8 October 2013

Allez, Hop! The Third Industrial Revolution

Bogdan Scurtu

French president, François Hollande, gathered the business elite in September at the Élysée Palace and announced “The Third Industrial Revolution,” a plan that would bring zero unemployment by 2025, zero debt, cutting-edge factories, an “economy of the living,” an upgraded 3.0 police force and of course, lots of energy sourced from renewables. “Quality is not only German, technology is not only Japanese, innovation is not only American, and competitiveness is not only Chinese.”

The plan centers around a 3.5 billion Euro investment strategy in 34 key industrial sectors, such as renewables, batteries and electric charging, electric aircraft, embedded software and systems, green ships, thermal building renovations, smart grids, nanoelectronics, supercomputers etc.

While unveiling the upcoming revolution, the President of the Republic showed a video clip “La France Se Réinvente” (France re-invents itself) with highlights from his country’s political and industrial history. For three centuries now, France “invented” its destiny, according to one of the opening images. Slides showing resilience through difficult times are followed by hard working people, Concorde airplanes, TGV high speed trains, rockets, and computers. The future looks great as well: satellites, digital imaging of industrial designs, fast cars, cutting edge health research, green buildings, and more.

Reactions

International reactions ranged from “Going Nowhere” ridicule: “Only rarely in a Western democracy does the head of state call together the country’s business leaders to charge them with tasks for the future and to jointly evoke their country’s greatness” (Der Spiegel) to “Socialist Delusion” (investment adviser Mike Shedlock) or “utopian but hazy vision” (Financial Times).

The local government in the Nord-Pas De Calais region set up roadmaps and hired celebrity economist and social theorist Jeremy Rifkin, known for The Third Industrial Revolution (2011), The Hydrogen Economy (2002), and The European Dream (2004), to help design and lead the change. “The Third Industrial Revolution is already on!” boosted
the regional website, after Hollande’s announcement. The Nord-Pas De Calais “Third Industrial Revolution” plan was set up a year ago, in 2012.

**Reality Check**

The “revolution” comes at a time when France is facing economic woes. In September, it passed the benchmark of having 3 million unemployed and missed the EU deficit target (4.1% instead of 3.9%). As a result, France lowered the projected growth to 0.9% for 2014, and planned an €18 billion budget cut. And since trouble never comes alone, the country failed to collect €30 billion VAT tax out of the total €137 billion it expected for 2013, almost a quarter. With a price tag of only €3.5 billion, the industrial revolution plan must look like a bargain, especially with cash expected to flow from public-private partnerships.

![French President François Hollande](image)

**Social Policies and Competitiveness**

The French social-democratic government has been calling for an EU wide minimum wage, since not all countries (Germany included) have one. French social affairs minister, Benoit Hamon, accused Germany of unfair competition, “pitting workers at seven euros against those who earn 10, 11 or 14 Euros an hour,” adding that he wants fair play with “an economic model that isn’t based on a competition of who can pay workers the least.”

“France is a problem child in the euro,” CDU deputy leader Michael Fuchs said in February, quoting high wages, generous pensions, and questionable work ethics (35 hours week compared to 40 in Germany and 42 in Switzerland), which would need to be reformed in order to make France attractive to investors.

US investor Maurice Taylor sparked angry reactions in France earlier this year when he pointed out the same: “I must be nuts to have the idea to spend millions of US dollars to buy a tire factory in France paying some of the highest wages in the world.”

While Francois Hollande’s plan imagines end results, it fails to mention any reforms that will get the country there, besides the issue of debt.

**Schuldenbremse**

By 2025, France would have “recovered fully its budgetary sovereignty” and will have no problem raising money on the international financial markets, according to Hollande’s plan. Independent Switzerland introduced a “debt brake” in 2001. Germany introduced its Schuldenbremse (aka austerity policy) in 2009 with a goal for the federal structural deficit to fall to 0.35% of GDP by 2016 and 0 for its 16 Lands by 2020. In fact, former French president Nicolas Sarkozy and Chancellor Angela Merkel agreed in 2011 to insert “debt brakes” into the constitutions of all 17 euro-zone member states, with the European Court of Justice as supervisor.

**The EU Context**

The “Third Industrial Revolution” is another label for the European Energy policy. First drafted at the informal European Council meeting at the Hampton Court in October 2005, the blueprint combines the reduction of greenhouse emissions with increased energy efficiency (especially in cars, airplanes and new buildings), a switch to renewable energy sources, high tech industries, and job creation. A 2012 European Commission video for the Mission Growth Campaign features similar highlights (troubled history, resilience, high speed trains etc.) with the video Hollande presented. Or rather, the 2013 French video follows the 2012 EU Commission video very closely.

**EuroPoint:** Drum rolls aside; France’s “Third Industrial Revolution” is a PR campaign showcasing EU policies France had accepted some years ago. It is not an “utopian” and/or “socialist” “delusion.” In a country with 3.3 million unemployed and a worrying deficit, it is a “light at the end of the tunnel.” The goals are noble, but the question remains: how does France plan to get there?