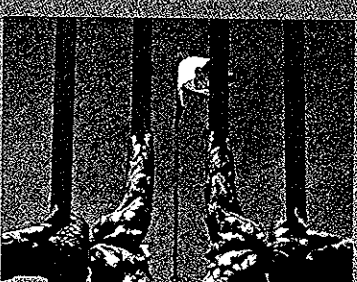
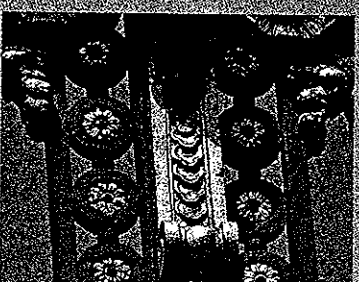
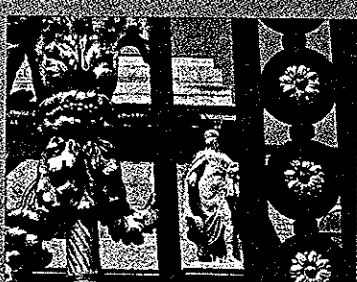
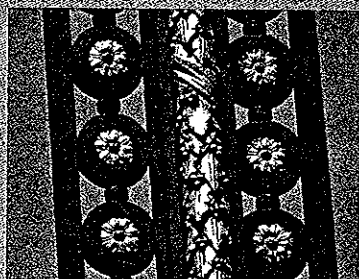
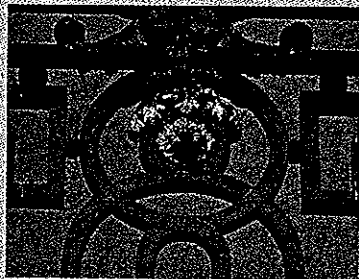


CHAPTER 11

WHAT THE FRENCH QUARREL ABOUT



The French economy was almost the opposite of the British, which declined after World War II, dropping Britain back among the industrialized countries. The French economy, which had grown only slowly in the nineteenth and early twentieth centuries, awoke as if from a slumber after World War II with growth rates reaching 6 percent a year. The French still remember the period of 1945 to 1975 as *les trente glorieuses* (the thirty glorious years). After that, however, French growth slowed and unemployment climbed. Most French feel their country is in economic decline. The growth policies of one epoch often fail in the next, and politicians are reluctant to inflict the pain of change on voters.

What invigorated France after World War II? The typical French business firm prior to the war was a small family affair. Growth was not emphasized; keeping it in the family and earning enough for a good living was all that mattered. This meant lots of little companies and stores rather than a few big ones. Rather than compete by lower prices or better goods, the French, with a *petit bourgeois* mentality, sought to hide behind a protective government that would set prices and keep out foreign competition by high tariffs. It was a cozy arrangement for French business families, but it held France's economy back.

World War II jolted the French elite, which, smarting from German conquest and eager to restore France to world leadership, planned a growth economy. A Planning Commission set "indicative plans" to encourage—but not force—French businesses to expand in certain sectors and regions. Quite distinct from Communist-style centralized planning, **indicative planning** in effect said to various industries, "Look, everything is favorable for a new widget factory in the southwest. If you build one you will make a lot of money." With the warm connections between top French bureaucrats and business, businesspeople soon got the hint. The French Planning Commission provided economic research and incentives to nudge businesses along designated paths. (Japan's MITI did this even more; see Chapter 18.)

Foreign competition was another jolt. First, the European Coal and Steel Community (ECSC) in 1952, then the Common Market in 1957, dismantled France's **protective tariffs** (see Chapter 17). At first French businesspeople were terrified, sure that more aggressive German industry would swamp them. But gradually they learned that French firms could compete and gain major sales in the Common Market. French business firms changed, becoming bigger, more modern, and expansion-oriented. But success brought its own problems.

QUESTIONS TO CONSIDER

1. Why did the French economy improve after World War II?
2. Why are too many small farmers and shopkeepers a problem?
3. Why is the state sector of the French economy still large?
4. How do French and U.S. conservatism differ?
5. Why is European unemployment so high?
6. How do U.S. and European views on welfare compare?
7. How does France's racial problem resemble America's?
8. Can sports ease racial tensions?
9. How do France's education problems differ from America's?

