



# Charlemagne

## Kicking against austerity

### France and the Netherlands once again resist the European consensus

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IN 2005 the people of France and the



Netherlands gave a stinging rebuke to the European Union by rejecting a new constitutional treaty. Seven years on, they are again causing alarm. To judge from the presidential race in France and the fall of the Dutch government this week, many are kicking against austerity. And a growing number support extremist parties of the left and right that

reject the decades-old European project altogether.

Tempting as it is to conflate worries about France and the Netherlands, much separates them. France is big and protectionist by instinct; the Netherlands is a small, open trader. The French have long played fast and loose with public finances; the Dutch see themselves as models of fiscal discipline. France has a powerful presidency; the Netherlands muddles through with a kaleidoscopic parliamentary system. In Paris supranational EU bodies are seen as a fetter; in The Hague the European Commission is hailed as the protector of small countries.

Yet in some ways it is precisely these contrasts that are most worrying. If the flighty French and the dour Dutch are both disenchanted with the EU, the malaise is profound indeed. The euro zone's debt crisis is polarising the politics of austerity and economic pain. The sense of resentment has been building for years: the no votes in 2005 were not a passing aberration. French voters may have objected to the arrival of Polish plumbers under liberalisation pushed by a Dutch commissioner, Frits Bolkestein. But these days it is a former devotee of Mr Bolkestein's, Geert Wilders of the far-right Freedom Party, who runs a website for citizens to complain about Polish migrants.

In both countries it is the low-skilled and poorly educated—the supposed losers from globalisation—who are most openly in revolt. For them European integration is not the solution, but the problem. And the French and Dutch are by no means alone. Greece's election on May 6th will reveal deep resentment over the severe recession that austerity has brought. Ireland holds a referendum soon afterwards on the fiscal compact, which enshrines balanced-budget rules across the euro zone. Italy and Spain are both going to breach their deficit targets.

All this raises the question of whether Germany and the EU can hold the line on budget discipline. Germany's predilection for all-round austerity is a mistake, with financial markets now worried as much about deep recession as about deficits. But political instability and indecision may be more alarming. If Germany has been able to impose its views on fiscal

discipline, it is not just because others need its money, but because it has allies. President Nicolas Sarkozy of France has been an enforcer along with the German chancellor, Angela Merkel. The Dutch prime minister, Mark Rutte, has been her conscience, pulling her back towards rigour whenever she has seemed ready to yield to profligate Mediterranean governments.

Mr Sarkozy is now likely to be replaced by François Hollande, an old-style tax-and-spend Socialist who wants to change Mrs Merkel's fiscal compact and threatens not to ratify it if he fails. Mr Rutte is a lame duck after resigning when the budget negotiations broke down. With his country officially in recession, he is struggling to meet an April 30th deadline for plans to bring the deficit down from 4.6% of GDP to the EU-mandated target of 3% next year. There is an irony in Mr Rutte's predicament: his government was the most strident in demanding budget cuts and reforms elsewhere, and yet has fallen apart over a more modest adjustment than those imposed on Greece and Spain.

There is something else even more disturbing. In both France and the Netherlands, between one-fifth and one-third of voters support extremist parties that oppose European integration, globalisation or both. These forces are deemed to have brought wage-sapping, job-destroying competition. The far right adds that they have also brought welfare-grabbing immigrants, above all Muslims. With European leaders expressing alarm about the rise of extremists and populists, one German daily, *Handelsblatt*, asked in a front-page headline: "Is Europe failing?" In France both Mr Hollande and Mr Sarkozy are chasing voters for Marine Le Pen's far-right National Front ahead of the second round on May 6th. In the Netherlands Mr Rutte was brought down by Mr Wilders, who held the balance of power.

Mr Sarkozy has turned from a stout defender of the euro into a shrill critic of the EU. A Europe that opens its markets without counterparties, and which does not defend its enterprises and farmers, is finished, he says. Indeed, Mr Sarkozy seems ready to rip up much that is valuable in

the EU. Mr Hollande, for his part, is discreetly telling Brussels and Berlin that he does not question fiscal discipline, but rather wants to complement it with growth-promoting measures. German officials also calculate that any signs of profligacy by Mr Hollande will be punished by the markets long before the EU has to intervene.

### **Not hailing Hollande?**

The Franco-German relationship has often worked well when the two countries had leaders from opposite political persuasions (think of François Mitterrand and Helmut Kohl, or Valéry Giscard d'Estaing and Helmut Schmidt). Optimists in Brussels now suggest that the Hollande-Merkel relationship could also turn out better than expected. Yet in this election Mrs Merkel actively backed Mr Sarkozy. She will not yield much to Mr Hollande on the fiscal compact. And those who point to happy relations of earlier Franco-German leaders from different parties gloss over a much more uncomfortable precedent, set by Mr Sarkozy and his predecessor, Jacques Chirac, among others: that new French presidents become reconciled with German chancellors only after falling out with them—sometimes for years.

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