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The art of the impossible

Oct 26th 2006

From The Economist print edition

Bridgeman



A morose France has fallen behind its competitors. But there is nothing inevitable about its decline, argues Sophie Pedder: all it needs is political will

"SOMETHING seems very wrong with this country. Once the very model of a modern major power—stable, rich and smug—it appears beset now by political and economic instability and by civil unrest and disorder. One observer has even taken to calling it 'the sick man of Europe'. Hardly a month passes without the appearance of a new book or learned article on the decline and imminent demise of a once proud country."

Alarmist talk about France has become commonplace. Home-grown titles such as "France in Freefall", "Gallic Illusions" and "France's Malheur" crowd the bookshelves. Politicians hold seminars with titles such as "The Origins of the French Disease". "Declinism" has become a school of thought. Pessimism prevails. Fully four-fifths of the French tell pollsters that they think "things are getting worse."

But the opening quotation, seemingly so apt for morose France today, is not about that country at all. It was written in 1979 by Isaac Kramnick, an American political scientist, and refers to Britain.

The 1970s were Britain's decade of self-doubt, not so unlike the first decade of the 21st century is turning out to be for France. The country was paralysed by a sense of terminal decline. The mainstream left was beholden to its militants, union friends and class warriors. Politicians were preoccupied by the distribution of wealth, not its creation. Strikes were as crippling as taxes. Industrial jobs were going to lower-cost countries and academic brains to America. Britain was uncomfortable about its place in the world.

Now it is France's turn. The country is gripped by a belief in its own decline. It sees itself as a victim of globalisation, regarding markets as a threat and profits as suspicious. It has a short working week, militant unions and high unemployment. The opposition Socialist Party, in its official programme for next spring's presidential and parliamentary elections, pledges to renationalise the electricity utility, raise the minimum wage, enforce the 35-hour week more vigorously and reverse tax cuts.



Moreover, the creed of anti-liberalism and anti-globalisation is shared by both left and right. The centre-right government of Dominique de Villepin is irredeemably protectionist, fending off foreign predators at every turn. The president, Jacques Chirac, a Gaullist descendant, has called liberalism a greater menace for Europe than communism. France is troubled by its diminished voice in the world and fretful about immigration at home. Fear of change is pervasive.

Just as Britain battled through its winter of discontent in 1978-79, when rubbish went uncollected, school gates unopened and ambulances undriven, France has fought its way through a series of social upheavals in the past 18 months. First, its electorate revolted over the European Union in May 2005, rejecting a new constitution for the European project that its own countrymen co-founded. Next, its multi-ethnic underclass revolted against exclusion, with 20 consecutive nights of rioting in nearly 300 *banlieues* across the country, forcing the government to declare a state of emergency. Most recently, its students and unions revolted against insecurity, holding countrywide strikes, university sit-ins and protest marches to contest a plan to make it easier to hire and fire the under-26s.

Some historians trace this turbulence and fiery rejectionism back to the collective spirit of the 1789 revolution and the French fondness for the drama of confrontation (as in 1830, 1848 and 1968). Others suggest that these events are symptoms of a dysfunctional democratic system in which the street is a

more efficient theatre of protest than parliament.

Popular malaise has certainly been simmering for a while. Since 1978 the French have not re-elected an incumbent government. They have gone through 12 prime ministers when over the same period Britain and Germany have each had a mere four heads of government. When the far-right Jean-Marie Le Pen was voted into the 2002 presidential run-off against President Chirac, it was an early distress signal. That vote was partly against immigration, a theme the National Front leader has long exploited. But it was also a protest against what the republican French, with a disarming nod to elitism, call the "political class": the cosy governing caste in Paris. In that election, 35% of the votes went to the political extremes or protest parties on the left and right. The message to mainstream politicians was plain: we've had enough of your empty promises.

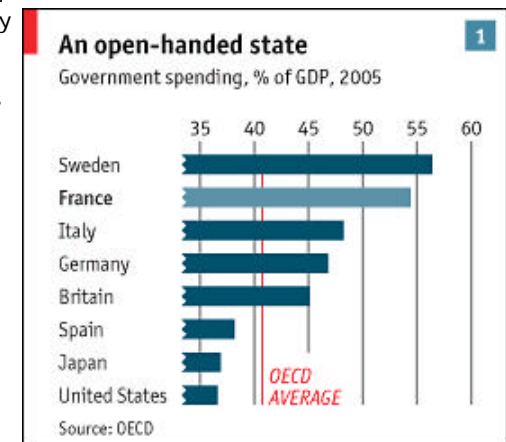
Three reasons for gloom

Why are the French so restless? The answer is threefold. First, their economy has lost ground. For example, France's GDP measured at current exchange rates has been overtaken by Britain's, which is now 5% bigger (even though the two countries' populations are much the same). Back in the late 1970s it was the other way round: the British economy was only three-quarters the size of the French one. Over the past 25 years, in terms of GDP per head at current exchange rates, the French have dropped from seventh place in the world to 17th. Even allowing for things France does well, such as health care and welfare, the 2005 United Nations Human Development Index ranked it 16th, down from eighth in 1990. The French feel the slippage keenly. Polls show that "loss of purchasing power" is one of their top concerns.

Second, France's heavily planned economy has reached its limits. In the past, the French dirigiste model, which relies on a strong centralised state in the pre-revolutionary tradition established by Jean-Baptiste Colbert, Louis XIV's finance minister, served the country well. It speeded up reconstruction after the second world war. It delivered the *trente glorieuses*, or 30 years of post-war prosperity. And it laid the ground for the rapid transformation of the economy into an industrial powerhouse.

Even today, elements of dirigiste planning have helped to set France up for the modern age. Its high-speed TGV train network reaches into new corners each year: to Strasbourg in 2007, from Lyon to Turin by 2018, with projects to extend lines to Bordeaux, Rennes and Perpignan. As Thierry Breton, the finance minister, points out, France's early decision to invest in nuclear energy, which accounts for 78% of its electricity production, has turned a country short of fossil fuels into a net electricity exporter.

Yet the planned society relies crucially on an intelligent and efficient state, and over the years the French version has become untenable: too many bureaucrats, supported by too many taxes, impose too many rules in too many overlapping organisations. Despite all this effort, there is little sign that the public sector in France is any more efficient than in other rich countries. French public spending accounts for 54% of GDP, compared with an OECD average of 41% (see chart 1). One in four French workers is employed by the public sector. Public debt amounts to 66% of GDP, compared with 42% in Britain, and over the past ten years has grown faster in France than in any other EU-15 country. The baby-boom generation is leaving behind a poisoned legacy: as the title of a recent book puts it, "Our Children Will Hate Us".



Too top down

Moreover, in such a hierarchical system people too often expect solutions to be provided from the top. For example, whereas Google was devised by two graduate students at Stanford University, a rival search engine with the unpronounceable name “Quaero” was ordered by the French government from, among others, two big French companies, Thomson and France Telecom. CNN was founded by Ted Turner, an American entrepreneur in Atlanta; a new French challenger to the cable television network, France 24, which is due to start broadcasting shortly, was invented by Mr Chirac and is financed with government money.

The problems have been building up for some time. Thirty years ago, Alain Peyrefitte predicted that the *mal français*—essentially, a bureaucratic mentality—would stifle creativity and innovation and entrench resistance to change. Another critic wrote in 1994 of a “France suffering from a more profound sickness” than anybody then imagined: a “heavy and inert” state machinery that, if unreformed, would “block the evolution of society”. The prescient author? Mr Chirac.

Even so, politicians have consistently failed to explain to the citizens why the country cannot afford to go on as before. This is the third source of French electoral dissatisfaction. Instead of making the case for change, successive politicians have preferred to blame, and thus to discredit, outside forces—usually Europe, America or globalisation. “The French political class has constructed a wall of lies against the globalised world,” comments Nicolas Baverez, author of “France in Freefall”. No wonder there is no consensus for reform.

Yet this survey will argue that French decline is not inevitable, any more than British decline was inevitable in the 1970s. There is nothing that necessarily predisposes the French to conservatism or resistance to change. Just because political leaders in the past have failed to push through bold reforms—Mr Chirac himself, in 1986-88; Alain Juppé, a former prime minister, in 1995—does not mean that the country is unreformable. The unruly French do not make the task easy, but winning them over is a question of political leadership—the courage to level with voters and tell them why things need to change.

