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Insights

France in Flux: Barnier's Government Falls

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December, 2024

France enters a new phase following Barnier's censure by the opposition

After weeks of political tension, negotiations, and heightened expectations, the French government has officially fallen. Unlike the summer's political crisis, no elections are expected in the immediate future. However, the outlook remains highly uncertain, as the Fifth Republic navigates uncharted territory. Notably, the last successful motion of no confidence dates back to 1962 — a historical precedent that underscores the gravity of the current moment.

This briefing provides an overview of the unfolding political situation in France, the factors that led to this outcome, and why France continues to require close international attention in these challenging times.

What led to the fall of Michel Barnier's government

A contentious appointment process

- Following July's snap elections, the political landscape was fractured, and it took two months for Emmanuel Macron to appoint a new Prime Minister.
- Michel Barnier, a pro-European, moderate right-wing figure, was chosen for his experience and perceived lack of personal ambition, seen as an advantage with the 2027 presidential race looming.

Structural challenges

- Barnier inherited a government grappling with one of the Eurozone's largest debt-to-GDP ratios and a high deficit.
- His immediate task: drafting a Budget Bill and Social Security Budget Bill that would cut €60 billion through spending reductions and tax increases.

A divided National Assembly

- The snap elections failed to produce a clear majority, leaving a fragmented legislature.
- The left-wing coalition, though the largest bloc, felt marginalized by both Macron and Barnier.
- Marine Le Pen's National Rally positioned itself as kingmaker, exploiting the lack of a majority to extract concessions and leverage the threat of censure.

Cultural and political hurdles

- France's political culture lacks a tradition of compromise and parliamentary coalition-building, leaving little room for consensus in a divided Assembly.
- Barnier struggled to reconcile divergent interests, with tensions escalating over the Budget Bill and Social Security Bill.

Controversial governance strategy

- Faced with prolonged debates, Barnier attempted to bypass a final Assembly vote on the Budget Bill.
- This move provoked backlash from both the left-wing coalition and the far-right party, who united against him.

A no-confidence alliance

- Despite their ideological differences, the left-wing coalition and Marine Le Pen's National Rally coordinated their efforts to pass motions of no-confidence.
- This unprecedented alliance effectively ended Barnier's tenure as Prime Minister on December 4.

Broader implications

- The fall of Barnier's government highlights systemic weaknesses in French politics, including:
 - A fractured political landscape with no culture of coalition-building;
 - Governance challenges in the absence of a clear parliamentary majority; and
 - Rising polarization, with unconventional alliances shaping the political narrative.

Barnier's brief tenure serves as a stark reminder of the instability facing France's Fifth Republic in a time of economic and political fragility.

What happens now?

- **Barnier is to resign shortly:** The censure vote forces Barnier and his government to resign, and all current legislative bills, including the Budget and Social Security Budget, are deemed rejected.
- **This is not a disaster scenario.** While this could theoretically leave France without a budget for 2025, legislative mechanisms ensure budget continuity, avoiding a U.S.-style shutdown or unfunded public services.
- **Financial markets might react negatively to the rejection of the draft budget:** France's spread with Germany is nearing levels last seen during the European debt crisis, and rating agencies are monitoring developments closely. The foreign press has even drawn comparisons to Greece's economic struggles a decade ago.

The President faces difficult choices:

- **Appoint a political Prime Minister:** A figure capable of working with the opposition and negotiating ad hoc majorities for each bill. This is highly challenging given the current political divisions.

- **Appoint a technical Prime Minister:** Someone tasked with managing day-to-day governance without political ambitions or significant legislative initiatives.
- **Ask current PM Barnier to stay temporarily:** Barnier's government could handle the transition in a caretaker role, avoiding major decisions, similar to Gabriel Attal's administration earlier this year.
- **Resign:** Macron could step down under mounting pressure from the left and far-right. He dismissed this option during a visit to Saudi Arabia, signaling his intent to remain in control.

Macron's immediate priority is finding a figure capable of calming tensions and fostering consensus. The President's next opportunity to dissolve the National Assembly and call for new elections won't come until July, adding urgency to his search for stability.

Keeping an eye on France?

