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THE 2012 FRENCH PRESIDENTIAL ELECTIONS IN PERSPECTIVE

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P R O C E E D I N G S

MR. HOAGLAND: My name is Jim Hoagland and it's my pleasure to welcome you here this morning to a pair of panels we're going to conduct on the French presidential elections. This gathering is sponsored by the Center on the United States and Europe at Brookings and the Heinrich Böll Foundation and it's my pleasure to have four distinguished colleagues here to run the conversations -- my job will be to keep the trains running -- as we discuss what has become one of the most maligned national elections I can remember.

I asked a colleague at a French newspaper to send me the headline that he foresees that his newspaper will run on April 23rd after the first round and he responded by sending this, "Mélenchon/Le Pen scores, shakes Sarkozy/Hollande as France votes for yesterday". Kind of poetic but somewhat contradictory at the same time, but then, it's France.

You will have seen, perhaps, the cover that *The Economist* magazine ran of the French voters out picnicking and dreaming about the past rather than focusing on the real problems that they have today.

To have this conversation, then, to see if we can identify any socially redeeming value in this election, whether or not it is informing us and perhaps the French about France today, we have four distinguished commentators. I'll proceed in alphabetical order.

You have introductory material that includes their biographies -- Christopher Caldwell, Jonathan Laurence, Jonah Levy, and Justin Vaïsse -- to discuss this important subject today.

I'm going to start -- I'm going to let start, really, the fellow who has been the guiding spirit in bringing this panel and this discussion together, Justin Vaïsse, who is really the guiding spirit for our thinking about France and the U.S. in so many domains. He's a senior fellow in foreign policy at Brookings, an author of penetrating works both on U.S. and French policy and society.

Without further ado, Justin, get us started.

MR. VAÏSSE: Thanks. So, thanks, very much, Jim, for introducing and moderating that panel and really what I'd like to do in this first part of the program, which really is about sort of the generalities, the shape of the race, is to try to give you an overview of what the race looks like. I'm sure many of you are already familiar with it, but I'll just run a few familiar points after which I'll leave the floor to Chris Caldwell.

So, you know, the name we gave to that first, sort of, sub panel is -- the shape of the campaign, is a surprise still possible? And, you know, basically it would be very unwise to say that a surprise is not possible, but I would argue that a surprise, at this stage, is very unlikely.

It's very unlikely because the odds are running against

Sarkozy. They're running against him because we are obviously in the midst of a financial crisis. It's not been hitting the French as hard as, say, the Italians, you know, the Spaniards, the Greeks, obviously, and others, but still the climate is not good.

European leaders have had a habit of not being reelected in the last few years, so that's a sort of uphill battle for Sarkozy to be reelected, and on top of that, there's been a sort of personal breakup between him and the French public which happened not really in the first year, but probably at the end of 2007 and early 2008, and which was never really mended. There's a sort of personal element to it which makes for a sort of mood of rejection of Sarkozy himself.

I would add that the left has lost the last three elections, '95, 2002, 2007, and so he's very eager to win this one and it has won virtually every poll since 2007 and so it's sort of seen on a good series of electoral victory and it's quite mobilized for this election.

The last point to explain that the surprise, I think, is unlikely is that polling has been very consistent. You know, polling is only worth what you want to believe it is, but the consistency of the voting intentions has been very striking.

During the month of March, Sarkozy sort of caught up with François Hollande for the first round of the elections, and so they've been

running basically on a tie, neck-to-neck, the two of them, and that was before the Toulouse incident, which basically changed nothing in the race, however, on the second run for the runoff election -- so, the election, as you know, is one week from now, it's on Sunday, April 22nd, and the runoff is on May 6th, and for the runoff polls have been very consistent in predicting a victory by François Hollande.

The latest poll confirmed that and if anything widened the lead that François Hollande has had, the latest we have this morning is 57-43 in favor of François Hollande or 56-44, according to another polling firm, in favor of François Hollande, and so this really looks like an election for François Hollande to lose.

It's all the more true that the shape of the race -- so the system of runoff makes it really important to look at where is the reservoir of votes for the second round? That is to say, Sarkozy might get ahead -- he might pull ahead for the first round, but then he must, of course, compile voters from -- who have voted for François Bayrou, the centrist candidate, Marine Le Pen, the extreme right candidate, and potentially others, but the truth is that there's not so much stock of votes, of a reservoir of votes, for him and so it makes it really important to know who the people who vote for -- especially François Hollande -- I'm sorry -- for François Bayrou, the centrist candidate, and Marine Le Pen -- who they

will vote for in the second round, and what is called in France the *report de voix*, that is to say, who they will vote for in the second round, is not very good for Sarkozy, it's only 40 percent of declared voters for Marine Le Pen will vote for him in the second round, and only 37 percent of the François Bayrou voters will vote for him.

So, if you take the sort of the overall right-left balance, it now favors the left, not by a huge margin, but sufficiently and in a sufficiently consistent manner that there will probably be no surprise. But, you know, once again it's a very unwise thing to say.

The surprise, however, may come in June. If ever I'm wrong and Sarkozy does pull it off and does get reelected on May 6th, then there is a big chance that he would not get a majority in the legislative elections, which will happen in mid-June, and in this case, we will face a situation of cohabitation or divided government, and Sarkozy would be forced to appoint a socialist prime minister, most likely, which of course would make for a very difficult situation.

If François Hollande is elected on May 6th, the odds are better for him to get a majority in the national assembly, but it's by no means assured and there could be a dynamic, there could be a momentum that is not good enough for him to win a majority in the national assembly in June. So, the surprise might come in June rather

than in May.

Now, a brief word on the shape of the campaign. I would say it's a very different campaign from what you saw in 2007, which was a very exciting campaign with a lot of fireworks, with a very dynamic candidate, Nicolas Sarkozy making taboo-breaking proposals and with the novelty of having a female running for president and having a good chance of being elected, Ségolène Royal.

This campaign is very different. This campaign is marked by the crisis, which has really reduced the margins for politicians, at least the ones who really run for office, the responsible ones, to make promises.

And so, if you look closely at François Hollande's program, you'll see that the 60 measures that he proposes, that he puts forward, are not very bold and if you look at Nicolas Sarkozy's campaign, it's a very far cry from the way he was campaigning in 2007 in the sense of making very bold statements and, once again, sort of iconoclastic proposals about a number of issues.

The shape of the campaign, so, has been largely determined by the financial crisis imposing this sort of -- sort of stiffening the campaign, and also it's a campaign that sort of started well in December and January with the main candidates tackling the right issues, what, you know, observers could consider the right issues, that is to say, the debt,

the deficit, unemployment, structural reforms, how to deal with the Euro Zone crisis, et cetera.

And they were very good -- there was a very good, I would say, treatment of this subject in January and then somehow the campaign veered off course and started to get bogged down in very small issues or issues that mattered for one part of the electorate, like immigration, for example, and Islam, or a very, very small part of the electorate, like the driving license for a week has been an issue of contention between the two candidates. And so that's when -- and Jim mentioned the cover of *The Economist*, that's when observers started paying attention and judged that France was in denial of the situation and was not running a campaign that was worthy of the situation.

I think it got better in the last two weeks. The main themes have come back to the important issues of debt, unemployment, and the deficit, and the Euro Zone. However, they have been stifled by the official rules of the campaign. You know, there are very strict rules about what you can -- you know, how much time you are allotted on every media. There is a government agency -- an independent, but still a government agency, which checks how many time all the media, especially TV and radios, allot to the different candidate, and of course that gives equal weight to very wacky candidates like Jacques Cheminade, who is credited

with about 0 percent of the vote and who's a follower of Lyndon LaRouche, on the one hand, and Nicolas Sarkozy on the other hand.

So, whereas this was meant as a way to protect the right of the small candidate and ensure better democracy, this is now very widely criticized in France because it's sort of imposing an undue burden on the campaign and what should be now a very exciting campaign is a bit boring and criticized by many.

MR. HOAGLAND: Justin, let me ask you a question there. The other thing that's striking in the polls is the number of potential or declared abstentions. Very high. What do you attribute that to? Is it because it's a boring campaign? Is it because the weight of the economic crisis is so great people have lost hope and don't reflect that? Why such high abstention rate projected?

MR. VAÏSSE: No, I would say it's exactly these two things. It has been measured at 32 percent of people intending to abstain, which is a very, very high number. The highest point ever was in 2002, in the first round of the 2002 election, it was 28.4, and now it's forecasted at 32.

However, I saw a more recent poll saying it was back in the 20s this weekend, so it might not be sort of record setting abstention, but still it's true that the French have declared they were not very interested in this campaign and it's due to the crisis and to -- and, you know, when you

think of it, if you add that level of abstention, plus the people who were not registered. You know, in the U.S. we always talk about abstention comparing the number of people who vote to the number of potential voters.

In France we compare the number of people who vote to the number of registered voters, and the reason is that there's not such a huge gap -- as big a gap as in the U.S. It's about, you know, 91 percent of the potential voters are registered, but still you need to add them to the more or less 25 or 30 percent who will abstain, plus if you add the voters who vote for extreme right or extreme left candidates, then you get to a very, very high level of people who actually sort of, you could say, reject the responsible and serious proposal that they are offered.

MR. HOAGLAND: Justin, thank you very much. I turn now to Christopher Caldwell, who is a senior editor at *The Weekly Standard* and has written a number of works, but really the standard work, I think, on the question of what he calls "The Revolution in Europe, Immigration, Islam, and The West". Christopher, take us to wherever you want.

MR. CALDWELL: Thank you, Jim. We actually have two other panelists here who have written a standard book on Islam in Europe, that's Jonathan and Justin, and Jonah has touched on that in his own writings on policy, but thank you.

I would agree with Justin about the likely outcome of the race.

The first round predictions have been all over the place in the last few weeks, but the second round calculation, which now shows Hollande winning, I think it was 56 to 43 over Sarkozy, has not really shifted since I was last in France, which was in February.

There are, however, some significant possible sources of late volatility in a race like this and one of them that Jim just mentioned is abstention. As Justin says, the last election marked by major abstention was 2002 and that resulted in Jean-Marie Le Pen in the second round. And a high abstention rate tends to magnify sort of -- we could call them -- fringe candidates with a lot of momentum in this race those would be Marine Le Pen and Jean-Luc Mélenchon.

There's a second factor, which is the Euro crisis. There's a very dangerous Spanish bond auction coming up tomorrow, in fact, I think there are two this week. The Euro crisis has been of such a nature that it can change from one day to the next and look like clear skies one day and Armageddon the next.

But, you know, I'd like to also mention what happened in Toulouse. I think the ultimate effect of the Toulouse killings was to make this a more conventional race. I think that probably, of the people who

were really upset about unrest and disharmony in France's ethnic minority neighborhoods, I think this was probably a reason for votes to migrate from Marine Le Pen, who, for all the momentum she's gained over the past year and a half, is still mostly a message vote to Nicolas Sarkozy, who is, for all his problems, is still a policy vote.

So, that is one thing that might align the race a little bit more.

I think a lot of us today will talk about the breakup of the Sarkozy coalition, as Justin has just begun to. I think there are certain comparisons -- there's a useful comparison to be made here with the Obama race, if you'll pardon me for taking the discussion in this direction, and that is, both Obama and Sarkozy were nominated -- they are candidates of the pre-crash world. They are candidates who rose through their respective organizations in a time when the main skill of a politician was being able to promise well.

We've moved into a totally different era where the main skill of politicians is to be able to skillfully take things away from people.

Neither of them is quite comfortable in his new role. Both of them came to power promising to sort of create some sort of new harmony in the center. I think the difference between Obama and Sarkozy in this respect is that Obama identified a base and he's been able to strengthen it and it still gives him a fighting chance in this year's election. Sarkozy has

not -- it's gotten harder and harder as the years have passed to find a core Sarkozy voter. It's harder and harder to tell whether that voter's on the Le Pen-ite right or the Bayrou-type, budget balancing, Europe loving center, and I think that that's left voters really confused and it's reduced his potential base.

Justin also mentioned past and future. The interesting thing about this election is that I think the past has the better argument. France's past looks like it's going to be much better than its future for the reasons I've just described. The past is the bubble, the past is relatively low taxes for the amount of benefits French people were able to get, a relatively strong economy; the future is austerity. But the future is also something else, which is it's a narrowing scope for the French republic, for French voters.

You know, French politics has always had its problems, but for the last 225 years it's offered a lot of scope for the voting, willing, acting citizen.

Europe offers it much, much less and that's why you see a candidate like Jean-Luc Mélenchon, who a lot of French people hadn't heard of a year ago, putting tens of thousands of people in public squares in provincial cities. It also means that Marine Le Pen's message of the anti-European message is very strong. It's getting very close to the center

of the French mindset, and we must remember that the last time the French were asked to pronounce on Europe, before the Europe bailout in 2005, the voters said no to it.

This, I think, is the -- I don't think these pressures are going to like burst to the surface in this election, but they're there and they seem to be the -- if you look at the polls that show Marine Le Pen running first with young voters with 26 percent of the vote ahead from Hollande, I think this is the direction in which French politics is moving.

So, I guess we have two stories here, we have the two candidates who are going to move onto the second round and the two candidates who are laying the groundwork for maybe the politics of 2017 and beyond.

MR. HOAGLAND: Christopher, thank you. I wonder if you'd take a minute more and elaborate a little bit on le fait Mélenchon Mélenchon and tell us what you make out of this rather meteoric, and to me, largely inexplicable rise, and I want to ask you a specific question that will also, I think, bring Jonathan and Jonah into the conversation because, as you point out, they have a tremendous amount of knowledge about the role of Islam in French society today, or the Muslim minority.

Mélenchon gave this remarkable speech the other day in which he vaunted the merits of racial mixing and said, "The future of

France lies in our ability to successfully racially mix and that the mixed marriages of France are a remarkable success.”

What is the effect of that kind of rhetoric? And where do you think it was inspired? Why does he use these kinds of terms?

MR. CALDWELL: That’s a deep question. You know, it’s easy to look at Mélenchon’s distrust of things like the European bailouts and compare him to Marine Le Pen, and that was something that he was content to do implicitly about a year ago when he agreed to debate her on national TV, and he’s lately wanted to put a great deal of distance between the two of them, and he’s been very harsh on her in his rhetoric.

