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## **The limits of the “at the same time right and leftwing” doctrine in France in times of Covid-19: A structural break?**

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# The limits of the “at the same time right and leftwing” doctrine in France in times of Covid-19: A structural break?

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## Introduction

This article sets out to critically discuss the economic policies that have been implemented in France to respond to the Covid-19 crisis. What is striking in dealing with the crisis is the 180-degree turn in the doctrines of limiting state intervention in the economy. We will shed light on the contradictions of interventionist policies in the face of the initial orientations of a government which could be qualified as center-right (far from being *at the same time* right and leftwing) and therefore aiming to reduce public spending and state intervention in the economy. Beyond appearances, maintaining production capacities could appear as the pursuit of the same policy of strengthening the country's competitiveness by means adapted to a very specific context. The aim would be to maintain production capacities as much as possible in the spirit of a supply-oriented policy.

In a first section, the dynamics of the French economy will be presented. In a second section will discuss the crisis linked to the Covid 19 pandemic in this already very unstable context (Yellow Vests) and how this crisis could mark the end of the financialized regime because the pandemic imposes a change of political agenda and contributes to questioning the taboo on fiscal policy. Paradoxically, the synchronization of needs allows the recourse to fiscal policy in proportions unimaginable and unjustifiable before the pandemic. We will present the main economic and social measures implemented and their logic.

The proposals emanating from the government as well as the reports it requested will be presented according to the duality which structures the public debate in France: "end of the world versus end of the month". The difficult ends of the month linked to unemployment, precariousness and inequalities mainly concern purchasing power and, on the other hand, concerns linked to ecology and the pandemic, the end of the world and health security issues.

In this work we will underline the change in economic policy priority and will try to assess whether this rupture can lead to a lasting change in doctrine or if the return to a logic of balanced public finances and increasing liberalization is to be feared?

Our hypothesis is as follows: There is a continuity in the discourse aimed at maintaining legitimacy vis-à-vis the bourgeois bloc. The recovery policy can be likened to Keynesianism. Despite maintaining a liberal facade, the government is re-mobilizing industrial policy and planning thus seeming to indicate the return of a strategic State. The discussion will take into account that General Elections are due to happen in the first semester of 2022<sup>1</sup>.

# **1 French economic, political and social path**

## **1.1 Before Macron and Macron's “at the same time” doctrine**

### **1.1.1 Before Macron**

In order to analyze the eventual change in economic policies path, we present a short synthesis of the french economic path in the last four decades.

It was during the turn of 1982-1983 that developmentalist, industrial policies were generally abandoned. Since then, the reforms have mostly been seen as setbacks in the Welfare State, privatization, reductions in social rights in an attempt to adjust French costs and productivity to a more heterogeneous and more liberal world ( Reaganomics). The monetary policy being entirely dedicated to the defense of the parity of the franc vis-à-vis the German mark. Despite major reforms on the labour market, deindexation of wages on 1984 prices, flexibilisation of the 1986 labour market (temporary, part-time) the race to the lowest social price has been lost except during during the oil counter-shock to the late 1980s and late 1990s when the Juppé reforms combined with the difficulties of German reunification and the Asian crisis benefited french competitiveness from 1997 until 2000. Since then, France has returned to significant trade deficits.

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<sup>1</sup> Article written before the general elections in France in April for President and June 2022 for the Parliament.

For 3 decades, France has engaged in a liberal dynamic which has not, however, entirely succeeded in aligning France with the Anglo-Saxon model. Despite an increase in the contributory logic of the pension scheme, it remains mainly financed by contributions in a redistribution logic. The unemployment benefit system, although less generous than in the past, remains one of the most protective and, above all, the health system remains dominated by a logic of almost unconditional access to essential care.

### **1.1.2 Macron's “at the same time” doctrine**

It was because of this global and European liberal context that the Macron government had initially embarked on a policy of restoring public accounts that it deemed necessary in itself but which should also allow it to regain credibility with Germany. As French growth is clearly driven by demand, this configuration would have been more favorable to the country as the forecast for economic growth points out. Thus, behind the rhetoric of “*at the same time* right and leftwing”, from a configuration of social-liberalism, the cursor of economic policy has rapidly shifted to the right-wing/liberalism. The government led by a right-wing elected official should not leave much of a mystery despite the presence of certain personalities who could be linked to the left. Thus, the policies of “*at the same time*” quickly turned into a policy primarily concerned with supply and the logic of trickle-down with the reduction of taxes on the better-off. Former President Hollande (2012-2017) could thus tackle the government of the “super rich” even if we could see a certain continuity with his previous governments (El Khomri law, CIR-Research tax credit, CICE- Credit of competitiveness employment tax). Supply-enhancing devices that had previously been implemented by the Hollande governments under the influence of E. Macron then secretary general of the Elysée and then Minister of the Economy. These orientations are maintained or reinforced through the PACTE law (Action Plan for the Growth and Transformation of Enterprises) which brings into

common law the reductions in CICE charges which are no longer being used. Limits are introduced in labour dispute agreements<sup>2</sup>.

The general philosophy of Marconian social liberalism is that it is better to have a job with less protection than no job at all. This reflection is nourished by neo-Keynesian theories of the labour market where insiders prevent the entry of outsiders, acquired rights producing the effect of barriers to entry by increasing the cost of labour for the less qualified.

