile					1.212*** (0.123)	0.829*** (0.136)	-0.547*** (0.118)	-0.690*** (0.125)	-0.773*** (0.118)	-0.390*** (0.114)	-0.496*** (0.131)	-0.637*** (0.138)	
Occupation													
Craftsman and shopkeeper Manager	0.307** (0.149)				0.503*** (0.155)	0.379** (0.174)		-0.422*** (0.161)		-0.739*** (0.159)	-0.499*** (0.154)	-0.641*** (0.172)	
Public sector high-skilled	1.420*** (0.296)	-0.733** (0.299)	0.710** (0.291)	-0.736* (0.379)	0.893*** (0.289)	1.135*** (0.343)	-0.803*** (0.293)	-0.926*** (0.299)		-0.791*** (0.287)		-1.113*** (0.367)	
			1.620*** (0.334)					-1.888*** (0.365)	-1.367*** (0.393)		0.766** (0.328)		

Private sector high-skilled	0.862*** (0.114)	-0.366*** (0.117)	0.784*** (0.120)	0.463*** (0.136)	0.232* (0.120)	0.494*** (0.144)	-0.836*** (0.131)	-0.301** (0.130)	-0.260* (0.134)
Public sector medium-skilled	1.045*** (0.126)	-0.307** (0.123)	1.087*** (0.129)	0.825*** (0.142)					
Private sector medium-skilled	0.532*** (0.130)		0.784*** (0.131)	0.292* (0.150)					
Technician	0.448*** (0.133)		0.438*** (0.136)	0.469*** (0.151)					
Public sector clerk									
Private sector clerk				0.353** (0.178)					
Personal services worker	0.260*** (0.094)		0.295*** (0.095)	0.377*** (0.112)					
Skilled worker					0.416** (0.205)				
Unskilled worker				0.319*** (0.099)	-0.179** (0.078)	-0.590*** (0.111)	0.227*** (0.082)		-1.061*** (0.303)
Student	1.135*** (0.171)		0.574*** (0.171)	0.574*** (0.192)	0.288** (0.117)	0.545** (0.239)	-0.628*** (0.180)	0.740*** (0.094)	0.423*** (0.087)
Unemployed	0.775*** (0.159)			0.359** (0.156)	0.374** (0.153)				
Retired	-0.192*** (0.074)		-0.551*** (0.088)	-0.341*** (0.087)	0.184** (0.079)	0.411*** (0.096)	0.216** (0.088)	-0.467*** (0.080)	-0.375*** (0.085)
Woman		-0.551*** (0.064)	-0.402*** (0.065)			-0.648*** (0.083)	0.177** (0.070)	0.258*** (0.072)	0.391*** (0.074)

Age

18 to 24	-0.358** (0.145)	-0.908*** (0.118)	0.790*** (0.154)	-0.355** (0.161)		-0.712*** (0.217)	-0.567*** (0.151)	0.313*** (0.101)	0.428*** (0.110)	0.633*** (0.101)
25 to 34		-0.508***	0.655***	-0.187**		-0.269**		-0.179*		

(continued)

2007 Continued

	The unemployed could find a job if they really wanted to	Homosexual couples should have the right to adopt children	There are too many immigrants in France	Employees should be allowed to work more than 35 hours	Income tax should be raised for incomes over 4,000 euros per month	Opinion on privatizations	Opinion on the EU incentive not to work	To decrease managers' reluctance to hire, firing should be made easier	The number of civil servants should be decreased	The state should control and regulate firms	Hostility towards nuclear energy
35 to 44		(0.102)	(0.092)	(0.090)			(0.091)				
over 55		-0.263** (0.104)	0.404*** (0.092)		0.168** (0.082)						
		0.639*** (0.096)				-0.292*** (0.071)					
Churchgoer		1.076*** (0.128)		-0.308** (0.127)		-0.574*** (0.113)	-0.444*** (0.114)	-0.431*** (0.114)	-0.383*** (0.109)	-0.354*** (0.122)	-0.312** (0.128)
Rural	-0.207*** (0.078)	0.316*** (0.080)			-0.289*** (0.078)		0.179** (0.080)	0.254*** (0.089)			

2007

	far left	PCF	PS	ecologists	UDF	UMP	souverainists	FN
Income								
4th decile						0.509*** (0.160)		
5th decile		0.596** (0.277)			0.328** (0.166)	0.504*** (0.137)		
6th decile		-2.161** (1.032)						
8th decile					0.417** (0.198)	0.369** (0.168)		
9th decile					0.615*** (0.188)	0.400** (0.174)		
10th decile						0.434** (0.170)		
Occupation								
Craftsman and shopkeeper		1.228*** (0.426)				0.803*** (0.212)		
Private sector high-skilled	-1.280** (0.520)							
Private sector medium-skilled	-1.448** (0.593)							
Skilled worker						0.846*** (0.280)		
Unemployed				-0.501** (0.205)				
Woman	-0.371** (0.151)	-0.824*** (0.229)	-0.306*** (0.095)		-0.315*** (0.122)		-1.081*** (0.179)	
Age								
18 to 24	0.647*** (0.177)							
25 to 34							-0.842* (0.435)	

(continued)

2007 Continued

	far left	PCF	PS	ecologists	UDF	UMP	souverainists	FN
35 to 44		-1.070** (0.488)				-0.278** (0.120)		
Over 55		1.718*** (0.241)	0.847*** (0.101)	0.449*** (0.165)				
Churchgoer					0.997*** (0.195)	0.638*** (0.168)	1.526*** (0.317)	0.533*** (0.184)
Rural								
The unemployed could find a job if they really wanted to								
Strongly agree		-0.965*** (0.347)			-0.456*** (0.148)	-0.211* (0.110)		
Rather disagree			0.599*** (0.112)	0.723*** (0.178)				
Strongly disagree			0.460*** (0.131)	0.632*** (0.200)		-0.533*** (0.182)		
Homosexual couples should have the right to adopt children								
Rather disagree			0.438*** (0.116)		0.504*** (0.147)	0.560*** (0.142)		
Strongly disagree	-0.478*** (0.163)	-1.013*** (0.264)				0.786*** (0.111)		
There are too many immigrants								
Strongly agree			-0.399*** (0.152)		-0.775*** (0.200)		1.531*** (0.236)	
Rather agree			-0.315** (0.124)		-0.512*** (0.140)		1.074*** (0.234)	
Strongly disagree	0.484*** (0.161)		0.267*** (0.118)	0.729*** (0.161)				

Employees should have the right to work more than 35 hours

Strongly agree	-0.414** (0.170)	-0.875*** (0.253)	-0.575*** (0.104)	-0.509*** (0.156)	0.460*** (0.118)
Rather disagree	0.698*** (0.256)		0.377** (0.174)	-0.731** (0.344)	-0.934** (0.373)
Strongly disagree	0.655*** (0.251)				-1.523*** (0.536)
Income tax should be raised for incomes over 4,000 euros per month					
Strongly agree	0.644*** (0.153)		0.253** (0.105)		
Rather disagree					0.275** (0.115)
Strongly disagree		-0.889** (0.361)			0.599*** (0.113)
Priority should be given to competitiveness	-0.523** (0.240)			0.751*** (0.129)	0.640*** (0.105)
Opinion on privatizations					
Very positive			-1.288*** (0.296)		0.399** (0.184)
Rather positive			-0.313*** (0.106)		0.403*** (0.105)
Very negative		1.072*** (0.228)			-0.391** (0.165)
Opinion on the EU					
Very positive			0.412*** (0.108)	0.603*** (0.128)	
Rather negative		1.026*** (0.237)			0.861*** (0.193)
Very negative		0.879** (0.345)			1.482*** (0.231)
RMI is an incentive not to work		-0.813*** (0.251)	-0.341*** (0.099)		0.235** (0.105)

(continued)

2007 Continued

	far left	PCF	PS	ecologists	UDF	UMP	souverainists	FN
To decrease managers' reluctance to hire, firing should be made easier								
Rather agree			-0.666*** (0.176)	-0.650** (0.293)				
Strongly disagree	0.748*** (0.170)					-0.328*** (0.104)	-0.642** (0.271)	-0.518*** (0.178)
The number of civil servants should be decreased								
Strongly agree		1.647*** (0.584)				0.388*** (0.117)		0.433** (0.199)
Rather disagree		1.913*** (0.501)	0.388*** (0.111)				-0.649* (0.338)	
Strongly disagree		2.347*** (0.495)	0.651*** (0.112)			-0.329** (0.134)		
The state should control and regulate firms								
	0.353** (0.159)			-0.373** (0.148)	-0.443*** (0.125)	-0.378*** (0.103)	-0.700*** (0.269)	
Nuclear energy should be abandoned and existing plants closed								
				0.575*** (0.150)	-0.269** (0.124)	-0.770*** (0.103)		

4

The Unsolved Contradictions of the Modernists

4.1 Before the 2012 Election

For the first time since the 1960s, the political strategy of the ‘socialists’ for the 2012 presidential election was no longer to look for a more or less explicit coalition with other left parties, the French Communist Party (Parti Communiste Français PCF), or the ecologists, as it was the case the last time a PS-led government was elected in 1997. The objective was to leave the possibility for other forces to join a PS (Parti Socialiste)-led government after the electoral victory of the PS candidate at the presidential election, who would then have made no specific commitment in this respect. This change of strategy was a significant step towards the consolidation of the *bloc bourgeois*. Electoral realism commanded to seek the support of the broad social base of the left, but strategic choices pointed in the direction of a policy that would not be bound by any obligations of a left policy orientation.

4.1.1 *Terra Nova (TN) and the Bloc Bourgeois*

Instructions regarding the electoral majority of the PS were written in a very explicit way in a publication of the so-called ‘progressive’ think tank TN. One major inspiration of that document was the political science literature that had focused on the ‘de-alignment’ or ‘de-structuring’ of the traditional relationship between social structural determinants and political preferences,¹ and on the importance of cultural values and the rise of post-materialist issues in the political debate.² This literature put forward a two-dimensional representation of the political space:³ (1) a socio-economic divide centred on material issues and redistribution, and (2) a cultural divide

¹ Dalton et al. (1984); Dalton (1988); Franklin, Mackie, and Valen (1992).

² Inglehart (1987, 1990, 1997).

³ Kitschelt (1993, 1994).

opposing authoritarian values and communitarian conceptions of justice to the values of cultural liberalism, internationalism, and gender equality.⁴ The emergence of the second, cultural, dimension of the political space would have for expected consequence to split the left into two different factions:⁵ one emphasizing economic issue and favouring state intervention and market regulation, with a social base consisting of traditional working class groups (the 'old left'), and another, to some extent supportive of market competition, with a social base composed of more educated and better off individuals, more concerned with post-materialist values (the 'new left').⁶

TN (2011) recommended that the PS should establish their electoral strategy away from the search of the support of the working classes, whose electoral weight was considered to be shrinking. This alone was contestable, since, according to the *enquête emploi* (employment survey) of Institut National de la Statistique et des Études Économiques (INSEE) for 2012, blue collars still represented 21 per cent of employed persons (29 per cent in 1982).⁷ The share had indeed decreased as deindustrialization progressed, but not to the point where it would be immaterial to relinquish that part of the electorate altogether.

The rationale for the change of strategy, according to TN, was that the demands of the working classes would be incompatible with the political project of the 'left'. First, globalization would make the economic policy expectations of the traditional social base of the left impossible to satisfy, and second, the 'cultural values' of the left would clash with the conservative attitudes of the working classes.

More precisely, the 'socio-economic values' of the working classes would tend towards a strong state, developed public services and generous social protection. All of this would be at odds with globalized capitalism: 'the social market economy, centred on the welfare state [...] proves to be incompatible with the new historic conditions of today's globalized world' (TN 2011: 6). A left economic policy would then be impossible to implement, or would have to be entirely redefined, away from the demands of the 'insiders' and towards those of the 'outsiders'. 'France of tomorrow gathers above all the "outsiders"' (TN 2011: 55). The role of the state would then be to help outsiders to overcome the obstacles to their success, to '*help them succeed*' instead of protecting the insiders. In this perspective, the adversary would not only be the 'individualist and liberal France', but also the 'blue collars and

⁴ Bornschier (2010).

⁵ This evolution has found an equivalent on the right, and the emergence of radical right parties during the 1980s and 1990s (Ignazi 1992, 2003) has been accompanied by the importance taken by new authoritarian themes related to traditional morals, exacerbated nationalist or regionalist elements, and anti-immigrant attitudes.

⁶ Lipset (1981); Kitschelt (1988).

⁷ Blue-collar workers represented 20.5 per cent and clerks 28 per cent of the employed population in 2014.

clerks [who] fear for their economic status (open-ended contract), [and] social benefits [...] and] want the intervention of the state, but to their advantage: to protect their acquired rights' (TN 2011: 55).

Just as the aforementioned political science literature identified the core social base of the new left as consisting of young urban highly skilled employees working in social and cultural services,⁸ TN advised that the PS should turn towards the highly educated, the city dwellers, and the young, adding the inhabitants of disadvantaged neighbourhoods, 'minorities' and women for good measure. Not certain however that this collection of (overlapping and sometimes fuzzy) groups would constitute an electoral majority, the extension of that base towards the middle classes was considered indispensable. In order to do so, a narrative centred on cultural values, toning down left-wing economic and social propositions, was strongly recommended.

This would of course clash with the expectations of the traditional working class on both counts: socio-economic and cultural values, because of the conservative leaning of protection-seeking blue-collars and clerks: pro-order and security, anti-immigration and Islam, rejecting Europe, defending traditions, and so forth.⁹ One found also in TN the echo of some contributions to political science,¹⁰ which viewed the traditional working class as the core social base of the radical right because of the importance of issues related to national identity. The conclusion of the analysis was that the working classes should be left to the Front National (FN): 'FN presents itself as a party of the popular classes, it will be difficult to counter it'.¹¹

4.1.2 *The Ambiguities of Hollande*

Following yet another recommendation of TN, the PS organized a primary open to all citizens who 'shared the values of the left'¹² for the designation of their presidential candidate. Nearly three million participants chose between six candidates, among which the 2007 contender Ségolène Royal, the former labour minister of the Jospin government, Martine Aubry, Arnaud Montebourg, who represented the left wing of the PS, Manuel Valls, who represented the right wing of the party, the secretary-general of the PS' satellite party radicaux de gauche (PRG) Jean-Michel Baylet and the first secretary of the PS, François Hollande. The latter won against Aubry in the second round of the primary.

Hollande had been associated with the defence of a certain economic orthodoxy within the party. He had co-written, with Jacques Attali and Jean-Louis Bianco, the speech delivered by Mitterrand that praised 'enterprise'

⁸ Kriesi (1998); Dolezal (2010).

⁹ TN (2011: 12).

¹⁰ Oesch (2008).

¹¹ TN (2011: 15).

¹² Lefebvre (2011).

in 1981,¹³ he had heartily supported the U-turn and the various pro-market reforms implemented during the 1980s under the Mitterrand presidency, when he was contributing to an economic column for the daily newspaper 'Le Matin',¹⁴ although he criticized the strong franc policy led by Pierre Beregovoy during the second term of François Mitterrand in a book co-written with Pierre Moscovici in 1991.¹⁵

In 1986, as a young PS candidate for deputation in a provincial industrial district of Corrèze, he was interviewed by a local television journalist on the inaction of the PS-led government regarding the economic difficulties of a local firm, and the threat of layoffs. Hollande rejected the idea that the state should intervene in the firm's decisions regarding employment. For him, the state could not do everything; its role was to subsidize the private sector not to act as a replacement of the firm's management. Employers were competent when it came to employment decisions, and 'there was no other solution'.¹⁶

Moreover, Hollande had always been a supporter of the reorientation of the PS and the left in general towards 'modernization'. Writing an op-ed for *Le Monde* in December 1984,¹⁷ at the time when the communists dropped out of the coalition government, he pleaded for a reorientation of the PS and the left in general, towards a 'modern' movement that would no longer aim at representing the interests of the working class, but those of society as a whole. The left, according to Hollande, was not an economic transformation project because '*rigueur*' (a.k.a. austerity) was indispensable, it was a system of values. In a book co-written under a pseudonym in 1985,¹⁸ he reformulated some well-known neoliberal themes, in particular regarding competition, which, according to Hollande and his co-authors, was a left concept: excess regulation and bureaucratization did not lead to socialism but to the protection of rents and privileges, and the satisfaction of particular interests. In this respect, deregulation was a necessary policy orientation for the left. The book also insisted on the necessity to modify the social base of the left, repeating the usual justifications in terms of the decline of the working class and the de-alignment of political and social positions. The new social base of the left should gather the skilled middle classes and the enlightened fraction of employers. The adversary were not the young executives and the investors,

¹³ Fulla (2016). See Chapter 3.

¹⁴ For instance, François Hollande, writing in *Le Matin* (12 February 1986) judged that the new financial market regulations (following the reforms of 1984–6) marked a 'considerable progress' regarding the responsibility of agents and the role of the market.

¹⁵ Moscovici and Hollande (1991).

¹⁶ The interview can be seen at <<https://www.youtube.com/watch?v=p8ccs-IL-eM>>.

¹⁷ *Pour être modernes soyons démocrates*. *Le Monde*, 16 December 1984, co-written with Jean-Yves Le Drian, Jean-Michel Gaillard, and Jean-Pierre Mignard.

¹⁸ Trans (1985), a book Hollande wrote jointly with Jean-Yves Le Drian, Jean-Michel Gaillard, Jean-Pierre Jouyet, Jean-Pierre Mignard. Jouyet later became minister of European affairs under the Sarkozy presidency and then secretary-general of the Elysée during the Hollande presidency.

but the rentiers and the speculators. In other words, the political line of Hollande was neoliberal at least since the mid-1980s.

As mentioned before, Hollande clearly had no intention to strike an alliance with other left parties before the presidential election, and certainly not with Jean-Luc Mélenchon, the candidate of the Front de Gauche (FdG),¹⁹ a former PS senator who had left the party in disagreement with its rightward drift, and a strong critic of Hollande's orientation. Hollande considered the political forces to the left of PS to be negligible. He declared in an interview to *The Guardian* that there were no more communists in France, or 'not many' anyway.²⁰ Nevertheless, the rather successful campaign of Mélenchon prevented him from being too open about the orientation he wanted to give to his presidency. Besides, he knew that he would need the votes of Mélenchon's supporters as well as Mélenchon's explicit support²¹ to win in the second round. The resistance of the left/right divide then imposed some constraints: the second round of the presidential election would oppose with near certainty Hollande to Sarkozy. To win, each candidate would need to obtain the support of respectively the left and the right bloc. Therefore, Hollande could not too openly orient his campaign towards the end of the traditional left bloc. Ambiguity was a political necessity.

The presidential campaign had been preceded by the publication of the PS manifesto, which was a compromise between the aspirations of the different factions within the party. The PS seemingly steered away from the Jospin doctrine ('yes to the market economy, no to the market society')²² to follow a more Polanyian inspiration, and declared that the economy, society and ecology could not be separated. The manifesto included economic policy propositions such as the alignment of the tax regime for stock options on that for wage income.²³ The PS timidly proposed that employees be represented in the executive and supervisory boards of large firms. This proposition was in fact more modest than that of the former prime minister of Chirac, Dominique de Villepin, who wanted a French-style codetermination with employees having as much as one third of the seats in these boards. This reluctance is a historic constant of (at least one part of) the PS. Although the second left was seemingly infatuated with 'self-management' (*autogestion*) or 'democratic management' in the 1960s and 1970s, their technocratic leaning pushed them towards the concentration of the decision power in the hands of a 'competent' elite.