BIG GUYS VERSUS LITTLE GUYS

On a street where I lived in Toulouse, in the space of a few blocks, there were at least three different pharmacies, bakeries, butchers, cafés, and houseware, furniture, vegetable, and tobacco shops. Perhaps two miles distant, in a suburb, a one-stop **hypermarché** (fittingly named Mam-

petit bourgeois Small shopkeeper.
(See page 147.)

indicative planning Government suggestions to industry to expand in certain areas. (See page 147.)

protective tariff Tax on imported goods to prevent them from competing with domestic products. (See page 147.)

hypermarché French for "hypermarket," a huge store that sells everything.

mouth) under one roof combined supermarket (offering perhaps a hundred cheeses), discount house (everything from clothes to auto parts), and cafeteria. Selection and prices were better at Mammouth than among the myriad neighborhood stores. Such developments have been going on throughout France for years. Some call it the Americanization of France, but it is really just the modernization of an old-fashioned economy. The impact on the small shopkeepers is predictable: They are squeezed out, screaming all the way. What they regarded as their birthright—the small, family-owned, uncompetitive shops—are closing. As Marx put it: "One capitalist kills many."

A parallel problem hits French farmers. There are too many small farms; half are run part-time. France remained a nation of peasants an unusually long time. A third of the French workforce

COMPARISON

NUCLEAR POWER À LA FRANÇAISE

The French complain and quarrel about many things, but nuclear energy is not one of them. Most French accept nuclear energy, and none of the major parties is against it. The anti-atom Greens won just four seats in the 2007 legislative elections. The French, short of other energy sources, have gone all-out for nuclear-generated electricity and have made a success of it. France has fifty-nine nuclear power stations that produce 79 percent of its electricity, compared to 34 percent in Japan, 31 percent in Germany, 20 percent in Britain, 19 percent in the United States, and 3 percent in India. French nuclear-generated electricity costs less than half of America's. New Hampshire's problem-plagued Seabrook reactor could have been built by the French for one-sixth its actual cost.

How do the French do what Americans cannot? Here we see some of the occasional advantages of centralized, technocratic rule. Electricité de France,

the state-owned utility, developed a single type of reactor and stuck with it. Competing U.S. manufacturers proffered a variety of designs, some not well-tested. When Paris gives the word to build a reactor, the political, financial, regulatory, and managerial sectors mesh under central direction, and the project gets done on time. In the United States, those sectors quarrel and have no central guidance, and the project takes years longer than it should. Environmentalist groups in France—not very big or powerful groups anyway—have no legal power to block or delay projects. The centralized French system is also better able to train personnel; there have been no Three Mile Islands in France. Nuclear power plants are an important part of France's export trade. The very strengths of the American system—decentralization, competition, light regulation, and pluralist interplay—have tripped up the U.S. nuclear industry.

was still on the land at the end of World War II. With postwar industrialization this changed so that now only 4 percent of the labor force works in agriculture. Since 1950, three-fourths of France's farms, mostly small, have disappeared. Still, French agriculture, like its U.S. counterpart, overproduces, and French farmers often dump produce on highways to protest what they regard as inadequate prices. France is the world's second largest food exporter (first place: the United States) and the EU's largest food producer. One French idea: Instead of subsidizing farmers to produce more than is needed, pay them to look after the environment.

The small shopkeepers and farmers who are squeezed out contribute to France's electoral volatility. They shift allegiances rapidly, to whoever promises their survival. The Gaullists have been a major beneficiary, but the frightened shopkeepers have also contributed to extremist parties. There is no nice solution to the problem of too many small shops and farms; they must go, and it hurts. Attempts to retain them are hopeless and reactionary, the stuff demagoguery is made of. (Think this is a French problem? How do U.S. communities react to a proposed Wal-Mart?)

In 1953, for example, Pierre Poujade founded the Union for the Defense of Shopkeepers and Artisans (UDCA) to protect small-business people from the bigger, more efficient department stores and supermarkets that were driving many of them out of business. Tinged with reaction and anti-Semitism, Poujadism caught fire, and in the parliamentary elections of 1956

entrepreneurial Starting your own business.