You know, it’s tempting to look at these as sort of two wings, they’re like the two extremist wings in the 1930s that sort of meet on certain issues, but I think that this is one on which there is a genuine difference, and it is a difference that probably redounds to Mélenchon’s benefit. He’s more open to the high migration, multi-ethnic world in which we, in fact, live.

But it also leaves him open to a sort of a contradiction, which is, Mélenchon wants to take certain powers back from Europe, but his argument makes it possible that some of these phenomena he’s describing are best managed at a pan-European or even a world level, you know.

And I think I mentioned to you the other day, Jim, I think that I see some of the same contradictions in Mélenchon's party that there are in the German left party. They don't know what level -- they know they're not happy with the way their government is interacting with Europe, but they don't know whether they want to bring power back to the nation or push more up to Europe. So, anything they do in power or with influence on power will be very improvisational.

MR. HOAGLAND: Jonathan and Jonah will get full introductions later on, but for the purposes of this panel, let me invite Jonah, now, if you have comments on the presentations that Justin and Christopher have made, and particularly if you could add to the Mélenchon question.

MR. LEVY: Yeah, I'll leave the racial dimension to Jonathan, who's clearly the expert at the table.

I want to talk a little bit about Mélenchon because I don't think his program and whether it can be implemented is all that relevant. I mean, Mélenchon is there to be the successor to the Communist Party, which basically doesn't exist anymore, and there's a saying in France that in elections, on the first round, you vote for your friends, and on the second round, you vote against your enemies. And there are a lot of people in France who want to vote for a real leftist, you know, they want

red meat on the first round, and that's what Mélenchon is serving them up, and the more outrageous his leftist proclamations, the better. And they know he's not going to get elected, but they want to, you know, make a statement on that first round before they have to go and vote for bland old vanilla Hollande on the second ballot.

And, you know, French voters, in 2002 there were three Trotskyites, self described Trotskyite candidates who got 10 percent of the vote combined on the first round of the ballot. So, you know, there's always been a reservoir for voters who are willing to, you know, support these kinds of candidates who have absolutely no possibility of implementing 95 percent of what they're promising and everybody knows it.

I think there's a certain amount of maturity now among the French left voters that's the result of the scarring effects of the 2002 elections where all this voting for a Trotskyite candidate got Jean-Marie Le Pen to the second ballot and left the left out of the second ballot, that they'll flirt with Mélenchon and they'll pump up his poll numbers as long as it doesn't threaten François Hollande's ability to qualify for the second ballot.

And that's why we see, if you look at the polls, François Hollande and Mélenchon have been fluctuating over the past few months

and when Hollande goes down, Mélenchon goes up, and if Hollande starts to get in a danger zone where he might not qualify for the second ballot, French voters on the left say, oh, my god, and they start dropping Mélenchon, they go back to Hollande, and so you see fluctuations on the first ballot, but then when you look at the second ballot it's pretty rock steady because 85 percent of Mélenchon's voters say they're going to vote for Hollande on the second ballot.

So, I think you see kind of, you know, it's like a sort of Madame Bovary situation. She wants to have that affair, she wants to, you know, be with the guy of her dreams, but at the end of the day she's stuck with the not very charismatic husband when all is said and done.

MR. HOAGLAND: Thank you, Jonah. Jonathan, could you elaborate on this?

MR. LAURENCE: Yeah, I mean, I was struck by something Justin said or almost said, which was that the left was -- is extremely mobilized for -- and he almost said "this candidate" but then he started to - - then he ended by saying "this election" and the issue there is, you know, we've heard so much about how the French reject the model that Sarkozy has introduced to the Elysee as this sort of hyper-president, I wonder whether they are so keen on the opposite, the sort of sedated president, and if that is really, you know, just by being the contrary, whether that's a

recipe for success.

And when it comes to the second round intentions, I think it's basically impossible to simulate those two weeks between April 22nd and May 6th in a poll, especially when it comes to the horse trading that is going to take place and especially when it comes to the wild card that really is François Bayrou this time around.

He has said that, unlike in '07, he is going to give instructions to his voters on whom to vote for on May 6th and they are allegedly more loyal to him than usual, and if a prime ministry is in the works for him, I think that we could see a few million or a couple million migrating from the center to the center right.

On the last point, just about *métissage* and why Mélenchon is giving a speech on that, well, he must have been reading Jean-Pierre Raffarin's old *discours* because, you know, back 10 years ago, Raffarin, when he was commissioning a multicultural freeze for the Assemblée nationale, with, you know, Mariannes of all different races, he actually gave this talk saying that the future of France is metissé and the sooner we accept that, the better.

Now, the UMP, Raffarin's party, has since abandoned that, obviously, but Hollande and the socialist party haven't exactly picked it up, so, I think that from Mélenchon's perspective, tout de bon (speaking

French).

MR. HOAGLAND: Why haven't the socialists picked it up?

MR. LAURENCE: It's incompatible with, I think, a more purist republican idea of France and that they do not want to cede to what they view as the *communautarisme* of the right, in effect.

MR. HOAGLAND: Justin, what are your thoughts after listening to your colleagues?

MR. VAÏSSE: I was very interested by Chris's comments about the past and the future, and I think the very strong point here is really about -- you know, and I want to leave that for the Euro panel that we'll have on the third part of the program, but the sort of coming clash, or at least coming tension, between, on the one hand, the belief in politics, which is embodied by the Fifth Republic, the strong executive, it's not just, as Chris said, the active and willing citizen, it's also the active and willing president, the idea that there should be a strong will of the nation, which can be embodied by the president, as it has since 1962 when the president was elected at the universal suffrage, or by the state, by the state apparatus.

But it's also that there is, I think, just sort of stronger element of sovereignty in France than we estimate and I think Chris sort of pointed that out, and there's, of course, a coming clash between, on the one hand,

the necessities of increasing federalism in Europe because of the economic crisis, and Angela Merkel, just a month and a half ago at the Universität in Berlin, made a very federalist speech, in essence, and I think that the Germans are ready for that, and I think the French are not, and I think that's one of the undercurrents of this election and also what awaits the winner of May 6th in the next five years.

MR. HOAGLAND: Christopher, you get the last word from the panel on your comments, colleagues, their veiled attacks on you?

MR. CALDWELL: Outright calumnies! No, I find very little to disagree with here. I think it's a good point about the strength of the French presidency. In fact, there really has not been a -- there really hasn't been a mild mannered president in the fifth republic, for all this talk of Sarkozy as a hyper-président, they're all hyper-présidents, so -- until now. We'll see.

MR. HOAGLAND: Very good. I'm going to open it now to the audience for questions. If you could, wait for the microphone to come to you and identify yourself and any affiliation if you would. So, let's start right here with Michael.

MR. CALINGAERT: Michael Calingaert, Council for the U.S. and Italy at Brookings. Question to Justin. As I understand it, you don't subscribe to the theory that the disaffection of the French electorate with

Sarkozy started right at the beginning where he sort of got off on the wrong foot, but you put it a couple years later. What was it, then, that the electorate basically no longer liked his message? Found it too tough? And/or economic situation? Or whatever?

MR. VAÏSSE: No. What I was referring to is the polls, his popularity, and his popularity actually remained high in 2007 and it dropped really with -- when he -- actually, it's very personal, it's when he divorced from Cecilia, his first wife, and then when he -- but more precisely when he remarried in January/February of 2008, that's when the polls started to drop. It was linked to the impression that he was not presidential enough and that he was sort of debating the function that was a widely sort of shared view of him, and since then he has never really fully recovered. Plus, of course, the economic crisis has added to that.

MR. HOAGLAND: By the way, the fact that you've all turned out here on this very nice spring day to listen to a couple of hours about the French elections testifies to the fact that you're among the hardcore, and therefore I'd like to recommend to you a movie that I just saw on DVD called "The Conquest (La Conquête)" and it's absolutely a terrific job of explaining, among other things, what happened between Nicolas Sarkozy and Cecilia.

It's based on an approximation of the facts. It's not a

historical record. But it is a very convincing docu-drama, if you will. End of plug.

Jonah?

MR. LEVY: Yeah, I just want to say, I don't think it's just -- I mean, it is that Sarkozy wasn't acting presidential, but I think that behavior also fueled other more substantively negative images of Sarkozy, so, you know, the dinner at Fouquet's and this sort of conspicuous consumption also fueled the idea that his economic policies weren't just pro-market policies, but that he was taking care of his rich friends and that these were policies to protect rich buddies rather than to help the French economy.

And obviously, there can be an overlap between those things, but it really fueled the image of Sarkozy, the friend of the rich, and that's been an image he's had a hard time dispelling even when it's not been an entirely fair image of him.

So, that has wounded him throughout his presidency. The other thing that's kind of wounded him throughout his presidency that's come out of this initial period is the intertwining of personal and family interests and the public interests, that he's used the office of the presidency to get personal favors or, at one point, to get positions for family members in public office or personal enrichment, a sort of soft corruption image.

So, it's not just that he hasn't acted presidential, but that he's acted in ways that have compromised or cast doubt on the character of his policy. And so I think the damage is more than just the French like their president to behave in a certain manner, that it's really cast a pall on the integrity of many of his policies.

MR. HOAGLAND: But, again, this is not exactly a new phenomenon among French presidents. Why is it more pronounced -- are there reasons why it's more pronounced for Sarkozy other than his own personality?

MR. LEVY: He's been much more in-your-face about it and he's also somebody who campaigned on a theme of *la république irréprochable*, that he would bring a new morality and transparency to the republic. And, ironically, he's done that in a lot of areas. I mean, he made his salary public, he made the financing of the Elysee, which was a big black hole, he made it public.

Of course, in making it public, he also revealed a lot of, you know, dubious practices and, ironically, he gets skewered for that, but, you know, in many ways he is the most up front and moral, in a lot of these areas, president that the fifth republic has ever had, and I think part of the reason he's gotten skewered is this other stuff, that he's done this, you know, President Bling-Bling, all this sort of morally dubious behavior, in

such a way that he doesn't get the benefit of the doubt that, in some ways, he really should have gotten, that he really has been a much more up front and transparent president than his predecessors, but because of these kinds of practices at the beginning of his presidency, he sort of tarred himself with the image of Mr. Conflict of Interest and Bling-Bling.

MR. HOAGLAND: Right, if he had heard that, he would be wishing he had you as his spokesman.

MR. LEVY: He wouldn't be threatening to beat me up, which is --

MR. HOAGLAND: Actually, the answer is both things. The distinguished gentleman in the front row.

MR. LOWENSTEIN: Jim Lowenstein, the French-American Foundation.

Two questions relating to the word "surprise". What is the present status of restrictions on polling and television coverage between the first and second rounds that make it so difficult to track what's happening in public opinion? And secondly, I remember very well being in Paris the night that Mitterrand was elected in the second round. No one, including the American embassy in Paris, had predicted that.

What caused that surprise to happen? And are there any parallels in this election?

MR. VAÏSSE: Sure. There are strict rules on what -- not on polling itself, which is the problem, but on publishing the pollings, whether in the press or in the media or online, which, of course, in the age of the Internet is a big hypocrisy because not only the small world of Parisian journalists and politicians of course know the polls and they circulate via email and -- probably not Twitter because Twitter is probably public, but obviously a couple of days -- I think it's five days before the first round, you will not see anymore polls and so it sort of goes in order not to influence the voters, and I think there are polls for the second round that can be published in the first week, but not in the second week.

Don't take my word for it, but it's about that rule, and the most important thing is that it hides the last minute dynamics and evolutions and, of course, in 2002, between basically the Wednesday and the Sunday, there was a very strong push in favor of Jean-Marie Le Pen, which in effect was detected by the polls, and the people who had access to the polls on the Friday, Saturday, and even the day of the vote, knew that Jean-Marie Le Pen was surging and he was surging past Lionel Jospin, and actually he sort of edged him out.

And so, had the polls been published, we would have seen exactly what was described earlier by Jonah, that is to say, people would have rebalanced in favor of Jospin instead of voting, as Jonah said, for

your friends, you would have eliminated your enemy in the first round because, once again, Jean-Marie Le Pen got, I think, 18.2 percent and Jospin got 18.1 percent, so he was edged out for the second round.

So, this sort of ban on publishing the polling is a sort of curious mix of, you know, virtue and hypocrisy, I guess.

MR. HOAGLAND: Jim, your mention of 1981 is one that is dear to my heart. In November of 1980, the French embassy here was saying that there was no way Ronald Reagan could be elected president, and in May, the American embassy in Paris was saying the same thing about François Mitterrand, so both sides got it tremendously wrong then.

Jonathan, do you have -- I think in both cases, it was a question of mindset. It was so unthinkable that they would have to deal with a socialist president who would bring communists into his government.

Remember that George H. W. Bush was dispatched to Paris to try to talk Mitterrand out of having any communists in his government. I just think it was the inconvenient fact that they were going to have to face that they didn't want to face.

To be, perhaps, because I thought the Mitterrand victory was fairly well foretold, or the possibility of it was certainly strong, I think the French embassy had more room -- or had more reason to go astray on the

Reagan result.

But your question, I think, also shines the light on the fact that these results -- these rules that Justin has just outlined on polling, and particularly on television time, date from Charles de Gaulle, date from a period when you had one government controlled television station, network, in France, and that the idea that three or four serious candidates and six lunatics each get the same amount of time on the television network is tremendously inhibiting to democracy by now, I think, and that's one of the things that I think is rich for reform.

Yes, sir. Right here.

MR. KAUZLARICH: Rich Kauzlarich, non-resident scholar here at Brookings and also at George Mason University.

I may be jumping the gun a bit for sessions later on, but aside from the mention of the Euro crisis and migration, there really wasn't any talk about France's role in the world.

MR. HOAGLAND: Deliberate. That was a deliberate decision.

MR. KAUZLARICH: Okay. Well then I'll save my question for later, but ask the -- since I have the microphone --

MR. HOAGLAND: Yes, it is your microphone. Thank you, Ronald Reagan.

MR. KAUZLARICH: You touched on social media a bit, but do you see any signs that the candidates are using social media, in a sense, to subvert these very clear regulations that limit the kinds of campaigning that can go on?