¹⁹ The FdG gathered the Parti de Gauche (PG), created by J. L. Mélenchon, PCF, and a few other left movements.

²⁰ 14 February 2012.

²¹ A support he obtained on the very evening after the first round.

²² Jospin (2000).

²³ The advantages for stock option's tax regime originated in a decision taken by Strauss-Kahn in the Jospin government (see Chapter 3).

Regarding the most dividing issue for the left bloc, European integration, the PS manifesto could do no better than express the contradiction that had inhabited the PS since at least 1983²⁴ without finding a solution to it: 'two false solutions must be discarded, the idea that we could do without Europe and the idea that we could go on with Europe as it is'.²⁵ The only possibility left to a PS-led government would be to propose to France's partner countries a series of measures that had every chance to meet a strong opposition (particularly from Germany): the differentiated treatment of public expenditures 'oriented towards the future' (innovation, R&D, education) in the growth and stability pact in order to relax the budget deficit criteria; the creation of a European monetary fund financed by Eurobonds with, in return, the creation of concertation mechanisms beyond the stability pact; a European pact for social progress implying the creation of a European minimum wage; a path towards fiscal convergence with a European tax mechanism establishing upper and lower limits for taxes . . . Going back to the old idea of an 'economic government of Europe', the PS judged necessary to rebalance the exchange rate policy of Europe in favour of growth and employment, and impose reciprocity in the foreign trade policy. The manifesto also proposed a series of public infrastructure investments such as a new national programme for fast train tracks as well as the development of local railway lines.

Hollande did not even take on board most of the propositions of the PS during his campaign for the primaries or in his own presidential manifesto. He was keen to promote the image of a 'responsible left', promising not to put an end to Sarkozy's *rigueur* (i.e. austerity), but merely to put some sense into it. Hollande's position, contrasting with other contenders of the PS primary, was that the public deficit should be brought back under the 3 per cent limit as early as 2013, which implied a fiscal tightening effort of 50 billion euros for 2012–13. The objective was to get back the AAA rating which had been lost a few months before. This austerity would imply a strict control of public expenditure and no net hiring in the public service.

At the same time, Hollande could not entirely ignore the expectations of the left bloc. He introduced more typical left measures on fiscal matters, the fight against economic insecurity and the preservation of public services, in his manifesto. Although remaining vague on the details, he promised that a 'fiscal reform' should be the first and most important reform of his term. During the campaign, facing a competition on his left from J. L. Mélenchon, Hollande somewhat unexpectedly announced that, if elected, he would set up a temporary, two-year tax rate of 75 per cent for incomes over one million euros.

²⁴ And in fact much earlier.

²⁵ PS (2011: 15).

One important question raised during the presidential campaign concerned the financing of social protection and the type of taxation that should be devoted to it. The question was becoming increasingly pressing because a constant policy of all governments since the 1990s had been to decrease social contributions on low wages in the hope that this would boost employment. A measure of the preceding right government had been to increase the VAT rate as a step towards a so-called 'social VAT'. The PS candidate made the abolition of that measure a key point of his contestation of Sarkozy's economic policy.²⁶

His answer to the financial crisis and the banking problem was to promise in January 2012 to enact a law separating investment from deposit banking. This issue was widely discussed in other countries, in particular the USA and the UK, at the same time. Hollande also promised to suppress the possibility of using stock options and to regulate the use of bonuses. In a famous speech held at Le Bourget, he declared that his real adversary was 'finance'. He also announced that a tax on financial transactions would be enacted, hoping that other European countries would join France on that matter.

Concerning the main divide within the left, European integration, Hollande declared that he would change the course of European integration.²⁷ If elected, his plan was to ask for a renegotiation of the TSCG (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) before its full ratification and implementation.²⁸ This renegotiation would have had to take two directions: (i) obtaining precisions on the role of the European Court of Justice in monitoring budgetary discipline and the nature of the sanctions for countries which would not respect this discipline; and (ii) supplement the 'necessary discipline' for public finance with a programme promoting growth and employment. It should for instance have been possible to borrow in order to finance large scale industrial projects or for the European Investment Bank to increase its borrowing capacity. Regarding employment, it should have been possible within the framework of the European budget, to have structural funds enabling the support to investment projects in low growth countries. The project was also to introduce Eurobonds so as to mutualize the public debt of member countries.

However, the manifesto remained vague or silent on a series of key points for the left social base: the evolution of the minimum wage or wage policy in

²⁶ The Fillon government had increased the normal VAT rate from 19.2 per cent to 21.2 per cent in order to finance a 13 billion-euro exemption of social contributions for firms. The unequal character of that measure, consisting in raising taxes for households by means of a regressive tax scheme in order to alleviate the tax bill of firms had been stressed repeatedly by Hollande during the campaign.

²⁷ Interview in *Le Monde*, 8 February 2012.

²⁸ The treaty needed to be ratified by twelve countries before being implemented. Finland was in December 2012 the twelfth country. France had ratified it in October 2012.

general, or the precise evolution of public employment. The developmental aspect of most left-oriented industrial policy propositions was absent, with the exception of the promise to create an industrial development bank. Hollande promoted the mythical innovative start-up as the engine of growth, and more generally, small- to medium-sized enterprises (SMEs) were meant to be ‘a priority’.²⁹ The promise to associate employees to the governance of firms was even more vague than the PS manifesto. Labour market issues were blatantly absent of Hollande’s manifesto, apart from a mention of the fight against precariousness and the proposition to improve the security of professional trajectories. The term used in this respect, ‘*sécurisation des parcours professionnels*’, was reminiscent of the attempts to find a French style flexicurity, in particular Sarkozy’s.³⁰

Hollande was more revealing of his intentions in a declaration made before the Congress of the Sozialdemokratische Partei Deutschlands (SPD) in December 2011: ‘you have made important reforms here, in your country. In France, one has certainly been waiting for them for too long.’ Hollande referred to the Hartz reforms, which had significantly altered social protection and labour market regulation for long-term and senior unemployed in particular. The idea that the ‘economic miracle’ of Germany was attributable to these reforms was widespread, even before the Great Recession, but even more so after it, when the evolution of German employment contrasted vividly with the rise of unemployment in other developed countries.³¹ Hollande’s declaration echoed one made by Sarkozy three and a half years earlier: ‘in France, we are currently making the reforms that you, in Germany, have made a few years ago [...] we are reforming our labour market, our pension system, we are decreasing public expenditure’.³²

Fascination with the ‘German model’ and its capacity to associate social progress with competitiveness had been a constant of the economic policy discourse in France since at least the 1970s, when Germany was praised for its low inflation and currency stability. But this debate took a new turn in the 2000s and 2010s, when Germany became a model for successful ‘reforms’ in

²⁹ The importance of SMEs for employment is often overstated. According to Béguin, Hecquet, and Lemasson (2012), independent Small firms (under 250 employees) represent two million employees (12.5 per cent of business employment) whereas SMEs that are subsidiaries of a large company account for 1.45 million employees. Total employment of independent medium-sized enterprises (between 250 and 500 employees) represents 166,000 employees whereas subsidiaries of large firms employ 2.8 million people. The conclusion is that independent SMEs have a marginal role in the employment and export level of the French economy.

³⁰ Confédération Générale du Travail (CGT) had used the term ‘professional social security’ in the late 1990s, and Confédération Française Démocratique du Travail (CFDT) had talked about the necessity to ‘secure’ professional trajectories in the mid-2000s (Vila 2014). But these expressions tended to be increasingly associated with the notion of ‘flexicurity’. For instance, the report drafted by Edith Arnoult-Brill for the Conseil Economique et Social on the ‘*sécurisation des parcours professionnels*’ stated the following: ‘At the time when the European Commission present their recommendations on “flexicurity” to the member states, France must take the measure of the situation and find a way that takes into account its own economic, social and societal realities’ (Arnoult-Brill 2007: I-6).

³¹ Amable and Mayhew (2011).

³² Hanover, 3 March 2008.

the eyes of the French political class. The interpretation was that Germany succeeded in reforming its economic model by adopting *some* of the neo-liberal reforms in the fields of social protection and the labour market, while preserving the essential 'coordinated' elements of its model. The way out of the crisis was therefore to follow Germany's pattern and implement a policy of 'wage moderation', similar to what occurred after the establishment of the *Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit* (pact for work, education and competitiveness) during Gerhard Schröder's term in 1998. The economic rationale underlying this discourse was almost identical to the one that had justified the U-turn of 1983: productivity gains should be used for increasing profits and not wages, which would boost investment and ultimately employment. The only difference was that there was no longer any consideration of currency stability under the European Monetary Union (EMU) and inflation was no longer a problem worthy of attention.

But following the German way would involve more than simply re-orienting yet again the macroeconomic policy even more towards 'supply-side' considerations. The change of model that seemed to be required involved a retrenchment of the welfare state and an increase in labour market flexibility that had not been implemented in the three preceding decades. If one compares the evolution of the German and French welfare states using the data from the Comparative Welfare Entitlement data base, one sees (Figures 4.1–4.4) that the evolution of German social protection's generosity had been negative since the 1990s and 2000s in all dimensions (unemployment benefits, sickness benefits, and pensions). If Hollande was serious about following the German model, and one had every reason to believe that he was, one could predict a very serious change of structural policy orientation if he was elected.

4.1.3 *Marine Le Pen's new Front National?*

The FN in the 1980s was, pretty much like the *poujadiste* movement wherein Jean-Marie Le Pen had started his political career in the 1950s, an authoritarian ultraliberal but protectionist party, strongly rejecting state intervention in the economy and advocating drastic tax cuts. Ruffin (2014) recalls that J. M. Le Pen paraphrased Ronald Reagan in a speech of 23 April 1986 before the National Assembly: 'I want the state to get off of my back and take its hand out of my pockets'. The FN wanted to suppress the wealth tax and lower the corporate tax rate to 20 per cent. In the 1988 manifesto, the objective was to have 'lower taxes [and] less bureaucracy'. Social contributions were criticized for hampering French companies and preventing them from being competitive in the world markets. The only possibility for decreasing the income tax,

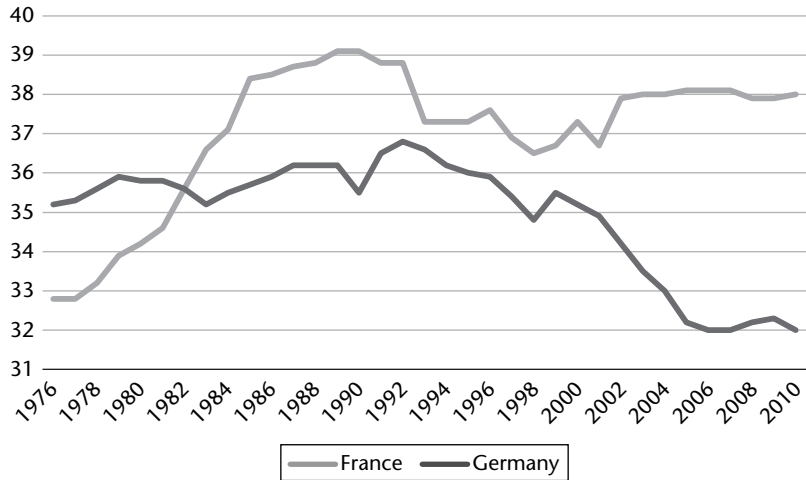


Figure 4.1. Combined generosity index of the welfare state for France and Germany.
Data source: Comparative Welfare Entitlement Database.

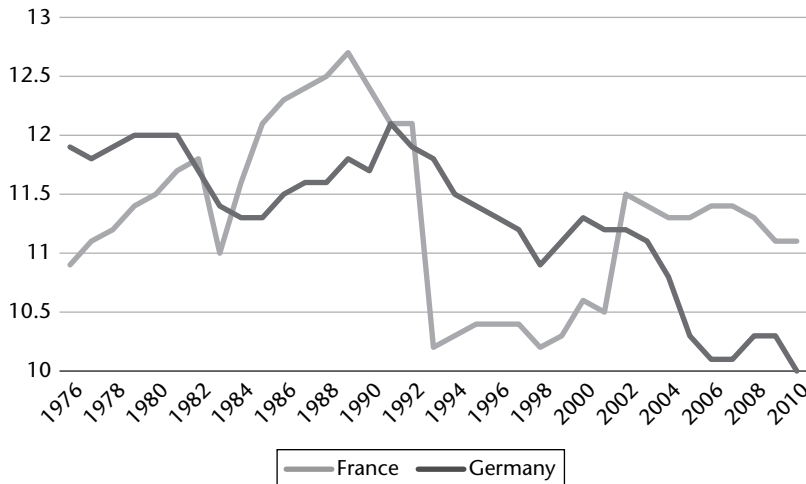


Figure 4.2. Unemployment generosity index.
Data source: Comparative Welfare Entitlement Database.

which acted as a strong disincentive according to the manifesto, was to impose ‘a diet on the state’. The 1995 manifesto proposed the abolition of the income tax within seven years, but also included at least one tax increase: that of the standard VAT rate of one point for three years. The rationale for this increased tax burden was the will to reduce the public debt.

In the 1980s the FN was more sensitive to the plight of the shareholders ‘maltreated by years of socialism’, and under the threat of the introduction of

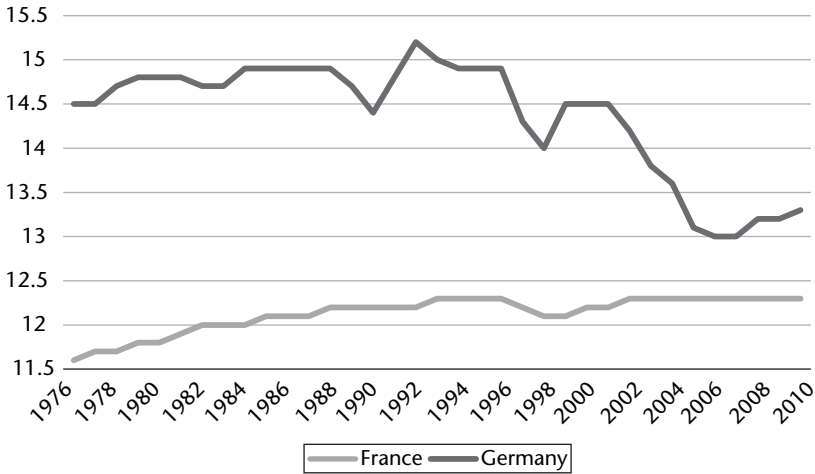


Figure 4.3. Sickness generosity index.

Data source: Comparative Welfare Entitlement Database.

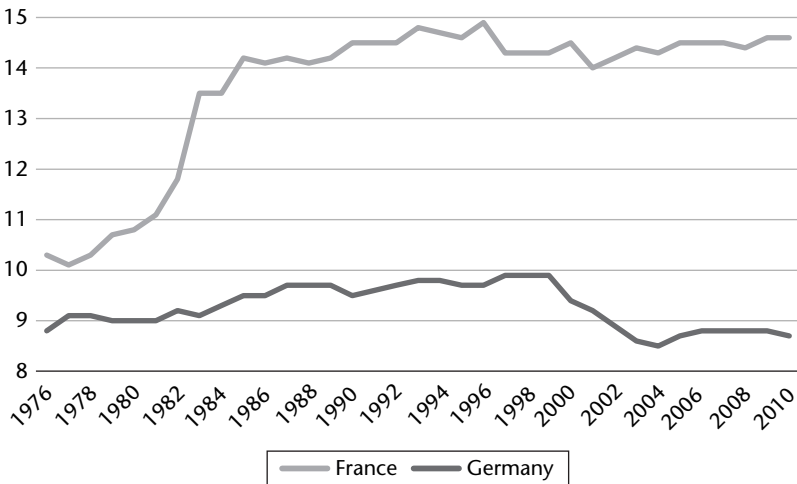


Figure 4.4. Pension generosity index.

Data source: Comparative Welfare Entitlement Database.

employee representatives in company boards,³³ than to that of the unemployed. The FN was also receptive to the problems that small firms faced, as opposed to the situation of large corporations. In the 2002 presidential election manifesto, Le Pen stated that the objective was to ‘[g]ive a job

³³ FN Deputy François Porteu de Morendière urged the government to respect the rights of shareholders in order to gain investors’ confidence (Ruffin 2014).

to each French citizen thanks to our small and medium-sized enterprises'. In order to create jobs, SMEs would need to obtain 'the means to ensure their development and prosperity [and] to take their place in the global competition'.

The FN's liberalism stopped at the French or European borders though; they were opposed to free trade and advocated the control of foreign trade. From this point of view, the opposition was against world trade more than Europe. In a leaflet from 1988 one read: 'For a European Europe, protecting its borders from Third World immigration and wildcat competition threatening its business'. And in 1995, Le Pen declared: 'To restore economic prosperity in France and Europe, one must control foreign trade. This can be done either by quotas on imports entering the French and European borders, either by setting up tariffs balancing the labour cost differentials [...] one must not treat in the same way the import of Chinese textiles and the software produced in the United States.' At that time, the enemy of the FN was globalization. Europe—understood as a Europe of 'nations' and not a federal one—was seen as a possibility to restore a form of protectionism.

The FN geared their strategy towards the less 'modernist' part of the right bloc, and remained oblivious to most of the demand of the working classes, always suspect to lean towards communism. The strategy of PS, geared towards the most 'modernist' and skilled part of the left bloc, opened the possibility of widening the social base of the FN. This implied reorienting somewhat drastically the FN's political strategy, running the risk of alienating part of the traditional constituency. The presidential manifesto of Marine Le Pen in 2012 put forward the opposition to European integration and the defence of French socio-economic model. The former theme corresponded partly to the FN's protectionist tradition. The latter was new and represented a U-turn from the Thatcherite inspiration that had dominated in the FN until then.

The 2012 manifesto wanted a renegotiation of European treaties in order to 'put an end to the dogma of free and fair competition' and 'lay the foundation for a Europe that respects popular sovereignty, national identities, languages and cultures'. A major axis of the campaign was the exit from the euro and the reopening of the possibility for a monetary financing of public deficit.

The income tax was no longer to be abolished but the priority was to 'make it more progressive [...] by creating new intermediate rates', increasing the top rate to 46 per cent in order for the middle class to pay less and the wealthiest to pay more. Because the progressive income tax was now considered fair, the housing and the wealth tax schemes would be reorganized according to that model. The taxation of dividends was to be reformed so that capital income should not be favoured in comparison with the treatment of labour income. The National Front no longer advocated a widespread VAT

increase: 'The staples will continue to benefit from the reduced VAT rate to 5.5%. However, VAT can be made more progressive, to generate new revenue and to meet the primary objective of fiscal justice. A majored VAT rate will be created for luxury products (luxury cars, luxury cosmetics and jewellery, among other examples).'

This proactive policy of income redistribution was presented as a broader strategy to defend a specific social model. The manifesto proposed an ambitious strategy for public infrastructures and services: development of the railroad network, preservation of the postal public services, improved access to healthcare throughout the country and especially in rural areas. The social model was promoted too since the manifesto promised that the PAYG pension system would be preserved, with full retirement with forty years of pension progressively restored as well as the legal retirement age at sixty. This is why Sarkozy's pension reform was deemed 'inefficient and unfair', which was exactly how unions presented it during the protest wave of 2010, a social movement to which FN never took part.

The solution to the unemployment problem was supposed to be the reindustrialization of France through support for SMEs and a reform of professional training. Support for labour income—especially low wages—was displayed as a major objective of the 'new' National Front: 'all wages up to €1,500 will benefit from a net increase of €200'; 'the wage index will be upgraded for small wages of the public sector'; and a 'revaluation of pensions will be made'. The indexing on inflation (which could be understood as a wage-cap considering the low rates of inflation) was also promised, as well as price caps on gas and electricity and staples.