COMPARISON

WHO HAS THE MOST RED TAPE?

Enterprise and **entrepreneurial** are French words but not French practice. French laws and regulations make France one of the hardest places to start your own business. The OECD rates government burdens and regulations on entrepreneurship, with 6 as the most restrictive. The figures for 1999 are shown in the table below.

Starting a business is easier in Britain than in the United States and much easier than in France. President Sarkozy vowed to trim regulations, but that goes against France's statist tradition.

France	2.75
Italy	2.75
Japan	2.30
Germany	2.10
Sweden	1.80
Netherlands	1.40
United States	1.25
Britain	0.50

won 12 percent of the popular vote; some thought it was the coming party. It turned out to be a flash party, however; Poujadism disappeared in 1958 when de Gaulle took over the French right. Le Pen was a Poujadist and, some say, continues its views in his National Front.

THE PRIVATIZATION QUESTION

For much of the postwar period, one-fourth of French business and industry was state-owned, more than any other West European country. Now, after major privatization programs, one-quarter of the French work force (including police, military, and school teachers) is still in the public sector,

flash party One that quickly rises and falls.

protectionism Keeping out imports via tariffs and regulations in order to help domestic producers.

among the highest in Europe. In addition, the French government has majority ownership of some 1,500 private-sector businesses. Some industries such as telecoms and railways were state-owned in Europe from the start. Some, such as cars and steel, were taken over because without government subsidies they would close, creating unemployment. High-tech areas such as aircraft, nuclear power, and computers are state-owned prestige industries that boost France's world standing but often lose money.

Traditionally, the French left demanded more nationalization, including all big banks and industries. They argued that under state control big industries would pay workers fairly, hire more people, and produce what French people really need rather than capitalist luxuries that only a few can afford. Traditionally, much of the French right also liked state-owned industries, believing that they contributed to national power and greatness and were best run by brilliant *xiens* and *énarques* (see page 125). De Gaulle, for example, supported a major state sector in heavy and high-tech industry.

POLITICAL CULTURE

THE FRENCH AND STATISM

Starting far back in the Old Regime, *étatisme* (statism) became part of French political culture. Also early, some French thinkers recognized that it was bad economics. France coined the term *laissez-faire* ("leave us be"). The French Physiocrats in the eighteenth century invented the free-market argument and profoundly influenced Adam Smith. In the mid-nineteenth century, French economist Frédéric Bastiat ridiculed trade **protectionism** by suggesting Paris protect French candlemakers from "the ruinous competition of a foreign rival"—the sun.

For many French, state ownership and protectionism just seem right, and it is not only a question of

culture. Many employees owe their jobs and retirement at age 55 to state supervision of the economy. The political elite is trained in the statist mold of the ENA. Virtually all French politicians oppose full capitalism. Gaullist former President Chirac swore "France will never let Europe become a mere free-trade area." His premier, Dominique de Villepin, called protectionism "economic patriotism." Earlier Socialist Premier Jospin (1997–2002) said firms should not be free to let workers go. In France, welfare, statism, and protectionism are entwined in French identity and worked to defeat the new European constitution in 2005 (see Chapter 17).

Remember, conservatism in Europe is not the same as conservatism in America. In the 2007 elections, no party ran as free-marketeers.

Waves of privatization and deregulation by both left and right governments roll in about every two decades but then roll back, leaving France still with a great deal of state ownership, controls, and rules that always need to be pruned. French leaders flinch at thorough privatization because they fear making unemployment, already high, any worse. French public-sector unions demonstrate against privatization, which would end their high pay and early retirements.

The center-right UDF had perhaps the strongest commitment to privatization, but the pain of change led to the Socialist victory of 1981. Good economics is sometimes bad politics. But, as Mitterrand discovered, good politics is sometimes bad economics. Generous policies on welfare, wages, and benefits brought inflation, stagnation, and higher unemployment. The Socialists nationalized several large firms and banks and then discovered that they were money-losers. In 1983, Mitterrand reversed course in favor of private business and a market economy. "You do not want more state?" asked Mitterrand. "Me neither." (Compare with Clinton: "The era of big

conservatism Desire to preserve or return to old ways.