MR. LAURENCE: I do. I mean, they're all over Facebook, they're all over Twitter, so they are finding ways around these, but I don't think that has the direct impact of television. I would just add that -- so, Ségolène Royal was very innovative with her use of the Web. She claimed to have inspired even the Obama campaign, although the direction of that causal arrow might be worth reexamining.

She opened her site, however, to proposals from everyone, basically, to fill her program. Now, I think Hollande is much more conscientious and careful about suggesting that his program is not, you know, unlimited, but that it has these sorts of 60 concrete ideas.

And just on the point of media time, you know, we have to recognize the natural advantage that the incumbent has, especially in times of crisis, to use the bully pulpit of the presidency to get himself out there.

MR. HOAGLAND: The lady back there. If you'd wait for the microphone and identify yourself.

MS. TERMINASIAN: I'm Teresa Terminasian. I'm with the

IDB.

My question is, what if there is an intensification of the Euro crisis between now and, let's say, the second round of the presidential elections? Perhaps it's too soon for the first round, but between now and May 6th. How would that play in the view of the panel? Would it favor Hollande or would it favor Sarkozy assuming that those are the two that would be sort of running for the second round?

Thank you.

MR. HOAGLAND: Christopher, I know that you have your finger on the pulse of the markets.

MR. CALDWELL: Yeah, and if you want some investment advice after this panel. How it would play, that's very interesting, because if -- okay, I opened this Pandora's Box of talking about the Euro crisis and the short answer is, I don't know, but maybe we could distinguish between crises that came before the first round and crises that came after the first round of voting.

I would say before the first round, anything that made the Euro look more like a rickety structure would favor Mélenchon and Le Pen. And, as I say, I think the two Spanish bond auctions this week are good candidates for events that could trigger a reexamination of Europe, but as we've seen in the past, we can't really predict which events these are

going to be.

If you had such an event after the voting of the first round, it's very hard to see how that would work out. I mean, at the risk of anticipating some of our Europe panel a little bit, both Sarkozy and Hollande have made --they're both, at heart, pro-European. Hollande, his whole biography is built on the building of Europe.

But they both see that they've got significantly anti-European coalitions that they have to win over and each has sort of made a kind of incredible promise. In the case of Sarkozy, he's promised to reexamine Schengen. He did that once during his -- during the past five years, he did it about two years ago when he closed the border with Italy for an afternoon.

Schengen, by the way, is the agreement that allows Europeans to travel passport-less between countries of the European Union.

Sarkozy said that; I don't think anyone believes him.

Hollande, meanwhile, has promised to renegotiate this -- I always forget what it's called -- the fiscal pact that was negotiated in December -- I don't think anyone believes that. Or, let's put it this way, I think Hollande would never do anything to risk the European project, so he would reexamine the fiscal pact only if he did it in concert with the other

European leadership.

So, who would benefit from it? I'd have to say neither. I think that things are really up in the air enough and the two candidates are incredible or non-credible enough on the issue that the coalitions would stay roughly as they are, except that maybe as Jonathan mentioned, that could bring a Bayrou endorsement into play.

MR. HOAGLAND: I think we're going to be able to confine this discussion to the effect of the Euro on the internal election. Our second panel -- or actually our third panel, will look much more at the effect of the French elections on Europe and France's role in the world.

So, if I could move on to another question from the audience. The lady in the back, all the way in the back.

MS. BEDFORD: Hi. My name is Lamaria Bedford, I'm with LaRouchePAC.com. And one thing I just want to bring up is the German-Swiss trading firm, Eurex, has just started putting up future contracts on French state bonds to a leverage factor of up to 20 -- I'm sure you're aware of this. You know, of course the normal entry point would be 10 million Euros. Now it's become 100,000 Euros, you know, anyone with a little bit of money can get into the markets and start speculating on French state bonds, which is going to be seen by the population as open warfare against them.

Given the crisis we've seen in Greece, in Portugal, all throughout the European Union, this is a major issue. Now, I find it very amusing what was said about Jacques Cheminade, because he was the first one who actually identified this, and it was picked up by the media. It's also very amusing that this would be seen as making the elections boring, when this is the major issue that the population wants to hear about, is concerned about.

So, I'd like to hear the panel's comments on that and also on this particular Eurex speculation, which is beginning.

SPEAKER: I will confess I was totally unaware of this specific event. The sense of concern is certainly there within the French electorate. I'm not sure how detailed it is. I'm not sure that it's focused that much on this kind of financial maneuver, but certainly President Sarkozy believes that the kindling for this kind of fire is there.

He devoted most of his major speech yesterday at la Concorde to preaching fear, to preaching that a socialist victory would inevitably condemn France to a violent market reaction that would force France into the most draconian of austerity programs under the socialists.

That is his theme for the final week before the first round. So, I think that the general topic you've mentioned is the one that's shaping the campaign perhaps most forcefully in the coming days, but I'm

not sure how detailed the French electorate's knowledge of that is.

MR. LEVY: Yeah, I mean, I think that the sovereign debt issue is one that's clearly on the table and I'll talk about it later. I don't know that the French people are united on anything in France and they're certainly not united behind Candidate Cheminade, who's credited with about 0.5 percent of the vote tops, so, I guess, I don't entirely understand your equation with sensitivity to the debt issue with support for Candidate Cheminade.

MR. VAÏSSE: Yeah, just to add on the new instrument. Actually, Mélenchon denounced it first before the Socialist Party sort of followed him and the Socialist Party asked -- or Hollande said he would ask Mrs. Merkel to ban that instrument, which they see as a pure instrument of speculation having no interest in terms of covering risk, and so being entirely negative.

But the larger point, I think, here is that, yes, there is a sort of deep -- in the French political culture, the financial world is basically largely the enemy, you could say. I mean, you could see that from the diatribe that Sarkozy did against FT journalists, not Chris in particular, but when he last came to the show *Des paroles et des actes*, he was asked a question about the FT having supported the idea of a stimulus that would be added to the fiscal compact and he started lashing out against the FT

or François Hollande lashing out against the enemy, that would be the world of finance.

You mentioned Jacques Cheminade. Obviously, Mélenchon, needless to say, is even a harder or -- and I don't quote the Trotskyist candidates, but so you have right and -- and, of course, Marine Le Pen also, who wants to get back to the franc and wants to curb speculation more generally. So, you have a sort of element of unity here and apart, perhaps, from Bayrou, who has not been as vocal as the others, there's a sort of consensus against that sort of world of finance.

MR. HOAGLAND: Last brief question. Sir?

MR. DE GASQUET: Good morning. I'm Pierre de Gasquet from the French newspaper Les Echos. I had a question regarding Jonathan Caldwell's comment on Obama and Sarkozy. I was a bit surprised that you said Obama and Sarkozy are both candidates from pre-crash world because I thought Obama, also because of the calendar of the election, is really a post-crash world candidate, also because he was elected on his economic competence.

Could you elaborate on that?

MR. CALDWELL: I don't want to go too deep into it because I was just using it as a metaphor.

He was nominated before the crash. I mean, an economic

historian can look back and see the beginnings of the crash in early 2007. I think for the voting public, the crash happened in September of 2008. At that point, Obama had already been nominated. He was facing another candidate who was, frankly, pretty clueless about the economy, so he doesn't -- the world in which he rose, the world in which his political vision was built as he entered the presidency is a pre-crash world.

Now, he had to get up to speed very quickly, but the last election was mostly run on pre-crash issues.

MR. HOAGLAND: We will now seamlessly move on to our second panel, which is going to investigate Islam and unemployment at the heart of the campaign.

Jonathan Laurence, associate professor of political science at Boston College and author of at least four major works on Muslim minorities in Europe with an emphasis on foreign policy, the effect on foreign policy, will start us off. Jonathan?

MR. LAURENCE: Thank you very much, Jim.

Well, just as the Euro crisis, I think, has provided Nicolas Sarkozy an argument to insist on the capital importance of political continuity, so, I think, does he seem to use the standing crisis over the place of immigration and Islam in France as an opportunity to demonstrate that the country just can't risk changing presidents at this critical moment.

And this seems like an especially important argument or set of arguments for him to make given just how much the odds seem to be stacked against him.

Now, Sarkozy has earned the reputation of being unfriendly towards Muslims and even hostile towards Islam, and I think that really began during his tough talk in the *banlieues* during the riots of 2005, but his overall record is, of course, much more complex, although most of the subtleties do seem to predate his arrival in the Élysée Palace.

But, for example, as interior minister, he did not favor a headscarf ban in schools, he revived and forged consensus to create the French Council for the Muslim Faith, or the CFCM. He has -- which has, by the way, also now survived four elections. He has floated a number of minority friendly policy ideas, including after he gained office, including the public financing of mosques, affirmative action, local voting rights for foreigners.

Before running for president, he famously said that he thought that the public schoolteacher in France, *la instituteur*, could never take the place of the priest or the pastor or religious leaders, and he kept on saying that the *banlieues* needed more places of reflection, that they had become spiritual deserts and needed more places to pray.

If you add to that that it's estimated that one in four

Frenchman has foreign origins or one foreign grandparent, you have to recognize that Sarkozy had three foreign grandparents and so there's a certain natural affinity.

One of his first acts as president was to appoint three cabinet members of Muslim background plus a commissioner on diversity, whom he asked to explore the feasibility of collecting ethnic statistics in France. His staff at the Élysée reflected the diversity of the population much more than any predecessor.

So, for better or worse, Sarkozy is the first French president to really discuss identity and bring minority politics into the context of France as an immigration society and really to bring this topic squarely into the realm of democratic electoral politics. And in so doing, he changed essentially a quarter century tradition since the emergence of Jean-Marie Le Pen's national front of basically leaving or abandoning the debate over immigration's effects on society to the extreme right.

However, he brought this theme into democratic electoral politics in perhaps not always the most productive of ways. Firstly, as president, he orchestrated an intense national focus on the potential incompatibilities of Islam with French national identity. This led to a lot of negative attention for Muslims and for Islam starting with, of course, his creation of the National Identity Ministry, which was seen as a bone

thrown to national front voters on the recommendation of one of his advisors who emerged from that milieu, Patrick Bisson.

He also, of course, initiated legislative focus on burka wearing, leading to a total ban on that very, very marginal practice. He engineered a mandatory national identity debate in the country's prefectures so that every town and village had to discuss what it means to be French, in the fall of 2009. And, of course, early last year, he made a comment saying that multiculturalism had been a failure, although, of course, it had never been practiced in France.

Now, I think that the apparent success of the 2004 "head scarf law", in keeping Jean-Marie Le Pen, the candidate, at bay in the subsequent presidential election in 2007, made it very attractive, made it very seductive for the UMP and for Sarkozy to think that if you just rinse and repeat, you can essentially have the same effect, perhaps in intervening elections, but at least in the subsequent presidential election.

And as a result, I think Sarkozy has tried to avoid taking any risks of being outflanked or out Le Pen-ned.

Now, in addition to this having a potentially corrosive effect on social cohesion, it's also uncertain whether it even works, right. If the goal was to finish off the national front after its dismal score in the '07 presidential election, well, then clearly that strategy failed.

Now, just in December of 2011, Claude Gueant, the Interior Minister, said that Islam would not be a part of this campaign. Now, that pledge did not last very long. Within a week, he was already speaking about the inequality of civilizations and contrasting the views of the right with the views of the left, who have this cultural relativism, this moral relativism, but you could argue that the theme of Islam and immigration was heading right back into the campaign regardless of whether or not Claude Guéant decided it, first of all, because in February there was a sort of national meltdown over halal butchers, there's an article in your packet about that, and in March, of course, as Justin mentioned, there were the targeted murders of three French soldiers of North African descent and four Jewish schoolchildren and a teacher, by a 23-year-old Frenchman of Algerian descent, who had been born and raised in Toulouse.

Now, there are two reasons that Sarkozy might want to emphasize these two events. First of all, to show what a dangerous world this is and that he's the only one who has the experience to face it down, and then second of all, to try and preempt the national front monopoly of the issue and perhaps draw out some of its electorate to his own side.

But we have to keep in mind that Islam is not a wedge issue in the traditional sense of the term, that's because no one really takes the other side. Right? It's more like a race to the bottom.

For that reason, from Muslims' point of view, actually, the focus on terrorism could actually be seen as a relief. It was finally a national debate about them that did not target their everyday religious practices. Instead it was about something that they fear as much as anyone else, which is the danger of violent extremism.

So, publically denouncing terrorism and radicalism is something that Muslim organizations, Muslim individuals could very easily get behind. It's a lot harder to ask them to criticize, you know, the wearing of headscarves, the consumption of halal meat. Even if it was not hard to have many Muslims denounce burka wearing, asking them to distance themselves from mainstream Islamic practices is much more difficult than asking them to, well, what they naturally do, distance themselves from terrorism.

But from the opposition party's perspective, I think Toulouse and the murders also presented a way to undermine Sarkozy's own claims of the necessity of his reelection because basically not since the torture and death of a young French-Jewish man in the outskirts of Paris in 2006 did it ever seem that the French republic was sort of at so much of a loss and so powerless in front of its new, diverse population as the days between the killings and the capture and killing of Mohamed Merah, the terrorist in Toulouse.

Those days, I think, were terrifying for France and just as terrifying as when Ilan Halimi was discovered outside of those housing projects six years ago.

And so the reality is that when Sarkozy highlights his own record on Islam and his own toughness, it allows others to criticize him where it has inevitably fallen short, right, so each candidate tried to use the attack to essentially suit his or her own narrative, right, either that the country is on the wrong track, the right track, or the not far right enough track.

So, one main difference, I think, between the last wave of homegrown terrorism in '95 and '96 and this one is actually the existence of this Conseil Français du Culte Musulman, this French Council for the Muslim Faith. Officials have told me that it has been a very useful, precious, albeit fragile instrument to try and reassure French Muslims as well as encourage their cooperation. That just wasn't there after the Khaled Kelkal incident of '95 when another French-Algerian man was implicated in terrorism.