The parallel with Britain is plainly inexact. For a start, France is rather better placed than Britain was in the 1970s. Public finances may be under strain, but there is no financial crisis of the sort that forced Britain to go cap in hand to the IMF in 1976. Corporate Britain at the time was ailing; corporate France now is thriving. The CAC 40 stockmarket index reached its highest level for five years this year and profits are at record levels. French firms are buying up companies across Europe. Both these factors should help France to rebound more rapidly than Britain did. Moreover, France has the second-highest birth rate in the European Union, sparing it some of the demographic worries preoccupying countries such as Britain, Germany and Italy.

Change need not mean trampling on values that the French cherish. Some of those who defend the status quo argue that France is a civilised country that has simply chosen different priorities. Like a misunderstood teenager, it wants to do things its own way. It still believes in solidarity and social cohesion, in small farmers and local markets. It does not want to abandon its poor to the streets and its shopkeepers to Wal-Mart.

Yet economic efficiency and social justice need not be incompatible. The Netherlands, Ireland, Finland, Sweden, Denmark and Canada have all revived once-flagging economies without destroying their welfare system or way of life. France's long dole queues and troubled *banlieues* are proof that, by keeping things the way they are, the French model is failing to deliver on its promise. France has 3.7m people living in poverty (defined as having a household income of less than half the median income); 2.5m living on the minimum wage; and over 2.4m unemployed.

Politicians will have to explain that tightening welfare rules need not rip a hole in the safety-net; that subjecting hypermarkets to more competition need not drive the *boulangers* or *patissiers* from the high street; that removing pharmacists' monopoly on non-prescription drugs need not deprive every village of its green cross. They will also have to persuade voters that the prize is worth having. According to the IMF, more competition in French markets for both goods and services, combined with labour-market reform, could in the long run boost GDP by more than 10%.

The stakes are high. Next year's presidential and parliamentary elections will arguably be the most important for a generation. Unless Mr Chirac unexpectedly decides to stand again, they will bring an end to a stagnant 12-year presidency and provide a chance for a fresh start. France cannot afford to waste five more years.

This survey will identify the most urgent tasks that the new president will face and consider who is best placed to deal with them. The two presidential front-runners—Ségolène Royal on the left and Nicolas Sarkozy, currently the interior minister, on the right—are both in their early 50s, and both claim to offer a break with the past. But is this new generation as reform-minded as it sounds? And how can it build a consensus for change in a country that seems so resistant to being nudged out of its comfort zone?

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Insider and outsiders

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From The Economist print edition

By trying to protect jobs and welfare benefits, France has created a two-class society

ON THE banks of the sleepy river Loire, across the valley from Amboise's historic *château royal*, stands a model of modern high-tech French manufacturing. In a neatly landscaped business park, Pfizer, an American pharmaceutical giant, produces 80% of the world's Viagra, and the entire supply for the American market. Every bottle of Viagra bought in an American drugstore will have been filled, packaged, labelled, bar-coded and shipped from this site. The Amboise factory manufactures Viagra in 227 different guises, from pill jars to blister packs. In all, the site turns out nearly 70m packs or bottles of pills of various kinds each year, labelled in 44 different languages.

Pfizer's Amboise plant shows that, for foreign investors, France remains an attractive location. This particular site offers a mix of high productivity, technical expertise (it has a big research facility, and nearby Tours is home to a pharmaceutical college) and reliability in a market troubled by fakes. Yet a visit to the gleaming, ultra-clean production line prompts another, more unsettling observation: there are hardly any workers.

No human being drives forklift trucks around the factory floors, fills pill packets or loads them into boxes. Instead, unmanned laser-guided vehicles surge down the aisles, picking up packages that have been stuffed, wrapped and labelled by machine, and delivered to the robots along conveyor belts suspended from the ceiling. All this takes place in an eerie near-silence. The factory's director, Marie-Gabrielle Laborde-Rayna, says that even visitors from the pharmaceutical industry familiar with high-tech production are impressed by the level of automation at Amboise.

A less comforting conclusion for the French, however, is that in France firms often invest in machines rather than hire people. This is not because French workers are inefficient. On the contrary, their productivity per hour worked is marginally higher than that of their American counterparts. It is, rather, because social-security contributions are high, the working week is short, the labour code is strict and shedding jobs is slow and difficult. Taking on an employee in France is a risk, so employers avoid it as best they can. This is the chief reason why France's jobless rate has been stuck around 8-10% for so long.

The current French model contains two chief weaknesses. One is this structural unemployment, which persists even in times of economic expansion. The second is the heavy weight of the public sector on the economy.

A two-tier market

First, unemployment. France's over-protected job market is well documented. In 2000-02, under a Socialist government, France shortened its standard working week from 39 to 35 hours without loss of pay. Although employers secured some flexibility in return, the new rules have caused headaches, particularly in the service sector. In order to spread the shorter hours over a year, many office workers get about three weeks of extra holiday, in addition to the normal five weeks of paid vacation, so companies have to juggle staff who are often away. Some bosses say it has encouraged absenteeism. Among local-government employees, for instance, this leapt by nearly 30% between 1998 and 2004. A flourishing service industry has sprung up to check whether people are away from their desks for a good reason.

Various other protections have built up over the years. National collective-bargaining agreements, which apply to all employees in an industry, whether unionised or not, entrench union power. The collective agreement for the hairdressing industry now runs to a chunky 144 pages; the one for the bakery and patisserie industry goes on for an epic 480 pages. The general labour code this year is a veritable doorstop of 2,735 pages, 20% fatter than in 2000. Some of these rules protect the health and safety of workers, much the same as in any other Western democracy. But others add up to a bizarre effort to prevent people from working.

All this protection deters employers from creating permanent jobs in the first place. One fast-food boss says that in France his staffing levels per restaurant are only two-thirds of what they are in Britain. Many employers resort to temporary staff, interns or short-term contracts instead: precisely the sort of insecure work that the legislation set out to avoid. In the second quarter of 2006, two-thirds of net new private-sector jobs were of this nature. This has produced a two-tier labour market: good, protected jobs for some, and insecure jobs or unemployment for the rest.

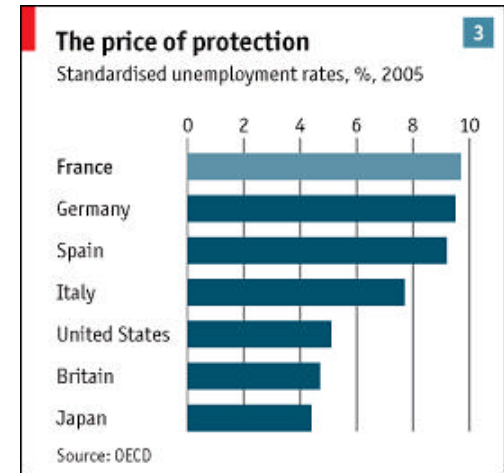
The side-effect is felt not just by the outsiders—the young, the poorly skilled, the long-term jobless—but by the economy as a whole. Whereas France's big companies generally get by, its small companies struggle. Profits at the CAC 40 firms grew by 218% in the ten years to 2005, according to MEDEF, the employers' organisation; those at non-quoted companies by just 42% over the same period. Plenty of start-ups are launched in France each year but many fail to grow. Seven years after starting a business, says MEDEF, the average French entrepreneur employs only 7% more staff than he or she started with, compared with an extra 22% in Germany and 126% in America.

Some efforts have been made to lighten the burden on employers to encourage them to hire. Social-security contributions have been reduced for jobs paying the minimum wage and will be abolished altogether for minimum-wage jobs in firms with up to 20 employees. Jean-Louis Borloo, the jobs minister, has cut red tape and boosted tax credits for domestic-service jobs to increase the availability of help for the elderly, child-care and cleaning. The government has also brought in a new job contract for small firms that makes it easy to sack people for the first two years. The unemployment rate has now dipped to 9%, suggesting that the French labour market will respond to the right incentives.

Not enough people at work, not working enough: the result is an annual average rate of GDP growth in France that has been below the OECD average for the past ten years. If the French were working so little simply as a lifestyle choice, they might be happier about it. Yet as employers hold down earnings to accommodate the tighter rules, workers feel the squeeze in their wallets every month. Between 2000 and 2004 average net pay increased by just 1% in real terms. According to a government-commissioned report, if France had the same employment rate and working hours as Britain, its GDP would grow by an extra 20% over ten years.