These reforms therefore aim to increase the competitiveness of companies by reducing the cost of labour either by lowering charges or by reducing employee protection<sup>3</sup>. So the overall orientation is still nourished by the neoliberal ideology where the state must live to create the best possible environment for companies so that they can develop and be competitive. This is the spirit of the Start-Up nation. But the crux of the problem lies not in price adjustment but more certainly in questions of demand. This point could not be addressed at European level due to German political preferences. France's only non-cooperative solution therefore consists in lowering the level of social protection, in order to reduce social contributions and limit compulsory levies on companies. It is in this spirit that the reform of unemployment benefits has been carried out, which results in a form of hunting down the unemployed. In the same vein, the hunt for civil servants, if it can echo a demand from the traditional right-wing clientele (craftsmen, liberal professions) risks frightening retirees and part of the population who have been able to realize the role protector of the public service in times of crisis<sup>4</sup> and their lack of resources. The Yellow

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<sup>2</sup> Social thresholds are raised and relaxed, which reduces the rights of employees, to promote growth in the size of companies and increase the number of companies with export capacity.

<sup>3</sup> Non-cost competitiveness linked to innovation is supported by the CIR and the reform of vocational training.

<sup>4</sup> Macron, who had pledged to reduce the number to 120,000, did not succeed. Following the Great National Debate, the needs expressed during the yellow vests movement clearly indicated the need to maintain or strengthen local public services in peripheral areas (stopping hospital closures, limiting the number of students in the early grades). The reduction in public spending is very unpopular in a large part of the population whereas it appears, for mainstream economists and government parties, as necessary to restore competitiveness.

Vests movement, which had crystallized around the measure of automobile speed limits and the increase in diesel prices, was also fueled by a feeling of abandonment of the State in the face of the reduction of public services in peripheral areas. However, ecological logics collided with social logics when the "*end of the month*" (ie making ends meet at the end of the month) was weighed against the "*end of the world*" (ie climate change)<sup>5</sup>. During this episode, the country experienced a political crisis paroxysm, the main origin of which is due to the elites. The people of nowhere, whose opportunities increase with globalization, face without seeing them, a multitude of shadow workers, whose working conditions are deteriorating without their wages allowing a decent living. The crisis of the yellow vests has considerably reduced the dynamics of reform of the government which has also changed Prime Minister. The Covid crisis has shifted priorities with some opportunity for the government.

## **1.2 Covid Pandemic in France: Health, Lockdowns and Economic situation during Covid**

### **1.2.1 The Covid pandemic**

During the first wave of Covid in March-April 2020, the government was put in difficulty due to the lack of surgical masks. Managerial logic that is operational until everyone needs it at the same time quickly finds itself at fault if demand synchronizes due to an outbreak. The desire to reduce health spending is also reflected in these choices. At the start of the crisis, in an attempt to cover up this error, the government explained that the masks were not necessary. Then quickly they had become indispensable and the various countries tore them away from Chinese suppliers where almost all of the production had been relocated. Respirators were also lacking as well as the components to manufacture the Covid tests. The French population then realized that it depended enormously on the rest of the world, even for basic principles such as paracetamol, which was no longer manufactured on the territory, but also for more crucial products such as anesthetics. These industrial difficulties were further underlined by the absence of a French vaccine.

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<sup>5</sup> See section 2.

Neither Sanofi nor the Pasteur Institute have managed to offer an effective product. This loss of French industrial capacity gave rise to the need to reconnect with industrial policies, an element of the world after COVID. The restructuring logic applied to the hospital is also the cause of the difficulty in dealing with the Covid.

The Bachelot law of 2009 (Minister of Health under J. Chirac before becoming Minister of Culture under Macron) on the Hospital aimed, among other things, to financial balance by increasing productivity in the hospital. The goal of limiting healthcare spending has not been called into question despite political changes (Touraine Law 2016), only the Health Segur at the end of 2020 under pressure from the Covid and the problems encountered in the EPHADs will change the Malthusian logic. Closures of small hospitals, ambulatory changes and increased managerial control of ARS (Regional Health Agencies) through fee-for-service, etc. The logic of *Lean-production* imposed on the hospital through the ambulatory shift, if it can find financial arguments or even public health through the implementation of care pathways, has come up against the problem head-on of long-term care imposed by the Covid. Patients requiring heavy care had to be kept for several weeks in hospital in intensive care when the number of beds had been regularly reduced. The first confinement in March-May 2020 was imposed by the stunning effect of the covid but also because of the pressure exerted by the pandemic on the healthcare system. The lack of beds at hospital could have led the medical profession to have to choose the people to be treated. The level of hospital pressure will subsequently guide government policy.

Despite the chaotic beginnings of covid management, the government gradually learned over the five waves of contamination up to December 2021<sup>6</sup>. The masks and vaccines eventually arrived and a high vaccination coverage rate was obtained despite early opposition. The measure of the vaccine pass, quite authoritarian criticized by part of the left, nevertheless appeared as a personal victory for President Macron. The vaccination

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<sup>6</sup> For all the figures concerning the pandemic (case, coefficient of propagation, number of hospitalized patients, in intensive care, death, vaccination, etc.) we refer to <https://covidtracker.fr> . French data comes from Public health France and from INSEE (Institut National of Statistics and Economic Studies).



rate of the total population made it possible not to impose a new containment measure<sup>7</sup>. Critics have focused mainly on this question because in public opinion, overall, the strategy followed seemed, after the initial errors, the least bad. The generous expenditure to support companies or employees undoubtedly facilitated support for this policy. The most significant point of attack of the opposition corresponds moreover to the slippage of public finances<sup>8</sup>. Even if the aid given in general has probably been too generous for certain sectors (in particular large companies). The fact remains that the effects of the stimulus are powerful. The Keynesian mechanisms within the framework of a revival whose concertation will have been imposed by Covid marks its effectiveness even if the government draws few conclusions from a doctrinal point of view. One weakness of the policy, however, is the over-reliance on vaccines whose protection does not exceed a few months and which do not sufficiently reduce transmissions. The rise in contamination at the end of 2021 linked to the different variants (Delta and Omicron), if it were to lead to more restrictive measures could cause the political credit gained during the management of the crisis to be lost so far.