So, how will Sarkozy fare? Will this all work? Well, on the one hand he's still in this slightly desperate cycle of trying to out-Marine Marine Le Pen. On the other hand, some of the UMP strategy, including this sort of civilizational commentary by the interior minister somewhat

reminds me of Silvio Berlusconi's regime strategies in Italy, so that during last year's municipal elections in Milan, when the choice was between the new left candidate, Pisapia and the old, sort of, center right candidates, Berlusconi went up and started saying that if you elect the left there's going to be a multicultural babble and it's going to be Sharia law, you know, all over the city.

Now, obviously voters didn't buy that and they rejected the party that had really governed the city and the country since, well, the mid '90s basically.

On the other hand, Sarkozy could even just look to his own rightward turn during the regional elections of 2010 to see that his veer to the right didn't really pay off. However, those were regional elections which never favor the right and presidential elections have always favored the right and have always favored the incumbent, at least during the first, you know, 50 years of directly elected presidents.

So, we'll see whether or not, you know, as Scott Brown might put it, it's Gaulle's palace or the people's palace.

MR. HOAGLAND: Jonathan, thank you. That's a very useful presentation particularly reminding us of the way the Sarkozy presidency began with the spirit of (speaking French) and the spirit of inclusiveness for Muslim minorities, and how, at the end of the day, he

didn't follow up on it, which is true of so many of his other initiatives and perhaps has damaged his credibility when he goes out now and talks about what he will do next time.

Jonah?

MR. LEVY: I was asked to speak about economic policy and I think we'll see a lot of parallels with Jonathan's presentation, not the least of which is, you know, the general arc of incompetence and disappointment followed by the economy is a mess, therefore we can't afford to have anybody else but me in office, otherwise it will be a disaster and we can't afford that. So, a lot of the same narrative.

And I think economic policy might win the title of, sort of, the most disappointing area of Sarkozy's presidency.

Now, obviously, it's a really tough time to be an incumbent anywhere. Barack Obama may manage to be defeated by an incredibly wooden, dog-torturing candidate from a self-flagellating Republican Party because of the state of the American economy, so it's a really tough time.

But even with that caveat, the performance of the French economy has been absolutely dismal and it's been absolutely dismal not just in absolute numbers of, you know, double digit unemployment, a huge trade deficit, the highest level of government spending in the OECD, a welfare state that spends more than Sweden, a loss of the triple A bond

rating, level of manufacturing that is now the equal of Britain, the paragon of a de-industrialized society, and less than one-half that of Germany. But France has also slipped relative to other European countries, so you can't even just blame the crisis.

And all eyes are on Germany as sort of the standard for comparing and showing up France's inadequacy. So, France has not just performed badly in the crisis, it's performed badly relative to other OECD countries that are performing badly during the crisis.

And it's not just the economy has performed badly, but that Sarkozy's economic policy itself has been disappointing on a number of counts, and as in immigration, Sarkozy came to office raising all kinds of hopes.

Now, he didn't use the "n" word, that is neo-liberalism, but when he campaigned for president, he talked about rupture, about France's social model being broken, and he spoke of reviving the French economy by making it possible to earn more by working more, slimming down the state, making labor markets more flexible.

He wasn't a Mrs. Thatcher, but he was going to modernize the economy, shrink the state by 4 percent of GNP, and cautiously move France into the 21st century and it's economy.

Instead, Sarkozy's economic policy has been just all over the

map. There's absolutely no coherence to it. The first year in office, he was a cautious economic modernizer. Then, when the economic crisis hit, he was the poster child for the rage against the capitalist economy. He said that it was morally bankrupt, that it had to be reconstructed from start to finish, that the state was back.

A year later, there were bad political results in regional elections and suddenly he joined the Republican Party and announced that he was going to balance the French budget without any tax increases and he was going to reform the pension system against the trade unions and show them who was boss.

The following year, he announced that actually he would increase taxes after all, and in his latest austerity plan, three-quarters of the deficit reduction came from tax increases, much to the horror of his supporters on the right and among the business community.

Over the past week, because with Sarkozy's economic policy you literally have to follow it in real time, Sarkozy copied two elements of François Hollande's economic platform, elements that he, himself, had previously declared made Hollande unfit to be a president, and which he declared as Soviet in previous declarations, one of which was to renegotiate the role of the European central bank so as to incorporate a priority for economic growth and not just fighting inflation,

and another was to impose rent control in the Paris region in particular.

Sarkozy had declared these elements as Soviet and making Hollande -- as demonstrations that Hollande was unfit to be president, and in the past week Sarkozy said, my bad, actually these are really good ideas and I'm all for them.

So, the upshot of Sarkozy's economic policy is that opponents on the left hate him and are angry for the right wing things he did like pension reform, supporters on the right are completely disoriented and disappointed, he didn't do the economic reforms he promised, the economic record is dismal, even allowing for the effects of the 2008 crisis.

So, Sarkozy has responded in two ways to this tremendously bad economic record. The first is he's tried to make other themes, like law and order and immigration, more central to his campaign because those are areas where he feels he's on a stronger footing vis-à-vis the left and Hollande. And second, the extent that Sarkozy talks about the economy, he's really trying to focus on the future rather than the past, because the past -- this is one area where France's future looks better for Sarkozy than the past. His economic record in the past is dismal and his economic record in the future is unknown, so he can make up stuff.

So, here's how the campaign is playing out in terms of the economic record, and, you know, this is a gross simplification, every day

there are new announcements, but here's the major cleavage between the candidates on economic policy.

Sarkozy is basically running a blood, sweat, and tears campaign a la Churchill. His argument is the French economy is in deep trouble and needs major reforms. I don't know how it got there, but that's what's going on. And Sarkozy is saying, I'm telling the hard truth. I'm not sugar-coating reality. The reforms are going to be really painful and France needs a statesman like me who will do what is good for the country, rather than what is popular.

The model for France is the German Schröder government, the Agenda 2010 project that Gerhard Schröder pursued earlier in the century. Germany experienced 10 years of painful economic reforms, but that turned the German economy around, and the exemplary reforms that Sarkozy has in mind are things like the 2010 pension reform that he conducted that raised the French retirement age from 60 to 62, or more recently, the so-called social value added tax reform that basically reduced employers' social security contributions and substituted a higher consumption or sales tax in their place. It basically shifted taxes from employers to consumers. It was very unpopular, consumers got hit with higher taxes, but the idea was it would make -- it would reduce taxes on employers and make French industry, in particular, more competitive.

And he did it right before the elections and the message Sarkozy was saying is, I'll do what's necessary for the economy. I'm not campaigning here, I'm doing what we need to do, popularity be damned. So, these are unpopular reforms but they're necessary to strengthen public finances and economic competitiveness. This shows that I'm a statesman. I put the interests of the country ahead of political calculations. By contrast, if François Hollande is elected president, France is going to become Greece. Hollande will spend money to honor his campaign promises and the deficits and debt of France will explode. The bond markets won't trust France, interest rates will rise on French debt, they'll hit 6 or 7 percent like as has happened with Spain, Greece, and Italy. The government will have to seek a rescue package with the IMF and the European Union. These institutions will impose an austerity package on France by the summer, and France will lose its economic sovereignty.

So, Sarkozy is saying, I'm telling the truth, I'll make the hard choices, whereas Hollande is feeding you guys a pipedream and France will be in receivership by the summer if you elect this guy.

Now, Hollande also has a narrative on the French public debt crisis. He agrees with Sarkozy that French public finances are in dire straits and need repair, but he blames Sarkozy and the right for the

problem. After all, the French right has been in power for ten years and Sarkozy has been in power for five years, and during this entire time, the French government has never come close to balancing the budget.

Indeed, the first thing that Sarkozy did when he became president in 2007 was to cut taxes without cutting government spending. At the time, Sarkozy informed the European Commissions that France would not be meeting the deficit targets that had been agreed to by the previous Chirac government.

So, the cause of France's deficit, according to Hollande, has been tax cuts for corporations and wealthy individuals, and so the solution is to make the rich pay, to make these two groups in particular -- businesses and high-income individuals who have benefitted from Sarkozy and the right's largesse.

So, Hollande is proposing, roughly, 30 billion Euros in tax increases focused on high-income groups and business. The exemplary reforms for Hollande are a reversal of tax cuts on the rich, in particular the ISF, a tax on the highest, wealthiest fortunes in France, and the creation of a whopping 75 percent income tax bracket on earnings over a million Euros.

Now, I don't believe anybody believes that that tax will ever go into effect. In fact, Hollande announced it without consulting his own

economic advisor, who was absolutely horrified by it, but as political symbolism, it's a marker that says, we're going to make the rich pay. Sarkozy has been the president of the rich, that's what gave us these huge budget deficits, we're going to go after the rich and that's how we're going to get rid of the budget deficits.

So, Sarkozy and the right are the ones who've made France look like Spain or Greece with their irresponsible tax cuttings. They're the ones who lost France's triple A bond rating. They've had ten years to fix France's fiscal problems and have only made things worse in good times and in bad. There's no reason to believe that the right will do a better job in the next five years. It's time for a different approach.

So, both of these -- both left and right have fairly clear narratives about how to tackle France's fiscal problems. In point of fact, they'll probably do pretty much the same thing once in office despite these distinctive narratives.

I would just say in concluding, the one thing that's a bit tragic about this debate is it's really not addressing some of the really more fundamental questions such as, how do you revive economic growth, which is really the best way to solve a fiscal crisis, how do you address France's unemployment, which is officially just shy of 10 percent, de facto it's more like 20 percent once you take into account all the hidden

unemployment, or how do you promote innovation in R&D, which has been declining precipitously in France and has manifested itself in an alarming trade deficit as well. These questions have been obscured by the whole debate about the budget and the sovereign debt and have really been pushed to the sidelines, and while Sarkozy and Hollande really want to become president, I don't envy the economic challenges that lay ahead for whoever has the misfortune to win this next election.

MR. HOAGLAND: Jonah, thank you for that depressing presentation -- I mean, invigorating presentation. It illustrates the dangers of having a president who has ADD syndrome, I think, no disrespect intended.

You say that the left will do pretty much the same thing as the right if it comes to power. Two questions, could you describe in a little more detail what that pretty much the same thing will be, what economic policies will Hollande actually follow? And what do you think the market reaction to the election of a socialist president on May 6th will be?

MR. LEVY: I always tell my students that they should only predict the past, never the future. I find that difficult enough to get right, so you're asking me to venture into Parlis territory.

I mean, I think the room to maneuver is very limited and even in the handouts, if you look at, you know, the promises of the

candidates on the economic data, whether it's spending or taxation, the differences are very narrow. You know, there are slight differences in spending, slight differences in taxation, but candidates on both sides are planning to increase taxes a little and to decrease spending a little. Most likely, they won't be very good at decreasing spending and they'll be reasonably good at increasing taxes, and that's sort of been the French record over the past 20 years.

To be fair, it's really hard to decrease spending when you have growth rates that average 1 percent a year. The way you get spending down as a share of GNP is you increase GNP. That increase -- you increase the denominator and the ratio goes down, and more important, you increase GNP and there's less demand for social services and so the numerator also decreases.

There's a tendency to say the French governments are weak-willed and incompetent, and I've somewhat contributed to that, you know, there's some element of that, but a lot of it is just when the economy is growing really slowly, it's hard to put people to work as opposed to having them on some kind of income support. And that makes it hard to get government spending down.

And so, until you get some kind of economic revival, you know, governments can fiddle around the margins, but it is very hard to

get, you know, government spending under control in a weak, anemic economy. It's hard in the United States, it's hard in France.

France's misfortune is that they're just starting at a higher baseline of government spending to try to tackle this problem, but if you look at the candidates, their numbers are fairly similar. They've polarized the discourse, but what they'd actually do in office is fairly similar. As I mentioned, Sarkozy's last budget, three-quarters of the savings, roughly, were from tax increases, not spending cuts.

MR. HOAGLAND: And market results -- market reaction to a leftist victory?

MR. LEVY: You know, I think that old left-right saw, you know, is not so prominent anymore and, you know, particularly Hollande is probably cutting the more reassuring figure, at this point, than Sarkozy. I think where markets might get nervous, you know, maybe goes to the legislative elections where if you don't have a clear sense of who the government is, you have a hung parliament or a conflict -- a cohabitation and it's not clear who's in charge, that then there might be a sense that France doesn't have a captain, a pilot in the airplane, and, you know, who knows what will be coming out of France or if, you know, Hollande needs to lean on Mélenchon to govern or Sarkozy needs to lean on Marine Le Pen or something like that, I could imagine, you know, that that would be a

source of concern.

I think the differences between Sarkozy and Hollande are less likely to be a source of concern, but of course, that's me talking and, you know, I don't even know what's in my 401(k).

MR. HOAGLAND: So, wait until June to sell. Justin, you had a thought?

MR. VAÏSSE: Quick two words. One is on the changes in Sarkozy's campaign. I think Hollande has been campaigning on not being Sarko, basically he has tried to picture himself as the anti-Sarkozy being sort of steady and calm and predictable where Sarkozy is unpredictable, impulsive, and impetuous, and so the more Sarkozy does these zigs and zags, the more, of course, the strategies that Hollande has chosen works, and indeed, two-thirds of the people who intend to vote for Hollande in the second round vote in order to get rid of Sarkozy, not because they support Hollande.

A second point is sort of to make sense of the sort of the balance between precisely Islam, immigration, what Jonathan told us about and what Jonah told us about. I think what we've seen is a turn in the election. In the early stages of the campaign, in December and January, Sarkozy was really -- basically his message was, I've saved Europe and we need to get France like Germany. And that was a very,

very clear statement in one of the shows that he did, the same one on *Des paroles et des actes*, he -- I think he quoted Germany 38 times or something like that, and that was in mid-January.

However, his campaign took a very different turn in February, and so that was -- the first strategy to be more like Germany was really the one favored by people like Alain Juppe and some of his advisors, but then under the influence or the advice of other advisors, he decided to turn and basically redo the 2007 campaign in the sense of grabbing the extreme right and emphasizing immigration, protection, getting the no vote in 2005 for the European Constitution, to getting back the no vote for himself, and that's when he started to say, you know, I will leave Schengen if Europe doesn't protect France more, I will sort of be much more assertive vis-à-vis Angela Merkel, and actually it worked. During the month of March, once again, before the Toulouse terrorist attack, he caught up on Hollande and that was largely because he raided the extreme right constituency.

