Anatomy of a French crisis

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Introduction

Since the first oil shock, a sense of "crisis" prevails in France. The idea that it is in the middle of an irreversible decline, that its society is decadent and unable to adapt to change, is increasingly popular.

This paper presents a fairly personal viewpoint on the French situation. It essentially claims that the crisis – which I narrowly define as the incapacity to implement needed economic reform, abstracting from the evolution of culture, values, and ways of life -- has three main dimensions: economic, political, and intellectual. For each dimension, I discuss what in my view are the most salient ingredients;

The economic crisis

If we measure it by macroeconomic indicators, the economic crisis faced by France is not very different from the problems faced by neighbouring countries. However, there are some specifically French factors that somewhat make these problems worse in France.

In my view, there are five main issues.

A gradual relative decline in GDP and living standards: Since the early seventies, France is growing more slowly than virtually all other OECD countries. Once hailed as one of the most dynamic economies, its ranking in terms of GDP per capita is slowly but constantly deteriorating. While it was substantially richer than the United Kingdom at the end of the 1970s, it is now on par or even slightly poorer, depending on which source is used. While it was closing the gap with the United States, this gap is now widening. This decline is also apparent in a number of areas such a school achievement, technological excellence, implementation of new information technologies, etc. It does not seem to be compensated by any relative improvement in standards of living that would not be reflected in GDP, such as health, environmental quality, safety, or reduced inequality. In an earlier article I have identified the key factors that lie behind that decline: an inefficient and oversized government; a level of taxation and regulation which discourages employment and firm creation; a culture of non-work which supports inactivity in many layers of society.

A sclerotic labor market, locked at high unemployment: A key aspect of the decline is that unemployment has remained close to 10 % for now several decades, despite constant pledges and voluntarist policies by successive governments to tackle the problem. These attempts have mostly failed, in particular because they ignore basic economic logic in their approach to the problem. Thus we have seen a succession of policies that were supposed to cure the unemployment problem, but were at best inefficient and in many cases made the problem worst. In the seventies, for example, unemployment policy was based on two main types of measures. First, increasing the generosity of unemployment benefits (to "make unemployment more livable for those who are hit"), which discourages job search and raises the average level of unemployment. Second, making it more difficult for firms to dismiss workers, which was supposed to curb unemployment by reducing unemployment inflows. Such policies discouraged job creation but had little impact if any on job destruction, as firms found alternative ways of achieving flexibility: temporary contracts, subcontracting, etc. In the first part of the eighties, the emphasis shifted to old-style Keynesian policies of increasing public expenditures and hiring in the public sector. These policies had some short run effect (the 1982-83 recession was milder in France than in the rest of the world), but they eventually increased fiscal pressure, delayed a much needed reform of the state, and allocated resources to a number of inefficient state-owned industries that should have been contracting instead of artificially expanding. At the same time, unemployment was also combated by means of a large number of active labor market programmes, which turned out to be extremely costly, and in most cases poorly designed and never properly evaluated. In particular, many of these programs tended to lock young workers in marginal public works of little social value, and with a low training content. In my view, they had the negative effect of denying participants a proper first professional experience in the regular market sector, and, more recently, they create a lobby in favor of eventually granting participants a full status of civil servants, thus contributing to the problem of an oversized public sector. As for policies of subsidized employment in the private sector, they were harmed by the fact hat they were constantly changed and readjusted, so that employers could not really count on them when making their plans. In the nineties, policy was a bit sounder as reductions in social security taxes on low wage employment took place. These reductions had a positive effect on employment. However, unless a cut in social transfers takes place, they must eventually be balanced by tax increases elsewhere. Their net effect on employment is much smaller than if they were financed by genuine reductions in expenditure. In the late nineties, finally, a policy of working time reduction was implemented. In order to prevent both labor costs from going up and wages from falling, subsidies were put in place. These subsidies currently cost 15 billion Euros a year to the budget. This huge cost will have to be paid for by tax payer sooner or later. What do they get us in exchange? The effect on employment has at best been temporary and very modest. In the long-run, the policy will mean a lower GDP per capita (by 2-3 % in my view), and more congestion at the workplace. Furthermore, the policy has been quite unjust. While executives took working time reduction in the form of as much as 4-5 weeks of extra vacation a year (which should prove eventually unsustainable if these executives are of any use to the firm), low-paid workers were forced to have frozen wages as a counterpart to their reduced working time. Clearly, many of them would be better off working more and earning proportionally more.