The dynamics of the evolution of the pandemic validates the government's vaccination policy overall since the number of deaths has clearly decreased compared to the number of contaminations since the consolidation of the vaccination campaign. The figures should nevertheless be taken with caution due to the lack of testing at the start of the epidemic.

### **1.2.2 Economic situation at the beginning of Covid Pandemic**

The emergency plan decided after the solemn address to the Nation of March 16, 2021<sup>9</sup> was mainly concerned with the end of the month. The discussion about the end of the

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<sup>7</sup> Almost 80% of the total population with 2 doses and almost 40% with 3 doses ( January 6. 2022)

<sup>8</sup> « He (Macron) burned the fund » according to V. Pécresse, nominated candidate of the Republicans party (right).

<sup>9</sup> "We are at war, in sanitary warfare, of course: we are not fighting either against an army, or against another Nation. But the enemy is there, invisible, elusive, progressing. And that requires our general mobilization.

world (ecology) was postponed even though the pandemic was presented as a warning of the need for a change of model<sup>10</sup>. The emergency plan amounting to € 470 billion was put in place very quickly. 300 billion in aid in the form of loans guaranteed by the State, or 63%. In a context where monetary policy is also still very active with the maintenance of quantitative easing, the amounts involved are significant although more modest than those initially planned in the United States. The fact remains that they contribute to deepen the debt of European states which is in clear opposition to a liberal policy and these stimulus policies work both from the point of view of the boost of the GDP and of employment. According to official statistics, unemployment is expected to be below 8% by the end of 2021 and growth to be over 6.5%. Even if the level of growth is partly due to catching-up effects, it would have been much lower without the addition of the emergency and recovery plans which represent 2.6% and 1.3% of GDP respectively according to OFCE. The budgetary policies will have made it possible to return to the level of pre-crisis GDP in the 3rd quarter of 2021 according to INSEE. The disparaged fiscal policy is back in favor. The policies for the future continue to mobilize the classic liberal instruments but what was done during the crisis and what is announced (2022 elections oblige) mobilizes the heterodox (Keynesian) stimulus instruments contrary to those previously defended by the government and in the various reports (see part 2).

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We are at war. All the action of the Government and the Parliament must henceforth be turned towards the fight against the epidemic. Day and night, nothing should entertain us. This is why I decided that all the current reforms would be suspended, starting with the pension reform. »See <https://www.elysee.fr/emmanuel-macron/2020/03/16/adresse-aux-francais-covid19>

<sup>10</sup> The EAs who remain very critical of the government have recognized the magnitude of the shift in vision. "The support measures put in place in 2020 include 58 billion in expenditure affecting the public deficit, 77.5 billion in cash flow measures and 315 billion in guaranteed loans. In fact, the amount of state guaranteed loans (PGE) was capped at 300 billion, but only 118 billion had been granted at the end of August. "(AE, 2020). See Section 2.

## 2 Rupture or continuity after Covid

### 2.1 Economic evaluation Post-Covid policies and strategies

As soon as the emergency policies to deal with the pandemic were promulgated, a series of reports and consultations<sup>11</sup> of groups of experts concerning the major Post-Covid economic guidelines were commissioned by the Government. As indicated previously, in this section we will focus on highlighting the way in which these various reports respond to considerations linked to new economic (2.1.1 end of the month) and environmental (2.1.2: end of the world) challenges.

#### 2.1.1 End of the month

i) The French Recovery Plan<sup>12</sup> launched in September 2020 by Prime Minister J. Castex is intended to be structural with a horizon for 2030. This "green, social and territorial" recovery of 100 billion euros (one third of the State budget) for two years is structured around three priorities each financed by one third of the amount of the Plan (30 billion): ecology , competitiveness and cohesion. The Recovery Plan intends to ensure that recovery is inclusive and avoids an increase in inequalities. The defense of cohesion articulates three major issues that combine massive support for the health system of 6 billion euros (giving more flexibility to establishments and, with reference to the transformations required by the draconian plans to seek financial balance, an integration of the quality of care in the funding rules of hospitals), employment (6.5 billion aid for the youth employment plan and 6.6 billion partial unemployment compensation)<sup>13</sup>.

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<sup>11</sup> We will present these reports in a chronological order: Recovery plan in September 2020, Next Generation EU Plan of the European Commission (Covid Emergency Recovery Plan) of December 2020, OECD Report of March 2021 and that of September 2021, Report of the Arthuis Commission on Public Finances (March 2021) , Report of the Tirole-Blanchard Commission (established in March 2020 and whose report was published in June 2021).

<sup>12</sup> <https://www.economie.gouv.fr/plan-de-relance>

<sup>13</sup> [https://www.economie.gouv.fr/plan-de-relance/tableau-on-board / cohesion](https://www.economie.gouv.fr/plan-de-relance/tableau-on-board-cohesion)

