

France: interaction among political powers and *loi des finances*

Abstract

In questa tesi viene analizzata la delicata questione dell'interazione tra poteri in Francia.

E' ancora argomento vivo di discussione, infatti, se la Francia debba essere considerata una Repubblica Parlamentare, come esplicitamente indicato nel testo della Costituzione, oppure come una Repubblica Semi-Presidenziale, in cui il Capo dello Stato gode di poteri particolari ed ha funzioni importanti anche nel processo legislativo, non ricoprendo solamente il ruolo di "rappresentante dell'unità nazionale".

Appare chiaro che la situazione sia profondamente cambiata durante il passaggio dalla Quarta alla Quinta Repubblica, con la figura di De Gaulle ed il crescente sentimento di sfiducia nei confronti del Parlamento e dei suoi componenti, che tante volte si erano dimostrati corrotti ed incapaci di agire, tanto da guadagnarsi forti critiche dall'intera popolazione francese. Il parlamento francese, infatti, durante i regimi precedenti, aveva sempre più perso la sua autorità, che, dipendendo dalle coalizioni dei gruppi parlamentari, era fortemente instabile. Fu proprio la volontà di dare maggiore stabilità al governo, unita al desiderio di metter fine all'atteggiamento clientelistico del parlamento, che portò alla stesura della nuova Costituzione ed al conseguente rafforzamento dello status e dell'autorità del Capo dello Stato.

Prendendo quindi in considerazione caratteristiche come:

- l'elezione diretta del Capo dello Stato (dal 1962)
 - l'incapacità del Parlamento di sfiduciare il Presidente della Repubblica (ma la possibilità di avanzare una mozione di sfiducia nei confronti del Primo Ministro e del Governo secondo l'art. 50 della Costituzione)
 - il diritto del Capo dello Stato di sciogliere il governo (art. 12)
 - la condivisione del potere esecutivo e legislativo tra Primo Ministro e Capo dello Stato,
- appare evidente che il ruolo del Presidente della Repubblica in Francia non sia solo quello di supervisore al di sopra delle parti, e che quindi la Francia possieda tutti gli aspetti necessari per essere classificata come una Repubblica Semi-Presidenziale.

Il lavoro, in questo senso, è inteso a comprendere e analizzare, tramite un'attento studio della Costituzione, le interazioni ed i confini tra potere esecutivo e legislativo in Francia, includendo altresì un'analisi delle figure Presidenziali più significative come quella del Generale De Gaulle e del ventitreesimo Presidente della Quinta Repubblica Francese Nicolas Sarközy.

Verrà dato ampio spazio all'analisi di un singolare caso francese che riguarda proprio l'interazione tra poteri, e cioè la coabitazione, intesa come la condizione di convivenza istituzionale tra un presidente e un primo ministro appartenenti a due partiti politici opposti, nonché una situazione sui generis in un paese in cui già la distribuzione del potere tra il presidente, il governo e il parlamento risulta essere spesso poco chiara e contraddittoria.

Il concetto di coabitazione risale alla stesura della costituzione della Quinta Repubblica francese, quando la Francia iniziò a delinearsi come una Repubblica semi-presidenziale. Tale "co-esistenza", infatti, è possibile solo con un ordinamento di tipo semi-presidenziale, in cui il parlamento può dismettere il governo con il voto di sfiducia e il presidente, da parte sua, possiede il diritto di sciogliere il parlamento.

Il primo caso di coabitazione, verificatosi in Francia nel 1986, vedeva contrapporsi la presidenza socialista François Mitterrand e l'elezione del suo rivale politico Jacques Chirac come Primo Ministro. Questa "convivenza conflittuale" non ha escluso la cooperazione nel settore in cui le parti hanno condiviso la stessa opinione, ed è stata utile a delineare delle convenzioni e delle pratiche che saranno seguite anche nelle successive coabitazioni. In generale, il governo, guidato dal primo ministro, è stato principalmente impegnato negli affari interni, mentre il Presidente ha avuto un ruolo limitato all' "arbitraggio" in questo settore, mantenendo tuttavia all'interno della sua sfera di influenza la politica estera ed europea, la difesa, e strategia nucleare. Al contrario, una convivenza più problematica e quasi "paralizzante" per il sistema francese fu quella tra il Capo dello Stato Chirac e il Primo Ministro Lionel Jospin, sia per la sua lunga durata di cinque anni, sia per le estreme limitazioni a cui è stato sottoposto il Presidente della Repubblica nell'ambito della politica interna.

Per tutte queste ragioni e per comprendere meglio l'interazione dei poteri in Francia, sarà interessante approfondire il contesto in cui il Capo dello Stato opera con un maggioranza parlamentare antagonista.

Successivamente, verrà preso in esame il ruolo del Parlamento, oltre che la sua efficienza, nelle dimensioni in cui il suo potere non è stato ridotto o sminuito dall'importanza crescente acquisita dal Capo dello Stato. Il suo ruolo infatti, non è più quello di un sito dove avviene il processo decisionale, ma più che altro di un'arena di discussione e dibattito tra le parti. Uno dei poteri che però non è diminuito con l'accrescimento del potere del Presidente della Repubblica è il potere di controllo parlamentare dell'esecutivo. Ecco qui che però il possibile punto di forza delle due camere francesi, si trasforma in uno dei maggiori punti di debolezza in quanto il parlamento si è dimostrato spesso incapace di utilizzare questa importante risorsa. Il problema dell'inefficienza parlamentare in questa sfera risale intanto alla durata della sessione parlamentare, che è stata estesa da cinque anni e mezzo a nove mesi, riducendo la quantità di tempo in cui il governo è libero da qualsiasi controllo parlamentare immediato, ed in secondo luogo anche alla poco lodevole corruzione dei parlamentari francesi, a cui spesso conviene non sollevare discussioni e tacere su alcuni problemi. Le commissioni parlamentari inoltre, sono poco numerose e hanno poco tempo per la produzione di report e le poche commissioni permanenti nelle due camere sono affollate, sotto-specializzate e inefficaci nell'interferire con la legislazione. Il parlamento potrebbe fare molto a livello di discussione e di dibattito al suo interno, ma anche qui, risulta essere fortemente limitato; le cosiddette *questions au government* risultano essere inefficienti, e, quando i dibattiti avvengono, sono in gran parte largamente ignorati dai media e dal pubblico. In poche parole, le *questions au government* non sono neanche lontanamente paragonabili al *question time* del parlamento inglese.

Al termine di quest'indagine si proverà a dare un'accurata valutazione dell'efficienza del sistema francese, considerando vantaggi e svantaggi di questo tipo di sistema. Il mio bilancio complessivo della forma di governo francese risulterà essere positivo e sarà volto ad elogiare la capacità, assolutamente non caratteristica dei precedenti sistemi, di fornire maggioranze stabili ed efficienti, tendendo al bipolarismo legislativo e ad una razionalizzazione del sistema dei partiti. Trovo che la razionalizzazione del Parlamento francese sia stata un bene anche per la questione del bilancio che finalmente, per dirla alla maniera di Cole, non è più ostaggio delle sporche e poco nobili pratiche ed esigenze dei parlamentari corrotti.

