



The French 2024 Political Crisis and a Denial of Democracy

Dr David Rees. 2024

Introduction

- This presentation is best seen after the presentation on French Fiscal Policy under Macron ([here](#)).
- It forms part of analysing Economic (Fiscal) Policy and linking it to a Political Agenda.
- It forms part of the ESSCA modules '[Fiscal Policy and Inequality](#)' (Economics Workshops in L3) and [Introduction to Political Economy](#) (L1).
- For further research or information, go to '[Links](#)' on my website [Reesonomics.eu](#).
- *For questions or comments – contact me at David.Rees@ESSCA.eu*

John Locke, 1632-1704

Of the Dissolution of Government

- ▣ Men enter into a society to protect property.
- ▣ If legislators fail to do this they put themselves in a state of war with the people.
- ▣ The people have the right to resume their original liberty, and by the establishment of a new assembly to provide for their own safety and security.
- ▣ This holds true for the executive power. If he makes his own will the law of society, he frees the people from the duty of obeying him.

"The general will is always right."

Jean-Jacques Rousseau. The Social Contract

"We have the best government that money can buy."

Mark Twain

"When money speaks louder than the voice of the people, democracy is at risk of becoming a facade." John Lewis

"The influence of money in politics reinforces a system that benefits the few at the expense of the many, perpetuating a cycle of inequality and injustice."

Stacey Abrams

"We the people are the rightful masters of both Congress and the courts, not to overthrow the Constitution but to overthrow the men who pervert the Constitution". Abraham Lincoln

"The whole aim of practical politics is to keep the populace alarmed (and hence clamorous to be led to safety) by menacing it with an endless series of hobgoblins, all of them imaginary."

H. L. Mencken (see $A=E+H^2$)

Macron's Fiscal Policy

From the article '[French Fiscal Policy and Politics](#)' (Rees, 2024), we can see that right-wing (neo-liberal) Fiscal Policy changes under President Macron led to a reduction of Fiscal Revenue of over 50bn€ per year. This led to an even higher debt level of about 111%GDP (and hence higher debt-servicing). It was obviously clear to everyone in government that the fiscal policy under Macron from 2017 of reducing Fiscal Revenue by 50bn€ a year would increase the deficit and debt.

- Following the dissolution of parliament by Macron in 2024, the French people voted for a new parliament.

France parliamentary election 2024

A loose alliance of left-wing parties has secured the most seats in the 577-seat National Assembly. No group won an absolute majority, leaving France in political limbo without a clear path to forming a new government.

Initial results



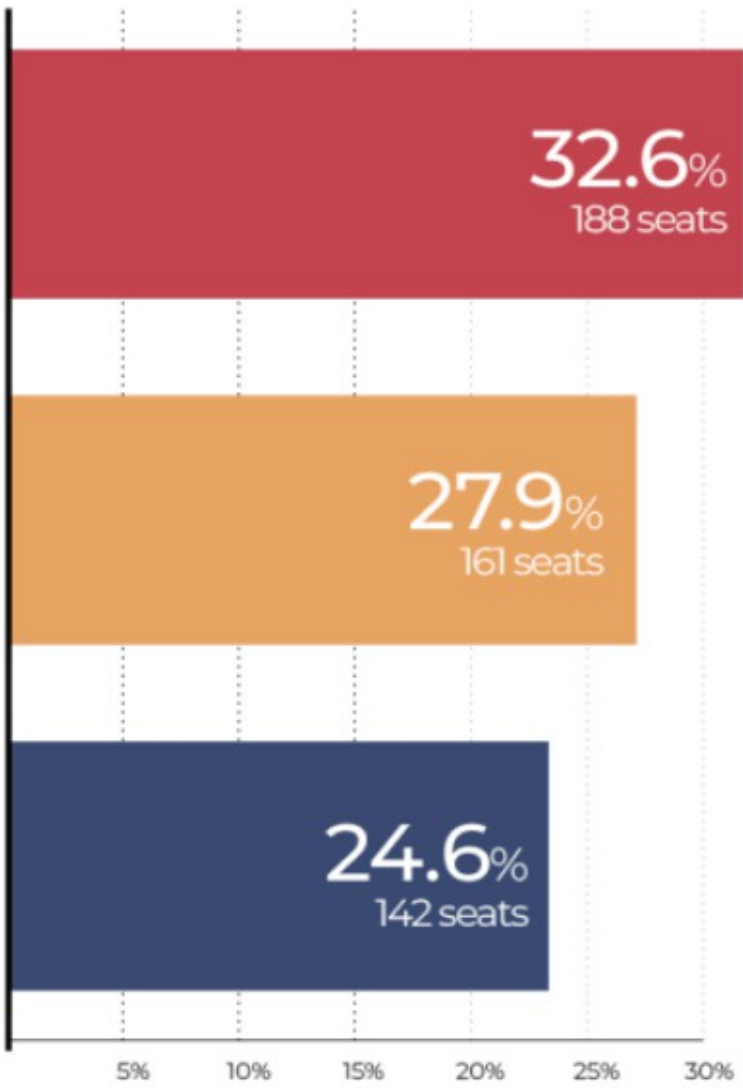
New Popular Front (NFP)
LEFT
Jean-Luc Melenchon