Traditional nationalist FN elements were present too, in particular the 'national preference' for employment, social benefits and housing. In a somewhat unrealistic fashion, the FN manifesto expected 40 billion euros' savings from these measures combined a new trade policy. A 'smart border protection' would protect Europe from unfair trade competition from and relocation of industrial production to low-wage countries (tariffs and quotas imposed on Chinese imports and eastern countries). A 'buy French' Act was to be enacted.

The FN manifesto included some elements directly aimed at the traditional constituency of the far-right: praising SMEs, shopkeepers and craftspersons; professional training at the age of fourteen presented as a solution to youth unemployment; the strengthening of controls and sanctions for the unemployed; the flexibilization of the thirty-five-hour week; the implementation of competitiveness versus employments agreements (originally a proposition of Sarkozy); the suppression of the wealth tax and the introduction of the equivalent of the 'social VAT' on imported goods to offset a decrease in social contributions; the denunciation of the 'Keynesian system of over-indebtedness', an austerity programme of 70 billion euros' savings on public expenditure.

4.2 Social Structure, Economic Policy Expectations, and Political Support in the 2010s

This section presents the estimation of a structural model similar using the 2012 electoral survey (Sauger 2012) to those presented in Chapter 2 and in the Appendix to Chapter 3, linking policy expectations to social-structural determinants and political support to policy expectations.

4.2.1 *Presentation*

Political preferences are evaluated with the answer to the question about the degree of sympathy of the respondent for the different political parties. Nearly all the respondents (over 97 per cent) of the 2012 electoral survey answered the question on the degree of sympathy, whereas only 83 per cent gave an answer on their vote for the first round of the election. Respondents gave a grade to all parties. The parties were the FdG,³⁴ Europe Ecologie-Les Verts (EELV, ecologists), the PS, Mouvement Démocrate (MoDem; centre-right), Union pour un Mouvement Populaire (UMP; Sarkozy's party) and the FN. Each party was given a grade between 0 and 10.

The policy expectations were taken into account with the help of the following variables. Four degrees of appreciation of the nationalizations were considered, from very negative to very positive. 'Fairly negative' was the reference category. Expectations regarding labour market flexibility were appreciated through the answer to the question about the single employment contract. Four answers, from totally favourable to totally opposed, were available. 'Rather opposed' was the reference category. An important social protection reform of the Sarkozy presidency concerned the pensions. The reform led to a significant union-led contestation in autumn 2010 and one electoral promise of PS candidate François Hollande was to partially reverse it. One question of the survey asked the respondent to appreciate the fairness of the reform, grading it between 0 and 10. For all variables of that type, the grade itself will be the explanatory variable. Two other questions dealt with taxation and redistribution. One asked whether the respondent approved or disapproved government intervention to reduce income inequalities. Five answers were possible: totally agree, rather agree, neither agree nor disagree, rather disagree (reference category), totally disagree. Another question asked the degree of approval of an increase in VAT (grading it between 0 and 10). The issue of increasing the VAT in order to finance social protection, allowing for a decrease in social contributions and a drop in the labour cost, had been a debate before and during the electoral campaign, opposing Nicolas Sarkozy, who was in favour of it, to the left, opposed to it. Finally, three questions asked

³⁴ Strictly speaking, not a party but a coalition of left parties including among others the PCF.

for the respondent's position on strengthening the power of the EU versus the power of the French state, increasing or decreasing the number of nuclear plants, and increasing or decreasing the number of civil servants. The answers were grades between 0 and 10 for the degree of support to the proposition.

'Cultural' values were identified with the help of four questions, asking about the approval with the following propositions: homosexual couples have a right to adopt children; in a society, there must be a hierarchy with leaders; the unemployed could find a job if they really wanted to; there are too many immigrants in France. Categorical variables corresponding to approval were considered.

The empirical model was estimated with the maximum likelihood method, with probit or ordered probit estimations depending on the variable considered. Ordered choices were taken as categorical variables when they were explanatory variables (e.g. the degree of approbation of government's intervention to reduce inequality in the degree of sympathy for a party equations), except when these choices were a grade between 0 and 10. The estimation of the model started with the inclusion of all possible 'paths', that is, all possible explanatory variables in every equation. After having estimated the complete models, likelihood ratio tests were performed to check the significance of the various explanatory paths within the model (i.e. the significance of variable coefficients in the model's equations). The successive application of such tests led to the rejection at the 5 per cent level of 588 paths. This led to more parsimonious and robust models than the unconstrained specifications.

4.2.2 *Estimation Results*

The results of the estimations (Table 4.1–4.3) show strong economic policy-based divides between the left and the right. The issue of nationalizations, central to the economic policy debate of the late 1970s, still represented a source of political opposition in 2012. The difference with previous periods is that the support to nationalizations was less clearly identifiable in terms of social structural characteristics. In 1978 for instance, that issue opposed the traditional social base of the left (working classes, public servants) to the traditional social base of the right (churchgoers, seniors, high incomes). In 2012, fewer *groups* emerged as clear opponents or supporters of nationalizations. These were still strongly supported by public servants and opposed by high-income individuals, but the *specific* support of the working classes for instance seemed to be less strong. This was not the consequence of a general lack of interest or support however. Remarkably, a majority of respondents expressed positive opinions on that issue, which was not the case in 1978.³⁵

³⁵ Only 35 per cent of the respondents expressed a negative opinion on nationalizations in 2012.

Structural Crisis and Institutional Change

Table 4.1. Support to political parties in 2012. Significance levels: *** 1%, ** 5%, * 10%.

	FdG	ELV	PS	MoDem	UMP	FN
No adoption for homosexual couples	-0.164** (0.065)					
The unemployed cannot find work	0.214*** (0.066)	0.127** (0.064)	0.252*** (0.063)	0.209*** (0.062)	-0.366*** (0.064)	-0.304*** (0.067)
No need for a hierarchy with leaders in society			-0.230** (0.103)	-0.213** (0.106)	-0.398*** (0.108)	
Immigrants are not too many in France	0.490*** (0.072)	0.437*** (0.069)	0.325*** (0.069)		-0.401*** (0.069)	-1.078*** (0.081)
Single employment contract						
Strongly agree					0.228** (0.106)	
Strongly disagree	0.147** (0.072)					
Sarkozy's pension reform was fair	-0.103*** (0.011)		-0.071*** (0.010)	0.033*** (0.010)	0.165*** (0.011)	
Government's intervention to reduce income inequalities						
Strongly agree	0.142** (0.066)	0.300*** (0.062)	0.171*** (0.064)		-0.203*** (0.062)	-0.229*** (0.067)
Rather disagree	-0.513*** (0.133)		-0.380*** (0.126)			
Strongly disagree	-0.393*** (0.128)	-0.249** (0.118)	-0.355*** (0.118)			
Increase VAT		0.032** (0.016)		0.075*** (0.016)	0.043*** (0.016)	
Increase the power of the EU		0.060*** (0.011)	0.053*** (0.011)	0.045*** (0.011)		-0.084*** (0.012)
Keep on building nuclear plants	-0.043*** (0.012)	-0.110*** (0.012)		-0.029** (0.012)	0.047*** (0.012)	0.039*** (0.012)
Increase the number of civil servants	0.065*** (0.015)	0.056*** (0.014)	0.061*** (0.014)		-0.073*** (0.014)	
Wealth: over 300,000 euros	-0.286*** (0.083)		-0.170** (0.078)			
Income: 3rd decile		0.262** (0.105)				
Occupation						
High-skill public service						-0.365** (0.147)
High-skill private sector						-0.319** (0.146)
Public sector clerk				0.201** (0.094)		
Unemployed					-0.271** (0.113)	

The Unsolved Contradictions of the Modernists

Risk of income loss	−0.188*** (0.064)	−0.126** (0.062)	−0.223*** (0.061)		0.149** (0.067)
Women		0.166*** (0.059)			0.173*** (0.060)
Age					
18–24			−0.323*** (0.116)		
25–34				0.240*** (0.091)	
35–44				0.167** (0.075)	
over 55					−0.280*** (0.067)
Churchgoer	−0.302** (0.123)				
Lives in a rural area		−0.120* (0.062)			

Table 4.2. Policy expectations in 2012 (a). Significance levels: *** 1%, ** 5%, * 10%.

	Opposed to the single employment contract	Pension reform	Against state's intervention on inequality	Increase VAT	Increase the power of the EU	Nuclear energy
Wealth						
Over 300,000 euros	−0.207*** (0.077)	0.169** (0.074)		0.279*** (0.078)	0.216*** (0.069)	0.316*** (0.081)
150,000 to 300,000 euros			0.152** (0.064)	0.150** (0.063)		0.233*** (0.069)
75,000 to 150,000 euros						0.176** (0.088)
7,000 to 75,000 euros						0.155** (0.072)
Income						
4th decile					−0.153** (0.077)	
5th decile					−0.348*** (0.107)	0.363*** (0.107)
6th decile		0.181** (0.076)		0.191** (0.079)		0.151** (0.075)
7th decile				0.378*** (0.108)		
8th decile		0.192** (0.082)		0.286*** (0.083)		
9th decile		0.304*** (0.086)		0.295*** (0.088)		0.251*** (0.085)
10th decile	−0.241** (0.102)	0.459*** (0.102)	0.395*** (0.098)	0.340*** (0.104)		0.285*** (0.098)

(continued)

Structural Crisis and Institutional Change

Table 4.2. *Continued*

	Opposed to the single employment contract	Pension reform	Against state's intervention on inequality	Increase VAT	Increase the power of the EU	Nuclear energy
Occupation						
Craftsman, shopkeeper Manager		0.274** (0.118) 0.660*** (0.220)	0.577** (0.227)	0.650*** (0.216)	0.608*** (0.227) 0.425*** (0.098)	–0.400*** (0.100)
High-skill public service						
High-skill private sector		0.378*** (0.109)	0.433*** (0.113)	0.345*** (0.111)	0.458*** (0.105)	
Medium-skill public	0.377*** (0.093)				0.391*** (0.086)	–0.565*** (0.086)
Medium-skill private			0.283** (0.125)	0.265** (0.120)		
Private sector clerk						
Service workers	–0.371*** (0.118)					
Unskilled worker	0.234** (0.107)					
Student				0.394*** (0.147)	0.493*** (0.151)	
Unemployed		–0.299*** (0.103)				
Former unemployed		–0.106* (0.054)	–0.131** (0.056)			–0.213*** (0.053)
Retired				0.186*** (0.053)	0.144*** (0.051)	0.241*** (0.054)
Risk of income loss		–0.299*** (0.053)		–0.203*** (0.052)	–0.162*** (0.052)	
Employment risk						
Woman				–0.206*** (0.051)		
Age						
18–24			0.490*** (0.109)			
25–34			0.328*** (0.082)			
35–44			0.309*** (0.070)			
Over 55	–0.390*** (0.055)				0.144*** (0.051)	
Churchgoer	–0.264*** (0.099)	0.410*** (0.089)				0.252*** (0.089)
Lives in a rural area					–0.112** (0.052)	

The Unsolved Contradictions of the Modernists

Table 4.3. Policy expectations in 1978 (a). Significance levels: *** 1%, ** 5%, * 10%.

	Nationalizations	Increase the number of civil servants	Against homosexuals' adoption rights	Unemployed cannot find a job	No need for hierarchy in society	Not too many immigrants
Income						
2nd decile				-0.344*** (0.093)		
4th decile						
5th decile				-0.235** (0.095)		-0.438*** (0.155)
6th decile	-0.178** (0.082)			-0.418*** (0.135)		
9th decile	-0.207** (0.092)			-0.234** (0.095)		
10th decile	-0.438*** (0.101)	-0.405*** (0.091)				
Occupation						
Craftsman, shopkeeper		-0.277** (0.117)		-0.328** (0.145)		
High-skill public service	0.302*** (0.113)	0.433*** (0.101)	-0.788*** (0.132)	0.814*** (0.140)	0.595*** (0.143)	1.008*** (0.125)
High-skill private sector			-0.486*** (0.136)			0.796*** (0.132)
Medium-skill public	0.385*** (0.097)	0.421*** (0.087)	-0.705*** (0.117)	0.509*** (0.112)	0.453*** (0.128)	1.050*** (0.108)
Medium-skill private			-0.312** (0.154)			
Foreman, technician						0.532*** (0.131)
Public sector clerk			-0.200* (0.104)			
Private sector clerk			-0.259** (0.107)			
Service workers				-0.371*** (0.137)		
Skilled worker				-0.252** (0.098)		
Unskilled worker				-0.271** (0.120)		
Student				0.574*** (0.185)		
Unemployed				0.338*** (0.127)		
Former unemployed	0.127** (0.057)	0.171*** (0.051)		0.247*** (0.067)	0.236*** (0.085)	
Retired			0.354*** (0.080)			-0.220*** (0.084)
Risk of income loss	-0.120** (0.058)	-0.139*** (0.052)		0.237*** (0.066)		-0.149** (0.068)
Employment risk		0.109** (0.052)				
Woman		0.125** (0.050)	-0.284*** (0.067)			

(continued)

Table 4.3. *Continued*

	Nationalizations	Increase the number of civil servants	Against homosexuals' adoption rights	Unemployed cannot find a job	No need for hierarchy in society	Not too many immigrants
Age						
18–24		0.246** (0.101)	–0.726*** (0.142)		0.642*** (0.143)	0.519*** (0.135)
25–34			–0.396*** (0.106)			0.321*** (0.106)
35–44			–0.433*** (0.093)			0.246*** (0.094)
Churchgoer		–0.291*** (0.088)	0.706*** (0.117)		–0.378** (0.178)	
Lives in a rural area		–0.126** (0.052)		–0.173*** (0.064)		–0.195*** (0.068)

The lack of *specific* support of the working classes for nationalizations is therefore the consequence of other categories becoming on average more favourable to them rather than the result of a declining inclination of workers for that policy option.

Other issues reflected the classic left–right economic policy divide: appreciation of the pension reform, opposition to state intervention for reducing inequalities, and the extent of the public sector (increasing the number of civil servants). The social structural divides on such issues were also as expected: opposing high income individuals to the majority of the wage earners. New themes, such as the opposition to nuclear energy, were also integrated in this divide. As can be seen in Table 4.1, this issue divided the electorate along very traditional left–right lines. Furthermore, one cannot read an opposition between the ‘new’ and the ‘old’ left according to expectations derived from the literature on this topic that states the existence for left parties of a trade-off between ‘traditional’ left economic policy options and ‘new’ cultural or environmental themes.³⁶ The nuclear energy issue was without surprise an important determinant of the sympathy towards the ecologist party (EELV). But if one considers the FdG, which includes the Communist Party, as the paragon of the ‘old’ left, because of its positions on the traditional economic policy divide, one sees that the opposition to nuclear energy mattered for the support it obtained whereas it did not for the support to the Socialist Party, certainly less focused on allegedly ‘old left’ economic policy since 1983. Some cultural issues did not cross-cut the left–right divide either: the

³⁶ For instance, analysing media content on the political supply, Bornschier (2010) found that mainstream social democratic parties had undergone a New left transformation.

appreciation of the will of the unemployed to find a job and the sentiment on immigration. The link with the economic policy cleavage was much weaker in the case of the question on the adoption right of homosexual couples, but one sees nevertheless that a favourable position on this issue brought more sympathy towards the FdG. This suggests that 'old' and 'new' left politics may not be as substitute to one another as one may think.³⁷

Contrary to what could have been expected on the basis of the new themes included in Marine Le Pen's manifesto, FN's support appeared to be based on very traditional right economic policy preferences—negative opinion on nationalizations or inequality-reducing state intervention, support to the nuclear programme—and 'authoritarian' values—the unemployed could find a job, there are too many immigrants (Table 4.1). The latter is not surprising, but the former questions the importance of the U-turn made by FN on its economic policy stance.³⁸ The results documented in Table 4.1 point out that this change had little consequences on the pattern of support for the FN.

A few issues led to a profile of sympathy towards the different parties which departed from the traditional left–right opposition. The first one was European integration. Support for an increase in the power of the EU against the power of the national state was likely to bring support to EELV, the PS, and MoDem. Opposition to such an evolution brought a strong support to FN. FdG was in an intermediate position in this respect. The VAT increase was another topic that broke the traditional political alliances. Supporters of this policy measure were more likely to feel sympathy for EELV, MoDem, and UMP. Finally, the importance for society to have a hierarchy with leaders, an issue which should be representative of the cultural divide,³⁹ did not lead to a support for a priori authoritarian parties such as the FN or even supposed incarnations of 'old' politics such as the FdG, but to mainstream left, right, and centre parties UMP, the PS, and MoDem.

Turning to the support to the economic policy options, the cleavages splitting the working classes and the public servants apart from the managers, shopkeepers and private sector high- and medium-skill employees, were more or less unchanged on a certain number of key economic policy issues: pension reform, state intervention against income inequality or the increase in VAT. The working classes appeared not particularly sensitive to the nuclear energy issue. They did not particularly disapprove the need for hierarchy in society, unlike public servants, or anti-immigration positions. Furthermore, they expressed negative opinions on the job search effort of the unemployed, similarly to shopkeepers. The same configuration was found on the question

³⁷ See also Rohrschneider (1993) on this point.

³⁹ Kriesi (2010).

³⁸ Shields (2013).

about the extension of the power of the EU. Shopkeepers and the working classes were opposed to it; managers and high- and medium-skill employees were in favour of it.

The core social base of the right, more limited than that of the left in 1978, appeared relatively stable, composed of churchgoers, managers, craftsmen and shopkeepers, high-skill private sector employees, and individuals with high incomes or wealth levels. They expressed unsurprising policy preferences: against nationalizations and the extension of the public sector, in favour of the pension reform and a VAT rise, disapproving state's intervention against inequalities; they had negative opinions of the job search effort of the unemployed and considered positively the existence of a hierarchy in society.

To sum up, a large part of the traditional economic policy opposition between the left and the right were still very much present in 2012. A few issues led to divides that cross-cut the traditional opposition between the social bases of the left and the right: the right for homosexual couples to adopt children, the attitude towards immigration and European integration. One observed on these issues a divide based on occupation and income that united the high-skilled and affluent fractions of the left and right social bases to their more popular fractions. However, some cultural issues led to divides which paralleled the left-right opposition on economic policy.

4.3 Hollande's Presidency

The second round of the presidential election opposed Nicolas Sarkozy to François Hollande, who had obtained respectively 27.2 per cent and 28.6 per cent at the first round.⁴⁰ Hollande won with 51.6 per cent against 48.4 per cent,⁴¹ a narrower margin than expected considering the difficulties of the Sarkozy presidency. The Hollande presidency took the expected turn, furthering the strategic orientation progressively adopted by the PS. This involved three types of simultaneous changes which, in the best of cases, would complement each other: (1) the search for a new social alliance, the *bloc bourgeois*, understood to become the new dominant social bloc; (2) the implementation of neoliberal structural reforms, whose effects would be to satisfy the expectations of the social groups potentially taking part to the *bloc bourgeois*; (3) the formation of an alternative political coalition, where the

⁴⁰ Marine Le Pen obtained 17.9 per cent and Jean-Luc Mélenchon 11.1 per cent.

⁴¹ The participation rate was 80 per cent.

PS would be allied to the centre-right parties instead of the PCF or other left parties.