But then more recently there was another turn, as Jonah said, pretty much in the past week or so, where he is seeing that it doesn't work enough to get him elected and so he's getting back towards the center, especially with the overtures -- the opening towards François Bayrou, who, possibly naming him prime minister, he, himself, Sarkozy

has not said that, but it has been said by some of his major captains.

So, he's sort of trying -- he sort of has a -- I would say, you know, the usual traditional extreme versus center problem like John McCain campaigning in 2008, so running in the center is the only way to win, but on the other hand, I must make sure that I get my constituency on the right, so I choose Sarah Palin, but then it scares the centrists or the independents off, so I get back to the center, and I'm not sure he can get away of that conundrum.

MR. HOAGLAND: Now we go to the fount of all wisdom, the audience. I have a question here.

MR. BOYER: Spencer Boyer with the Center for Transatlantic Relations at Johns Hopkins SAIS. This question actually goes mostly to Jonathan's comments, but happy for anybody else to comment.

Having recently left the State Department I know that we spend a lot of time promoting tolerance in our European and Eurasian partner countries as well as encouraging our allies to embrace diversity, sometimes multiculturalism, and obviously, France is no different. I think our embassy in France has been quite a leader among our embassies, especially our ambassador, Charlie Rifkin, at reaching out to minority populations, those that we haven't reached out to that much in the past,

bringing them into all sorts of events and other efforts that we have in France, and that's gotten a lot of positive press, especially in the U.S., in terms of reaching out, but it's gotten mixed reviews, certainly, in France, and certainly some criticism of sometimes even called meddling.

So, I wondered if you could comment on how our efforts are viewed in France and particularly how different segments of French society might view our efforts to reach out to diverse populations. Thanks.

MR. LAURENCE: Well, I think -- I mean, thanks, Spencer. I think that's a really excellent point that the U.S. has been more oriented, perhaps, in some ways, than even the French government at times in terms of being really worried about non-integration in the *banlieues*. That has to do, in part, with the kind of toolboxes that the respective governments have in terms of policy options. We have the vocabulary, we have the categories, we have even through trial and error, some recipes for improvement.

And that's just -- you know, I think Sarkozy has -- his legacy will be to have done the most for the diversification of French politics and the pluralization of the French state than any of his predecessors, right, that's the kind of irony of where he's wound up is that he started someplace very different and, you know, in terms of judging the American intervention in France, you know, there were rumors always, that were

then apparently validated by the leaks that were put on the internet that the U.S. was very involved in following this situation. And I think that did put off a lot of people. There was sort of an expose in the *Parisienne* about this as if it had been some covert operation, which of course it was not, but it was not also something that everyone knew about.

It did contribute to, I think, the feeling that Sarko L'Americain, Sarkozy the American, is heralding this new era of identity politics, which he definitely does not want to encourage as a public image.

On the other hand, when you look at who the competitors in the *banlieues* are, it's not really the French state, right? The competitor right now is Qatar, and so when thinking about who is investing in the *banlieues*, who's trying to sort of find the future leaders, it's the Moroccan government, it's the Turkish government, it's the American government, it's Qatar, it's not so much the French political mainstream, right, because the way that you come up in the party system is not generally by bypassing the, you know, hard work of constituency work and putting your time in the party, et cetera.

MR. HOAGLAND: The gentleman's been very patient back here in the back with the hand raised. Thank you.

MR. ANTONIO-RIVAS: Hector Antonio-Rivas, with LPACTV. I'm asking this -- well, more of a comment that I would like you

to respond to that came from the presentation from the gentleman on the far left. As of right now, the \$1 trillion expanded into the EFSF bailout fund has been depleted. There is a major confrontation brewing over the ratification, the possible ratification of ESM permanent bailout fund.

Now, earlier the mention of Jacques Cheminade was raised and I would bring up that I think the key thing here is it wasn't a matter of just Jacques Cheminade in terms of himself, but that in terms of all the French presidential candidates, he's been the only one that's put Glass-Steagall as a viable solution to the economic and financial crisis.

Now, this is also a measure that I think we're aware has been reintroduced by the Marcy Kaptur bill in the House of Representatives. It's also been introduced in the Italian parliament. My basic question is, in a situation as dire as we are in now, what seems to be more important is to ask, what are the solutions, what are the policies that are going to change the circumstances, and who is promoting it. And under that basis, I don't see any point in really having a discussion, a political discussion, under the basis of candidates as these other French presidential candidates like Holland, Sarkozy. And I would even say, even the current Republican candidate and Barack Obama, when what they're addressing is not in coherence with reality whatsoever.

MR. HOAGLAND: Thank you. Jonah, I think he was talking

about you as the far leftist on the group.

MR. LEVY: I mean, I think if I understand your question correctly you're saying we shouldn't talk about anything, so I'm not quite sure how I'm supposed to respond. I mean, Glass-Steagall -- the Glass-Steagall idea, you know, if I recall correctly, I think it was Paul Volcker who was sort of pushing that one originally and, you know, that's one of a number of ideas that have been put forward about how to possibly prevent another financial meltdown. And, you know, it's an idea that doesn't seem to have the necessary political support to get enacted as a reform, and I don't recall hearing either Hollande or Sarkozy talk about enacting it.

MR. HOAGLAND: Well, I think that's the question. I mean, another way of saying Glass-Steagall is, regulation or deregulation. Has that been an issue in the campaign framed in those terms?

MR. LEVY: I mean, what you're saying, I guess to put a more positive spin on the question is, you have a lot of politicians who are saying that, you know, we need re-regulation and moralization of the banking system, and this was a theme that Sarkozy hit repeatedly, but it was unclear to what extent he actually was committed to it because he always insisted that this had to be done at least at the European level if not at the G-20 level. And since there was no chance that it was going to happen at the European level or the G-20 level, or if it was going to

happen it was going to be an at extremely watered down level, then the question becomes, you know, did he really want this or was this sort of, you know, to show that he had good intentions but in point of fact he was never going to do it?

And so, you know, there have been small, limited, and largely symbolic regulations enacted that clearly, you know, have not corrected the forces that gave rise to the 2008 meltdown, and we clearly are vulnerable to those problems again, and there are lots of policy analysts in this city who have pointed that out and described in detail, and, you know, I don't know that it's Sarkozy and Hollande who either are responsible or in a position to change it.

I mean, I think where you could blame Sarkozy would be, at least in terms of his relationship to French banks, the accounts that I've read suggest that he basically let the French banks write their own bailout plan and, you know, that even by the lax standards of the bailouts across the OECD where the banks got away with murder, the French banks got away with mass murder, that basically, literally, they BNP wrote the French bank bailout plan and there were essentially no explicit quid pro quos. And, you know, one could imagine even in a country with limited capacity to regulate on its own turf, that there could have been more quid pro quos and more punishments and more efforts to combat moral hazard.

So, in that sense, you know, I think one can speak of lost opportunities and missed opportunities, but --

MR. HOAGLAND: Well, I think it may be even worse than that in the sense that it's hard to think of anything that is more a fundamental pillar of Gaulle-ism than bank regulation. And I think what this campaign -- one of the reasons it's gotten such a bad name, I mean, we've seen over the past decade the end of any kind of coherent philosophy of governance coming from the socialist party. We've now reached the absolute end of Gaulle-ism as a uniting force or any kind of ideology. So, you've got the two main political bodies absolutely dead in terms of ideas. But maybe that's an overstatement and Chris Caldwell is going to --

SPEAKER: Just -- I mean, I think it gets back to this issue of President Bling-Bling. You know, for Sarkozy to have this conspicuous consumption financed by his buddies, to declare (speaking French) when it comes to financing a minimum income for people who are really poor, who are on a minimum income, who get a part-time job and for him to say, well, there's not enough tax revenue to pay for that, so we're going to take it out of the working poor and find money to finance that because we don't have enough money elsewhere, and then to have BNP write its own bailout ticket to the tune of, you know, 300 billion Euros, and then to turn

around and say, we've really got to cut pension spending because it's bankrupting the country, you know, it's a morally bankrupt approach and it really does --

MR. HOAGLAND: Even worse, it's incoherent.

SPEAKER: Well, it's very coherent. It's coherent that Sarkozy cares about the rich and his buddies that had dinner with him at Fouquet's and he doesn't care about the poor, and it feeds the cynicism and the sense of conspiracy that I think we heard reflected in a couple questions earlier in this session, and, you know, it feeds a very coherent discourse.

I don't think it's entirely true of Sarkozy, but it's not an unfair reading of his actions when you see this kind of behavior.

MR. HOAGLAND: You're chomping at the bit?

MR. CALDWELL: No, I'd say to the man who just asked the question, I have actually heard people in Europe speak about Glass-Steagall, but they've been mostly followers of Lyndon LaRouche, or in the French context, of Cheminade, but I've seen them in France, in Germany, and in England, and they tend to talk explicitly about Glass-Steagall.

I'm not sure it really bears on the French banking system the way it does on ours. I mean, to remind everybody, you know, Glass-Steagall separates investment banking from commercial banking, from

Main Street banking, and that was the idea that Paul Volcker had. It's a pretty good idea. I don't think that anyone sort of like really thinks we went about dismantling banking regulation in the right way in the 1990s.

Historically, though, we've had a much more -- there have been a lot more barriers in the American banking system than there have in European ones. We've had regulations against interstate banking, and those have also tended to keep banks small until about 20 or 30 years ago.

But I -- so, I don't think that Glass-Steagall is really a -- that would be introducing a model in Europe rather than reintroducing a model as it would be in the United States.

And just as a factual matter, I don't think it's true that the EFSF is -- that the trillion dollars of the EFSF have been depleted. In fact, the EFSF, which was, I think, 440 billion Euros to begin with has just been joined to the ESM, which is the fund that's supposed to replace it and is supposed to be, not pledges, but actually -- it's supposed to be not promises of future money, but actually pledged assets.

So, you may like this bailout method or you may not, but I think that it's actually got stronger than it was a couple of months ago.

MR. HOAGLAND: Chris's comments and the clock tell us that this is the perfect moment to end this panel because we will be taking

up this same theme in our next panel session.

So, we have coffee at the back of the room. We will start on time at 11:00 a.m.

(Recess)

MR. HOAGLAND: Good morning, again. We are ready to start our second round of panels.

We're going to start with an intriguingly titled one, "Between Merkozy and a Potential Hollande-Merkel Clash: The Politics of the Euro Crisis, Have They Been Played out in the Campaign?" And I want to introduce Jonah Levy, who will be part of -- who will make his comments first.

And Jonah is professor at the University of California at Berkeley, and the author of a forthcoming book -- here's a plug for you, Jonah -- on the Role of the State in Globalization and Political Identification. So, very well situated to lead us in this discussion.

MR. LEVY: Okay, well, to provide just a little background before I talk about Sarkozy, historically, European economic integration was sort of founded on a balance between market-making on the one hand, and common policies or social protection on the other hand. So, originally, people referred to the European Union as the "Common Market," the creation of a single market within Europe, and at the same

time, there was a common agricultural policy that protected farmers who were the biggest social group in France in the 1950s. Later on, there was the European single market in the 1980s that removed non-tariff barriers to trade, and at the same time there were structural funds that aided backwards regions in Spain, and Greece, and Ireland, or, you know, the rust belt, the industrialized regions in more advanced countries. There was always kind of a -- Europe had two legs: a market-making leg and a sort of common policy, social protection leg. And the French really liked that second leg a lot, and they put up with the market-making leg as kind of the price to be paid.

Now more recently, over the years, Europe has kind of tilted. It started walking with a limp. The market-making leg has grown longer and longer, and the common policy/social protection leg has kind of shriveled and become shorter.

Part of the reason is the decision-making process. Since the 1986 Single Market Act, the rules for market-making have been a sort of qualified or super-majority rule, whereas for common policies, the rule has been unanimity -- a rule, ironically, that the French themselves imposed in the 1960s. So it's easier to make decisions on market-making. They don't require unanimity.

In addition, common policies and social policies cost a lot of money, whereas market-making is generally about changing rules, and that doesn't cost money.

Finally, the Commission has sort of carved out a niche for itself as the voice of creating new markets in public services or trade or anti-trust. That's how it's kind of created an institutional position for itself and made itself important. And it's been kind of continuously pushing market reforms.

So the French have sort of seen a Europe over the years that's gotten further and further away from their vision of what Europe should be about -- a Europe that's been more about making markets and competition, and less about common policies, and Airbus, and solidarity, and farmers. And this French unhappiness about the direction of Europe really crystallized in the 2005 referendum, which was ostensibly about a European constitution. Nobody read it. It was like 500 pages. I'm a political science professor, I couldn't understand the damn thing.

But, you know, the touchstones of that election campaign were about the Polish plumber who was supposedly going to take jobs away from the French. Or it was about the Bolkestein Directive which was going to open public services to East Europeans, who were going to come in and take jobs away. And the vote was described as a "non de gauche,"

a "no of the left" -- that is, a rejection of a kind of free-market Europe. Whether that was true or not, that was sort of the image that was peddled in France to many voters.

So, over the years, Europe has been associated kind of with austerity and constraints on the French state, and the French at least have been happy to peddle that image. You know, in 1983, the French U-turn against -- the left's famous U-turn, where they broke with the status model in socialism in one country was presented as a necessary response to remain in the European monetary system. In 1995, Jacques Chirac was elected on a pledge to heal the social fracture, and increase spending to honor the republican pact. Six months later he implemented, or tried to implement, an austerity program in order to qualify for the European Monetary Union.

So time and again, Europe is presented as the thing that prevents France from being French, from having statist social policies.

So the backdrop, then, is, over time, Europe has gone from being this sort of balance between social protection and market-making, to a constrained and the sort of Trojan Horse of globalization and Anglo-Saxon neo-liberalism, to use kind of all the stereotypes.

Now, I think Sarkozy's European policy has really sought to respond to this French concern about the direction of European integration

in two ways. The first way has been to really try to rehabilitate sovereignty, to pursue the kinds of voluntarist policies that the French want, to show that the state and politics matter -- to use Europe to multiply French power rather than to constrain French power.

