FUTURE OF SOCIAL DEMOCRACY 24.09.2020 | Thomas Manz

Can Macron's 'France Relance' rebuild the country?

France's unprecedented recovery plans are ambitious on industry and enviroment but risk to widen the social divide

Read this article in German.

In France the spread of the coronavirus has picked up speed again. The number of new infections has at times risen above 10,000 cases. In many cities, wearing a mask is now compulsory, even outdoors. Since 1 September mask-wearing has also become the rule in schools and workplaces. These measures are (still) widely accepted. While on 29 August, over 30,000 people demonstrated against the measures to contain the pandemic in Berlin, in Paris only a few hundred responded to the anti-masques' call to protest against the order to cover up. The priority is not inconvenient restrictions such as mask-wearing, but avoiding another lockdown.

The new government under prime minister Jean Castex, in office since before the summer recess, had to postpone the launch of its new €100bn recovery package and again give precedence to safety measures. The French government wants to avoid a new 'confinement', including general curfews and curbs on production. Indeed, the economic and social costs of a second lockdown would deal France a terminal blow. The French Economic Observatory (OFCE) fears a 14 per cent year-on-year fall in GDP, with only a modest 5 per cent recovery in 2021. Even without a new lockdown, a 9 per cent economic slump looms this year, with 720,000 additional unemployed.

The government therefore has little choice but to look ahead and prepare the country to try to live with the virus. President Macron's inclination is to focus the economic recovery strategy – dubbed 'France Relance' – on further transformation. It is not just a matter of reacting to the crisis, but of pursuing a course that brings the country out stronger on the other side.

Giving up on budgetary dogmas

The emphasis of the recovery plan now being put forward is on measures to boost production and investment. This involves the sacrifice of budgetary dogmas previously held dear. French finance minister Bruno Le Maire has declared that 'this is a time for public spending', not budget consolidation. The €100bn recovery package is four times bigger than the one introduced after the 2008 financial crisis, amounting to about a third of the state budget. The package is to be funded from EU relief funds (€40bn) and new borrowing.

In its 'France Relance' plan, however, the government now wants to emphasise the development of alternatives to road transport.

The aim is to return to 2019 GDP by mid-2022, the end of Macron's term of office. The government hopes that growth effects will offset the new public borrowing needed to finance its 'Relance' plan and rebalance the budget by 2025. Debt is likely to rise above 120 per cent of GDP. Tax increases to finance the 'Relance' package have been ruled out categorically.

The plan, presented as an enormous investment package, is based around three central objectives: the environment, competitiveness and solidarity. Since spring, the constant mantra has been that the recovery programme must not merely preserve existing structures and practices. It must seize the opportunity the crisis presents to set a new course for a more sustainable future. Given the rise of the Greens in the European and municipal elections, the government is in no position to duck this challenge. It now intends to put €30bn into environmental transformation, promoting cleaner transport and energy-related building renovation.

A green recovery?

Even before the summer recess, the government presented a 'green' reconstruction plan for the auto industry. The aim is to establish France as European leader in 'cleaner' car manufacturing. To that end, the government is relying on incentives to buy electric and hybrid vehicles, as well as the conversion of internal combustion engines. Credit guarantees to manufacturers will also be conditional, in the case of Renault, for example, on participation in the European battery manufacturing project. Nevertheless, environmental organisations consider this 'environmental reset' to be inadequate.

In its 'France Relance' plan, however, the government now wants to emphasise the development of alternatives to road transport. Besides help

for municipalities to expand safe cycle paths, this includes more resources to expand rail transport and the reactivation of mothballed track or a reprieve for lines currently under threat. The lack of – or threat to – rail links for many small towns was already a key issue in mobilising the 'Gilets Jaunes'. The government has u-turned on reported initial plans to close some 9,000 km of track. Now, besides passenger transport, previously neglected rail freight looks set for expansion.

Not surprisingly, the recovery plan's primarily economy-friendly orientation has reinforced the view that President Emmanuel Macron leans to the right.

'Relocalisation' has particular importance in the 'France Relance' plan. This involves shifting currently outsourced production lines and research capacities back to France, boosting French and European strategic sovereignty. Prime Minister Castex's vision is to restore France as an industrial nation. Significant tax reductions are among the main levers here. For example, a €20bn cut in production tax in the next two years is intended to level the playing field with close competitors. In return, the government expects companies to get on board with job retention and creation. According to the opposition and the unions, however, there is a distinct lack of clear and binding conditions in terms of safeguarding jobs, further training and environmental commitments.

The 'social question' will be back

It remains to be seen whether 'France Relance' will also address the social challenges and meet the expectations of ordinary people. Many observers expect that in the autumn, with rising unemployment and company bankruptcies, the 'social question' will return to the fore. By the end of the year, the Banque de France anticipates a rise in unemployment to 11 per cent. Even if the recovery policy revives the labour market, experts are not convinced that the new demand will be able to absorb employees from sectors that will never recover or – for example, aviation – look set to resume at a more modest level in the wake of transformation. Thus, France is menaced by a rise in structural unemployment.

It is therefore not surprising that social unrest is so high, as Olivier Faure, leader of the Socialist Party, points out. This was confirmed by a recent Viavoice opinion poll for Libération. The most pressing issue for 48 per cent of respondents is employment and tackling unemployment, while 46 per cent favour maintaining and expanding the health service. Some 40 per cent regard environmental protection as the most important issue

and a similar proportion would like to see their purchasing power maintained.

CFDT leader Lauren Berger also sees a danger to democracy in widespread social unrest. If the one-sided stress on the supply side continues, the plan will lose sight of people's social needs. This, as socialist politician Stéphane Le Foll puts it, risks deepening the social divide between those who think about the future and those who are worried about the present. A balance is needed between protective measures and anticipatory action. Otherwise we are likely to see a resumption of class conflict. The 'Gilets Jaunes' have already called for more demonstrations and the CGT has announced a national day of action, including strikes, on 17 September.

Not surprisingly, the recovery plan's primarily economy-friendly orientation has reinforced the view that President Emmanuel Macron leans to the right. Certainly, 43 per cent of respondents in an Ifop poll from early September saw him that way. Only 32 per cent positioned him in the centre. And according to the Viavoice poll, only 22 per cent support his re-election. The president's political rivals can take little comfort from this popularity slump, however. As things stand, almost half of those surveyed don't trust any politician to improve French fortunes. For many observers, this loss of public confidence in politicians, in stark contrast to such high expectations, represents an 'explosive cocktail' for French democracy.



Thomas Manz
Paris

Thomas Manz heads the office of the Friedrich-Ebert-Stiftung in Paris.
He previously worked for the foundation in Brazil.