

Reflections on Writing French History after the GFC, Le Pen, and Piketty

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This paper arose as I was revising my *France since 1870* for a third edition (Palgrave, 2018). I confronted the erosion of the post-war social settlement, growing hostility to Muslims exacerbated by terrorism, misogyny and hyper-masculinity, and above all resurgent authoritarian and xenophobic nationalism exacerbated by the GFC and manifested in the success of the Front National. This was not the course of French history I had anticipated during fifty years of teaching. I had concluded the first edition (2001) optimistically, “As extraordinary fireworks from the [Eiffel] Tower marked the new millennium, the French could feel cautious optimism about their future”.¹ The loss of my youthful romantic illusions was painful.

Thomas Piketty’s *Capital in the Twenty-First Century* offered help in understanding these issues, though it did little to maintain my illusions.² Piketty made three key points:

1) The underlying trend of modern capitalism has been toward growing inequality;
2) That trend was masked by a significant but short-lived period of decreasing inequality, from the 1940s through the 1970s, a period which coincided with my formative years. Subsequently, the trend toward inequality resumed. On the eve of the GFC, inequality was as high as in 1929 and, after a short pause, it began to climb again. The trend toward inequality was, in historical terms, an aberration, a blip on the graph;

3) Thus the post-war social settlement was also an aberration, a blip on the graph. The symptoms of growing inequality, which we like to think of as aberrations, are the trend. Among them is the phenomenon of authoritarian and xenophobic nationalism gaining power or even coming to power in dysfunctional polities.

Let me expand on these three broad points in order.

The first broad point is the underlying trend of modern capitalism toward inequality. Piketty proved this with a massive data base stretching back two centuries and across the western or developed world. The west on the eve of the World War I was indeed a gilded age, a belle

¹ Sowerwine, *France since 1870*, 434.

² Piketty, *Le capital au XXI^e siècle*; *Capital in the Twenty-First Century*.

epoque for the wealthy. The top ten per cent enjoyed between 42 and 47 per cent of total national income in France, Germany, the UK and the US. Two world wars, depression and, importantly, the post-war social and political settlement (in France the *trente glorieuses*) significantly reduced inequality. By 1970, the top ten per cent's share of national income had fallen to between 28 and 34 per cent. The advent of neo-liberalism in the 1980s, however, significantly increased inequality: by the beginning of this century, inequality was as great as during the belle époque and even trending higher. By 2010, the top ten per cent's share had risen back to its pre-World War I level in the UK and above it in the US, although it had not risen so high in France and Germany, where neo-liberalism was slower to take hold.³

The initial causes for the reduction of inequality were largely beyond anyone's control ("acts of God," as insurers call them): World War I (though it did wonders for wealth-holders in the US), the Depression and World War II. During the post-war boom or *trente glorieuses*, however, it was not acts of God that kept inequality low, but, as Piketty puts it, the "advent of new regulatory and tax policies" — from 1950 to 1962, the top income tax rate in the US was 90 per cent! — "along with controls on capital, [which] reduced capital's share of income to historically low levels".⁴

It is worth noting as well that this exceptional period of low inequality was also a period of exceptional prosperity — the *trente glorieuses* or post-war boom. From 1949 to 1974, French GDP rose by an average of 5.4 per cent every year. All the western economies experienced a broadly similar post-war boom. By contrast, from 1990 to 2007, French GDP rose by an average of 1.9 per cent annually and the economy shifted from industry and construction to services; again, a similar evolution occurred across the west.⁵

I was seven in 1950. The period during which I came of age was an exception which I of course assumed was the natural state of affairs. We were comforted in this illusion by the received wisdom among economists. In first-year economics in 1961, I learned that growing prosperity and, to boot, shrinking inequality were both naturally inherent in capitalism. Samuel Kuznets' magnum opus had proved that inequality was reducing and it was assumed that this trend would continue. This encouraged a sunny optimism and in history and politics, a Whiggish tendency. Little did we know that Kuznets' data were based on an exceptional period.⁶

When faced with the increasing inequality of the late twentieth century, I and much of my generation saw this as a temporary aberration. We were not alone in this. Everyone was slow to come to grips with this unwelcome change until Piketty's research forced the issue upon our attention.

This leads me to Piketty's second broad point: the period which Kuznets had studied and which had shaped my perspectives was not the norm but the exception. In the 1980s, inequality resumed its natural trend to increase. In Piketty's words, "capital began to reconstitute itself". Piketty points to the Thatcher (1979) and Reagan (1981) regimes as "marking the beginning of a conservative [or neo-liberal] revolution".⁷ In speaking of France, we should add of course Mitterrand's 1983 U-turn on economic policies, forced by the markets.

³ Top Decile Income Share, Europe and the U.S., 1900-2010, Piketty, *Capital in the Twenty-First Century*, 323. <http://piketty.pse.ens.fr/files/capital21c/en>.

⁴ Piketty, *Capital in the Twenty-First Century*, 41-42.