COMPARISON

THE CONCORDE: TECHNOLOGICAL NATIONALISM

The United States has private firms such as Boeing to build jetliners. Europe uses state-owned firms. The Concorde supersonic aircraft illustrates what goes wrong with nationalized industries: They can build the wrong product for the wrong reason and cost taxpayers a fortune. The Concorde's development began in 1962 as a joint Anglo-French enterprise to give their lagging aircraft industries a technological jump on the Americans. They thought it would be purchased by airlines all over the world.

But huge overruns boosted development costs to \$4.28 billion and the price per plane to \$92 million, close to ten times what had been estimated. The Concorde consumed three times the fuel per passenger mile of a Boeing 747. Only British and French airlines purchased Concorde's and then only because their nationalized air carriers were required to by law. Because they seldom filled their one hundred seats, the airlines lost money on Concorde runs. Only fourteen Concorde's were ever finished before production shut down in 1978.

Why did Britain and France do it? A nationalized industry often has different priorities than a normal commercial venture. In this case "technological nationalism"

was a factor; that is, they felt they had to boost their high-tech industries or lose to U.S. dominance. Employment was another factor; Britain and France created thousands of jobs with the Concorde. Once the project was underway and the cost overruns mounting, neither country wanted to admit it had made a mistake. Because the Concorde's makers had access to their national treasuries, they did not have to undergo the discipline of raising capital in the marketplace.

This is not to say that nationalized industries always do things wrong. Aerospatiale of France finally dropped Concorde to form the Airbus consortium, whose shares are owned by both private investors and several European governments. Airbus competes with Boeing and is used by some U.S. airlines. In 2004 Airbus flew its A380 super-jumbo, a challenge to the Boeing 747. Airbus, however, still gets government subsidies. Boeing charged unfairness, but Airbus points out that Boeing was also subsidized through defense contracts to develop bombers, then used the technology for passenger planes. (Boeing's 707 jetliner was a lot like its B-52 bomber; prototypes of both first flew in 1954.)

labor-force rigidities Unwillingness of workers to take or change jobs.

social costs Taxes for medical, unemployment, and pension benefits.

informal economy Off-the-books transactions to avoid taxes and regulations.

government is over.") Believers in socialism had received a real slap in the face and some abandoned their leftism. Chirac, first as premier and later as president, reoriented the Gaullists toward privatization of state-owned industry. Much was sold, but unemployment was so huge it led to the Socialists' 1997 parliamentary election victory. Jospin promised to slow or reverse privatization, but in practice he sold more French state-owned enterprises than all five of his immediate predecessors put together. He never, however, used the word "privatization," for that would be following an Anglo-

Saxon policy. Even reformist President Sarkozy, who favors vigorous free markets, was cautious about using the word privatization.

UNEMPLOYMENT: THE GIANT PROBLEM

Unemployment in France (and West Europe generally) has long been high and seemingly incurable, at times twice the U.S. level. And Europe's high unemployment has occurred when, for the most part, its economies were growing. Many believe the key problem is European **labor-force rigidities**. These are related to West Europe's generous welfare and unemployment benefits, which discourage many unemployed Europeans from seeking new jobs. Wages and **social costs** are so high that European firms are reluctant to hire new workers. A French employer pays almost half as much in taxes as in wages, a German employer even more. And there are some forty deductions that must be enumerated on French pay stubs, drastically increasing paperwork. Laws in most of Europe prevent easy layoffs; when a firm lets a worker go it must give hefty severance pay.

Hence, the reluctance of French (and German) firms to hire: It is too expensive, involves much red tape, and you may not be able to let workers go in a downturn. The solution for business people: Either (1) do not hire anyone, or (2) hire on the **informal economy**, or (3) set up shop

COMPARISON

EUROPEAN AND U.S. ATTITUDES TOWARD WELFARE

France, like most of Europe, approves of a more extensive, and expensive, welfare state than Americans do. The French constitution, for example, promises a "decent means of existence." French welfare recipients get about 50 percent more than their U.S. counterparts. Most Americans are delighted to cut welfare benefits and drop recipients off welfare rolls.

