9 Privatisation – Rolling Back the French State

AN AMBITIOUS PROGRAMME

‘The important scale of French privatisations will revitalise private capitalism and contribute to a widespread liberalising movement of the economy.’ This is how Edouard Balladur (the Minister responsible for the Economy, Financial Affairs and Privatisation) viewed the ambitious programme of privatisations proposed by the Chirac government. Over five years, 65 companies valued at 300 billion francs and employing nearly 900,000 people were to be returned to the private sector. France was therefore to pursue the same path (although with greater speed and on a more substantial scale) as other European countries, notably Britain, in seeking to reduce the direct role of government in the management of the economy.

In the government’s view, privatisation was not intended to favour simply a restricted number of large industrial and financial groups. Instead it aimed to benefit a majority of French people, especially the workers of previously nationalised companies, by enabling them to become shareholders in these enterprises. A vast extension of popular capitalism was envisaged, a situation formerly unknown in France. Such diversification was expected to act as a catalyst for a fundamental reform in the management of the firms concerned. In this way, therefore, it was hoped to modernise and improve the efficiency of the French economy, while at the same time responding to new personal aspirations to invest more freely and to intervene more directly in economic affairs.

Underpinning this ‘new approach’ was the idea that in a period of ever-increasing and more intense competition between countries, and of the continuing internationalisation of the world economy, it was essential to give firms more flexibility and autonomy. The process was seen as two-way, allowing French firms more freedom in their development strategies and offering a means to attract foreign investment to France, a vital consideration in view of the forthcoming single European market. It was only in this way that French industry and business would be able to compete effectively: for the Chirac government, state ownership meant excessive rigidity and...
inefficiency. Not unnaturally such reasoning was strongly challenged by the Socialists who claimed, for example, that under their stewardship the financial health and competitiveness of nationalised industries had improved substantially. Certainly this was difficult to dispute, for by 1986 all these companies, with the exception of Usinor-Sacialor (steel) and Renault, were making profits (which had not been the case in 1981). However, over the same period the country’s economic health generally had improved (albeit slowly), and the government had invested heavily in these companies. This financial question was used by the Right as part of its justification for privatisation. Between 1982 and 1986 nationalised industries, despite their return to profitability, had represented a substantial drain on the state’s purse (62 billion francs). It was easy, therefore to demonstrate the benefits of selling off such companies, to ease this burden and to prevent the need for subsidy from becoming a recurrent problem. The sale of selected firms would also have the considerable advantage of providing the government with a substantial income to use for other purposes.

Privatising a series of the country’s leading companies represented but one aspect, however, of the government’s liberalising policies. Other examples of this strategy included the proposal to involve the private sector in the construction and management of prisons and to break many of the traditional ties between the state and the broadcasting networks. Hospitals and municipal services such as street cleaning were not to escape the privatisation movement either, and a new freedom was to be given to landlords to fix rents for their properties. In other areas too the government was to demonstrate its willingness to limit or remove state controls. Moves were made to abolish various forms of monopoly, as in the case of that enjoyed by chemists for the distribution of a range of para-medical products; and even the ill-fated reform of universities had, as one of its main proposals, the granting of greater autonomy to individual institutions. Ideas of deregulation and privatisation, therefore, extended well beyond the domains of industry and finance, to affect many other spheres of French life, confirming the government’s wish to create a remodelled society, giving greater place and recognition to individual effort and enterprise.

Ostensibly, therefore, compared with the nationalisation programme of the previous period of socialist management, privatisation represented a very different approach to the running of the economy and to the organisation of French society. Yet, in both cases many of