

History (France): The Defeat of François Mitterrand's Reform Program Still Haunts the French Left

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Despite Jean-Luc Mélenchon's strong showing in the recent presidential campaign, France's left was defeated again by the neoliberal center and far right. The roots of that weakness lie in the Mitterrand government's capitulation to neoliberalism in the 1980s.

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France has once again come out of a presidential election dominated by the outspoken neoliberalism of Emmanuel Macron and the far-right politics of Marine Le Pen. With abstention in the first round at near-record levels, millions again felt forced to vote for Macron as the only remaining barrier to the far right, with the knowledge that he would continue with policies that undermine France's social model and promote an authoritarian attitude to ethnic minorities and policing.

The first-round performance of Jean-Luc Mélenchon did show the resilience of the Left as a third pole in French politics, and negotiations on left unity for the upcoming legislative elections offer an important chance for that pole to assert itself. But it remains inescapable that, in electoral terms but also in fundamental questions of policy and organization, the French left is a weakened and confused force.

The Mitterrand Watershed

The history of how it came to this point is a long one with many significant moments over the past forty years. However, one date still probably comes up in discussion more than any other: March 1983, when a left-wing government under President François Mitterrand decided to remain in the European Monetary System (EMS) and implement a punishing austerity package.

Historians and other commentators often tell the recent history of the French left, its subdued dreams and its increasing disarray, through this moment. According to this narrative, the radical policies that Mitterrand's government pursued upon its entry into power in 1981 were broken by a dramatic conversion to neoliberalism with this "U-turn" in 1983.

This is not merely a story of French interest. Having come to power shortly after Ronald Reagan and Margaret Thatcher, the new French government initially presented a stark alternative to the policies being pursued in the United States and the UK. The U-turn thus often appears as a key moment in the international triumph of neoliberalism — a signal, perhaps, that there was indeed no alternative to such policies, as Thatcher suggested.

There is therefore more than mere historical accuracy at stake when we look at the experience of the French left in the early 1980s and find that the standard version of events is seriously mistaken. A fresh look at this period can shed important light on the politics of the present.

The Standard Narrative

The basic story, as normally told, is this: In May 1981, the French left came to power for the first time since the foundation of the Fifth Republic in 1958. In an atmosphere of euphoria that accompanied their election, the new government pursued a radical agenda that sought to boost economic growth and employment through increased consumption, public spending, redistribution, new labor rights, and a more interventionist industrial policy.

However, France was seeking to expand while the international economy was contracting. The boost to domestic consumption also failed to tackle deeper structural problems in French industry. France faced high inflation and a deteriorating balance of payments situation.

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In this context, the government had the option of tackling its balance of payments crises by carrying out a substantial devaluation of the franc, thereby boosting its competitiveness. Yet France was a member of the EMS. Without the agreement of other EMS members for such a devaluation, the government would have needed to leave its Exchange Rate Mechanism and allow the value of the franc to fluctuate with international markets.

This question became acute in March 1983. In what turned out to be a definitive decision, the government opted to stay in the EMS. A new "plan de rigueur," or austerity package, sought instead to correct the French balance of payments by drastically reducing consumption and the government's budget deficit.

According to the standard narrative, this choice was a clear and historic one. If France had left the

EMS, its government could and would have continued its agenda of pursuing socialist policies that prioritized growth and employment, behind a wall of increased protectionism to shield it from the constraints of the international economy. By staying within the EMS, it chose to align itself with a neoliberal agenda of austerity, deflation, and economic liberalization, and abandon the vision which it had pursued from 1981.

New Interpretations

A growing number of French historians, including Michel Margairaz, Jean-Charles Asselain, Mathieu Fulla, Matthieu Tracol, Laure Quennouëlle-Corre, and Florence Descamps, have questioned this narrative. While focussing on different areas and offering different emphases, in combination they make up a broad set of complementary arguments. They have pointed out that a closer analysis of the chronology of events undermines the idea of March 1983 as a moment of decisive change.