Lo studio delle complesse relazioni di potere tra esecutivo e legislativo, tra Presidente e Primo Ministro, verrà completato ponendo l'accento sulle *lois des finances*, che, oltre a rappresentare una parte fondamentale del processo legislativo francese, forniscono anche un ottimo spunto per comprendere in maniera più chiara e approfondita i meccanismi di reciprocità, interconnessione e interdipendenza che si riscontrano tra le autorità francesi.

Le leggi di bilancio, con la loro cadenza annuale, rappresentano in Francia un importante momento del processo legislativo in quanto richiedono una certa coordinazione nel lavoro di Parlamento, Governo e Capo dello Stato. In particolare, una legge di bilancio mira a determinare, per un dato anno, il tipo, la quantità e la ripartizione delle risorse e delle spese dello Stato, così come il risultante equilibrio fiscale e finanziario.

La stesura del bilancio nazionale è regolata dalla LOLF, *loi organique relative aux lois de finances* del 1 Agosto 2001 ma in vigore effettivamente dal 2006, che è considerata una vera e propria "costituzione finanziaria" e da alcuni principi (quattro, nello specifico, con la recente aggiunta di due meno noti), introdotti dall'art. 32 della *loi organique relative aux lois de finances*.

Il processo di determinazione del budget si compone di due fasi; una prima fase amministrativa ed una fase parlamentare. L'iter per la stesura e l'approvazione delle leggi di bilancio è questo: il progetto di bilancio, discusso in Parlamento in autunno, viene preparato dai ministeri e servizi di Bercy a partire dall'inizio dell'anno. Il progetto di testo viene successivamente presentato all'Assemblea Nazionale entro il primo martedì del mese di ottobre. Il Parlamento stanziava dei crediti di budget per ordine pubblico (le cosiddette *missions*) e vota le misure fiscali del disegno di legge. L'adozione definitiva del disegno di legge avviene entro la fine dell'anno e porta alla promulgazione della legge di bilancio, approvata ufficialmente quando il testo è firmato dal Presidente della Repubblica e pubblicato sulla Gazzetta ufficiale.

Si passerà poi ad analizzare la situazione creata dalla tremenda crisi economica e finanziaria, che si è rivelata essere uno shock di grandezza non indifferente anche per le economie sviluppate. Tutta l'Europa ha subito un grande calo della produzione, con casi molto critici in Germania, Italia e Regno Unito. Questa recessione sembrò esser molto meno marcata in Francia ed, in questo senso, il merito va all'accomodante politica monetaria francese, che ha avuto un discreto successo nel concentrarsi su misure di investimento

favorevoli e nel sostenere i flussi finanziari delle imprese. Inoltre, grazie agli stabilizzatori automatici, la domanda interna è stata in grado di mantenersi a buoni livelli, risultando però alla fine in un peggioramento del deficit e, di conseguenza, in un aumento del debito.

Alla fine, quindi, nonostante questo apparente successo iniziale, anche la posizione fiscale della Francia crollò e, come in tutti gli altri paesi, il debito pubblico ha assunto il controllo sul debito privato.

A parte quindi, la risonanza che le leggi di bilancio hanno normalmente in Francia, la situazione è diventata ancor più delicata ed interessante con l'avanzamento della crisi mondiale e la necessità della Francia, come di tutti gli altri paesi Europei, di reagire ad essa e nel contempo rispettare le norme Europee e le direttive provenienti da Bruxelles. Si vedrà quindi come i governi Sarkozy e Hollande abbiano cercato di combattere la crisi a livello interno con le loro leggi di bilancio e soprattutto come abbiano cercato di riportare a livelli accettabili il livello del debito pubblico, come richiesto dall'Unione Europea e da paesi quali la Germania.

Da una parte, quindi, vedremo come il metodo di lavoro di Sarkozy, incentrato sull'austerità e sul rigore, sia stato fundamentalmente inutile, se non deleterio per la posizione Francese. Le informazioni fornite dall'Istat, infatti, ci mostrano come i conti pubblici si siano deteriorati con grande velocità e, purtroppo, con la massima intensità durante il suo mandato e la sua collaborazione con il Ministro dell'Economia François Fillon. I dati ci indicano chiaramente come dal 2008 al 2010 il debito pubblico abbia raggiunto picchi altissimi, fino a raggiungere quasi l'80% del PIL.

Dall'altra analizzeremo i risultati raggiunti e la politica adottata dal suo successore, il socialista François Hollande, che da subito ha espresso la sua riluttanza nei confronti delle politiche di austerità, distanziandosi largamente dalle metodologie utilizzate dal suo predecessore e incentrando la sua campagna elettorale proprio sulle riforme budgetarie e sulla stesura di un programma finalizzato alla riduzione del debito pubblico. A suo favore si riveleranno volgere anche le elezioni legislative del mese di giugno, in cui il Partito Socialista emergerà con una maggioranza netta, in grado di modificare persino la Costituzione francese e di attuare da subito le riforme proposte durante la campagna elettorale.

Ecco a questo punto delineato il percorso di questa tesi, intesa più che altro ad esplorare, comprendere, analizzare, ma soprattutto valutare criticamente il sistema francese, la sua efficienza nell'ambito delle relazioni tra potere esecutivo e legislativo e nella stesura di efficienti leggi di bilancio. L'analisi critica, supportata da un buon numero di testi e fonti, sarà comunque personalizzata e volta alla formazione di un'idea personale e di valutazione, ed il complesso delle indagini sarà indirizzato alla formulazione matura e consapevole di un giudizio complessivo sulla performance francese.

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*Everything should be made as simple as possible,
but not simpler.
-Albert Einstein*

*To my great mum,
for having changed my life
by living as an example,
and
by empowering me to greatness*

Introduction

France, the France of the Fifth Republic, the France of the French people; to those who feel French for real, not like “those Italians”, that feel to be Italians only when the national team plays.

Thinking about France we have the idea of a stable nation in political terms, able to face any trouble and able also to get out of problems on its own feet and even stronger than before.

The Fifth French Republic at birth in 1958, seemed unlikely to survive to the many events that put a strain on the political stability of France, as the Algerian conflict. This was a big moment in the history of France, a long period of guerrilla, attacks and repression lasted eight years, and ended with the end of the French rule in North Africa (France had already lost its colonies in Indochina). Yet, the Republic overcame the event by eighteen years, and today shows no sign of a possible collapse in the predictable future.

If the Fifth republic has managed to become this, especially after the low confidence of the French people after the failure of the Fourth Republic, it is only because it has been accepted by the French people themselves, despite the many critics who have opposed it. And what is the best way to respond to criticism if not emphasizing the success of this system that still maintains its stability, if not with numbers? In fact, the results of the vote in favor of the draft of the new Constitution showed that it was established with with a percentage of 79% of votes in favor, in contrast to the Fourth republic, for example, which reached only 54% of consent by the French.

But in what lies in the stability of France? The French system can be considered a Parliamentary Republic, as stated in the Constitution? Or, thanks to the initial imprinting given by the General, followed by the the adoption in 1962 of the direct election of the Head of State, it can be seen as a semi-presidential regime, where the power of political leadership that Art. 20 and 21 of the Constitution of 1958 give to the government, is in reality placed in the hands of the President?

This is the first important issue to be addressed, and that is the reason why the first chapter will be focused on that. To understand and explore the mechanisms at the basis of the French system it is required to do a more detailed analysis of how things work (and to understand if they really work) in the Fifth Republic.

