Long live surrealism!

Editorial for Challenges

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Our country is the cradle of surrealism, in both art and politics! Jarry was spot on when he invented King Ubu, whose reign is majestically continuing... The current debate on austerity once again illustrates the difficulty that France has in accepting the reality of facts and figures. An increasing number of voices are loudly calling for an end to austerity, and at the same time condemning Germany for trying to impose it on us! Did you say Austerity? How bizarre...¹

One of the very numerous ambiguities of the last presidential election, occupying a leading position in fact, was the slogan that said we had to “end the policy of austerity followed by Nicolas Sarkozy”. The new majority was going to change course, and we would see what we would see. The problem is that the last 5-year mandate was in no way focused on austerity - quite the reverse. Both public and social spending rose non-stop between 2007 and 2012. Judge for yourselves: public spending in France increased from 52.6% of GDP to 56.6% of GDP, and last year exceeded that of Germany by 11.6 points of GDP – as opposed to “only” 9.1 points in 2007. And in France, this spending has been financed on credit – hence the surge in public debt – at a time when mandatory contributions were already reaching peak levels, which have since been exceeded by the new majority. The gross disposable income of households increased continuously from 2007 to 2012. And spending power also rose over this period, despite having fallen slightly in 2012 with the arrival of tax increases – but the changeover of power had already taken place then. The salaries of civil servants went up by around 10% between 2007 and 2011, while State investment stagnated over the same period. The last 5-year mandate was characterised by the strong defence of household income, at the cost of higher public debt and external deficit, and to the detriment of companies, whose margins collapsed. Using the word “austerity” to describe the policy followed between 2007 and 2012 is laughable.

And using the same word to describe the policy followed for the past year by the new majority is just as wrong. The reduction of public deficit since May 2012 has been achieved almost exclusively through an increase in mandatory contributions that have mainly hit companies, their directors and their executives, and certainly not through a reduction in government spending. According to European Commission projections,

¹ A reference to a famous line from Marcel Carné’s 1937 film “Drôle de Drame”: “Did I say bizarre? How bizarre!”
Public spending in France will increase to 57% of GDP in 2013 and will remain at this unbelievable level in 2014, whereas in the Eurozone it is, on average, decreasing! And over these same two years, mandatory contributions are set to increase even further. Meanwhile, the deficit reduction objectives are slipping away...

The policy of austerity has not begun in France, except unfortunately for companies in the commercial sector, which are constantly being tapped, and for their executives, who constitute the main targets in the tax madness (spoliative taxes on profit sharing, on salaries, on performance-related shares and on stock options, increases in the solidarity tax on wealth (impôt de solidarité sur la fortune or ISF), and so on). And people are surprised that the production sector, which has been subjected to incredible fiscal and social pressure and to an unprecedented sharpening of international competition, is sickly, short of breath, suffocating. They are surprised that it is reducing its investments and is obliged to restructure itself in order to generate productivity gains – which are immediately confiscated by the State, by local authorities and by the social security system. And people wonder why unemployment is going up! Ubu, explain it to them – it’s surreal.

Genuine austerity is now needed more than ever in order to get out of the vicious cycle into which our country has fallen. However, we need to specify the content of such austerity. It will involve a reduction in public spending, supported by deep-rooted structural reforms that have been put off for too long, in all areas (organisational structure of the State, 35-hour working week, retirement age, modus operandi of the labour market, health insurance, status of the civil service, and so on). This is a fast track to debt reduction, supporting the production sector which alone is likely to restore growth and to improve the very damaged employment situation. Basically, in order to emerge from the crisis and keep the euro, it is a matter of urgency to begin a genuine policy of State austerity and to significantly soften the policies imposed on commercial companies and their employees. And to yet again stand against the surreal ideas of the irresponsible illusionists who would like to put an end to a policy that hasn’t even begun, because of the adverse effects that it has supposedly generated!