There is clearly a major cultural difference here. Many European politicians, especially but not exclusively leftists, attack the "savage" unrestrained capitalism of America and point to its large underclass. "We

will not become like the cruel U.S. economy," they say (not noticing France's large Muslim underclass). Not many Americans see their economy as savage or cruel; most see it as flexible and competitive with opportunities for all. Making something of that opportunity is up to individuals. Sociologist Seymour Martin Lipset defined the American ethos as "competitive individualism." Europeans tend to solidarity, to the view that society as a whole should look out for its weakest members. Like any element of culture, this view does not change easily.

in another country. French businesses do all three. Europe's high off-the-books workforce indicates an economy choked with taxes and controls. In France, as in all of Europe, the working class generally votes left to protect jobs and wages—never mind if protection creates inefficiencies and unemployment—while managers press to roll back restrictions and free up the labor market. The U.S. labor force is much more flexible; wages and social costs are low; and hiring and layoffs are easy. Result: The U.S. economy creates far more new jobs a year, something West Europeans envy.

High French unemployment also puts a brake on further privatization. As we noted, one-fourth of French workers are employed in the public sector, compared to one-seventh in the United States and Britain, and one-sixth in Germany. Those figures are not just “bureaucrats” but anyone who works for any form or level of government, including military personnel, police, and schoolteachers. French public-sector workers enjoy job security plus good pay, benefits, and retirement plans. Their unions stage strikes over any efforts to trim these bounties, and Paris usually backs down, a pattern shared by other statist systems. President Sarkozy's soon faced strikes by public-sector unions over their lush retirement benefits that permitted railway, metro, and electricity workers to retire young on full pensions. Public opinion favored Sarkozy.

Another contributor to high unemployment: the euro (see page 241). In order to join Europe's single-currency club, France had to bring France's budget deficit down to 3 percent of GDP and maintain a *franc fort* (strong franc). Britain said to hell with the euro and dropped out of the European Monetary Union, but Chirac was determined, partly for reasons of prestige, to stay in, whatever the domestic economic costs. Many considered Chirac's austerity policy foolishly rigid and the chief cause of high unemployment and his loss in the snap parliamentary elections of

austerity Drastically holding down government expenses.

KEY CONCEPTS

EUROPEAN AND U.S.-STYLE CONSERVATISM

American students have difficulty understanding that conservatism in Europe is not the same as in the United States. For Europeans, U.S.-style conservatism is not conservatism at all; it is the classic *liberalism* of Adam Smith: little government and a free market. European conservatism harkens back to a time when monarchs and aristocrats ruled and a strong state supervised the economy for the sake of national power. In the twentieth century, European conservatives transferred their loyalties to strong leaders and saw nothing wrong with statism and the welfare state. Prime examples: de Gaulle and the Gaullists.

Gradually, however, U.S.-style conservatism took hold in European conservative parties, spurred on by intellectuals who saw that defending old class privileges and uncompetitive, state-owned industries retards

growth and job creation. They called the movement “neo-liberalism,” a revival and updating of Adam Smith. Prime examples: Margaret Thatcher and the Tory “dries.” The movement appeared in France with Premier Raymond Barre's efforts in the late 1970s to liberalize the French economy. Even the Socialists realized in the early 1980s that state ownership of industry was a problem. Now Sarkozy is attempting neo-liberal economic policies. France has privatized much industry but is unlikely to go all the way to a U.S.-style free market because the French have a cultural block against what they call “savage liberalism.” A 2006 poll found that 71 percent of Americans said a free-market economy is best, compared to 66 percent of Britons, 65 percent of Germans, but only 36 percent of French.

value-added taxes (VAT), large, hidden national sales taxes used throughout Europe.

1997. In the 2000s, both France and Germany routinely exceeded the 3 percent deficit limit to bring down unemployment. Sarkozy bluntly told the EU he would do the same.

How to cure unemployment? All incoming French governments swear it is their top priority, but most are voted out in part because they fail to make a dent in the problem. The Jospin government's bright idea came from Germany: France cut its work week from thirty-nine to thirty-five hours without cuts in pay on the theory that this would force firms to hire more workers. Results were mixed but not all bad, because it forces firms to become more efficient, so labor productivity increased to among the world's highest.