Ensemble!
CENTRIST
Emmanuel Macron



National Rally (RN) and allies
FAR RIGHT
Marine Le Pen



Voter participation: 66.63%

Source [Aljazeera](#)

Under standard French political protocol, the President should name a prime-minister from the majority party (NFP). He didn't . He named Michel Barnier



‘Turn to the right’: What Macron’s choice of Barnier as PM means for France

By seeking to placate the far-right National Rally, Macron has given it credibility despite its election loss, say analysts.

By choosing a right-wing prime minister despite the majority of the left-wing, the parliament was heading for trouble



Michel Barnier, right, seen here shaking hands with French President Emmanuel Macron at the Elysee Palace in Paris on

French Political Crisis 2024

“We cannot sacrifice the future of our children or continue to write bad cheques that will fall on them,” Barnier said on Thursday. “The attractiveness [of France] and credibility of the French signature must be preserved.”

Michel Barnier.

([Financial Times](#), 10/10/24)

Classical Debt Control. Private profits, public debt. (DR)

Vote Left – go Right

Michel Barnier follows a traditional austerity budget to deal with France's debt (caused by over 50bn of presents to the rich and big companies) (see Roosevelt's *New Deal* and the choice the Americans had to get out of the Great Depression – either the Keynesian New Deal, or Hoover's Austerity Programme. At least the Americans had the chance to choose!) (*Rees 2018*)

Let's take a look at Barnier's Budget Proposal

Barnier's Budget Proposal

- Objective. To improve the budget by 60bn€
- 40bn from savings (reduce expenditure)
- 20bn from increased taxes

"We mustn't sacrifice our children's future" by writing "bad checks" or "blank checks", Barnier said Thursday, insisting that the efforts required were "fair" and "balanced". ([France24](#))

Barnier's Budget Proposal

- ***Cut 2,200 civil service jobs***
- ***Cut 4,000 Public Education jobs***
- ***Cut 4bn€ from the Health Service***
- ***Cut 500m€ from the Justice Department***
- ***Reduce the Sports Budget by 12% (-100m€)***
- ***Reduce 5bn€ in transfers to regions***
- ***Increase income tax for those earning 250K€ (500K€ for a couple)***
- ***Increase tax on Electricity (32.44€/MwH)***

Barnier's budget

Politically dangerous. This is clearly good for the rich and bad for the rest and seen as democratically and fiscally unfair. The pot might easily boil over again (Yellow Jackets).

