France: Macron's First Budget – Gift to the Rich

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Surprise, surprise: Emmanuel Macron's first budget slashes taxes on wealth and guts social spending.

Anyone with lingering doubts about whether the moniker "President of the Rich" fits France's Emmanuel Macron could safely put them to rest this month, upon publication of his first budget since taking office.

Last week the National Assembly, dominated by Macron's En Marche party, approved a reform package overwhelmingly weighted toward elite interests. Its €7 billion of tax cuts included reducing France's wealth tax, long a *bête noire* for the country's right wing, by 70 percent and subjecting capital gains tax to a new flat rate of 30 percent.

Tellingly, the Ministry for the Economy and Finance withheld its own research on the impact of the reforms before the vote in the Assembly. But, by Thursday, they had fallen into the possession of the Socialist chair of the Senate Finance Commission and were released. Under the capital gains reforms, France's wealthiest 100 taxpayers will earn an additional €582,380 per year on average. The top 1,000 will each get a modest €172,220. The rest of the country, on the other hand, can expect little to nothing. Forty-four percent of the total benefits will flow to the top 1 percent.

While the ministry said it could not precisely calculate the financial effects of slashing the wealth tax, Senate Finance Commission estimates placed the gains for the country's top 100 taxpayers at an average of €1 million. These are people with last names like Peugeot and Rothschild; heads of telecom giants, weapons manufacturers, and luxury brands.

But the tax cuts were only the opening salvo of a budget that forms part of Macron's sweeping plans to liberalize the French economy and in his own words, "celebrate those who succeed." After the passage of business-friendly labor reforms and the introduction of plans to rein in unemployment benefits this fall, next up for debate this week are roughly €11.6 billion worth of spending cuts aimed at trimming the country's social safety net.

The double standard is glaring. Just as the government prepares to fork over millions from state coffers to the ultra-rich, it tells the general population it must tighten the strings on public spending. Its budget will include measures such as a €1.7 billion cut in housing aid as well as the elimination of 120,000 state-funded short-term job contracts. Votes on these measures are slated for the coming weeks, with the Assembly wrapping up its work in late November.

Parliamentarians will begin by tackling the Social Security budget. Here, too, the wealthiest will stand to gain. En Marche deputies have proposed lowering employers' Social Security taxes from 30 percent to 20 percent on bonus shares offered to employees. That might seem like an arcane measure, but it has symbolic value. The reform previously passed in 2015, championed by then-minister Macron. Legislators repealed it the following year following a public outcry over booming

CEO compensation tied to stock options. For Macron's commanding parliamentary majority, concerns like these appear to be old news.

Opinion polls suggest otherwise. Macron's popularity has already fallen below that of historically unpopular predecessor François Hollande during the same period of his presidency. An Odoxa poll released after the budget measures found that 88 percent of French people thought they would benefit the richest. Meanwhile, Macron's approval rating with pollster Ifop continued to drop in October, sliding a further three points to 42 percent.

The president's approval among investment bankers appears much higher and steadier. The evening after the National Assembly passed his tax cuts, Macron dined with executives from twenty-one of the world's leading funds in the Elysée Palace's winter garden. They came away pleased. "Yesterday's session was beneficial to the investors present," said a spokesperson for Blackrock, which manages around €5.5 trillion, "and reinforced the view that the opportunities in France are the strongest they've been in two decades."

Meanwhile, meaningful political opposition remains alarmingly limited. En Marche is in firm control of the National Assembly. The right-wing Republican opposition may crib about minor details, but it largely supports the budgetary reforms. The far-right National Front and center-left Socialist Party, both reeling from internal turmoil, formally opposed the tax cuts — but made little impact. As is the case for most parliamentary issues, the most vocal and sustained criticism of the budget came from the left-wing France Insoumise grouping headed by Jean-Luc Mélenchon.

But the Left has not managed to raise mass popular opposition to Macron's measures and the street remains quiet. Union-backed demonstrations against labor-law reform have drawn hundreds of thousands of protesters but failed to make much impact. And in spite of a one-day, public-sector strike and a well-attended France Insoumise march in Paris in late September, a more unified social movement has yet to emerge.

Still, left-wing opponents of the government may have reason for optimism. On November 16, unions are calling for another round of nationwide protests. Unlike the three previous days of demonstrations against labor-law reform, the upcoming protest counts the support of *Force Ouvrière*, France's third-largest labor confederation, and aims to oppose Macron's economic policy at large.

In any event, Macron's reforms continue to beckon toward a profound and sustained lack of popularity over the course of his five-year mandate. So far, *En Marche*'s strength in parliament and the divided nature of its opposition have shielded the executive from significant blowback. But with policy this unpalatable, heads of state can only stay Jupiterian for so long.

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P.S.

* Jacobin. 10.30.2017:
https://www.jacobinmag.com/2017/10/macron-france-tax-plan-budget

See the original article for the integrated links.

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