The Coming Chirac-Sarkozy Prize Fight

BY PHILIPPE RIÈS

But will France when it's over be left with any hope for the prize of genuine reform?

At the European Council last March, European journalists looked stunned as French President Jacques Chirac went into a lengthy rant against "liberal globalization" at his final press conference. One joked afterward that he expected Chirac to stand up, raise a tight fist, and start singing the old "Internationale" workers anthem. At the summit, Chirac, nominally a conservative, reportedly told his fellow European heads of state and government that "liberalism (i.e., pro free-market and deregulation in the European meaning of the word) was the communism of our days," a kind of fundamentalism that would deliver equally catastrophic results.

Actually, the tirade was not so surprising coming from a man who strongly supports a Tobin tax of a sort on international financial transactions to fund development aid and regards Brazilian leftist President Lula da Silva as a "comrade." And if you get confused, you are not alone. So have been the French people and Chirac's own political allies.

In a political career spread over more than three decades, Chirac has earned a well-deserved reputation for ideological inconsistency. This one-time advocate of French-styled "Labour" policies ("travaillisme à la française") has been an ineffective prime minister under President Valery Giscard d'Estaing. Back to the same position under socialist President François Mitterrand, in an arrangement called "cohabitation" (when the president and the prime minister come

Philippe Riès is Brussels bureau chief for Agence France-Presse. The views expressed here are strictly his own.

"THE INTERNATIONAL ECONOMY
THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY
888 16th Street, N.W., Suite 740
Washington, D.C. 20006
Phone: 202-861-0791 • Fax: 202-861-0790
www.international-economy.com
editor@international-economy.com

from opposite camps), he pushed for privatization of the big French companies previously nationalized after Mitterrand's election in 1981. But he could not prevent Mitterrand from getting a second term in 1988.

In 1995, Chirac finally reached the pinnacle of French politics by entering the Elysée Palace thanks to a campaign based on leftist rhetoric against the so-called "social divide" in France between the haves and the have-nots. He prevailed in the first round against outgoing prime minister Edouard Balladur, his "friend of thirty years" but by then bitter rival, and went on to defeat the socialist candidate Lionel Jospin. But the pro-business policies (fiscal tightening, further privatization of public-owned companies, attempted deregulation of the labor market, reform of the bankrupted pension system) pursued by Chirac protégé Prime Minister Alain Juppé squarely contradicted his campaign promises. By winter 1995, half of France, led by the unions in the bloated public sector, was up in arms against the government. Massive strikes in the transport network paralyzed the country and forced Juppé into a humiliating retreat. Chirac's attempt to regain the upper hand by dissolving the National Assembly and calling general elections backfired badly. It handed the actual power to Lionel Jospin's socialists for the remaining five years of the president's seven-year mandate.

Not being much more than a figurehead—except to some extent in foreign policy—certainly helped Chirac in the utterly bizarre 2002 presidential election. Unlike the 1988 elections (with former European Commissioner and Prime Minister Raymond Barre) or 1995 campaign (with Balladur), the incumbent Chirac was not facing any heavyweight rival from his own camp. On the other hand, increasingly restive voters on the left were offered a great variety of choice in the first round, with no less than three Trotskyite candidates, a bunch of Greens, and so forth. Result of the first round on April 21 left "le peuple de gauche" (the leftist crowd) in a state of shock. They wanted to teach Jospin a lesson before voting for him against Chirac in the final run. But Jospin wouldn't be there. For the first time since 1965, the year of the first election of the president by universal suffrage, no candidate from the left would compete in the final. In Jospin's place stood Jean-Marie Le Pen, the old workhorse of the ultra-right, running high on prejudice against minorities, anti-immigrant rants, and raucous demagoguery. Chirac won, to some extend by default, in the second round. As a result, he was to stay at the Elysée Palace for a now shortened (to five years) second term but with a mandate, if any, even more ambiguous than the one from his first election.

This rapid survey of recent French political history teaches us a few lessons. A political operator with no clear convictions, Chirac either betrayed and helped eliminate (Jacques Chaban-Delmas in 1974 and Valéry Giscard d'Estaing in 1981) or defeated at the polls (Raymond Barre and Edouard Balladur) personalities from his own camp with much stronger pro-reform credentials and vision. As a result of Chirac's control of the strongest political machinery on the right, the left has been in power much longer through those years. Chirac's own wavering convictions, and the capitulation

French President **Jacques Chirac:** *A political operator with no clear convictions, he either betrayed and helped eliminate or defeated at the polls personalities from his own camp with much stronger pro-reform credentials and vision.*
—R. Riès

NATO

The most intractable issue remains what to do with the so-called "French social model."

Nicolas Sarkozy, *the Interior minister and president of UMP, remarked that "a social model that produces three million unemployed is hardly a model." But he shares with Chirac and company the belief that a powerful and activist central government and a strong state are part of the solution and not the major part of the problem.*

—P. Riès

ASSOCIATED PRESS, POOL AFP

of his government in 1995 in front of the public servants and public transportation workers, reinforced anyone's belief that making France agree to change her ways is mission impossible. Modern policies that have succeeded elsewhere—in the United Kingdom, the Nordic countries, Ireland, and the new EU members—remain largely taboo in France. Hardly a shining record!

