

FAZ

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A turning point for France

by Michael Heise

It is said to be divine intervention that led Joan of Arc, France's national heroine from Orleans, to her vocation. She paid for her battle for France with her life. Thankfully, her fate is not one shared by anyone living in today's France. The battle that the country is currently grappling with is a political one. The new government has announced that it is going to tackle the problems that have been a noose around France's neck for some time now. Earlier attempts to use political weapons to fight the forces of economics have failed. Many analysts have set out the facts in plain and clear terms: if it wants to become competitive again, France will find it virtually impossible to dodge issues like exercising wage restraint, implementing more business-friendly salaries and welfare systems that focus on those who need it most, as well as embarking on debt consolidation. Presumably, this will have to come hand-in-hand with structural reforms in the country's bloated public sector.

A political turnaround is long overdue given France's stagnating economy and crippling levels of unemployment. Two valuable years have been lost – years in which the country took only tiny steps forward, if any. But will President Hollande and Prime Minister Valls actually be able to push ahead with their "supply-side policy"? Opposition is most certainly on the cards, particularly in a country with militant trade unions. But the French parliament, collective bargaining parties and other social forces have to face up to the problem of high unemployment and cannot afford to let the reforms fail across the board. This is exactly what Germany went through with its "Agenda 2010", a highly controversial program at the time.

From Germany's perspective, the reshuffling of the French government comes as good news. It provides an opportunity for gradual economic improvement in our most important European partner country. The danger now facing Germany is that we will opt to sit back and take things easy on the reform policy front, blissfully comfortable in our faith in our own economic strength. Our collective memory would appear to be too short. The relative lead over France that we have secured over the past few years can be lost in the blink of an eye. Just think back, for example, to the period between 2000 and 2008, when France was reporting faster growth, creating many more jobs and, at times, even racking up less debt than Germany. So what steps need to be taken here in Germany? Our growth momentum has been suffering for years now in an environment of low advances in productivity, which are now exacerbated by a return to rising costs. German exports have certainly not been experiencing dynamic growth in recent years and our investments are more or less at a standstill, much to the chagrin of our trading partners. So we have no reason to put on any airs of economic superiority. We have to tackle the reforms head-on and improve the conditions for investment. This is particularly important in a country whose long-term population trends are looking much less favorable than in our neighboring country to the west. It is now time to focus on productivity advances, investment and innovation in order to secure growth and prosperity in Germany in the future.