

# French press home need for governance

By Ben Hall in Paris

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French political leaders and officials have begun debating how to press their demands for greater economic policy co-ordination in Europe, convinced the EU's implicit promise last week to stand by debt-laden Greece has ended a taboo.

For much of the French political and media elite, the promised bail-out vindicates their long-standing demands for an "economic government" for the eurozone, a system of policy co-ordination going well beyond the deficit limits in the bloc's stability pact.

"It is too early to talk about this openly," said an official in Paris, mindful of German sensibilities - Berlin backed support for Greece only under duress. "But let's face it, this Greek tragedy is probably the best way to get the debate moving forward. It is a wake-up call."

Edouard Balladur, a former centre-right prime minister who is close to French president Nicolas Sarkozy, weighed in yesterday. He proposed that each eurozone member should have to submit its annual budget to the 16-country bloc for majority approval, on questions such as the fiscal stance and credibility of figures before submitting it to its own parliament.

"We are at a crossroads," Mr Balladur wrote in *Le Figaro*. "The time has come to move to a new stage."

Even the French government is likely to hesitate over Mr Balladur's idea, but perhaps that was the point. His proposal would discomfit France, with its poor record on spending control, more than Germany.

Jean-François Jamet, an economist at the Robert Schuman Foundation, a think-tank close to the Elysée, said "it is too early to say whether [the pledge to Greece] was an advance for the French vision of economic government".

To fulfil its ambitions, Mr Jamet said, France needed to go further. It should push for a European monetary fund, to help eurozone members with balance of payments difficulties, and a more interventionist strategy to support industry.

A bigger role for EU and eurozone leaders in co-ordinating economic policies to reduce imbalances, and a common approach to tax issues were also needed.

The Elysée was considering similar ideas, he said, but was more likely to promote them quietly than campaign openly.

Elysée officials are mindful of German sensitivities, especially when Berlin has not yet signed up to a detailed bail-out plan for Greece. They prefer to stress recent convergence between Paris and Berlin as proof the debate is moving in France's direction.

Mr Sarkozy and Angela Merkel, German chancellor, have agreed to talk about the summits of the EU's 27 national leaders as the bloc's "economic government", rather than the smaller eurozone, which for the Germans carries a greater threat of interference with the independent European Central Bank.

Mr Sarkozy's "preference" remains co-ordination among eurozone countries and he has not abandoned the idea of occasional summits of eurozone leaders. But at 27, it would be easier to go beyond budgetary policy and talk about economic models and even broach the sensitive question of macro-economic imbalances inside Europe, said an adviser.

French officials point out that Germany's recently proposed income tax reform could boost domestic demand, while Paris is getting more serious about curbing public spending and promoting private investment.

"The issue of economic government is largely about Franco-German dialogue," said an official. "The president and chancellor talk about it each time they meet."

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