

Legislative Elections: an "Orbanized" or "Venezuelanized" France at the Heart of Europe

A New Danger for the Euro and the European Project

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France faces a difficult choice on June 30 and July 7. At this stage, the polls do not indicate that the presidential majority camp is in a position to win. On the contrary, the *Rassemblement National* (RN) and its ally, Éric Ciotti's LR, are best placed to win a relative or even absolute majority. Behind them, the *Nouveau Front Populaire* (NFP) - a left-wing or even far-left alliance - is also well positioned and could spring a surprise. Against this backdrop, it's worth imagining the impact of the policies potentially implemented by these two governments, one extreme right-wing, the other left-wing or even extreme left-wing.

As far as the NFP is concerned, its economic program is extremely spendthrift (5 to 10% of GDP in additional public spending per year), potentially putting France in a new category for developed countries: that of developed economies with a heavy socialist, even communist, bent, insofar as this spending will essentially be financed by tax increases. The rest will be financed by a further explosion in deficits, at a time when France is being caught by Brussels for excessive deficits. All in all, this should cause interest rates on French debt to soar, forcing the ECB to intervene. In the long term, with the euro likely to depreciate against the dollar, countries with healthy public finances and export-oriented growth models could decide to leave the common currency. The emergence of a spendthrift Venezuela at the heart of Europe could therefore cause the Economic and Monetary Union to implode, and lead France down the path of fiscal dominance and inflation.

As for the RN, its program is less spendthrift (up to 3% of GDP in additional annual public spending) but, once well established in power, its economic policies could come into head-on confrontation with what Brussels is proposing, in terms of industrial, budgetary and other policies. Furthermore, the RN wishes to reduce its financial and strategic involvement in Europe. And as time goes by, the RN could abandon its electoral lies and return to its fundamentals: leaving the euro, or even the European Union - its 2017 program. This would be consistent with his nationalist vision and his historically pro-Russian or even pro-Chinese stance - like Orban. It would mark the end of the European project as we know it, and usher Europe into a period of instability, and maybe of fracturing.

Contents

1	A dissolution with potentially devastating consequences	3
2	The economic program of the Nouveau Front Populaire: a Venezuela at the heart of Europe that could lead to the eurozone's collapse	3
2.1	A domestic economic policy leading to mass unemployment and economic depression in the medium and long term	3
2.2	An economic policy potentially affecting consent to the single currency	4
3	The Rassemblement National's economic program: a risk of strategic divergence leading to an exit from the euro or even a Frexit.....	5
3.1	An economic policy that's less spendthrift but still inadequate	5
3.2	Strategic differences between an RN government and Brussels, potentially leading to an exit from the euro or even the European Union.....	5
4	Conclusion: in the event of an exit from the euro or even a Frexit, the end of the European project as we know it	6

1 A dissolution with potentially devastating consequences

France faces a Cornelian choice on June 30 and July 7, with historic legislative elections following a dissolution of the National Assembly announced by President Macron on the evening of his electoral setback in the European elections¹. At this stage, the polls do not indicate that the presidential majority camp is in a position to win. On the contrary, the first party that now looks set to win an absolute majority on June 7 is the *Rassemblement National* (RN),² allied with Les Républicains President Eric Ciotti, and its 62 candidates³. The *Nouveau Front Populaire* (NFP) - bringing together Jean-Luc Mélenchon's far-left *La France Insoumise* party, Olivier Faure's Socialist Party, Marie Tondelier's Ecologists and Fabien Roussel's Communists -⁴ also looks set to win many seats, if not all. A massive mobilization of the Macronist electorate to boost the majority list is also possible, although unlikely at this stage. In the final analysis, there are still many unknown factors that will determine the outcome of the election, and voter turnout, currently estimated at just 62-63%⁵, will be decisive in influencing the outcome of the first and second rounds in France's 577 electoral districts.

Given this situation, it is essential to begin imagining the economic impact of the programs that could be implemented by the NFP coalition in the Assembly (Section 2), as well as by the RN (Section 3), before concluding (Section 4). While we don't yet know all the measures of these programs - in particular, all the sources of additional public revenue - and are therefore unable to provide a complete macroeconomic feedback loop analysis, it is already possible to imagine their impact on the French and European economies once they have been implemented.