The second main weakness of the current system is France's overweight public sector. As Michel Pébereau, chairman of BNP Paribas, a bank, put it in another report commissioned by the government that was published earlier this year: "For the past 25 years, every time a new problem has emerged, our country has responded by increasing spending."





The instinct to meddle

Over that period, no government has presented a balanced budget. Public debt has grown to €1.1 trillion (\$1.4 trillion), or 66% of GDP—five times its level in 1980. And this does not include France's off-balance-sheet civil-service pension liabilities.

Despite mini-reforms of the pension and health systems, the national audit office now says that the total social-security deficit is heading for over €37 billion by 2009. The reductions in the deficit that initially followed these reforms were a "trompe l'oeil". If nothing is done, Mr Pébereau forecasts that public debt will reach 100% of GDP by 2014 and 200% by 2032.

To support this spending habit, the state subjects its citizens to taxes and charges at every turn. Although income-tax rates are relatively moderate, especially for families, other imposts are heavy. An employer who pays a worker twice the minimum wage, or €2,400 a month, has to shell out nearly half as much again to the state in social-security contributions; the employee, for his part, has to hand over 22% of his pay in social-security contributions, on top of income tax. A French pay slip typically runs to over 40 itemised lines. Deductions from the employee's gross pay include 6.65% to the pension fund; 2.4% to the unemployment fund; and 5.1% to the social-security fund. The employer gets stung for contributions of 1.25% to the work-accident fund; 0.4% to the work medicine fund; 2.6% to the transport fund; and so on.

Were the state taxing the French in order to service debts incurred for long-term investment, it might all be more bearable. Yet the Pébereau report demonstrates the opposite: most borrowing pays for current operations, not research and development or higher education or infrastructure.

The result is an unsustainable administration. Over the past 20 years the state has hired nearly 1m extra civil servants, bringing France's total to 5m. In the Ministry of Agriculture alone, which serves an ever-shrinking number of farmers, the number of staff has grown by 8%. Yet the bureaucracy often does not provide good value for money. The country has a post office for every 3,530 inhabitants, twice as many as Germany, yet fewer of its letters arrive the next day. The Bank of France has 14,000 employees, even though French membership of the euro zone means it is no longer responsible for monetary policy—compared with 1,836 at the Bank of England, which retains that responsibility.

Too many layers of administration interfere too much in everybody's lives. The state sets the dates that shops can hold sales; forbids hypermarkets from selling below cost; limits the number of Paris taxis; and prevents pharmacists from owning more than one pharmacy. All the while, the lack of competition hampers growth and benefits producers. In the words of an official report into the lack of competition between hypermarkets: "Only one single market player has progressively lost out: the consumer."

Back in 1856, Alexis de Tocqueville wrote about the country's "regulating, restrictive administration, which seeks to anticipate everything, take charge of

everything, always knowing better than those it administers what is in their interests." Nothing much seems to have changed. And nowhere are France's aspirations to excellence stifled more comprehensively by the weight of regulation than on the campuses of its universities.

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Lessons from the campus

Oct 26th 2006

From The Economist print edition

In higher education, a free-for-all does not work

EACH year, when Shanghai's Jiao Tong University publishes its world ranking of universities, France responds with a mix of indignation and consternation. Indignation, because French educators complain that the system favours "Anglo-Saxon" universities and makes no allowance for France's unusual division into elite *grandes écoles* and mass universities. Consternation, because not a single French university makes it into the world's top 40. Its best-placed institution—Paris VI—manages only 45th place.

France's university system encapsulates many of the drawbacks of its over-centralised, bureaucratic model. The country has 82 universities, catering to 1.5m students, twice the number of 25 years ago. All are public, and all the lecturers are civil servants. All the universities are barred from selecting undergraduates at entry. Enrolment fees amount to less than €200 a year, and all tuition is paid for by the state. Members of France's elite do their utmost to keep their children out of them and get them into the *grandes écoles*—for business, engineering or public administration—that cater to a lucky 4% of the student population.

Alamy

To understand how France is tying its own hands with this system, consider two universities that lie just a few kilometres apart in the south-western city of Toulouse. Both are big: Toulouse I Sciences Sociales, a quick walk from the pink-brick Place du Capitole in the city centre, has 17,000 students; Toulouse II-Le Mirail, a short metro ride away on the city's outskirts, over 24,000. Both were spun off as separate universities after France's 1968 student riots, which led to the break-up of many of the country's giant universities. Both cover, broadly, the social sciences: Toulouse I offers economics, political science, law and management; Toulouse II-Le Mirail spans literature, philosophy, history, human sciences, arts and maths.

Toulouse II-Le Mirail, a low-rise 1960s campus of squat grey concrete blocks, looks like a demonstration model of most of France's difficulties with its university system. It has pockets of research excellence, such as in archaeology, and it has adapted to international standards by introducing the new Europe-wide bachelor and masters degree structure. But it concentrates on mass teaching in subjects—philosophy, psychology, sociology—that ill-prepare graduates for jobs.

Lecture halls are overcrowded. In one vast 800-seat amphitheatre, steeply banked rows of impassive students listen to a lecturer mumbling on a distant platform. Each year, 46% of all new students enrolled drop out. Daniel Filâtre, Toulouse II-Le Mirail's president, does not consider this to be his problem: "This is a left-wing university which has a social

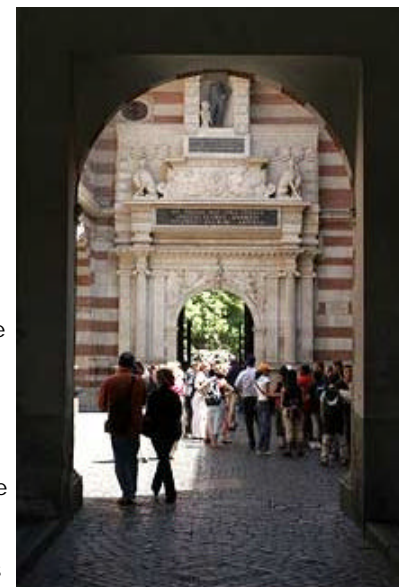
project," he explains. "It is not an institution designed for professional training."

Yet it is clearly a worry for the students. Fears about job insecurity prompted the countrywide university revolt earlier this year against Mr de Villepin's flexible contract for the under-26s. Two months of sit-ins, blockades and often violent skirmishes with riot police forced the prime minister to shelve his plan. But the malaise on French campuses such as Toulouse II-Le Mirail remains.

A generation ago most university graduates could have gone on to secure jobs in the public sector, often teaching the subjects they studied. Even today one startling poll suggested that three-quarters of French students would like to become civil servants. But the rapid expansion of numbers passing the school-leaving examination (*baccalauréat*)—from 25% of the relevant age group in 1980 to 62% today—has flooded France's non-selective universities. Too many enrol in "soft" subjects rather than science or technology. Some 45,000 study a subject called "sports science". Employers prefer to hire from vocational-training colleges. And sociology or psychology graduates often find their degrees worthless on the jobs market.

"Lots of students do want to become civil servants," says Anna Mélin, a Toulouse student-union leader: "We're not adventurous because we are afraid." Students worry about something the French call *déclassement*, meaning they have to accept jobs beneath the level they think their degree entitles them to. "Unemployment weighs on our minds," says Ms Mélin. "We're the first generation that lives worse than our parents. Perhaps we in France have certain privileges, but I've no trouble admitting that we want to preserve them."

In a bid to do so, student unions blockaded the campus at Le Mirail for two and a half months during the university sit-ins earlier this year. Graffiti sprayed on the walls linger: "We will strike against capitalism" and "We do not want to return to life as normal". It is hard to find anybody satisfied with the way things are. Teachers are fed up because they are poorly paid and feel treated as second-class citizens. Students do not feel they get enough support. The 4,000 new undergraduates who arrive at Le Mirail each year get no tutorial support or careers advice. There is no bar on campus. The library is light, airy and brand new, but it closes at 6pm on weekdays and is shut at weekends.



