

Social-Liberalism in France

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In France, the parties of the Left have been in power for two thirds of the period since the beginning of the 1980s. Thus the Left has had time to express itself and to show the world its true nature, in its diversity and its internal contradictions. It inherited a serious situation, in which big state and private enterprises were facing difficulties in international markets and a prolonged economic recession which its leaders became aware of only belatedly. Moreover, the economic constraints resulting from globalisation, and the more institutional constraints arising from the European Union, obviously limited possible responses to the situation. However, could the Left not lean for support on the expectations on the ‘people of the Left’ who had lived through 23 years of domination by the parties of the Right? Was it inevitable that the governments of the Left would continue the liberal economic policy, favourable to capital, while clothing it in an egalitarian veil, and above all masking it with humanist discourse? What effect do these practices have on social affairs, on the workplace, on unemployment issues, on civic life, on the family etc.?

French-style ‘cohabitation’

THE FRENCH political institutions of the fifth Republic, created by De Gaulle in 1958, seem complex, seen from the outside, the more so as, since 1986, they have no longer functioned in the spirit in which they

were set up. For De Gaulle, the voters were to elect a President of the same political tendency as that of the majority in the National Assembly. (The Senate or second chamber has always had a lesser role in French political life.) By electing François Mitterrand on 10th May 1981, the French were breaking with the Gaullist tradition, since a right-dominated Assembly was now coexisting with the new left-wing President. The latter re-established coherence between the two institutions by winning the parliamentary elections which he had called immediately, as the Constitution allowed him to do. But the Right, by winning the parliamentary elections of 1986, (whereas Mitterrand's presidential mandate ran to 1988), created a totally new situation: a *cohabitation* in which executive power is shared between the President of the Republic and the Prime Minister (and his government), drawn from the majority in the National Assembly. Basing his position on his own interpretation of the Constitution, (which in the event was not seriously challenged), Mitterrand reserved for himself the fields of foreign policy, defence, and respect for the institutions. Whence all the conflicts of protocol that one can imagine when the Prime Minister insisted on inviting himself to the same international summit meetings alongside the President, since the Prime Minister was heading a government possessing a Minister of Foreign Affairs (and also a Defence Minister): the French tend to enjoy such issues arising from overlapping responsibilities, for many of them see this 'cohabitation' as a rather amusing political arrangement in which left and right are both on stage when various consensual and conflictual situations arise. Is there not, after all, the possibility of new freedoms developing through social movements of all kinds which embarrass the Right and the Left equally? Having developed a taste for cohabitation, France reproduced the same configuration in the second half of Mitterrand's second presidency (1993-1995): it was the victory of Jacques Chirac over the socialist candidate for the Presidency of the Republic in 1995 which brought this second period of cohabitation to an end. But electoral miscalculation in 1997 led Chirac to dissolve a National Assembly which he found too turbulent despite its conservative majority: The Assembly was replaced by a National Assembly with a left majority. This time the cohabitation was reversed: the right-wing President of the Republic was forced to preside over a policy conducted by a parliamentary majority made up of diverse left parties (the

Socialist Party, the Communist Party, the Left Radicals, the Greens, and the Citizens' Movement¹.

Thus, despite the complexity of this changing situation, the Socialist Party has governed France, sometimes alongside only the small Left Radical Party, sometimes in coalition with its other allies (the Communist Party, the Greens) for fourteen years since the election of Mitterrand in 1981. In the intervals between cohabitation, when the Right was in power, it had hardly enough time to undo what the Left had achieved, and every time it tried (in 1986 with Devaquet as Minister of Education and in 1995 with Juppé as Prime Minister) it suffered a terrible defeat at the hands of mass mobilisations. But at the same time this alternation showed the Socialist Party something that it was only too willing to accept, namely that it should not go too far in the direction of structural reforms: thus it is, for example, that the socialist Prime Ministers of the 1990s have privatised, one after another, the very concerns that the socialists of the previous decade had nationalised!