4.3.1 *A New Strategy*

Shortly after his election, Hollande had a lunch at the Elysée palace with former prime minister Rocard, Laurence Parisot, then president of Medef, and Emmanuel Macron, who had drafted the so-called Attali report⁴² and had just become secretary-general of the Elysée. As reported in press,⁴³ participants expressed different viewpoints, but they all came to the same conclusion: France needed a German style 'social democracy'. As mentioned before, the plan of Hollande was to emulate the path taken by the SPD in the early 2000s.

Hollande and various government members expressed similar ideas on many occasions. At the 2013 SPD Congress in Leipzig for instance, Hollande, who was the guest of honour, repeated that France had to accept reforms just as Schröder's Germany had, in order to preserve employment and anticipate social and cultural mutations. Of course, Germany's labour market reforms had been difficult, and this would be the case for France too, but these reforms were inevitable because of the constraints imposed by 'reality'. For Hollande, a 'German-type social democracy' meant 'social dialogue', the quest for compromise and a synthesis between social justice and economic performance. Hollande expressed again the same idea in a press conference (18 September 2014), warning however that reaching a new social, political and economic equilibrium would take time: 'do not ask us to do in five years what took 10 years to our German friends'. The situation of chancellor Angela Merkel was judged more favourable because she had benefited from the existence of 'a predecessor who had made reforms' (E. Macron).⁴⁴ The idea that it would be up to PS-led government to do the job that previous conservative governments had failed to do was also voiced by economy and finance minister Moscovici in 2012: 'Our responsibility is to transform France's economic structures so that they can be prepared at last for the 21st Century [...] the governments of the past 10 years have not done it and the France we inherited has stayed as frozen in structures and economic thinking of last Century'.⁴⁵ A 'socialist' could then adopt the same rhetoric of immobility that Sarkozy had used against Chirac, and extend it to the Sarkozy mandate. Of course, the strategic areas to be reformed were social protection and the employment

⁴² See Chapter 3.

⁴³ *Paris Match*.

⁴⁴ JDD, 12 October 2014.

⁴⁵ Speech of Pierre Moscovici at ESCP Europe, Paris, 22 November 2012: 'La révolution copernicienne de notre politique économique'.

relationship. Regarding labour law, prime minister Valls declared in November 2015 that he did not want mini-reforms but an 'authentic revolution'.⁴⁶

Taking a neoliberal turn in structural reforms implied also what Bruno Le Roux, leader of the PS group at the National Assembly, called an 'ideological moulding',⁴⁷ whereby the PS would pre-empt the economic and cultural themes of the right: labour market flexibility, security, and so forth. PS ideologues bent over backwards to present this evolution as the emergence a 'new social-democratic compromise',⁴⁸ whereby reformist left parties and trade unions would accept labour market deregulation, welfare state 'restructuring', and wage moderation, in exchange for employment, growth, and external competitiveness. According to Weber (2015), such a compromise would be social democratic if it preserved the social and democratic conquests of the past two centuries. Since these conquests can be summed up as employment protection, the welfare state and real wage growth, one had difficulties to see what could be social democratic in the new 'compromise'. The implicit reference was rather the motto of Germany's Agenda 2010: *sozial ist, was Arbeit schafft*.⁴⁹ The only aim of this neoliberal 'social democracy' would be to try to reach full employment, but through a decrease in labour costs, not thanks to effective demand management.

The neoliberal orientation of the mandate was particularly blatant after Manuels Valls, a leading figure of the right wing of the PS who had obtained a meagre 5 per cent of the votes in the presidential primary of 2012, took over as prime minister in 2014. The discourse of the government and the PS was strengthened in the direction of the aforementioned three dimensions: (1) the explicit change of social base, implying among other things the split with the traditional left social base and the promotion of entrepreneurship and the firm; (2) an economic policy geared towards the supply-side and structural reforms; (3) the necessity of a new political alliance. Although presented as 'new', this ideology in fact amalgamated well-known liberal and neoliberal themes that had already permeated the technocratic discourse on public policy in the 1960s and 1970s,⁵⁰ and had been present within the PS, albeit in a minority position, since the beginning.

The split with the traditional base took the form of repeated attacks against civil servants, a core constituency of the left, and so-called 'insiders', expressed most clearly by Emmanuel Macron:⁵¹ 'we must think about the reform of the public service [...] without reforms, a day will come when the statute of the

⁴⁶ *Le Parisien*, 4 November 2015.

⁴⁷ *Le Point*, 12 October 2015.

⁴⁸ Weber (2015).

⁴⁹ Social/just/fair is what creates job. As Kinderman (2014) shows, this slogan was created by the employers' neoliberal lobby *Initiative Neue Soziale Marktwirtschaft*.

⁵⁰ The 'Schumpeterian' rhetoric of 'creative destruction' that became dominant in the 2010s was already present in the technocratic literature of the 1960s for instance (Bourdieu and Boltanski 1976: 77–8).

⁵¹ Macron became minister of the economy when Valls took over as prime minister in 2014.

civil servants will be simply suppressed [...] the state has its place but it has sometimes taken too big a place'.⁵² Macron expressed the will to 'break corporatism and rigidities' and put an end to the capture of the labour market by 'insiders'.⁵³ He also praised young people who turned to Uber in order to find employment. The opinion of many PS deputies was that Macron was sometimes going too far, but they failed to understand the political logic in what they saw as 'provocations': to antagonize the core constituency of the left and appeal to the modernist part of the right bloc in order to break up the left bloc and favour the emergence of the *bloc bourgeois*.

The PS and government praised entrepreneurship and the firm at every possible opportunity. No less than eight ministers attended the 'summer University' of Medef in 2012 and prime minister Ayrault gave the opening speech. In 2014, prime minister Valls made a speech before the same assembly where he repeated no less than three times: '*j'aime l'entreprise*'. He was even more explicit in a speech at the City of London in October 2014: 'my government is pro-business'.⁵⁴ Macron, speaking before the Medef, 27 August 2015, declared that the left had 'a long time ago, believed that politics could be made against firms, or at least without them', but this, in his view, was over. Macron was seemingly oblivious of the fact the François Mitterrand had expressed exactly the same opinion thirty-four years before.⁵⁵

Regarding the search for a new political alliance, the tone was similar: Manuel Valls expressed positive views about change:

one must put an end to the left that is turned towards a long-gone past, haunted by a Marxist super-ego and the memory of the Trente Glorieuses. The only worthwhile question is how to orient modernity to accelerate the emancipation of individuals. Ideology has led to disasters but the left I embody keeps an ideal: the emancipation of everybody. This left is pragmatic, reformist and republican.⁵⁶

When asked whether this left was socialist, Valls could only repeat that it was pragmatic, reformist and republican. Macron was more explicit (*Le Monde*, 27 September 2015):

One must fix this country and prepare it to globalisation, which is impossible when one is economically and socially weak. This is where there are the largest convergences between the government right and the government left.

Medef Chairman Pierre Gattaz could only agree:⁵⁷ 'the political class must work together, right and left. I regretted that the right did not vote the

⁵² *Le Monde*, 27 September 2015.

⁵³ *Le Monde*, 6 January 2001.

⁵⁴ <<http://www.gouvernement.fr/manuel-valls-my-government-is-pro-business>> (accessed 8 January 2016).

⁵⁵ See Chapter 3.

⁵⁶ *L'Obs*, 23 October 2014.

⁵⁷ Pierre Gattaz, son of former Conseil National du Patronat Français (CNPF) chairman Yvon Gattaz, was Laurence Parisot's successor in 2013.

Macron Act'.^{58,59} J. L. Beffa, the former CEO of Saint-Gobain and godfather of the French manufacturing industry, shared similar views on the political support for the El Khomri bill.⁶⁰ 'voting this reform will demand national unity, what the Germans had done under Schröder, through a coalition between the SPD and the right. In France too, one needs a majority of reason which does not split left and right. I would invite all deputies of the left and the right who really want to fight unemployment to vote for the reform. On such a bill, we need a majority beyond the PS.'⁶¹ But right politicians sometimes did express their support to the 'reforms' initiated by the PS-led government, and this from the start of Hollande's mandate. For instance, J. F. Copé, the leader of the main conservative party UMP, approved the measures of the Gallois report,⁶² and the labour law reform of El Khomri initially received the support of many prominent right leaders such as A. Juppé for instance.

Valls stated that he could not envisage a political alliance with the parties to the left of the PS because their position and that of his government were 'irreconcilable'.⁶³ This concerned of course the 'reforms' and the necessity to break with a 'static and frozen France' clinging to its social model. Declaring the end of the united left, he aimed to represent a 'social-reformist' and 'republican' movement promoting 'security', 'secularism' (*laïcité*), and the decrease in labour costs.

The union of the PS and a fraction of the right was effective in the regional elections of December 2015, when the PS supported several right candidates opposed to FN in the second round. This so-called 'front républicain' was envisaged by some right politicians as the first step towards a more stable alliance. Former prime minister Raffarin, expressed such intentions after the elections.⁶⁴ For him, the left/right divide had been replaced by a divide between open-minded and close-minded patriots, the former being present in all republican parties (i.e. not FN) according to him. His opinion that the right and the PS-led government should work together because FN was their common adversary. To govern together was not possible in the short run though.⁶⁵ The idea was to find a 'majority of ideas' leading to a joint support of the PS and right deputies to certain bills. The notion of a 'majority of ideas' had its origins in the politics of the Fourth Republic, a time when the socialists (Section Française de l'Internationale Ouvrière (SFIO)) rejected a left alliance with the PCF and governed in coalitions with a variety of centre-right parties.

⁵⁸ See section 4.4.2 on the Macron Act.

⁵⁹ *Les Echos*, 6 January 2016

⁶⁰ See section 4.4.4 on the El Khomri bill.

⁶¹ *L'Obs*, 23 February 2016.

⁶² See section 4.3.2 on the Gallois report.

⁶³ Public meeting speech, Corbeil-Essonne, 15 February 2016.

⁶⁴ Interview BFM-TV 14 December 2015.

⁶⁵ But this possibility could be envisaged in the long run. Prime minister Valls said to right deputies: 'one day, we will belong to the same group'. *Le Parisien*, 15 December 2015.

The renewal of the social base and political alliances would open the way for the implementation of neoliberal structural reforms and macroeconomic policy. The most significant public expression of the break-up with the macroeconomic policy that the left governments had advocated during their previous stints was the statement by Hollande in a press conference in January 2014 that 'supply create its own demand'. This proclamation of the validity of the so-called Say's law was a strong disclaimer of the relevance of Keynesian demand-oriented macroeconomic policy.⁶⁶ Bruno Le Roux, even praised David Cameron who had 'won the elections because he had the courage to make reforms'. According to Le Roux, this was 'a lesson to be drawn: when one has the courage to reform, it may pay in electoral terms', adding a bit of wishful thinking: 'this is exactly what is happening in France'.⁶⁷ More generally, the objective for the PS was to 'move the centre of gravity of the left regarding economic matters' in a liberal direction, towards the improvement of firms' competitiveness, in the hope that expected economic performance would provide the necessary electoral support:

I have been fighting for a long time for a liberal vision of the economy [... the French] are conscious that our very protective social system must be adapted [...] that one should make labour law more flexible [...] they are more advanced than us on these matters, they are conscious of the necessity of a certain economic pragmatism. Unfortunately, the PS [...] refuse this progress. They do not want to break taboos and act as a guardian of the established social order (François Rebsamen, labour minister).⁶⁸

4.3.2 *Pro-business Measures*

The alliance with business and Medef took concrete steps. In April 2014, the government successfully barred the amnesty for misdemeanours related to social conflicts that the senate, including PS senators, had voted in February. Trade unions expected the amnesty, and employers were strongly opposed to it. Hollande finally considered that the amnesty would endanger his conception of social dialogue based on a climate of confidence with employers, and chose to give satisfaction to the latter. Obviously, dialogue with employers took precedence over dialogue with unions.

One of the sixty promises made by presidential candidate Hollande was to fight against so-called stock-market motivated collective dismissals, by increasing the firing costs for firm that laid-off employees, and distributed dividends or made profits, or more generally closed a plant without stringent

⁶⁶ The term 'Say's law' was coined by Keynes.

⁶⁷ *Le Figaro*, 8 May 2015.

⁶⁸ Interview in *Le Miroir*, 2 October 2014.

necessity. A law, the so-called 'loi Florange',⁶⁹ was adopted in February 2014, stipulating the obligation for a firm to look for a new owner in case of plant closure. But the law had its most constraining dispositions censored by the constitutional council. What was left of it was a text that specified that firms that had had public subsidies would be compelled to reimburse them in case of plant closure, a possibility that already existed and was not considered to be very dissuasive for private firms. It was clear from the beginning that the government did not want to impose strict sanctions or obligations to firms that had restructuring plans.

More generally, virtually none of the promises made during the campaign that would constrain firms were kept: the control of the finance sector bonuses, the suppression of stock options or the limits to private sector executives' pay for instance.

But the most important manifestation of the alliance with employers was the enactment of a series of 'pacts'. Immediately following the publication of a report drafted in November 2012 by former CEO of EADS (European Aeronautic Defence and Space)⁷⁰ Louis Gallois, the prime minister announced the establishment of the so-called 'competitiveness pact'. The pact included measures meant to decrease labour costs, boost profits and spur investment: an increase in VAT rates that should generate 6 billion euros' receipts, a decrease in public expenditure by 10 billion euros, and a tax refund for firms of a global amount of 20 billion euros, representing 4 per cent of the gross wage bill, for wages up to 2.5 times the minimum wage in 2013, and 6 per cent of this bill in 2014. No conditions were set for this transfer to firms; the government merely expected that they would use the extra profits to invest or hire. The specific tax cut aspect of the competitiveness pact, the CICE (*Crédit d'impôt compétitivité emploi*: tax credit for competitiveness and *employment*) was supposed to bring at least 300,000 new jobs in two years. This was in large part wishful thinking, considering that Medef president Laurence Parisot estimated that the pact would at best stop job destruction but not lead to an increase in employment. By late 2014, it was blatant that the competitiveness pact had not produced the expected results in terms of employment. Unemployment had kept rising and private firm investment had decreased (–1.1 per cent between 2011 and 2014), and so did private households' investment (–12 per cent between 2011 and 2014). This led the government to progressively adjust downward the objective of the pact.

⁶⁹ Florange was the location of the steel plants that Mittal Steel, which had taken over Arcelor in 2006, wanted to close in 2012. One of the first industrial problem Hollande had to solve with was the future of these plant. During the presidential campaign, Hollande had vowed not to follow the footsteps of Nicolas Sarkozy, who had reneged on his 2007 campaign promise to have Mittal Steel keep the Gandrange plant operating. The Gandrange plant was closed shortly after Sarkozy's election.

⁷⁰ EADS became Airbus group in 2014.

Initially presented as a boost to employment, it was later intended as a spur to investment and even later as simply a device to improve firms' profitability.

In 2014, the so-called 'responsibility pact' took over, expected to lead to an extra 190,000 jobs by the Ministry of Labour in 2014. The responsibility pact included measures already present in the competitiveness pact, adding a further 10 billion euros' decrease in social contributions. After January 2015, employers no longer paid contributions on salaries paid at the minimum wage. Social contributions decreased for salaries up to 1.6 times the minimum wage. This implied a decrease of 4.3 billion euros for the financing of social protection.⁷¹ The second stage implied a decrease in social contributions paid by firms for the family expenditure on salaries between 1.6 and 3.5 times the minimum wage. A decrease in the tax on profits and on other firms' social contributions was scheduled for 2017. One can note that this particular decrease in contributions would not be compensated by the state. In its normal functioning, the mechanism corresponds to a 20 billion euro cut in firms' taxes and contributions per year. The pact was also part of the new social alliance, since it was connected to an agreement between the employers' associations (Medef, Confédération Générale des Petites et Moyennes Entreprises (CGPME)) and the so-called reformist unions (CFDT, Confédération Française des Travailleurs Chrétiens (CFTC), and CGE-CGC) stipulating that negotiations at the industry level would take place to evaluate the effect of the pact on employment.

4.3.3 *Fiscal Policy*

Fiscal policy was always understood to be a cornerstone of Hollande's economic policy. During the campaign, Hollande had warned that tax hikes would be necessary in order to go back to 'sound' public finance. His election had raised hopes for a large scale fiscal reform, following one of the sixty promises of his manifesto. The theme of fiscal reform had been present in the public debate, with issues regarding the progressivity and 'fairness' of the existing system, as discussed in a book published by Thomas Piketty and his co-authors.⁷² An important recommendation was to merge the taxation of capital income with that of labour income. In spite of the promise made by Hollande in his presidential manifesto, the project of a general reform of the French tax system was never seriously envisaged. The idea briefly cropped up again in 2014 when prime minister Ayrault suggested that this venture could give a new impulse to Hollande's mandate, following which Ayrault was replaced by Manuel Valls.

Even the project of a 75 per cent taxation for very high income was so badly executed that one may suspect that it was always intended to fail. The 75 per cent

⁷¹ Etievant et al. (2014).

⁷² Landais, Piketty, and Saez (2011).

tax project provoked much public debate and raised worries among wealthy taxpayers who mobilized their respective lobbies against it (football players, actors, CEOs, etc.). The tax was meant to apply to individuals and not households, as is the normal case in the French tax system. As expected, the Constitutional council censored the project and the 75 per cent tax was replaced by a temporary tax paid by firms. Besides, the promise to end special tax exemption regimes was never fulfilled either.

Another promise of Hollande was to go back on the project of a VAT hike decided by Sarkozy, which would have raised the normal VAT rate from 19.2 per cent to 21.2 per cent, in order to finance a 13 billion-euro exemption of social contributions for firm. During the campaign, Hollande had criticized this project as 'untimely, unfair, unfounded and improvised'. 'It is unfair at a time when there are so many inequalities in the country, when so many fiscal advantages have been granted to the wealthy, to ask the French population to pay an extra tax... it is unfounded, competitiveness is a false pretext'. Soon after abolishing Sarkozy's planned VAT hike as well as the associated decrease in social contributions, the PS-led government announced an increase in the normal VAT rate to 20 per cent, and in the intermediate rate from 7 per cent to 10 per cent. As a compensation, the reduced rate was decreased from 5.5 per cent to 5 per cent. The National Assembly later barred this last change. These changes implied a global increase in VAT receipts of 6 billion euros. Similar to Sarkozy's thwarted project, VAT rate changes were meant to contribute, along with a 10 billion euro cut in public expenditure, to funding the 20 billion euro tax refund granted to firms by the 'competitiveness pact'. Therefore, Hollande's initiative mirrored, in a more complicated way, that of Sarkozy: financing a decrease in firms' social contributions by a VAT increase.

The promise to fight fiscal evasion was also empty. In April 2013, Hollande made a speech in favour of an increased transparency for banks and multinational firms, on order to fight against 'fiscal optimization'. These firms would have been compelled to disclose every year the list of subsidiaries everywhere in the world, by country. Hollande proclaimed he intended to propose such a measure at the European level, with an extension to all large firms. In this spirit, the PS and left deputies engaged in the fight against fiscal evasion, and a handful of amendments to that effect were introduced in the budget law in December 2015. The amendments were adopted, but the vote was reconsidered at the demand of the government and a second vote rejected the original measures. The reason for the government's opposition was explicitly the desire to preserve French firms' 'competitiveness'.