In the first place it will be taken into consideration the relationship between the legislative and executive power and, secondly, the boundaries between the two will be explored. It will be analyzed, identified and compared more in detail the power of Parliament and the Prime Minister, in contrast with those of the President of the Republic. To do this in the best possible way, we will take the Constitution as the main reference and we will consider different "typical situations" such as cohabitation, in contrast with the "easier" case in which the President and the Prime Minister belong to the same political party. To do this we will also talk about some typically French phenomena such as the concepts of "governing presidency" and of *parlementarisme rationalisé*. The entire first part, then, is intended to explain the various aspects and to outline the features of the French government and the interaction among powers. It will be very interesting to study and investigate the bizarre situation of France in which there is a President legitimized by the people (and therefore that can not be subjected to the vote of no confidence by the Assembly), but in which the Government is responsible toward the Assembly itself.

At the end I will provide for some merits and drawbacks of the French system and organization.

The second chapter will, more specifically, analyze the creation, resonance and processes to build the annual budget laws. In particular, we will analyze the actors which interact in the process, the various phases of the process itself and the fundamental principles that underpin the budget laws. Through a detailed analysis of some articles of the French Constitution we will enter deeply into each step of the drafting and enactment of the *lois des finances*. The focus will be on the main questions: what is a *loi de finances*? , which are the parties interested in the drafting and adoption of a budgetary law?, which are the stages and times to built up a budget law?

The last chapter, in the end, will be more critical and it will try to explain the interactions among political powers in France (as explored in the first chapter) in relation to the finance bills and how the budget and the drafting of budget laws changed and changes in time according to the various changing presidencies. It will be taken into consideration how things worked from the financial crisis onwards and how France faced and reacted to it, with particular attention to the Sarkozy presidency and the Hollande one, trying to analyze which are the points in common and the points of rupture of the two presidencies and how

the two Presidents faced the big financial crisis that put a severe strain on France and on the whole Europe. We will see that the two politics are completely opposed and in the end we will give a judge on which one had proved to be the most effective.

First Chapter - French Political System: how it works; exploring the interactions among political powers.

1.1 The President and the Prime Minister: a dual executive, a particular relationship and their powers.

France and his politics have been at the center of the European scenario, always occupying a place of particular importance, after the post war period. The Fifth Republic is one of the most stable regimes in the history of constitutional France, having overcome many crises, both external (as decolonization) and internal (students and workers demonstrations of May 1968). The French political system presents some interesting specific characteristics. Following the Constitutional Amendment of 1962, which introduced the direct election of the president, France is commonly recognized as a semi-presidential system. The concept of semi-presidentialism is still controversial, but to have it clearer in mind, we can look at the definition of Maurice Duverger (1980), in which he states that semi-presidentialism combines three elements: 1) election by universal suffrage of the President of the Republic, 2) his possession of considerable powers and 3) the opposition to him of a Prime minister and some ministers which hold governmental powers and that can stay in office only if the Parliament does not pass a motion of no confidence. All these characteristics are present in the French case and so we can consider it to be sufficient to recognize France as the perfect example of a semi-presidential country.

The French experience in this sense is unusual, because the country has adopted this system through a constitutional amendment when the democracy was already established, and not at the point of democratization (as most of the countries did). The french system was already presidentialized at the time of the 1958 law which gave “full powers” to De Gaulle for six months and which entrusted him and the government to prepare a constitutional reform to be submitted to a popular referendum for final approval.

Anyhow, it is after the referendum, won by large majority, that the preeminence of the President of the Republic is officially legitimized also for the future, and that to him is officially attributed the position of « *clé de voûte des institutions* » (to say it with the words of Michel Debré - at the head of the Ministerial Committee).

De Gaulle strongly wanted a system in which the power was concentrated in the hand of the President, depriving the Parliament of his authority. This mistrust for Parliament derived from the fact that so many times it proved to be corrupt and inefficient, being largely criticized from the whole French population. De Gaulle admired the British system and he was largely inspired from it for the creation of the new Republic and Constitution. This appeared evident in his discourse of April 1960 to the British Parliament in which he stated: “*Sûrs de vous-mêmes, sans presque en avoir l'air, vous pratiquez, dans la liberté, un régime solide et stable. Si fortes sont chez vous, dans le domaine politique, la tradition, la loyauté, la règle du jeu, que votre Gouvernement est tout naturellement doté de cohésion et de durée; que votre Parlement a, au long de chaque législature, une majorité assurée; que ce gouvernement et cette majorité sont accordés en permanence; bref, que vos pouvoirs exécutif et législatif s'équilibrent et collaborent en quelque sorte par définition. Quoique vous ayez, depuis 1940, subi les vicissitudes les plus rudes de votre Histoire, 4 hommes d'Etat seulement, mes amis : Sir W. Churchill, Lord Attlee, Sir A. Eden et M. H. Mac Millan, ont conduit vos affaires... Ainsi, dépourvus de textes constitutionnels minutieusement agencés, mais en vertu d'un irrécusable consentement général, trouvez-vous le moyen d'assurer, en chaque occasion, le bon rendement de la démocratie, sans encourir, cependant, ni l'excessive critique des ambitieux, ni le blâme sourcilieux des juristes.*”

Nevertheless the community of French constitutional lawyers is still reluctant to agree with the definition of semi-presidential democracy and, on the basis of constitutional power alone, they are right. France's president has really weak constitutional powers in practice, but what explains his influence over the system is the relationship between the president and the majority, thus, the parliament, and the presence/absence of a majority.

In the case of “cohabitation”, in fact, (the case in which the president and the prime minister are of two different parties and no president's representatives are in office) the president's powers are very weak. The point is that the event of a cohabitation in France today is very unlikely. First of all because parliamentary elections are held just right after the presidential

elections and so they usually reflects this preference, moreover, because parliamentary and presidential terms have been synchronized with the introduction of the constitutional reform of October 2000 that reduced the term of presidential office to five years, and so eliminating the opportunity for mid-term elections that would change parliamentary majority.

Cohabitation only happened three times in the history of the Fifth Republic, and the first great example of it was the situation occurred in 1986 when the Socialist François Mitterrand was President of the Republic and he had to appoint as Prime Minister the first neo-Gaullist Jacques René Chirac, after the right wing gained a majority in the Parliament's lower house elections. During this period of two years of cohabitation, sometimes there were tensions, particularly in foreign policy issues. From the beginning of the formation of the government, François Mitterrand opposed the appointment of some ministers, including Jean Lecanuet, and refused to sign some ordinances on privatization or concerning working times. Later there were problems regarding who had to represent France and speak on its behalf in international summits, and so it was decided that press conferences would be shared and that both the president and the prime minister would respond in turn to the questions of journalists. However, in general, this period of time was useful because after some institutional balance was found, it established unwritten practices and rules that will be respected in subsequent cohabitations, allowing institutions to function and France continue to speak with one voice on the international scene.

1.2 A “Governing Presidency¹”

The idea of a presidential interpretation of institutions, as seen before, took place during De Gaulle's presidency, and the strength of the presidential role became evident and explicit in the 60s and then with the presidency of Pompidou. Only during periods of cohabitation, and then in case of a parliamentary majority opposed to the presidential one, the president was forced to retreat and leave some of his authority behind. Actually, for a period, it was thought that the role of the president had lost importance, because the twelve-year rule of Chirac were seen by many as being characterized by wide stagnation and a limited interventionism. With the 2007 elections and the presidency of Nicolas Sarkozy, the role of

¹ S. Ventura, *I poteri del Presidente nella V Repubblica. Presidente dei francesi o leader della maggioranza?*

the president became once again decisive, so that Olivier Duhamel spoke of a "re-found presidency" after a long period in which "the president had ceased to govern France in the way that it had been previously ruled".

