

French Economic Optimism

Antoine Terrien

Karine Berger and Valérie Rabault don't go along with the usual rhetoric of commentators on current economic developments. Instead of catching our attention with an alarming vision, they present their book as a piece of optimism. However, although their book does suggest an action plan for the future, it is based on a strong critique of recent economic policies.

Reviewed: Karine Berger and Valérie Rabault, *Les Trente Glorieuses sont devant nous*, Paris, Éditions rue fromentin, 2011. 204 pp., 20 €.

With *Les Trente Glorieuses sont devant nous* (“*The Thirty Glorious Years*” *Lie Ahead of Us*), Karine Berger and Valérie Rabault, two economists who both worked as civil servants, give us a book with some originality. It is neither an economic treatise nor a political manifesto, and it is certainly not an electoral program; it skilfully positions itself at the intersection of all three. Lurking underneath its optimistic appearance is a very bleak view of the way that governments have let the French social system deteriorate. The book tries to show that the French model still has several good qualities, and it proposes a political action plan to make the most of those qualities from 2012 to 2040.

One thing clear from the titles of the currently most popular books on economics,¹ whether they offer pessimistic observations (Marc Fiorentino's *Sauvez votre argent, Vos économies sont en danger* [*Rescue Your Money, Your Savings Are in Danger*] and Olivier Pastré and Jean-Marc Sylvestre's *On nous ment! Vérités et légendes sur la crise* [*They Lie! Truth and Legends about the Crisis*]) or positive proposals (ATTAC's *Le piège de la dette publique: Comment s'en sortir?* [*The Public Debt Trap: How to Escape from It*] and Alain

¹ All of the books mentioned here have been best sellers in a large French chain of stores specializing in the distribution of cultural products.

Cotta's *Sortir de l'euro ou mourir à petit feu* [*Exit from the Euro or Suffer a Slow Death*]), is that they all start by taking note of the economic crisis and then try to explain how they think we should react to it. The originality of *Les Trente glorieuses sont devant nous* consists of objecting to this state of affairs, and describing above all the society that the French could hope to have in 2040, while also trying to explain how that society could come about.

Optimism in Thinking and Optimism in Acting

The desire at the heart of this book is clearly to retain a degree of hope; that is why in the very first chapter we are plunged into a utopian tale, in which France in 2040 has become the most prosperous and – with 80 million inhabitants – the most populous European country. Its 5.5% unemployment rate is the lowest in Europe, purchasing power has been rising for twenty years, borrowing associated with dependence is down, etc. To make this happen, France had to launch a major targeted investment plan, called *France Européenne 2040* (*European France 2040*), based on the emergence of national champions in the energy industry and in rail transportation, European cooperation on fiscal policy (a European “fiscal serpent”), and the revival of immigration. The authors even portray this future France with its public finances under control, thanks to growth having come back after French leaders had reached an important political agreement with Germany accepting that France enlarge its deficit a little between 2012 and 2030 in order to finance those future investments.

Readers may think this story is unrealistic if not completely crazy. But for its authors it is paradoxically the only solution. They seem to be asking us: what is the alternative to this society of 2040? There isn't any, apart from a grand austerity program that will fail to revive growth. Growth of 1.5% per year during this period, a decline in the portion of industry adding value, the ghettoization of society, and so on. This is a pretty standard scenario among the pessimists, but the difference here is in what these authors emphasize: that this scenario is “merely” mediocre. To think seriously about the French economy for the next thirty years we have to realize that in three decades France is not going to become a third-world country. It is against such economic alarmism that this book is aimed. There are two reasons why it rejects the non-thinking of systematic pessimism.

First of all is the fact that a pessimism bidding war has arisen, which is not just a media phenomenon but is also a way of avoiding confronting economic realities. No serious politician or economist imagines France going bankrupt or leaving the euro. So it is quite

convenient for them to debate these subjects, in order to avoid mentioning the more probable scenario, the contours of which Berger and Rabault try to determine: the mediocre scenario. Paradoxically, this scenario is perhaps the more worrying one, because it is more realistic, and also and especially because it stops us from imagining other possibilities. French society doesn't allow itself to think it might be happy, because for the last thirty years it has convinced itself that its model no longer works. Not only is this pessimism intellectually harmful; even worse, it contributes to the absence of confidence in the future, especially among the young. So it would seem that not only are the authors of this book asking for the right to outline an optimistic view of French society; going beyond that, they want to show the need to revive hope and confidence in the future, in the best interest of the effectiveness of the French economic and social model. That is why they point to the harmful economic consequences for the economy and the labour market of the *Société de défiance* (*The Distrusting Society*) described in the work of Yann Algan and Pierre Cahuc (2007).² But while Algan and Cahuc held the French social model responsible for this lack of confidence, Berger and Rabault seek to restore that model's reputation.

