

France's moral bankruptcy

By Adam Creighton, The Australian, 17 April 2017

If I were French I would vote for Marine Le Pen in next week's presidential election. Not to do so would be to endorse the political and economic elites that have sapped the life out of industry, put the Fifth Republic on track for bankruptcy, forced taxpayers to bail out parasitic banks, and left the country exposed to Islamist terrorism.

More of the same? No thanks. France's global rank on Cato Institute's annual Human Freedom Index, for instance, has dropped from 20th to 31st since 2008 (Australia is sixth).

Le Pen's popularity has surged since the global financial crisis. Thomas Piketty, France's most famous economist, blames inequality and unemployment. "If we do not manage to fight these via effective progressive policies then you will always find politicians who will successfully try to divide the workers between nationals and foreigners, or some other ethnic or religious division," he told me last week.

Details of the National Front's policies — a populist cocktail of protectionism and nationalism — matter far less than the damage her victory would do to France's cosy status quo, which has hooked France's fortunes to an increasingly stagnant and unpopular EU. Indeed, it would be a victory far more consequential than Donald Trump's November win in the US, where congressional gridlock and a recent bout of bomb-dropping on the Middle East sadly point to a continuation of the past.

Le Pen's promise to give the French a say on staying in the EU is reasonable, given that the last time they were asked their view, in 2005, their answer (no) was largely ignored. Her suggestion France should withdraw from the euro and redenominate its debts in French francs would cause a financial crisis that would make 2008 seem mild, but it would be the price to pay for longer-term prosperity.

The French government has debts equal to more than €2 trillion (\$2.8 trillion), 120 per cent of its national income — more than three times Australia's share. The collapse in value of those debts from "Frexit" would wipe out many highly leveraged banks, prompting the rethink of how banking is structured that the world deserved, but never got, after the financial crisis.

France's 62-year project of tying Germany down in the EU has left France with too high an exchange rate (while Germany's is too low), permanently throttling its competitiveness.

France's bloated governments spend almost 60 per cent of the national income every year (Australia's spend about 33 per cent), and tax a little bit less of it, a recipe for eventual bankruptcy. The jobless rate has risen steadily to more than 10 per cent since the financial crisis, despite repeated promises by French presidents to curb it. And that is the official figure, where working more than one hour a week counts as employed. Youth unemployment is now entrenched above 20 per cent, more than double Germany's rate.

Australia has been a beneficiary, actually — Sydney's eastern suburbs, for instance, are teeming with young French people. The number of French-born residents in Australia has grown more than 6 per cent a year since 2006, to more than 42,000, many multiples faster than immigration from Greece, Spain or Germany.

It's depressing to see France, the first modern state, one of the great scientific and cultural fountainheads of Western civilisation, which under Charles de Gaulle wrenched itself back to pre-eminence after a couple of near-death experiences, in such a funk.

Economic decline and Islamic terrorism have fuelled a domestic industry of gloom: Eric Zemmour's 2014 book *The French Suicide* has been a bestseller. Michel Houellebecq's novel *Submission* shows how a Muslim could win the French presidential election in 2022 — not especially gratifying in a country whose development hinged on the repelling of the Arabs in 732 by King Charles Martel. Almost 10 per cent of France's population of 65 million is Muslim, more than any other sizeable Western country. France is losing its large Jewish population, among its historic strengths, at a rapid rate.

Whatever the verdict in the final-round ballot next month, the National Front and parties like it in Europe will continue to benefit from the moral bankruptcy of Europe's economy, starkly revealed in the continuing "bailout of Greece". More than 80 per cent of the (€227 billion) public funds that have gone to Greece since 2010 have been used to repay loans to foreign and Greek banks. The bailouts were about "protecting German banks, but especially the French banks, from debt write-offs", noted former German central bank chief Karl Pohl at the time. That is, highly paid bankers who enjoyed the short-term profits from lending to Greece managed to shove the long-term costs on to ordinary French and Germany taxpayers, an act of extreme socialism. How can anyone respect this economic system? Sensing

danger from Le Pen, the big French banks have refused to lend to her party (they have lent to other campaigns).

The brilliant conservative and *Spectator* columnist Charles Moore conceded in December he was “cheering” for the populist right. “It may sound Marxist to say this, but I do think the elites have constructed a world order which serves their interests, not those of their subject populations,” he wrote, pointing to the “banking crisis resolved in the interests of bankers”. More and more commentators of right and left — an increasingly meaningless distinction, anyway — are concluding the same.

The polls suggesting Le Pen commands only 25 per cent of the vote would seem an underestimate. Just as Hillary Clinton’s winning of the Democratic candidacy proved a gift for Trump’s campaign, Le Pen’s rivals are almost stereotypical reflections of the past. Francois Fillon, the “centre right” candidate, was former president Nicolas Sarkozy’s prime minister. He is embroiled in a scandal over whether he embezzled public funds in office. The supposed favourite to win, former investment banker Emmanuel Macron, was economy minister under the loathed incumbent, President Francois Hollande.

Even if Le Pen loses, it is only a matter of time until she wins. Polls show her strongest support comes from people under 40 and its highly unlikely Macron or Fillon will do anything to disrupt the status quo.