**ii)** During the presentation of the Recovery Plan, the Prime Minister recalled that France would benefit from 40 billion from the European Recovery Plan, it being understood that France's contribution to the financing of this plan is up to 17 billion euros. This 1.8 trillion Euro European Plan announced in November 2020 is actually made up of two different plans. These two plans are the MFF Plan (Multi-Annual Financial Plan) which started to be discussed in 2018 which concerns the period 2021-2027 and the Rescue Plan of the EU economy specifically concerning the Covid launched in May 2020. The Multi-Annual Financial Plan proposes, with a budget of over one trillion euros, to support modernization (50% of the total amount) through research and innovation policies (Horizon Europe). The NextGeneration EU Plan with a budget of 750 billion euros proposes to work for a greener, digital, fair and healthier Europe<sup>14</sup>. The objective of the Plan is to help guard against future crises and build a safer and healthier EU by promoting cooperation between EU countries (EU, 2020). The EU has set up the SURE mechanism<sup>15</sup> (*Support to mitigate Unemployment Risks in an Emergency*). This measure, financed to the tune of 100 billion euros in the form of loans to States which request it (such as Bulgaria, Spain, Greece and Italy), makes it possible to finance short-term national subsidized work programs to protect unemployed employees (financial assistance to employers to avoid dismissal, support for loss of income for self-employed people and adaptation of workspaces to be compatible with the protection of employees against Covid). 19 countries have benefited from it for 90 billion euros, 62 billion of which have already been paid by the EU.

**iii)** In March and again in September 2021, the OECD published reports on the economic situation linked to the health crisis (OECD, 2021). In these reports, the institution underlined the need for public action to support growth and help the citizens of the various OECD countries.

In its March 2021 report, the objective is to protect the incomes of those hardest hit by the crisis, protect the incomes of low-skilled and vulnerable people, improve training programs and access to the labour market and focus the effort on young people to prepare

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<sup>14</sup> [https://europa.eu/next-generation-eu/index\\_fr](https://europa.eu/next-generation-eu/index_fr)

<sup>15</sup> [https://ec.europa.eu/info/strategy/recovery-plan-europe/recovery-coronavirus-success-stories/jobs-and-economy/shoring-up-economy-across-EU\\_en](https://ec.europa.eu/info/strategy/recovery-plan-europe/recovery-coronavirus-success-stories/jobs-and-economy/shoring-up-economy-across-EU_en)

them to enter a changing labour market (OECD March 2021). It is also about ensuring the acceleration of vaccination by coordinating efforts around the world, promoting funding for the COVAX initiative and putting in place effective screening, patient monitoring and tracing contacts programs. Vaccination and the public efforts in this effort are seen as an essential means to allow the sustained return of growth.

In the September 2021 report, the OECD indicates that the vaccination policy has borne fruit in many OECD economies and that this has supported growth. But it tempers this judgment by indicating that the situation is uncertain due to the possible spread of Covid variants, the low level of vaccination in emerging countries and the unknowns concerning the duration of protection of the vaccines inoculated so far. The OECD since the failure of the European crisis has kept in mind that a precipitous return to financial equilibrium could slow down the recovery. It therefore suggests maintaining support and stimulus policies on the part of the State through the mobilization of public policies of “monetary flexibility”, inexpensive credit and job protection. The issue of inflationary risk is raised as a risk for the medium term but a lesser problem for the short term (controllable risk) and permissive monetary policy tolerated and even welcome, but the report also indicates that the return to "normal" should ultimately take place through a sequential strategy. The OECD stresses that the current crisis will transform the structure of employment in all countries. According to the report, it is important to take advantage of this crisis and its magnitude to move in the direction of reforms that could not / should not be postponed (such as the pension reform).

**iv)** Still on the question of the "end of the month" issue, a group of experts , around J. Arthuis, was requested by the Macron government on the question of the governance of public policies and the importance of respecting budgetary balances. This report shares with the OECD the importance of government support during the Covid crisis through borrowing.<sup>16</sup>

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<sup>16</sup> A first remark concerning this report concerns the composition of the committee and the members and their economic / political orientations (Laurence Parisot from Medef - Movement of the Enterprises of France, the largest employer federation in France-, Tirole, Blanchard,). Union officials were heard

But this report insists on the exogenous nature of the crisis, which is often a signature of orthodox approaches to consider that crises are always external phenomena and do not involve any modification of the functioning of the economy. And even to point out with a certain cynicism that the crisis can be useful because it could promote an in-depth transformation of the governance of public finances in France. Among the first proposal is that of not immediately cutting public expenditure but to act responsibly within the framework of a longer-term vision, linked to mechanisms for the accountability of managers public and recourse to an institution "independent" from political vagaries. The report notes that France has built up a historic reputation for over 200 years and can sustain its debt in the short term due to low rates. If in the long and short term, France's finances are in line with its development, the COVID crisis could constitute a good opportunity to justify changes in governance due to the depth of the debt.

The report reaffirms that the deterioration of public accounts and closely linked to the costs of Social Security and pensions and also that taxes are too high and that no solution linked to any increase in taxes / levies can be a lasting solution for the recovery of public finances. They present them under three axes / pillars: i) Create a multiannual expenditure standard and make it a new compass of our public finances (which amounts to breaking out of the shackles of annual public finances imposed by Maastricht and the PSCE; ii) Install a budget watch for a long-term approach; iii) Deepen the parliamentary debate for a broad democratic appropriation of public finance issues<sup>17</sup> which may seem contradictory with the desire to develop ad hoc independent institutions.

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according to the appendices to the report. However, we look in vain for elements / suggestions from them that are included in the report. These discussions when they appear are to be defeated (debt cancellation for example).

<sup>17</sup> Concerning the third pillar (widening of the democratic debate) the case of the "great national debate" at the (partial) end of the Yellow Vests movement and the way in which the climate commission was censored by the government does not bode well positive for this path as attractive as it is on paper. See the discussion of Coriat on the citizens' convention on the climate at the end of his book on the pandemic but also to relate to the cold shower concerning the conclusion of this commission in the bill.

v) Finally, the report of the Commission of Experts chaired by J. Tirole and O. Blanchard<sup>18</sup> is commissioned by Macron in early 2020 (before COVID) and its results are presented in June 2021 in the form of recommendations and "more exploratory proposals". Tirole and Blanchard say they do not take into account the current Covid19 pandemic. They reaffirm the interest of having a commission composed entirely of economists without taking into account the dimension of social sciences. Among the three main axes considered in the report, two of the three axes followed by the report deal with the issue of the "end of the month".

