Macron vs Le Pen: A referendum on globalisation?

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When French voters go to the polls on 7 May to elect their next President, they will face a choice between two candidates with radically different views on the European Union, free trade, and immigration. **Guillaume Allègre** *previews the contest, writing that while Emmanuel Macron remains the favourite to beat Marine Le Pen, he needs to expand his coalition by offering meaningful protections to those disadvantaged by globalisation.*

Anti-G8 demonstration in Le Havre, France, in 2011. Credits:Guillaume Paumier (CC BY 2.0)

On 23 April, French voters chose Emmanuel Macron and Marine Le Pen to go through to the second round of the presidential election. The two candidates could not be further apart, although neither one fits into the traditional left/right divide. Macron, a former investment banker and economics minister, is centrist, pro-European and pro-business. Le Pen is from the populist far right, opposes both the European Union and the euro (on which she wants a referendum), is anti-immigration and favours a tax on imports. In the first round, Macron's supporters were very distinct from Le Pen's: Macron's votes came from the more service-oriented West, urban areas and upper socio-professional categories, while Le Pen's came from the deindustrialised East, suburban and rural areas and lower socio-professional categories. Macron's voters appear to be protected from the forces of globalisation, while Le Pen's are more vulnerable.

At first glance, therefore, the second round of the presidential election could be interpreted as a referendum on globalisation: should France exit the European Union, restrict trade and immigration? The new divide would be between openness (to the world) and protectionism. This is especially true because Emmanuel Macron is not (and does not pretend to be) a traditional left-wing politician and Marine Le Pen does not propose traditional right-wing economic policies either.

Emmanuel Macron's economic project puts an emphasis on the supply side. He proposes a reduction of taxes on corporations of 16 billion euros, mainly from a decrease of corporation tax from 33.3% to the European average of

25%. Employers' social security contributions would also be cut to 0% at the minimum wage level (but unlike German mini-jobs, the State would compensate so that individuals keep their social rights). Stocks and bonds would be exempted from the wealth tax (only property and land assets would be subject to the new wealth tax).

His answer to globalization is to promote 'flexicurity'. On the one hand, a new labour reform would be enacted this summer. The overhaul of France's labour laws would make it less costly for companies to dismiss their employees; the proposed law would also make it possible to negotiate labour compensation for overtime at the company level. Overtime would also be exempt from social security contributions. On the other hand, unemployment benefits would be open to self-employed workers and individuals who decide to leave their jobs. A life-long learning strategy would also be put in place, with more training offered to the unemployed.

Macron also proposes a 50 billion euros investment plan over 5 years, with investments in the transition to renewable energy, digital development and urban renovation. If the emphasis is on the supply side, some of Macron's proposals also concern household finances and the demand side. He wants to exempt 80 per cent of taxpayers from property tax (paid by the resident) and increase the "prime d'activité", an in-work benefit targeted at the working poor. The social safety net for the disabled and the retired would also be increased; working age able-bodied men and women would therefore not be affected by this increase, in order to 'make work pay'.

Marine Le Pen's economic project hinges on the proposed referendum on European Union membership. If France were to leave the EU and the Eurozone, it would provoke a disintegration of the euro, with quite unpredictable consequences. The franc would certainly depreciate against the German mark; but the Spanish peseta or the Italian lira would depreciate against the franc. The gain in competitiveness would be virtually zero. There would even be a loss in case of (the probable) commercial conflicts and financial instability. Le Pen also promises a tax of 3% on all imports. Immigration would be further curbed.

Le Pen's protectionist and immigration policies are often compared to Donald Trump's. However, Le Pen's other economic policies are very different from his. Whereas Trump proposes a decrease in corporate and household taxes (mostly for richer households), Le Pen proposes 33 billion euros in new public spending in order to lower the retirement age, to increase benefits for low-income workers and retirees, to move towards the universalisation of family allowances, and to boost housing for young people. This new spending would be compensated for by action on tax fraud and tax evasion, savings on EU spending and on health spending for immigrants. So multinationals and foreigners would pay (not unlike Trump, in fact). It is hard to see how these savings could compensate for the new spending in reality; but it is not unusual for candidates to overestimate savings in their programmes.

What can we conclude for the second round of the French presidential election from this rapid overview of the ideas being promoted by Macron and Le Pen? The risk for Macron is that the second round turns into a referendum on globalisation. Although the rise in inequality is not as great in France as in the United States and the United Kingdom, and although French voters still favour the euro, such a referendum might be lost by Macron – not unlike Brexit and Trump's victory.

Macron needs to expand his coalition beyond the winners and those protected from globalisation. Some of his proposals do go in this direction: the exemption of 80 per cent of taxpayers from property tax is redistributive and would favour taxpayers from poorer municipalities where housing tax tends to be higher (for example, housing taxes are higher in the suburbs than in Paris, as the city benefits from other taxes, including business taxes). Macron also emphasises education and lifelong learning; but this might be a tough sell for those who have lost their jobs due to relocations in lower-paying countries.

A few days from the second round, Macron is still the favourite. The stock market has cheered his first place finish in the first round (gaining 4% on the following day) and the odds show him to be an 87 per cent favourite for the second round. Even if her policies might be appealing, Le Pen's personality is still rejected by a majority. We will have the final results on 7 May.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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