Another example of the attention paid by the PS-led government to business' interests concerned the promise to harmonize the taxation of capital income with that of labour income. A proposition to tax capital gains at the same level as earned income met the resistance of a lobby of small

entrepreneurs portraying themselves as start-up managers and venture capital investors, who launched a cyberspace campaign to stress that their situation was very much different from that of overpaid large company CEOs. The government gave in almost immediately to the demands of the self-named 'pigeons' that the derogatory system of capital gains to which they are submitted be maintained.⁷³

4.3.4 *The Fiscal Compact, a.k.a. TSCG*

During the primaries, Hollande's specificity was his pledge to come back under the 3 per cent limit for the budget deficit at the end of 2013, and not 2014, which was what the other candidates of the primary wanted, as they were concerned about the probable recessionary effects of too strict a budget tightening. In order to balance this fiscal conservative proposition with a more distinctively left initiative, Hollande also pledged to renegotiate the fiscal compact that Merkel and Sarkozy had set up in order to impose austerity within the EU. The renegotiation should lead to the inclusion of 'missing elements' such as the intervention of the European Central Bank (ECB), a financial assistance fund and Eurobonds, three elements on which F. Hollande was likely to meet a strong opposition from the German government. However, Hollande did not want to ratify the treaty by referendum, as was suggested by some opponents to the fiscal compact both on the left and on the right, thereby giving up a possible outside option for the negotiation, sending instead a conciliatory signal to Germany and indicating that he might be satisfied with little more than cosmetic arrangements. Indeed, what came out of the June 2012 European Council was a supplementary 'growth pact' of 130 billion euros representing less than 1 per cent of the Union's gross domestic product (GDP). Besides, the bulk of this sum was made of private investment expected to be made easier thanks to an extra 10 billion euros equity given to the European Investment Bank and the use of 'project bonds' guaranteed by the EU. The minister for European affairs declared in an interview: 'we were wrong during the campaign. We should not have said that we would renegotiate the treaty'. In an interview for the French television in September 2012, prime minister Ayrault admitted that 'from a legal point of view [...] the treaty [i.e. the fiscal compact] has not been renegotiated'.

As a consequence, the control on national public finance was strongly reinforced. Summing up all measures, public deficit may not exceed three per cent of GDP, the structural deficit may not exceed 0.5 per cent of GDP,

⁷³ In French slang: 'mugs'.

the structural budget balance must be improved by 0.5 percentage points of GDP annually for countries under excessive deficit procedures, the debt ratio must be brought back to 60 per cent of GDP (1/20th of excess over 60 per cent of GDP ceiling per year over three years), public expenditure growth must follow constraining rules, and the 'European Semester' involves a control of national budgets in relation with the implementation of 'structural reforms'.

4.3.5 Austerity

Once elected, the PS-led government opted for a freeze on public expenditure until 2015 and a decrease of 2.5 per cent in public employment (except for justice, police and education). However, these first measures proved to be less than enough to reach the 3 per cent objective at the end of 2013 promised by Hollande. Lower than (unrealistically) expected growth made the task increasingly difficult and new austerity measures were announced or at least their possible implementation tested with public opinion at the end of 2012/beginning of 2013: taxing family benefits, suppression of pensions' adjustment to inflation, extending the contribution period allowing for a full pension, limiting unemployment benefits, and so on. The minimum wage (*Salaire minimum interprofessionnel de croissance*, SMIC) was also a target of austerity. Its minimum increases are fixed by law, to take account of inflation and the possible purchasing power increases of workers. Since its creation in 1970, it had been customary for governments, right and left, to increase the SMIC above the legal minimum. Sarkozy was the first president not to do it during his whole term. The attitude of Hollande towards the SMIC was expected to reveal his position on a sensitive issue for low wage workers and the left electorate in general. Once elected, Hollande announced a very modest (0.6 per cent) increase above the legal minimum, which disappointed many on the left. He kept this policy during his whole term. Austerity measures also applied to public sector employees. Under Sarkozy's term, the base wage index for public employees in value had been frozen in 2011 and 2012. PS-led governments pursued in this direction. The implementation of the 'pacts' implied to slash public expenditure. A 50 billion euro cut in public expenditure took place in 2015–17: 18 billion for the central state, 11 for the local administrations, and 21 for social protection. This implied freezing all social benefits (except the social minima: *revenu de solidarité active* (rSa), old age assistance, etc.). A freeze of supplementary pensions was decided even though, theoretically, the social partners should have been the ones who decided it.

The objective of a budget deficit at 3 per cent of GDP was officially dropped at the beginning of 2013 as growth forecasts were revised downwards; the objective of a return to a balanced budget in 2017 was kept. In December 2012, France had promised to the European Commission to make a fiscal consolidation of 3.2 per cent of GDP over 2013–15. In 2014, it became clear

that this objective could not be satisfied, and the fiscal consolidation was in fact limited to 1.1 per cent in 2013, 0.1 per cent in 2014, and 0.2 per cent in 2015.⁷⁴

The fiscal austerity effort made by the French governments was considerable. According to figures published by the European Commission, France was the Eurozone country that made the third largest fiscal consolidation effort in 2013 in terms of structural deficit (1.4 per cent of GDP) behind Spain (3.4 per cent) and Greece (2.6 per cent). Between 2010 and 2013, France made the second largest structural deficit adjustment (4.2 per cent of GDP) behind Spain (4.6 per cent) but before Italy (3.3 per cent). The structural deficit in 2012 was 1.9 per cent of GDP against 4.4 per cent in 2007, before the Great Recession. In fact, if one takes out public investment, the structural balance was positive in 2013 (1.2 per cent of GDP).

The orientation of macroeconomic policy towards austerity was logical considering the constraints stemming from European integration. However, it would be misleading to interpret this orientation as a constraint coming from the outside. Quite the opposite is true, the European constraints have been devised taking into account national political strategies. European constraints stem from treaties that have been negotiated and devised by the government parties, including PS. Moreover, these constraints were instrumental in building a social alliance liable to support the policies that Hollande and PS wished to implement. European structural policy, mainly competition policy, the independence of the ECB as well as constraints on macroeconomic policy stemming from the various treaties associated with the euro were a hindrance to the conduct of an economic policy that would satisfy the expectations of a left bloc and leave as only feasible, if difficult, option an economic policy supported by the *bloc bourgeois*.

4.3.6 *The Elimination of Internal Contestation*

The direction taken by the Hollande presidency in economic policy faced internal opposition in PS and the government. A small fraction of PS deputies did not vote the ratification of the TSCG in October 2012. Sporadic internal opposition at the parliament was observed when certain bills were introduced: the transposition of the 2013 national-level agreement into the law (six PS deputies voted against it, thirty-five did not take part to the vote),⁷⁵ the pension reform in October 2013 (seventeen abstentions), the 2015 budget (thirty-nine abstentions), and so on. Moreover, when Manuel Valls was nominated prime minister, several dozens of PS deputies did not vote the

⁷⁴ Etievant et al. (2014).

⁷⁵ See section 4.3 below.

confidence to the new government. But the internal opposition at the parliament, known as *frondeurs*, was more successful in the opposition to the Macron law,⁷⁶ forcing the government to use a special procedure to avoid a vote on the bill itself.⁷⁷ This procedure had to be used for the 2016 labour law, and some PS deputies even threatened to censor the government.

Inside the government, the most vocal opponent of austerity was Arnaud Montebourg, who had run in the primaries and obtained a significant 16 per cent of the votes for the left of the PS. He was nominated minister for the 'productive recovery' in the Ayrault government in 2012. Far from being hostile to the pro-business turn of the economic policy implemented by the PS-led government—he had enthusiastically welcomed the Gallois report on competitiveness—he was nevertheless hostile to the austerity measures that put a clampdown on growth, contributed to increase unemployment and endangered the productive recovery he was in charge of. A few other ministers and deputies of the left of the PS were on the same line. This contestation went on until 2014 when Montebourg and two other ministers were sacked from the government led by the new prime minister Manuel Valls.

This move was presented by Hollande and Valls as a choice of 'clarity'. The government could not tolerate a contestation of the austerity line within its own ranks. A first serious incident took place when Mittal steel decided to close down two plants in Florange, in contradiction with the promises made when Mittal took over Arcelor in 2006. Faced with the prospect of a closure of the Florange site, an alternative solution, favoured by the left of the PS, was to temporarily nationalize the plant in order to avoid the closure and have sufficient time to find a new owner. Hollande never believed in this solution, nor did he in the future of the Florange site. He rejected the alternative solution, promoted by his minister for industrial recovery, and let Mittal Steel mothball the blast furnaces in 2013. When a journalist pointed out to him that such a decision could entail significant electoral costs, Hollande's answer was simply: 'among blue-collar workers, yes, but it does not matter'.⁷⁸

Montebourg published in 2015 a series of notes (four in total) that he sent to Hollande during his stint as a minister. The notes were increasingly critical of the economic policy of the PS-led government. The first note (2012) pleaded for a coordination of economic policy with a small number of EU countries, in the spirit of the campaign promise to renegotiate the TSCG. The second note (2013) criticized the consequences of the policy of deficit reduction, which

⁷⁶ See section 4.4.2

⁷⁷ Article 49.3 of the constitution, which stipulates that a bill is passed unless a majority of deputies censor the government.

⁷⁸ Amar (2014: 65).

would lead to an unemployment rate of 11.7 per cent in 2017, resulting from an increased deindustrialization, without a decrease in the debt-GDP ratio. The note was still in the spirit of a coalition of EU countries opposing the austerity policy, Italy being a natural ally, implemented at the EU level under the influence of the German government. The third note (January 2014) sounded the alarm regarding the level of unemployment and low growth and pleaded once again for a change of course of the economic policy in order to create one million new jobs. The note was favourable to the increase in profit margins in order to give firms the possibility to self-finance their investments, but it argued that this policy would be useless if demand was too weak. In order to boost demand, it pleaded for a decrease in the value of the euro. The fourth note (March 2014), sent after the defeat of the PS in the local elections, was shorter than the three previous ones, and advocated in general terms for a growth-inducing economic policy change.

In 2014, the socialist deputy in charge of the budget cited a study made by the ministry of the economy that questioned the employment effects of the various 'pacts' decided by the government in favour of firms. The conclusion of the study was that the demand-depressing effects of the cuts in public expenditure could not be offset by the employment-boosting effect of the labour cost decrease. Finance minister Sapin dismissed these objections as purely theoretical and immaterial.

Left internal opposition in the National Assembly or the government never represented a serious threat for the existence of the PS-led government,⁷⁹ let alone to the political strategy adopted by Hollande during his presidency.

4.4 Structural Reforms

4.4.1 *Finance*

The banking Act designed under the supervision of finance minister Moscovici revealed how much the PS-led government was sensitive to the preservation of the interests of the finance sector. In May 2013, defending the project of the European Banking Union, he declared in a speech that finance was essential to the economy.⁸⁰ During the presidential campaign, Hollande had designated 'finance' as his true, 'faceless' opponent, for finance had taken control of 'the economy, society and even our lives'.⁸¹ In any case, finance was certainly responsible for the crisis and something ought to be done about that.

⁷⁹ At the 2015 PS congress, the left opposition internal to the PS obtained 30 per cent of the votes.

⁸⁰ Colloque fondation Jean Jaurès, May 2013. Source: Mediapart.

⁸¹ Speech at Le Bourget.

Many analyses of the financial crisis of 2008 had pointed out the danger that universal banking represented for the stability of the economy in an age of financial liberalization. Huge banking establishments had both commercial and investment activities and benefitted from the state guarantees applying to the former to develop the latter. Interventions on financial markets involved massive transactions on highly speculative derivative markets. The risk of contagion made such establishments particularly dangerous, representing a 'systemic' risk for the whole financial system. France had the particularity of possessing no less than five so-called 'systemic' banks, with one of them, Dexia, so close to bankruptcy in October 2011 that the Belgian and French states had to step in and bring 12 billion euros.

As seen before, one of Hollande's promises was to separate speculative banking activities from those helpful to investment and employment (proposition No.7 in Hollande's manifesto), an idea entertained by most developed countries in the aftermath of the 2008 financial crisis. However, any hope for a French Glass-Steagall Act were dashed thanks to an efficient action of the banking lobby and the Treasury administration.⁸² To defend their model of 'universal banking', bankers tried to get the message across that the separation of banking activities would put French investment banks at a disadvantage with their US competitors, because of their relatively small size, an argument without any solid foundation however.⁸³ The efficiency of the lobbying was increased by the phenomenon of 'revolving door' between the ministry of finance and the banks, which had reached unprecedented levels in the 2010s.⁸⁴ The 2013 banking reform's aim was well summed-up by Finance minister Moscovici when he declared during the debates at the parliament: 'the universal banking model has proved its effectiveness. Let us be careful not to threaten an industry that employs more than 300,000 people'.⁸⁵

During the drafting of the bill, the debate revolved around the issue of 'market making' activities, in other words the activities on financial markets that banks undertake for their clients. Bankers successfully put forward the idea that this 'market making' business was useful to the economy and should not be separated from commercial banking activities. In practice, as mentioned during the debates by various experts, it is easy for a bank to pretend that certain speculative activities are of the 'market making' type.

According to the new law, the separation of speculative activities had to be done under the direction of the ministry of finance. Banks would have to put in a subsidiary company a tiny portion of their speculative activities (between 0.75 per cent and 1.5 per cent of the net product of French Banks according to

⁸² Tricornot, Thépot, and Dedieu (2014).

⁸³ Tricornot, Thépot, and Dedieu (2014: 66–8).

⁸⁴ Tricornot, Thépot, and Dedieu (2014: 153).

⁸⁵ In July 2014, finance minister Sapin bluntly declared: 'Finance is our friend'.

the CEO of Société Générale, Frédéric Oudéa). But the risk of contagion was not contained since nothing prevented a bank to engage the totality of its assets to rescue a subsidiary on the brink of bankruptcy. Giraud (2014) recalled that the insurance company AIG went bankrupt because of one of its subsidiary that represented less than 3 per cent of its turnover. In practice, there was no effective separation of speculative and commercial activities since the insurance fund for commercial banking was integrated in a single banking resolution fund. Therefore, commercial banking was not insulated from the risks taken by investment banks. Banks could carry on with their risky and profitable market activities and still benefit from a public insurance mechanism. Unsurprisingly, bankers declared themselves to be very satisfied with the banking law.

4.4.2 The Macron Law

The Macron law marked the pursuit of the liberalization project borne by the Macron-drafted Attali report that the Great Recession had stopped. The 'law for growth, activity and equality of economic opportunities' adopted in July 2015 itself was very inclusive, with no less than 308 articles,⁸⁶ addressing a wide range of issues such as the opening of shops on Sundays, the compensation in case of unfair dismissal, the regulation of specific activities such as notaries, the opening of coach lines, and so forth. The logic of the law was, paradoxically for such a long legal text, that too much regulation was detrimental to economic activity. In the words of prime minister Valls, the economy was 'paralysed' by overly complex regulations.⁸⁷

The law addressed issues related to the employment relationship, with the aim of making it more flexible, following the logic that lower protections would facilitate hiring decisions. The new regulation stipulated that in case of collective dismissal, the invalidation of a social plan by a tribunal would not open rights to compensation of any kind. Also, some new types of labour contracts were made legal, which did not fall under labour but commercial law.⁸⁸ Labour courts (*prud'hommes*) were also concerned by the law. These courts were criticized for their slowness (the average time for an affair to be judged was one year in 2012), and a high rate of appeal of the decisions (over 60 per cent). The objective was to increase the number of prior conciliations, which concerned 5.5 per cent of cases in 2013. A disposition that came under heavy criticisms concerned the compensation in case of unfair dismissal. In

⁸⁶ Sixteen were censored by the Constitutional Council.

⁸⁷ *Les Echos*, 24 August 2015.

⁸⁸ In March 2015, answering a question of a senator, the minister of labour Rebsamen declared: 'The labour contract does not always impose a relationship of subordination between the employer and the employee: it is signed by two free persons that make mutual commitments.' <http://www.senat.fr/compte-rendu-commissions/20150309/cs_croissance.html#toc2>.

order to diminish uncertainty regarding firing costs, always following the same logic that high and unpredictable firing costs deterred hiring, the Macron law introduced the principle of a floor and a ceiling on compensations. This meant that contrary to the legal principle of a compensation proportional to the damage, unfair dismissal would entail a price limit. This disposition was censored by the constitutional council, but only because its original formulation included a difference of treatment according to the size of the firm.

Other measures concerned the liberalization of product and service markets. The increased possibility for the opening of coach lines was a means of offering a cheaper alternative to train transportation,⁸⁹ as well as a way to make the national railway company SNCF more fragile and to threaten the status of its employees in an indirect way. This was an indirect attack on 'protected' employment. The extension of private competition to public services also applied to public hospitals, which were granted the possibility to create subsidiaries and have a private sector activity. The privatization of regional airports was also included in the Act.

4.4.3 *Collective Bargaining*

As mentioned in Chapter 3 (section 3.5.2), labour market and social protection were the two areas where the reforms the most antagonistic to the interests of the left social base would take place.⁹⁰ An important element of Hollande's labour market flexibility project was that bargaining agreements should have precedence over labour law. Hollande's intention was that any bill concerning labour or social protection issues would imply that social partners should be consulted beforehand. In a newspaper op-ed published before the election,⁹¹ his views went close to the vision of social dialogue that the promoters of the *refondation sociale* had tried to put forward.⁹² Hollande's ambition was to recognize the existence of a domain specific to collective bargaining that would be the jurisdiction of social partners, if agreements respected the majority rule, that is if they were signed by unions representing more than 50 per cent of the work force. The government and the parliament would be legally bound by the content of the agreements signed by the social partners on specific issues.⁹³ Unlike Germany, the autonomy of social partners was not a constitutional right in France. Hollande's proposition was therefore

⁸⁹ There is a certain systemic logic in the catalogue of measures of the law, which was noticed by comedian Bruno Gaccio, who joked that the development of cheap coach lines was a signal sent to workers that their wages would never be high enough for them to afford the train or the plane.

⁹⁰ This section takes elements from Amable (2016b).

⁹¹ *Le Monde*, 14 June 2011.

⁹² See Chapter 3.

⁹³ Such a possibility for a 'negotiated law' existed since the 1970s, but applied only to vocational training (Lallement and Mériaux 2003).

to introduce this normative autonomy in the constitution, which was a demand expressed by Medef in 2006.

This preference for collective bargaining, and even decentralized bargaining, was part of the social alliance with employers. The Gallois report on competitiveness advocated the constitution of a new and more dynamic social pact, stressed the responsibility of employers and trade unions on the establishment of competitiveness, and called for negotiations to simplify labour legislation and allow personnel representatives to express their viewpoints in the establishment of the firm's strategy. The ambition to implement a French-style flexicurity through a social bargaining between unions and employers was proclaimed.