In 1997 Jospin said that he would create 350,000 jobs, mostly for young people, in health services, schools, welfare, transportation, and construction. Almost reflexively, Paris turns to statist remedies. Recipients got five-year contracts at minimum wage (\$1,100 a month), most of it from government. Little came of the program. Hiring for public projects at taxpayers' expense seldom yields long-term solutions. For that, France will have to end laws that keep firms from easily hiring and firing. France made a step in that direction with a 2006 law allowing workers under age 26 to be fired with no delay or reason within their first two years on a job. Most French opposed the move and young people protested in the streets, so the government dropped the plan. The French, like many Europeans, have difficulty understanding that making it hard to let workers go means firms hire few new workers even in good times; they fear getting stuck with them in slack times. America's easy-hire, easy-fire policy contributes to labor-force flexibility and low U.S. unemployment rates.

The latest attempt to free up the French economy came with President Sarkozy, who sought new laws to overcome the thirty-five-hour work week by taxing overtime pay more lightly: "Work more to earn more." He also proposed later retirement, less bureaucracy, and ending unemployment benefits if recipients rejected two valid job offers. No one has come up with a legislative cure

COMPARISON

IS THERE A VAT IN OUR FUTURE?

Throughout Europe, governments raise close to 30 percent of their revenues through hefty (10 to 20 percent) **value-added taxes** (VAT). In contrast, U.S. sales taxes, mostly at the state level, average around 6 percent and altogether make up only 15 percent of all U.S. taxes (federal, state, and local). But European VATs are invisible; they are calculated at every stage that value is added to a product (for example, after pieces of cloth are sewn together to make a shirt), not added to the purchase price at the cash register, as in America. Accordingly, European governments reason that it is not so painful as other kinds of taxes.

Under the Bush 43 administration, Republicans, having run up massive budget deficits, floated the idea of a "consumption tax" or "national sales tax," in effect a VAT. They had cut income taxes and swore they would never raise them again. A tax on consumption would encourage Americans to save more and make more money available for loans to expand the economy. Because people would be less eager to spend, a VAT slows inflationary tendencies. A VAT, however, is a regressive tax, hitting the poor, working class, and retirees harder than the rich. Few gave an American VAT much chance of becoming law.

for unemployment. It will take a change in French psychology from valuing leisure to valuing work. Thatcher was partly successful in this in Britain. Can Sarkozy do it in France?

Muslim Follower of Islam; also adjective of *Islam*.

FRANCE'S RACIAL PROBLEMS

France has a worse problem with immigrants than Britain and Germany (and the United States). There are some 9 million foreigners living in France (if one counts naturalized citizens and the second generation), about 16 percent of the French population. France has long assimilated European immigrants. From 1880 to 1960 some 7 million Italians, Spaniards, Portuguese, Poles, and Russians were integrated into French society.

But starting in the 1960s, many Muslims arrived and fueled major racial tensions. Now numbering between 5 and 6 million, perhaps 9 percent of France's population, most are from former French colonies in West and North Africa—such as Algeria, Morocco, Tunisia, Senegal, and Mali. They flee misery and unemployment to take the hardest, dirtiest, lowest-paid work in France, but many are still unemployed, especially young people. They live in shabby high-rise public housing. When I stayed in the suburb of Aulnay-sous-Bois northeast of Paris in 1989, I reckoned that one-third of my fellow rail commuters were African or Arab. One French homeowner there ruefully wisecracked that it had become "Aulnay-sous-Cameroun." (In 2005, rioting hit Aulnay.)

Most French say there are too many Muslims in France, and some want them sent home, which the National Front advocates. All of France's main parties are against any more newcomers, so that now (legal) immigration is as tight as in Britain, and France turns away hundreds of

GEOGRAPHY

THE GEOGRAPHY OF MIGRATION

Everywhere the Third World is trying to sneak into the First. The reason: economic opportunities. Pakistanis in Britain, Algerians in France, Turks in Germany, and Mexicans in the United States are all expressions of the same problem: not enough jobs in the home country. Japan tries to block foreign job-seekers, but even there one finds Filipino, Thai, Sri Lankan, and other workers. There is one place on earth where you can walk from the Third World into the First: the Mexico-U.S. border. In a kind of osmosis, migrants are drawn through a membrane (border) by the pressure of unemployment and low living standards.

