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Feature

## France: The Children's Hour

By [William Pfaff](#)

1.

Over a month of demonstrations by French students, workers, and would-be workers have delivered a devastating blow to the government of Prime Minister Dominique de Villepin, which was forced to withdraw its new law meant to increase employment opportunities for young people lacking formal qualifications. Hundreds of thousands—the organizers say millions—have been in the streets of cities across the country. Students left their classes and blocked others from attending. Some universities and lycées shut down to prevent violence between striking students and those anxious to study for impending examinations. The Sorbonne's auditorium was temporarily occupied, and classrooms there and elsewhere trashed. These events have dominated the political scene. Foreign observers were waiting for the revolution.

All this activity was intended to force the withdrawal of a minor change in the French government's employment legislation, which mainly would have benefited the young people in the ghetto suburbs who last fall were rioting nightly and burning thousands of automobiles in outrage at their "exclusion." The scale of the affair has been grotesquely out of proportion to its ostensible purpose. Yet it has turned into a symbolic event of high significance. The protests became a challenge to a certain model of capitalist economy that a large part, if not most, of French society regards as a danger to national standards of justice—and, above all, to "equality," that radical notion which France is nearly alone in proclaiming as a national cause, the central value in its republican motto of "liberty, equality, fraternity."

Villepin surely had no notion of the consequences when he launched what seemed to him a small but constructive employment initiative, intended to loosen current inhibitions to job

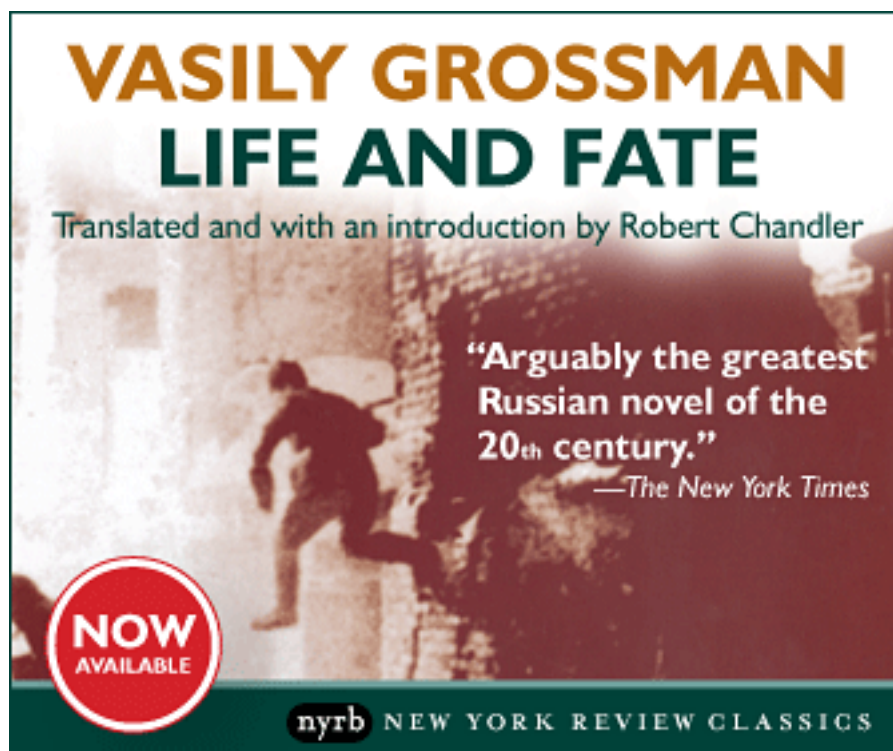
creation by encouraging the hiring of the unqualified young. Villepin's measure created a new "first-job contract" that would make it easier for employers to hire people for two-year trials, with the possibility of discharging them, without explanation, if they didn't work out (or if the employer no longer could afford them). Under the long-prevailing system, such dismissals were largely forbidden.

Villepin's new law was attacked as reinforcing the precariousness in the lives of young people. The attack took the form of mass protests in the great tradition of French political psychodrama: actually it was evidence of the economic and social anxiety of the French middle classes. I say the middle classes because the marchers in these *manifs* were not the poor. Other than the public service unions (most of whose members are certainly members of at least the lower middle classes), those leading the marches were politically active university and lycée students, a striking number of them accompanied during the early demonstrations in March by parents or entire families.