- *'L'extrême centre a une fixation, un programme à défendre coûte que coûte : garantir la croissance des entreprises et l'augmentation des dividendes versés à leurs actionnaires ; faciliter l'accès aux paradis fiscaux ; rendre précaire le travail ; réduire l'écologie politique à un marketing du verdissement ; démanteler l'Etat social et minimiser ses dépenses.'* (Alain Deneault, p20, *Le Monde Diplomatique* de novembre 2024. '[*Le Vrai Visage de l'Extrême Centre*](#)')
- It is also clearly seen as an affront to the elections.

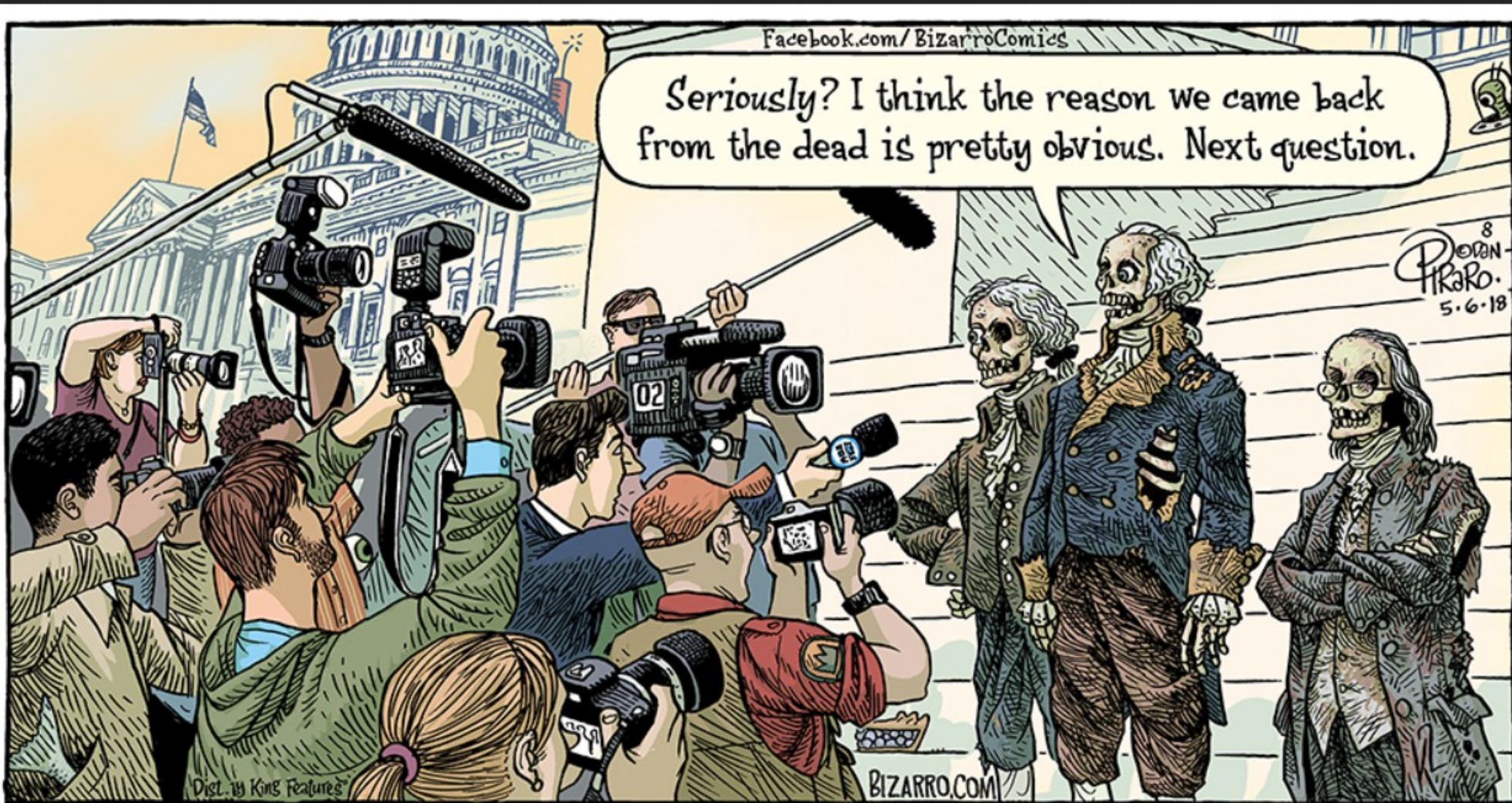
Barnier's budget

- **E**conomically, this is an austerity programme. The Fiscal Policy under Macron has increased revenue for those with a low MPC (Marginal Propensity to Consume) and decreased revenue (or increased expenditure) for those with a high MPC. Economically, this is regressive and bad for the economy since debt servicing increases, unemployment and precarity increase, the negative multiplier effect kicks in and government revenue declines.
- *Dans leurs prévisions de croissance les plus récentes, les économistes de l'OFCE (Observatoire Français des Conjonctures Economiques) estiment que la croissance française, en 2025, serait divisée par deux si le budget déposé par le gouvernement Barnier était adopté en l'état.*

Barnier's budget

- **S**ocially, this budget continues the reduction in Social Spending – especially in Education and Health. This looks like deliberate intranational debt control.
- It seems clear that the government understood the consequences of reducing Fiscal Revenue by 50bn€ per year. If the objective is to impose a neoliberal agenda with reduced public spending, it's easier to do it when debt and deficit is high with the political rhetoric that in such an emergency we all have to suffer.
- The cuts in administration (2,200 posts) and education (4,000) is already bad, but the cut of 5bn€ to the regions is catastrophic, with inevitable cuts in public services, public transport, public investment, aid to the hungry and poor, cuts in culture and sport etc.