There were important continuities between 1981 and 1983, and between 1981 and earlier, both in the thinking of the French Socialist Party in opposition and in the policies of earlier conservative governments. Moreover, many key shifts that did take place between 1981 and 1983 did not coincide with the supposedly decisive U-turn.

Most obviously, as many accounts that otherwise follow the standard narrative suggest, the shift toward “rigueur” really began by June 1982 at the latest, when the government introduced a freeze on prices and incomes, set a 3 percent limit on the budget deficit, and began to give greater attention to tackling inflation rather than unemployment. Yet many significant changes occurred even earlier than this. On the other hand, a number of other key developments did not come until well after March 1983.

I would also argue that the standard narrative suffers from the conflation of a number of policy areas that were closely interconnected, but that nonetheless followed their own logic. It is important to distinguish between A) the extent to which economic policies were expansive or restrictive, B) the redistributive aims and impact of various policies, and C) the nature of the structural reforms implemented by the government. In addition, the decision about whether to leave the EMS was not decisive in any of these areas.

Making Sense of Mitterrand

The narrative around 1983 has primarily emphasized the first of these policy areas: the shift from an expansionary policy to a restrictive one. But it was in this area that the policies implemented by the Left had amounted to the least radical break from past policy. The 1981-82 stimulus was smaller as a share of GDP than the one previously pursued by the conservative government of Prime Minister Jacques Chirac in 1975. The new Socialist prime minister, Pierre Mauroy, was emphasizing the importance of “rigueur” from his first days in office.

It is rather in the areas of redistribution and structural reform that we can most clearly see how distinctive the policies of 1981 were in comparison to what went before. The government sought most of all to boost the incomes and consumption of people with the lowest incomes through, for example, especially high increases in social benefits and the minimum wage, while raising taxes on higher incomes and wealth.

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One could also find evidence of the novel direction in the range of structural reforms the government pursued: earlier retirement, a reduced working week, new labor rights. Most dramatically of all, it nationalized twelve major industrial groups and most of the private banking system. Many of these policy agendas were certainly very affected by “rigueur,” but they nonetheless had logics of their own and followed different chronologies.

Nor was it true, as has often been claimed, that the Left in 1981 was oblivious to the supply side of the economy or to international constraints. In fact, across different wings of the Left, they were deeply aware of such constraints. Those concerns were in fact a major justification for the nationalization agenda. While the nationalizations had different aims that were often at cross-purposes, a central one was to boost productivity and competitiveness in French industry through state-led investment and restructuring.

The burgeoning challenges of globalization were part of this reasoning. As Mitterrand argued in his first press conference as president: “These nationalizations will give us the tools of the next century.” He warned that, if this step was not taken, the French companies in question “would be rapidly internationalized” instead.

The EMS Decision

Crucially, the decision about EMS was also not a clear choice between expansion and austerity. Since a turn to austerity had already begun in 1982, most advocates for leaving the EMS also considered that this move would have to be accompanied by substantial new austerity measures.

The government would need to contain inflation in this scenario, they argued, and protect the franc from falling too much. Their hope was that France would then be able to come out of a period of austerity more quickly, as the balance of payments situation improved, than if it stayed in the EMS. But the “turn” itself would have been made regardless.

Neither the choice to stay in the EMS nor the austerity measures constituted an embrace of economic liberalization by the Mitterrand government. On the contrary, it combined austerity measures in both 1982 and 1983 with a tightening of controls over credit. Initially, the most controversial measures in March 1983 were draconian new exchange controls that sought to discourage people from taking holidays abroad.

There was also no necessary complementarity between a policy of floating the franc outside the EMS and more protectionist measures. In many respects, as different ways to mitigate France’s balance of payments pressures, they could have served as substitutes for one another.

Different Turning Points

After the June 1982 measures, Mitterrand in fact called for the Socialist government to insulate domestic interest rates from external markets and speed up “banking reform.” At this point, the latter still meant increased state management over the distribution of credit in the now almost entirely nationalized banking system. According to his adviser Jacques Attali, he was irregularly demanding action along these lines from his finance minister, Jacques Delors, up to the summer of 1983 at least.