2 The economic program of the Nouveau Front Populaire: a Venezuela at the heart of Europe that could lead to the eurozone's collapse

2.1 A domestic economic policy leading to mass unemployment and economic depression in the medium and long term

The NFP program⁶ contains a whole series of high-spending measures. The most emblematic and costly of these are a 10% increase in the index point for civil servants (€20 bn), retirement at 60 with 40 years' contributions (€53 bn), an increase in minimum social benefits (€24 bn), an increase in the culture budget (€23 bn), minimum social benefits for young people (€14.8 bn), and the creation of a progressive CSG (€39 bn). In total, the Renaissance presidential party puts the program at €287 b⁷. The figure of the Nouveau Front Populaire is currently under discussion.⁸ In addition to this program, the

¹ Elysée, [Address to the French](#), 09.06.2024.

² The RN reached 33% of voting intentions in the first round and could win over 230 MPs. IFOP LCI, [Le climat législatif à deux semaines du premier tour](#), 17.09.2024, p. 10.

³ Le Monde, [Législatives 2024 : " Les amis d'Eric Ciotti " alliés avec le RN, un ensemble hétéroclite où les LR sont minoritaires](#), 17.06.2024.

⁴ The NFP has 28% of voting intentions in the first round and could win over 200 MPs. IFOP LCI, [Le climat législatif à deux semaines du premier tour](#), 17.09.2024, p. 10.

⁵ IFOP LCI, [Le climat législatif à deux semaines du premier tour](#), 17.09.2024, p. 7.

⁶ NFP, [program](#).

⁷ Le Monde, [RN, NFP, LR, Renaissance : les partis politiques face au mur de la dette](#), 19.06.2024.

⁸ The Renaissance figure has been called into question by Valérie Rabault of the NFP, who puts the figure at €106 billion. Jean Luc Mélenchon's France Insoumise, however, disagrees, preferring an estimate close to that of Renaissance. For the time being, no one has agreed on the figures for this program, and no in-depth analysis can be carried out by independent institutes between now and the first round of the elections. Les Echos, [Législatives 2024 : le Front Populaire se divise sur le coût de son programme](#), 19.06.2024.

NFP also wants to introduce a price freeze on essential goods (food, energy, fuel, bank charges).⁹ This economic policy would:

- (1) Explode public spending to over 65% of GDP annually, putting France in a new fiscal category - that of developed economies with strong socialist or even communist tendencies;
- (2) Reduced incentives to work, with the burden of taxes on labor and capital falling much more heavily on those who pay them, i.e. the middle and wealthy classes. Work in France will be more poorly paid than it already is, and the new tax bludgeoning will create the wrong incentives: the wealthiest employees will seek to flee more than ever - even though they generally occupy positions with high added value that are essential to economic growth (developers, financiers, etc.). The price freeze could also lead to production shortages, as is often the case in such circumstances, especially when the blockades concern essential goods.
- (3) Reduced incentives to invest, due once again to higher charges on companies, but also to the reintroduction of a wealth tax and more progressive taxation of capital income. Entrepreneurs and investors are thus likely to turn away from the French market, which has suddenly become less attractive in terms of yield.
- (4) All in all, beyond the public spending measures that should - at least in the short term - stimulate consumption by the poorest (and therefore above all imports of manufactured goods), the vicious circle created by the strong socialization/quasi-communization of the economy should reintroduce a concept that France has only briefly forgotten mass unemployment, coupled with a strong economic depression.

His European program also calls for an "end to free trade treaties", another reform of the CAP, a Europe-wide tax on the richest to increase Europe's own resources, and a general tax on super-profits. It's a demagogic program based on the European events of the last few months, and it is not very credible. So, even if the NFP claims to be pro-European, in reality it is hardly compatible with the current European project.

It goes without saying that the New Popular Front program is by far the most frightening to the French business community¹⁰.

