

The financialized regime sick of Covid-19: towards a change of regime?

The case of France

Mickaël Clévenot et Alexis Saludjian :

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the Analysis of Global Capitalism Following the Covid-19 Crisis, Université Paris 1

Outline of the presentation

Motivation

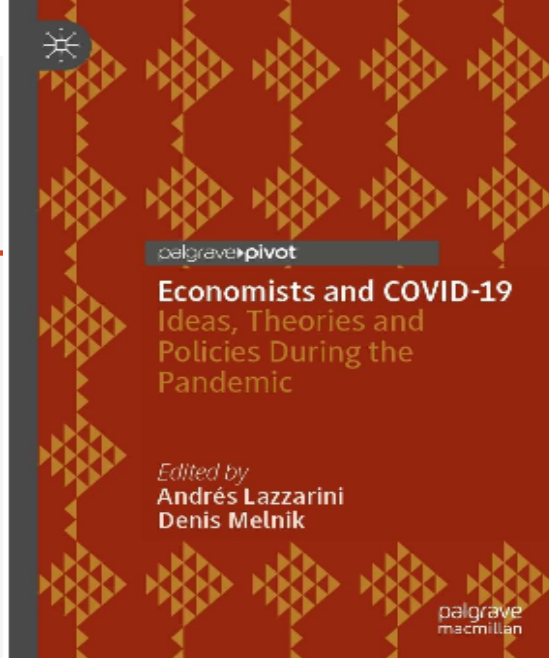
1. Presentation of the financialized regime

- 1.1 Economic aspects of the accumulation regime
- 1.2 Institutional aspects: the mode of regulation
- 1.3 The global dimension of the growth regime, its international articulation

2. The situation in France, a second-tier economy in decline

- 2.1 Structural transformations accompanied by a long institutional crisis
- 2.2 Covid exacerbates an already tense socio-political context
- 2.3 A change in doctrine imposed from outside

Conclusions



Economic Policy Debates in France Since COVID-19: A Lasting Shift in Macron's Doctrine?

Mickaël Clévenot & Alexis Saludjian

Chapter

First Online: 19 August 2022

Abstract :

The chapter discusses the economic policies that have been implemented in France to respond to the COVID-19 crisis. By examining some emerging contradictions within interventionist policies, we will argue that doctrines about state intervention took a 180-degree turn during the crisis. The first section contains an overview of the main economic trends in the French economy. The second discusses the COVID-19 pandemic in the context of instability and unrest in France. A discussion confronting orthodox and heterodox approaches to the main economic and social measures implemented, and the reasons for these, is offered here. Despite the shift in the Macron doctrine observed during the pandemic, the economic and environmental issues still seem to us to be insufficiently taken into account.

Keywords

France COVID-19 Economic policy Liberalism Heterodox economics

A. Saludjian Federal University of Rio de Janeiro (UFRJ), Rio de Janeiro, Brazil; Sabbatical year at CEPN-Université Paris Nord (2020–2021). e-mail: saludjian@ie.ufrj.br

Mickaël Clévenot University of Burgundy, Dijon, France and CEPN-Université Paris Nord