Toulouse I: cogito, ergo sum

Across the Garonne

On the other side of the river, at Toulouse I, bicycles lean against red-brick courtyards and students sit cross-legged in the shade of plane trees. Toulouse I has not found a solution to all the difficulties Le Mirail faces. All the same, across all disciplines, 82% of third-year undergraduates there get their degree at their first attempt, compared with 58% at Toulouse II-Le Mirail. During the student revolt the Toulouse I campus was shut only for a brief period, and student leaders were booed.

It helps that the university has an international reputation for economics. It ranks fifth in the world for research in business economics, after the universities of Harvard, Berkeley, Chicago and Stanford, according to a global ranking. This autumn it launched the Toulouse School of Economics (TSE), which offers a two-year masters programme, taught entirely in English and designed for the international market.

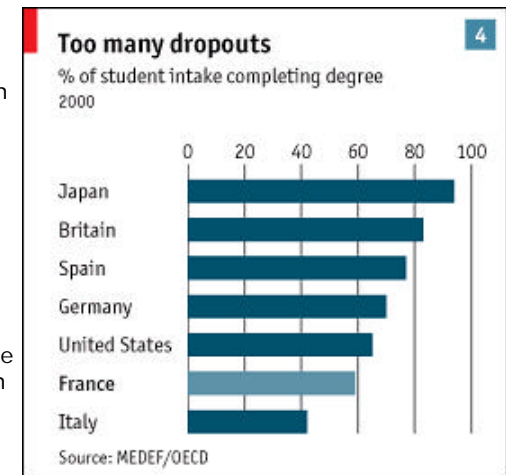
In the 1980s Toulouse I was a social-science university much like any other, unable to select its staff or its students and squeezed for funds. Instead of accepting its lot, however, it decided to work around the rules. First, in order to help with finance, it sought private sponsorship for research. Various research centres were set up as associations, officially outside the university management structure and therefore not subject to civil-service rules. These were able to solicit research contracts directly with companies, such as France Telecom or Microsoft.

Second, it put research at the heart of the university structure. In general, universities in France concentrate on teaching, with research mostly organised by national public-research bodies. But international rankings put weight on research, which penalises the French. Toulouse I's Institute of Industrial Economics (IDEI), set up in 1990 by Jean-Jacques Laffont, a Harvard-trained economist, realised early on that it needed teachers and researchers to work and publish together in order to lift international rankings. This sounds simpler than it is.

Even today, the institute's researchers are often employed not by the university but by the National Centre for Scientific Research—yet they also sign their papers in the university's name.

Third, Toulouse I has tried to get round the selection problem, though with greater success on the staff front than with undergraduates. It cannot refuse students who have the *baccalauréat*, so it gets plenty of mediocre ones in the early years. As for university staff, all posts are allocated by the Ministry of Education in Paris and recruited for nationally, through committees that include representatives of teachers' unions. Candidates for the most prestigious professorships are examined by a national jury, and universities with vacancies must accept the jury's choices. To get round this absurd system, Toulouse I no longer directly recruits economics professors certified by the jury. Instead, it uses a transfer procedure to lure some of those who have taken up posts elsewhere.

The system can still defeat such efforts. Because lecturers are civil servants, academic appointments follow a calendar imposed by the Ministry of Education; job offers can be made only in the summer term. "But by then the international market has closed," says Jacques Crémer, IDEI's director. "We lost a great candidate to the London School of Economics in January this year because he couldn't wait." The struggle to stay competitive internationally, and to get round the system, requires heroic efforts—a huge waste of time and energy.



Reorganisation 101

The three watchwords for French universities are autonomy, competition and selection. First, if universities are to create centres of excellence they will need greater freedom: for example, to recruit their staff, to set up experimental links with research bodies or to increase enrolment fees. But before they can be granted such autonomy, their governing structures will need to become more effective and less beholden to unions.

Second, unless France embraces the idea of competition, the creed of egalitarianism will drag down quality for everybody. Part of the answer is more autonomy, to make experimentation possible. But it also requires a cultural shift. Does France want its best universities rewarded? Does it want them to compete for staff? Does it want to recognise that some universities are better than others? International league tables are prompting some change. To boost rankings, the government is creating "research poles" for universities and research centres to publish their findings jointly. It is also beginning to publish comparative graduation rates and job prospects for all universities.

This leads to the third problem: selection. The government hopes that by making such information public, it will deter would-be undergraduates from enrolling in dead-end subjects. For example, France currently has 65,000 psychology students—a quarter of the European total for that subject. Unless universities also get some say in whom they accept, such numbers are unlikely to fall much. And selection remains taboo. Could France ever allow universities to pick undergraduates at entry? "Oh là là!" replies a top education official. "It's not in the French mentality."

But France does use selection for all its *grandes écoles*. Indeed, entrance exams to such places as Polytechnique and the Ecole des Mines (both engineering), Sciences-Po (political science), the Ecole Nationale d'Administration (public policy), HEC and ESSEC (business) are so stiff that they require two years' preparatory study. Such schools are regularly rated and ranked.

It is the *grandes écoles* that produce the well-polished graduates who get snapped up by companies in London or New York. And their alumni continue to hold power in France, in government as well as in the boardroom. Seven of the past 12 prime ministers, and two of the past three presidents, including both current incumbents, went to ENA. Some number-crunching done by *The Economist* for this survey shows that the grip of just two top schools—ENA and Polytechnique—on corporate France has actually increased over the past 20 years. When the CAC 40 index was created in 1987, 24% of the bosses of the companies it covered were graduates of one or other of those schools. By January this year that share had grown to 50%.

In reality, even the apparently non-selective universities apply a form of selection by quietly putting up with very high drop-out rates. But it comes after a huge waste of money and effort. "The French accept the brutality of selection on condition that we maintain the illusion of formal equality," says Elie Cohen, an economist and member of the government's advisory Council of Economic Analysis. But on the face of it selection and competition are deemed to be bad for everybody—except the privileged ranks of a tiny elite.

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Reforming the unreformable

Oct 26th 2006

From The Economist print edition

Some of France's big companies have shown the way

A FASHIONABLE subject for debate in recent years has been the question: "Is France reformable?" The implicit assertion is that it is not. The government capitulated to student protests. It has shied away from taking on such producer interests as teachers and train-drivers, electricity workers and hypermarkets. After nearly 12 years in office, President Chirac, for one, appears to have concluded that the French cannot take it. In a recent book, Franz-Olivier Giesbert, a journalist who has known Mr Chirac for over 20 years, writes that, traumatised by street revolts, the president "has ended up convinced that France is not able to tolerate any major reform".

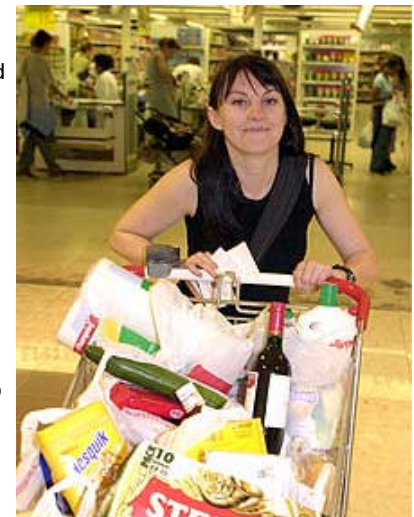
France, according to this argument, is inherently conservative and resistant to change. Some put this down to the system. Michel Crozier, a French sociologist, once described his country as a "blocked society": too many top-down bureaucratic rules breed distrust among the people and create a system that can evolve only through crisis. Others suggest that the problem lies with the French themselves. In his 1976 book Alain Peyrefitte argued that France needed a "mental revolution" to alter its mindset in favour of risk-taking and innovation. Many French people seem to agree. Asked why reform in France is so difficult, respondents in a poll by LH2 in April this year said that the biggest single reason was "the state of mind of the French".

What seems to make reform especially hard is a peculiar French hostility to the market, the embrace of which is a precondition to many reforms. In a recent survey by Globescan, a polling group, 71% of Americans agreed that the free-market economy was the best system available, as did 66% of the British and 65% of the Germans. For France, the figure was 36%.

Some of this thinking seems to be taught at school. Of the three main *baccalauréat* options, one is a subject called "economic and social science". Mr Cohen of the Council of Economic Analysis prefers to call it "a radical neo-Marxist amalgam of sociology and soft economics". One widely used textbook devotes page after page to Marxist theories of production, class struggle and bourgeois exploitation. In a section on the labour market, it states that "employers seek to divide workers in order to reduce solidarity between different categories of staff."