2.2 An economic policy potentially affecting consent to the single currency

If ever implemented, what would be the consequences in Europe? It's a safe bet that with such a program, which would undoubtedly cause the public deficit to explode - due to additional, unfunded expenditure, but also very likely due to a counter-intuitive drop in revenue linked to a sudden economic depression - the new French government would only drastically reinforce the already largely unfavorable situation of French public finances. The spread between the rate on French sovereign debt and the German rate would explode, forcing the European Central Bank to intervene with the "Transmission Protection Instrument"¹¹ to bring it back into a corridor deemed viable, by means of a massive purchase of French debt - as it did until a short while ago for Italy. This could weigh heavily on the euro's value against the dollar. However, in the short to medium term, this should not jeopardize the eurozone, as was the case during the sovereign debt crisis between 2010 and 2012.

⁹ NFP, [program](#), p. 4.

¹⁰ Financial Times, [French businesses court Marine Le Pen after taking fright at left's policies](#), 18.06.2024.

¹¹ ECB, [The Transmission Protection Instrument](#), 21.07.2022.

However, in the longer term, some countries with healthy public finances and export-led growth models may finally decide that France's new, worsening budgetary situation is intolerable, leading to a political rather than economic collapse of the European currency. This risk is real. Belgium, Portugal, Spain, Italy and Greece, whose debt-to-GDP ratios are all above 100%, could also suffer greatly from a collapse of the eurozone, with a return to their national currencies, a factor of macroeconomic instability and extra cost for public finances.

On the other hand, the program of questioning European economic fundamentals (end of free-trade treaties, etc.) is not very credible and does not really threaten current European policies. From this point of view, if the NFP doesn't decide to leave Europe - which it shouldn't since there won't be a majority in government to even launch a referendum on the issue - EU economic policies won't be threatened.

3 The Rassemblement National's economic program: a risk of strategic divergence leading to an exit from the euro or even a Frexit

3.1 An economic policy that's less spendthrift but still inadequate

The economic program¹² of the Rassemblement National focuses on spending measures aimed at their main constituency: the rural and modest, with popular VAT cuts on "basic necessities" such as petrol (€10 bn), electricity (€4.5 bn), gas (€2.3 bn) and food (€7 bn). The Rassemblement National also wants to repeal the 64-year pension reform voted in by the presidential majority last year (€43 bn), and nationalize the freeways (€50 bn), two measures that could be very costly. All in all, initial estimates show a level of spending more than half that of the New Popular Front (€136 bn vs. €287 bn according to the Renaissance party¹³), with, despite this, a similar vicious circle in terms of job quality and quantity on the one hand, and private investment and growth on the other. Nevertheless, Jordan Bardella has announced that he will first audit the public accounts to reassess the feasibility of this program, suggesting that certain measures will be abandoned altogether at first, even if the pension reform should be repealed next autumn in the event of victory.¹⁴

3.2 Strategic differences between an RN government and Brussels, potentially leading to an exit from the euro or even the European Union

While the risk of the eurozone collapsing seems somewhat reduced when we consider the far-right party's economic program, it remains particularly risky if only in terms of the loss of confidence that financial markets could inflict on the French brand, and hence on interest rates on sovereign debt. All in all, it's a safe bet that the effect on the Franco-German spread would be less than that inflicted by the left-wing parties' program but would still be significant - particularly when we consider the repeal of the pension reform, which will further unbalance public accounts. France's rating by the rating

¹² The RN's economic program for these legislative elections remains very vague. It was the subject of an interview between Jordan Bardella and Le Parisien, but not much more. Le Parisien, [Jordan Bardella : " Pour gouverner, j'ai besoin d'une majorité absolue "](#), 17.06.2024.

¹³ This is the only estimate of the RN's economic program available. Ensemble pour la République, [costing of the RN program](#), 17.06.2024.

¹⁴ Le Parisien, [Jordan Bardella: "To govern, I need an absolute majority"](#), 17.06.2024.

agencies would be downgraded, and it would be more expensive for the French state to finance itself on the markets.