This initiative started with the organization of a 'social conference' presented as an opening of a new era for social dialogue. In addition to the representative five trade union confederations and the three employers' associations (Medef, CGPME, Union Professionnelle Artisanale (UPA)), three other unions (Union Nationale des Syndicats Autonomes (UNSA, Fédération Syndicale Unitaire (FSU), Solidaires) and representatives of liberal professions (Union Nationale des Professions Libérales (UNAPL)) and social economy (Union de Syndicats et Groupements d'Employeurs Représentatifs dans l'Economie Sociale (USGERES)) were invited too. This conference was nevertheless in the continuity of the logic of the reform of representativeness of unions that was initiated by the preceding government.⁹⁴

Bargaining between employers' associations and union confederations led to an inter-professional agreement (ANI), signed by Medef and, for the union confederations' side, the 'reformist' CFDT, CFTC, and Confédération Française de l'Encadrement-Confédération Générale des Cadres (CFE-CGC), but not by CGT or Force Ouvrière (FO). The agreement was presented as a step towards flexicurity, whereby trade unions would accept more flexibility in exchange for more security. On the security side, one can mention the increase in social contributions on short-term contracts, the portability of rights for unemployed finding a job, or the co-financing by firms and employees of a supplementary health insurance for employees who have none. However, about 70–80 per cent of the short-term contracts were exempted from the extra social contributions, the portable rights issue would have to be negotiated further within the framework of UNEDIC (Union Nationale Interprofessionnelle pour l'Emploi dans l'Industrie et le Commerce, the agency managing unemployment benefits) and the choice of the supplementary health insurance would be made by firms, which led many to believe that it was first and foremost a terrific market opportunity for private insurance companies. On the flexibility side, a collective dismissal plan was now possible either with a local bargaining, or with the agreement of the administration. The objective

⁹⁴ Bérout et al. (2012).

was to limit the intervention of judges. The possibility of contestation of the plan was limited to two years instead of previously five, and dismissal indemnities were reduced. The '*accords pour le maintien de l'emploi*' (agreements for the maintenance of employment), which bore a striking resemblance with the '*accords compétitivité emploi*' that Sarkozy wanted to be signed by firms and unions, made it possible for a firm to alter the labour contract for a limited period if an agreement was signed by unions or bodies representing over 50 per cent of wage earners. A firm could then impose changes in wages or hours worked to every employee. Those who refused would be laid off under the regime of the *individual* layoff for economic reasons. Internal mobility was also increased, an employer was authorized to impose a functional and geographical mobility whose limits would be bargained locally with trade unions or workers' representatives every three years. If an employee refused the bargained change, he or she would be dismissed, without the guarantees of a layoff for economic reasons.⁹⁵

The ANI was met by a strong opposition from the non-signing unions (CGT and FO). The agreement was considered as valid by the government because three out of five confederations signed it, according to the law on representativeness that prevailed when the agreement was signed. The change in the definition of representativeness following the law of August 2008, which became effective after the agreement was signed, would not have altered its validity since the three signing confederations obtained slightly more than 50 per cent of the votes in the professional elections. The government insisted that the ANI be transcribed in law without changing anything of substance, demanding thus a strong discipline from socialist deputies, a fraction of them being somewhat reluctant, estimating that the agreement was too favourable to Medef. The bill, which incorporated most of the elements of the ANI, was voted in April 2013.

In fact, the PS-led government imitated the strategy initially developed by previous right coalition governments and promoted an alliance between the 'reformist' trade union confederations (CFDT, CFTC, CGC) and Medef that isolated the 'contestation' confederations (CGT and FO). Negotiations between employers and unions were always under the threat of a direct legislative intervention of the state in case of failure to reach an agreement. In 2008 for instance, considering the hue of the government, unions had everything to fear from such a legislative action. One would have then expected the situation to be reversed in 2012, with a supposedly left government. But the attitude of Medef during the negotiation round led to the conclusion that employers did not fear anything, which was understandable considering the pro-business stance of the PS-led government: nothing would be made against firms, according to Hollande.⁹⁶

⁹⁵ This last measure was not transcribed in the law because it was against the conventions of OIT.

⁹⁶ Speech of François Hollande, 25 October 2012. *Discours du Président de la République à l'occasion du Grand rendez-vous de la communauté OSEO Excellence*, Paris.

The position of a fraction of the right was close enough to Hollande and Ayrault's position that prominent figures of the previous right governments, including former prime minister Raffarin and UMP leader Jean-François Copé, voted in favour of the law. With a rift within the left, and even within the PS, on these issues, and the support of the centre right and a fraction of the right, the judgment of Sarkozy's former labour minister Xavier Bertrand that even if the socialists knew what to do to improve competitiveness, they would still lack the electorate, the political majority, and the partners to do it, was not entirely correct.

The government considered reintroducing unemployment benefits decreasing with the length of the unemployment spell. In February 2016, Hollande had mentioned that the unemployment benefit regime in France had the longest duration of indemnity in Europe and the shortest duration of training. These schemes had been introduced by the right in 1993 and suppressed by the left in 2001. At the beginning of the negotiation between employers' associations and trade union confederations, the minister of labour threatened that the government would rule by decree if the social partners failed to reach an agreement. The government was conscious of the lack of effect of these schemes on employment, but as in 1993, the main reason was the financial situation of the unemployment insurance regime.⁹⁷ The 'pacts' led to decreasing social contributions and the rise of unemployment meant a rise of unemployment benefits.

4.4.4 The 'Simplification' of Labour Law

Neither Hollande nor the PS mentioned labour law reform during the presidential campaign of 2012. However, one could expect that this would be the main battle axis of the future PS-led government.⁹⁸ Increased labour market flexibility was strongly expected by business interests. Nicolas Doisy, chief economist of Cheuvreux, the corporate investment bank of *Crédit Agricole*, published a note (*François Hollande and France's labour market rigidity: the market will rock both*) in March 2012 explaining what 'the market' expected from Hollande after his election: fiscal austerity and labour market reform, in particular the end of the open-ended employment contract. According to Doisy, Hollande would be forced to disappoint the left electorate, renege on his promises of a growth-oriented policy, and give in to the demands of 'the market' for labour market flexibility.

The allegedly too high level of labour market rigidity detrimental to employment, a classic theme of employers' associations and the right since the late 1970s, became dominant in the public debate, when it was obvious that the

⁹⁷ The debt of the unemployment insurance regime was estimated to 30 billion euros at the end of 2016.

⁹⁸ As analysed in Amable et al. (2012b), a book published a few weeks before the election of Hollande.

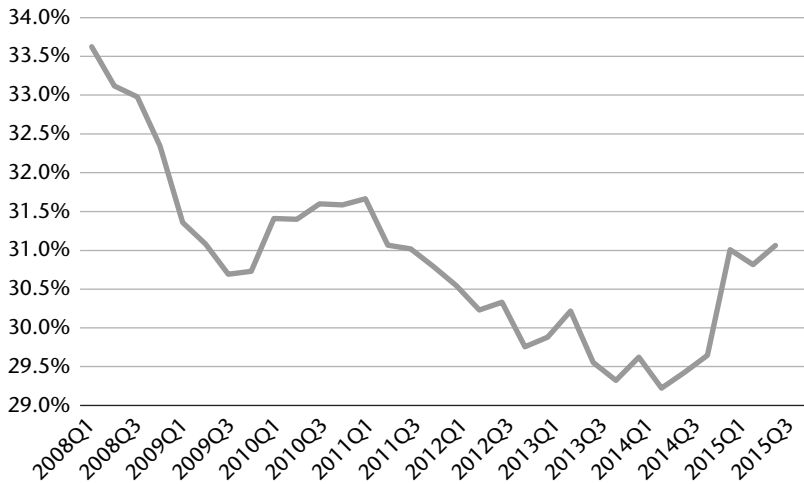


Figure 4.5. Margin rate (gross operational surplus/value added) of non-financial firms.
Data source: INSEE.

promise of Hollande to curb unemployment before the end of his mandate would be next to impossible to hold. Hollande's strategy relied on the old supply side view that was a constant of French economic policy strategies since the Barre era: the improvement of firms' profitability was expected to boost investment and lead to job creations. Profitability did rise (Figure 4.5), reaching almost historic levels in the manufacturing industry (Figure 4.6). But investment increased moderately (Figure 4.7) and job creation did not really follow, leading to a persistently high unemployment rate (Figure 4.8). Pursuing the supply-side orientation of economic policy, the PS-led government expected, or at least pretended to expect, employment creation to derive from the removal of 'rigidities' allegedly preventing firms from hiring. Another justification for increased flexibility was to fight the insider/outsider divide. The PS-led government picked up the well-known rhetoric blaming the insiders' allegedly too high level of protection for the employment insecurity of outsiders.

The labour market flexibility reform plan started with the diffusion through the media of the necessity to address the problem of 'rigidities'. An op-ed published in 2014 by a group of PS senators and deputies clearly stated the objective:

concerning employment, F. Hollande will have to tackle the ultimate and formidable national taboo: the rigidities of labour law [code du travail] which, once protecting the employee, have become a powerful repellent for employment.⁹⁹

⁹⁹ *L'Obs*, 20 February 2014.

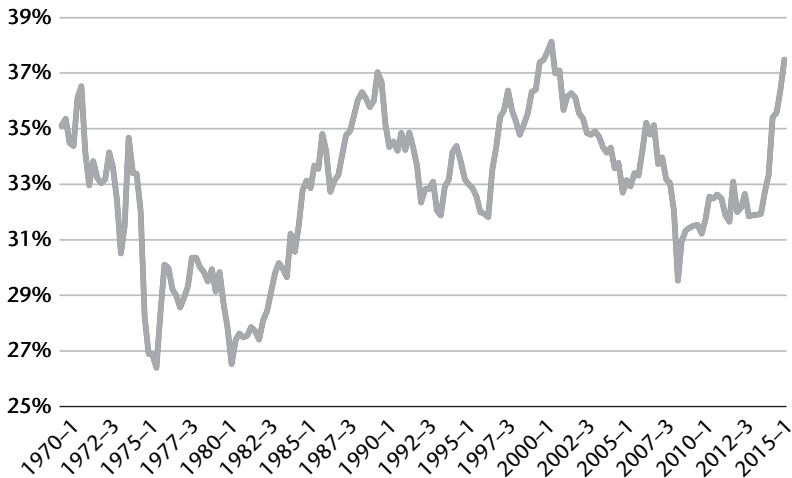


Figure 4.6. Margin rate (gross operational surplus/value added) in the manufacturing industry.

Data source: INSEE.

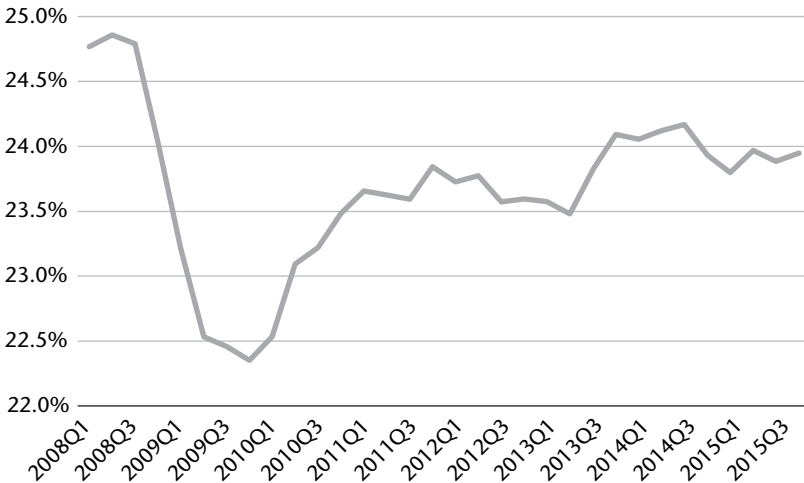


Figure 4.7. Investment rate of non-financial firms.

Data source: INSEE.

Such a programme was in accordance with the recommendations made at the European level by the council in 2015, which corresponded themselves to the reform proposals made by the French government:

Reform the labour law to provide more incentives for employers to hire on open-ended contracts. Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working time arrangements.

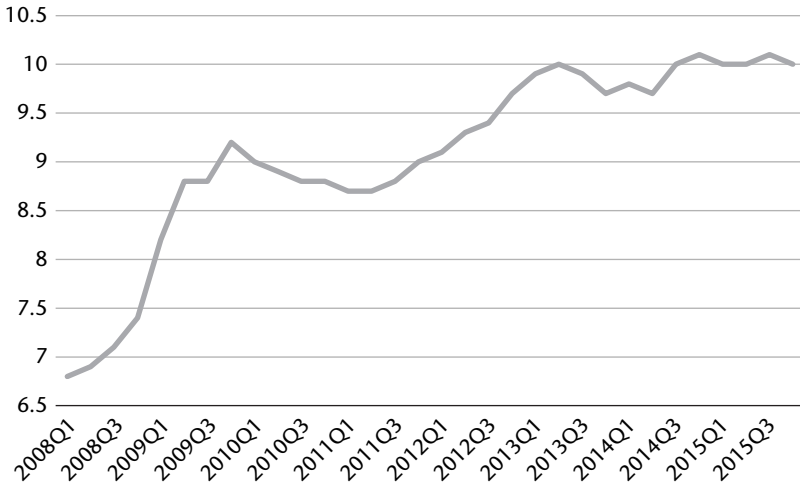


Figure 4.8. Unemployment rate (percentage).

Data source: INSEE.

Reform the law creating the accords de maintien de l'emploi by the end of 2015 in order to increase their take-up by companies. Take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and provide more incentives to return to work.¹⁰⁰

The various initiatives converged in September 2015, when Hollande decided that it was time to 'adapt labour law to the realities of firms'¹⁰¹ and 'simplify' the code du travail. A series of publications and reports, involving mostly the same small group of contributors, defined the general framework of the public debate on that issue: the Badinter/Lyon-Caen and TN contributions, the Badinter and Combrexelle reports, and so on.¹⁰² The general conclusions of these contributions was that the role of the law should be reduced while that of collective agreements, in particular at the firm or industry level, should be developed. The law would define general principles, and negotiations between 'social partners' would define the concrete application and consequences. This was a demand of employers in the spirit of the *refondation sociale* initiative. For instance, in 2014, Medef had published a 'yellow paper'¹⁰³ that

¹⁰⁰ Council recommendation on the 2015 National Reform Programme of France, 13 May 2015. Com (2015) 260 final.

¹⁰¹ This was one of the aim of the neoliberal right coalition that came to power in 1986.

¹⁰² A labour law specialist, Antoine Lyon-Caen, and a figurehead of the 'moral left', Robert Badinter, a former justice minister responsible for the abolition of the death penalty, published a jointly-written book bemoaning the 'obesity' of the labour law, making its complexity responsible for the enduring unemployment problem. For them, labour law should be limited to the promulgation of fifty fundamental principles.

¹⁰³ Medef (2014).

stated that the core of rules regulating the employment relationship should be defined at the firm level. Emmanuel Macron, about to become minister of the economy, considered at about the same time that the government should let firms and industries derogate to the regulation on working hours and wages.¹⁰⁴

As mentioned before, derogations to the law by firm-level agreements were possible since 1982, and even more so since 2004, on certain issues. The extra steps in this direction that Hollande and the government wanted to take would make the possibility of derogation a general rule, which would empty labour law of most of its significance, and thereby end the favourability principle and establish the inversion of the hierarchy of norms.¹⁰⁵ Previous laws¹⁰⁶ had already affected this hierarchy, but the possibility was still there for an industry-level agreement to prevent firm-level agreements to be less favourable to employees than higher-level rules. Neither Hollande and Valls nor the PS deputies and senators that supported the reform project were bothered by the fact that the majoritarian motion at the 2015 PS congress had stated that 'the social democracy we want to build must be based on a strong and respected trade union movement [...] one must re-establish the hierarchy of norms: the law is stronger than collective agreements, themselves having precedence over the labour contract'.¹⁰⁷ The whole idea of the negotiation between social partners of rules until then defined by labour law was also to deny the specificity of the employment relationship and the related asymmetry between the employer and employees.

The Badinter Commission delivered a report in January 2016 with sixty-one principles¹⁰⁸ for a re-foundation of the labour law that the first version of the March 2016 bill for collective bargaining work and employment (the El Khomri law) incorporated.¹⁰⁹ The principles were very general, with no precise specifications regarding legal working hours for instance. The document did not even mention a legal working time but a 'normal duration', which could differ according to collective agreements. In fact, the principles could be compatible with a very protective as well as a minimal labour law, and it soon became obvious that the latter option would be privileged. The only precise guarantees were obligations resulting from international law; most obligations were less stringent than in the existing code du travail, regarding for instance

¹⁰⁴ Interview in *Le Point*, 27 August 2014.

¹⁰⁵ See Chapter 3, 3.5.1 on the favourability principle.

¹⁰⁶ In 2004 and 2008 for instance. See Chapter 3, section 3.5.1.

¹⁰⁷ *Le renouveau socialiste. Réunir ! Réussir ! Renouveler !* Motion presented by Jean-Christophe Cambadélis. Available at: <<http://congres.parti-socialiste.fr/motions/motion-a-le-renouveau-socialiste>> (accessed July 2016).

¹⁰⁸ Eleven more than recommended in the Badinter/Lyon-Caen book.

¹⁰⁹ The second version of the bill did not incorporate these principles, following an advice of the *Conseil d'Etat*.

the respect of the individual's fundamental rights, the right to strike, the compatibility between work obligations and the right to a family life, and so on.

The strategic questions linked to the existence of the thirty-five-hour week were the remuneration of overtime and the period over which the thirty-five-hour constraint would be taken into consideration. Labour costs could be decreased in two ways: by relaxing or abolishing the reference to a legal workweek, which would render the definition of 'overtime' pointless; or by making it possible to decrease the level of overtime pay. Both ways were tried at the same time, not directly by suppressing the reference to the thirty-five-hour week, but by making increasingly irrelevant, authorizing a measurement of legal working hours not a yearly basis but with reference to a longer period for instance, or extending the possibilities to use an employment contract with reference to the number of days rather than hours worked.¹¹⁰

The first version of the El Khomri bill (*loi travail*) proposed a series of labour market flexibility measures that went far beyond what the right governments had even simply envisaged doing over the past four decades (Table 4.4). This represented the most import attack on employment protection ever. The bill incorporated the sixty-one principles of the Badinter commission and these should be in the preamble of the revised *code du travail*, which should be achieved within two years after a commission composed of experts had worked on it. The idea that 'experts' should propose law changes to the government, thereby bypassing the parliament, is one indicator among many of the neoliberal character of the law. The objective given to the experts' commission was to give a central place to collective bargaining, extending its domain of application. The commission was supposed to gather advice from 'social partners', but the El Khomri bill dealt right away with the changes that should affect the legislation regarding the workweek.

In fact, the bill opened the possibility for firm-level agreements to derogate to the labour law, almost making exemptions the new rule. By extending the possibilities to negotiate at the firm or industry level the organization of work and the mode of remuneration, it emptied the thirty-five-hour week law from a significant part of its content. Working time could be defined with reference to a period as long as three years if there was a firm-level agreement.

The remuneration for overtime, that is, above the thirty-five -hour limit, could be fixed by a firm-level agreement, provided it was over the 10 per cent limit. Even the conclusion of a majoritarian agreement was no longer an obligation. The possibility was open to have minority agreements validated

¹¹⁰ The so-called *forfait jour*. This possibility was introduced with the thirty-five -hour law and concerned high-skilled employees in large firms. Since there is no protection against an excessive work load, the conformity of the *forfait jour* with the European legislation is problematic.

Table 4.4. The *Loi travail* of 2016 (El Khomri bill).