Mitterrand was not heavily involved in the details of the government’s financial policy, and his principal concern seems to have been to get interest rates down one way or another. However, the French banking sector and Jacques Delors were both deeply hostile to such ideas. Delors was able to resist these occasional demands from Mitterrand and others, pursuing a much more limited conception of banking reforms instead.

His successor as finance minister, Pierre Bérégovoy, went on to promote extensive deregulation of the sector with the same basic goal of reducing interest rates. This came from 1984 onward, when the Socialists formed a new cabinet with Laurent Fabius as prime minister, with the French Communist Party having finally left the government after three years as unhappy and marginalized junior coalition partners. It was also only at this point that the Socialists made a more long-standing commitment to “rigueur,” based on competitive disinflation and a strong franc.

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In industrial policy, the government briefly became more rather than less interventionist after the turn to “rigueur” in June 1982. It poured large amounts of funding into state industries and appointed Jean-Pierre Chevènement as industry minister. Chevènement was the leader of the Socialist Party’s left-wing, “Gaullo-Marxist” CERES faction. He wanted further investment in the state-owned firms, possibly through a national investment bank that would be created through a reorganization of the banking system.

Chevènement essentially advocated his own form of “rigueur.” He recognized that increased investment would come at the expense of consumption. While seeking to maintain employment, he also foresaw wage reductions. At the same time, he aimed to increase his ministry’s role in the management of state industries.

This short-lived phase of industrial policy came to an end before the decision to remain in the EMS. Chevènement was half-way toward resignation by February 1983, when Mitterrand reprimanded him after complaints from the managers of state companies. This was at a time when, by many accounts — including Chevènement’s — Mitterrand was still seriously considering the option of leaving the EMS.

Social Anaesthesia

In terms of redistributive policy and the government's stance toward French capital and labor, there was already a key shift before the June 1982 turn. In spring 1982, the government cut company taxes. It also privately assured employers' organizations that there would be no further increases in company charges or reductions in the working week.

As Matthieu Tracol has convincingly argued, the last decision in particular made this as significant a moment as June 1982 or March 1983. The reduction of the working week had been a key policy tool for the government's stated primary goal of reducing unemployment, in a context where economic growth alone was proving inadequate to the task.

Some influential advocates of a French exit from the EMS, such as the businessman Jean Riboud, argued that the government should combine it with a substantial reduction in business charges. Mitterrand would later return to this agenda in 1983, when he insisted on reducing such charges, a policy that went against the overall logic and constraints of "rigueur," and was met with protests from Jacques Delors.

Some of the policies that the Socialist government began carrying out in 1981 were never abandoned at all and remained as its legacies. Social benefits remained at a higher level, and an earlier retirement age was still in place. These provided what Jonah Levy calls a kind of "social anaesthesia" for the government's toleration of higher unemployment.

The Legacies of March 1983

None of this means that the turn of March 1983 was insignificant. It was one in a series of steps through which the French government abandoned its focus on unemployment, opting instead to prioritize the issues of inflation and the balance of payments.

March 1983 may also have had more indirect consequences, as the quickly established narrative of a decisive U-turn took hold and became self-fulfilling. Widely perceived to have reversed its policies and lost direction, a Socialist government that was sagging in popularity began looking for a new course. It found in the renewal of European integration from the mid-1980s a fresh vision through which the Socialists could express their commitment to "modernization."

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This renewal came under the stewardship of the new European Commission president, Jacques Delors, who had Mitterrand's support for his efforts to kick-start integration after moving from Paris to Brussels. The turn toward "Europeanization" provided one motivation for the range of deregulatory measures which the Socialists went on to promote during the rest of their time in office. But the events of March 1983 were just one part of a much longer and more complex process.

It is wrong to see the EMS decision as a victory for the so-called “second left,” anti-statist and internationalist, which was associated with figures like the Socialist politician Michel Rocard, a rival of Mitterrand who eventually became his prime minister. The standard narrative often presents March 1983 as the moment when this “second left” prevailed over a more interventionist, sovereigntist, “Jacobin” left that influenced policy before 1983.

