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► **To cite this version:**

Philippe Bance, Jacques Fournier. The Imperative Metamorphosis of Public Action in France and in Europe. Philippe Bance (dir.). Public action in the crisis, Presses universitaires de Rouen et du Havre, 2012, 978-2-87775-942-7. hal-01965526

**HAL Id: hal-01965526**

**<https://normandie-univ.hal.science/hal-01965526>**

Submitted on 26 Dec 2018

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## **Conclusion**

### **The Imperative Metamorphosis of Public Action in France and in Europe**

**Philippe BANCE and Jacques FOURNIER**

The economic crises that have marked the history of capitalism have, each in its own way, brought about transformations and reconstructions that prepared the coming of a new period. Like the Great Depression of the 1930's, the world economy has been going through a major historic crisis since 2008 that is bringing about great economic, political, and social upheavals. Public intervention is finding a new legitimacy in it. But this new situation does not mean the return of the State or public intervention of the past. In fact, it marks a need for reorganization to allow new public policies to appear, to transform profoundly the practices initiated under the neoliberal approach. It is right, in other words, to initiate a process of “creative deconstruction” on matters of public action. The current imperative is to reinvent public action in order to prevent the dreadful consequences of the Great Depression from occurring again. But it is also a matter of establishing public policies that lay the new foundations for a twenty-first century economy that is less exposed to recurrent crises, which, in other words, will lead to sustainable development. In this perspective, a metamorphosis of public action could be based, in France and in Europe, on four great reorganizing principles.

#### **1. Restoring the “capability” of public authorities**

The present crisis has its roots in the 1980's and the restriction of the maneuvering room of public authorities. Financial deregulation, implementation of the American and British “conservative revolutions,” and the Washington consensus led to policies of laissez-faire economics, openness to competition, and commercial self-regulation. In the developed economies, especially in Europe, public authorities lost a very large part of their previous prerogatives to regulate economic activity with the background of globalization of economies. Their capacity for action to remedy crises that go together with free market capitalism was profoundly affected by the creation of competition between States, by their laissez-faire attitude toward the greed of the financial world (Stiglitz, 2010), and by their submission to the pressure of rating agencies and the “dictatorship of the markets” (Bourguinat and Briys, 2009). The top priority is therefore to restore what can be called, transposing Sen's concept (2008), the “capability” of public authorities, in other words, their ability to conduct public policies that follow from interventionist choices and make it possible to carry out diversified actions of economic, social, and environmental regulation and to allocate public goods. The experience of

the last decades shows, however, that under the influence of markets that are deregulated and subject to weak control, public authorities carry out constrained, defensive policies that often meet short-term expectations and do not make it possible to take up the challenge of reorganizing public action.

The dogmas of neoliberalism, even if they have suffered from the crisis, clearly retain great influence. Policies of deregulation of general interest services continue to be applied in the EU, despite their limits, expected effects that remain unproven, and the absence of real evaluation (chapter by Jennequin and Flacher). Neoliberal options could even be rehabilitated and reestablished more firmly than in the past. In the second phase of the current crisis, marked by the surge of public indebtedness, monetarist orthodoxy remains prescriptive, and the detractors of public action, theoreticians of supply and of property rights, and other neo-Ricardian economists are repeating their systematic attacks on public intervention. This does not go without effects on the attitude of public authorities. One might have believed, however, at the beginning of the crisis that the return of the State to save the banking system (Rey) and stimulate the economy (Bernier) would sanction a paradigm shift in economic analysis. This did not count on the “boomerang effect” of the growth of public debt (Bance). The restrictive policies pushed in European countries by the Franco-German couple in 2011 to face the crisis marked the return in strength of orthodoxy. A depressive spiral of cutting public spending is at work (Bance, Boual).