Perhaps such teaching helps to explain why the French gave a Trotskyite and a Revolutionary Communist 10% of the vote between them in the first round of the 2002 presidential election—and the Communist candidate another 3%. Marxist thinking still has a grip on the collective imagination. It comforts those at the bottom of the pile who rail at the recent explosion in executive pay, including some exorbitant corporate pay-offs. The 35-hour-week rules were based on the misapprehension that there is a fixed amount of work to be shared out. Nor is anti-liberalism a monopoly of the left.

Rex Features

**The sunny side of globalisation**

"Globalisation is not an ideal," declared Mr de Villepin in his inaugural speech as prime minister last year. "It cannot be our destiny."

But are the French really as anti-market as they profess to be? Consider Carrefour, a French hypermarket in Montesson, west of Paris. The store is vast, staff move around on rollerblades and shoppers can buy anything from mountain bikes to foie gras. Its shelves offer 14 different brands of washing powder, 12 of yogurt and eight of fresh fruit juice. The Tropicana brand alone, part of America's PepsiCo, is stocked in 18 different varieties, including ruby breakfast, sanguinello, mandarine-framboise, rouge plaisir, multivitamines, orange-mangue, pomme-litchi, réveil des tropiques and tonic breakfast, not to mention orange sans pulpe, orange avec pulpe, or even pulpissimo.

Watching French shoppers piling their trolleys high with such brands, it is hard to conclude that they are truly hostile to globalisation. In fact, many of the articles they so cheerfully consume are produced by their own companies, made rich by the system the French say they distrust. "I think we are totally capitalistic, but we just won't say so," says Laurence Parisot, the head of MEDEF.

Don't mention the G-word

France's big world-class firms are as global as they come, striding into new markets from China to India and reaping record profits. Look at almost any industry and you will find a leading global French company: cars (Renault), tyres (Michelin), cement (Lafarge), drinks (Pernod-Ricard), insurance (AXA), food (Danone), cosmetics (L'Oréal), supermarkets (Carrefour), luxury goods (LVMH), and so on. Sodexho, a French catering company, even feeds the American army. As Claude Bébéar, chairman of AXA and head of Institut Montaigne, a think-tank, points out, such firms make about 80% of their profits outside France. They are daily proof of France's ability to benefit from globalisation.

AFP



Air France's Spinetta made it fly

Moreover, French employees within such firms have long learned to live by the rules of the global economy. Unionisation in France's private sector is low. In reality, France is divided: between those in the private sector who have long adapted to the market in their working lives, and those in the public sector who may accept globalisation as consumers in their free time but not while toiling at their desks.

But what happens to former public-sector workers whose enterprises have been privatised? Some of the most sclerotic formerly state-owned groups, icons of what the French call *immobilisme*, have been turned into competitive global enterprises. In the process, they have transformed work practices and staff attitudes. If this is possible, it suggests that the problem lies with institutions and the way change is managed, not some peculiar French conservative gene.

A good example is Air France. A decade ago the state-owned national airline was paralysed by bureaucracy and union-led resistance. Having teetered on the

verge of bankruptcy, it was plagued by strikes and came to epitomise France's inefficient public sector. Yet today it is a profitable, competitive company. The French state's share in the company has shrunk to just 18.6%. Having merged with KLM, Air France is now Europe's biggest airline. In 2005-06 it made an operating profit of €936m, 69% up on the previous year.

"The idea of reform being impossible in France is contradicted by the facts," says Jean-Cyril Spinetta, Air France's boss since 1997. Plainly, shareholder pressure after the company was floated helped to prompt change at the airline. Mr Spinetta has also taken some bold strategic gambles, such as the merger with KLM and an ambitious expansion of routes in the late 1990s. But a lot is also due to less tangible changes in the corporate culture.

In essence, Mr Spinetta inherited a distrustful, confrontational workplace and introduced some novel management tools: telling the truth, communicating with employees and explaining things. For instance, in the past, he says, good results were sometimes hidden from staff in case they triggered demands for pay increases. "The hardest thing was to get people to trust Air France," he says.

Over time, Mr Spinetta earned credibility by keeping his word. When he faced fierce union hostility to privatisation, he promised there would be no redundancies, and made none. When unions claimed that airline deregulation would destroy Air France, he insisted that it would instead bring opportunities, and was proved right. Having gained trust, he was able to push through reforms such as measuring productivity and introducing a service culture. His long tenure has also helped to bring stability. Since 2002 Air France has not had a single major strike.

Making mammoths dance

Other erstwhile fossils have been revived too, such as Renault, a carmaker that was near-bankrupt two decades ago, or Arcelor, a steelmaker recently snapped up by India's Mittal. Even Electricité de France, a fortress of communist-backed unionists, is quoted on the Paris bourse and sells electricity to Londoners.

What does this mean for French reform more broadly? The same principles apply. French politicians need to come clean about what needs to happen, and why. If they can win over public opinion, they will find it easier to face down those opposing change, whether they are public-sector unions or oligopolistic companies.

Unless France manages to introduce such reforms, its economy will struggle to recover, and any growth will be largely jobless. Failure will not only mean a lack of prosperity. It will also undermine the country's ability to face up to one of its biggest social challenges: the integration of its ethnic and religious minorities.

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Minority report

Oct 26th 2006

From The Economist print edition

The trouble with integration

CLICHY-SOUS-BOIS, where last year's riots started, is only 15km (9 miles) north-east of the tree-lined avenues of central Paris. To get there by public transport, though, takes nearly an hour and a half. The suburban RER train goes only to Le Raincy; then it is a slow, winding uphill bus ride to Clichy-sous-Bois. In less time, the high-speed TGV travels from Paris to Lille, 220km away. Ask locals in Clichy how often they travel to central Paris, and you draw a blank.

Reuters



Nothing better to do

A year ago, two youngsters were electrocuted in Clichy after climbing into an electricity sub-station, apparently while running away from the police. Their

deaths triggered three weeks of rioting and car-burning in rough *banlieue* neighbourhoods across France, prompting the government to impose a state of emergency.

A year on, the place appears to be calmer. On a weekday after school, boys kick a football on a dusty patch of grass. Mothers, wrapped in bright green and ochre West African printed cloth, push buggies along the pavements. In an effort to improve its image, the town hall has organised a photographic exhibition about the suburb, called "Clichy sans Cliché".

Yet a sense of isolation and abandonment hangs heavily in the air. One in five of Clichy's 28,300 residents is unemployed; on some housing estates the figure is half. Down the road from the halal "Beurger King Restaurant" (a play on the slang word for French-born Arab, *beur*), hooded youngsters of black African and North African origin hang out on the pavements. An upturned supermarket trolley lies in the alley between two tower blocks. In one 13-storey housing block, the lift is out of service for three weeks in four.

Over the years, Clichy's housing estates have become home to a mix of tongues, faiths and colours. The names engraved on the second-world-war memorial are Robert and Gabriel; those on the marriage bans posted outside the town hall are Rachida and Suleyman. In Clichy the disconnection from the capital is keenly felt. "I'm not Parisian, I'm from 9-3," says one young man, referring to the department that covers the northern Paris *banlieues*.

Clichy has no police station, though one has been promised. When the police do appear, in vans, young men feel they are being picked on. "The police have a difficult time because innocent youths and criminal youths dress the same and speak the same," says Claude Dilain, Clichy's Socialist mayor. "There's a feeling that they are all hassled."

A different sort of uprising

When the riots started, they were treated in some quarters as a "suburban *intifada*". "*Jihad* comes home", ran one newspaper headline. Some American observers regarded the uprising as further proof of Europe's inability to control the spread of radical Islam. France has Europe's biggest Muslim population—an estimated 5m, or 8% of France's inhabitants—so it comes under special scrutiny.

A report into the riots by the French Renseignements Généraux, the domestic intelligence-gathering service, however, found the opposite. Islamists had "no role in setting off the violence or in fanning it," it concluded. Clichy's mayor agrees. "I completely reject the idea that the riots were an Islamist plot," he says. "During the rioting I never heard of a young man burning a car in the name of Allah; but I heard of plenty of Muslims saying, 'go home in the name of Allah'."