These are people who profited from the growing prosperity and upward social movement that characterized French society from the end of World War II until quite recently, when chronic unemployment became a factor in French life. The marchers included members of the generation that took part in "the events" of 1968 (after which "nothing was to be the same again!"). These older people now approach retirement; mostly they have become proper bourgeois (or "bourgeois bohemians"—"bobos" in current social shorthand), concerned for the future of their children and grandchildren.

The rebels of 1968 took available jobs and prosperity for granted; they demanded a revolution of political sensibility and class and social renewal at a time of social and political rigidity. The scale and emotion of this year's demonstrations have been reactions to the threat of downward social mobility and weakened economic security. Resistance to *precarité* has been their dominant theme. The turmoil of recent weeks has been for today's students the counterpart of the car-burning disorders provoked late last year by the young immigrant poor who occupy the public-housing ghetto suburbs of major French cities. The new demonstrations have been violent only on the edges, but the veteran commentator (and *Nouvel Observateur* editor) Jean Daniel sees in both the marches and in last year's disorders and car burnings in the suburbs a renewal of France's tradition of "Jacqueries"—revolt and mobilization of the street against parliament and government.

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Both revolts send messages. The message of the mostly Muslim suburbs resembles the message of class conflict in the past—the demand for equality. The crucial difference is that the conflict is no longer one economic class against another, which was a purposeful conflict, but protest by those excluded for cultural and racial reasons (which money doesn't cure) from the larger society. The response to that exclusion can only be immigrant assimilation. This was understood and is not impossible, since France has always been more colorblind than any other country in Europe—assimilation for the French is a matter of language and culture. But whether the public response will be adequate remains to be seen; so does the degree to which the Muslim minority is prepared to be assimilated.

Villepin, in putting forward a change in the employment laws, inadvertently opened a fundamental question about what economic and social model should be adopted in France, just as two years ago the referendum on the European constitution posed disturbing questions about the political future of the European Union and the direction being taken by European capitalism.

The French obviously are not alone in their concerns. A kindred debate about "models" of capitalism persists in Germany, which has suffered recent labor unrest, connected to demands for wage sacrifices by workers, and in the European Commission itself, which since EU expansion to twenty-five members has, under the commission presidency of Portugal's José Manuel Barroso, tipped away from the established "European social model," with its emphasis on provisions for welfare, and toward Anglo-American market capitalism, provoking considerable controversy. Even Britain saw its biggest strike since the 1920s on March 28, when workers for local authorities protested against proposed changes in their pensions.

In France, where there is a lower rate of union membership even than in the US, and unions are concentrated in state employment where jobs are protected anyway, union leaders thought it politically useful for their members to demonstrate alongside the students; but union participation started to fade in early April, while student enthusiasm remained high. It costs a bus driver wages to take off time for the demonstrations. For students, taking to the streets is part of their political coming of age.

The French, of course, have been against *capitalisme sauvage* ever since that rough beast loomed amid the satanic mills of Britain in the nineteenth century, subsequently making its transatlantic journey to establish its new lair. The usual foreign description of the French problem is that the nation and its political and economic elites are failing to confront the demands of the globalized economy, taking refuge in the unrealistic notion of a French "social model" that has no place in the modern world. Hence, any effort to make the employment market more flexible meets with popular rejection, with consequent high French unemployment.

In fact, the rate of French youth unemployment is not what it usually is made out to be, since free baccalaureate- and university-level education keeps young people off the job market much longer than in most countries. As a result, as London's *Financial Times* reported in its March 25–26 issue, the official figures are misleading. The newspaper calculates that 7.8 percent of French people under twenty-five are actually out of work, as compared with 7.4 percent in Britain and 6.5 percent in Germany. Accurate comparison with the United States is almost impossible because US unemployment figures do not include the imprisoned and those not actively seeking work.

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The level of youth unemployment nonetheless is unacceptably high and France's employment structure is much more inflexible than elsewhere —particularly in Scandinavia, where heavy state intervention in support of individuals out of work backs up highly flexible hiring and firing. But France also has higher productivity than most of its neighbors as well as a more highly qualified and educated workforce, higher investment from abroad (including from the US), and a much higher savings rate. The French savings rate in recent years has fluctuated between 14 and 16 percent. The rate of household debt is roughly half that of the US, Britain, Denmark, and the Netherlands. From the economists' point of view this is far too prudent for a modern consumer society, but it is very good for state finance, which has access to French private savings, placed mostly in life insurance, where the profits also generate tax payments.

The savings rate is further indication that the French worry more about the future than their neighbors. They are concerned about pensions, employment security, and the size of the national debt, now more than a trillion euros. This is unimpressive by American standards but troubles the French.