The end of Fordist growth and the liberal turning-point

When the left parties won the elections in 1981, their official policy programmes in the economic and social fields had already been known for several years: a break with capitalism, nationalisation, workers' control of decision-making, self-management....A few years later, the themes had changed completely: rigour, modernisation, austerity, competitiveness, social partnership. The change, pursued via a succession of shifts of emphasis, from a policy of reflation through mass-consumption to a policy of austerity aimed at restoring economic equilibrium, shocked part of the left electorate, especially since the government continued to assert that it was 'continuing the same policy'. However, from 1983 the economic policies which were progressively set in train no longer aimed at 'changing the system'. Some socialist leaders still hoped to 'transform the structures of society', but for many of them it was now a question of 'managing technological and social changes'. In this way the socialist leaders thought that their speeches would continue to be accepted on the left, and get a more sympathetic hearing in the centre and on the right.

To understand the impact and the limits of these economic policies, which proceeded from an attempt at national Keynesianism (an economic recovery package based solely on France) to '*competitive disinflation*'² and then to the '*social liberal*' solution, one must trace the history of their development within an increasingly globalised economic context.

For three decades (1950-1980) the Fordist employment relationship resulted in a rapid, regular growth of wages on the basis of a compromise between capital and labour regulating the share-out of productivity increases arising from the scientific organisation of work. Keynesian policies of macro-economic stabilisation pursued by the State were aimed at ensuring a regular growth of demand for firms to satisfy. Managed financial systems allowed capital accumulation to be financed by bank loans at low interest rates, regulated by the monetary authorities.

This pattern of growth began to go wrong at the beginning of the 1970s with the collapse of the Bretton Woods international monetary system, inflationary overheating in the United States in 1972, and the oil price-rise shock in 1973. When growth slowed down while inflation accelerated, the phenomenon of 'stagflation' appeared. The persistence of stagflation resulted in a fundamental change in the direction of public policy at the end of the 1970s. In 1979, for the first time, the leaders of the main industrial countries decided to make the battle against inflation the absolute priority. From then on, monetary stability was the main aim, and monetary policy became the main instrument of macro-economic regulation, in line with monetarist principles. A liberal conception of the role of the State also came to the fore, according to which the State must withdraw from management of the economy, a view which plays down the strategic role of budgetary policy. Monetarism and liberalism became the new fundamental principles of economic policy.

The Fordist employment relationship, which was the central institutional form in the post-war pattern of growth was sacrificed on the altar of rigour and monetary stability and was replaced by a competitive system of wage regulation. When the Left tried to organise an economic recovery policy in 1981, this policy ran up against an international environment already characterised by recession and by liberal policies adopted by France's main economic partners.

French economic policy between May 1981 and June 1983

The economic recovery policy of 1981 was not confined to stimulation of demand. The expansionist budgetary policy was also meant to underpin a voluntarist industrial policy aiming at rebuilding branches of industry in order to launch a re-conquest of the home market. The industrial policy aimed to increase public investment and financial aid to the nationalised sector. Industrial voluntarism was very different from the free play of the market encouraged by the previous government's policy of looking for gaps in the market. The previous government had encouraged firms to specialise in the most profitable sectors and to withdraw from the others. The French economy had become dependent on foreign industry, particularly German, to supply capital goods. The new industrial policy of the left government sought to rebuild whole branches of manufacturing starting upstream, (notably thanks to the nationalisation of certain key industries and banks), with the aim of reducing this foreign dependency. It would aim to strengthen supply, not through the workings of the free enterprise system, but through the open, visible actions of the state.

For its part, the budgetary policy was meant to back up this industrial policy. It aimed to increase state investment and financial support for the nationalised sector. Following a very Keynesian approach, public and social expenditure was directed towards public investment, social benefits, social housing, and job-creation measures. Among these one may mention the 240,000 extra public sector posts and the various subsidies to encourage youth employment, to which must be added the 'solidarity contracts' encouraging early retirement. Lastly, the budget also contributed to an increase in social benefits and family allowances.