It is true that Jacques Delors, one representative of the second left current, was the key advocate for remaining in the EMS. But Michel Rocard himself was a vocal advocate of flotation from 1981. In reality, most Socialist Party leaders were neither part of the second left nor aligned with the CERES faction, and took a more pragmatic approach to politics. However, Rocard and others in his faction retrospectively presented the March 1983 turn as a victory for their own “realism” and “internationalism.” CERES helped reinforce this narrative on the other side of the argument, blaming the second left and the European Economic Community for austerity.

A Useful Myth

Perhaps the myth of March 1983 has become so enduring because it has something to offer nearly everybody. For those on the right, the center, or the “second left,” it could be used to argue that economic realities had compelled the Socialist government to abandoned its reckless and naïve policy agenda.

According to this viewpoint, the only alternative was extreme protectionism, cutting France off from the rest of the world. Delors himself rather ludicrously branded those who wanted to leave the EMS as “Albanians,” suggesting that their desired course would bring France into the same company as Enver Hoxha’s isolated Stalinist state. In reality, there was a more complex picture with a spectrum of choices available to a country like France.

On the other hand, left-wing critics of the Socialist government’s record have found a focus on March 1983 alluring because it gives the impression that there was a simple question of agency involved. From this perspective, if Mitterrand and his allies had decided to leave the EMS at that moment, they could have led France (and perhaps the rest of Europe) down a very different socioeconomic path.

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This version of events is too simplistic. There were choices available to the Socialists during the early 1980s, but the moments of decision were not all concentrated in March 1983. We can identify several points of agency that were equally significant, but do not receive the same attention. By March 1983, there was already a policy of “rigueur” in place, and the Socialists would have further deepened it that year whether or not France stayed in the EMS. This does not mean that austerity needed to be as long or as extensive as it was, in either EMS scenario.

We also need to distinguish between the turn toward “rigueur” and the other economic policy choices of the Mitterrand government. That turn did not in itself determine the wider move away from redistributive policies before and after March 1983. Nor would it have prevented the Socialists from continuing with many of the structural reforms they had envisaged in 1981, if they had wanted to do so. Most categorically of all, it did not require them to begin promoting an agenda of economic liberalization from 1984 onward.

Explaining the Transformations After 1981

In reality, there were tensions in the agenda of the Socialist Party from the beginning of its time in government. On the one hand, it conceived of itself as a radical party, calling for a rupture with the existing system. It also built its electoral strategy on aligning itself with the French Communist Party, negotiating a joint platform, and winning over Communist voters.

On top of this, there was deep frustration on the French left due to decades without government power since the Fifth Republic began in 1958. All of this gave an overwhelming impetus for the measures introduced in 1981. But at the same time, coming from a culture of long-term opposition that was also unusually detached from the labor movement, most Socialists had a much vaguer conception of how a transformative agenda would operate in practice.

We can see this, for example, in the case of the nationalizations. The government overcame sometimes ferocious opposition to carry them out, as their supporters expected. However, there was much less interest, from either the government or its supporters, in what was then going to be done with the now state-owned firms. The result was that, when further reforms encountered resistance, there was little countervailing pressure for the government to overcome it.

There had also always been much more pragmatic attitudes lurking beneath the rhetoric and early policies of the Mitterrand administration. The strongest economic goal for many leading Socialists was effectively some kind of “modernization” to bring about a general national revival. It suited political conditions in 1981 to pursue this through a transformative left-wing agenda.

Yet at various moments, whose timing varied depending on the area, policies associated with this agenda came to encounter new barriers and renewed resistance. When this occurred, depending on the degree of attention and countervailing pressure from their own side, the Socialist government repeatedly found it most convenient to follow the path of lesser resistance. From 1984, this came to mean embracing an entirely new vision of their agenda.

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P.S.

• Jacobin. 05.02.2022:
<https://jacobinmag.com/2022/05/francois-mitterrand-neoliberalism-french-left-economic-policy-rigueur-reform>

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