The second axis of the report of this commission concerns inequalities considered from multiple dimensions (quality of employment in particular) while insisting on the importance of reinforcing equality in terms of human capital<sup>19</sup>. Proposals concerning inheritance tax, vocational training, better internal organization of companies, labour market reforms (bonus - penalty) are also discussed. Even if Tirole and Blanchard note that France is not the worst off in terms of income inequalities, heritage and regional inequalities, they note a loss of the possibility of social mobility in the vision of the French who see their quality jobs disappear. The Commission's recommendations aim to reflect upstream of production (p. 16) and downstream (redistribute and protect the losers) in addition to creating, during production, with more accessible quality jobs. As recommendations, the authors of the report propose to strengthen equality of opportunity (better use of revenues from inheritance tax), to implement fairer taxation (use of artificial intelligence, better exchange information, international agreements on corporate taxation) to redefine the way the state intervenes in job creation, influencing technical progress and redefining trade rules. In the second chapter of the Report (*economic inequalities and*

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<sup>18</sup> We again note the method which consists of going through experts (all mainstream economists even if D. Rodrik had held more critical positions on globalization and its effects on inequalities). Philippe Aghion, champion of innovation and incentives is among the members of the commission (author of the economic project defended by E. Macron during the 2017 elections) as well as Daniel Cohen, Nick Stern, as well as P. Krugman, L. Summers (neo Keynesians).

<sup>19</sup> Theory of endogenous growth perfectly compatible with most of the members of this committee and clearly in agreement with this observation.

*insecurity; Measures for an inclusive economy*), D. Rodrik<sup>20</sup> and S. Stantcheva propose to explore how to make economic opportunities benefit the greatest number but also that they be equitably distributed (equal access to quality education, social protection and tax progressivity) "in order to take into account changes in the labour market and the international context" (TB, 2021, p. 225) in mobilizing production and redistribution objectives at the same time. According to the authors of this chapter, "expanding access to 'quality jobs' in turn directly contributes to increased productivity and the growth of the economy as a whole" (TB, 2021, p. 225). ). The articulation of the proposals which go from equal opportunities, to the search and promotion of quality jobs via taxation and inheritance rights leads to a proposal concerning a renegotiation of the rules of world trade in order to include a procedure for combating social dumping. The idea defended by the authors is that the importation of products from delocalized production in economic spaces where working conditions are degraded and maintained as such on purpose (social dumping) must be denounced so that the legitimacy of the benefits of international trade ("in perfect competition") is not reduced to nothing. A transformation of world trade rules (not only at the initiative of France, too weak to initiate this movement, but rather on a European scale) including procedures to combat social dumping would make it possible to preserve the legitimacy of the benefits of global trade<sup>21</sup>. It is a question of saving commercial liberalism by separating its faults (social dumping) from competition beneficial for "all" according to Rodrik and Stantcheva. (distinction between "real" social dumping and what comes under ordinary competition "(TB, p. 336)

Finally, the third axis is that of demography specifically to deal with the increase in life expectancy and the "fair balance between work and retirement" (p. 17). This last axis seems to have attracted the full attention of the committee and discussions relating to the pension system should go through the extension of contributions or the increase in the

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<sup>20</sup> D. Rodrik has a long series of works on the question of globalization and economic insecurity since the end of the 1990s, being part of the critiques of globalization but mobilizing the neo-Keynesian and even neo-institutionalist analytical framework.

<sup>21</sup> The authors insist on the results of an original survey for the report indicating that the French in their great majority adopt a critical vision of globalization and readily adopt protectionist visions (sometimes associated with xenophobic or racist criticism) because of isolated cases according to the authors, of social dumping and its consequences on the quality of work in France.



retirement age in addition to being unified, more transparent. and more fair. Without rejecting the current pension reform project proposed by Macron, the report proposes to amend it by making it more transparent, redistributive allowing individual flexibility, recognizing the arduous nature of the work, allowing a trade-off between retirement age and the level of pensions. As in the Arthuis Report, an independent governance structure to deal with these issues is proposed. More broadly, the report considers the issue of older workers (longer) and integrates the dimension of the integration of the immigrant population into the labour market.

Given these elements, we are entitled to note the absence of differences with the reform proposals before the Covid in most of the reports and the support for unconditional orthodox policies.

### **2.1.2 End of the world**

Let us go back to the various reports cited above, focusing now on the discussion on environmental considerations: “end of the world”.

i) In the 2020 Recovery Plan for France, a third of the Recovery Plan will be allocated to investments in four priority sectors (energy renovation of buildings for \$ 7 billion, transport, agricultural transition and energy) to make France's leading large carbon-free economy in Europe and making the ecological transition (9 billion). The French government intends to identify and invest in the clean sectors and technologies of the future to develop its competitiveness and "nurture (its) sovereignty" according to the plan<sup>22</sup>. Regarding competitiveness, the Plan intends to take advantage of the Covid crisis. Prime Minister J. Castex recalls the role during the Covid crisis of caregivers,

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<sup>22</sup> Note that the reference to sovereignty is a barely masked allusion to the nationalist / sovereignist discussion before the presidential elections of April 2022). <https://www.economie.gouv.fr/plan-de-relance/tableau-de-edge/ecology>

researchers<sup>23</sup>, businesses and industries<sup>24</sup>. In September 2021, new projects and plans (SFI Solutions Industries du Futur) aim to promote the transition to Industry 4.0 for the sectors of intelligent industrial machines and solutions (mechanical, electrical, electronic, digital)<sup>25</sup>.