As an example of a "governing presidency" I chose the case of Sarkozy both because I think it's one of the most appropriate illustration of this process, and also for the easy availability of concrete material to examine, given the fact that the events of which I am going to talk about are very recent.

On May 16, 2007 Nicolas Sarkozy joined the office under the Fifth republic as the sixth president.

The presidency of Sarkozy, was seen as a case of *présidentialisation exacerbée*, because with him presidential powers appeared even stronger and all his entire mandate was characterized by episodes in which he completely took the political initiative into his hands, totally bypassing the executive. Also his figure was particularly important in regard to Foreign Affairs and also on the European stage he has never missed to intervene directly even in the most burning issues.

It came to my mind when he placed himself as a direct interlocutor of the counterparts in the negotiations with the trade unions, till to arrive to the reform of the special regimes of pensions. Or when he ignored his own foreign minister in negotiating with Gheddafi in the episode of the Bulgarian nurses. Or when he decided to reform the radio and television French system (December 2008) by eliminating advertising from public channels, and creating many disagreements even within the government majority.

1.3 The Parliament and the concept of *parlementarisme rationalisé*

At this point, after having understood the dynamics between the president and the Prime Minister, it is time to analyze the role of the parliament in the French system, and to understand how and in which fields it has been replaced by the great powers of the executive; because, despite the definition given in the Fifth Republic's Constitution of 1958 of "parliamentary democracy", we have seen that it is not properly like that.

The most supported view, especially in the last decades, is the "decline of parliament" thesis, which puts a great emphasis on the parliament institutional weakness. This thesis is founded on the fact that parliament in the Third and Fourth Republic was powerful but

largely criticized, because it was also very disorganized and characterized by an extremely low duration of governments; it started to come out an anti-parliamentarian tendency which peaked when De Gaulle denounced the corruption of the *Assemblée nationale* and when he showed the self-interest of *les politiciens*. For this reason, during the creation of the Fifth Republic, it was felt the necessity to give some extensive powers to the executive (President and Ministers) making it relatively free from parliamentary pressures.

I have to admit that the tendency of lowering the powers of the parliament is spreading also to other countries, due to the influence that the media, the parties, the bureaucracies are acquiring everyday, which takes away from the parliament the power to determine policy agendas, for example.

Specifically, in the French case, the Constitution provides some restrictions to the actions of Parliament on two sides:

- 1) on the power of making laws
- 2) on the power of unmaking government

For what concerns the first side, the Parliament is almost deprived of its role of law maker with art 11, that introduced referendum as a possibility for legislation. Articles 34 and 37 also are specifically intended to limit and restrict parliamentary jurisdiction in the first case, and parliamentary right to legislate in the second one, defining in a very precise way the areas in which the Parliament maintains its power to legislate and those in which it just approves an outline of a proposed law to be decided later in details by the government. Article 40 prohibits the intervention of parliamentarians to ask for legislations to increase \decrease public expenditure and thus regulate the annual Finance Bill. Article 49 is probably the most emblematic to perceive the parliament deprivation of power; the third part, in particular, states: “The Prime Minister may, after deliberation by the Council of Ministers, make the passing of a Finance Bill or Social Security Financing Bill an issue of a vote of confidence before the National Assembly. In that event, the Bill shall be considered passed unless a resolution of no-confidence, tabled within the subsequent twenty-four hours, is carried [...] In addition, the Prime Minister may use the said procedure for one other Government or Private Members’ Bill per session.” This article was adopted eight times in the 1986-87 Chirac’s government and it basically means that a legislation can pass even without a majority in both chambers. However, after these cases of abuse in 2008 a

constitutional amendment was introduced to limit the use of this article to just once a parliamentary session, excluding the budget and social security law. Looking again to the constitution we can see clearly that considerable powers are given to the executive to legislate by *ordonnance* (art 38) and to control the legislative proceeding and agenda (art 48) and we can also recognize the peripheral role of the Parliament in the European Community issues. It is true that the parliament maintains its power to dismiss the government by a vote of no confidence or by passing a motion of censure, but, for the reasons seen before, again, this is a very unlikely event. As a matter of fact, no motion of censure has been passed since 1962.

In the end: the government controls the law-making process and the parliament is unable to modify what government wants, legislation is not its primary function and this body has to be considered more as an “arena” than as a transformative body. To this loss of influence and authority in the legislative process and to the strengthening of the powers of the executive, the parliament compensates with his role of supervisor of the actions of the executive. This role was reaffirmed also by the constitutional revision of July 2008 (art. 24). The Parliament disposes of lots of different possible procedures of information: written questions, but also oral questions to a minister in the Chamber on a technical subject and oral questions with the possibility of discussion on a specific topic, which can be a European issue. The most effective way to obtain informations and control a particular sector are the commissions, permanent and of investigation. The role of permanent Committees is to review projects and proposals for legislation (art. 43 of the Constitution) and they play a very important monitoring role. They are composed of members of different parliamentary groups, and each Committee is competent in a specific field (Cultural Affairs, Economic Affairs, Foreign Affairs, Defence, Finance, Law). As part of their legislative work, they have to collect useful informations to parliamentary control. This is the case particularly of the Finance Committee, which, in addition to examining finance bills, must monitor the execution of budgets voted and control the management of public enterprises. For what concerns Commission of inquiry they are help the Chambers to gather information on specific facts, for example the management of public services (the situation in prisons in 2000, the dysfunctions of justice in the so-called Outreau case of 2006), or on a national or a social issue. Their working time changed from 4 to 6 months and they have the opportunity

to make their hearings public, however, their powers are subjected to the agreement of the government and its majority.

The Parliament can also benefit from the creation by the standing committees of working groups, which are flexible structures, limited in time and without powers of investigation, to publish a report on a given topic.

Another useful mean, that I already cited before, to control the government is through a motion of censure, which have to be passed by an absolute majority of the members of the Assembly.

In the end, has we have seen before, the *Assemblée Nationale* and the *Sénat* possess lots of instrument to perform their role of oversight but very few possibilities to legislate, but let's see which is the situation in detail after the *loi constitutionnelle*, that I already mentioned before, proposed by the prime minister François Fillon and approved by the two chambers in 2008.

This constitutional law was conceived especially to « renforcer le rôle du Parlement » and to « rénover le mode d'exercice du pouvoir exécutif ». First of all, the law introduces a discussion on the *ordre du jour* to be shared between the Government and the Parliament: each assembly controls half of its agenda, two weeks out of four are reserved to the review of government documents and a day per month is reserved to the *ordre du jour* of the opposition. Moreover, as we have seen before, the law modifies the application of Art 49 paragraph 3 and increases the number of permanent committees from 6 to 8. Regarding the « mode d'exercice du pouvoir exécutif » the text limits the number of consecutive presidential terms to two and provides that the maximum number of ministers is defined by an organic law.