⁵ French GDP Growth 1950-2007, Gérard Bouvier and Charles Pilarski, "Soixante ans d'économie française: Des mutations structurelles profondes", *INSEE première*, N° 1201, July 2008.

⁶ Samuel Kuznets, *Shares of Upper Income Groups in Income and Savings*; cf. Piketty, *Capital in the Twenty-First Century*, 13-15.

⁷ *Ibid.*, 41-2.

The shifts toward increasing inequality were mirrored by shifts in the share of private wealth. The conservative or neo-liberal revolution marked what Piketty calls “the privatization of heritage (*patrimoine*)” in the original, translated as “capital’s comeback” in the English version.⁸ In 1910, French private capital represented seven times annual GDP. In 1950, that ratio fell dramatically to just over two times annual GDP. From the 1980s, private capital resumed its apparently inexorable increase. Germany and the UK evolved in similar fashion.⁹

Not only did private capital dominate before and after the mid-twentieth century, but also and of potential significance for political history, the share of inherited wealth in total wealth was much higher. It had dominated until two world wars and depression reduced its share of total wealth. That reduction continued under the political and regulatory regimes of the *trente glorieuses*. As the brakes on capital were released from the 1980s, inherited wealth began to increase its share of total national wealth. From a low of 45 per cent in 1970, it rose to 68 per cent in 2010. That was still well short of its 1910 high of 90 per cent, but it was trending upward.

Piketty projects two scenarios into the future. With existing tax and economic strategies, inherited wealth is on track to regain its 1910 high of 90 per cent by 2070. With the policies Piketty advocates of regulation, redistributive taxation, and other political and regulatory brakes on capital, inherited wealth would still reach 80 per cent of total wealth by 2050 but it would not go higher.¹⁰

Piketty’s third broad point flows from this reality. The post-war social settlement coincided with and was only possible because of private capital’s weakened state in the mid-twentieth century and that weakened state was, in historical terms, an aberration, a blip on the graph. Capital is now well on its way to regaining its pre-1914 position.

The key point to bear in mind is that it was not the market which kept capital in a relatively weak position until the 1980s, it was politics: on the one hand, “new regulatory and tax policies” weakened capital; on the other hand, the political right was damaged — but not as it turned out destroyed — by lack of financial support and by association with the discredited Nazi and fascist regimes.

The constraints on capital — structural first, then political — made possible a society of greater equality. We need to look for the ways in which big money (which is basically derived from capital) exerts power in politics and constrains choices and the ways in which it was possible to overcome these constraints. Robert Soucy showed how French fascist groups of the 1920s shrank when big business shut down funding, first because Poincaré’s coming to power obviated the need for such groups and then because the Depression reduced donors’ financial clout.¹¹ Philip Nord showed how in the post-war climate social reforms which business had previously managed to prevent became the norm.¹²

Politics has, to be sure, its own dynamics. They play out, however, on a stage constructed as it were by economic factors. Robert Kuttner has recently argued persuasively that in times of economic dislocation, many seek an authoritarian ruler as a protector against economic forces that seem to overwhelm them.¹³ And it’s obvious that when people are secure, as in the

⁸ Ibid., 170; Piketty, *Le capital au XXI^e siècle*, 289.

⁹ Private and public capital in Europe, 1870-2010, Piketty, *Capital in the Twenty-First Century*, 145. <http://piketty.pse.ens.fr/files/capital21c/en>

¹⁰ Piketty, *Capital in the Twenty-First Century*, 402. <http://piketty.pse.ens.fr/files/capital21c/en>.

¹¹ Soucy, *French Fascism: The First Wave; French Fascism: The Second Wave, 1933-1939*.

¹² Nord, *France's New Deal*.

¹³ Kuttner, *Can Democracy Survive Global Capitalism?* See also his *Debtors' Prison: The Politics of Austerity versus Possibility*.

prosperous economy of the *trente glorieuses*, they don't feel the need for extremism. Economic dislocation and the resulting insecurity open the way to extremism. Both industrialization in the Third Republic and deindustrialization in the Fifth opened the way to the far right. Today's far right and the 1890s new right invented in the Boulanger and Dreyfus Affairs were both responses to economic and social insecurity.

The belle époque new right fused anti-Semitism and nationalism with resentment against the new economic order focused on a scapegoat: the Jews, a fusion which had the advantage of gaining mass support without threatening the wealthy (except for wealthy Jews) and of linking that support to the ideal of a hierarchical society based on strong leadership. Today's far right is similar except that the scapegoats are Muslims instead of Jews. Today's far right (re-)emerged as a force with the Front National's success in the 1984 European elections, in which the FN matched the Communists with ten seats each. Not coincidentally, this was a year after the Marche des Beurs had captured public imagination.

Michel Winock points to the FN's continuities with its predecessors. It built on, in his words, "the union of all resentments: traditionalists and conservative Catholics (*intégristes*), nostalgics of Action Française, neo-Nazis, neo-Poujadists, anti-Semites, nationalists, small people afraid of socio-economic change, of the increase in delinquency, of the violence of urban society."¹⁴ While these continuities are important, the re-emergence of the right was only possible because of the social and economic contexts. One could derive a corollary from Piketty's point that the post-war social settlement was an aberration: if the settlement was the aberration, was and is authoritarian and xenophobic nationalism the norm?