Instead, the intelligence officers reckoned, the rioting was a "popular revolt" provoked by a toxic concentration of social problems: joblessness, poverty, illegal immigration, organised crime, family breakdown and a lack of parental authority. France had been so preoccupied with watching Islamic radicals, said the report, that it had neglected the wider problems in its *banlieues*. On certain housing estates, adds Alain Bauer, a criminologist, organised criminal gangs, shaken by recent police raids, took advantage of the uprising. By first encouraging and then calming the rioters, he says, the gangs tried to remind the police of their power.

"The problem is not Islam", says Olivier Roy, an Islamic scholar, "but integration." France clearly has no monopoly on a ghettoised, isolated underclass, but the lack of work makes integration in its *banlieues* particularly difficult. "The only integration that means anything is a job," says Samir Mihi, a youth worker at Clichy's town hall whose parents are from Algeria.

Clichy has no government-run job centre, so the jobless have to catch a bus to a neighbouring suburb to peruse job vacancies and talk to a job-placement adviser. Many of those who make the effort say that their applications get nowhere; they suspect that a foreign-sounding name, or the local postcode, puts employers off. An experiment by the University of Paris I, using identical CVs, showed that a white-sounding French name produced five times as many invitations to an interview as a North African name. There is racial discrimination on an "undreamed-of scale", said the Institut Montaigne in a landmark 2004 report.

Because of the relative lack of social mobility out of France's *banlieues*, the multi-ethnic nature of the French population is not reflected at the top—other than

in sport and popular culture. The French establishment is dominated by white men. There is not a single member of parliament of non-white immigrant origin representing mainland France. There are only two prefects and hardly any mayors. "Where is the French Condoleezza Rice or Colin Powell?" asked Mr Sarkozy, who advocates affirmative action, on a recent trip to America. When Harry Roselmack, a black Frenchman, was selected this summer as evening news anchor on France's top TV channel, TF1, his face was splashed across the front pages.

How French can you get?

France's integrationist doctrine firmly rejects official recognition of separate communities. In the past this has helped to mould generations of foreigners—Italians, Poles, Portuguese—into Frenchmen. But the children of later inflows—Algerians and Moroccans, then Malians, Ivorians and Senegalese—have found it more difficult to fit in. The persistence of a large jobless multi-ethnic underclass, combined with the dearth of non-white faces in top jobs, mocks France's claim to be colourblind. "Under the cover of an abstract concept of 'equality'," says Mr Baverez, the author, French society "practises a pitiless form of apartheid".

Does this mean that the French integration model has failed? Not necessarily. Indeed, in the wake of the London terrorist attacks in July 2005, some British multiculturalists who once castigated the French for banning the Muslim headscarf in state schools are looking with fresh interest at France's way of instilling a sense of citizenship. The French approach does have its strengths. France has an unapologetic sense of national identity, taught to every child at primary school. The *tricolore* flag flutters outside every town hall. Official documents are available only in French, and the language is regarded as a passport to integration. After a bloody struggle against authoritarian Catholicism, church and state were separated in 1905 and religion firmly banished to the private sphere; the French have bent over backwards ever since to keep it there, under a version of secularism they call *laïcité*.

This unambiguous, well-articulated sense of nationhood seems to rub off on its newer citizens. A recent study by the Pew Centre showed that, whereas 81% of British Muslims considered themselves to be more Muslim than British, only 46% of French Muslims considered themselves to be more Muslim than French.

The challenge for France is to put sufficient trust in the strengths of its republican system to deal with its weaknesses. For example, it could introduce some sort of affirmative action without embracing multiculturalism wholesale. Two of the *grandes écoles*, Sciences-Po and ESSEC, have experimented with special admission for students from the *banlieues*, chiefly by setting up links to schools there, with great success. Neither has resorted to quotas, nor to labelling ethnic minorities, which France resists so strongly.

France cannot treat the problems in the *banlieues* merely as a security issue. For sure, on the worst estates crime continues daily, and is often violent. But the only real solution is to build ladders out of the *banlieues*, with jobs at the end of them. "Unemployment destroys all social models," says Louis Schweitzer, former CEO of Renault and head of France's new anti-discrimination body.

France's riots may not have been about Islamic radicalism, but that does not mean that France is sheltered from militant Islam, nor from Islamist terrorism. The *banlieues* are fertile ground for recruitment. Of the 1,600 mosques in France only about 50 are considered militant. Yet they toil efficiently to win the minds of the young, jobless and disaffected.

Security matters

The country's robust surveillance regime, combined with extensive judicial counter-terrorism powers, enables it to keep a close watch on Islamist activity. Mr Sarkozy does not hesitate to expel militant clerics. In France, suspects can be charged simply for "association" with those plotting terrorist attacks.

Two routes to radicalisation are of particular concern, though. One is conversion: there are thought to be 30,000-50,000 Muslims in France who have

AFP



The exceptional Roselmack

embraced the religion only in recent years. A small number are among France's most virulent Islamists, such as Pierre Robert, alias "Yacoub", who is currently serving time in Morocco for the 2003 terrorist attack in Casablanca.

The other route is proselytising in prison. Well over half of France's inmates are Muslim, and radicals find jail a fruitful place to spread their message. Overall, French counter-terrorism authorities have identified a hard core of 50-100 would-be terrorists, provided with moral and material support by a few hundred others.

Security operations aside, France has also made an effort to temper militant Muslim groups through co-option. In 2003, despite its secular status, it took the unusual step of setting up a religious body, the French Council of the Muslim Faith. It was put in the moderate hands of Dalil Boubakeur, rector of the Paris Mosque, but included some hardline groups.

The council has struggled to earn credibility. The real hardliners—the Tabligh, or Salafists—lurk way beyond its reach. And it has been beset by political infighting at national level. Yet it has been useful in some ways. Even its more militant leaders, for instance, condemned hostage-takers in Iraq who demanded that France repeal its headscarf ban.

All the same, nobody is suggesting that France has solved the challenge of Islamic radicalisation. Indeed, the country is keenly aware that it has recently been named a target by al-Qaeda. Moreover, the recent French decision to send peacekeeping troops to Lebanon is viewed with some unease. For the way France handles its Muslim minority at home is linked with its relations with Muslim states abroad.

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Beyond these shores

Oct 26th 2006

From The Economist print edition

France's foreign relations need a rethink

AT THE height of the recent Israel-Hizbullah conflict, France found itself at the forefront of world diplomacy for the first time since the start of the war in Iraq. Ministers were dispatched to Beirut, diplomats to America. The phone line buzzed between Jacques Chirac and George Bush. Best of all, the French persuaded the Americans to wait for a ceasefire and a political agreement before sending a multilateral peacekeeping force—an achievement that was hailed in Paris as a victory for French diplomacy.

AFP



Thin on the ground in Lebanon

And then France wobbled. Its initial contribution was a mere 200 soldiers. Only after it was upstaged by Italy's muscular offer of 3,000 troops did it boost its own numbers to 2,000.

The episode exposed both the aspirations and the limitations of French diplomacy. France, Lebanon's former colonial administrator, felt gratified to be asked by America and Europe to take a lead. This reaffirmed its status as a world power at a time when it had been struggling to make its voice heard. And it seemed to legitimise its strategic value in the Middle East as an independent-minded alternative to the Anglo-American axis.

Yet France's wavering also betrayed the limits to those ambitions. The French seemed happier to send their men to the negotiating table than to the front line. In fact, France's army was already stretched overseas. Thanks to recent increases, the French defence budget now runs to 1.7% of GDP, according to France's defence ministry, but that is still well below Britain's 2.2%. And France was nervous about committing soldiers to a place that has proved lethal in the past, and in the Islamic world when its own Muslims are restless.

France saved its credibility just in time. But if it wants to retain global influence, it now needs to attend to the weaknesses in two key foreign-policy relationships: its transatlantic ties and Europe. France may still hold sway over the French-speaking world, but that will count for little unless France repairs those two links.

In American eyes, France has still not recovered from the 2003 fall-out over Iraq and Mr Chirac's threat to veto a UN military force. "France can plead all it wants for the Americans not to strike Iran," says François Heisbourg, of the Foundation for Strategic Research, a think-tank. "But they will not listen, because France has no credibility there."