And I think European policy, as opposed to, say, economic policy, is really well adapted to Sarkozy's governing style. Sarkozy displays the same kind of behavior in European policy as on the domestic scene: He's activist, and hyper-activist, especially in a crisis. There's this concentration of power in his power. There's this rejection of perceived constraints. There's this tendency to make deals and get things done quickly, as opposed to pursuing patient, long-term strategies. And he acts on his own, rather than enlisting the cooperation of civil society.

Now, that doesn't work so well in economic policy, where you need the cooperation of business and the unions and the actors of civil society. But European policy is often about state-to-state negotiations, and you can make deals among state leaders.

Now, Sarkozy's European policy has registered several notable achievements and, in some cases, one could even argue that he's changed the course of history. Immediately upon taking office, Sarkozy relaunched negotiations over the proposed European constitution that French voters had rejected in a 2004 referendum. And within a few

months, a simplified treaty, containing virtually all of the same elements, had been negotiated and was ratified.

Shortly thereafter, Sarkozy literally, and arguably single-handedly, saved the Republic of Georgia from being wiped off the map by Russia following an ill-advised decision by Georgian leadership to seize South Ossetia militarily. Sarkozy literally saved that country. He also spearheaded the campaign to support the rebels in Libya, both militarily and diplomatically.

And in economic policy, Sarkozy helped promote a coordinated European response to the 2008 financial crisis. And, more recently, he induced a very reluctant Angela Merkel to support a Greek bailout and debt writeoff. Together with Merkel, he forged the European fiscal pact, which is a new governance mechanism for the Euro. The European Fiscal Compact combines a permanent one trillion dollar bailout fund with tight budgetary rules that impose fines of 0.1 percent GDP on countries that run structural deficits in excess of 1/2 a percent of GDP.

So there's a lot of sovereignty that's been projected here. There's a lot of evidence of politics changing the structures of both geopolitics and economic policy. He has shown sort of sovereignty at work here.

The second way that Sarkozy has responded to French concern about the direction of European integration has been to denounce and complain about Europeans' inadequacies, to share the whining of French society, and, in particular, to threaten to break with Europe if it doesn't behave in ways more to France's liking.

So, the first way -- sort of rehabilitating sovereignty -- has been sort of Sarkozy in office. And the second way, complaining about Europe's has been Sarkozy on the campaign trail. And we've discussed some of this already, but just to remind you, Sarkozy has adopted several anti-European positions in his campaign, and so, too, have his opponents. Francois Hollande has pledged to renegotiate the fiscal compact that I just mentioned, to make it more favorable to economic growth. And Marine Le Pen has promised to take France out of the Euro altogether.

Now, Sarkozy's main anti-European plank has been a threat to withdraw from the Schengen treaty, which eliminated border controls among member countries, if something isn't done about illegal immigration. He's said that he'll give Europe a year to clean up its act before he closes the border. Nobody thinks that he could do this, or would do it. Probably there would be some face-saving compromise. But, again, this gives him a change to blast Europe for its weakness on illegal immigration.

Sarkozy is also pushing the EU to adopt a trade policy that would shut out companies from countries from Japan and China that discriminate against European companies. And, finally, Sarkozy wants to see Europe adopt some kind of Tobin tax, or tax on financial transactions, to limit speculation and short-term financial floats. And several of these proposals are in his letter to the French which presents 32 proposals of all varieties, mostly impossible to implement, but which are supposedly his campaign agenda for a second term.

So, Sarkozy has in many ways had a quite active and interesting European agenda, and I think it's best conceived of as a response to France's disappointments with the direction of Europe over the decade, as crystallized in that 2005 referendum.

MR. HOAGLAND: Jonah, thank you.

Chris?

MR. CALDWELL: That's interesting. You know, we were talking about Sarkozy a little earlier, and how he sometimes seems to have the attention span of a cartoon character. He reminds one, as a politician, a bit of Newt Gingrich, I mean, who, if you were following the Republican primaries this winter, I would say he dominated the individual debates intellectually. I mean, he was always coming up with the great ripostes, and the best arguments, but they were sometimes flatly

contradictory to the ones he'd made the night before, and a lot of them contradicted the arguments he'd made rising up through the Republican party.

Sarkozy has got a bit of that problem.

I think he's been a bit unjustly maligned today as the author of some of France's difficulties. I mean, the over-centralization of the French state -- I remember, you know, writing about -- I mean, if you consider it over-centralization. We can have a debate about what the right goal, the right size of government is. But I remember in the 1990s being astonished to see how much bigger than the supposedly Swedish welfare state the French state already was. I mean, I believe the state was taking up well over 50 percent of GDP even in the mid-1990s.

I think there's also a question of regulation. Now, the 35 hours, which was introduced to combat the -- the law limited the work week to 34 hours a week, which was introduced in the 1990s when, I believe, Martine Aubry was labor minister, that has been pretty unpopular with everyone except the core of the Marine Aubry wing of the Socialist party, yet it's proved really hard to get rid of. And Sarkozy has not really made any headway on that, although he's promised to regulate around those regulations, and give people ways to avoid it.

Let's talk a little bit about Europe. We talk about -- you know, the expression "Merkozy" has come up to describe the partnership between Sarkozy and Merkel. I've always wondered why people blew what seemed like a great opportunity to baptize this pair "S&M," which would be sort of more poetic than "Merkozy."

But I found Jonah's little schematizing this into a social protection leg and a market-creating leg of the European project, I found that very interesting. But I think I would probably disagree about the upshot of that.

I tend to think now that those leftists who were arguing in 2005 that the European Union is basically mostly about making Europe safe for capitalism. I tend to think they were right. And the reason is that if you look at these two legs -- and this is one of the things that's so useful about it -- the social protection leg was not really -- the market-creating leg was done through regulations that had real force. You opened up borders. You made trade possible. You liberalized finance. You had sanctions against any kind of protectionism or national preference. And you wound up getting a sort of a what Edward Litvak would call a hyper-capitalist Europe.

The social protection leg, meanwhile, that's the sort of thing that has to be done through funding. You know, if the European Union

was to be a protector of rights, it needed to be collecting the money and disbursing the welfare payments, and it wasn't. So you have these national welfare systems that are getting drawn into, I think, a race to the bottom. It's not that I necessarily object to that. I mean, we can discuss whether these are good policies or not. But that is why I think Sarkozy is right to see the Agenda 2010 that Germany passed in 2003 as a key to their success right now. Germany has really, it has really bent the cost-curve of government. And that's what really has helped them.

About the rehabilitation of sovereignty, I think Sarkozy has always been, he's always shown this fondness for national champions, for big French industries. It's getting a little late in the day to rescue some of these big countries. But he's got such schizophrenic relationship to sovereignty that I can't see that it's going to do him any good in this election. It's one thing to sort of, you know, want to punish China for pursuing unfavorable terms that harm French industry, but the Lisbon Treaty which, you know, if you like the EU you can view it as an achievement, I think that most French voters, having voted no in 2005, view it more as a trick, more as a circumvention of the popular will than as an achievement.

But maybe we ought to leave it there.

MR. HOAGLAND: Chris, thank you. I find it interesting that both Jonah and Chris have said, in effect, in their comments, well, for all his flaws, actually Sarkozy's done a lot more than we gave him credit for in that first session. That he's kind of like Wagner's music, in a sense: it's not as bad as it seems. And I was kind of glad to hear that. And we'll hear more of that in our next session, when we talk about French and American relations.

I was also struck by the mention, by both of you, of the Sarkozy endorsement of the Schröder Reforms of 2010 that came into effect, and actually probably cost Schröder, the chancellor's job. And I wonder if, at a point when things do not look as bright for Sarkozy as he would hope they would, if he's not also establishing, by emphasizing this, that he tried to do the right things and was thwarted, but that's why he fell. I don't know. I'm not sure he's given up to that extent.

I'm going to turn to my left and see if our fellow panelists have some remarks to make on the presentations?

MR. VAÏSSE: Sure. I'd like to focus on the fate of the fiscal compact.

So, you know, in December, at probably the 27th or 43rd, you know, last minute crisis meeting, EU leaders agreed on a new treaty that was largely pushed by Angela Merkel and Nicolas Sarkozy. Twenty-

five countries voted that Fiscal Compact Treaty. The U.K. and the Czech Republic did not. And it's now on track to be adopted. And as Jonah mentioned, it contains both measures about the firewall, and measures to reinforce the discipline of the EU, I would say, fiscal union, if you'd like.

How did it play politically? Francois Hollande opposed that treaty very early on in December, when Sarkozy and Merkel adopted it. And at the time, it was seen as irresponsible. And it actually sent shockwaves in Europe because, of course, if ever Hollande was winning, then it would put the word of France into doubt, and possibly the whole solution to the euro zone crisis into doubt.

And that's the moment when, as I mentioned, in January Sarkozy was campaigning on its proximity with Germany, and the idea that France should resemble Germany. And at that time, Angela Merkel was scheduled to make campaign appearances with Nicolas Sarkozy. That's what was announced, and she supported him vocally, and she was to attend one of his meetings.

But then the climate -- and I would add to that the fact that she refused to receive Francois Hollande, which was a sort of break with the past. The tradition was to receive the candidate of the opposition in one way or the other -- of course, not giving him or her the full treatment, but at least receiving the candidate of the opposition just for the sake of

continuity of relations between France and Germany. And that's pretty much the same for Spain or the U.K. Angela Merkel received Ségolène Royal, for example, at the end of 2006, I think, or early 2007. It was a long honored tradition that Merkel, out of -- because she did not approve the willingness of Hollande to renegotiate the treaty, decided to break.

Then things started to change in February, as I mentioned, when Sarkozy did his sort of turn against Europe, putting in question Schengen, putting in question his first strategy, which was to stick with Germany. And what happened also was that the SPD, the German left, declared that they were actually closer to Hollande than to Hollande than to Merkel, and did a joint meeting with Hollande. Sigmar Gabriel came in mid-March and did a joint meeting with Francois Hollande, and announced that they were in favor of what Hollande was asking, which was not only to renegotiate the treaty, but to re-balance the treaty in favor of growth.

And what happened in the subsequent weeks was that more and more observers in Europe, including the markets, including the FT -- that's what prompted Sarkozy's snide remarks the FT journalists -- was the idea that there should be a growth component, or a stimulus component to that treaty, because fiscal discipline, even if Francois Hollande and others agreed that it was an important element, was not enough to grow out of the crisis in 2012. So that, in the end, what

happened was what Jonah described in the earlier panel, which was that Sarkozy himself ended up endorsing the idea that more should be done for growth, and the idea of renegotiating, in one way or the other, a deal with the Germans -- not necessarily the treaty itself, but at least asking the European Central Bank to do more.

And so, you know, looking forward -- and I'll finish with that -- you know, what's going to happen if Sarkozy is reelected, then we'll probably see some kind of agreement on boosting growth.

If Hollande is elected, then we might see more of this, and at a sort of higher level. What Hollande did was to buy himself some political space vis-a-vis Merkel. If he had said in December that he agreed with everything, then he wouldn't have been in a position to renegotiate anything, or to ask her to do any compromise, et cetera. Now that he has pledged to renegotiate the treaty, he's in a position to ask more than if he had accepted everything.

So one could think that he could do basically the same thing that Sarkozy did when he came -- that is to say, to arrive, to be elected, and then sort of give an impulsion to renegotiate a treaty that is seen as necessary, but cannot be adopted as such -- which Sarkozy did in 2007 with the constitution. Perhaps Hollande could do the same thing, if he manages to convince Merkel and Rajuella and Monti and the others, into

adding an addition, a protocol or something, to that treaty to the effect of stimulating growth. And perhaps now the climate is much better than it was in December and January. So that's one option that he has. And perhaps that's something that could actually end up being positive -- including for Angela Merkel, because there could be a new French-German deal which would sort of go over the bad blood that we've seen in the recent weeks.

MR. HOAGLAND: Jonathan?

MR. LAURENCE: Just very, very briefly.

I mean, I appreciate the sentiment of that, and I probably even agree with it policy-wise. I just wonder whether or not it's the way things would go down. Because I think that if the markets have been reassured at all by something, it's the sense that someone's in charge in Europe. And whether or not one would have chosen Merkel to be that person, her emphasis on fiscal discipline rather than economic stimulus has settled as an equilibrium. And so the reopening of that can of worms, I'm not certain that it would be welcomed by everyone, and that you probably would see at least some short-term excitement.

And, frankly, I think it conjures the image of, perhaps, the stereotype about the French *vis-a-vis* European institutions, especially the ones concerned with monetary policy. Because there's always been a

tendency to politicize what the Germans have preferred to remain technocratic. And, obviously, the insertion of Trichet into the ECB is one example of that. And so I'm just a little bit less certain that Hollande's renegotiation would be as well received as you suggest.

MR. HOAGLAND: Jonathan, pursue that for a moment, and talk about the impact of a Socialist victory in France on May 6th on the role of the ECB. Do you see changes coming there?

MR. LAURENCE: Look, I think Hollande is close enough to taste, you know -- taste the entree in the Élysée Palace. I mean, he's this close, and I think so his default is going to be reassurance. And Justin has written about this, about the kind of, the feelers he's sending to Washington, and the messages he's trying to communicate to capitals around the world, which is, you know, a little bit like when D'Alema became prime minister in Italy at the end of the '90s -- you know, "We are not the last generation, we're a new generation of Socialists," or a new generation of leftists.

So I don't see any immediate tinkering with the ECB. But Jonah would know better.

MR. HOAGLAND: To you, Jonah.

MR. LEVY: The tinkering with the ECB already happened, which is at the tail-end of Trichet's term, he began buying up government

sovereign debt, which technically the ECB is not supposed to do. And the chief economist of the ECB, a German, resigned in protest. That German was supposed to be the next ECB chief, and Sarkozy let it be known that he would not support that candidate under any circumstances.

And so instead, the successor was Draghi, an Italian, as Central Bank chief, who has been buying up sovereign debt on a large scale ever since. So this was another example of Sarkozy pushing a kind of sovereignty-enhancing actor into European stage. And by most accounts, that is exactly what the ECB should be doing, and indeed, should be doing it on a larger scale, if anything.