However, the Rassemblement National's program is not without risk for the eurozone and Europe in general. Indeed, it is quite possible that the Rassemblement National will campaign to reduce the size of the European budget, as it has announced¹⁵, and subsequently decide to largely "renationalize" economic policies¹⁶, implementing an industrial policy uncoordinated with European partners. At a time when the world is fragmenting, if the Rassemblement National favors China and Russia, as Hungary is currently doing in Europe, at the expense of its economic relations with European countries and the United States, this could lead to profound disagreements at the European Council. What's more, since the RN will most probably be in opposition in the European Parliament, the French government may decide unilaterally not to apply certain texts it deems inappropriate to its own policies. This renationalization of politics - if it ultimately leads to the Stability and Growth Pact being completely disregarded, for example - could also seal the eurozone's demise, or even lead to a Frexit.

Let's not forget that the Rassemblement National - like its Russian friends - has a habit of lying to its voters about its true intentions, and that in 2017 it was still advocating leaving Europe and the euro.¹⁷ It is quite possible that, in the medium-to-long term, given the irreconcilability of its policies with those of Brussels, the Rassemblement National will activate Article 50 of the Treaty on European Union¹⁸ following a referendum in favor of leaving Europe.

By definition, extreme right-wingers are nationalistic, and therefore not predestined to form a coherent alternative European project to that proposed by the builders of Europe since the 1950s. The multiplication of far-right governments in Europe should therefore not result in the construction of a far-right fortress Europe but will only lead the Union down the path of division between a US-dominated bloc and a Chinese-dominated bloc, national isolation and conflict.

4 Conclusion: in the event of an exit from the euro or even a Frexit, the end of the European project as we know it

"Europe can die". Macron couldn't have been more right. He may even have been contemplating this scenario, since he had clearly been thinking about dissolving the National Assembly for several weeks when he made his announcement.¹⁹ He did so because the deplorable result of the presidential majority on June 9 removed any legitimacy for him to govern. Between April 25, when he delivered his second Sorbonne speech²⁰, and June 9, the date of the European elections, 45 days had elapsed.

Would a French exit from the euro, or even from Europe, spell the end of the European project as we know it? There's no doubt that a French exit from the European project would come as a shock to the "26", and could doom not only the eurozone, but any kind of European economic policy designed to

¹⁵ The RN would like to reduce France's contribution by €5 billion a year. Ibid.

¹⁶ In its program for the European elections, the RN wanted to restore the primacy of French law over European law, with no further details. Toute l'Europe, [Elections européennes 2024 : le programme de Jordan Bardella et du Rassemblement National \(RN\)](#), 16.05.2024.

¹⁷ TF1, [Has the RN ever advocated a Frexit and leaving the euro?](#) 30.05.2024.

¹⁸ Eur-Lex, [Withdrawal from the European Union](#).

¹⁹ Ouest France, [Dissolution de l'Assemblée nationale : comment Emmanuel Macron a préparé cette décision inattendue](#), 10.06.2024.

²⁰ Elysée Palace, [Speech on Europe](#), 25.04.2024.

compete with the USA and China. With two allies in Europe, Hungary and France, Russia could also succeed in undermining any ambitious European defense project.

The "Franco-German motor" would disappear, to be replaced by a probable "Italo-German motor", or completely different intra-European geopolitics, based on new local alliances, perhaps between the countries of the South and the North. This would necessarily lead to different directions for the European project, if most people still wish to participate under these conditions.

When we look closely at the two options that are currently most likely to be chosen by the French on July 7, it seems that the most dangerous for the European project is still that of the Rassemblement National, even if it will remain economically less bad than the Nouveau Front Populaire in the short and medium term.

If reasonable French voters don't take action, and one of the two extremes wins a majority to govern, condemning Macron to a cohabitation that will probably be very trying for him, July 7 will usher in a whole new era for France and Europe.

Macron's gamble - apart from the hope of a surge for his party on June 30 - is to discredit any alternative to the moderate forces with a view to the 2027 presidential election. It's a dangerous gamble, and there's no point going back on it. But the alternative - the long agony of Macron's power - would hardly have been more useful to France. If July 7 marks a major policy change in France, we are left with the hope that this nightmare will only last 3 years, and no more. Perhaps less, if Macron resigns first and the extremes are weakened. Hopefully, this will be enough time for the French to understand that prosperity cannot be built without work, and that democracy is priceless.

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