	Situation before the reform	First version of the bill	changes made in the second version of the bill
Unfair dismissal indemnity	Minimum of 6 months' salary	no minimum indemnity, maximum of 6 months' salary for tenures under 5 years, 15 months' salary for tenures over 20 years	Suppression of ceilings and floors on indemnity; the proposed indemnity scale will be indicative
Forfait-jour	Authorized if there is a collective agreement	No need for a collective agreement for firms under 50 employees, can be introduced by the employer unilaterally	Introduction needs to be approved by employee representatives
Underage apprentices	Maximum work time: 8 hours a day, 35 hours a week	Maximum work time: 10 hours a day, 40 hours a week	Suppressed
Work-time	35 hours a week on average over 4 weeks when no collective agreement, over a year if collective agreement	35 hours a week on average over 16 weeks for firms under 50 employees when no collective agreement, over 3 years if (firm-level) collective agreement	Necessity of an industry-level agreement for the 3-year period
Night shift	Maximum of 40 hours a week for 3 months	Maximum of 40 hours a week for 4 months	Suppressed
Definition of dismissal for economic motive	4 possible motives: economic difficulties, technological change, plant closure, reorganization necessary to competitiveness. A judge can appreciate the reality of the motive	Precision of the definition of economic difficulties: decrease in turnover for several months, cash flow difficulties, etc. An industry-level agreement should add further precisions.	No changes
Nullification of a dismissal for economic motives	Reintegration of the employee or 12 months' salary indemnity	6 months' salary indemnity for employees with a tenure of more than 2 years only	No changes
Collective agreements to maintain employment	Possible when the firm experiences serious economic difficulties; employees can work longer for lower wages. Valid for a limit period of 5 years	Possible even without serious economic difficulties in order to maintain or develop employment. No limit period of validity.	No changes
Workweek	Maximum of 44 hours for 12 weeks	46 hours for 16 weeks	No changes
Standby time	Cannot be considered as rest time	Can be considered as rest time	No changes

(continued)

Structural Crisis and Institutional Change

Table 4.4. *Continued*

	Situation before the reform	First version of the bill	changes made in the second version of the bill
Overtime pay	25% extra for the first 8 hours, 50% extra after that. Minimum of 10% extra if industry-level agreement	10% extra if firm-level collective agreement even if the industry-level agreement is more generous	No changes
Firm-level agreement	Valid if signed by organizations representing more than 50% of employees	Valid even with the signature of minority (30%) unions if accepted by referendum	No changes
Dismissal for economic motives	Possible if plant closure, technologically-motivated reorganization or economic hardship	In addition: in case of a drop in turnover, orders or cash-flow problems	No changes
Possibility to lower wages or increase worktime with firm-level agreements for the maintenance of employment	The firm must experience economic difficulties; an employee refusing the conditions of the agreement is dismissed for economic motives	The firm no longer needs to experience economic difficulties and an employee refusing the conditions of the agreement is dismissed without the guarantees of the economically-motivated dismissal	No changes
Worktime over 10 hours a day	Subject to conditions regarding the firm's activity	Possible unconditionally with a firm-level agreement	No changes
Collective wage bargaining	Mandatory each year except if a firm-level agreement authorizes it every 3 years	Possible every 3 years in case of industry-level agreement	No changes
Occupational medicine's main objective	preservation of employee's health, prevention of health hazard	Certification of the adequacy of the employee's health with the job requirements	No changes

by referendum.¹¹¹ Even without collective agreement, the bill extended the possibility to conclude individual agreements determining wages independently of the reference to the workweek (*forfait jour*) for small firms whatever the skill level of the employee. For firms without union representation, the management could unilaterally decide not to pay overtime but impose compensatory rest periods instead.

¹¹¹ Provided unions representing 30 per cent of the employees agree.

The possibility to modify working hours and wages by collective agreements was extended too. The precedence of collective agreements over the individual labour contract would be valid for agreements that had for objective to improve employment (restructuring, launching a new activity, entering new markets). Employees refusing the terms of the collective agreement would be dismissed without the benefits of the economic motive. This introduced a dissymmetry in the possibility of collective representation, because employees would be dismissed on an individual basis, even if a relatively large, but minority, group of employees were in that situation. It would also be possible for a firm to negotiate longer working hours, up to twelve hours a day, within the European limit of forty-eight hours a week. Only 'exceptional circumstances' would legitimate such a work schedule, but the necessity for an extension of the workweek to sixty hours to obtain a prior authorization that the labour administration almost never granted was lifted. The bill also made it possible for underage apprentices to work up to forty hours a week (and ten hours a day) without a prior authorization of the administration.

The bill also reintroduced the ceiling on the indemnity for unfair dismissal that had been censored by the Constitutional Council when first introduced in the Macron law. This indemnity would be granted according to a predefined schedule: from three months of salary for a tenure under two years to a maximum of fifteen months of salary for a tenure over twenty years. The indemnity level was therefore low.

An extended definition of dismissal for economic motives was introduced. A firm that had 'economic difficulties' such as a drop in orders or turnover for four trimesters in a row or operating losses for two semesters in a row,¹¹² or needed to reorganize in order to preserve competitiveness or to adapt to new technologies could dismiss individuals for these motives. The vagueness of the specifications and the possibility to manipulate operating losses through creative accounting suggest that the outcome of the new law will be to simplify drastically the possibility to dismiss employees for economic motives.

The general philosophy of the bill was to adapt the regulatory environment to the firm's situation: not only the economic environment, but also the balance of power between 'social partners'. This would imply that there would no longer be an equality of situation for a given position across different firms of the same industry for instance. Some commentators mentioned the possibility of workers employed on a given construction site having very different statuses, working conditions and wages for the same job, which

¹¹² Industry-level bargaining could lower these periods to respectively two trimesters and one semester.

could potentially be a source of conflict and dissatisfaction. Another problem would also be the control and monitoring of firm-level agreements. Controllers and inspectors of the labour ministry had no mandate to control these agreements. It would be up to workers' representatives or unions to ensure that the employer complies with the terms of the agreement.

These main objective of the bill was to augment employment flexibility by limiting the possibility of intervention of a judge, with the aim to lower dismissal—and hence labour costs. The security part of what was presented yet again as a step towards flexicurity was limited to the individual activity account (*compte personnel d'activité*, CPA) intended to manage the risks (unemployment, work arduousness, etc.) faced by and the rights (training, benefits, etc.) open to individuals during their entire active life. The implementation of the CPA had been presented by Hollande as 'the great social reform of the mandate'. Yet, it was only one article among many in the El Khomri bill. The first version of the bill merely amalgamated existing accounts: on job strenuousness and on the rights to training. In order to defuse the contestation against the labour law reform, specific measures for the young and unskilled were added. The CPA adopted the philosophy of the individual account in order to 'protect the individual, not the job'. However, this was not entirely the case since the account would be provisioned according to the employment history of the individual. The amount of protection and the extent of the rights would therefore depend on the individual's ability to find employment. The official objective was to provide individuals with episodes of more or less atypical employment or unemployment with a certain level of social protection. A foreseeable consequence was that it would make atypical employment more easily socially acceptable.

The first version of the El Khomri bill received the support of Medef and the right but was strongly criticized by former labour minister and PS first secretary Martine Aubry, the left wing of the PS, the radical left, and even 'reformers' such as Jacques Attali, for being too much in favour of firms. Unions were divided in their opposition, with, as usual, CFDT being more understanding and ready to make compromises, eventually supporting the bill after some minor changes had been incorporated by the government. The bill met a formidable social opposition nevertheless. All polls showed that a significant majority of the population did not approve the project. A petition on the internet gathered more than 800,000 signatures in a week, and demonstrations were organized, involving the participation of students, prompting the government to delay the introduction of the bill before the national assembly and propose a second, slightly watered-down version. Medef and the right took this as an opportunity to distance themselves from the bill. This was not enough to defuse the opposition, but the government chose to resist in spite of a large protest movement including demonstrations, which were rather

brutally repressed by the police, and several strikes. The bill was not supported by a sufficient number of PS deputies to pass the vote at the National Assembly. The government had to resort to Article 49.3 of the constitution three times in order to have it adopted.¹¹³

4.5 The Consolidation of the *bloc bourgeois*

The 'structural reforms' made under the Hollande presidency were significant and the transformation that they implied for the French model of capitalism were substantial. But the issue of the socio-political sustainability of this reform strategy was still present at the end of the mandate.

4.5.1 *The Social Base of the PS*

The '*embourgeoisement*' of the PS was a well-established fact in the 2010s. In 2011, 64 per cent of the party members had a university degree (49 per cent in 1985), and 10 per cent were former students of the elite *grandes écoles*. Blue collar workers only represented 3 per cent of the party membership (10 per cent in 1985) whereas high-skilled employees accounted for 38 per cent (19 per cent in 1985). In total, high-skilled and intellectual professions constituted 50.5 per cent of membership whereas blue collars and clerks represented only 17 per cent.¹¹⁴ These figures were the almost perfect symmetric inverse of the French employed population (national average taken from the 2009 employment survey): high-skilled and intellectual profession accounted for 16.6 per cent of the labour force, blue collars and clerks for 51 per cent.¹¹⁵ In the 2010s, the majority of the PS party members could rationally not feel as threatened by the economic evolution and structural changes, industrial restructuring, precariousness, or unemployment problems, as the majority of wage earners.

This particular sociology may explain the difference between the policy orientation of the PS-led government and the expectations not only of the left social base, but also the general population. According to a poll on structural reforms,¹¹⁶ there was no large support of wage earners to the projects of the government in 2015. 50 per cent of the employees were worried about the reform projects, 18 per cent were angry, and only 19 per cent had a positive appreciation. The poll also emphasized the existence of a significant difference of appreciation between employees and employers. The end of the

¹¹³ Fifty-six PS deputies even weakly tried to censor the government on this issue.

¹¹⁴ Figures taken from Dargent and Rey (2014: 8).

¹¹⁵ Dargent and Rey (2014: 14).

¹¹⁶ Le Figaro (March 2015).

thirty-five-hour week was considered a good thing by 75 per cent of the employers, but only 44 per cent of the employees, whereas 46 per cent thought it was a bad thing. The prospect of a single employment contract was judged positively by 77 per cent of employers, but only 39 per cent of employees (45 per cent considered it negatively).¹¹⁷ More radical measures obtained even less support; the suppression of the minimum wage was regarded negatively by 54 per cent of employers and 77 per cent of employees.

The fact that, according to the same poll, 67 per cent of employers and 53 per cent of employees wanted a radical change emphasize the ambiguity of the term 'reform'. A majority was favourable to change, but hostile to the particular strategy chosen by the Hollande administration.

The reforms made under the Hollande presidency contributed to the emergence of the *bloc bourgeois* in two ways: by dividing further the left bloc between the working classes and the skilled groups, and by facilitating the proximity of interests between the skilled middle-class groups of the left and their equivalent on the right. One can see in Tables 4.1–4.3 that European integration was a significant determinant of the sympathy for the ecologists (EELV), PS, and centre-right MoDem. Further European integration was supported by educated and affluent groups, who did not support a left economic policy, which was also the case of the bulk of the supporters of EELV and even more so for MoDem. The European integration issue was a powerful factor of division for the left, as had been shown at the time of the 2005 referendum on the European constitutional treaty, but also for the right. European integration represented the promotion of an economic model compatible with the pro-market and pro-globalization options chosen by PS—free trade, financialization, capital mobility, 'wage moderation', orthodox monetary policy, 'sound' public finance, labour market flexibility—while at the same time preserving, at least in the discourse, a certain degree of social protection (the European social model, an 'active' welfare state, etc.).

When one looks at economic policy expectations, the sympathy towards EELV came from individuals favourable to public spending, but less favourable to redistribution and not so hostile to the pension reform. In this respect, the potential social base of the ecologists was closer to that of the centre-right (MoDem) than that of the so-called 'radical' left or even the PS. The ecologists' support was found among citizens culturally progressive but only partly supporting left economic policies. MoDem sympathizers were close to those of the PS regarding cultural values and held centrist or conservative positions on economic policy expectations. The increase in the power of the EU was

¹¹⁷ Amable (2014b) shows in more details that the support to the single employment contract comes from skilled, older and affluent individuals, in other words so-called 'insiders' rather than 'outsiders'.

relatively supported by individuals with high wealth levels, managers and high-skilled employees of the private and public sectors as well as students, medium-skilled public servants, and retired individuals. A similar support could be found for the proposition to increase VAT. The opposition to such measures gathered the low income groups. Therefore, a skill- or income-based social alliance existed that would support only part of the right's economic policy propositions (pension reform, VAT, etc.) or share some of the left cultural values (homosexuals' rights, attitude towards immigrants, etc.) and be united on issues such as European integration against other social groups more inclined to support the radical left or right. One found thus a possible policy line for the *bloc bourgeois* with European integration as its main element, involving possible structural reforms (cf. the appreciation of the pension reform) and labour market flexibility, while keeping a moderate degree of income redistribution and social protection.

4.5.2 The Possibility of an Anti-bourgeois Bloc

The institutions of the Fifth Republic, and in particular the strong presidential regime, created a partition of the political space into two blocs. It would therefore be logical to expect that the emergence and stabilization of the *bloc bourgeois* would facilitate the emergence of another bloc, the *anti-bourgeois* bloc. But the space for a political mediation uniting the social groups outside of the *bloc bourgeois* appeared extraordinarily constrained. The results in Table 4.2 and 4.3 show that the respective social bases of the 'radical' left and the far right had next to nothing in common. Lack of support to European integration was the only possible common element. But no cultural and economic policy preferences were common to the supporters of the 'radical' left and those of the far right. The former were characterized by expectations of a left-oriented economic policy and culturally progressive values.¹¹⁸ The latter expressed polar opposite preferences. Therefore, these results confirm Mayer (2011)'s finding that there is no 'horseshoe' representation of the political space whereby 'extremes' would somehow meet. If FN could indeed draw the support of some fractions of the popular classes,¹¹⁹ the social

¹¹⁸ One may draw a parallel with Germany. Bowyer and Vail (2011) show that supporters of the radical left party *die Linke* are not simply 'the losers' from economic modernization but citizens sharing similar beliefs regarding economic policy.

¹¹⁹ An Ipsos poll of December 2015 for the first round of the regional elections gave the following results: the FN was particularly strong among the young (18–24-year-olds) with 35 per cent of the votes, blue collar workers (43 per cent), clerks (36 per cent), and self-employed (36 per cent). But the level of abstention for these groups was particularly high, which may lead to interpretation biases.

orientation of the economic programme of FN seemed to matter little in this phenomenon. The appeal to economically conservative positions on the tax system or the size of public intervention had a more significant influence. The fraction of the popular electorate having some sympathy for FN was therefore characterized by conservative inclinations both in the cultural and economic dimensions.

Nevertheless, the U-turn in the economic policy stance of FN, from ultra-liberalism to a defence of social protection, could be interpreted as a search for mediation in order to unite social groups kept outside of the *bloc bourgeois*, toning down the culturally conservative elements of the manifesto, which are taken for granted by the core social base of FN anyway, and emphasizing elements likely to win over social groups for which the economic dimension matters significantly. A successful mediation, if it can be found, would not imply a blatantly infeasible *political* alliance between the radical right and the radical left, but would more probably involve FN attempting to become the dominant political party representing the social groups excluded from the *bloc bourgeois*.

The risk associated with this strategy is to lose the economically right oriented part of the electorate, a possibility represented by the internal opposition to the Marine Le Pen line, led by none other than Jean-Marie Le Pen and Marion Maréchal, the grand-daughter of FN's founder. The original core electorate of FN was composed of self-employed, shopkeepers and craftsmen, whose expectations regarding economic policy were not quite compatible with those of blue collars and clerks. In the mid-2010s, the two, core and working class, electorates co-existed rather than merged within FN.

This threat of a rift internal to FN and the fact that in spite of having become the first political party in France in the local and regional elections of 2014 and 2015, the gains in terms of mandates was minimal, may explain why yet another change in the party line was observed in 2016. Although not officially relinquishing the exit from the Eurozone, this objective was considered more of a long-term character than an immediate priority. Also, the economic doctrine of FN was reoriented in the direction of firms. An objective could be the search of an alliance with the part of the traditional right social bloc that was not satisfied with the policy and institutional choices implied by the *bloc bourgeois* strategy. This would correspond to a reanimation of the right bloc with the inclusion of FN. The results of Tables 4.1–4.3 validate the realistic character of such a strategy: the respective social bases of the right and the far right have very much in common. Finding a political strategy that would unite them in a stable social bloc would more a question of fine tuning than that of solving major contradictions as in the case of the left bloc.

4.5.3 Political Strategy

The political landscape in the 2010s was characterized by the existence of several possible partitions whose existence depended on the solidity of the associated political strategies. As we saw, PS, or at least the majority of that party, had chosen a strategy favouring the emergence of a dominant *bloc bourgeois*. A part of the right was slowly making a transition towards that strategy too, which would imply either a competition with PS for the political representation of that social alliance, or a more or less explicit political alliance. This was not the only strategy on the right. Another part of the right still thought it possible to reunite the right bloc, which implied a more benevolent attitude towards FN and their constituency.

The presence of FN was objectively welcomed by PS, which could hope to obtain the votes of the left constituency in the second round of the various elections, in spite of the disappointment that the economic policy of the PS-led government provoked, in a so-called 'republican' or 'anti-fascist' reflex.

There was even a certain degree of strategic thinking in the repressive turn taken after the terrorist attacks of January and November 2015, with a series of laws and measures (law on intelligence, state of emergency, constitutional revision, amongst others) that increased the power of the government at the expense of judicial control. These exceptional measures were far from being symbolic, and were used by the PS-led government to prohibit demonstrations during the COP21 conference that was held in Paris. Such measures were as far removed as possible from the culturally liberal orientation that some political scientists had believed to detect in the so-called 'new left'. The risk involved in this strategy was to antagonize the part of the PS electorate for whom these cultural aspects were tremendously important. But the signal sent to the electorate was that the new repressive regulations would be used by a possible government that would include FN to turn France into a dictatorship. Talking about the law on intelligence, Bruno Le Roux bluntly declared: 'if you think that this law is ill-conceived and if you fear that the political leadership could misuse it, do not worry and vote for us, we are the friends of liberty'.¹²⁰

Plans for a political restructuring were launched. The first secretary of the PS, J.C. Cambadélis, considered in 2015 the possibility of convention for a popular alliance that would lead to the creation of a 'republican and left' party. The new movement would include the ecologists and even other 'republicans', making an analogy with the CNR (Conseil National de la Résistance). He even made an appeal to 'rupture', echoing Mitterrand who, in Epinay, had appeal to another type of rupture, with capitalism this time. Finance minister Macron launched his own movement '*en marche*' in April 2016, described as 'neither

¹²⁰ Radio interview, France Inter, 5 June 2015.

left nor right', with an ambition to 'remould France from the bottom-up', face the 'blockages in society', and 'find consensual majorities for radical reforms'. Significantly, the main battle axes of Macron's movement would be the promotion of 'economic, social and political liberty' and European integration. Part of PS was already ready to make explicit alliance with the right. The old idea of a 'majority of ideas' even resurfaced. Deputy minister Vallini declared in December 2015 to be in favour of a certain degree of proportional representation in order to 'unblock' the French political system, that is, to make it possible for PS to abandon for good its political alliances on the left, and look for allies in the centre-right.

But these strategies faced a twin difficulty. First, the political right could still reasonably envisage to resuscitate the right social bloc and find a way to deal with FN; or it could still hope to gain the competition with PS for the political representation of the *bloc bourgeois*. Second, the strategy of the *bloc bourgeois* entailed a non-negligible risk attached to the relative narrowness of its core social base. Using a latent class analysis, Amable et al. (2012b) estimated the core of the *bloc bourgeois* to represent 9 per cent of the electorate.¹²¹ A suitable political strategy implying finding compromises away from a 'radical reformist' perspective could potentially extend this bloc to 22 per cent. But any further extension would imply finding a strategy similar to that resting on the support of the left bloc or, for the right, the right social bloc. In fact, the emergence of the *bloc bourgeois* was the symmetric to that of the *bloc anti-bourgeois*. The success of the associated political strategy depended on the possibility for the FN, or another party, to successfully represent the *bloc anti-bourgeois*, implying the definitive break-up of the right bloc. The political success of the *bloc bourgeois* would therefore derive from a reaction of the electorate against the FN more than an adherence to the neoliberal structural reforms.