Keynes Rolling in his Grave



Keynes would argue that this budget would reduce fiscal income (think MPC and the negative Multiplier Effect) and increase social costs (unemployment benefit). Source [Bizarro](#).

Need 60bn€ - Easy

We have seen that the Macron government reduced Fiscal Revenue by 50bn a year (for those with a very low MPC). Why not simply:

- ***Reinstate ISF (4.6bn€)***
- ***Remove the PFU Flat Tax (4.5bn€)***
- ***Return to 30% Corporation tax (11bn€)***
- ***Remove the CICE Tax Rebate (20bn€)***
- ***Reinstate the Exit Tax (12bn€)***
- ***Total so far 52.1bn€***
- ***Add a 6th Tranche of income tax at 60% (instead of 45%) for over 15K€/month (tax revenue estimated at 2.6bn€)***

(LeMonde) (see [Le Monde](#) and [L'Express](#))

6th tranche of income for over 15K€/month

Key Data Points

Population of high-income earners: The top 0.1% of income earners in France, approximately 63,000 people, have an average monthly income around €15,000 or more (Insee)

Top incomes in France: Beyond the top 0.1%, high-earning professionals, senior executives, and others within the top 1% (630,000 individuals) have incomes averaging above €6,650 per month. However, the focus is on those exceeding €15,000

French-Property.com

6th tranche of income for over 15K€/month

Assumptions for Estimation

Target group: The 63,000 individuals earning over €15,000 monthly.

Tax base: Assuming their average income is €20,000 per month (**a conservative estimate** given the steep income concentration at higher brackets).

Taxable surplus: $\text{€}20,000 - \text{€}15,000 = \text{€}5,000$ taxable per individual monthly.

Tax rate: 60%.

6th tranche of income for over 15K€/month

Revenue Calculation

Monthly taxable income:

$$63,000 \times €5,000 = €315\text{m}$$

$$\text{Monthly tax revenue: } €315\text{m} \times 60\% = €189\text{m}$$

$$\text{Annual tax revenue: } €189\text{m} \times 12 = €2,268\text{m}$$

(approximately €2.3 billion annually).