For French students, overproduction of devalued baccalaureate degrees —a nationally

tested secondary education degree—is a problem caused by the generous but unrealistic ambition to assure a baccalaureate degree to 80 percent of the student population. This tends to turn young people away from technical and vocational education; for many, the process of "selection" for further education comes at the end of the first year of university. On the other hand, Germany promotes selection, or streaming in education, at a very early age but now has a crisis over schools and qualifications worse than the one in France.

An additional education problem in France is the social separation produced by parallel systems of (mostly free) higher education. Graduation from the professional *grandes écoles* and their commercial equivalents, which have intensely competitive admission requirements and demanding curriculums, leads almost automatically to the highest posts in national administration (and national politics) and in industry. Parallel to the *grandes écoles* is an open-admissions university system which, except in professional schools of medicine, law, and science, tends to produce too many graduates headed for lower or mid-management, or other mid-level jobs distant from student dreams, as well as a floating body of former university students who don't regularly work. Demonstrations in recent years have been accompanied by avowedly anarchist and nihilist bands brandishing black flags, breaking store windows, and vandalizing university classrooms, auditoriums, and labs.

During the last two years, moreover, the *casseurs*—"smashers"—have arrived on the scene. They are gangs from the suburban ghettos, sometimes accompanied by their girlfriends who take cell-phone photos of the fun; looking for excitement, the gang members shadow the student demonstrations, darting in and out to snatch purses, phones, cameras, and the like, shoplifting in bands, breaking store windows, and frightening old ladies (among others). For the official student demonstrations, the unions now furnish burly marshals, who are less inhibited than the police in dealing with the *casseurs*. Where young people are concerned, the police are on a tight rein.

When demonstrations break up, students heading for the Metro or train are easy prey for the *casseurs*. The police have adopted new tactics, assigning plainclothes officers to shadow *casseurs* from the time they arrive at the suburban train stations; but it's hard for policemen to remain inconspicuous to bands of mostly African or North African young people. In addition to the usual ranks of riot police with water cannons, teams of a half-dozen policemen work together to "snatch" troublemakers in the post-demonstration melees, but these often prove to be minors and under current law can't be charged.

2.

According to the current myth, France's existing welfare system can't be reformed. But it can. Last year the underrated predecessor to Prime Minister Villepin, the undramatic and common-sensical Jean-Pierre Raffarin, successfully made important changes both in the retirement system for public employees and in health care. But he observed that these changes required an entire year of talks with the "social partners"—unions, insurance groups, and the public administrations—aimed at edging the reforms forward until they could be quietly adopted; last-minute protesters could then be easily disregarded.

Villepin, in contrast, announced his new youth employment proposal without preliminary consultations. He did not bring the social partners into his confidence, and in parliament he overrode the minority left's opposition (which took the form of multiple frivolous amendments) by applying a constitutional provision allowing the government to cut off delays by posing an implicit vote of confidence. This naturally fed the left's appetite for conflict.

Villepin made no adequate rebuttal to the charge that his measure increased employment insecurity, or to the perception—probably true—that he wanted eventually to extend his reform to apply not only to first jobs but to others as well. French students already are so intimidated by the job market, and so keen on secure employment, that 76 percent of those between fifteen and thirty want to become state employees who can never be fired. The impulse of union officials as well as the young is to defend every advantage they have acquired— whether in securing university places and jobs (or unemployment payments), or in maintaining the thirty-five-hour week, as well as pensions and long vacations. They do so because for the first time since the 1970s, the public is experiencing wide and steady pressure on wages and the threat of unemployment.

As the students themselves know, a globalized world won't stop turning because French students have taken to the streets. They are not looking for the "beach beneath the paving-stones" (a 1968 slogan: *Sous les pavés, la plage!*) but for security. A former cabinet minister, Luc Ferry, who began his studies in 1968, has said that while his own generation had been ready to demonstrate for practically anything, it would have thought a demonstration to save its as yet nonexistent pensions "frankly surrealistic." French students did just that last year.

Ferry, a professor of philosophy, also asks if life for the young is really so much more precarious than in the past: "What about those who were twenty in 1914? Or in 1939?" In the 1950s, French students faced conscription and counterrevolutionary war in Algeria. Ferry writes:

Who can't see that even today life is infinitely sweeter, more promising and more open in Paris, Madrid or Brussels than in Baghdad, Algiers, Jericho or Madras?... Starting adult life is always hard, but is undoubtedly less so today in Europe than anywhere else, or at any time in the past.