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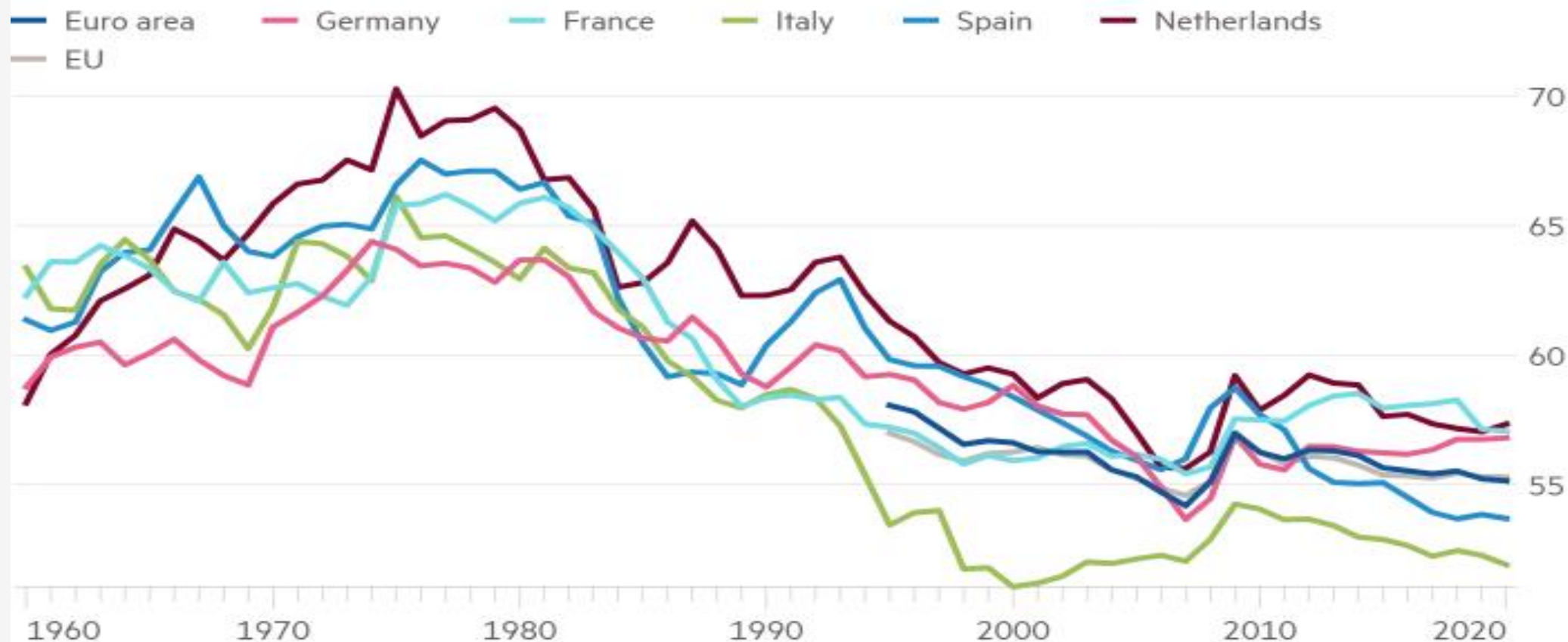
A bubble regime that draws its dynamics from its imbalances

- Characteristics: Distributional imbalance, trade imbalance and deflationary risk.
- Since the Fordist crisis of the 1970s, liberal counter-revolution in the Anglo-Saxon countries followed at different rates in the other advanced countries.
- Decline in the share of wages in GDP, liberalisation of financial markets, control of inflation, degradation of the social state (Welfare -> Workfare)
- In addition to the functional distribution unfavourable to wages, the functional distribution also increases inequalities, concentration of income and wealth at the top of the distribution.
- From a macroeconomic point of view, there is clearly a problem of value realisation, in Keynesian terms of effective demand.
- The regime is characterised by a deflationary trend (*before a recent return of inflation*)