I do want to say something negative about Sarkozy, but that I think speaks directly to the discussion we're having, which is the downside of Sarkozy's desire to sort of, you know, have Europe be doing all kinds of stuff, and make all these deals. He's willing to make shitty deals, as we say in the political science vernacular. (Laughter.)

And I think this budgetary compact is a terrible deal. It makes no economic sense. And the only thing it's got going for it is that it's impossible to implement.

So, you know, let's look at this deal. So, on the one side, you get a lot of money to bail out countries in trouble. And that's clearly necessary -- Greece, Spain, Portugal, maybe France and Italy. You know,

clearly, you need some kind of emergency fund to keep the financial system from melting down. And that's what Sarkozy wanted.

On the other hand, you have this agreement that governments will not run a structural deficit more than 0.5 percent of GDP. Okay, first of all, what is a "structural deficit?" A structural deficit is the deficit a government would run if its economy were operating at full capacity. Nobody knows what that is. It's something you totally make up. If you've ever traced structural deficits, you'll see that they're constantly being reevaluated retrospectively, often by as much as 1 or 2 percent per quarter. And so we're talking about 0.5 percent triggers a sanction that in the United States would be on the order of, you know, several hundred billion dollar fines, and based on a measurement that's a quarter of the typical measuring error of structural deficit. So it's totally impossible to measure this with any degree of accuracy, yet it triggers huge fines.

And on top of which, where it's saying that basically no government can ever run a Keynesian policy. And on top of which, there are all sorts of exemption clauses for, you know, "exceptional circumstances," which are not defined.

So it makes no sense. It's bad economics. And it's unenforceable. And, you know, this is supposed to be the guiding light for European policy.

So, you know, it's another one of these sort of sops to the German desire for rules and predictability that, you know, is just -- it's bad inspiration and it's unenforceable, and, you know -- but it did get Merkel to agree to this trillion-dollar slush fund to (inaudible) economies.

MR. HOAGLAND: Yes, Jonah, I dissent to some extent, because here you have the perfect example of Merkozy, which is you establish a fund that has all this money that supposedly will rescue these countries, but you can't spend it. It kicked the can down the road, which was the object of the exercise, because the Germans don't want it to be spent.

You know, you said yourself, the agreement can't be implemented. On --

MR. LEVY: No, the penalties are going to be problematic. The money can be spent.

MR. HOAGLAND: Well, it actually hasn't been to the extent that the markets believe that it would have at this point. It's a deterrent effect.

MR. LEVY: Yes, I think it's been -- I think that money, so far, has been spent only for Ireland. The other banks -- the other -- Ireland and Portugal, right.

I think, in a way, there's been a sort of a division of labor here. And it would be interesting to see which continent does better out of it. Because in the United States, we've really pursued the opposite, taken the opposite path. Our fiscal policy has been all growth and no consolidation. Europe's fiscal policy has tended to be all consolidation and no growth. Both, the central banks on both sides of the Atlantic have been stimulative.

But I would say that it's Merkel who's doing the consolidation in Europe. It's Draghi who's doing the growth -- not just through Trichet's buying bonds which are not -- the ECB's bond-buying program is not illegal because the European Constitution only says that you can't buy bonds in primary markets. They've been buying bonds in the secondary markets. But so it's not just the bond purchases, but also the more recent LTROs by Draghi.

Could I just say one thing about Merkel and Sarkozy and campaigning? This has been a big issue, not just in French but in German politics, about whether it's proper or improper that Merkel made this promise to Sarkozy to campaign for him.

In general, the way it broke down in Europe is that the more nationalistic people say it was improper. The more pro-European people said, well, that's great, this is the beginning of a pan-European politics. It's

just like, you know, if you have a Republican governor of California, he'll go out and campaign for the Republican governor of Texas.

There's been a defeat for that vision of Europe. I have not been in France since Merkel canceled her promises to Sarkozy, but I'd be interested to know if anyone knows why that was done. I have a feeling, I have a feeling that Sarkozy did not like the role that this put him in as the sidekick and follower to Merkel.

MR. HOAGLAND: Jonathan.

MR. LAURENCE: I may be cynical, and I don't have the facts, but I would assume that the idea did not poll very well. (Laughter.) And somebody said that.

And it is clear that it was the French side that drew back.

MR. VAÏSSE: Yeah -- however, I think Merkel soured on it a bit, as well, simply because of the Villepinte speech by Sarkozy in mid-March attacking Schengen, et cetera, and sort of pulling back. So I think it was the two sides who decided this.

However, the Europeanization of national politics, as your colleague Robert Samuelson has pointed out in the *The Washington Post*, I think was apparent in the meeting that Hollande did with the SPD. And the fact that Merkel needs a two-third majority in the Bundestag to get the Fiscal Compact ratified means that there is a direct cooperation between

the SPD and the Socialist party. So that contributes a bit to that Europeanization, even though, as we've seen, there's been sort of a retreat on this in the last few weeks, on the right, at least, with more disagreement between Merkel and Sarkozy.

MR. HOAGLAND: What about you, sir? The microphone will be right with you.

MR. PRIVITERA: Alex Privitera, with AICGS at Johns Hopkins. My question regards this, the duo Merkozy, and all the issues pertaining to campaigning together.

There had been a common TV interview by Merkel and Sarkozy just a few months ago, and it became quite clear then that there is still a wide gap between what the French perceive as the next steps in European integration, and what the German government of Angela Merkel is now willing to do -- which is more integration at a sort of federal level, passing more powers on to Brussels. She even suggested at Davos, for instance, that the Commission could really become the European government one day, and that the European Parliament will be the first chamber, and the European Council would only be the second chamber. And, of course, that's something that runs completely counter to the French perception -- or at least, the Gaullist perception of what Europe should be about.

And I wonder whether, you know, that re-calibration between those views of a more, strongest of intergovernmental role for the European Union, and the more sort of integrationist approach that the Germans have -- you know, what the impact of the outcome of the election, whether it's Holland or Sarkozy, could have moving forward?

And one last note on the Fiscal Compact. Of course, the Fiscal Compact has a lot of, you know, inherent weaknesses, but basically, it's a political tool, mainly. And the political tool is to reestablish some kind of credibility for a process that has gone haywire with the Growth and Stability Pact, which was completely, you know, dead when Schröder and Chirac chose to ignore it completely. So it was a way for the Germans, of course, to get that back on track -- to some degree, at least.

Thank you.

MR. HOAGLAND: I think part of the answer to the first part of your question lies in Merkel's positioning today. I'm not sure she really set out to be where she is today. But in the process of moving sideways, and kicking the can down the road, she has built up a political acceptance by the German people, doing things that were not -- and allowing the ECB to do things that were not imaginable six months ago. The real test of her leadership comes now, with all of the circumstances you outlined, and

particularly with a French election result that is not likely to please her, or to help with her strategy toward Europe.

So this is the real test of her leadership.

Who else wants to take that?

SPEAKER: You know, I would say, the problem with this Fiscal Pact is one that's been brought up by a lot of economists, which is that a lot of the problems that countries got into, particularly in Ireland, in Spain, were in the private sector, credit markets, and not in the -- they were not in government budget deficits.

But I also think that, you know, the great French macroeconomist Charles Wyplosz, made a very nice point a year or two ago, that when these mechanisms were designed, if the parts of the European, the parts of the Maastricht Treaty that said there would be no bailouts for countries were really credible, you wouldn't have needed the Stability and Growth Pact. Because the discipline of markets would have been sufficient.

So now that there are bailouts, I think that probably the Stability and Growth Pact needs to be reaffirmed, in a way.

MR. HOAGLAND: Jon?

MR. LAURENCE: I mean, again, as a sort of credibility-enhancing device, we had deficit limits of 3 percent of GDP that were largely ignored. And so now we have deficit limits of 0.5 percent of GDP.

It's hard to see how, you know, that's going to work better. And, granted, it's a structural deficit as opposed to any kind of deficit, so, you know, sometimes that might be more than 3 percent of GDP.

But it's just such a narrow target. You know, it just seems so much more difficult. And on top of that, you know, most economists would say, you know, that aside from the division of labor between the European Central Bank, which is, you know, trying to reflate the economy, and a number of countries that are trying to run austere fiscal policies, basically Northern Europe should be running reflationary fiscal policies. They should be running -- but Germany should be running a budget deficit, and trying to, you know, prop up demand for Greek imports as part of this whole solution to get out of the mess.

If Germany is running austerity policies, then it's going to take Greece twice as long -- you know, 30 years instead of 15 years to get out of the mess it's in. And so, you know, it denies any kind of room to maneuver for any kind of country to run a reflationary policy if it's actually implemented. So, I mean, I think there are real credibility issues, as well

as sort of, you know, "Is this the appropriate economic strategy?" issues about this.

And I just wonder how good is it for Europe to create these targets, and to have this big compact, and then, you know, have it most likely fall apart pretty soon after?

MR. HOAGLAND: Well, in some sense, I think the German government is running a Keynesian policy, but it's the other part of Keynes -- the fact that, in the long run, we're all dead.

If they've managed to confuse you, and certainly me, and a lot of other people, that's simply buying time for them. And that's all that's at stake here right now.

Sir.

MR. KAUZLARICH: Rich Kauzlarich, George Mason University. Excellent presentations, but we've focused mostly on the financial side. Could we shift over to the real side?

Whoever wins the elections, it seems like there's going to be some real questions addressing the de-industrialization issue that one of the panelists made. I think, particularly in the auto industry, France probably has a real set of hard choices.

And also, if there is going to be a question about increased research and development, where's the money going to come from, given what we've just been talking about on the financial side?

MR. HOAGLAND: Jonah?

MR. LEVY: Yes, there's been a real alarming erosion of competitiveness in France that's been well documented. And, you know, to take the case of the auto industry, France has two major auto producers: Peugeot-Citroen, and Renault-Nissan. And despite that fact, since 2008, France has run a trade deficit in automobiles -- which is pretty remarkable.

And the reason is that the French industrial base in automobiles, as one case among many, has basically completely de-localized, and, you know, a lot of French automobiles are now made in Eastern Europe. And whereas countries like Germany have sort of localized low-end production, and, you know, the low-tech part of the auto industry, France has entire automobiles made in Eastern Europe, including the high-value-added components and design.

And that's generally true of the entire French, you know, large industrial groups, that they've basically given up on France, and no longer see it as much of a viable production site. So, of course, they continue to produce in France, they have headquarters in France, but

more and more they're just shifting production abroad. And we see this, you know, dramatic decline in manufacturing value added produced in France.

And the narrative is that France is losing its multinationals. They're less and less invested in France. And France has never been able to grow its small businesses. They don't have the German Mittelstand. Small businesses in France are heavily taxed, and they never get any access to bank loans or capital or technology. And so, you know, you just see this withering away.

So France has a manufacturing base that looks like Britain, but they don't have the city of London creating, you know, another kind of development. And it's just gotten really ugly.

So what you'd like to see is a campaign that's saying, "We're going to invest in industry," we're going to, you know, channel all this seed capital and venture capital. We're going to support small business. We're going to invest in R&D. And the candidates say it, but there's no money on the table. And when you look at the priority, what's the priority? It's cutting government spending. So it's hard to imagine where that money will be.

And if you look at R&D figures over the past 20 years, you see that both public and private R&D spending as a share of GNP has

declined rather significantly, at a time when it's been increasing among France's trading partners.

MR. HOAGLAND: I don't have the exact figures, I haven't been able to research this yet, but I was told recently that if you look at the past 20 years, the French share of world exports has declined -- and this is on the order of something like from 6 percent to 3 percent. And if you look at the categories of the kind -- but, again, those figures aren't research, so use them with care.

And if you look at the decline in categories, a great deal of the areas in which the French lost exports wound up being positive in the German column. In other words, Germany picked up most of that business, which is just another way of saying that the European Union does work -- for Germany.

I think one of the things that this election hasn't been able to come to terms with, but will have to -- the government that does win will have to, in the short-term after the election, is simply that the French, as Jonah was suggesting, the French manufacturing sector no longer really works.

If the Germans want to continue to have the Union built on the kind of economic arrangement it is today, they're going to have to put

up some of their own money. And maybe the reflation idea will come in that way. Let's hope.

Any more questions from the audience? Or -- okay, one more. Right there.

SPEAKER: Can you hear me?

MR. HOAGLAND: Yes.

SPEAKER: There's an old tradition that goes back at least to the Pompidou administration, that when there's a change in government in Paris or Berlin, the first order of business is a meeting with the new leader with the sitting leader. And I doubt very much that that will be changed if François Hollande becomes the new president of France, but this is going to be, clearly, a very difficult one.

How difficult do participants think that will be, given the fact that the French president has to almost inevitably emphasize that Europe began as a French-German partnership. It is not quite the same thing anymore, but the French certainly wanted to make it seem that way.

MR. HOAGLAND: I gather that plans are in place already for François Hollande to go to Berlin, and almost immediately turn around and come to the United States for the NATO summit in Chicago. It's going to be a logistical nightmare since, certainly, the Secret Service is quite

concerned that they won't know until the summit basically begins who's coming from the French delegation.

But -- does anybody have any further information?

MR. VAÏSSE: The Secret Service is already pre-positioned, working on that. And I won't comment more. (Laughter.)

No, seriously --

MR. HOAGLAND: We have other --

MR. VAÏSSE: I understand from -- at first, I heard the same thing as you did, that is to say that François Hollande -- the problem is that if he is elected on May 6th, which is likely but certainly, you know, not certain, it will take 10 days for the Conseil Constitutionnel, for the Constitutional Court, to certify the results. And so he will take office only on May 16th or 17th, which is just one day before the start of the G8 Camp David Summit. And so it's a logistical nightmare to go to Berlin first.

And so it was announced that he would go to Berlin, and then go to Camp David. However, the most recent news I've heard was that he would reserve his first official visit to Berlin for June, sort of implying that the G8 Summit and the Chicago Summit of May 20th and 21st would be more like, you know, multilateral gatherings, and not competing with that bilateral, the importance of that bilateral meeting.

He still intends to reserve his first trip abroad to Berlin for a bilateral visit, but he will not be able to do so because of the G8 and NATO summits.

MR. HOAGLAND: Thank goodness we're spin doctors.