Villepin's new law catalyzed anxiety among the French because its message to the young seemed to be that they should no longer expect good jobs and security. It did not matter that a job with a two-year trial, during which one might be fired, but which also could lead to permanent employment, is surely better than the succession of dead-end, short-term jobs actually available to large numbers of young people today. Many French did not see the law this way. (Seventy percent of the jobs currently proposed to the young in France offer short, fixed-term work.)

Many of the French have now adopted the view that the nation itself is in decline. "Declineism" has become the subject of much public and press analysis, although sometimes the discussion simply reflects the foreign accusation that France's problems come from its refusal to adopt the Anglo-American model of market capitalism. Other commentators articulate a widely described sense of powerlessness, whether to break a sterile quasi stalemate between left and right in domestic politics, or to formulate a riposte to hostile economic forces from abroad—despite the fact that France actually is a highly successful competitor in world markets and a global leader in high technology.

I would suggest a larger explanation for the prevailing anxiety: that, as throughout modern history, France functions as the coal miner's canary of modern society, reacting to political and social forces before anyone else. France's refusal to approve the European Union constitutional treaty two years ago caused an international shock because the voters rejected the view, all but universally held among European elites, that continuing expansion and market liberalization are essential to the EU, indeed inevitable. The reaction of the European public elsewhere to the French vote seems, on the whole, to have been one of relief.

Similarly, the current unrest in France can be interpreted as a signal of wider popular resistance in Europe to the most important element in the new model of market economics, its undermining of the place of the employee in the corporate order, deliberately rendering the lives of employees precarious. The usual criticism of government intervention in the French economy is that it is protectionist and tends to block managers from downsizing and outsourcing jobs, in order to add "value" to the corporation. The head of the Paris Enterprise Institute, financed by business to sponsor economic internships for French schoolteachers, Jean-Pierre Boisivon, told the *International Herald Tribune* in April that "in France we are still stuck in 1970s Keynesian-style economics—we live in the world of thirty years ago. In our schools we fabricate a vision of society that is very different from the one that exists in other countries."

Between the 1970s and the present two fundamental changes have been made in the leading—American—model of capitalism. The first is that the "stakeholder" version of reformed capitalism that prevailed during the period following World War II was replaced by a new model of corporate purpose and responsibility. The new capitalism's most important characteristic in the United States has been to transfer wealth to stockholders and managers, and (through corporate tax cuts) away from spending for public purposes and on employees (through depressing wages and eliminating employee benefits). A recent headline read: "AT&T–BellSouth Deal Gets Wall St. Applause. Merger Would Lead to 10,000 Job Cuts."

The earlier postwar model, influenced by the New Deal as well as by reform unionism, European social democracy, and Christian social doctrine, held that corporations had a duty to ensure the well-being of their employees and an obligation to the community, chiefly but not exclusively fulfilled through corporate tax payments.

That model was replaced by one in which corporation managers are held responsible only for creating short-term "value" for owners, as measured by market performance and dividends. The practical result is constant pressure to limit or reduce wages and worker benefits (leading in some cases to theft of pensions and other crimes), as well as political lobbying and public campaigns to lower corporate tax contributions to the government and the public interest. In short, the business system in the advanced market economies has been rejigged since the 1970s to take wealth from workers, and from the funding of government, and transfer it to stockholders and corporate executives.

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While that may seem an incendiary comment to some, it seems to others a simple factual observation. Felix G. Rohatyn, the financier and former US ambassador to France, and no critic of capitalism, wrote in the *International Herald Tribune* on April 3:

It is worth considering whether boards of directors should have a broader set of responsibilities to deal with beyond simply the value of the stock, or the intervention of their government.

One possible model is "stakeholder capitalism." This allows corporate directors to take into account factors other than simply maximizing stockholder value in reaching their decisions.

Issues which would have an adverse impact on constituencies other than the shareholders, such as the interests of employees, communities, customers, and suppliers—the "stakeholders" of the company—can also be taken into account.

I once called the current system "CEO capitalism," since corporate chiefs today effectively control their boards of directors and are also the principal benefactors of the system, subject to critical attention chiefly from investment fund managers, themselves interested in maximized and steadily increasing dividends. The well-known American fund manager John C. Bogle—founder and former CEO of the Vanguard Group, Inc.—has taken up this argument and develops it in his recent book, *The Battle for the Soul of Capitalism*.<sup>[1]</sup>

This change in corporate capitalism has been defended with the now-familiar argument that capitalism devoted to increasing short-term value would produce such prosperity that all would benefit, including the non-shareholding stakeholders. However, while much wealth has been generated, not much of it has ended with them.