1.4 Is it the end of the *parlementarisme rationalisé*?

At this point I wonder if the law has signed the end of the *parlementarisme rationalisé* began with the creation of the Fifth Republic and the adoption of the new constitution. Reading different authors to try to understand the current dynamics of the French system, I realized that the tendency is still to catalog the French Parliament as inefficient or almost insignificant. Peter Morris, for example, in his work "French Politics today", finds two possible way to criticize parliament: one regards legitimacy and the other concerns

effectiveness. He underlies the fact that the French public opinion still has little trust in parliamentarians and 46% of the population believes that they are corrupt. Parliamentarians enjoy high salaries and numerous other benefits and the most have been involved in numerous scandals. In this sense, France is still the anti-parliamentarian nation of the De Gaulle's period. For what concerns effectiveness to cite Vedel "the Parliament no longer has any real role in political life" and from data it is clear that parliamentary action is still very limited. Less than half a percent of budget expenditure and income is modified as a result of parliamentary action (Morris) and we had cases of censure motions failed because of favors by the government. Parliament is considered ineffective also in his role of oversight because parliamentary committees are few in number and they have a few time to produce reports. The *questions au government* are disorganized and inefficient: they cannot be compared at all to their British counterpart, the few permanent committees in the two chambers are crowded, under-specialized and probably ineffective in interfering in legislation.

1.5 Efficiency of the French system: merits and drawbacks

It is often referred to balance as a necessary condition for the establishment of good institutions. It is not clear to me whether De Gaulle believed in this or not, but frankly, I do not think so, because, in terms of balance, the Constitution of 1958 ushered in a heavily unbalanced regime at the expense of Parliament. That is also why people might be lead to think that, since the French structure is based on a strong dualism and on a swinging of the legislative power depending on the presence of a unified or divided majority, the French system could be threatened and could become inefficient.

Actually, the showdown of the Head of State and the Head of Government, both legitimized by direct popular election in the case of the President of the Republic, and indirect popular election (parliamentary confidence) in the case of the Prime Minister, in the division of duties, could lead the public opinion to recognize semi-presidentialism as a very weak and volatile form of government.

I do not agree with this view because what we can clearly see from the analysis of the modern National Assembly in the Fifth Republic is that it has, with few exceptions, frequently brought to long-lasting majorities, contributing to legislative bipolarisation and a

rationalisation of the party system, deviating significantly from the governmental turnovers and ineffective governance of the past.

I do believe that this system has done a great work to fight clientelistic and distributive legislation that had dominated the schedule of parliament in the previous system, and, this is no small feat.

By the way, we can recognize advantages and disadvantages of this system.

The value of the French system lies in the relationship of reciprocity between the Head of State (president) and the Head of Government (prime minister): without a cooperation between them it is impossible to efficiently govern the nation. For example, the President has the constitutional right to designate government ministers to the cabinet, however, they are chosen from a list submitted by the prime minister. This system is also intended to avoid the prevarication of one power over another as well as power abuses from both sides, so, again the French system proves to be very efficient and capable of avoiding authoritarian rule and preventing one side to gain too much power. The fact that the President is directly elected by popular elections means also that the representation of the will of the french people is perfectly respected and expressed: this reduces the risks of discontent and dissatisfaction making the French system a very stable one.

At the same time, looking from another perspective to something that we just identified as an advantage, it can become a weakness. This characteristics of mutual dependence and reciprocity that has so many virtues can become a problem in the moment in which we have to deal with powers that are not clearly specified in the constitution, especially in cases of cohabitation. This can create confusion as the roles of the president and prime minister are not always clearly specified and as it is impossible to find a solution in the primary definition of semi-presidentialism. In fact, this is an ambiguous concept that intimately depends on the constitution of each state and which has not the same characteristics in each country. In cases in which it is not clear who actually owns a certain right, deals and compromises are essentials.

In the end we have the problems caused (and already analyzed) by cohabitation, whereas, however, as already said, is a highly improbable event. Moreover, cohabitation can also have a positive side: again, forcing compromises and cooperation, it lessens the probability of extremist policies.

In conclusion it can be said that the benefits of the French semi - presidentialist system overcome the disadvantages. The French semi-presidential system is flexible, stable and efficient in merging together the advantages of parliamentary and presidential systems. Furthermore this particular mixed system has inspired lots of other constitutions and systems (Russia and Finland for example) which are doing so much better now than before. This initial chapter of introduction to French institutions and to the dynamics of the interaction among powers in France is useful to us, to move at the heart of the matter, which is French budgetary laws and to better understand what they are, the dynamics and the powers which interact in their creation.

Second Chapter - French Budgetary Laws: exploring their creation, implications and resonance.

2.1 State budget and *loi des finances* : parliamentary procedure and implementation

The state budget is an act of forecast and authorization of tax collection and spending of public funds, approved by the Parliament each year.

For a long time credits were specified by chapter, depending on their nature. Since the draft of the organic law on finance laws (LOLF) in 2000, and since its entry into force in 2006, they are specialized by program, depending on the public policy objectives to which they contribute. Moreover the LOLF is considered as the "financial constitution" of France and it regulates the procedures for the presentation of financial laws, their review, their content, their execution...

The state budget can be considered as one of the accounts of the budget law.

Finance laws are legal and political acts. Their are defined in art 34 of the Constitution as laws that “*déterminent les ressources et les charges de l’État dans les conditions et sous les réserves prévues par une loi organique*”. Their content is not only about the state budget: they focus also on jobs, information and control of Parliament on public finances. They may also include revenues directly allocated to legal persons other than the State (eg levy

revenues to local authorities and the European Union) and the provisions, mostly fiscal, affecting them (changes regarding local taxes, for example).

Finance laws are made of set of accounts in which they describe resources and expenditure: general budget, supplementary budgets ("control and air operations", "official publications and administrative information"), which was once task of the *Trésor*.

In the French public finance, a finance law is a law whose purpose is to present the revenue and expenditure of the State. It represents the framework which allows the Parliament to approve the state budget.

A budget law aims to determine, for a given year, the type, amount and allocation of resources and expenditure of the State, as well as the resulting fiscal and financial equilibrium².

There are several types of *lois des finances* :

1- the Initial Finance Act (LFI) in particular authorizes the collection of state resources and taxes of all kinds attributed to legal entities other than the state;

2- the amending finance laws (LFR) or "*collectifs budgétaires*" altering during the year the provisions of the LFI. They have the same structure of financial laws, but they include fewer provisions, so the discussion ends in a relatively short time.;

3- regulation laws which stops, at the end of each fiscal year, the final expenditures and revenues of the State, ratifies regulatory transactions affecting the implementation of the budget, determines the budgetary result, and describes treasury operations .

Finance laws follow and are regulated by very strict voting rules in order to trace, clearly and truthfully, all revenues and state charges.

The discussion of the proposed budget is a highlight of the parliamentary life and the National Assembly has the leadership in this process, even if, the debate is still hindered by by the mechanisms of *parlementarisme rationalisé* and the impossibility for parliamentarians to increase state spending. However, if the great masses of the budget vary little, the discussion can sometimes lead to significant changes to tax measures. The discussion involves a great number of parliamentarians who deal with presenting and

² Finance laws "déterminent, pour un exercice (une année civile), la nature, le montant et l'affectation des ressources et des charges de l'État, ainsi que l'équilibre budgétaire et financier qui en résulte" (art. 1 of the organic law on the *lois de finances* - August 1, 2001).

discussing hundreds of amendments the budget represents a very important moment in relations between the government and its majority. The outline of the procedure for the adoption of a budget law are specified in art 47 of the Constitution:

“Le Parlement vote les projets de loi de finances dans les conditions prévues par une loi organique.