Decline in the share of wages in GDP

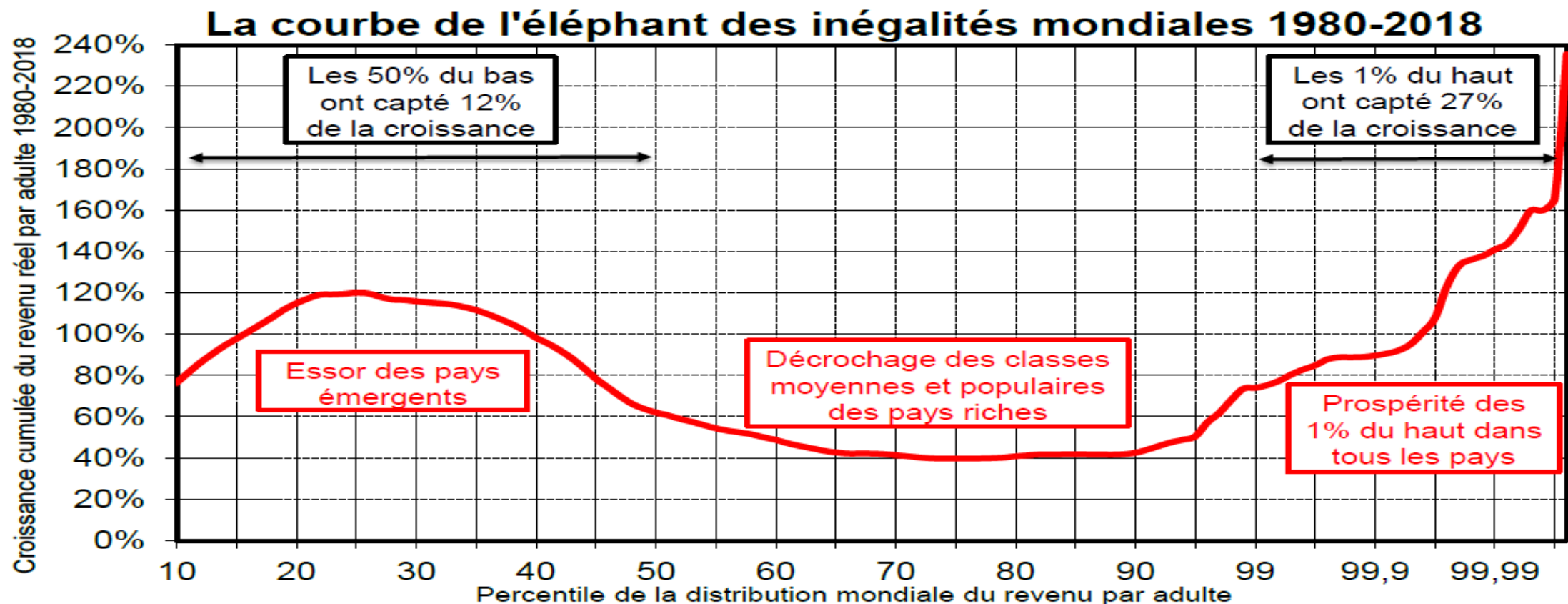
EU wage shares have shrunk

Wages to GDP ratio (%)



Adjusted for self-employment
Sources: Ameco, @valentinaromei
© FT

Social inequalities: declining middle and working classes in rich countries



Lecture. Les 50% des revenus les plus bas du monde ont connu une croissance importante de leur pouvoir d'achat entre 1980 et 2018 (entre +60% et +120%); les 1% des revenus les plus élevés du monde ont connu une croissance encore plus forte (entre +80% et +240%); les revenus intermédiaires ont en revanche connu une croissance plus limitée. Pour résumer: les inégalités ont diminué entre le bas et le milieu de la distribution mondiale des revenus, et ont progressé entre le milieu et le haut. **Sources et séries:** voir piketty.pse.ens.fr/ideologie (graphique 0.5).

Global trade imbalances

External balance on goods and services (% of GDP) - China, European Union, United States, France

World Bank national accounts data, and OECD National Accounts data files.