Why were so many policies put in place that economists and indeed many laymen would dismiss as counter-productive? This has to do with an intellectual climate that I discuss further below, which plays no small role as a factor to the crisis.

A price system which is not working in key areas In addition to its effects on the labor market just discussed, pervasive government intervention distorts the price system in a number of other areas, generating large ineffiencies. As a result, there are large instances of over- or under- consumption of several goods. One key example is health. The combination of price regulation by the government and almost full reimbursement of many expenses, is increasingly leading to a shortage of doctors and a misallocation of existing ones (it is now quite difficult to find medical doctors in a number of 'unattractive' regions), as well as severe financial problems for the public health insurance system. The government, unwilling to let price mechanisms work, and reluctant to impose discipline on consumers, is contemplating further coercive measures, such as an authoritarian allocation of doctors who get agreed by the health insurance system to the regions where doctors are missing. Needless to say, this type of measure is bound to fail and to further deter young people from entering the medical profession. A second example is higher education. Universities are entirely free, and, with a few exceptions, absorb any number of students who show up to study the field they want. Thus, students neither face a monetary price nor a price in the form of the likelihood of being admitted in a given program[1]. As a result, the choices made by young people after secondary school are totally disconnected from the realities of the labor market. Unemployed sociologists and art historians abound, while plumbers and other technicians are impossible to find. Universities have reached a stage where they give individuals a zero-value education at a zero-cost. A third example is agriculture. Prices are maintained at an artificially high level by the common agricultural policy, while a complex set of subsidies transfer further resources from taxpayers to farmers, and are still unable to prevent oversupply. This distortion is particularly harmful to the poor. It has been estimated that the price of food within the EU could be as much as twice higher than on international markets. If a poor on welfare spends, say 40 % of his or her income on food, dismantling the CAP would be roughly equivalent to a 20 % increase in his income. Needless to say, excess food prices in turn increase the pressure for more generous social welfare payments, eventually showing up in the form of higher wages and more unemployment. A final, more anecdotal example, is "culture". Because of generous subsidies, France has seen an explosion in the supply of costly, labor intensive "performing arts", often by small theatre companies that have very little audience. Not only that diverts a substantial number of fairly skilled young adults from more socially productive jobs, in the long run it locks them into a marginal way of life which makes it very difficult to readapt to normal economic activities. In the end, the high number of workers engaged in the "performing arts" creates a powerful lobby for maintaining the subsidies, since their alternatives in the labor market are often quite bleak.

A central planning culture which is going away too slowly. At least since Colbert started taking care of French industry, the state has played a key role in administering the French economy. De Gaulle himself, in his memoirs, showed contempt for markets and thought they were only good at allocating unimportant commodities. A lot of France's industrial achievements were due to state initiative, and many of them were not necessarily profitable from a strict economic perspective. One can mention the Concorde, the national computer industry with its endemic loss-making champion Bull, the nuclear program, the high-speed train, Airbus, the wiring of all French households in the late seventies by the Minitel (a precursor of the Internet), etc. That spirit culminated in 1981,

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[1] That is in contrast to the Spanish system where slots at universities are allocated on the basis of grades at "selectividad", with a public and transparent system for supply and demand to clear.