A new awareness of the absolute necessity of restoring public capabilities around a new model of the relationship of States with markets should make it possible to reorganize public action. This should be done in several areas. On matters of budgetary policy, the recommendations are many: promoting closer European coordination; establishing new instruments (for example, funds for mutualizing debt); renouncing monetarist orthodoxy to have the ECB carry out an active policy of covering debt to remedy the crisis; breaking free from the heavy hand of the markets (Bance). We should also learn all the lessons of recent years, during which the particular interests of finance were too protected, rather than subjecting it to a logic of the general interest (Rey). On matters of monetary policy, the EMU should be rethought around a policy that would make it a means of sovereignty and stability. Maintaining the euro zone seems justified to protect against very costly and long-lasting negative repercussions and to avoid upsetting the balance of international economic relations (Ülgen). But maintaining the euro zone cannot continue to be dominated by the monetarist orthodoxy of submitting to stability of prices and the adoption of simple hypothetical mechanisms of market incentives. In the field of industrial policy, it would be right, beyond the missed opportunity for nationalization of banks and industries at the beginning of the crisis, to pursue policies of energizing economic activity based on public ownership. It is also necessary to carry out a policy of services that binds nearby services to territories and makes it possible to avoid in the short term direct drops in activity, and in the long term a loss of attractiveness (Jennequin). Concerning the collective organization of meeting needs, an expanded vision of public service should be adopted, one that makes it possible to meet in the long term present and future social needs (Fournier).

## **2. Conducting multilevel public policies**

By tradition, the national level plays a very important role in France in carrying out active public policies. This centralized tradition has not prevented the government from following the path of decentralization: the 1982 laws give to territorial communities important prerogatives in the conduct of public policy. France has also been, for more than half a century, a driving force in the building of Europe. Finally, for it as for any other country, in a globalized economy and facing the power of multinationals, regulation of the market—not only financial but also commercial, social, and environmental—also occurs at a world level.

From this tangle of levels of intervention of public action comes the necessity, in the search for effectiveness, to carry out differentiated strategies that combine the coordinated action of various institutions in action and interaction, to use Hassentaufel's expression for it (2008).

The world dimension has been amply studied, especially by certain authors of this book, in a 2011 work executed in the framework of CIRIEC International (Bance and Bernier). Studies here concentrate more particularly on the European, national, and infra-national dimensions of public action.

The European dimension has become fundamental for matters of conducting public policies. It is a matter of the structuring framework that sets the broad orientations of national and infra-national public policies.

The involvement of the national and infra-national levels in the implementation of public action, however, should not be neglected. The principle of subsidiariness to which the EU refers makes it possible to provide in this respect the necessary flexibility and to establish coherence among the policies carried out at the different levels of public intervention. It is still necessary to apply this principle fully and to ensure that a purely commercial European representation of the general interest does not limit its impact. Subsidiary conceived in this way authorizes the implementation on the national level of strategies for energizing and involving general interest services in missions to promote sectors that are essential to the economy (Fournier, Jennequin). It does not rule out use of various instruments of public intervention, including public ownership and public businesses (Bernier). It allows the construction of a system of intervention that calls on mechanisms for strategic oversight and new indicators of well-being and sustainable development (Jany-Catrice). It can open the way to new possibilities for developing public services (Boual, Fournier, Zadra-Veil), organizations of the social and solidarity economy (Demoustier), and those for fighting against regional imbalances (Similie) and social inequalities (Aballéa). For this, it is also necessary for States or local authorities to have an economic strategy, a clear and coordinated vision of their role in the economy. After all, what good is it to have excellent instruments without the musical

score?

### **3. Rebuilding European action**

Europe is often the pertinent level to influence the course of a globalization that limits the maneuvering room of States and pushes toward fiscal and social dumping. But a contradiction appears for those who seek both to construct Europe and to build a renovated economy. For in economic matters, Europe has played the role of the Trojan horse of neoliberalism. The founding principles of the construction of Europe, which consist of establishing a market rather than a political space, have contributed to it in a notable way. These characteristics were strengthened by the European Single Act of 1986, which sanctioned the primacy of competition, then by the Treaty of Maastricht, which enthroned monetarist orthodoxy on matters of monetarist policy, which has proven especially harmful in the current crisis phase.

This work explores the paths of new dynamics that could be given to the EU, making it possible to reconcile two fundamental orientations. The first is the construction of a common economic space, within which competition is an organized, controlled, regulated tool in synergy with political goals and no longer has an ideological purpose. The second is to make Europe an entity that exists not only by its economic weight but that is also able, as a political entity, to promote the general interest by developing common policies and public services and correcting of social inequalities.