**ii)** This vision is fully compatible with the EU MFF Plan (2021-2027 budget) / NextGeneration EU (Covid Emergency recovery Plan) which allocates a very large share of funding to the low-carbon economy by investing in innovation and by promoting the transition to a cleaner economy.

**iii)** The OECD discusses in its reports the strategic and compelling nature of investing in the green economy. The institution offers to help companies to adapt to a digital future<sup>26</sup>. In its Report of September 2021 on the post-covid economic situation and forecasts, the OECD defends and promotes reforms concerning the digital / digitization of the economy and the transition to a low-carbon economy (OECD, 2021, 17-18 ). These points are fully compatible with the EU Plan, the France relaunch plan and the considerations of the Tirole and Blanchard commission report. The monetary policy of Central Banks is also discussed. While cheap credit (*monetary policy accommodation, OECD, 2021, 16*) is the order of the day until growth is consolidated, the norm continues to be a strict, credible monetary policy (austerity under the guise of monetary orthodoxy ). The tax discussion is also present in the report and even if the OECD recognizes the importance of breaking

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<sup>23</sup> Two categories hard hit by successive policies and reforms for decades.

<sup>24</sup> This reminder serves to call for a more “resilient and more responsible” economy (resilience, another overused concept). The Plan proposes to allocate 25 billion of the total of the Plan for the sustainable recovery of the activity of SMEs, in particular by proposing, once again, tax cuts and 3 billion euros in aid for the cash flow of companies. indebted. <https://www.economie.gouv.fr/plan-de-relance/tableau-de-bord/> competitiveness . Businesses have been the beneficiaries for decades of subsidies, tax reductions and social contributions.

<sup>25</sup> 6648 companies supported, 706 billion in aid and 2.28 billion in industrial investments in addition to the lasting reduction of 10 billion euros in taxes per year to gain in competitiveness. Four priority areas: modernize, innovate, (re) locate, decarbonize.

<sup>26</sup> Give priority to donations and forms of support related to equity investments, over debt, in order to give viable small and medium-sized enterprises oxygen to develop and to invest in less polluting infrastructure and in digital technologies to foster a transition to a more resilient and sustainable economy (OECD, 2021).

the fiscal balance existing before the pandemic (allowing public policies of aid and support). The return to fiscal balance is seen as necessary and essential.

iv) We point out that the Arthuis report on public finances does not mention the environmental issue (end of the world). This seems in contradiction with the need to think about public policies for the transition.

v) Finally, the Tirole-Blanchard report notes the climate emergency, which requires resolute and rapid action on a large scale but without increasing production costs, which according to them implies a global approach in which carbon pricing is necessary but not sufficient (p.14). The losers of carbon pricing must be better taken into account (modest and rural households with explicit reference to the Yellow Vests movement). Measures aim to avoid relocations for environmental reasons by applying a carbon adjustment at borders.

Targeted research grants take up the dominant logic of project-based research and the proposal for the creation of two independent (European) bodies to finance high-risk and high-potential research projects.

The authors of the TB Report admit not having taken into account the consequences of the Covid in their recommendations<sup>27</sup>. Nevertheless, better trade control avoiding fiscal and ecological dumping could constitute steps for the world after Covid.

## **2.2 Critical / heterodox economic evaluation of Covid emergency policies and post-covid perspectives**

### **2.2.1 End of the month**

In their note concerning the France Relance Plan, the Appalled Economists (Economistes Attérés, AE, close to the French Regulation theory and Post-Keynesian economists and other heterodox theories) recognize that the Plan is less timid than that of 2011 when the

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<sup>27</sup> See (TB, 2021, p. 23)

search for the consolidation of public finances guided by German ordoliberalism had weighed heavily on funding and scale of the European and French plan.<sup>28</sup> They note that "on the surface the government has become Keynesian, Colbertist, environmentalist." (EA, 2020, p.2). However, they also note that no abandonment of "liberal reforms and increased corporate profits under the guise of competitiveness" is outlined. (EA, 2020, p. 2). In addition, of the 100 billion in the Plan, many measures had already been decided before and no measures for employment or the prohibition of redundancies are indicated in this Plan<sup>29</sup>. In the AE note of September 2021, the group of heterodox economists recognize the importance of the suspension of the pension reform on the part of the Government even if its relevance is reaffirmed by the Macron's Government. The AE nevertheless criticizes the reform of unemployment benefits as well as the hasty implementation from the end of 2021.

More radical, M. Husson<sup>30</sup> indicated in September 2020 that this Recovery Plan was too cautious, poorly thought out and did not take into account the inequalities of those who are suffering the effects of the pandemic on the demand side (consumption / savings) but also on the supply side (State guaranteed loans: Large versus small businesses, finance versus real economy). In addition, M. Husson was not convinced of the ability of the Recovery Plan to provide adequate responses to the difficulties of the French economy, fight against inequalities and face climate issues without abandoning the neoliberal model. He also criticized the excessive reliance on financial markets and green finance to take into account long-term issues. These issues which cannot be assessed in a commercial perspective and which involve social choices should be the result of political choices and ecological planning that really authorizes a transition of the economy that is more respectful of the environment and better able to meet social needs.

The report Tirole - Blanchard is obviously not in the same tradition and offers less radical solutions to respond to the environmental problem.

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<sup>28</sup> See Cédric Durand, *En Finir avec l'Europe* La Fabrique Edition, 2013.