when the Mitterand government nationalized a number of large industrial firms, including the whole banking sector. While the deeper explanation was probably traditional left-wing resentment against big business, the official reason was that the state was now in “command” to shape industrial policy in the general interest—even though this kind of policy had been abandoned by all other advanced countries. These firms (and others that had been nationalized in 1945) were gradually (re-)privatized over the following 20 years. Nevertheless, the planning culture is still pervasive in a number of ways. The state still has many minority stakes in a number of large firms. Even those that are fully privatized have closed connections with the administration, as many of their board members and top executives are former high civil servants. The boundaries between the government and large firms are therefore quite fuzzy. This has many perverse effects. In the Crédit Lyonnais scandal, the government had zero incentive to perform its task of monitoring the bank, as it was entirely public and the civil servants who were monitoring it were members of the same caste as those who were running it – and often waiting for a job offer from one big bank, including Crédit Lyonnais. In a more recent episode, the french government intervened to secure an upper hand for Sanofi-Synthélabo, the french pharmaceutical company, in its bid for Aventis, a mostly german multinational, which was challenged by Novartis, a swiss group. The new finance minister, Nicolas Sarkozy, has pledged to revive industrial policy, despite the increasing skepticism that it generates among economists, and the obvious contradictions between such an objective and the principles which govern the european single market. Large government participation in firms has a number of perverse effects on the economy. A firm where the government has a large stake knows that it can repeatedly be bailed out, as the state cares more about the social and political consequences of a bankruptcy than about the return on equity. As a result, it has little incentives to cut costs, to resist union demands, to implement productivity gains, and so on. In the limit, its CEO could cynically distribute generous contracts to his friends, while paying no attention to the balance sheet. Shareholders other than the state, knowing that the taxpayer will eventually pay, do not care either. But damage goes beyond sheer mismanagement. The (partially) public firm can afford to destroy its competitors by lowering prices below cost. Again, the corresponding losses will be bailed out by taxpayers. It can also collude with the government in order to get privileged access to public services, which gives it an edge over its competitors. Finally, a public company cannot go bankrupt, and therefore has a lower cost of credit than its competitors. A telling example is the airline industry. *All* private French airlines have gone bankrupt, despite much more attractive prices (and lower operating costs) than Air France.

Industrial policy is not the only aspect of the central planning culture. It also applies to the way the government works. There is a general reluctance to rely on decentralized mechanisms and competition. As a result, uniformity prevails and there are too few experiments. The centre devotes too many resources to unimportant decisions that could be delegated to the periphery. Examples abound. All French pupils are supposed to learn the same thing at the same age, regardless of their needs, background, and interests. Civil servants are promoted by decrees signed by the prime minister, etc.

Last year’s conflict over pensions illustrates the tensions generated by the central planning culture. The government tried to increase the pension age for all civil servants, bringing it in line with that of private sector employees. It faced fierce opposition by unions, and a number of social groups whose representatives claimed they did not want to work longer. While I believe much of that reaction was political in nature (it would not have taken place if the very same reform had been implemented by a left-wing government instead), it is telling that there was no attempt to introduce flexibility in the duration of the work life to allow for the diversity of individual situations.

The central planning culture is certainly less prevalent than it used to be. Privatization is well under way. Under the impulse of the European Union, competition makes inroads in former state monopolies such as the media, telecommunications, or energy. The administrative system has been decentralized. But, at the same time, society is becoming increasingly heterogeneous and individualistic; and the economy's rising complexity makes it more difficult for governments to figure out what the desirable outcomes are. It is not clear that pace of change is sufficient, if one compares it to evolutions in the rest of the world.

