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**The current politic-economic situation in France  
and its repercussion for Europe**

# Continuation of the mainstream's agenda : French variant of internal devaluation policy

- Structural reforms on labor market (more flexibility of the labor code, a little dose of security)
- Fiscal reform on capital taxation (Suppression of the ISF, flat tax on capital income) in favor of the “first of cordee”
- Raising the margin rate (CICE, negative corporate tax transformed on perennial cut in social contributions)
- Privatizations
- .unemployment insurance reform
- pension reform

# Ecological transition neglected (*Dixit* N. Hulot)

- Ecological taxes (TICPE+TGPE...) = 40 billion
- But only 7 billion allocated for ecology
  - Energy check : 600 million
  - Thermal Insulation : 210 million,...
- Carbon tax (3,6 billion in 2016) almost totally allocated to finance the CICE
- The goal of 50% of nuclear energy in the electric mix for 2025 is pushed back to 2035

# The direct origins of the “yellow vest” revolt

- Carbon tax, fuel taxes
- Feeling of fiscal injustice from « sherpas »

# The context of the revolt

- Powerlessness of unions: defeats in the past on many fronts (pension reforms, labor code)
- Wage moderation
- Explosion of inequalities
- Feeling of abandonment of peri-urban population
- Lack of Public services in the territories
- Removal of beds from Hospital, suppression of secondary railway lines...

# Measures taken by government in response to the revolt

- **8,5 billion = cancellation of measures of the previous budget**
  - Cancellation of planned ecotaxes increases : 3,9 billion
  - Cancellation of planned increase of the Generalized social contribution of poor retirees : 1,5
  - Reindexation of small pensions : 3
- **12 billion to improve purchasing power**
  - Tax cut for lower middle class : 5
  - Tax exemption for overtime : 2,4
  - Tax exemption for exceptional : premium 2
  - Increase of the activity premium : 2,5
  - Less Public job cuts than planned

# Objectives of the National Stability Program

- Growth rate of GDP : + 1,4%/year until 2022 (2,2 in 2017 and 1,6 2018)
- Slight increase in the public deficit : 2,2% of GDP (2019), trend toward 1,2 for 2022
- Debt/GDP : 98% (2018), 98,8 (2019), 98,7 (2020).... 96,8 expected for 2022
- Growth rate of Public expenditure : +0,6 (2019), +0,7 (2020), +0,3 (2021), +0,1 (2022)

\*revised figures

# The “new world”: four major political poles

- Liberal-Progressists
- Right Populism
- Conservatives
- Divided left (including ecologists and radical left)



# Consequences for Europe ?

Discourse of the Sorbonne (2018) of French president

- Transform gradually the Eurozone as a transfer union, with a big budgetary capacity, a fiscal and social harmonization, a finance ministry of the Eurozone
- Hostility of the member states pushing in favor of fiscal competition, and against a federal budget financed with a corporate tax or Eurobonds (Germany, Nederland, Ireland, Luxembourg...)

## Current positions of the other main former candidates for presidential election

- M. Le Pen : No more exit, populist variant of supply side policy but not the same connivance with European institutions
- F. Fillon : Alignment of LR on the position of the EPP
- J.L. Mélenchon : adopt posture of disobedience, but no real project of exit, unprepared renegotiation of existing texts, no questioning of the unanimity rule, rejection of the federalist scenario

# Conclusion

Not a real upset for Europe in any cases...

Thank you for listening

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