In order to boost investment and encourage the growth of exports alongside demand on the home market, the government acted to ease monetary policy. Its exchange-rate policy consisted firstly, in October 1981, of a devaluation of the franc in relation to the currencies of France's main European partners. This devaluation was moderate: the franc was devalued by 3% and the mark revalued by 5%.

As for incomes policy, its role was to support the boost in consumption. It took the form, notably, of increases in low wages, those most likely to be spent immediately for

consumption. As part of the battle against unemployment, alongside the creation of public sector jobs and various targeted measures in favour of youth employment, the effort to boost demand was to be backed up with a reduction in working hours, with the aim of translating economic growth into new job opportunities. However the reduction in the working week was only from 40 to 39 hours, which limited the effect of the measure. Nonetheless this led to the creation of 145,000 new jobs in three years, according to the INSEE, the National Statistical Institute. Other measures were taken in the area of what may be seen as the modification of working time. A fifth week of paid holidays was established. Early retirement was encouraged with the help of 'solidarity contracts' to encourage firms to take on young workers in exchange for state subsidies.

The effect of this economic recovery package on growth was less than anticipated. It did, however, produce a 2.2% growth-rate, whereas this would have been nil if such measures had not been taken; as a result unemployment was stabilised at 2 million. The package stimulated a 1.2% growth in consumption and a 2.5% increase in investment. Inflation rose by only 1%, as a result of the increase in labour costs. Consumption and investment lifted growth, therefore, at a time when France's partners were tumbling into recession.

Consequently the negative effects of the recovery policy were concentrated on a worsening of the budget and trade deficits, which were greater than forecast. These results led the government, in June 1982, to accept a second devaluation, and a plan to reduce the state deficits. In all, the trade deficit grew by 44 billion francs in 1982, which further increased speculation against the franc.

Thus the economic recovery policy, pursued between 1981 and 1983, had the major disadvantage of creating larger budget and trade deficits than forecast. But it was above all the consequent speculation against the franc which forced the government to make a rapid choice. Because the continuation of this policy risked generating a dangerous increase in debt, while at the same time exhausting the country's foreign currency reserves. The new currency realignments, in March 1983, signalled what was termed the 'shift to rigour'. The mark was revalued by 5.5%, and the franc devalued by 2.5%.

The government gave up any attempt to continue along a path which would no doubt have required a degree of

protectionism, withdrawal from the European Monetary System (EMS) and major structural reforms, changing management criteria in firms. On the contrary, in order to halt speculation on the financial markets and to restore conditions for profitability in the private sector, the left government chose to put in place a policy of ‘competitive disinflation’ in order to rebalance the budget and foreign trade.

A non-Keynesian policy: competitive disinflation

Some important socialist leaders, such as Jean-Pierre Chevènement and Pierre Bérégovoy, argued for a continuation of the national economic recovery policy. They called for a greater devaluation, in effect a competitive devaluation, along with closing the frontiers to some imports through protectionist measures. A competitive devaluation would have meant withdrawal from the European Monetary System. It would have helped to boost exports in a context where export outlets could be limited in view of the world recession, aggravated by the restrictive policies in operation elsewhere. Protectionism would have allowed France to limit the quantity of imports sucked in by the reflationary expansion, and was based on the assumption that France was broadly self-sufficient. However these measures could well conflict with the increased interdependence of European economies. The supporters of this policy were quite aware of this. However they justified their proposals by pointing out that a degree of protectionism, combined with a competitive devaluation of the franc, would produce only the same effects as a policy of wage austerity for France’s trading partners. In either case, outlets in the French market would shrink for France’s partners, but the option that they supported would have the advantage of creating room for manoeuvre and restoring the effectiveness of the national recovery policy—while waiting for the European partners possibly to adopt the same type of policy.