But is this a problem? From a purely economic standpoint, no. The immigrants take jobs local people shun

in favor of welfare. And, as we shall consider in Chapter 16, the rich countries have few babies and rapidly growing numbers of retirees. Without immigrants, there would be too few workers to pay for the oldsters' pensions. Part of the problem is that immigrants preserve their old cultures in the new country. In France, discrimination and limited schooling mean immigrants and their children do not master French, gain no job skills, and become ghettoized into crime, drugs, and even extremist Muslim organizations. This in turn fuels resentment against immigrants and has led to the British and French National Fronts and the German National Democrats. Closely parallel: the U.S. movement against illegal immigrants.

thousands of desperate refugees each year. Said Sarkozy (whose father fled Hungary): "France needs immigrants, but France cannot and should not welcome *all* immigrants."

The French republican ideal posits a single French identity without subgroups. France has no affirmative action and does not even collect official data on racial, religious, and ethnic groups, the way the U.S. Census does. Increasingly, critics say such statistics are needed to overcome the very obvious racial gaps. France now has millions of citizens of color who are treated as permanent foreigners. Said one West African who was educated in France: "The French don't think I'm French."

COMPARISON

MEDICAL CARE AND COSTS

France delivers some of the world's best medical care at moderate cost, the World Health Organization concluded. Medical care is tricky to measure, and the 2000 WHO study, the first to compare medical delivery worldwide, was so controversial it has not been updated. Japanese are the healthiest people in the world (probably related to diet) and spend less, but those are indications of health, not of medical care. The two are not the same. Health is what God gives you, plus diet and exercise. Medical care is what doctors and hospitals give you. Spending more on the latter does little to improve the former. Some figures are shown in the table below.

Worldwide, medical costs are increasing, from 3 percent of gross world product in 1948 to 7.9 percent half

a century later. Americans spend by far the most on medical care but are less healthy than many who spend less (again, diet). The U.S. government does little to hold down costs, so insurance (some Medicare, mostly private) struggles to keep up with high-tech care and new, costlier drugs. Some 45 million uninsured Americans hope they do not get sick. Most of Europe has nationwide insurance (some public, some private) that covers everyone and caps costs. But Europeans pay in other ways, by long waits and not-so-high-tech treatment: *de facto* rationing. Will the United States have to do something similar to hold down its soaring medical costs?

	WHO Ranking	Medical Costs per Person/Yr.	Percent of GDP
France	1	\$3,300	10.5
Japan	10	2,580	7.8
Britain	18	2,570	8.1
Germany	25	3,380	10.6
United States	37	6,770	15.4
Mexico	61	690	6.5
Iran	93	570	6.6
India	112	190	5.0
Russia	130	732	6.0
China	144	360	4.7
Nigeria	187	69	4.6

Source: World Health Organization

France now has angry Muslim youths who look a lot like the black underclass of U.S. ghettos. Although most of these Muslim youths were born in France, they are still called "immigrants" and are largely outside French society. Often from broken homes, they slide into gangs, drugs, and petty crime. A few are drawn to Islamic extremism. The police harass them, and they hate the police. "No one will give you a job," said one youth. "How long can we stand here before we blow a fuse?" In 2005, the fuse blew as young males, mostly Muslim, rioted for three weeks across France and burned more than 8,000 cars. Tough police methods and a curfew finally quelled the riots. Then-Interior Minister Sarkozy, in charge of France's police, called the rioters "scum" and vowed to "clean out" their neighborhoods. Most French agreed, but few said so openly. Smaller rioting broke out in 2007. The problem is far from solved.

social mobility Movement of individuals from one class to another, usually upward.

