

French support for the EU project is crumbling on the Left and Right



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General Charles de Gaulle blocked EU affairs with the empty chair. His methods are returning to fashion

The drama of Brexit may soon be matched or eclipsed by crystallizing events in France, where the Long Slump is at last taking its political toll.

A democracy can endure deflation policies for only so long. The attrition has wasted the French centre-right and the centre-left by turns, and now threatens the Fifth Republic itself. The maturing crisis has echoes of 1936, when the French people tired of 'deflation decrees' and turned to the once unthinkable Front Populaire, smashing what remained of the Gold Standard.

Former Gaulliste president Nicolas Sarkozy has caught the headlines this week, launching a come-back bid with a package of hard-Right policies unseen in a western European democracy in modern times.

But the uproar on the Left is just as revealing. Arnaud Montebourg, the enfant terrible of the Socialist movement, has launched his own bid for the Socialist Party with a critique of such ferocity that it bears examination.



On the left: Arnaud Montebourg famously launched a campaign for “made in France” products CREDIT: REUTERS

The former economy minister says France voted for a left-wing French manifesto four years ago and ended up with a "right-wing German policy regime". This is objectively true. The vote was meaningless.

"I believe that we have reached the end of road for the European Union, and that France no longer has any interest in it. The EU has left us mired in crisis long after the rest of the world has moved on," he said.

Mr Montebourg stops short of 'Frexit' but calls for the unilateral suspension of EU labour laws. "As far as I am concerned, the current treaties have elapsed.

I will be inspired by the General de Gaulle's policy of the 'empty chair', a strike against the EU. I am not in favour of a French Brexit, but we can longer accept a Europe like that," he said.

In other words, he wishes to leave from within - as Poland, and Hungary are doing - without actually triggering any legal or technical clause.

Mr Montebourg is unlikely to progress far but his indictment of president François Hollande is devastating.

The party leadership was warned repeatedly and emphatically that contractionary policies would inevitably lead to another million jobless but the economic was swept aside.

"They never budged from their Catechism and their false certitudes," he said.

The Socialists have paid a high price for this blind arrogance. They won just 15pc of voters classified as workers in the most recent local elections. Marine Le Pen's Front National won 55pc, and is now indisputably the voice of 'France d'en bas'.

Even those of us who always argued that EMU is dysfunctional were shocked by the policy errors five years ago, when a double-barrelled blast monetary and fiscal contraction sent the prostrate eurozone economy crashing back into a double-dip recession.

As one Nobel prize economist tells me, historians will "tar and feather" to those at the European Central Bank who raised interest rates twice in 2011.

This was compounded by a fiscal squeeze that went far beyond any known therapeutic dose - imposed by a German finance ministry in thrall to pre-modern ideology, and slavishly followed by everybody else.

France could perhaps have mobilized a quorum of EU states to block this folly, but neither Mr Sarkozy and Mr Hollande were willing to confront Berlin. Both clung religiously to the Franco-German partnership, or at least to its totemic illusion.

The result was a lost decade - worse in aggregate than in the 1930s - and levels of labour hysteresis that will lower the eurozone's growth 'speed limit' for years to come.

We will never know whether mass youth unemployment in the North African quarters of France's cities played a role in the jihadi metastasis of the last year, but it was surely one of the ingredients.

Fiscal austerity is at last over, but the French economy is not yet strong enough to overcome social pathologies tormenting the country. Growth fell back to zero in the second quarter. Great political damage has in any case been done already.

Needless to say, France has a host of home-grown economic woes that have nothing to do with the EU. The social model is funded by punitive taxes on employing labour, creating one of the worst 'tax wedges' in the world.

A quarter of French aged 60-64 are in work – compared with 40pc for the OECD average – due to early retirement incentives. The state consumes 56pc of GDP, a Nordic level without Nordic labour flexibility.

There are 360 separate taxes, some predating the revolution. Trade unions have a legal lockhold on companies with over 50 employees, yet command 7pc of membership. "It is an inferno that sadly lacks the poetry of Dante," says Prof Brigitte Granville, a french economist at Queen Mary University London.

Hard reforms were put off by leaders of all parties. They coasted through the boom years of the euro, and now it is too late. France is trapped within the straight-jacket of monetary union.

The International Monetary Fund's health check in June said the 'real effective exchange rate' is up to 9pc overvalued. It is roughly 16pc overvalued against Germany.

The only practical way France can claw back competitiveness is through deeper deflation than in the rest of the eurozone, but this would prolong the slump and play havoc with nominal GDP and debt dynamics. It would be self-defeating.

There is no realistic possibility of genuine fiscal reflation in the eurozone, let alone a Keynesian New Deal. Mr Montebourg is right in concluding that France will remain paralyzed until it takes back its sovereign instruments.

Mr Sarkozy skirts this elemental issue. His shock manifesto demands the end of EU legal primacy over French law and a repeal of the Lisbon Treaty, the same treaty that he rammed through the French parliament by party whip after it had already been rejected by French voters in a referendum - in its earlier guise as the European Constitution.

But his ardour is reserved for culture wars and a "drastic reduction" in the numbers of foreigners. He vows to place Islam under state control in France, with imams reporting to the interior ministry. "We are at war against an enemy that knows no limits," he said.

His open appeal to "French identity" is aimed directly at the Front National, and that in itself tells us much about the bombed-out political landscape left by years of depression.

Marine Le Pen is ahead of him in the polls, drawing steady support near 30pc with a heady brew of Leftwing economics and Rightwing nationalism - straight out of the 1930s. She promised to "end the nightmare of the European Union" and this too tells as much about the populist calculus.

A Pew survey of Europe in June found that 61pc of French voters have an "unfavourable" view of the EU, higher than in Britain. These sorts of polls keep cropping up in France. They are invariably dismissed as rogue findings.

Professor Thomas Guénolé from 'Sciences Po' in Paris warns against wishful thinking. "Incredible as it may seem, a referendum on 'Frexit' would probably be lost by the European side. As in the UK, 'leave' would win," he said.

"Brexit changes the situation profoundly. The advocates of the European construction have got into the habit of defending Europe with catastrophist arguments, that it will provoke fresh wars or lead to economic collapse. But Britain is now quitting, and quite evidently this will not lead to an economic cataclysm, or to a major geo-political crisis," he told [Le Figaro](#).

François Heisbourg, chairman of the International Institute for Strategic Studies in Paris and a pillar of the French establishment, published a prophetic book three years ago entitled 'The End of the European Dream'.

He argued that the "euro cancer" must be cut out to save what can be saved of the European project, warning that current course of perpetual crises will end in a "nervous breakdown".

"The dream has given way to nightmare. We are not going to avoid it by denying the reality, and God knows denial has been the operating mode of those in charge of EU institutions for a long time."

Mr Heisbourg was ignored. Events are playing out exactly as he feared.