Faced with the risk that France’s withdrawal from the EMS might produce a zero-sum game, if the other countries countered with trade reprisals (devaluations or protectionism), the French government made a different choice. This option, defended by Jacques Delors, meant staying in the EMS in the hope of co-ordinating economic

policy on the European scale. Such a co-ordination was considered the only way to increase jointly demand in the region. During this interlude, the aim was to bring the budget back into balance and to tackle the trade deficit without leaving the EMS, that is to say without recourse to a competitive devaluation. The term 'competitive disinflation', which was associated with this interlude, was quite explicit. While re-balancing the budget, through a certain rigour, the main aim was to increase profits and improve firms' competitiveness on price, so as to reduce double-figure inflation to less than 10% and restore the trade balance by increasing exports. The policy of competitive disinflation which was pursued by successive governments of both left and right rests on three bases: the strong franc, tight control of incomes and budgetary austerity. The restrictive monetary policy was to eradicate monetary sources of inflation. The exchange-rate policy, which went along with it and which was described as the 'strong franc', was meant to eliminate speculation and reduce imported inflation. These elements of monetary stability were to create a favourable environment for maintaining stock market confidence.

The budgetary policy would have to be restrictive to avoid excessive pressure on interest rates and on taxation. The reduction of budget deficits was already aimed at reducing interest payments on the national debt, which were reckoned to cause upward pressure on interest rates that were already high, given the risk premium which had to be paid to maintain the strong franc. Finally, wages policy had to focus on shifting the share of income in favour of profit, with a view to stimulating 'supply'. The aim was thus to restore the confidence of financial markets in the ability of firms to achieve profitability. In the area of employment, competitive disinflation should result in improvements both in price competitiveness and profitability. Thus firms should be able to reduce their prices while restoring their profit margins, which was considered necessary to boost investment. The way to achieve this was to end the indexation of incomes on prices in the public sector, a move which resulted from a change in the government's stance in the negotiation of annual pay increases. In a situation in which trade unions are weak, wage increases, fixed statutorily by the State in administrations and state enterprises, were taken as the reference point for pay increases in sector by sector negotiations.

The limits of competitive disinflation and social-liberalism

The results of 'competitive disinflation' were spectacular as regards the battle against inflation and the reduction of public deficits, but disastrous for the battle against unemployment. The budget deficit was cut to less than 3% of GDP. Foreign trade recovered and the competitive disinflation policy was fully successful. The objective of restoring the conditions for 'profitable supply' was certainly achieved. The incomes policy also met its objectives. The share of wages in added value dropped at the rate of 1% per year from 1983, so that in 1995 the distribution of added value had returned to its 1967 level, while the rate of self-financing reached 130% at the end of 1995.

Wage increases in the private sector were moderate, in line with those in the public sector. This outcome was facilitated by the pressure exerted by the rise in unemployment on wage moderation. During the 1980s, this matrix of economic policy, based on three aspects of 'rigour' (monetary, budgetary and wage-related) was to be maintained by each successive French government, whether of the left or of the right, despite certain nuances, notably regarding the distribution of budgetary allocations between ministries.

In the 1990s, policies of a liberal type have become established in Europe. In France, though competitive disinflation consisted in restoring the 'major economic equilibria' (balanced budget, balanced trade etc.), it was the fact that left governments espoused liberal arguments in their analysis of the situation that legitimised the continuation of such a policy. The dominant 'belief' was that monetary policy must continue to be concerned above all with inflation, which justifies making central banks 'independent' of the executive. Budgetary policy must aim at reducing expenditure and social contributions so as to reduce the role of the State and to permit a reduction of taxes and interest rates. As for unemployment, it is judged to be mainly structural, that is to say linked to rigidities in the labour market.

That is why, during this period, the employment policy adopted by successive governments has been wholly focused on reducing labour costs and making the conditions in which part-time work and other atypical contracts are introduced more 'flexible'. However, this policy of reducing labour costs fits perfectly within a liberal conception of society. While

continuing to shift the share of income in favour of profits, it is also a question of facilitating the transfer of jobs, (particularly in services), to the private sector.