At the same time, France's rejection of the European constitution has put matters in Europe on hold too. France has yet to work out what it now wants from Europe, or how it can hope to get it. The French sense this unease: about 60% think that France's role in the world is weakening, according to a poll by TNS-Sofres.

Burying differences

Last month Mr Sarkozy went to America to launch a charm offensive and tell his hosts it was time to turn the page on Franco-American disagreements. Under a big blue sky in New York, he commemorated the terrorist attacks of September 11th 2001, decorated the city's police chief and firemen, remembered the victims at a church service and promised that "we haven't forgotten, and we'll never forget."

There are, broadly, two versions of what needs to be done about Franco-American relations. One, advocated both by the Socialists and by Mr Chirac, argues for sticking to France's neo-Gaullist independence. The other is the Atlanticist solution so prominently displayed by Mr Sarkozy during his recent trip.

The boldest exponents of these two contrasting views are, respectively, Mr Chirac and Mr Sarkozy. Mr Chirac believes in building up Europe to counterbalance American power, and will not contemplate a "relationship of submission" to America; Mr Sarkozy believes it is "unthinkable for Europe to forge its identity in opposition to the United States". Mr Chirac threatened to veto UN intervention in Iraq; Mr Sarkozy was also against the war, but says that France diminished its influence through "arrogance".

Their divergent transatlantic reflexes shape their thinking on Africa and the Middle East too. Mr Chirac has close personal ties to African leaders; Mr Sarkozy wants to sweep aside "the old-time networks". Mr Chirac does not consider Hizbullah a terrorist organisation; Mr Sarkozy says it is. Mr Chirac calls Iran "an old civilisation, a great country" which should be respected; Mr Sarkozy says it is an "outlaw nation" and that, in dealing with it, "we must leave all options open." Mr Chirac has traditionally been cool towards Israel; Mr Sarkozy is instinctively sympathetic. "He makes Americans feel comfortable with Frenchmen," commented Israel Singer, of America's World Jewish Congress, after a private meeting between him and Jewish leaders in New York.

The Socialists, for their part, have been latently anti-American since the 1950s, when the French left was seduced by communism. The Socialist Party campaigned for the European constitution with the slogan "A strong Europe to face up to the USA". Ségolène Royal talks about the need to counterbalance "the American hyperpower".

Certainly the Socialists too want to restore trust to the transatlantic link; but they are unsparing in their criticism of Tony Blair toeing the American line over Iraq. After Mr Sarkozy's American jaunt, Laurent Fabius, a former prime minister and candidate for the party's presidential nomination, sneered that the interior minister would be "the future poodle of the American president".

One thing is sure: France needs to find a better way to deal with disagreements with America. Mr Sarkozy may be right in saying that the tone of France's opposition to the Iraq war was ill-judged: "It's not appropriate to try to embarrass one's allies." Any real improvement may have to wait for the departure of the two countries' respective presidents, between whom no love is lost. Mr Sarkozy also has a point when he says that the French in general, who devour American popular culture, are far less anti-American than their elites.

The bigger question is how well France's interest would be served by a strategic Atlanticist shift. Taken to extremes, this would challenge a French diplomatic tradition dating back to the time when Charles de Gaulle pulled France out of NATO's military command in 1966 and American soldiers quit French soil. France may not be listened to in America just now. Yet it seems that loyal friends such as Mr Blair are not always listened to either.

France has its uses

Prickly, independent-minded France may exasperate the Americans at times, but even within the Western alliance it can sometimes be useful to have one power that speaks its mind. Who else was pointing out to America the post-war risks in Iraq, as Mr de Villepin far-sightedly did in his 2003 speech to the UN? The Americans may still resent the tone of that admonishment, but they and the British recognise the value of France's credibility in the Arab world—and sometimes draw on it to everybody's benefit. In short, France will have to steer a careful course between rebuilding trust sufficiently to strengthen its influence and retaining its ability to speak out.

Just as France needs to work on its transatlantic links, it needs to boost its credibility in Europe. The French rejection of the proposed EU constitution knocked the political class sideways. Although polls had predicted a "no" for weeks before last year's vote, nobody could quite believe that the French, of all people, would turn their backs on a constitution that entrenched European integration. Since then, French policymaking in this area has been blocked.

In the post-war era France's foreign policy has been built around the idea that, as a medium-sized ex-colonial power, it would do best to project its voice and further its ambitions through a Europe created to its design. EU enlargement to 25 members in 2004 put an end to this, shifting Europe's centre of gravity to the east and diluting France's influence. The French referendum result was a belated cry of popular protest: against a Europe France no longer recognised, a project it no longer dominated, an organisation that seemed to be more about free markets than political ambition.

Both the French left and right still agree on the need for a strong political Europe. Even Mr Fabius, who broke ranks with his own party to campaign against the constitution, was protesting against what he saw as an excess of economic liberalism in Europe, not against European integration. Now both the Socialists and Mr Sarkozy want a new slimline treaty that would introduce institutional changes to make the enlarged union work better.

The trouble is that France has not yet devised a foreign-policy framework that would enable it to achieve these ends. As for a mini-treaty, it will struggle to get a document to its liking. Many of the elements that it wants will be firmly resisted not only by the British but also by others, such as the Germans and the Poles. The British would contest, for instance, any French attempt to extend qualified majority voting to areas such as taxation, or to shut the door to Turkish membership, both of which Mr Sarkozy advocates.

That said, France is not condemned to being marginalised in Europe. As Lebanon shows, its military force gives it a pivotal role in foreign affairs in Europe. France will need to invest more in troops and hardware if it is to continue to take part in global policing and make diplomatic use of its military might.

France also needs to work out how to build the alliances in an enlarged Europe that would enable it to press its case. This means reaching out to new members, not snubbing them. Few have forgotten Mr Chirac's dismissal of them as "badly brought up". And the smaller countries are nervous about Mr Sarkozy's talk of a "big six"—France, Germany, Britain, Spain, Italy and Poland—which he sees as an informal platform for reconciling differences, not unlike the Franco-German axis in an earlier, smaller EU. Mr Sarkozy may argue that the Franco-German compact is passé, but France will have to work closely with Germany to try to maintain some influence in Russia and its regional neighbours.

Getty Images



Sarkozy cosied up to Bush

Blame it on Europe

At heart, the French are sceptical about what Europe can do for them today. They are hostile to Turkish entry. They think that open markets are a menace to French jobs and companies. They talk a lot about the need for Europe to be closer to the people, more open, more visible, more relevant, in order to be loved again. All of which may be right. But what is needed most of all is a big effort by French politicians. For years, they have conveniently blamed Europe for many of the uncomfortable changes that they themselves have introduced. And they have kept on talking extravagantly about French *grandeur* even as France's voice was waning. The cumulative effect has been to undermine Europe in the eyes of the French electorate.

Where is the politician who explains how French companies have benefited from the opening up of markets in eastern Europe? Where is the politician who has faced up to France's diminished voice, and put forward a plan to strengthen it again? Unless French leaders are prepared to be straight with their voters, they will damage their credibility and their influence—not only abroad but at home too.

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Where there's a will

Oct 26th 2006

From The Economist print edition

Next year's elections offer France the chance of a fresh start. But which candidate to vote for?

NICOLAS SARKOZY appears to be asleep. Perhaps that should not be surprising. As the head of the governing party, the Union for a Popular Movement (UMP), number two in the government and would-be presidential candidate, he has a hectic schedule, and is resting aboard a flight in America between visits to Brussels and London. But Mr Sarkozy's public image is one of such frenetic activity that it comes as a shock to discover even he can come to a standstill.

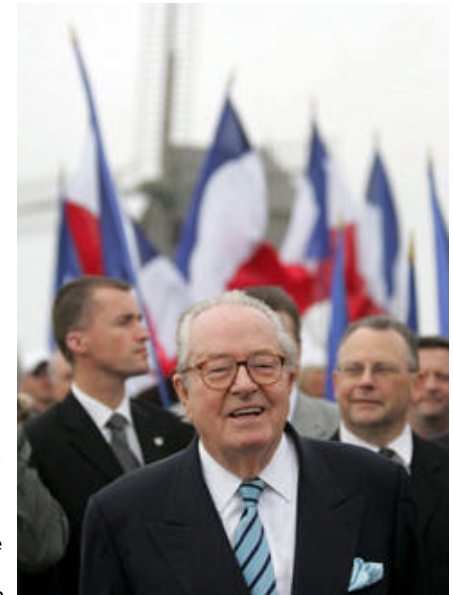
If precedent alone governed French voting behaviour, the Socialist Party ought to win next year's elections hands down. The centre-right UMP is unpopular in government. After nearly 12 years in power, Mr Chirac has worn his credibility to a thread. For the past 28 years, the French have not once re-elected an incumbent government. By voting Mr Le Pen into the 2002 presidential run-off and rejecting the EU constitution, the French have demonstrated their ability to cause trouble through the ballot box.