Several analysts show, each in his own area, the profound contradictions and limits of European policies to promote this general interest. Deregulation of network industries is not providing all the benefits expected by theory, leading to under-investment in public services and limiting their ability to act in a countercyclical way (Flacher and Jennequin). Public-private partnerships, promoted by European authorities because they are seen as sources of gains in efficiency for the community, can prove to be very expensive over time for the public partner. They often carry high risks for the community due to great asymmetries of information to the latter's disadvantage (Zadra-Veil). The contribution of general interest services to the cohesion of the EU also remains weak, considering the set goals and potentialities of these services (Similie). The persistence of social inequalities in Europe is another illustration that marks the weaknesses of European policies. The neoliberal conception that dominates the Union is a first explanation for this: it has led to shifting emphasis from solidarity to responsibility, from the collective to the individual, from social dysfunctions to the psychologizing of the social question (Aballéa).

It is necessary to move beyond this. To rebuild Europe on the basis of new dynamics, the Union must be able to define common public policies, to initiate a renewed concept of public action on the international level, and to use the right instruments for their implementation. The right paths for this must be found, at the institutional level (Bauby), by rethinking the international role of the euro (Ülgen), inventing new indicators of convergence for a sustainable Europe (Jany-Catrice). It is also a matter

of going onto the offensive, and this undoubtedly can be done only on the initiative and with the impulsion of a sufficient core of reformist States (Bance and the idea of “strengthened proactive aligned cooperation”). This offensive would consist of capitalizing certain advances of the construction of Europe, such as the single currency, but while breaking with monetarist and neo-Ricardian orthodoxies, and providing it with tools for common policies that are strong enough and rely on real solidarity, to protect itself from the predatory behavior of the financial world and to get States out of debt.

#### **4. Renewing public action by democracy**

The further one goes from the local level, where everyone is in direct contact with the issues involved in the decisions to be made, the harder it becomes to make democracy live. This is already seen when going from the level of territorial communities to that of the State. It becomes much more obvious still at the level of European institutions. One can (like Bauby) see in the half century of the construction of Europe a new and original process, liable to serve as a model for other regions of the world. One must recognize, however, the lack of democracy from which it suffers and that is shown by the very low level of involvement it engenders among citizens. The concepts put forward (joint governance, Euro-democracy, multiform European civil society) are all paths that can help to decipher an institutional evolution that is still uncertain.

Faced with the crisis, subject to world and European constraints, but also called into question by the new aspirations of a better educated population, more autonomous and whose possibilities for self-expression and mobilization are multiplied almost infinitely by the web, public policies must be reconsidered. They can oscillate between two goals: intelligent guidance of the economic ship in the zone of turbulence it is crossing today, or its entry onto the course of a new mode of development. Making capitalism moral, or going beyond it by new forms of democratic expression? By the force of things, it is the first orientation that is prevailing at the present time. But that also leads us to think about the conditions in which the second could assert itself.

Political democracy, economic democracy, and social democracy should support each other. They each have, however, their own tempo. The long circuit of institutional democracy (a periodic choice of leaders who will decide what policies to follow, and implementation of these policies by successive governments) does not exclude the short circuit of expression of needs and direct participation in the organization and management of the business or service (Boual, Fournier). At the same time, the rapid expansion of intervention in the social economy, in whose functioning the requirement for democracy is fundamental, is bringing forth new orientations. They are leading to a search for better structuring of territorial policies in order to provide nearby services (Jennequin). They are encouraging a process of placing public action and the intervention of organizations of the social and solidarity economy in complementarity and synergy (rather than in competition or substitution) in order to meet better the profound aspirations of the people (Demoustier). These requirements for a deepening

of democracy are also pushing for the development, starting from citizen debates, of new indicators of sustainable development that meet profound aspirations by guiding public action on the basis of needs that are socially useful and ecologically sustainable (Jany-Catrice).

It is from theoretical analyses and concepts but also from action and struggle on the ground, at the meeting place of public policies, the social economy, and sustainable development, that public policies and social aspirations can come together to lead to a post-capitalist alternative.

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