A running issue was *l'affaire du foulard* ("the question of the headscarf"), Muslim girls wearing the traditional *hijab*, required by their religion, in school. France, intent of keeping religion out of schools, outlawed it in 2004. Thundered one *imam* (Muslim cleric): "Allah's law takes precedence over French law." The French deported him, as they do any Muslim preacher who advocates *jihād*. A 1996 French law lets judges detain people for "association with wrongdoers involved in a terrorist enterprise." Faced with terrorism, the French are not as fastidious on human rights as the British or Germans. After 9/11 and the London bombings, the United States and Britain both moved closer to the French zero-tolerance position.

Most French politicians agree that the immigrants should be better integrated into French economic and cultural life, but they disagree on how. Improving the immigrants' housing, schooling, and jobs all cost money. The tax burden falls most heavily on the municipalities where there are the most immigrants, one reason the National Front vote is the strongest where there are more Muslims. The Socialist and other parties on the left are more willing to spend additional funds. Trying to curb radical tendencies and encourage dialogue, Paris in 2003 created the French Council of the Muslim Faith. In 2005, some 5,000 French Muslim delegates elected a moderate Council board.

Racial amity gets brief boosts when the French soccer team wins major matches, because many players are black or brown. France erupts with pride. France's (and possibly Europe's) top footballer was Zinedine Zidane, born in Marseilles of Algerian parents (he retired in 2006). Sports may be more important than government programs in fostering racial integration. (Is that true in the United States?)

FRANCE'S Education Problems

France has expanded educational opportunity in order to improve **social mobility** and integrate all, even immigrants, into French society. This effort is praiseworthy, reminiscent of U.S. efforts to solve social problems by increased school integration. But, as in the United States, it leads to new problems.

Paris decided that a much larger portion of French young people should achieve the "bac," discussed in Chapter 9. The Socialist government in 1985 began an ambitious plan to send 80 percent of all young people to *lycées* by 2000, a goal largely achieved. The bac has been expanded to include technical and vocational options in order to form the literate and qualified labor force needed by a modern economy. But even with a major upsurge in education spending, the public *lycée* system became severely overburdened, as evidenced by dilapidated buildings, crowded classrooms (some with over 40 students per teacher), and crime in the hallways and restrooms. (Sound

Common Agricultural Program (CAP), EU farm subsidies, the biggest part of the EU budget.

familiar?) Middle-class French parents, afraid of school decay, increasingly send their children to private *lycées*. French student street protests from time to time shake the Paris government, reminders of the 1968 Events of May.

FRANCE AND EUROPE

Unlike Britain, France did not hang back in building a united Europe. Indeed, the idea originated with two French officials, Jean Monnet and Robert Schuman, after World War II (see Chapter 17). France was one of the original six of the ECSC and then of the Common Market. Members cut tariffs with each other and let in workers from member countries. The invigorating effects of this boosted French economic growth. The EU's **Common Agricultural Program (CAP)** eats 40 percent of the EU budget, and French farmers are the biggest beneficiaries. French farmers like this; German and Dutch taxpayers do not.

French voters rejected a new EU constitution 55 to 45 percent in 2005. Most still favor the EU in general but used the referendum to show their displeasure with the elites who run France and the EU. Most French leaders favor European unification, partly because they see France leading a united Europe, but they disagree on what kind of a Europe they want. Not all want a full federation, for that would blot out French sovereignty. Charles de Gaulle voiced this in the 1960s when he spoke of a *Europe des patries* ("Europe of fatherlands," later the view of Britain's Margaret Thatcher). This is especially true if newly unified Germany is Europe's leader, not France. And how big should the EU be? Should it include Turkey? Sarkozy says no way. The further eastward the EU expands, the more it makes Germany its natural hub. Many French oppose that privately but rarely say so publicly. Since German unification in 1871—after it beat France in a war—France has always worried about its large, powerful neighbor to the east, to which we now turn.

KEY TERMS

austerity (p. 153)	hypermarket (p. 148)	protectionism (p. 150)
Common Agricultural Program (p. 158)	indicative planning (p. 148)	protective tariff (p. 148)
conservatism (p. 151)	informal economy (p. 152)	social costs (p. 152)
entrepreneurial (p. 149)	labor-force rigidities (p. 152)	social mobility (p. 157)
flash party (p. 150)	Muslim (p. 155)	value-added tax (p. 154)
	petit bourgeois (p. 148)	

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