Let's move on to the implications of the elections for French-American relations, a subject dear to all our hearts.

Justin, do you want to start this session?

MR. VAÏSSE: You can let Jonathan start.

MR. LAURENCE: Thank you, Jim.

Well, after the miniature scandal that we saw last week, when the videoconference between President Obama and President Sarkozy was leaked to the press -- at least the first couple minutes of it -- there's been a lot of speculation about a secret Sarkobama pact, reelection pact, not unlike the Mer -- I'm not even going to try, Chris, to come up with something sexier than that.

MR. CALDWELL: I'm thinking.

MR. LAURENCE: So, you know, both the Germans and the Americans, arguably France's most important allies, both seem to want the ship to remain in Captain Sarkozy hands.

Now, there's been some discussion in France about whether that particular mise-en-scène of the opening minutes of the

videoconference actually meant an outright endorsement for the sitting president. Well, it did demonstrate the familiarity between the two men. The translator was using -- was tutoyer-ing the French president.

So let's pretend for a moment that it matters what the Americans think, and ask: What does the U.S. government want to happen?

Well, it seems, then, on the one hand, if the White House made a decision to allow this tape to be made public, in which Obama is complimenting Sarkozy on his tough campaign, Sarkozy replies, "We shall win, you and I." You know, this was more or less of an endorsement. Now, it could be that that catchphrase will wind up on t-shirts, you know, when both men lose (laughter), and it will be sort of a "Dewey Defeats Truman" moment.

So, but given all the signs that suggest Sarkozy would not be reelected, why go out on a limb to publicly support someone likely to lose? And why, at the same time, start off on the wrong foot with his successor?

Well, it would not be the first favor-exchange between Sarkozy and Obama. In reality, the two have been coming to one another's aid, I think for years. And I think we can examine their relationship from the vantage point of basically two political outsiders who are viewed as vaguely foreign by a not insignificant number of their

compatriots. They're both in a position this year of trying to convince voters that they need another term to carry out all of the promises they made the first time around.

Now, this could explain part of why they've been helping each other. The French president, after all, did the Senator- then-candidate Obama a huge favor by holding a press conference in the Élysée Palace in July of 2008, after Obama sealed up the nomination and was in need of some burnishment of his foreign policy credentials. And Sarkozy could hardly contain his enthusiasm. He could hardly keep his hands off of the Senator, and he was gushing to reporters about his good friend Barack already.

And shortly after Obama's election, when Sarkozy's popularity already began to plummet, Sarkozy started to seek out, I think, some of the reflected glory of Obama-mania. The American president's approval rating in Europe -- right? -- in the 80s, 90 percents, was much higher than that of his counterparts at home. And I think Sarkozy hoped that some of that magic might rub off on him.

So when it came time to helping Sarkozy out during his moment of difficulty, this president, Obama, who does not engage in many sit-down interviews with the foreign press, took the time during a November G20 meeting in Cannes to answer questions from two French

television stations. This was, I think, a vote of support by the U.S. administration for French guidance of the Euro crisis. In that interview Obama praised Sarkozy amply for his leadership -- and this was at a time when Sarkozy's poll numbers were really in the basement.

Now, at the end of the day, I think Sarkozy's presidency is simply a status quo that, given the choice, the U.S. would like to preserve. There aren't many reasons why the White House would cast its vote for François Hollande.

Now, Hollande's pre-announced tinkering, in the military domain, in economic affairs, I think would seem like a step backwards. It would not have -- it would certainly not help Obama's election campaign in the fall to have a precipitous withdrawal of French troops from Afghanistan by the end of 2012, as Hollande has announced he would do -- a full year ahead of Sarkozy's promise, and two years ahead of Obama's. And that could really create an October headache for the President, if he finds himself in the awkward position of another ally gone.

I think the model of the Libyan intervention, as well, whether or not the U.S. would have chosen to undertake that particular war, was a revelation -- all right? How likely is it that a Hollande administration would seek a similar degree of burden-sharing of defense costs, and military participation, along the lines of that intervention?

Hollande has said he wouldn't take France back out of NATO's command structure, but that he would revisit aspects of it. And, you know, I don't think that's terribly reassuring for the American Government, which also doesn't even need to buy Sarkozy's argument that Hollande's election will be followed by an immediate cost, rise in the cost of borrowing for the French.

I think that you could even imagine that Hollande's sort of Keynesian, stimulus-oriented policies would be more in line with what the American administration has been trying to convince its European counterparts to do -- basically, since Pittsburgh, since the G20 in 2009.

But, with regard to the Euro crisis, I think the U.S. administration prizes stability now, and all Americans need to do is to wonder whether a new president would undue some of that precious progress that has been made in containing that crisis. So, would a Hollande administration allow Merkel to continue the Fiscal Pact? Well, we seem to think not.

The dependence on Germany to serve as the anchor of the recovery means that the U.S. has an interest in reinforcing the signals that Merkel has been sending about her own desire to continue working with Sarkozy, and avoid working with Hollande. So even though Hollande is already doing what he can to reassure markets in advance of his potential

victory, I think there's a good chance that France could lose its triple-A status -- which is, of course, the fiscal equivalent of Michelin stars -- from yet another ratings agency. And we know what happens when chefs lose their stars.

Whether or not one can label Sarkozy, or any other French president, as really "Atlanticist" -- you know, I'll leave it up to you. But the fact is, he arrived at the Élysée really determined to improve Franco-American relations. This was part of his "retour tranquille," to distinguish himself from his predecessor and from his rivals, and to really raise the bar from the low point of the Iraq War, before, during, and after.

He was a regular visitor to the American Embassy while he was a government minister in the early 2000s. He paid a respectful visit to Washington, and to President Bush, before he became an official candidate in '06.

But it may be that, you know, his first business meeting is always with the German chancellor, but his first "vacation" was in New Hampshire, and he seemed convinced that a strong America is better than a weak one, an engaged America is better than a withdrawn one. And I think this naturally draws American administrations toward that type of personality.

So, given the tenor of the 2008 U.S. presidential campaign and the way it shaped up, I think Sarkozy was, very early on, naturally drawn to Obama's camp, and Obama's election fit in well with his conception of the proper stature and role of the United States in the world.

So in these three years, I would say that this has turned into a good working relationship. This is a bonhomie that has grown between the two men, reinforced through private dinners. They've been through a lot together, from the depths of the financial crisis, through the Arab Spring, the Libyan War, the Syrian crisis -- and, more importantly, have been basically aligned on those critical issues.

So, we'll see where it goes from there.

MR. VAÏSSE: In the past 30 years or 40 years we've regularly used the labels "Atlanticist" and "Gaullist," and, of course, inheriting them from the '60s, if not slightly before.

I think these labels have probably outlived their usefulness.

If you take Sarkozy, it's very interesting, because the way he introduced himself in 2007, one of the points of rupture precisely with the past was precisely to announce his friendship with the U.S. very loudly, and so allowing his opponents to paint him as an Atlanticist, whereas he could claim precisely that his rupture was about serious things.

If you look at the record, however, it shows not only that this was one of the areas in which Sarkozy made sort of taboo-breaking announcement, which he didn't really follow up on, and second, that the labels themselves are, you know, increasingly misleading.

So, for example, the reintegration, the full reintegration into NATO military command of France, so this was something that was attempted by, arguably the most Gaullist president since de Gaulle, who was Jacques Chirac, in 1995, 1997, before the "cohabitation" arrived, and General Juspard put an end to it. And if you look closely, it was not really pursued actively, but contemplated by Mitterrand in 1991, when his project of confederation was not working. So, here, the label is slightly misleading.

And another point is that in Libya, if you look closely, just a year ago, between March 19, 2011, which was the start of the Libyan operation, and early April -- the takeover, I think, was April 4 -- it was not NATO which was in charge of the operation. It was a joint directorate by the U.S., the U.K., and France. And who was fighting against having NATO involved? It was the French.

So, you see, if you take other issues, like Syria, for example, the fact of being very close to Bashar al-Assad, and having played a game that the Americans did not think was the right one -- or on a number of other issues, Israel-Palestine being one -- it's really hard to use that label.

Certainly, Sarkozy was more congenial, I would say, to the U.S. He remained, I think, pretty much in the center of gravity of French foreign policy, which was that sort of de Gaulle-Mitterrand consensus.

So he was certainly, in any case, not an Atlanticist in the mold of Tony Blair, for example, and always retained his sort of independence. It was more getting back into NATO, and getting closer to the Americans in order to regain some margin of maneuver for himself.

So this said, and these labels being sort of put in doubt, I would agree very much with Jonathan. I think the White House has no really good reason to wish for a change at the Élysée. French-American relations are really at an all-time high on many issues, many important issues -- Iran being one, and Syria being another, and a couple of others.

I would simply say that there have also been frictions. And so that's where -- that's what leads me to François Hollande, if he's elected.

There have been frictions on things like, for example, Israel-Palestine, where Sarkozy sort of took the Americans by surprise at the U.N. General Assembly by supporting some sort of permanent membership for the Palestinians, and then three weeks later, at the UNESCO, when France voted without prior notification to the U.S., in favor of the Palestinian Authority.

Frictions on nuclear disarmament, for example, where Sarkozy let it be known how little he thought of Obama's grand dreams about getting to a full nuclear disarmament. Or in January, for example,

Sarkozy -- a couple of months ago -- Sarkozy announced abruptly, after the death of four French soldiers, that he would withdraw combat troops from Afghanistan, not at the agreed NATO date of 2014, but a year earlier, in 2013, just overnight, and without consultation with his counterparts.

And so these are, you know, arguably very minor irritants. There are small frictions, and nothing that, you know, puts in doubt the quality of current French-American relations.

But that's what François Hollande is able to play on in order to try to establish a relationship with Obama. Basically what he's saying is, "I am predictable." I'm not going to announce overnight that there's going to be a change in the French presence in Afghanistan. I've announced from the start that it would be 2012, and I'm sticking to that. I'm not going to do politics by, you know, following an incident or, you know, some piece of news. I will not make snide remarks while agreeing to the overall policy. So basically, he's sort of trying to play on the difference in character, and the sort of ease that it will be to work with him rather than with Sarkozy -- once again, painted as impulsive, unpredictable with the issues, and impetuous.

And so, basically, François Hollande's message that we've seen here, message taken to the administration, has been, you know, we know this is a reelection for President Obama, reelection year for Obama,

and this is difficult. We know he needs the Chicago summit to be a success in order for that reelection campaign to go well. And we have a certain number of red lines, but we'll be basically as constructive and flexible as we can in order to accommodate him, and not embarrass him in Chicago.

It remains, however, that there are, as Jonathan mentioned, two sticky points. One is Afghanistan, with the earlier than scheduled withdrawal, which could potentially signal a rush for the exits by other members. Hollande, as Jonathan said, announced that he would start the withdrawing if he was elected, and finish it by the end of 2012, which even logistically might be difficult. So he might sort of go to 2013 which is, after all, Sarkozy's current date.

The other issue is probably less important -- but it could still be a problem in the idea of getting a nice communique at Chicago -- and it's missile defense, where there's a healthy dose of skepticism on the left about the budgetary and strategic aspects of missile defense, where I would say there's more skepticism on the left than on the right that this is right thing to do, the participation into the Phased Adaptive Approach that Obama has been putting forward.

So, bottom line, there's no reason for Obama to root for François Hollande. And he might even find it easier to work with Hollande

on these issues, and also on -- you know, what we discussed in the previous panel, which is the prospect for more growth in the solution to the euro zone crisis, which is, you know, after all, the single most important thing for Obama is to keep the economy running. And one thing that could derail that is a new, a renewal of the euro zone crisis. And so everything that can push Europe towards growth is good to take, and there might be perhaps a better chance with Hollande getting into another deal with his European counterparts than with Sarkozy.

But, apart from that, there's not many more reasons for him to welcome with Hollande with open arms.

MR. HOAGLAND: Would the two of you agree with thought that I've heard expressed frequently, that Sarkozy is the most pro-American president of the Fifth Republic?

MR. VAÏSSE: Yeah, probably -- or the president with which relations have been the easiest. I mean, you know, any new foreign minister and president of France is the most pro-American that you've ever seen, in the sense that all of them make pronouncements. I mean, it was true for Mitterrand, when he reassured the Americans, and that he would stick with the alliance, et cetera. It was said of Jacques Chirac, because he had spent time when he was younger in the U.S., and he was

speaking good English -- much, much better than Sarkozy or Hollande, for that matter. It was said of Villepin, who knew the U.S. very well.

And so you always have that sort of cycle of, you know, great beginnings, and then things get sour. It is not the case with Sarkozy, where relations have remained good.

So, yes, I would probably agree with that?

MR. HOAGLAND: Only someone who did not know my good friend Dominique de Villepin, could have said that about him.

But go ahead.

MR. LAURENCE: Well, I would echo most of what Justin has said. But regarding the pro-Americanism, I think what's different than being a, you know, soda jerk at Howard Johnson's in Harvard Square, you know, decades ago, as Jacques Chirac was, that Sarkozy came around, I think, somewhat later to this. I mean, he had participated in some exchanges with fellow elites in the United States.

But he -- and this came up a bit before, when we were discussing the bling aspect -- you know, I think there's a tendency in the chattering classes, of which, you know, I'm a card-carrying member, to focus on the, you know, the things that might offend a kind of upper crust. But I think that in the French heartland, if we can speak of that, that Sarkozy's materialism, his attraction to American culture and cultural

product, is actually fairly in tune with much of the, you know, the French people. Not with the French elite, but with a lot of the population.

And just on the point where Justin raised the irritants that are present in the Sarkozy-Obama relationship, I don't think any of those, in any of those areas, that there would be less friction with Hollande, at least on those few that you mentioned.

MR. HOAGLAND: I want to give the audience the final word, unless either of you has some burning comment to make on this.

Okay. Question on the French-American relationship, as we see it spin out in the campaign?

I guess you've dazzled them with your footwork.

I want to thank you, then for coming to participate, and I appreciate all of the good questions and the comments. And I want to particularly thank our speakers on this panel, who've done an absolutely brilliant job of analyzing a campaign that perhaps has more to be said for it than I thought when I came in the door.

Thank you very much.

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