

Flash Note 06/07/2017

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Is Macron the new Renzi?

France's new Caesar (as many already call Macron) offered this week a neo-Gaullist vision of a strong leader nurturing a troubled nation's recovery. There is also, of course, who emphasizes the fondness of Macron for playing the little emperor, given his proven taste for grandiloquent events supercharged with symbolism, specially after offering a "state of the nation" address a day before his prime minister's general policy program was outlined. Time will tell us whether Macron is a genuine leader or an actor. I suspect that we will soon know.

For the time being, comparisons are inevitable and one can easily consider that we have seen this movie before; in that occasion with Matteo Renzi as a main character who, by the way, ended up failing in his reformist ambitions. Will Macron fail as Renzi did? Honestly, I do not think so. Here are some reasons behind my feeling:

1. France's electoral reforms should easily get parliamentary approval and won't need a referendum (Édouard Philippe, won a big confidence vote this week with 370 of 577 MPs in his corner)
2. There is a fear that efforts to liberalize the labor market end up with street protests, with reforms being eventually blurred, much like last year, when blockades caused transport chaos and closed oil refineries. In my humble opinion, there are reasons that make me think that this time we can see deeper labor reforms: (1) Macron's labor market shakeup was a core campaign pledge. Thus, he has a mandate for reform. (2) La République En Marche! has a majority and is united. Unlike Hollande who presided over an uneasy coalition of social democrats and hard leftists. (3) Trade unions are isolated; their only allies this year will be the 17 MPs of Jean Luc Mélenchon. So far only the General Confederation of Labor has called for street protests. The French confederation of Labor, the biggest union by members, says it won't come out.

These are definitely good news, but **it's worth recalling that what's at stake is not only the French willingness to change its labor market, but its willingness to renew itself, as well as the willingness in the rest of Eurozone's members to shift their structural trajectory.** A monumental undertaking, isn't it?

Furthermore, it is essential to know what the position of Germany will be in relation to its Eurozone partners. As N.Andrews and C.Gemehl put it, Germany has a basic geostrategic equation that came down to a choice between doubling-down as an über mercantilist, or properly embracing its EU partners. So far they have been giving a 60% chance that Germany will continue focused in the first option. (Mercantilism first. EU second).

Nevertheless, if Macron succeeds in implementing the toughest reforms (specially with regard to the size of the huge public budget, today at 56.4% of nominal GDP), France will be seen as a reliable partner and a new consensus could be forged in Germany that its interests are best served within a beefed-up EU.

At the end of the day, the answer to all this political and economic mess will depend on whether Macron will manage to redirect the role and the presence of an omnipresent state (from a current budget of 56.4% of GDP to something closer to 35% as in the UK or the USA), but also whether the rest of the Eurozone members can genuinely renew themselves.

I will take my time to see how these issues develop.

Best regards,

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