Competition among interest groups for creating rents and redistributing public money in their favor. A last aspect of the economic crisis is the importance of corporatism, which takes the form of lobbying activities by interest groups for public money. That process perfectly illustrates Bastiat's saying that the "state is the fiction behind which each gets rich at the expense of all". It results in France's world famous "strike culture", and more generally shows up in considerable resistance to reform. It also creates inequalities of treatment between citizens who have similar skills, thus contributing to overall inequality. A famous example is the employees of public utilities, who benefit from generous holidays, low working hours, and early retirement. That latter feature creates an implicit debt for public utility companies, which makes it quite difficult to open these sectors to competition. Attempts by the Juppé government to reform these specific pension systems in 1995-1997 resulted in violent protests and the eventual demise of that government. Other examples include farmers, whose unions often resort to violence; the above mentioned performing arts lobby, who benefits from especially generous unemployment benefits; many civil servants, especially teachers, who have successfully resisted most governments attempts to increase efficiency despite the growing recognition that our educational system is failing; truck drivers, who customarily hijack the country for a number of reasons, etc. A worrying trend is that this kind of behavior spreads to social groups that used to be poorly organized and/or did not use these methods. A quite telling episode was the *gendarmes* (Guardia Civil) who demonstrated, in uniforms and with weapons (in violation of army rules), under the Jospin government to get a 150 € a month wage hike, which the government conceded immediately. More recently, there is a movement by professional firefighters. Clearly, each concession by the government conveys the signal that blackmail is a strategy that pays, prompting further groups to organize and exert pressure.

One important problem is that a number of taxes are "hidden" to the layman: VAT, employer's payroll taxes, corporate taxes, etc, while at the same time subsidies tend to be explicit. As a result, many French live under the false impression that they are net beneficiaries of the complex system of government transfers that interest group politics have achieved. Consequently, it is difficult to gather a constituency in favor or reforming that system.

How do these conflicts of interest over the public manna get resolved? Essentially in the form of an ever-growing government, excess spending and deficits, and a looming fiscal crisis. France has broken the stability pact for several years in a row because the government has given up facing organized interest groups who own implicit claims on future streams of current revenues. The first recession of the 1990s witnessed a sharp rise in public debt from about 30 % to about 60 % of GDP. During the strong fiscal expansion which followed, most of the surplus was spent in various ways. No attempt at fiscal consolidation was made. With the current slowdown, debt is sharply rising again, despite low interest rates. The only likely outcome as far as fiscal consolidation is concerned, is another increase in taxes. However, France already has one of the highest average tax rates in the world. It would not be surprising if further tax increases had large disincentive effects and eventually yielded only few revenues. If that happened, then the fiscal crisis could not be avoided.

The political crisis

Many ingredients of the economic crisis have been seen in other countries. The UK has suffered from deleterious union activism until 1979, when Margaret Thatcher started combating it. It has now recovered from it. Italy and Spain are countries that share with France the tradition of politicized, militant unions, as well a strong influence of Marxism. Yet they seem ahead of us in moving towards a liberal market economy, and there seems to be much less resistance against privatization, deregulation, and tax reductions there than in France.

These countries' ability to move ahead, in contrast to France, suggests that their governments have a greater political effectiveness. One should ask why the French political system is unable to bring about reforms that are sound and needed. The answer is that the political system is in crisis, and I see four important ingredients (of different conceptual status) in that crisis.

Corporatism. Ideally, a "liberal democracy" should rest on two principles:

1. A clear delimitation between individual freedom and public intervention, designed so as to grant the maximum level of private freedom, subject to public interest and the requirement not to infringe on others' freedom.
2. A democratic management of public intervention, typically on the basis of majority voting.

Over the years, France has drifted away from that model toward a corporatist model where disproportionate power is granted to special interest groups, sheltered from democratic accountability. The key area where that process is taking place is the welfare state, which accounts for some 25 % of GDP. The welfare state (and all areas of collective bargaining) is statutorily managed by a number of employer associations and unions, arbitrarily labeled as "representative", regardless of their membership. Not only are important social groups such as the unemployed and the retirees left out, but the secular decline in union membership, which is down to single-digit numbers in the private sector, means that those who manage such a large amount of money now represent only a very tiny fraction of society. Finally, agreements are binding even if signed by a fraction of the unions and employers organizations. That system was initially

justified on the grounds that the welfare state was financed by payroll taxes. However, financing is increasingly shifted to general taxation, which makes it all the more unacceptable that the bulk of the electorate does not participate.
More generally, corporatism means that the recipients of public money, rather than the public at large (i.e. the payers), exert power over the allocation of that money. It automatically creates lobbies against any reallocation of public money by elected governments, except through a general increase in expenditures.