Still, perception is somewhat deceiving. The country did actually change quite a lot over the course of the three last decades, moving sometimes back and forth on issues like privatization, taxation, financial deregulation, market liberalization, and open trade. The key factor was being part of the European Union. There is no question that left on her own, France could have frozen like Japan.

The most intractable issue remains what to do with the so-called "French social model," a mix of a highly regulated labor market, a bloated public sector with one-fourth of the work force directly or indirectly on the state payroll, divided but militant unions with few but noisy members, a general addiction to state subsidies, a tax system that discourages entrepreneurship, and a failed education system except for the elite. The result: France has been suffering from mass unemployment for more than fifteen years, at around 10 percent of the working population, much more if all the people on a variety of support schemes are taken into account. The French economy does grow, but at a declining rate. Productivity, while still high by international standards, is dropping lower. As a result of mass unemployment and people retiring artificially early, the financial pillars of the so-called social model—pension regimes and health insurance system— are bankrupt.

Modern policies that have succeeded elsewhere—in the United Kingdom, the Nordic countries, Ireland, and the new EU members—remain largely taboo in France.

"To tackle unemployment, they tried everything in France … except what works," said a French economist. What did not work for example was to shorten the working week to thirty-five hours (with the same paycheck) as the Jospin government did. More than three years into Chirac's second mandate, with the right in control of the national assembly and the government, all that has been achieved is some flexibility in overtime. But the mandatory work week is still a short thirty-five hours. It symbolizes the way Chirac "reforms": by bits and pieces, moving sideways, with half-baked and therefore ineffective decisions. For instance, Chirac is adamant that France needs a wealth tax, another socialist creation, despite strong evidence that such a tax would act to drive wealth out of the country.

Repeated attempts by conservative members of Parliament to merely amend the wealth tax have been opposed by Chirac. The latest episode led Pierre Mehaignerie, a Chirac ally, to declare himself fed up with the "socialist monarchy" run by the President.

But if the 72-year-old President's grip is weakening, until recently no politician from the right has proven bold enough to confront him and his cherished social model openly.

In the final days of the campaign for the referendum on the European constitutional treaty, Nicolas Sarkozy, the Interior minister and president of UMP, a party inspired and long controlled by Chirac, remarked that "a social model that produces three million unemployed is hardly a model." Certainly not for the rest of Europe, where no country wants to emulate it, he went on. A Chirac follower since his entry in politics at the tender age of fifteen, he broke ranks to support Balladur in the 1995 presidential election. "Unbearable but indispensable," as Chirac once labeled him, the energetic fifty-year-old worked his way back to the government after Chirac's re-election in 2002, but not to the prime minister's job he wanted. As Interior minister, Sarkozy used his job to become the most popular French politician, dealing with a varied degree of success with the death toll on French roads, illegal immigration, crime, and terrorist activities in Corsica. To Chirac's old Gaullist style anti-Americanism, Sarkozy responded by acknowledging his fondness for the United States and

Sarkozy's trouble is that the line separating pragmatism (good) from opportunism (questionable) and then populism (bad) is a fine one. And he has been prone to cross it.

American way of life. He once derided his former mentor's love affair with "sumo," the Japanese noble sport.

By the summer of 2004, the conflict broke in the open, and Chirac forced Sarkozy to choose between the government, where he was now in charge of the Finance Ministry, and the party. For the number two in the government to lead the largest party in the majority would marginalize Chirac's weak and unpopular Prime Minister Jean-Pierre Raffarin. His eyes set on the 2007 presidential election, Sarkozy chose to take control of the political machinery, a calculation that paid handsomely when Chirac, badly wounded by the large success of the "no" vote in the referendum on the European Constitution on May 29, was forced to reshuffle the government and hand Sarkozy his old job at the Interior ministry. Again, consistency is not Chirac's forte.

Sarkozy seems to be European by necessity, not faith.

While it is crystal clear that Sarkozy wants Chirac's job, and no later than 2007, his political agenda is not that obvious. This writer once remarked to Mr. Sarkozy that "liberalism" is not a dirty word, so defensive he was about being labeled a "liberal." "What I mean is that I do not read Hayek before reaching a political conclusion," he replied. Sarkozy's trouble is that the line separating pragmatism (good) from opportunism (questionable) and then populism (bad) is a fine one. And he has been prone to cross it. Unlike most business and political leaders in contemporary France, he is not by training a high civil servant, but a lawyer. But he shares with Chirac and company the belief that a powerful and activist central government and a strong state are part of the solution and not the major part of the problem. As finance minister he was an interventionist, pressuring big retailers into reducing their prices for consumers and fighting against the "Brussels bureaucracy" to rescue industrial group Alstom, a failed "national champion." And as a young budget secretary under Balladur, he proved a high spender, losing control of the national debt.

Like Chirac, Sarkozy seems to be European by necessity, not faith, always quick to criticize federalist institutions like the European Commission or the European Central Bank. His direct way of expressing himself adds to his popularity with the voters but the substance of the message is blurred.

In France and in Europe, many people hope that the double blows of the May 29 constitutional referendum and July 5 when Paris lost to London in the bid to host the 2012 Olympic games will finally force the French to question their sense of self-righteousness. "Maybe it is the others (countries) that are right," said Sarkozy recently. One can only hope he himself believes it. ◆