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Macron's vision of 'the EU project' goes down well in Brussels

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Emmanuel Macron, the French president, thinks he's discovered an antidote for populism. In a letter published across Europe this week, the gilets jaunes-battered premier outlined his vision "for European renewal" based on "freedom, protection and progress".

Reading his text, one is struck by two thoughts. First, how risky staying in the EU might have been for the UK if leaders such as Macron get their way. Second, that a glaring omission is anything that would reverse Europe's lack of economic dynamism. The agenda is stereotypically French: every perceived problem political, rather than economic. The political solution, predictably, is "more Europe".

Truly, there are those who want an effective European state. Much as latter-day free-traders see the EU as just a liberal trade block, the ideological bent of the commission has always been towards social and economic protections too.

That's what makes Macron's vision important – it'll have gone down a storm in Brussels. For Macron, the problem with "the project" is not its stultifying conformity, excessive regulation or even the euro (described, laughably, as essential to resist "financial capitalism"). No, the EU's problem apparently is too much economic freedom and too much openness to the outside world. It's perceived as a "soulless market," when really it should be bulwark against external threats.

Accordingly, Macron believes the forthcoming EU elections require a mandate for more EU programmes and solidarity. That requires more harmonisation, less competition, more EU-wide trade protectionism and EU-level investment and control over everything from defence and election watchdogs, through to external borders and asylum.

You wouldn't know it from the letter, but EU-wide unemployment still stands at 6.5pc, and 7.8pc for the eurozone. Germany drags down the overall figure. In France, Italy and Spain, unemployment rates are as high as 8.8pc, 10.5pc and 14.1pc. The link between populism and economics is oft-overstated, but it doesn't seem crazy to think Italy and France might be less politically tumultuous with more people in work and some semblance of robust economic growth.

Macron, though, has nothing to say on either. “Europe needs to look ahead to create jobs,” he claims. His solution? Regulating the digital tech giants more heavily. Really, that is his main policy proposal. The jobs of the future will flow, it is implied, when Google, Amazon and Apple are forced to share their data and algorithms or are hit with penalties for “unfair competition”. The same applies to trade. Macron laments Brexit as national retrenchment, but extols EU-wide retrenchment instead.

We cannot “suffer in silence”, he mightily declares, at the hands of those who do not respect European rules. We should adopt “European preference” for some industries and public procurement, while banning firms or imposing penalties on those who compromise “strategic interests” and “environmental standards, data protection and fair payment of taxes”.

As trade policy analysts will note, defining strategic interests is like nailing jelly to a wall. As Trump has shown, it’s a useful cover for new barriers from international competition. Tax fairness would no doubt mean hitting innovative companies investing mightily in R&D from retained profits for the benefit of traditional retailers too. The logic of this fairness doctrine will no doubt eventually catch up with low corporate tax states, such as Ireland.

To be fair to Macron, policies to induce economic growth are hard. The eurozone has thorny longer-term structural questions to answer on appropriate monetary policy and fiscal transfers, and what that means for the EU’s political structures. At this stage, he doesn’t feel confident enough to lay these out. But on unemployment, we know what works: flexible labour markets, as in the UK and US. When recessions hit, unemployment spikes, but then quickly falls. Much lower unemployment rates average out over the cycle in the UK than for our highly-regulated continental cousins. Macron though seemingly rejects this, instead desiring exporting France’s high-cost labour model to the rest of the union.

He wants, for example, a “social shield”, including the EU setting within-member state minimum wage rates. It’s difficult to see why one would centralise this unless for the declared aim of “convergence”. Yet current minimum wage rates range from complete absence, to a low of €286 (£245) per month in Bulgaria, right up to €2,071 per month in Luxembourg. Even fixing minimum wages at a harmonised proportion of average earnings across countries would lead to huge adjustments. Such one-size-fits-all-ism would be a disaster for economies with very different structural features.

Though he might wish it, Macron is not, of course, the European emperor. His is one voice among many with views on the EU’s future. However, his intervention dispels the notion that remaining in the EU ever offered us the “status quo”. The EU really is an evolving project. Many, like the French president, actively want a more active, harmonised, muscular union on everything from defence to migration. It’s only when it comes to economics that the likes of Monsieur Macron want to protect the status quo, much to Europe’s detriment.

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