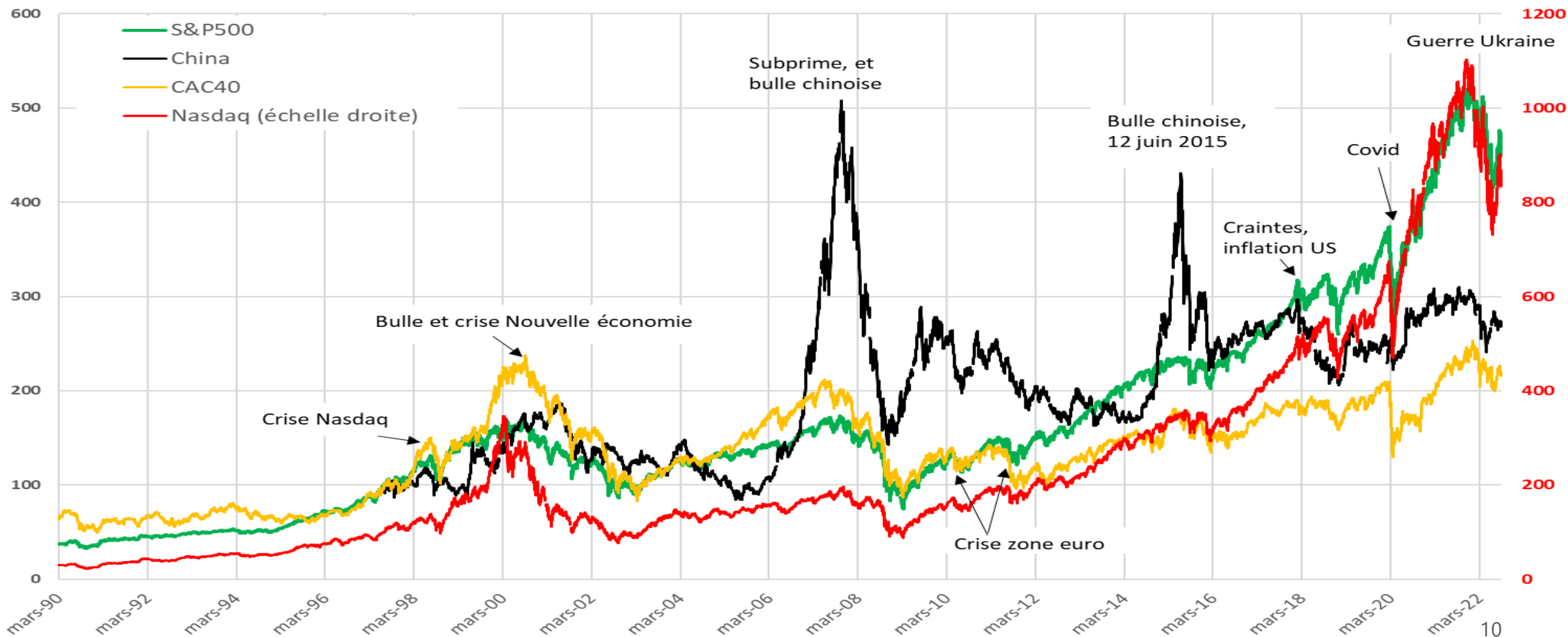


Financial pressure, the demand for profitability

- A demand for profitability which reduces the level of investment in the least competitive countries (outsourcing, restructuring, relocation)
- -> de-industrialisation with a decline in industrial jobs (mass unemployment) and depression of wages in services => inequalities.
- Policies to fight unemployment usually result in a deterioration of the employment standard, with uncertain effects on the unemployment rate.
- Wage demand is supported by increasing indebtedness. Companies and states also go into debt to cope with the various crises.
- Globalisation and the increase in the price of real estate and other assets favour the disinflation of G&S prices which authorises significant monetary support (QE)
- European integration for France will also have produced powerful disinflationary effects, overvaluation and liberal structural policies

Bubbles, crisis and shift

Indices boursiers : basculement du monde ?



How the regime maintains its coherence?

- The decline in the purchasing power of the working classes will increase the demand for cheap products from emerging countries.
- Wage demand is increasingly solvent through the use of credit. The bubble of the new economy had led to corporate debt, the subprime crisis to household debt and finally to the debt of governments and central banks in the wake of these various crises, to which were added Covid and the war in Ukraine.
- This is reflected in the balance of trade deficit which continues to grow for the United States and France.

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The French case

2.1 France's long term trajectory in the financialized regime: Liberalization / Deindustrialization

2.2. Macron

2.2.1 Macron (*at the same time* doctrine): Liberalism (Higher income tax suppression, labour market) and Yellow Jackets mouvement

2.2.2 The pandemic and the *whatever it costs doctrine*

- Emergency policies (unemployment benefits, energy&inflation cash allowances,)
- The instruments (technicist management: niche of contestation/vision segmentation of the "political market"/ clientelism)

France: After the *Whatever it costs* period and elections

2.3 (from '*whatever it costs*' to '*how much it costs*')

- The Blanchard-Tirole, Arthuis, *France Relance* reports:
 - End of the month
 - End of the world
- Retirement/Pension reform (effect on active population)
- Ecological planning (and Inflation/Ukraine war)

Concluding remarks

- Important support policies are implemented synchronously in the framework of the fight against the consequences of the lock-downs (Keynesian efficiency);
- China's persistent lock-down Zero Covid policy and the materialisation of the Covid supply shock in an unlock-downs phase with positive demand shock over time;
- The positive supply shock of the 90's globalisation is fading (complexity of value chains and reduction of the industrial reserve army, more sovereignty concerns, environmental concerns and energy price shock);
- Monetary policy can no longer inflate bubbles without risking inflation;
- Underlines the overlap between international insertion and financial dominance;
- This symbiosis/complementarity has been exhausted and should lead to a breakdown of the financialised regime;



Towards a rebalancing of the capital-labour balance of power (the case of France)

+Debate on Platform economy which constitutes a form of internal delocalisation (France and Global)