Si l’Assemblée nationale ne s’est pas prononcée en première lecture dans le délai de quarante jours après le dépôt d’un projet, le Gouvernement saisit le Sénat qui doit statuer dans un délai de quinze jours. Il est ensuite procédé dans les conditions prévues à l’article 45.

Si le Parlement ne s’est pas prononcé dans un délai de soixante-dix jours, les dispositions du projet peuvent être mises en vigueur par ordonnance. Si la loi de finances fixant les ressources et les charges d’un exercice n’a pas été déposée en temps utile pour être promulguée avant le début de cet exercice, le Gouvernement demande d’urgence au Parlement l’autorisation de percevoir les impôts et ouvre par décret les crédits se rapportant aux services votés.

Les délais prévus au présent article sont suspendus lorsque le Parlement n’est pas en session.”

So, the procedure follows these steps: first of all, the *projet de loi de finances* is proposed by the government and it has to be presented to the National Assembly not later than the first Tuesday of October³. Then, the Parliament has a period of 70 days to comment, examine and approve the initial draft law. The National Assembly has 40 days in first reading after which the project is then sent to the Senate, which has 20 days to analyze it. If there are some problems in reaching an agreement, it is possible to resort to an accelerated procedure

³ Art. 39 - L’initiative des lois appartient concurremment au Premier ministre et aux membres du Parlement.

Les projets de loi sont délibérés en Conseil des ministres après avis du Conseil d’État et déposés sur le bureau de l’une des deux assemblées. Les projets de loi de finances et de loi de financement de la sécurité sociale sont soumis en premier lieu à l’Assemblée nationale. Sans préjudice du premier alinéa de l’article 44, les projets de loi ayant pour principal objet l’organisation des collectivités territoriales sont soumis en premier lieu au Sénat.

La présentation des projets de loi déposés devant l’Assemblée nationale ou le Sénat répond aux conditions fixées par une loi organique [...]

of law⁴ in which a joint committee meets to review the provisions of the text which are still under discussion. If the procedure ends successfully, every assembly adopts the common text, if not, the National Assembly has the final say. If the 70-day period is exceeded, the provisions of the Finance Bill may be implemented by order, namely, only by the executive. This case has never happened to date.

2.2 Main principles of budgetary law

The presentation of the state budget should respect the four major principles of classical budgetary law (annuality, unity, universality and specialty).

1- the *principe d'annualité budgétaire*, means that the state budget must be voted each year; in France, the budget year coincides with the calendar year and the state budget has to be voted at the beginning of each year, according to the principle of anticipation. So, the budget authorized by the Finance Act is valid for one year and there is no possibility for a government to impose a permanent tax. It also means that spending authority given by the Finance Act to the government regards only that precise year. It is not possible to undertake any expenditure on the expiry of the authorization, even if all loans would not have been spent.

2- the *principe d'unité budgétaire*, itself includes two rules:

The rule of unity, which requires that the state budget must be able to be tracked in a single document, this to ensure effective control over state finances; and the rule of completeness, which says that the budget law shall provide for and authorize all the state charges and revenues.

These two rules are not always respected *stricto sensu*.

First, the state budget is certainly built around a central document, the budgetary law, but it is accompanied by many annexes. Second, there are some *budgets autonomes*, which record transactions of decentralized public figures; the peculiarity of these autonomous budgets is

⁴ Art. 45 - [...] Lorsque, par suite d'un désaccord entre les deux assemblées, un projet ou une proposition de loi n'a pu être adopté après deux lectures par chaque assemblée ou, si le Gouvernement a décidé d'engager la procédure accélérée sans que les Conférences des présidents s'y soient conjointement opposées, après une seule lecture par chacune d'entre elles, le Premier ministre ou, pour une proposition de loi, les présidents des deux assemblées agissant conjointement, ont la faculté de provoquer la réunion d'une commission mixte paritaire chargée de proposer un texte sur les dispositions restant en discussion [...]

that they are not adopted by Parliament, are not included in the Finance Act and are not published in the Official Journal;

3- the *principe d'universalité budgétaire*, implies the existence of a single budget document in which the entire budget is detailed. The budgetary universality requires that all revenues ensure the overall spending.

4- the *principe de la spécialité budgétaire*, consist of accurately state the amount and nature of the transactions provided by the Finance Act.

To all these “classical principles” I would like to add a reference to other two new principles, which are recently taking place and gaining more and more importance.

The first one is the *principe d'équilibre budgétaire*, which refers to the need to balance the accounts in order to avoid the presence of deficits in the state budget. It is not really a traditional technical rule as the principle of annuality and universality, as it is very rarely respected, as it is evident also in the current fiscal situation.

However, this principle tends to occupy an increasingly important position because of the European construction and the creation of the euro. The concept of balance is a more economic notion than a budgetary one. With the constitutional revision of 2008, it is comprised in art. 34 C:

"Les orientations pluriannuelles des finances publiques sont définies par des lois de programmation. Elles s'inscrivent dans l'objectif d'équilibre des comptes des administrations publiques."

Another principle which deserves a mention is the modern principle of *sincérité budgétaire*, formalized in art. 32 of the LOLF:

"Les lois de finances présentent de façon sincère l'ensemble des ressources et des charges de l'État. Leur sincérité s'apprécie compte tenu des informations disponibles et des prévisions qui peuvent raisonnablement en découler."

It comes from private law and it implies the completeness, the consistency and accuracy of financial information provided by the State. However, as in the case of the previous one, its application is limited by the provisional nature of finance laws.

2.3 Stages of the draft of a budgetary law

The process of draft of a budgetary law consists of two stages: a first administrative phase and a final parliamentary stage.

The administrative phase takes places from February to September. In February some technical meetings between the services of the direction of budget and those of the ministries (directors of financial affairs, budget and accounting controllers...) take place to review the performance of the past year, to prepare annual performance reports⁵ (RAP) (which compare the data of the previous year and the results achieved presented in the regulation law) and, to build the main assumptions for the preparation of the finance bill to be submitted to the Parliament during the fall period (expenditure, potential savings...).

In March/April some “performance conferences” take place to study the indicators to be adopted for the following year, based on the analysis of the objectives and on the compliance with budget indicators of the previous year (« chaînage vertueux⁶ »). Then, a framework letter is sent by the Prime Minister and the multi annual stability program of France is sent to the European Commission, after having been discussed in Parliament.

In May/June some conferences are held to discuss the distribution, by programs, of loans and jobs. In this period are also held some arbitration meetings with the Prime Minister’s cabinet if there are contrasts between the budget direction and the ministers.

In June/July the Prime Minister sends the *lettres plafonds* which set the budget guidelines for each *ministère*. In the meantime in Parliament some debates take place on the allocation of of public finances, on the basis of the « Rapport sur l’évolution de l’économie et sur les orientations des finances publiques » drafted by the government.

In the period going from July to September we have the preparation of budget documents by the budget directorate and ministers.