The political class. Another factor is lack of renewal of the political class, and the fact that it is cut from civil society. While other leaders in foreign countries are quite often newcomers who did not hold office ten years ago, things are much different in France. François Mitterand, elected president in 1981, was already a minister in 1956. Jacques Chirac, 71, his successor since 1995, was already in the government in 1969. Lionel Jospin, 67, his principal contender in the 2002 election, was in the government in 1981 and had been a minister throughout most of the socialist-ruled periods in the eighties and nineties. And many polls label him the best possible challenger against the right in 2007, while there are talks that Chirac might run for reelection. Clearly, that signals that entry in the political arena is quite difficult, which in turn makes it less likely that fresh ideas are adopted or even discussed.
More worrying is the fact that the bulk of the political class in France is made of former high-ranking civil servants, with little private sector experience. Each minister recruits a set of close advisers called *cabinet ministériel*, and it appears that most of these people are also upper civil servants. In short, the country is ruled by people who have had surprisingly little contacts with spheres other than the administration. It is unclear why these castes have been so successful in the political profession. But the consequence of this incestuous situation is they are cut from civil society and its evolution. Most of the information they get is through bureaucratic reports written by civil servants for whom a safe career is too important to take the risk of drawing the emergency bell. Because of its isolation, the administration often proves unable to deal with social problems, because it has not seen them coming. One can mention the rise of urban violence, the degradation of school achievements, and more punctual issues as the infamous contaminated blood scandal in the eighties or last year's heat wave which killed 14,000 elderly. While the central planning culture and the pervasive distortion of market signals induces incorrect *private* response to the issues, the inbreeding and isolation of the administration makes it unable to respond to them and often even unaware of them.

The Le Pen effect. For more than twenty years, the extreme right has played a key role in the French political landscape. Its success has had a number of perverse effects on French politics. Successive governments, especially on the right, have manipulated electoral laws so as to artificially reduce its number of seats. As a result, it has zero parliamentary representation, with 15 % of the vote. But, as the electoral law cannot explicitly discriminate against the extreme-right, at the same time it makes it extremely difficult for new parties to enter politics. Given the prevalence of party discipline, it follows that dissenting views within the dominant parties have a hard time being heard, because any threat of seceding to create one's own party is not very credible. Another perverse way in which the Le Pen effect tends to lead to a blocking of reform, is that the xenophobic aspects of its party are manipulated by the media to discredit any criticism, even well founded, that could come from the extreme right, as well as any legitimate concerns of its electorate, which in most cases casts a protest vote. That leads to a graduate assimilation by the public, under the influence of the ruling elites, of any reform proposal other than marginal as dangerous populism. That benefits incumbent parties, reduces their incentives to pursue reform, and thus further contributes to political sclerosis.

The shameful right. Another important component of the political crisis is the absence of a clear, consistent conservative alternative to the socialist project of permanently increasing redistribution, regulation, and state intervention. That is partly due to the fact that a lot of resolve and courage is needed to address violent protest by organized interests seeking to impede reforms, as the Balladur and Juppé governments have painfully discovered. However, one cannot avoid thinking that resolve and courage are easier if one truly adheres to one's policy agenda. The key issue is that contrary to what happens in other countries, the right embraces the values of the left or at least believes that its own values are unacceptable to the French public. Several members of the current government proudly declared to the press that they considered themselves more left-wing that their counterparts in the Blair and Shroëder government. As a result, we see socialist governments that increase economic repression and further socialize various aspects of daily life, alternating with conservative governments who content themselves with slowing the movement or increasing fiscal pressure to consolidate the measures of the left. None of the key measures of the Jospin government—from the 35 hour week, to the *loi de modernisation sociale* which further impairs firms' freedom to hire, dismiss and assign tasks to workers, not to mention laws that reduce free speech in the name of sensitiveness or impose quotas of women in electoral candidates in the name of equality of outcomes – has been seriously challenged by the Raffarin government. The pension reform implemented last year precludes funded systems and gives very little individual flexibility. It is little different from the one Jospin himself would have implemented. Voters that seriously oppose these policies are left with the choice between staying home on election days or casting a protest vote in favor of the Le Pen. As for the others, why should they vote for the right if it agrees that the correct sense of history is defined by the left's policies?
That leads us to the third dimension of the crisis, namely the intellectual one.