Fundamentally, it is a question of tackling the 'rigidities' in the labour market. Two solutions may be envisaged here. One could remove these 'rigidities' by establishing a competitive labour market, creating a total flexibility of wages and employment conditions, which presupposes notably abolishing the minimum wage, dismantling labour law, calling into question unemployment benefits or looking for alternative means of financing social protection. This approach has been rejected in France because of the need for 'social cohesion'. As a result, the *liberal-social* solution has become this 'third way' (between the Keynesian approach and the ultra-liberal approach), favoured by employment policies: it consists in reducing labour costs by subsidising employment or exempting employers from paying social contributions for low wage earners, without abolishing the minimum wage. That is why it is more accurate to describe the policies as liberal-social rather than ultra-liberal.

The measures recently taken by Lionel Jospin's government in the fiscal area should also be placed within this frame of reference, though they reveal a more definite shift in the direction of liberalism. Income tax and road tax³, for example, have a strongly re-distributive effect. The recent reduction in income tax and the abolition of the vehicle tax disc are not, therefore, fundamentally 'left' measures, as the government claims, unless one sees in them illustrations of a definite conceptual rapprochement between 'left' and 'right' on the issue of 'social justice' and re-distribution.

One must remember that the presentation of a general cut in income tax and social contributions as a major policy priority has been one of the most classical themes of the right for a century, taxation being identified with socialism or even 'collectivism'. The present left government is nonetheless more and more coming round to liberal arguments which present deductions and contributions simply as uncompensated costs. The economic and philosophical notion of the 'general interest' is disappearing, giving way to the idea of deductions as a simple imposition. For example, this is the approach which predominates today on the question of retirement pensions. According to this view, old-age pensions are a net cost, as if their reduction would not tend to generate other costs. More generally

deductions and contributions are treated as a net loss of wealth.

In the same optic, 'negative tax' has been re-christened 'employment bonus' by the Jospin government. The proposal for negative tax, recently put forward by the Minister for the Economy and finance⁴, starts from the idea that a large number of the unemployed would derive no advantage, in the present state of affairs, from accepting a job paid on the statutory minimum wage. The aim of this 'tax' is therefore to combat 'unemployment traps', by paying a wage supplement so as to make a return to work more attractive. The negative tax can in fact be understood as a substitute for a shortfall in wages. It is just a palliative, thought up today, to compensate for the multiplication of low-paid jobs, in the same way as many means-tested benefits are just substitutes for a defective social protection system.

However, at bottom, we are witnessing a devaluation of wage levels, for the existence of this negative tax is used to justify the persistence and extension of low wages and unsatisfactory employment conditions. In the long run, negative tax represents a fundamental threat to the whole system of social protection, since the existence of a two-tier labour market over an extended period is incompatible with the maintenance of the present norms of social protection.

History clearly shows that employment and wage norms have always gone hand in hand with norms of social protection. In the area of 'economic solidarity', the government has created a Junior Ministry backed by the ecological party, the Greens. The idea behind this is to call into question the traditional approach to the economy based solely on the State/Market duo. The government is thus looking for an alternative to unemployment and work problems on the margins of the productive system, as if it were possible to juxtapose, alongside the dominant wage-labour relationship, other autonomous economic and social arrangements, each with its own logic. On the contrary, one must rather suggest that this approach springs from an outlook which artificially uncouples the economic from the social, without noticing the opposite process which is organising the primacy of the former over the latter.

Despite the implementation of measures inspired by economic liberalism, which is now triumphant both at national level and in the world as a whole, a certain number of social reforms have nonetheless been introduced by the left

governments in France. These will have a durable effect on the living conditions of the French: one can cite the cut in the retirement age to 60, the reduction of the working week to 35 hours (though this has often been accompanied by an intensification of work), the opening up of University to all without entrance examinations, universal medical cover (which Hillary Clinton so dreamed of introducing in the United States) etc. All of which has gone along with the persistence of a very high unemployment rate and the continued widening of social, economic and cultural inequalities between the inhabitants of France.