Yet Mr Sarkozy may have managed to upset these electoral rules. Despite a career in politics spanning nearly 30 years, and despite his service in Mr Chirac's present government, he has somehow persuaded public opinion that he is a gust of fresh air, ready to bring about a "rupture" with the Chiraco-Gaullist past. France, he argues, "has to face up to the truth and stop deluding itself": nothing short of an overhaul of the French model will rescue it from continuous decline.

Mr Sarkozy's poll numbers suggest that voters believe him. He remains the overwhelming favourite on the right, with a popularity rating of 50%, compared with just 29% for Mr de Villepin, the prime minister. By constantly defying the president and grabbing control of the party Mr Chirac founded, Mr Sarkozy has distanced himself from the government he serves. Assuming he wins the UMP's nomination in January, the Socialists cannot be sure of victory, even if they pick the one candidate—Ségolène Royal—who opinion polls suggest could beat him.

When the French cast their ballots next April and May, they will face an embarrassment of contenders who will fragment the vote. The left may be split by the Communist Party, under Marie-Georges Buffet, and the Greens, under Dominique Voynet, along with one or more ultra-left anti-liberal candidates. The centre-right vote may be eaten into by François Bayrou, leader of the Union for French Democracy. On the far-right fringe Mr Le Pen is enjoying a resurgence, opening up the possibility of a repeat of 2002, when he beat the Socialists and made it to the run-off. The chances of this happening will be greater, according to recent polls, if any candidate other than Ms Royal wins the Socialist nomination. Two others are standing: Laurent Fabius, an ex-prime minister, and Dominique Strauss-Kahn, an ex-finance minister.

EPA

**Evergreen Le Pen**

If, on the other hand, Mr Sarkozy and Ms Royal turn out to be their parties' respective nominees, and polls stay where they are today, the pair should make it through to the run-off. At that point it will be a tight contest, dividing France down the middle. The choice this time matters more than it has done for a long while. "It will be one of the last occasions for France to carry out reform peacefully," argues Mr Baverez, the political author.

Over the past year, the battle for public opinion between Mr Sarkozy and Ms Royal has injected an element of American-style show business into staid French politics. They are both in their early 50s, born into the television age and fast converts to the power of the internet. Stolen paparazzi snaps—on the beach, with the family—lend a celebrity aura to the contest. In the short run the election of either of them would instantly lift the public mood.

With a return of confidence, the parliamentary elections that follow the presidential poll are likely to produce a matching majority. But the French specialise in staging rebellions through the ballot box. "Cohabitation" between a president and a government of differing political colours cannot be ruled out, and would paralyse policymaking.

The language of change

Will anybody seize a change of mood to pursue bold reform? Mr Sarkozy comes the closest to talking the language. "The French aren't afraid of change," he claims, "they are waiting for it." He argues that, by explaining the need for reform in simple everyday language, he can win over public opinion and face down vested interests. To this end he favours a blitz of legislation early in a mandate, while public opinion is in favour of change.

Much of Mr Sarkozy's confidence stems from his belief in his own powers of persuasion. Sometimes he uses them skilfully; at other times he is heavy-handed. When, as finance minister in 2004, he wanted to see lower prices in French hypermarkets, for instance, he summoned the grocery bosses and told them to do as he said, or he would "out" them in the press. He likes nothing more than taking on vested interests—whether judges or railwaymen—by appealing to public opinion. He would be far less beholden to public-sector unions than the Socialist Party. That would give him more freedom to streamline the civil service and to reform the special public-sector pension regimes, both of which he has promised to do.

But Mr Sarkozy is far less convincing on industrial policy or farm support. He was unapologetic about using public money to rescue Alstom, an engineering firm, or defending a Franco-German pharmaceutical company, Aventis, from a hostile foreign bid by arranging an alternative merger with a French firm, Sanofi. It is not clear that he really believes in letting the market decide. The French may consider him to be an economic liberal, but he is ambivalent about the label. "I don't wake up every morning asking what Hayek or Adam Smith would have done," he says.

His detractors may call it incoherence, but Mr Sarkozy describes it as pragmatism. "I do what works," he says. In many ways, he shares this attribute with Ms Royal. Both belong to a post-ideological political era, liberally borrowing ideas from the rival side and resisting doctrinal constraints. Mr Sarkozy says that he would introduce positive discrimination to promote ethnic minorities, and give foreigners from outside the EU the vote in local elections. Ms Royal, the daughter of a colonel, says that she would send young criminal offenders from the *banlieues* for military training to learn discipline. To the consternation of fellow Socialists, she admires Britain's Tony Blair; she talks about the need to restore the value of work, and to "reconcile the French with business".

The pair share other characteristics too. Both have persuaded voters that they are fresh, even though they have been in politics for decades. And although both define themselves as outsiders, they are stretching the point. Mr Sarkozy may be the son of an immigrant, as he often points out, but his father was a Hungarian aristocrat, and he was raised in, and elected mayor of, the swanky Paris suburb of Neuilly. For her part, Ms Royal is a graduate of ENA, the elite postgraduate civil-service college; she worked for years at the Elysée Palace as an adviser to François Mitterrand; and her partner, François Hollande, happens to be the leader of the Socialist Party.

On balance, however, the two front-runners occupy quite different political positions. By and large Mr Sarkozy's ideas place him to the right, and not only on immigration and criminal justice. He is in favour of loosening redundancy rules, penalising those on welfare who refuse jobs or training and introducing a pay-as-you-earn income-tax system.

GOFF

Those who know Ms Royal well say that on economic policy she remains to the left. She has tied public aid for firms in the Poitou-Charentes region, of which she is the elected president, to the creation of secure, well-protected jobs. In speeches she talks in neo-Marxist terminology about the relationship between capital and labour. She denounced the 35-hour week not because it was a burden on employers but because it enabled them to extract concessions from

workers.

Ms Royal's candidacy is not guaranteed. Ahead of the party's election, her rivals have been manoeuvring hard to thwart her victory. An anti-Ségolène alliance could give her a tough second-round ride. But whichever candidate they pick, the Socialists are likely to stand on a resolutely left-wing programme, which would lean towards protecting the existing model rather than reforming it.

Expect some surprises

There are two caveats, however, to the idea that Mr Sarkozy would be a more determined reformer than any candidate on the left. The first is that, in power, the Socialists have often turned out to be less left-leaning than they appear on the campaign trail. It was Lionel Jospin, for instance, who as prime minister floated such former state treasures as Air France, France Telecom and Aerospatiale. If a relative moderate such as Mr Strauss-Kahn became prime minister, he might resist the wilder elements of the party programme.

The second caveat is that Mr Sarkozy himself, if elected, might turn out somewhat less bold than expected. How long would he hold out against strikes and unrest on the streets? After all, previous would-be reformers also promised to change France, only to give up in the face of hostility. Listen to Mr Chirac 12 years ago: "Either the French give in to the temptation of conservatism, and the worst is to be feared," he argued, "or our compatriots choose hope, and thus change, and France will remain a unified, prosperous, peaceful country and respected in the world." Fine words, but they did not last.

Next year offers the chance of a fresh start. The French may be in a glum, restless mood, as the British were in the 1970s. But they are also readier to change their ways than their traditional elites suggest. It all depends whether political leaders are ready to be frank with them about the need for change, and courageous enough to implement it.

Back in 1979, a British opposition leader, lamenting the country's "national decline", voiced admiration for the way in which a fellow European country had transformed itself, demonstrating that "given the will, the policies, the leadership, a country can pull itself up by its own bootstraps to the lasting benefit of all its people." The opposition leader in question was Margaret Thatcher. And the country she admired was France.



Royal progress