The intellectual crisis

The intellectual crisis is somewhat similar in nature to the political and economic crisis, in that in all three cases the problem comes from the fact that alternatives to the current situations are shut down.
It is often read in the French press, on many issues, that a "debate" is urgently needed. Yet there never has been so little debate. The reason is an intellectual climate which makes it difficult for a number of ideas to actually being heard. One can think of a number of factors that contribute to that lack of debate.

The rise of the anti-globalization movement. Until the fall of communism, Marxism had defined the issues and the dividing lines in the French intellectual landscape. While it was hugely influential and dominant, it was a well identified ideology, with well identified objectives, and a set of observable countries that claimed to pursue its objectives. Furthermore, its materialistic premises were making it a-moral, and thus open to discussion—even though any discussion was prohibited where it had taken power. Thus, to caricature, there was a debate between marxists, and assimilated intellectuals, exemplified by people like Sartre, Althusser, and the like, and anti-marxists in the fashion of Raymond Aron.

After communism was defeated, one would have expected French intellectuals to become more friendly to liberalism. After all, history had demonstrated its superiority over Marxism. However, what happened instead is that Marxism was replaced by a much looser ideology, which is less organized logically, and rests on moral claims rather than substantiated arguments. That ideology, a form of "humanitarian socialism", is exemplified by the present "anti-globalization" movement, which has launched a general offensive against capitalism, patriarchy, technical progress, and various other aspects of western civilization. In some sense, the utopian, turbulent youth of May 68, now hold aé chunk of intellectual power. One might believe that they are much weaker than the Marxists, as they lack a solid doctrine and the support of a foreign superpower. However, it is not true. While the Marxists appealed to reason, they appeal to emotions. Therefore, their contradictors tend to seem cruel and insensitive, regardless of the objective value of their arguments. As a result, the establishment has been terribly shy in criticizing them. The present government has subsidized their activities and has publicly endorsed some of their positions. The emotional context that this movement has brought lowers the scope for debate, as well as its level and usefulness.

The nationalization of thought. Most French intellectuals (including the author of this article) are government employees, in research and educational institutions. There is a great scarcity of private foundations and think-tanks. This has a number of adverse effects. First, just like politicians, intellectuals tend to come from the same mold and to think alike. That hampers progress and reduces the scope for debate. Second, as government employees, intellectuals tend to be biased in favor of government interventions and against decentralized solutions that favor private initiative. Third, there are very few intellectuals who would perform the role of watchdogs for the wrongdoings of the French administration. They do not want to be in trouble with their only potential employer. Finally, the intellectual climate is quite vulnerable to attempts by a specific clique or school of thought to capture the administration. That may have a number of consequences: one can mention as examples (although that remains open to debate), a noticeable anti-business bias in the teaching of economics at the high school level; the now abandoned introduction to set theory in the sixth grade in the seventies, instead of more traditional arithmetics and geometry; the suppression of cost-benefit analysis for public infrastructure projects in the late sixties; the imposition of the inefficient "global method" to teach how to read in the name of "advances in pedagogy"; etc. If all thought is produced by the government, with no intellectual counter-powers, a lot can go wrong when that thought is mistaken.