Conclusion

More generally it must be emphasised that this economic policy, described as social liberalism, is supported by clearly identified social groups. The alliance of politico-administrative elites (the top civil service) and finance capital constituted the necessary 'hegemonic bloc' (in Gramsci's sense). Industrial capital also came round to this option, because the re-distribution of income went in its favour and wage-discipline was maintained. The real strength of this hegemonic bloc is to have found the way to link its own destiny to a historic project (European economic and monetary union) and to be backed up by an 'institution' of unequalled power (the financial market).

This policy has given rise to considerable tension and opposition within French society, particularly among the sections of the population who have been made most vulnerable, and on the part of certain unions (General Confederation of Labour, CGT; the reformist union, FO) and the Communist Party and the far-left parties. However, the intellectual bourgeoisie and the petty-bourgeoisie, that is to say the managerial staff in the firms, in the state apparatus, teachers, social workers, media personnel etc., have, for the most part, supported, indeed legitimised this one-dimensional representation of the economy. Failing to investigate the inner workings of the economic forces beneath the social liberal veneer, these social categories, with their 'leftist' leanings, who are well represented in the media, have concentrated on ways of intervening on questions of 'values' and 'ethics' (anti-racism for example) without seeing that the idea of performance and efficiency, called for by the State and implicit in the way firms are run, have also had a definite bearing

on these ethical issues. Having failed to question the notions of competitiveness, productivity, and the idea of financial profitability as the be-all-and-end-all (the expression of the total domination of the share-holder), which structure our society, these social categories have been unable to penetrate the crucial area of management and the economy, and lay the basis for a real democratic debate about it. Also, having neglected to build alliances based on credible economic and political alternatives, they have merely gone along with the social and human effects of the macro-economic policies pursued by the financial-industrial bourgeoisie and its allies in the state apparatuses.

But the paradox, or perhaps the possible basis for a new post-Fordist compromise, lies in the fact that if these economic structures increase the scale of inequalities of all kinds, they also produce larger and larger middle strata social groups. Not only do these act as a mass base for the social liberalism of the left governments and left parties, but they also staff the state apparatuses, thus helping to strengthen social-liberalism's social base and to legitimise this politico-economic tendency. More generally, '*social-liberalism*' can be understood as a political solution to make people accept the monstrous consequences of the total subjugation of the world economy to finance, since, in France for example, it distributes crumbs, in the form of a shorter working week and the improvement in the standard of living of these middle strata groups (more leisure time, foreign holidays, more consumer durables, personal computers etc.), all of which result essentially from the growth of the productive forces, or, in other words, productivity gains.

Seen from this point of view, the positioning of the Left, and particularly of the Socialist Party, or indeed the Greens, seems to have shifted somewhat from the most oppressed and most deprived classes to the middle strata groups. This trend, which can certainly be seen in all European countries, and in other parts of the world, such as North America and Australia, also means that the economic victims are no longer represented in the political arena: is it time, therefore, to update Marx's analyses on the French small peasantry, which he compared to a sack of potatoes whose votes Louis Bonaparte managed to pick up to get himself proclaimed Emperor? Which sort of men of destiny—or political systems—will be called upon to become the new Bonapartes? Or can one hope that the middle strata will come to realise that they are not defending their own interests, but those of finance capital which is using them as its pawns? Is such a development possible?

Notes

1. The Citizens' Movement was founded by Jean-Pierre Chevènement, former leader of a Left tendency in the Socialist Party, following his resignation from Michel Rocard's government as a result of his opposition to the Gulf War.
2. In the absence of an equivalent English term, 'désinflation compétitive' is translated throughout as 'competitive disinflation' which the authors describe as follows: it is a macro-economic policy which aims to control inflation by limiting wage and price increases and by reducing public deficits. It is also concerned to re-establish trade balances by encouraging exports, by influencing costs (especially labour costs). This economic policy is favourable above all to owners of capital, whose financial holdings are no longer threatened with erosion through inflation. It is not favourable to labour, since it means holding down, or indeed reducing the global wage bill.
3. the French vehicle tax varied according to engine size and age of the vehicle (translator's note).
4. equivalent of the Chancellor of the Exchequer in the UK.

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