The late twentieth century shift in the balance of power between labor and capital, back toward that of the belle époque, registered not only with the resurgence of the right, but also with a growing resignation to neo-liberal policies and a growing disaffection for politics, which in turn facilitate the rise of extremism. In a 2008 poll, sixty per cent of respondents supported strikes against Sarkozy's plan to cut social welfare and pensions, but almost as many (forty-nine per cent) believed it inevitable that France would shift to an "American" system, in which people would fund their own healthcare and retirement. Significantly, the belief in the inevitability of an "American" system was highest in the 18-24 age bracket (sixty-eight per cent). Their resignation was a factor in Macron's success.¹⁵

Resignation manifested more recently in the failure of the 2018 rail strikes. Despite the strikes, the assembly passed the government's bill on 14 June corporatizing the SNCF and opening train services to competition.¹⁶ It was long believed that such measures, unthinkable during the *trente glorieuses*, had been subsequently ruled out by the great 1995 rail and general strike, widely understood as a repudiation of neo-liberalism.¹⁷ They make an instructive comparison with the 2018 strikes.

The 1995 strikes took place after the presidential elections, which Jacques Chirac won on a program of "solidarity." After the election, however, he abandoned "solidarity" and offered instead cuts to social security benefits and increased charges. Cuts to the pensions of railway workers were perceived as the first step to general cuts. This brought the public behind the striking rail workers, symbolized by the famous photo of Pierre Bourdieu addressing the strikers at the Gare de Lyon. Public support for the strikes forced the government to withdraw its planned cuts.

¹⁴ Quoted in Plenel and Rollat, *L'Effet Le Pen*, 9.

¹⁵ François Wenz-Dumas, "Sondage: une grève populaire", *Libération*, 22 May 2008.

¹⁶ Les Décodeurs, "Que prévoit la réforme de la SNCF", *Le Monde*, 15 June 2018.

¹⁷ Sowerwine, *France since 1870*, 3rd ed., 391-2.

The unlucky prime minister defeated in 1995 was Alain Juppé. His term as prime minister was fatally compromised. Ironically, Juppé was mentor to Macron's prime minister, Edouard Philippe.

Despite these casualties to the 1995 strikes, however, France maintained an ambitious program of neo-liberal reform. Before the strikes, the conservative prime ministers Balladur and Juppé had privatized a total of eleven industrial groups, including France's largest bank, the Société Générale. Beginning in 1997, the socialist prime minister Lionel Jospin realized 175 billion francs in sales of public firms; he privatized more enterprises than any other Western leader except Margaret Thatcher. That privatization policy was not popular, but then, as the political scientist Vivien Schmidt argues, "No nation has knowingly chosen the path of the ultra-free market society".¹⁸

Jospin's neo-liberalism and his proclamation that "I am a socialist but the project I am proposing for France is not a socialist project" led a significant chunk of working-class voters to defect to the Front National in the 2002 presidential elections, and led many on the left to defect on the first round to one of ten candidates to Jospin's left. This combination eliminated Jospin from the first round and allowed Jean-Marie Le Pen to contest the second round against Jacques Chirac.¹⁹

Neo-liberal policies continued from both sides of politics, ultimately leading to a breakdown of the bipolarity on which the Fifth Republic depended. Nicolas Sarkozy's 2009 restructuring made hospitals into separate units, each responsible for its own budget, competing against private hospitals. These reforms were entrenched with Hollande's 2013 budget cuts to the hospital system. Under the socialist François Hollande, economic minister Emmanuel Macron continued neo-liberal reform with the Macron Law of 2015, which deregulated transport (particularly buses), professions and banking, and privatized the testing of driver licenses. Hollande then passed the labor laws of 2016 and 2017, which significantly cut workplace protections, weakened unions and the *Conseils de prud'hommes* (arbitration courts for workplace disputes).

The biggest difference between the belle époque balance of power and that obtaining today is that the Dreyfusards won power and anti-Semitism was discredited, whereas today Macron is president and anti-Muslim sentiment is firmly entrenched. And while the Waldeck-Rousseau and Combes governments implemented significant democratic reform, Macron is reducing the power of parliament and implementing further neo-liberal reform. This has aroused great opposition in the form of the *gilets jaunes*, but neither they nor the 2018 rail strikes formed a coherent political movement as did the 1995 rail strikes.

French exceptionalism, always exaggerated by the French and by Anglo commentators for opposing reasons, has collapsed, as did American and Australian exceptionalism. France is taking her place alongside the other troubled nations of the West, no longer a beacon of hope but only another storm-tossed nation. That is the result of fundamental trends elucidated by Thomas Piketty. And I am struggling to contain my inner Whig.

¹⁸ Schmidt, *The Futures of European Capitalism*, 271–287.

¹⁹ Sowerwine, *France since 1870* (3rd edition), 404-5.

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