A telling example in the economic sphere is working-time reduction. The dominant view in the Jospin administration (but the right's ideas were not much different) was that the total amount of labor cannot be expanded, and that the only thing that can be done is to reallocate it in a more equal way. That led to the policy of working-time reduction. Now, such a view is in blatant contradiction with standard textbook economics, as well as with the evidence from countries with flexible labor markets, such as the U.S., that has absorbed millions of immigrants into employment. One would have expected a majority of economists to publicly speak against such a policy (which has now proved inefficient and dreadful for the public budget). However, that would have meant publicly opposing the government, which in many cases would have put people in an uncomfortable situation. Also, most French economists have been trained to believe in the strength of short-run Keynesian effects, de-emphasizing the fundamental long-run constraints of the economy. For these two reasons, only a few people spoke out against working time reduction. A large number of studies were produced that emphasized positive effects on employment. But these effects are only transitory and present in models that are not particularly suited to deal with that issue. Hence, because of the states' prevalence and the fairly uniform mold in which economists were trained, the debate has been much more one-sided (in favor of the government's project of working time reduction) than it should have been. Opposition to the project from the employers' association therefore essentially appeared to be motivated by partisan considerations instead of buttressed by serious studies.

The intellectual vacuum of the Right. Another well-known aspect of French intellectual life, is that intellectuals, and more generally "symbol producers", are overwhelmingly left-wing. That applies to academics, researchers, teachers, but also journalists, actors, and civil-servants who allocate subsidies to the cultural and entertainment sectors. During the 2002 presidential campaign, for example, a poll by a magazine reported that as little as 7 % of journalists planned to vote for Chirac should he face Jospin in the second round of the election (which eventually did not occur).

There surely is an element of self-replication in that situation: journalists recruit and train other journalists, academics recruit and promote other academics, and so on. Their political opinions will surely affect their choices, even if they try to be objective. Worse, once a profession has acquired the collective reputation of being one-sided politically, those who disagree will refrain from applying.

The cultural hegemony of the Left clearly plays a big role in determining what is being debated and how. Over the years, it has managed to create a number of taboos, that, through the effect of repetition and apparent consensus, effectively prevent a number of reforms from being even discussed. For example, the minimum wage, the pay-as-you pension system, the centralized public schooling system, or the state-run health insurance system, are all "untouchable", even though the first is growing faster than labor productivity, while the other three institutions are in serious trouble. It also seems that the frontier between what is debatable and what is not is moving. Thus, it is harder to advocate relaxing employment protection legislation than 20 years ago.

In my view, however, one should not uniformly blame the Left for this situation. After all, why should it voluntarily relinquish its intellectual strongholds? Rather, the issue lies with the fact that the Right does not have a well structured set of intellectual weapons to rely on. Before the fall of communism, resistance against the Soviet bloc was sufficient to hold it together. Now that it faces a much more emotional and utopian adversary, it has trouble responding. It can hardly appeal to compassion for the middle-class people it is supposed to represent, as they live better than those that the Left claims it defend. Nor is it willing to cynically defend the interests of its electorate, even though its reputation is that it is precisely what it is doing. Perhaps it could claim to be pursuing some superior concept of justice or general interest, but it does not do so for lack of intellectual foundations.

In my view, the only doctrine upon which a democratic, right-wing philosophy could be based, is liberalism. That means, at a minimum, respect for individual rights and private property, the presumption that markets typically work better than governments, although not systematically, and the idea that voluntary exchange is beneficial for both parties, instead of being a form of exploitation. However, the French right does not hold these beliefs. It is not particularly interested in promoting competition in markets such as retail trade, taxis, or energy. When it does so, it is reluctantly, under the pressure of Brussels. It has failed to reduce fiscal pressure and the size of the state. It is equally prone as the left to pursue paternalistic policies that infringe on privacy or limit free speech. Just as the Left, it believes that politics is about extorting wealth to redistribute it, rather than create the conditions for wealth creation. So, while it cannot compete with the Left on emotional grounds, it has no alternative to propose. It fundamentally agrees with it but represents different interest groups. The left's emotional edge will always make it easier for it to convince the public that it is pursuing "general interest".

Conclusion

The preceding discussion suggests that mechanisms for the French economy to adapt to change are lacking; if anything, they seem even weaker than thirty years ago. The only remaining source of pressure comes from the rest of the world, i.e. the European Union's drive for liberalization and the integration of developing countries into the world economy.

History teaches us that France always has trouble transforming itself gradually, and that change often occurs through brutal events. Let us hope that, next time this occurs, it will look more like 1958 than like 1793.