6th tranche of income for over 15K€/month

This calculation is a rough estimate and does not account for potential behavioural changes, such as tax avoidance or adjustments in reported income, which could reduce the actual revenue collected. It also assumes a consistent average income of €20,000 for the target group.

The Famous French 39-3

- It's unsurprising that France only scores 8.1/10 on the democracy index ([Our World in Data](#)) with its use of article 39-3 that Barnier uses to force through his (adapted) budget.
- The parliament has a 'no-confidence vote' and the government falls.
- Macron says he refuses to name a Prime Minister from the Left (NFP) (that was the majority party in the national elections)
- What were the alternative budgets suggested by other parties ?

Counter-Budgets

- *NFP : « Grâce aux mesures fiscales [proposées], notre pays serait en mesure de réduire le déficit tout en augmentant immédiatement les investissements dans les services publics et les secteurs d'avenir »*
Alternatives Economiques
- *L'économiste Anne-Laure Delatte détaille l'impact macroéconomique du contre-budget présenté par le NFP et démontre qu'il serait plus efficace pour réduire le déficit que celui proposé par le gouvernement.*
Alternatives Economiques
- *Dans leurs prévisions de croissance les plus récentes, les économistes de l'OFCE (Observatoire Français des Conjonctures Economiques) estiment que la croissance française, en 2025, serait divisée par deux si le budget déposé par le gouvernement Barnier était adopté en l'état.*
- *Plus précisément, leurs calculs aboutissent à un effet récessif de 0,8 point de PIB, une prévision proche de celle de 0,6 point de PIB (Produit intérieur brut) que j'ai présentée ici récemment. Cette réduction de l'activité serait accompagnée d'une suppression de 130 000 emplois, selon la même prévision. La décision de couper les dépenses publiques – tout en augmentant les prélèvements – a donc un coût social important.*

**Counter-Budget
proposed by the
NFP (Nouveau Front
Populaire) which
gained the majority
of seats in
parliament**

49 milliards d'euros de recettes supplémentaires voulues par le Nouveau Front populaire

Montant (en milliards d'euros par an) des mesures fiscales voulues par le Nouveau Front populaire traduites et traduction en impulsion budgétaire (en pourcentage de PIB)

Mesures	Recettes (mds d'€ / an)	En points de PIB
Fin des exonérations patronales au-dessus de deux Smic	8,0	0,3
Recentrage crédit impôt recherche (CIR)	3,0	0,1
ISF avec volet climatique + Exit tax	15,0	0,5
Suppression du prélèvement forfaitaire unique	2,5	0,1
Taxe sur les héritages dorés	7,0	0,2
Taxe exceptionnelle superprofits et super dividendes	5,0	0,2
Taxe transactions financières	2,0	0,1
Fin des privilèges de l'aérien	1,5	0,1
Redonner des marges aux collectivités locales	5,0	0,2
Total prélèvements obligatoires	49,0	1,6
Dépenses publiques génériques	31,0	1,03
Réduction du déficit public	18,0	0,6

Counter-Budgets

- The Counter-budget from the **Rassemblement Nationale** (see [LCP](#))
- Objective – save 15bn€
- Reduction of 1.3bn€ by the regions
- Reduction of 4bn€ of state administration
- Reduction of 4bn€ on immigration
- Reduction of French participation in the EU budget (fixed at 1% GDP)*
- Tax share buy-backs at 33% (9bn€)
- Zero VAT on essential goods
- Increase teaching posts by 2,000

** Technically impossible – see UK / Thatcher 'we want our money back'*

The Future of France

What new government can be formed if President Macron refuses to appoint a Prime Minister from the majority party (NFP) (Democratic justice)?

- The economic solution seems clear to Keynesian economists – and it's certainly not the austerity budget proposed by Michel Barnier and the 'right'.
- Sometimes pillars have to collapse in order to construct something new, something more democratic, something more economically intelligent, and something more socially and morally responsible.

Dr David Rees, December 2024