France in Crisis

France is in crisis. In this provocative account, Timothy Smith argues that the French economic and social model is collapsing inward on itself, the result of good intentions, bad policies, and vested interests who employ the rhetoric of “solidarity” to prevent change. French social policy is not redistributive; indeed, Smith argues, the majority of “social” spending serves to strengthen existing inequalities. He shows how politicians, intellectuals, and labor leaders have invoked the specter of “globalization” to explain homegrown problems and delay reform. Professor Smith makes frequent comparisons with the USA, the UK, Canada, Scandinavia, Germany, and the Netherlands, and argues that change need not follow the inegalitarian US or British paths but instead can lead to a more equal society. Written in a lively style, this is an unusual blend of history, policy analysis, economics, and political commentary and will be indispensable reading for anyone seeking to understand France’s current malaise.

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France in Crisis

Welfare, Inequality, and Globalization since 1980

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It was a familiar scene to anyone who spent time in Paris during the period 1995 to 2003: the streets were filled with ten thousand to one million protestors, young and old, rich and poor alike. They were marching in defense of “solidarity,” for higher wages, against a proposed reform of the civil service or the education system, against a partial privatization of one of the 1,500 companies the state owns in full or in part, against a proposal for a small cut to social spending. They were contesting pension reform. The protestors’ banners and placards denounced the menace of “neo-liberal globalization.”

What was going on? Was France’s social model under attack from within, from French politicians? Was it threatened from without, by globalization? France in Crisis answers these questions, and more. This book traces the historical roots of France’s current economic and social malaise. It looks at the French welfare state and political economy broadly conceived – its recent past, its present, its relevance as a potential counter-model to the USA and Britain, and its future in a “globalizing” world.

Some on the Left contend that states are no longer free to pursue social solidarity and full employment in an age of rising trade, open borders, and financial speculation. France in Crisis challenges that idea, arguing that domestic political decisions still largely determine economic success – and failure. Plenty of exit options lead from France’s current economic and social problems, including the Dutch and Scandinavian paths. The French welfare state can become more equitable even as it becomes more efficient. Similarly, economic reform can be consistent with social democratic ideals.

High levels of labor-force participation (including part-time work) together with low levels of poverty are still possible in a globalizing economy. But these goals can be achieved only if states are willing to adapt to changing circumstances. Policy cannot remain ossified in tradition as politicians denounce changing global economic dynamics. Before France reconfigures its social and labor policies, it must make peace with globalization. France must stop blaming outside forces for its problems and it
Preface

must also stop equating reform with the unattractively inegalitarian US and British economic paths.

Working in France during the late 1990s, I came to know highly educated people born during the late 1960s who had never held a full-time job. I was surprised by the degree to which they blamed outside forces, not their own politicians, for their predicament. Similarly, I was struck by the tendency of leading French intellectuals, politicians, and labor leaders to attribute France's problems to "globalization," Thatcherite "neoliberalism," and the drive toward European union. An opinion survey conducted during the mid 1990s found that 50% of the French believed that Third World competition was the most important factor explaining the unemployment crisis which had gripped France since the late 1970s. In total, three-quarters of those polled listed one or another external factor as the key cause of rising unemployment. As one writer from France's leading newspaper Le Monde observed in 1997, shortly after the Socialist Prime Minister Lionel Jospin took office, "in the space of a few months, globalization has become not just the cause but the explanation of absolutely everything."

I concluded that this tendency to blame external forces for the structural problems of the French economy was largely misguided. Further, it was preventing a serious, calm public debate. Since many people presented the unattractively inegalitarian US or Thatcherite path as the only alternative to the status quo, France appeared suspended in a state of inertia. As someone who teaches courses in comparative public policy, I knew that other potential models existed – France could change, and change might even lead down the path of social democracy.