In September a mandatory referral to the Council of State for its opinion on the draft of the budget law (PLF) takes place. After this there is the adoption of the Finance Bill in the

⁵ *rappports annuels de performance* (RAP)

⁶ The principle of *chaînage vertueux* laid down in Art. 41 of the LOLF allows the parliamentarians and program managers to derive the draft legislation for the coming year on the basis of the results observed, thus creating a true "performance cycle".

Cabinet and, in the end, the presentation of the budget to the finance committees of the two chambers and to the press.

The Parliamentary stage begins here, from October to December and it consists of the examination of the budget from the Parliament. This stage begins with the filing of the budget to the National Assembly and it continues with the discussion and vote of the draft law by the two assemblies: in the first reading they have no more than 40 days in the National Assembly and 20 days in the Senate, then, eventually, there is the convocation of a joint committee. In total, the Parliament must not exceed a period of 70 days after the filing of the draft bill. Otherwise, the provisions of the Finance Bill may be implemented *par ordonnances*, which means by the executive alone.

2.4 Application of a loi de finances

The French financial organization process has some special features compared to the ones in place in other countries; in fact, the organization of the expenditure and revenue is given to two different agents: the *ordonnateur*, and the *comptable public*.

The first one is responsible for the administrative stage and he is the one who actually makes the decision to spend, or otherwise, to withdraw cash out.

There are primary *ordonnateurs*, meaning the prime minister and the ministers of the budget, and secondary *ordonnateurs*, which are authorities of specific territorial districts to which it is conferred power by the primary ones.

The second one has the role of accounting and thus he is the one who actually makes the payment of the expense or, on the contrary, collects the entry.

But why these two processes are given to different people? I would not risk saying that this is typical of France. In this case we talk about the principle of *séparation des ordonnateurs et des comptables*, which, I would say, is similar in all respects to the principle of separation of powers mentioned in the first chapter; and when I say “similar” I do not mean similar only in the real meaning of the word, but also in the reasons for which it was established. Art. 20 of the *règlement général sur la comptabilité publique*, already in the version of December 29 1962, said « Les fonctions d'ordonnateur et celles de comptable public sont incompatibles. [...] Les conjoints des ordonnateurs ne peuvent être comptables des organismes auprès desquels lesdits ordonnateurs exercent leurs fonctions. »

Certainly one of the reasons for the establishment of this principle is the actual division of tasks, which leads to a functional distribution of services based on the different stages of the process; but I feel that the real reason for the establishment of this principle relates to the likelihood of abuse of power by the various agents, which, in this way is definitely reduced. Of course the economic and budgetary situation of France do not depend only on internal agencies and organs, in fact, the participation of France to the European single currency imposes the respect of some rules and requires some discipline in coordinating France's fiscal policies with those of the other countries in the EU. The terms and conditions in this respect, have been set by the Maastricht Treaty in 1992 and the Stability and Growth Pact (SGP), concluded in Amsterdam in 1997 and eased in 2005 in Brussels. Some of the SGP's rules are intended to prevent fiscal policies from heading in potentially problematic directions, while others aim to correct excessive budget deficits or excessive public debt burdens. The public deficit, ie the accumulated deficit of the government (State but also local authorities and social security bodies), is excessive from a threshold of 3% of gross domestic product.

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), signed in March 2012 by 25 countries of the EU, provides for more severe constraints, demanding that the structural deficit does not exceed 0.5% of GDP and providing more systematic sanctions against states that do not respect the rules of the stability pact.

Third Chapter - Budget 2008 and 2012: characteristics and changes with the 2012 presidential elections.

3.1 The new framework created by the crisis.

The economic and financial crisis was a shock of varying magnitude, even for developed economies. The whole Europe suffered a big fall in production, with very critical cases in Germany, Italy and the UK. This recession has been less marked in France and the French accommodative monetary policy was successful in concentrating on favorable investment measures and in sustaining cash flows of companies. Moreover, thanks to automatic

stabilizers, domestic demand has been able to remain at good levels; but the result was a worsening deficit and consequently an increase in the outstanding debt.

In the end, despite this relative success, also the fiscal position of France collapsed and as in all other countries, public debt took over on private debt.

That is why it is interesting to explore French fiscal policy since the global financial crisis (GFC) with particular focus on interventions under the Sarkozy and Hollande presidency.

3.2 Sarkozy Presidency - early stages and LME.

On 6 May 2007, Nicolas Sarkozy was elected as President of the Republic with 53,06% of the votes, becoming the sixth President of the Fifth Republic and the 23rd president in French history.

His first important intervention in the economy and budget of France was the *loi de modernisation de l'économie* (Modernization of the Economy Law) of 23 July 2008, aimed to loosen restrictions on retail prices and to reduce limitations on the creation of businesses. Its goal was to increase economic growth in France through the adoption of several measures. The law is divided into four parts and each of these sections provides key measures. The four components of the Modernization of the Economy Law are:

- The support for entrepreneurship;
- The renewal of competition;
- The strengthening of the regional attractiveness;
- The financing of the economy.

Support for entrepreneurship: this component includes two key measures that are designed to contribute to economic development through entrepreneurship:

First, it is the creation of the state of auto-entrepreneur to encourage employees, officials, retirees and even students to create an additional or main activity. This part is aimed at facilitating the initiatives of business creation;

In the second place, the other great measure consist in the implementation of a policy to reduce the time of payment. The idea of this measure is to reduce credit between companies to bring more liquidity into the economy. In particular, the Modernization of the Economy Law requires to limit payment delays to 60 days net or 45 days end of month from the

invoice date. This is a public order provision, which means that it is not possible to derogate from it, and that there are civil and criminal penalties against violators.

Renewal of competition: this part aims to restore the purchasing power for economic operators. For this purpose, several measures have been taken:

- The possibility to encourage providers and retailers to negotiate prices more easily;
- The removal of the prior authorization procedure regarding the installation of stores below 1 000 m² of surface.

Moreover, while the old law provided for only two periods of annual budgets (six weeks in the winter and six weeks in the summer), the new provision provides for a period of five weeks in the winter, five weeks in summer and two weeks of rotating balances over the year).

Strengthening of the regional attractiveness: to improve the attractiveness of regions, the Modernization of the Economy Law plans to develop the high speed broadband. It also establishes a system of tax incentives to bring top-level executives in France.

Financing of the economy: to facilitate the financing of the economy, the Modernization of the Economy Law proposes a relaxation of the distribution of the *Livret A*⁷ to help the release of private savings.

3.3 Sarkozy Presidency - From September 2008 onwards

As a result of the global financial crisis that came to a head in September 2008, Nicolas Sarkozy has pledged "massive" state intervention to support France's industry, defiantly ignoring EU competition rules, in the biggest shift to dirigiste⁸ ideology in 40 years. He has returned to the state interventionism of his predecessors, declaring to an audience of 4,000 supporters in Toulon, France, that "laissez-faire capitalism is over" and letting the French economy move to substantial state-directed investment, to the use of economic planning and to the establishment of state enterprises in key sectors of the economy. In the first phase of his presidency he also established the "Attali Commission on Economic Growth" (the

⁷ The Livret A is a savings account regulated by French law. It is tax and compulsory levy free.