The French Social Model Is Not the Problem, It Is the Solution

Examining existing studies of the decline of the French social model, *Les Trente Glorieuses sont devant nous* advances a thesis: we think the model is no longer good because we take a too narrow view of it. Thus, if Alain Lefebvre and Dominique Méda can ask the question *Faut-il brûler le modèle français?*³ (*Should We Burn the French Social Model?*) and reply by introducing the Nordic model as the solution to our crisis, that is because they assess the French model solely in terms of social protection. Berger and Rabault are here opposing the liberal logic that appeals to the “Anglo-Saxon” system, as much as they are opposing the logic that bases its critique on the Danish model and sees in the French social model nothing but a stack of protective provisions that form a barrier to individuals following non-standard paths. While there are many flaws in the current system, these criticisms – which also appear in Pierre Rosanvallon's *La nouvelle question sociale: Repenser l'Etat-providence* (*The New Social Question: Rethinking the Welfare State*) – should not make us lose sight of the intrinsic advantages of the French model. Berger and Rabault are not prevented from reflecting on ways of adapting to the twenty-first century the model that worked successfully during the Thirty Glorious Years in France. Resource productivity is one example of a new aspect on

² See the reviews of these works in *Books & Ideas*: <http://www.booksandideas.net/Can-We-Trust-the-Society-of.html> and <http://www.booksandideas.net/Is-a-History-of-Trust-Possible.html>.

³ Alain Lefebvre and Dominique Méda, *Faut-il brûler le modèle français?*, Paris, Seuil, 2006.

which they base their interpretation. They take on board the criticism frequently directed at the productivist logic of the Thirty Glorious Years, especially that it was interested only in workers' productivity, and they introduce the idea of taking into account the quantity of goods produced with a given amount of resources. Increasing resource productivity makes it possible, while maintaining the same level of growth, both to lower the country's energy footprint and to increase the personal wealth of its inhabitants. As support for their desire to see how the French model could work better without necessarily importing a foreign model, Berger and Rabault redefine the contours of the French social model, which they explore in three chapters called "Liberty," "Equality," and "Fraternity".

On the "equality" aspect, the analysis developed in this book is quite familiar. The authors emphasize the need to restore among French people a degree of equality of income and living conditions, in order to restore cohesion, not just between social classes but also between generations. For them, one of the engines of growth is the impression not only that everyone benefits from social progress but also that everyone *participates* in it, so individuals' interests merge with the collective interest. This analysis is reminiscent of the analysis of solidarity that André Comte-Sponville discussed in his *Dictionnaire philosophique*, where solidarity is seen not as generosity but as the convergence of interests, so that "everyone defends his own by defending that of others."⁴ That is precisely how their book combines necessary social protection with economic efficiency; the two are linked together in a common vision of a France in which collective progress rests on individual progressions.

Often this aspect is taken to be the essence of the French social model; however, recalling the origins of this model from Colbertism to the Thirty Glorious Years, Berger and Rabault point to another aspect that has served as glue for this model: centralization and state planning. They emphasize the recent industrial success of the nuclear program in the 1960s and the TGV (French high-speed train) in the 1980s. They assert that the debate should focus at least as much on centralization, and particularly on the power to invest, as on social protection. Investment means risk, and during the Thirty Glorious Years France was able to organize its talents, its innovation, and its individual risk taking. How was this done? Less by planning than by the *supervision* of industrial investments by means of detailed production

⁴ André Comte-Sponville, *Dictionnaire philosophique*, Paris, PUF, 2001.

targets. Berger and Rabault do not hesitate to refer to the 1946 Monnet Plan that set production targets with a precision likely to produce smiles today (“55 million tons of oil in 1947, ...70 million in 1950”). It was this close relationship between enterprise and the state that brought about the emergence of nuclear energy, the TGV, and the ability of a company like Bouygues to become the world leader in its sector (in 1990). According to Berger and Rabault, these examples illustrate the ability that only the state possesses, through its public procurement, to promote innovations and to make investments that would be too large or too long-term to be taken on by a company on its own. But for the last fifteen years France has stopped doing this, and by 1997 the overall total of public investment was down to no more than 85% of what it had been in 1991. The authors’ thesis goes beyond this standard observation and the analysis of its well-known causes – that “smart” people prefer better-paid financial jobs to jobs in public or private research, and there is under-investment in research and development both by the state and by large companies – when they trace responsibility for this constant fact to the absence of risk appetite in the French people and especially in the young (so 77% of them dream of becoming civil servants). The mechanism of investment would work as a self-sustaining machine by reigniting not only the economy and employment but also the appetite for risk, which in turn promotes investment.