This book does not celebrate the considerable successes of French social policy – others have done this before me. In fact my first book was a sympathetic portrayal of the rise of the French welfare state between 1880 and 1940; in it, I argued that by 1940 French reformers had overcome considerable opposition and constructed a successful welfare state (by the European standards of the day), geared towards families and low-income workers. French social policy, I argued, was at its most redistributive before the Second World War since the wealthy paid for parts of it without receiving any benefit (in a direct way).

But today things are very different. France spends almost as much as Sweden on things "social," but France has twice the unemployment and three to four times the poverty. Drawing upon the work of French government statisticians, French economists, French newspapers, political

scientists, historians, sociologists, urbanists, demographers, essayists, and comparative welfare-state literature, this book highlights the alarming social and income inequalities at the heart of the French welfare state. This is a study of the failure of French politicians to reform public policies which report after government report have shown to be manifest failures. Many of France's economic and social problems are the direct result of social, fiscal, taxation, and economic policies which are locked into protecting the upper half of the income ladder at the expense of others – youth, women, immigrants, the unemployed.

Similar critiques of “welfare states without work” have been made by Gøsta Esping-Andersen (one of the world's leading experts in the comparative study of welfare states) and also by some prominent French critics, including Alain Minc. I lay no claim to theoretical innovation. But this book – fusing policy analysis and political economy with academic and popular history – presents France’s public policies in a new light. France in Crisis is a thematically organized, synthetic study of the failure of social policy to deliver to over one-third of the population its loudly trumpeted claim of “solidarity.” And because this study compares policies across nations, the reader will (I hope) learn a thing or two about the Netherlands, Sweden, the USA, Canada, Britain, and Germany.

As a work of policy analysis, this book cannot and does not shy away from judgment, so I shall lay my cards on the table. I come to this project as a supporter of redistributive Scandinavian-style social policies. But my politics are an eclectic mix: I am also in favor of Dutch and North American-style dynamic labor markets. I believe in Keynesianism when necessary, but I am not necessarily a Keynesian. I believe that the state needs to expand in some areas, at certain times, but should be prepared to withdraw in the name of the general good. Economic change need not be the enemy of equality, but it does require a malleable social policy. The Western world did not discover the timeless and immutable laws of public policy during capitalism’s Glory Age (1950–75). What worked in 1965 may not in 2005. A happy medium floats between the excesses of American favoritism for the super-rich and European favoritism for the forty-year-old and older gainfully employed (usually male) voter.

A number of concerns and assumptions inform the work that follows. First, how can states reduce inequality while returning to full employment? I believe that high unemployment is the worst social problem facing continental Europe (France, Germany, Italy, Spain, Belgium, Greece, Portugal, etc.); most continental welfare-state regimes have failed to rise to the challenge of tackling this scourge. Indeed, unemployment is a social rot upon which political extremism feeds, caused to a certain extent by
the very social and labor legislation so prized by comfortably employed, vacationed, and pensioned Europeans.

Second, I believe that social spending can and should remain high, but it must adapt to the inequalities of the day. Otherwise it will find itself locked into protecting yesterday’s needy. I agree with John Myles that the challenge to contemporary welfare states is to adapt to precarious labor markets and the increased risks which working-aged families face in an age of rising divorce rates and single parenthood, all the while maintaining a basic commitment to preventing old-age poverty. France, like many other nations, has succeeded in the latter but failed in the former.

If politicians wish to minimize poverty, they must ensure that social policy receives constant surveillance in the name of solidarity and regular recalibration in the name of redistribution. If “solidarity” truly is the end goal, then some barometer of inequality — some sort of “perverse outcome” smoke detector which alerts politicians to programs which are veering away from their original intent or their stated goals — must guide social policy. Much of French social policy is trapped in outdated grooves, out of touch with the current needs of society and economy. The world of work has changed dramatically since the 1970s, challenging a social security system which rests on the idea of stable employment. French public policy, despite its rhetoric of solidarity, creates or aggravates as many inequalities as it corrects. In order to reduce inequality, French politicians must first peel away the layers of ideology and misinformation masking the striking publicly subsidized privileges which widen the social divide.

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