The second change that has taken place is, of course, globalization. The crucial effect of this for society in the advanced countries is that it puts labor into competition with the poorest countries on earth. The Nobel laureate Joseph Stiglitz is one of many arguing that trade liberalization puts downward pressure on skilled as well as unskilled wages. The deficiencies of the "Washington consensus" model for economic development have been



acknowledged for some years, with many recognizing the argument that economic development, historically, has tended to fare better behind protectionism (as in Japan and South Korea) than under Washington consensus methods, while free trade often proves predatory in backward societies, destroying functioning institutions and failing to replace them. One remedy, which Stiglitz supports, is that free trade be emphasized within blocs of economies at comparable stages of development, instead of the universal deregulation advocated until now.<sup>[2]</sup>

We need to note the classical economist David Ricardo's neglected "iron law of wages," which says that in conditions of wage competition and unlimited labor supply, wages will fall to just above subsistence level. This "law" in the past seemed irrelevant since there never before has been unlimited access to labor. Thanks to globalization, that is now in prospect. The consequences have only begun to be felt.

In this perspective, what in France seems a sterile popular defense of an obsolete social and economic order might instead be understood as a premonitory appeal for a humane successor to an economic model that considers labor a commodity and extends price competition for that commodity to the entire world. The apparently reactionary or even Luddite position inspired by French reactions might prove prophetic.

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At this writing, the party in France seems over, with plenty of hangovers, and some younger guests still unwilling to go home. The less romantic students want to pass the examinations that loom after the Easter holidays. The biggest hangover is that notwithstanding all the recent protests, nothing has been done to increase job opportunities for the unqualified young, although Villepin and President Jacques Chirac both promise new measures to accomplish that.

The political implications are that President Chirac's retirement next year, when his term ends (and conceivably even before), now seems assured. Prime Minister Villepin's presidential ambitions for 2007 can probably be forgotten, although he has thirteen months to prove otherwise. His rival, Nicolas Sarkozy, who had a tricky part to play during the demonstrations so as to seem sympathetic to the students without overt betrayal of Chirac and Villepin, now is under unprecedented scrutiny. He has abrasive ambition, a short man's chip on the shoulder, and is deeply "hexagonal" (as the French say, France being shaped like a hexagon). He doesn't know much about the world outside France. He also doesn't look like a president.

The Socialists had an equivalent problem: how to indicate their support for the demonstrations without provoking the students to denounce them for trying to exploit a movement that began with no connection to national political parties, including their own. For next year's presidential contest the Socialists present a half-dozen veteran politicians (with the avowedly retired Lionel Jospin a phantom candidate who might become a real one) and also the glamorous Ségolène Royal, who has never held a major office but during

the first week in April was on all the magazine covers. The Socialists are divided, still lack a program, and remain tainted by the corruption that was part of the Mitterrand presidency.

Neither political party, as a party, has made other than an equivocal or reactionary challenge to the social and economic model of market liberalism that much of France rejects. As elsewhere in Europe—notably in the European Commission under its current president—French elites seem unaware of the degree to which the global model they are being pressed to adopt is already under attack from within. Instead, the French, who consider pessimism evidence of intelligence, are telling themselves that the nation suffers some profound crisis.

They remain under the spell of the idea of France in Decline, which the events of recent weeks seem to them to have confirmed. A French critic of declinism, Philippe Grasset, objects to the widely heard plea that it is

essential that France cease to set itself off by its taste for what is passé, its conservatism, its old-fashionedness, and that it adapt to new conditions. This necessarily presupposes that globalism is the unique route to follow, simultaneously irresistible, triumphant, and benevolent.

Grasset continues:

Yet one sees perfectly well that the opposite is true: globalism is less and less the only way to go; it is not at all irresistible, never ceases to run into difficulties, and is more and more unpredictable. We no longer need to question whether these doubts about it are valid; it is increasingly apparent that they are true, and that their truth soon will be irresistible.<sup>[3]</sup>

In that case, it may one day be said that the children were the first to notice.

—April 12, 2006

Notes

<sup>[1]</sup> Yale University Press, 2005.

<sup>[2]</sup> See his article "A Progressive Response to Globalization," *The Nation*, April 17, 2006, p. 118.

<sup>[3]</sup> *De Defensa* (Brussels), March 25, 2006.

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