The third aspect is fraternity, represented by the trio of public services, Europe, and immigration. This book, not the first book to propose increasing immigration, places immigration policy at the centre of French economic planning. Currently France rejects both future and past immigration, by seeing every new wave of immigration only as a threat and by refusing to integrate second- and third-generation immigrants. The book highlights the “double penalty” that France thereby inflicts on itself: it “deprives itself of wealth” and “accentuates the poverty and ghettoization of whole sections of its territory.”

A Business Plan and Its Limitations

The great strength of this book lies in its authors’ transformation of this threefold definition of the French social model into a plan of investments with detailed targets. They identify five key objectives: growth rate, resource productivity, poverty rate after social transfers, number of years of healthy life (along with employment rate for those aged 55-64), and renewable energy consumption (along with greenhouse gas emissions). And they insist on assigning numbers to these targets, even though this means they have to engage in difficult projections to 2030.

However, the issue of the advisability of a policy of a planned industrial reflation inspires debate and faces fierce opposition. Even the observation of France's industrial decline is sometimes very mixed, as when in 2004 a report by DATAR⁵ emphasized that industry's share in the GDP has remained reasonably stable (around 22%) and that the decline in value came from the increased productivity in industrial sectors, which pushed prices down. A year later, another report on the same subject⁶ (commissioned by the French President) pointed to the great weakness of investment in research and development in the industrial sector.

This debate could loom large during the 2012 electoral campaign. Indeed it could actually ensure a large and ambitious investment plan, more generous social policies to combat insecurity (especially in housing, which Berger and Rabault admit risks posing an even longer-term problem because of the significant delay in France taking up this issue), and a balanced budget. Settling differences between proponents of budgetary orthodoxy and ardent defenders of social policies could reduce the investment plan to a bare minimum, especially since, being directed towards long-term benefits, it would produce results that were not very visible and thus not politically profitable. Because the book is clearly on the borderline of politics, questions immediately arise about the acceptability of its proposals. To take but one example, if immigration is an essential part of the project *France Européenne 2040*, one wonders what candidate in 2012 could advocate the tripling of legal immigration and be elected on that basis. Thus the strength of the book, which is its ambition to propose a long-term vision for France coupled with targets with numbers, clashes with the ability to transform this project into concrete electoral or governmental proposals broadly acceptable to French citizens.

Perhaps this book also runs into its limitations when it gets into areas where economics is not the only decisive factor: energy, for example. Here the book discusses two main avenues: investments in nuclear energy and in solar energy, for a total of twenty billion euros over three years. It is not much more explicit than that about how this money should be invested. But when talking about renewing nuclear facilities, for example, it should be specified whether one is contemplating keeping current technologies (second- and third-

⁵ *La France, puissance industrielle: Une nouvelle politique industrielle par les territoires. Etude prospective de la Délégation à l'aménagement du territoire et l'action régionale [DATAR]*, Paris, DATAR, February 2004.

⁶ Jean-Louis Beffa, *Pour une nouvelle politique industrielle*, Paris, La Documentation française, 2005.

generation plants) or investing in fourth-generation (i.e. post-EPR) installations, more powerful but also potentially much more expensive. At a time when the treatment of radioactive wastes has become one of the major issues in the industry, and when nuclear safety has suddenly become part of the national debate on energy, choosing the kind of nuclear investment should be considered not as a minor nuance but as a major collective decision to which France will be committed for many years. So this book, which rightly criticizes political projects that talk about means before they project a vision and a goal, seems to fall into this trap on the subject of energy.

This criticism does not of course call into question all of the thinking set out by Berger and Rabault, but it does reveal the fundamental problem of planning: bad investment choices. The authors do clearly recognize the possibility of failures attached to political choices from the moment that a certain degree of risk has been accepted. However, a careful analysis of investment successes (like the TGV) and failures (like Concorde) could enhance this response to the criticism of the arbitrariness of governments' investments.

A Necessary Book

Les trente glorieuses sont devant nous is a short and argumentative book with the goal not of getting into the technical details of investment projects but of demonstrating the need for a surge in economic wilfulness. It would need a whole chapter in itself to give all the details of the precise mechanisms that would allow France to persuade its European partners to accept the non-return to a financial stabilization. But the way the book is constructed makes it necessarily frustrating. That is just what it aims to do: to provoke its readers into sharing the authors' ambition of having a vision for France's future.

Previously published in French in laviedesidees.fr. Translated by **John Zvesper** with the support of the **Institut français**.

Article published in booksandideas.net, 22 March 2012.

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