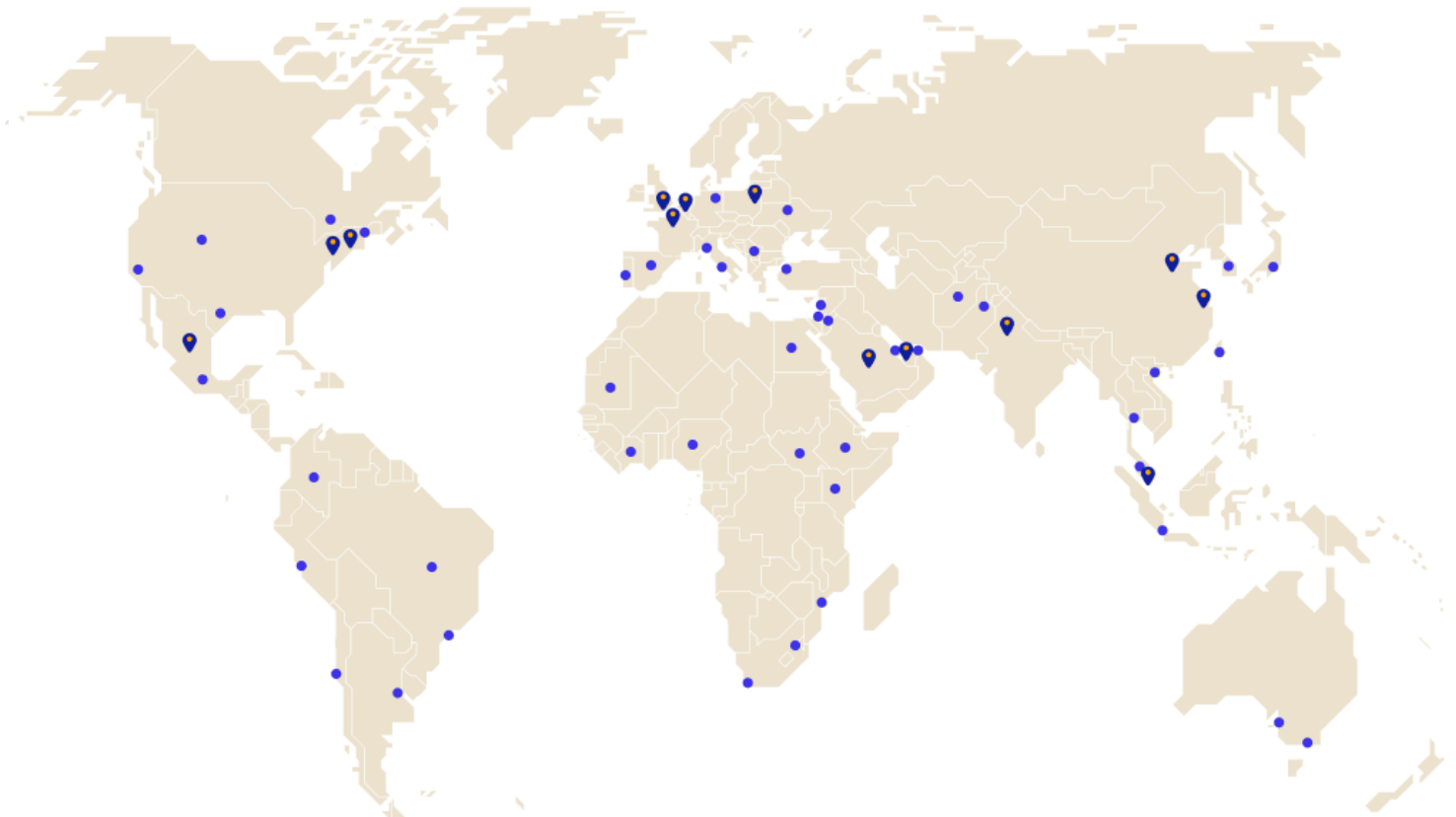
- These latest developments will weaken Emmanuel Macron's position on the international scene, despite the obvious need for a strong French-German couple and a powerful European Union, especially in the current context.
- However, France will remain a market to be reckoned with, with a significant voice in the European Union discussions and upcoming international events, including hosting the global AI Action Summit next February in Paris, on which Macron intends to capitalize.

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