# The Eight “Bad Blows” in Bayrou’s Budget 2026

Source: L'Humanité (translated from the French original)

- **Brutal freeze on public spending**
  Bayrou implements an “année blanche,” freezing state services, social benefits, and investments—excluding only defense from cuts—and treating austerity as doctrine BusinessBourseCGT Retraité·es Chaumont.
- **Frozen pensions and minimum social benefits**
  By halting increases in pensions, family allowances, and social minima, retirees and the most vulnerable face a de-facto cut in purchasing power. This is estimated to save €3.7 billion at their expense CGT Retraité·es Chaumont.
- **Hidden tax on middle classes via flat tax scale**
  Keeping income-tax brackets from rising with inflation causes stealth tax hikes: inflation pushes households into higher brackets without any real income gain CGT Retraité·es Chaumont.
- **Elimination of two public holidays**
  Proposed removals of Easter Monday and May 8 aim at making people “work more,” but offer no wage increases in return CGT Retraité·es Chaumont.
- **Cutting reimbursement for long-term illnesses (ALD)**
  Patients with ALD would lose full coverage for unrelated medications and could be removed from the scheme entirely; medicines franchises would double to generate €5 billion of savings, with stricter controls on sick leave CGT Retraité·es Chaumont.
- **Fiscal sabotage of households and associations**
  Reductions in tax breaks for home care, charitable donations, and research funding hit associations, families with low incomes, and public-interest initiatives CGT Retraité·es Chaumont+1BusinessBourse+1.
- **Cuts in public-sector staffing**
  Resuming the rule of replacing only one in three retiring civil servants, leading to staff shortages among teachers, nurses, and local service staff, accelerating the decay of the public welfare state CGT Retraité·es Chaumont+1BusinessBourse+1.
- **Abolition or merger of public agencies**
  One-third of public agencies would be merged or suppressed—presented as “rationalisation,” but seen as structural dismantling of public tools and a step toward privatisation CGT Retraité·es Chaumont.

# Context and Broader Criticism

Bayrou's overall 2026 austerity plan aims for about **€43.8 billion in savings** to reduce France's deficit from roughly **5.8% of GDP in 2024 to 4.6% in 2026** CGT Retraité·es Chaumont+1BusinessBourse+1.

**Key elements include:**

- A multi-year "Stop the Debt" strategy targeting **3% of GDP deficit by 2029**, and including increased defense spending of some €3.5 to €6.5 billion over two years France 24LCP-Assemblée nationaleFinancial Times.
- Introduction of a **solidarity contribution** for the wealthy and tax reforms such as replacing the 10% pension deduction with a flat €2,000 allowance, and closing tax loopholes France 24RFIFinancial Times.

However, critics across the political spectrum—from **La France Insoumise** to **Rassemblement National**—label the budget as socially unfair, disproportionately burdening workers, retirees, and local communities, while sparing corporations and state elites. They argue it's politically risky and likely to face a **no-confidence vote** BusinessBourse.

The **economic consequences of François Bayrou's Budget 2026**—especially the austerity measures—are likely to **slow GDP growth**, and potentially push France into **stagnation or even recession** if not offset by external demand or private investment. Here's how the key elements impact GDP:

### 1. Public Spending Cuts → Lower Aggregate Demand

- **Public consumption and investment** are major components of GDP.
- A freeze on public services, infrastructure, and social transfers reduces **direct government demand**, which pulls down GDP growth.
- Multiplier effects: Public spending cuts tend to have **high fiscal multipliers**—especially during weak growth—meaning every €1 cut can reduce GDP by more than €1.

**Estimated impact**: A 1% cut in public spending could reduce GDP by **1.0–1.5%**, depending on timing and spillover effects.

### 2. Reduced Household Consumption

- Freezing pensions and social benefits cuts the **disposable income** of lower-income households and retirees—groups with **high marginal propensities to consume**.
- The **hidden tax** from non-indexed tax brackets (fiscal drag) also eats into middle-class purchasing power.

**Effect**: Lower private consumption, which accounts for **over 50% of France's GDP**, adds downwardpressure on growth.

### 3. Cuts to Public Employment & Services

- Cutting 1 in 3 public-sector retiree replacements will likely:
  - Reduce public employment
  - Increase workloads and service delays (e.g., in healthcare, education)
  - Depress local economies in regions where public jobs are a key employer

Ripple effect: Reduces job security and wages, which can lead to **precautionary saving** and weaker consumption.

### 4. Investment Confidence & Private Sector Response

- Austerity budgets often create **uncertainty** in the short term, especially for small businesses reliant on local demand or public contracts.
- Structural cuts (e.g., removing agencies, reducing R&D credits) may **undermine innovation**, particularly in health, tech, and social sectors.

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### 5. Potential Offsetting Effects (but limited)

Bayrou's team might argue:

- Lower deficits could boost **market confidence**, reduce borrowing costs.
- Wealth solidarity tax and loophole closures could raise revenue without hurting demand as much.

However, in practice:

- **Eurozone constraints** already cap bond yields via ECB support.
- Wealth taxes have relatively **low short-term stimulative effects**.

### Quantitative Estimates (based on past French data & IMF/OECD models)

- France’s **GDP growth forecast for 2026** was around **1.2%–1.5%**, but under these austerity measures:
    - Real GDP growth could **drop below 1%**
    - In a worst-case scenario (no private offset, weak exports), growth could **approach 0% or negative territory**

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### Summary

Bayrou’s 2026 budget prioritizes **fiscal consolidation** over growth stimulation. As a result:

| Sector | Likely Impact on GDP |
| --- | --- |
| Public spending | ▼ Strong negative |
| Household consumption | ▼ Moderate negative |
| Public employment | ▼ Negative |
| Private investment | Neutral to ▼ |
| Exports | Uncertain |
| Overall GDP Growth | ▼ Slowed (<1%, risk of contraction) |

# Austerity in France: Then vs. Now

| Category | 2011–2013 Austerity | 2026 Bayrou Plan |
|---|---|---|
| **Fiscal Target** | Cut deficit from ~5.2% to below 3% of GDP | Cut deficit from ~5.8% to 4.6%, target 3% by 2029 |
| **Savings Volume** | €30–35 billion over 2–3 years | ~€43.8 billion over 2–3 years |
| **Key Measures** | VAT hike, pension reform, public wage freeze, cuts to local funding | Freeze benefits/pensions, public job cuts, agency closures, tax base broadening, defense exempt |
| **Public Investment** | Reduced significantly, especially at municipal level | Frozen outright in 2026, except for military |
| **Health & Social Benefits** | ALD system mostly preserved | ALD reimbursements slashed, medicine franchises doubled |
| **Public Hiring** | 1 in 2 retirements replaced | 1 in 3 replacements |
| **GDP Outcome** | GDP growth fell from +2.1% (2011) → 0.3% (2012) → 0.6% (2013) | 2026 projections risk similar stagnation: 0–1% |

Dr David Rees
2025