

The French Cabinet Reshuffling

The French cabinet reshuffling has seen the exit of 3 important ministers: Arnaud Montebourg who was economy minister, Benoit Hamon minister of education and Aurélie Filippetti minister of cultural affairs. The positions of education and cultural affairs have been taken by two women who were already ministers.

The main change is the nomination of Emmanuel Macron as economic minister. He replaces Arnaud Montebourg. He is a young civil servant who has worked at the prestigious Inspection General des Finances at the economy ministry. He has also worked Rothschild bank. But what is interesting is that he was Francois Holland advisor on economic affairs from the beginning of Hollande mandate until June 2014. He was then replaced by Laurence Boone who was chief European economist at Bank of America Merrill Lynch.

As an advisor to Francois Hollande he has put in place what is called the "Pacte de Responsabilités". It is a set of measures that reduces companies' charges to improve their profitability. The target behind that is to help companies to improve their own situation, to create conditions to invest and to catch up the global business cycle.

This "Pacte de Responsabilités" has been presented by Francois Hollande during his New Year press conference on January the 14th. The law was voted last July.

Emmanuel Macron will be in charge of the achievement of this Pacte de Responsabilités.

His nomination will create a more consistent message between the President, the prime minister, Manuel Valls, the economy minister, Emmanuel Macron, and the finance minister, Michel Sapin. The message will be more homogeneous. It will lead to a clearer situation in France and for foreign people working with France. That will be important in different types of negotiations; from discussions in Brussels to negotiations with trade unions the message will be consistent. That's something that was needed as in this complicated period everyone needs a clear framework.

The question related to this reshuffling is the political stability in France. Francois Hollande is very low in every poll: his popularity is below 20%.

A first step will be interesting when Manuel Valls will ask for a vote of confidence. If he fails, he and his cabinet will have to quit. In that case the French President will have to make general elections. But in such a situation, with the left so low in polls, the probability to be reelected for a MP of the Parti Socialiste is very low. With such a risk every MP from the Parti Socialiste will vote the confidence to the government.

Arnaud Montebourg will remain out of the government but we can expect that he will take the lead of the 50 MP who currently contest the current policy. This situation is specific: these 50 MP do not want to follow Francois Hollande economic policy (not enough on the left) but they will vote confidence. If Arnaud Montebourg takes the lead of these 50, he will be the one who can speak and probably political lines within the parti socialiste will be clearer.

In fact, the situation is probably more comfortable for the new government. Its political line is clearer with the cabinet on one side and Arnaud Montebourg leading the 50 opponents belonging to the Parti Socialiste. The economic line will be easier to understand as every member of the government will speak the same language. It can be a positive signal for companies (the framework is more stable) and for international investors (the framework is more readable). It will be easier to discuss with Brussels and to give more weight to the French voice in Europe.