⁸ Dirigisme or dirigism (from Latin dirigere, meaning "to direct") is an economic system where the state exerts a strong directive influence over investment. It designates a capitalist economy with a strong directive, as opposed to a merely regulatory role for the state. (Wikipedia)

presidency was held by Jacques Attali, a famous French economist) which was made up by 42 members of the *éminence grise* of France and intended to draft an agenda and a scheme to give a boost to the level of competitiveness of the French economy. Among some controversial proposal such as the idea to rise the level of immigrants to meet employment requirements, one of the most important issue was risen properly on the tax reform front. In fact, the Commission proposed to shift employer and employee social security costs onto the general system of taxation, creating real controversies in the government on how to act, since the President in his campaign put a strong emphasis on the intention to rise the standards of living of households, which in theory was in contrast with the proposal of any increase in domestic taxation.

3.4 2008 / 2009 *loi de finances*.

So far no country has managed to establish a scientific process of budgeting based only on performance. The determination of the expenditure, then, remains essentially a political exercise. In this sense Sarkozy had a great responsibility in drafting the finance bill for 2009, adopted on 26 September 2008 by the Council of Ministers, because of the period of crises caused a decline in economic activity, which generated costs for the State, starting from the projects of support required under these critical periods. Moreover, EU was not sympathetic towards France, because it had the highest public spending levels in the Eurozone, at 53.4 percent of GDP and it continued to postpone the reduction of its public spending till to arrive to set it in 2012. In this sense, the project for the first budget bill for 2008 was very ambitious, involving a prevision growth between 2 and 2,5% and a 41,7 billion euros deficit, a reduction of public debt to 64% of GDP, and the suppression of 22 921 civil servants jobs.

The only positive thing of this finance law was that it finally took into consideration the real measure of inflation and that it revalued by 2.9% the scale of income tax, gift and inheritance rights, and a number of thresholds and tax breaks, to reflect the increased cost of living. The rest of the budget policy of France in this period focuses on cuts and austerity measures. In fact, after the declaration of the Prime Minister François Fillon that “France is bankrupt”, a great lists of cuts started. The measures comprised 35,000 job cuts in the public sector and half of the payroll savings to be redistributed to the remaining state employees.

Another big measure regarded workers which rented low-cost municipal houses which will experience a lowering of 10 percent on their ceiling on earnings in the calculation of their rent payments, meaning rent hikes. Even worse, the law will eliminate all existing financial measures that allowed workers to take state aid for early retirement. In addition, the budget law of 2008 also included the extension of the rule regarding government spending⁹, introduced by the Finance Act of 2003, which excluded refunds or rebates and excluded fees to mitigate the debt burden. In fact, the scope of application of the rule has been extended to comprehend also the withdrawals of revenues for the benefit of the local authorities and the European Union.

Sarkozy was heavily criticized for his choices in this respect and were put into question also his previous choices, such as the decision to give away €15 billion in tax breaks to the rich at the beginning of the year.

The public sector workers union declared that the austerity plan “will mean a further deterioration of daily social and professional life for the entire population, but especially the most weak and underprivileged.”

Also the Socialist Party leader François Hollande will react to these policies by saying that “Nicolas Sarkozy was the candidate of purchasing power, he will now be the president of austerity¹⁰.”

3.5 Changing presidency: François Hollande

The popularity of Nicolas Sarkozy, which between August and October 2007 reached almost 65% (TNS Sofres - Figrao Magazine), started to decrease slightly till to fell completely in 2012.

In fact, in April and May 2012, when the presidential elections took place in France, he was largely defeated by the socialist candidate. François Hollande resulted to be the winner and from the beginning (remember the strong criticism directed at Sarkozy and his budgetary policy) he strongly and heavily opposed austerity measures, promising to eliminate France's

⁹ norme « zéro volume »

¹⁰ It defines the term austerity defines a budgetary policy focused on cuts to public expenditure in order to reduce the public deficit, through the reduction of the costs and the improvement in services (spending review) and / or through the incrementation of the tax burden on taxpaying citizens.

budget deficit by 2017, by canceling recently enacted tax cuts and exemptions for the wealthy people, raising the top tax bracket rate to 75% on incomes over one million euros, restoring the retirement age to 60 with a full pension for those who have worked 42 years, restoring 60,000 jobs recently cut from public education, regulating rent increases, and building additional public housing for the poorer people. He identified as his major priority fiscal consolidation and France's budget. At the beginning of his mandate he declared: *"vouloir la croissance, c'est précisément permettre que le sérieux budgétaire ne soit pas une austérité. Je suis contre l'austérité"* making it clear from the beginning which would have been his politics. The enactment of the promised reforms was fast and rapid thanks to the results of the legislative elections held in June, in which the Socialist Party of Hollande emerged with a supermajority capable even to amend the French Constitution. Interest rates on French government bonds fell by 30% to record lows, fewer than 50 basis points above German government bond rates.

Conclusion

We are finally arrived at the end of this analysis. We have made a long journey through the French history, system and institutions.

From the beginning of the Fifth Republic, strongly wanted by De Gaulle, and created to correct the mistakes and the shortcomings of the disorganized Fourth Republic in which governments struggled to achieve a majority relying on coalitions and alliances and in which political parties were poorly organized, to the present days, characterized by the constant struggle against the crisis. The modern version of the French Fifth Republic is not what the Republic of 1958 was. We have seen the system changing thanks to the 24 revisions of the original text of the Constitution of 1958, affecting two thirds of its articles. As already mentioned, the president is now directly elected and his term is not seven years as it was originally, but five, and the executive branch's power and authority are now much more balanced and distributed between Parliament and the Constitutional Council.

In the end, we can confidently say that the French system of the Fifth Republic, despite all the doubts to which it had given rise at the moment of its creation, is a stable, very well organized and long lasting political system.

Even if today criticism is mounting both from the left and the right that the Fifth Republic is out of date and too authoritarian for a modern democracy, I do not think it will be a good idea to change the recipe that worked so well till now.

Moreover, we have seen that the interactions between the legislative and the executive powers in France today may seem complicated, but they actually are not. Boundaries are well defined and both parts have clear in mind their work and their objectives, and today that the possibility of a cohabitation is even more unlikely than before, we have solved a big part of the problem. The two powers are able to cooperate and coordinate and we got to see it analyzing the process of the draft and review of the proposed budget, which represents an opportunity for a substantive dialogue between the Government and Parliament and an occasion to coordinate their work. Each year, the discussion over the draft of the budget occupies most of the time from the beginning of the parliamentary session until the end of December.

Little by little also the parliament is beginning to assert itself and to exercise its powers in a complete manner; in the case of finance laws this seems evident from the fact that the right of amendment has been increased to give parliamentarians the opportunity to change the distribution of appropriations between programs of the same mission. They can also create, modify or delete a program. However this right of amendment must respect the provisions of Article 40 of the Constitution: parliamentarians, in fact, can not propose amendments resulting in the creation or increase of the overall level of spending, or a decrease of state resources. Similarly, only the Government has the option to create a mission or reallocate funds between different missions programs.

Moreover, the LOLF has given to the parliament the power of controlling and evaluating the performance of administrations. In particular, in the context of the review of the bill settlement and annual performance reports (RAP), the Parliament compares the differences between the budget decided and its actual implementation on the one hand, and on the other side between the performance targets and the effective results.

Here it is, then, that we start to see a balanced equilibrium between the powers, so that there is no reason to believe that the Fifth Republic will not be able to modernize itself and to survive the chaos of the modern world politics.

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