¹²¹ Rouban (2016), using survey data for 2016, estimated the electoral weight of the 'social-liberals' to 6 per cent.

Conclusion

Two important dates mark the recent history of the transformation of the French political economy. The first one is 1983, or more accurately the period between November 1981¹ and March 1983, when the first left government of the Fifth Republic started to redirect its economic policy towards public finance orthodoxy and the promotion of the 'supply side'. As we saw, this choice was not simply a reorientation of the macroeconomic policy to take into account the international environment or try to decrease the current account deficit. It was a choice in favour of European integration, in particular monetary integration, and the type of structural policy and institutional change that France would implement from then on, especially for the financial sector and the product markets. This, through institutional complementarities, led to further changes affecting other institutional areas in the following decades, which deeply altered the French model of capitalism.² This 'U-turn' also had political economy consequences. The new economic policy orientation implied to neglect the most basic policy expectations of the left bloc, which meant that the social base of the so-called 'government left' would have to be eventually replaced by another one, more favourable to the broad neoliberal course taken by the Parti Socialiste (PS)-led governments.

The second important date is 2012, and the election of François Hollande as president, or more generally the whole Hollande mandate. The 2012 election marked the acknowledgement of the choice that was only implicit in 1983: in terms of political strategy, the alliance that the mainstream left would look for, as well as economic strategy, the type of 'structural reforms' that would be implemented. The PS no longer looked for *compromises* with political forces on their left; the strategic objective was not to reunite the left bloc but to look for a new social bloc centred on the high-skilled middle and upper classes, the *bloc bourgeois*. The economic policy would be 'pro-business' and the structural

¹ When Delors called for a 'pause' in the reforms.

² Amable (2016a).

reforms neoliberal. What other political parties would gain from supporting the PS would simply be positions in the government, not the possibility to influence economic policy in a different direction than the one chosen by the right wing of the PS.

But one should not limit oneself to a simple chronology. The focus on the U-turn of 1983 commonly found in the economics or political economy literature overstates the singularity of the event and leads to overlook its historical origins. The neoliberal turn of 1983 is in part the continuation of the policy implemented by conservative prime minister Raymond Barre at the end of the 1970s. Before that, the modernist ideology had promoted the necessity of the so-called 'economic realism' both on the left and on the right. The idea that market competition should regulate the economy had already been accepted in the 1960s by the French planning agency. *Dirigisme* became increasingly market friendly during that period. On the left, the mistrust of the state's intervention in the economy that was characteristic of 'self-managed socialism' and the 'second left' easily turned into adherence to neoliberal principles.

The year 1983 marks the end of the contestation of the neoliberal direction taken by the French economy by the so-called 'government left'. The tensions present before and during the elaboration of the common manifesto (*programme commun*) of the 1970s were a sign of the growing incompatibilities between the different projects found within the left: modernism, 'self-managed' socialism, social-democracy, state-centred socialism, and so forth. At least one fundamental contradiction existed between the European integration objective considered as a *sine qua non* condition by the socialists,³ in spite of their more or less sincere reservations on the course that the European project had taken on the one hand,⁴ and the ambition to consolidate social-democratic institutions and initiate a transition towards socialism on the other hand. If the *programme commun* or the *110 propositions* represented political equilibriums, these were temporary and very unstable.

In a way, 2012 could be regarded as the second coming of the 'rigueur' of 1982/3, and Hollande, who was already present in government circles in 1983,⁵ could be viewed as completing the U-turn that Mitterrand had seemingly hesitated so much to take in 1983. But this would only be in the sense in which Karl Marx described history repeating itself: the first time as a tragedy,

³ One declaration of Michel Rocard summarizes the hierarchy of priorities for some leading members of the PS: 'I became a socialist because the [Socialist Party, Section Française de l'Internationale Ouvrière] SFIO carried a European ideal'. Interview in *L'Opinion*, 27 December 2015.

⁴ For instance, in a book co-written by Rocard and published in 1973 (Jaumont et al. 1973), wherein it was stated that the common market was a means of installing a-national capitalism, but that socialism could only fully develop at the European level.

⁵ As private secretary of the government's spokesman.

the second time as a farce.⁶ Whereas Mitterrand did implement significant left reforms during the first months of his presidency, Hollande did not even try to pretend, and betrayed the most basic expectations of the left social bloc right away.

An apparent paradox is that the two dates marking the neoliberal transformation of French capitalism are those where a 'left' government was in power. Of course, one has seen that the left content of Hollande's policy was extremely limited, but still, as shown in this book, the PS could count on the left social bloc to be elected. The paradox was very much perceptible already in the mid-1980s, when the political leader of the so-called 'second left', Michel Rocard, made the following observation: 'how not to mention this paradox that it was under a left government and by a left government that the enterprise [and] the market [...] were revalued, while at the same time wages and purchasing power went down as the stock market went up?'⁷ The paradox became even more violent in the 2010s. It was under a PS-led government that the most drastic measures regarding the liberalization of the labour market were taken, measures that right governments had been reluctant to take when they were in power, opting for a more gradual and partial approach instead. In fact, looking back on four decades of institutional change, and partly because the Great Recession prevented Sarkozy from going as far as he initially wanted, the PS could claim to have implemented the most radical 'structural reforms' for the French model of capitalism: financial, product, and labour markets. The problem, with their own social base at least, is that these reforms led the French political economy in a neoliberal direction, not towards socialism or social democracy, as it was expected in the late 1970s/early 1980s.

From the 1950s to the 2010s, the left modernism of Pierre Mendès-France degenerated, through Rocard and Delors, into the unadulterated neoliberalism of Emmanuel Macron and Manuel Valls. Modernization, a concept which once implied the use of more productive equipment in association with a larger involvement of the labour force in management in order to foster social progress, turned into the financialization of the economy and the search for 'competitiveness' through 'flexibility' in the employment relationship and welfare state retrenchment, implying an increase in inequality. If the Fordist period could be broadly described as an alliance between a fraction of industrial capital and the wage-earning class, the post-Fordist period looked more like the search for an alliance between financial capital and a fraction of the wage earners.

⁶ And Marx was precisely writing about France ('The Eighteenth Brumaire of Louis Bonaparte') when he made this remark.

⁷ Forum de l'Expansion, 3 October 1985.

Each manufacturing plant closure was taken by the ‘modernizers’ of the post-1980 period as an opportunity to reorient the productive structure towards more ‘modern’ activities, and as a sign of progress towards the ‘post-industrial’ society. ‘Social dialogue’ turned into a way to divide the worker’s movement and have employees accept flexibility and ‘wage moderation’. Labour cost competitiveness became the leitmotiv of economic policy. What could still have been social and democratic in left modernism until the late 1960s gave way to the pro-market competition and technocratic tendencies that were present in that political project since the very beginning. There were obviously limits put to ‘social dialogue’ and ‘self-management’, and already in the 1960s, both Rocard and Delors thought that too rapid an extension of workers’ prerogatives in firms’ management would lead to economic inefficiency.⁸

Of course, the evolution of the mainstream left towards a market-friendly attitude is far from being a French exception, and in fact many developed countries saw their social democratic parties drift to the right and attempt to reorient their constituency towards the skilled and pro-European integration middle classes. French political leadership explicitly took example from other countries too. If the British ‘third way’ remained on the outskirts of the PS ideology, its German version (*die neue Mitte*) was far more influential and the German way to reform was consciously emulated by the French governments. But it could be argued that, at least in the short to medium run and because of the specificities of the German political economy, the pursuit of European neoliberal integration stabilized the dominant socio-political compromise of the 2000–10s in Germany, whereas it contributed to the emergence of the political and structural crisis in France. The strength of the German export-oriented manufacturing industry made it possible to build a temporary and probably fragile compromise based on the maintenance of the employment level in exchange for so-called ‘wage moderation’, in a context where competing Eurozone countries could not devalue their currencies to regain price competitiveness. Such a compromise was out of reach for more deindustrialized France. The Italian example should be mentioned too. A fraction of the PS would have liked to follow the footsteps of the Democratic Party in Italy, merging socialists and Christian-Democrats in a pro-European integration and neoliberal reformist political formation. However, this political option had difficulties finding the appropriate social base in the mid-2010s.

There were also significant French specificities that should be kept in mind. For reasons exposed in Chapter 2, the French social-democracy was structurally weak during the Fourth Republic and politically dominated during the

⁸ Fulla (2016: 190).

Fifth Republic until 1981. The post-Second World War economic development of France was therefore not associated with the consolidation of a social-democratic compromise,⁹ as it was the case in some European countries.¹⁰ Michel Foucault wrote in 1981 that France was one of the few Western countries that never had a left moment.¹¹ The wrong conclusion drawn by the left was that its political victory in 1981 was the return to a 'normal' state of things that had been delayed for far too long, a logical consequence of the economic and social evolution of France during the post-Second World War period. This would mean that the social base of the new government could constitute an almost 'natural' political majority. This led many on the left to neglect the tensions and contradictions within the left social bloc and among the left coalition parties. The economic difficulties of the first years of the left government, in part the consequence of the contradiction between the French economic policy choices and those of other OECD countries at that time, gave an opportunity to a particular fraction of the left coalition to orient the definition of economic policy in a direction that became increasingly difficult to reverse.

The coherence of the right bloc, which dominated after 1958, had also been threatened, notably by tensions between the social-structural consequences of the rapid economic development and the expectations of the more traditionalist part of the right's constituency. As we saw, these contradictions could be managed by the right, with more or less difficulty, until 1981. The right experienced problems after that date too, when a new type of tensions affected the bloc. Economic 'modernization' then took the form of neoliberal reforms, and the new risks were borne by a sizeable part of the wage earning classes, including a fraction of the right bloc. The right searched a new type of mediation, associating structural reforms with the preservation of the most significant aspects of the French social model, with limited success.

The strategy of the mainstream left after 1983 was a continuation of the 'modernist' project of the 'non-communist' left of the Fourth Republic, and the Hollande presidency was not so much the leap into the future that its propagandists would advertise, but the maintenance of a certain French tradition. Gauron (1988) described the 1945–81 period in the following way: 'the modernists have remained "mendesist" in their refusal to take into consideration the communist votes, and in the end to take into account the expectations of

⁹ A compromise present in many European countries, sometimes even supported by Christian-democratic parties.

¹⁰ This questions the more or less automatic link sometimes made between the post-Second World War prosperity and the social democratic compromise. The belief in the existence of such a mechanism is at the roots of the illusions that accompanied the promotion of the so-called Lisbon agenda.

¹¹ In *Libération*, 5 July 1981, cited by Cusset (2006: 59–60).

the working class. They imagined their own “modern” wage-earning class, made of technicians, high-skilled, service sector employees, white collars; they gave themselves new social, feminist, autonomist, ecologist movements [...] that mobilise this “modern” wage-earning class. The working class and its world remain alien to them’ (p. 288, our translation). The very same lines could be written to describe the post-1981 period.

Gauron (1988) considered that the success of the left governments would be conditioned on the removal of two obstacles: (i) a strong communist party, which scared the most moderate part of a possible extended social base of the left, and (ii) the modernists’ exclusion of a fraction of the wage earners (the working classes) from the benefits of the reforms. Removing both obstacles implied a PS strongly anchored to the left. However, Gauron did not see that the removal of the first obstacle reinforced the second one by shifting the balance of power within the left in favour of its most liberal and rightist fractions. Also, the accession to power of what became the ‘government left’ strengthened one part of the left’s social base, the high-skilled public servants, relatively to the trade union and working class fractions. The former, who had broadly adopted the basic ideas of neoliberalism regarding the superiority of market mechanisms over state intervention,¹² with a few exceptions, were in a better position than the latter when it came to influence policymakers. Therefore, the same groups that had formed the core of the left modernists in the 1960s could push forward a revisited ‘modernist’ strategy as the easiest option for the PS to follow.

Progressively, as economic policy options were confirmed and reforms implemented, answering positively to the demands of the traditional left bloc became increasingly difficult within the constraints defined by European integration and markets’ liberalization, two structural evolutions that the action of PS-led governments had either very actively promoted or at least not hindered very much.

Having promoted reforms in the areas that were relatively low in the institutional hierarchy of the left bloc (the financial sector, product market competition) in the 1980s and 1990s, PS came to power in the 2010s in a situation where the continuation of the ‘reformist’ strategy implied to implement institutional change in areas that were crucial for the existence of the left social bloc. The main objective of the Hollande presidency was therefore to make the labour market more flexible. Logically, the ‘reform’ of the social protection system was expected to follow. This implied that there was no longer a possibility to trade off neoliberal reforms in some areas against more social measures elsewhere. If that strategy had been enough to keep

¹² Jobert and Théret (1994).

the left bloc more or less alive until the early 2000s, its possibilities were exhausted after that. The future course of the PS implied a reorientation of its constituency towards the *bloc bourgeois*.

One may compare the French situation to that of the other large European country close to the continental model: Germany. The German 'solution' to a similar problem at the turn of the twentieth century was, to simplify the result of more complex analyses, to preserve, imperfectly and temporarily, the 'coordinated' aspects of the social model of Germany for the core labour force, and apply more neoliberal measures to the periphery work force.¹³ The political forces implementing these transformations were an implicit or explicit coalition of the main conservative and social democratic parties. The parallel with the emergence of a *bloc bourgeois* in France must be made with caution. The French search for a *bloc bourgeois* was characterized by the exclusion of working classes of the dominant social bloc (DSB), classes that were, to different extents, included in the former left and right blocs. The support that the traditional German government parties still benefited from in the 2010s was a manifestation that at least some of the demands of some fractions of the working classes were still taken into account in the definition of German public policy.

The comparison between France and Italy made in Amable et al. (2012b) revealed the importance of the specific historical, economic, and social-structural characteristics (structure of firms, size of the public sector, etc.) of two countries where the emergence of a *bloc bourgeois* could be identified.¹⁴ Similar situations were also found in Greece. Laskos and Tsakalotos (2013) show how PASOK and New Democracy converged on economic policy issues on a notion of structural reforms where '[t]he losers of modernization could be marginalised, defeated, or even compensated, but never incorporated into a democratic dialogue over possible futures'.¹⁵ In other words, these social groups were excluded from the DSB.

But the political strategies based on the *bloc bourgeois* all face the problem of the narrowness of such a social base. Moreover, there is no guarantee that the neoliberal structural reforms implemented within this political strategy contribute to stabilizing this bloc. The increase in inequality and the possible thinning out of the middle classes could in fact make the *bloc bourgeois* more fragile. This difficulty with the basic arithmetic of democracy explains the emphasis put on the limits of democracy,¹⁶ the role assumed by the technocracy, the temptation of 'technician', 'nonpartisan' governments, the neglect of the result of the 2005 referendums,¹⁷ and so forth. Indeed, the mandate of

¹³ See Palier and Thelen (2010).

¹⁴ See also Amable and Palombarini (2014).

¹⁵ Laskos and Tsakalotos (2013: 26).

¹⁶ Cf. section 1.3 in Chapter 1.

¹⁷ On the European constitutional treaty.

Hollande was characterized by a rollback of democracy and the affirmation of 'authority', and the position of the French mainstream left in the political space was difficult to interpret in light of the political science theories that favour a simple two-dimensional (economic and cultural) representation of that space.

If the neoliberal turn of the PS-led governments was indeed a move in the direction that these theories predicted, the idea that, as a representative of the so-called 'modern left', PS would represent culturally progressive and anti-authoritarian values, and implement corresponding policies was far from being validated. During the Hollande presidency, the only significant measure corresponding to the predictions of the modernization thesis was to grant homosexual couples the possibility to be married (*mariage pour tous*). But many other measures signalled that in the trade-off between individual freedom and security, the latter term was privileged. The interior policy took a significantly repressive turn, particularly after the terrorist attacks of January and November 2015: the enactment of a French-style Patriot Act (*Loi renseignement*), a prolonged state of emergency that gave the police powers that would normally not be accepted under a democratic regime, an attempt to change the constitution in order to permit the ease of adoption of the state of emergency, and so on. Hit by similar terrorist attacks in 2016, Belgium did not adopt such restrictive laws. In France, the repressive powers enabled by the state of emergency were used to repress contestation movements that had nothing to do with jihadist terrorism: environmental movements at the time of the COP21 conference, and protesters against the labour law reform project of 2016. The PS-led government even considered the possibility of a ban on demonstrations in the context of the massive protest movement against the *loi travail*. The temptation to go beyond the limits of democracy in order to get out of the political and systemic crisis and implement the contested 'reforms' was too big to resist. In the spring of 2016, the French post-democratic imposition of neoliberal reforms to a decidedly reluctant population¹⁸ relied much more on tear gas, truncheons, and plastic bullets rather than 'social dialogue'.¹⁹ The limit to the neoliberal transformation of the French political economy, and more generally the continental European model of capitalism, into a neoliberal model that was mentioned in the conclusion of Amable

¹⁸ All opinion polls made in the Spring of 2016 about the labour law reform indicated that a significant majority (60 to 70 per cent) of the population rejected it.

¹⁹ Between the end of March and the beginning of July 2016, protests and demonstrations against the labour law reform led to 900 persons taken in police custody, and thirty-two jail sentences (communication of the Ministry of Justice, 7 July 2016). A report written by journalists (Reporterre) and published at the end of June 2016 (*Maintien de l'ordre: la dangereuse dérive. Rapport d'information sur les actions de maintien de l'ordre menées depuis le début des manifestations d'opposition à la loi sur le travail en février 2016*) documented many instances of police brutality during the protest movement.

(2003), namely the absence of a stable social support for such a project, was overcome by relaxing the democratic constraint.

But these events were another sign that the partition of the political space along a left-right economic axis was still valid. The success of a *bloc bourgeois*-based strategy that included neoliberal reforms of the labour market (and later of social protection) hinged on a significant weakening of that division. As was analysed in this book, many efforts were deployed in that direction, in particular the promotion of the insider-outsider divide. The emergence of the *bloc bourgeois* implied the reorganization of the social blocs, and the complementary emergence of a *bloc anti-bourgeois*. The European integration divide was in this respect more useful to that effect than any 'cultural' issue. The two political strategies based on the prospective blocs, *bourgeois* and *anti-bourgeois*, shared a common interest in the waning of the left-right divide and the domination of another divide that would cross-cut through the former social alliances.

But one could also point out that the new socio-political partition, *bourgeois* and *anti-bourgeois*, has always been inherently unstable. The narrowness of the *bloc bourgeois* was already mentioned. But the *anti-bourgeois* strategy was rife with contradictions, implying the support of social groups with radically different expectations regarding economic policy and structural reforms as well as more 'cultural' expectations.²⁰ The stabilization of a *bloc bourgeois*, even too narrow to be dominant, would signal the end of the left social bloc. The more or less inevitable breakup of the *anti-bourgeois* alliance in the event of a political victory would have for consequence to make the political strategies based on the right social bloc viable, particularly given the disappearance or significant weakening of the left bloc following the emergence of the *bloc bourgeois*. In the medium term, the perspective of a reanimation of the right social bloc looked in 2016 considerably better than those for the left bloc. The mainstream left had gone too far in the neoliberal direction to be able to devise a credible strategy reuniting the bloc, and the non-mainstream left was too weak and itself inhabited by tensions. On the other hand, the main problem of the political right had always been more one of finding a fine tuning to reunite the different parts of the bloc rather than to fundamentally question its past strategic choices. In this respect, the policies followed by the left, particularly under the Hollande presidency, were instrumental to this evolution. By taking a significant neoliberal turn, the 'left' made it easier for the political right to follow this direction and overcome the tensions internal to the right social bloc.

²⁰ As shown in Chapter 4.

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