<sup>29</sup> See (EA, 2020)

<sup>30</sup> We would like here to pay tribute to him.

Concerning the Report specifically on axis 2 (“inequalities and labour” debate presented by Rodrik and Stantcheva), proposals for overhauling taxation and inheritance rights are presented but nothing appears specifically on the taxation of capital or taxation of great fortunes. The discussion on the inequalities of the authors of chapter 2 of the TB Report also leaves aside the inequalities of assets, gender, social protection conditions (AE, 2021, p. 35-36 and 41). We can note the limits of the authors' vision due to their mainstream / liberal approach which prevents them from understanding that the heterogeneity between economies is the basis of capitalist dynamics. The authors note however (and surprisingly since this seems to render their proposal for an anti-dumping clause obsolete) that such a proposal already exists in France since 2017<sup>31</sup> . On this point (international trade and quality employment), the article of the Appalled Economists of September 2021 indicates that one may be surprised by Rodrik's proposal, which falls short of what he produced in terms of measured criticism. globalization since the end of the 1990s. (AE, 2021, p. 40).

Still on the Tirole-Blanchard report (3rd axis: pension reforms) the Appalled Economists indicate that “the authors fundamentally approve the reform project of Macron and the government of Édouard Philippe; they propose some adjustments, but these are not likely to make that the project collects popular support, since the level of pensions is not guaranteed and that the balancing is always done by a sharp fall in pensions. “(AE, 2021, 50)<sup>32</sup>

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<sup>31</sup> (LAW n ° 2017-399 of March 27, 2017 relating to the duty of vigilance of parent companies and ordering companies) See TB Report p. 340-341

<sup>32</sup> Published in October 2021, the book of the Appalled Economists goes further and presents proposals for political and public debate. They offer ideas around several axes that we are only presenting here:

- i) Healing: against the commodification of health (around the notion of common goods);
- ii) Educate yourself (against human capital);
- iii) Producing together (Critique of Multinational firms and proposal for a social and solidarity economy);
- iv) Working together: criticism of the « end of labour » and the job digitization, proposal of a new formula for the Reduction of Working Time criticizing productivism. On this specific point, the authors note that the provision for payment of part-time job by the State during the Covid pandemic shows that it is possible to think of RTT (Labour Time Reduction in French) on a large scale without productivity being affected;

Regarding inequalities and taxation, there is a rejection of principle on the part of the committee on public expenditure. The tax hikes are rejected a priori which is hardly surprising when one keeps in mind the liberal obedience of most authors. The possibility of an increase in taxation for the richest is rejected because of its too low contribution to French public finances. The deterrent effect on investment is also mentioned. The control of expenditure is reaffirmed on numerous occasions and constitutes the uncontested dogma.

T. Piketty proposes to discuss the inequalities linked to the covid in addition to the trajectory prior to the Covid proposing in particular an inheritance tax (not only inheritance tax but also annual capital tax of up to 90%) and a more progressive tax within the framework of what he calls ecological and mixed-race decentralized democratic socialism or egalitarian and self-management participatory socialism.

To the vision of Tirole-Blanchard who considers the Covid crisis as an exogenous phenomenon, F. Lordon, analyses it on the contrary as the by-product of the functioning of Capitalism. Capitalism, in order to survive, needs to continually extend its area of influence, its capacity to produce value. The uncontrolled advance of Capital over Nature and Humanity is producing more and more zoonoses. Also without a radical transformation of Capitalism new health crises are bound to appear. It is for this reason that F. Lordon and B. Friot think that reforms on the fringes of Capitalism would not be enough to get out of this infernal spiral<sup>33</sup>. They therefore propose to leave Capitalism by abolishing the lucrative property of the means of production and by abolishing the financial sphere. These radical transformations would tend the economy towards a form of communism. In this context, the financing of production would be achieved through democratically managed investment funds. Labour would be organized on a cooperative basis. Wages would not depend directly on labour but on belonging to the community of

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Employer of last resort proposals for harmonization between work and environment are made. The authors propose the reduction of the differences between salary levels (1 to 4) and a maximum salary of 5000 euros.

v) Living together: intermediary bodies, unions, citizenship, citizens' committees at odds with the proposals of "independent" institutions made up of experts proposed in certain mainstream reports.

<sup>33</sup> <https://ladispute.fr/catalogue/en-travail-conversation-sur-le-communisme/>

producers<sup>34</sup>. They propose the conquest of power in companies, retirement at 50 with an amount of € 2,500 minimum. A democratic functioning of production based on the free understanding of producers. The principles behind the creation of Social Security in 1946 would be extended to the entire productive sphere<sup>35</sup>.

## 2.2.2 End of the world

In this subsection, we will deal with critiques of proposals relating to the environmental dimension of reporting on the post-Covid economy.

The Appalled Economists criticize the approach of the Recovery Plan and the results of the Tirole-Blanchard Report on climate change and environmental emergency<sup>36</sup>. Concerning the part dealing with the first chapter of the TB report on the environment, they are very critical<sup>37</sup>. As J. - M. Harribey notes, the way in which the climate is treated shows the limits of economic approaches and in particular the neoclassical vision which only mobilizes the market mechanism and prices to discuss this central question. The reflection revolves around the main conclusions of the Paris Agreement and the main mechanism is that of the carbon market. Even if Tirole and Blanchard report presents synthetic elements of the IPCC Report, J.-M. Harribey criticizes the fact that the report draws consequences other than the unbridled pursuit of economic growth through technical progress / innovation<sup>38</sup>. On this point (as well as on the discussion of inequalities), the Note of the Appalled Economists -which calls for the plurality of approaches in particular the Marxist perspective in the case of the treatment of the climate

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<sup>34</sup> Article by F. Lordon in the journal *Humanité* (March 19, 20, 21 2021) and (Lordon and Friot, 2021).

<sup>35</sup> They are theoretical differences concerning the analysis of the period after the war (Fordism and consensus for Lordon in a Regulationist tradition and within the framework of the class struggle for Friot)

<sup>36</sup> (AE, 2021, p. 6)

<sup>37</sup> (AE, 2021, 22).

<sup>38</sup> See (EA, 2021, p. 6). and (EA, 2021, p.11)

crisis and its consequences on capitalist development- is not tender, and rightly so, with the conclusions of the TB Report<sup>39</sup>.

In the proposals and debates of the Appalled Economists of October 2021, certain points deal directly with the ecological theme, for example the chapters "Feeding yourself" which questions the way people eat in the capitalist system or « making culture ». They discuss what are the determinants to build a society that lives well together. In the chapters " Housing " and " Getting around " they discuss these themes in a critical way by putting the preservation of the environment and the quality of life at the core. Author of one of the chapters of the AE' book, B. Coriat considers the Covid crisis to be endogenous to the financialized capitalist accumulation regime, unlike mainstream reports (Coriat, 2020, chapter 1). He develops a defense of the *Commons* as a way to reshape capitalist private property. This radical vision of the Commons leads the author to specify in his 2021 book how his vision radically differs from that of J. Tirole who claims to deal with the Commons but following a neo-classical / liberal reader of the Commons. In (Coriat, 2020) the question of the citizens' committee on the climate as an alternative deliberative / democratic path (Polycentric governance) is discussed, even if the example of the citizens' committee on the climate shows its limits. This reformist institutional path (not revolutionary) is different from that of Friot-Lordon but seems to be compatible with T. Piketty who does not however mobilize the *Commons*.

To conclude this subsection and this part, let us note with the (AE, 2020) that the articulation between the 3 axes of the Tirole-Blanchard Report and the new reality of post-covid poses a problem<sup>40</sup>.

R. Boyer's call to replace the capitalist system with a system based on education, health and Nature may remain wishful thinking as noted by the own author<sup>41</sup>. He readily

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<sup>39</sup> (EA, 2021, p. 7).

<sup>40</sup> (EA rating, 2021, 11)

<sup>41</sup> See the reading note by Cédric D. in the review of the Regulation on the limits of Boyer's vision concerning the global dimension of the question and the necessary political and social transformations for such a transformation of the mode of accumulation to take place.



recognizes the difficulty of setting up such an accumulation regime as well as having the political actors available to put it in place and instead bets on the handling of the regime in place with the possibility of strengthening its inegalitarian and dangerous character for nature. On the question of knowing which political and social forces are at work, R. Boyer mentions the work of B. Amable<sup>42</sup> to show that the rupture is not likely to take place and that we must seek a new consensus that articulates labour and the respect for the environment by re-embedding the economy in the political in a more reformist approach compatible with the proposals presented in (AE, 2021).

## Concluding remarks

A few months before the 2022 elections in April, it is difficult to predict the name of the future French President, nevertheless the victory should be played between the center right and the right. The radical left, environmentalists and the scraps of the Socialist Party, without a government agreement allowing a gathering of these forces, the possibility of maintaining the second round seems today (early January 2022) compromised. On the rightwing, the reconstruction around V. Pécresse continues with tensions between the center right and the right wing of the party (far-right). The loss of part of the popular vote is not settled. The movement to the right of the Republic on the march (LREM / MACRON) reduced the political space of *Republicans* in the center. An attempt to recover the ways of the far-right by assuming a reactionary discourse would risk leading to the loss of the more centrist voters who would find themselves more easily on the values of openings advocated by the Macron's political party. For its part, the far-right has once again entered into internal quarrels. Due to the attempt at de-demonization, since the election of Mrs. Le Pen at the head of the party since 2011 (daughter of Mr. Le Pen,

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<sup>42</sup> His book of 2020, offers an interpretation of the political forces present in France from the 1980s to 2020. He describes the trajectory of France by underlining two important moments in the turn towards neoliberalism: 1983 (turning point of *rigor*, see first part of the article) and 2012 with Hollande. He describes the economic policy of E. Macron as a Right 2.0 policy and denounces the authoritarian drift, in particular against the Yellow Vests. For him, while during the Covid pandemic, the president affirmed that “everything must change” and that France is at war, the bourgeois bloc was consolidating.

the historical leader of the far-right party with neo-nazi sympathies), the National Front, renamed since Rassemblement National, tries to make the link between all the popular classes of the right and the disappointed of the left with an always offensive discourse on questions of sovereignty and national identity but with a less liberal tone than in the past. This deportation to the “left” / popular topics opened up a political space for E. Zemmour, a journalist, who reaffirms the theses of the National Front both in substance and in form. Due to the decomposition of the political supply, there should be a bonus to the outgoing government. Thus, except surprise linked to an underperformance *d'en Marche* (*Macron' party*) in the first round, the current President facing a far-right candidate should win because of a "republican reflex". Faced with the right-wing candidate, the election could be more divided, but the political orientations would generally go in the same direction: Limit public spending, the number of civil servants, support for businesses in the context supply-side vision. The political orientations may therefore remain within the framework of the more or less rapid of the liberal plan, of which the postponed pension reform will constitute one of the major challenges. These orientations correspond to the doctrine and the discourse of the government in place, but the erosion of power and the shocks have contributed to increasing the gap between the discourse - which always wants to be focused on supply- and a policy of supporting the economy which in many ways could be akin to a Keynesian-type stimulus economy without this being fully assumed by the executive.

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