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The Election of Macron

The election of Emanuel Macron has been received with relief by many after the unexpected results of Brexit in the UK and the election of Donald Trump in the US. That he is considered politically 'normal' is in itself an indication of what extraordinary times we live in. A thirty-nine old has been entrusted with reshaping France.

Macron believes in the mission of the European Union as well as that of France, he seeks enhanced workers' rights as well as liberalisation of the marketplace. Clearly these stated aims are contradictory – but what politicians' statements are not? The clear empirical test of Macron starts now. His election was effectively unchallenged in a meaningful way, with mainstream candidates from the Gaullist movement and Socialists effectively disqualifying themselves. So his true form and complexion will become apparent when he needs to make an opportunity cost decision – favouring one policy or group over another.

Domestically, the barometer of Mr Macron's success will be his reform of the labour market. If he succeeds in overcoming the explicit hostility of the unions as well as the implicit vested interests ranged against him he will be a great President. If he fails he will be remembered with equal ignominy as the outgoing Mr Hollande.

The labour market is the largest asset class in any country. The interference by government in this area is a tragedy because it is usually counter-productive. This is intuitively understood by the vast majority of people: If you cannot fire someone, why would you hire them? The cost mandated by the government on an employer is a tax on employment and discourages employers to employ people. In this way, the French in work have collected a raft of 'privileges' which has been effectively paid for those out of work. The thirty-five hour week is just one example of many measures making the labour market rigid and lacking the appetite to employ people.

Even if Macron does spectacularly and wins 30% of the vote in the parliamentary elections with his new party *En Marche* – the question needs to be how good he will be in fostering alliance to overturn these labour norms. These were appallingly ineffective when they were brought in – they are even worse now when technological advances are changing work patterns altogether.

The stakes are high. The rejuvenation of Europe starts with the rejuvenation of France. France is a massive economy and its *malaise* has been at the heart of low growth in the Europe since the crash. If growth can emanate out of France this could drag other countries along. If France continues as it is we will probably see not just the end of this young President, but the end of the Eurozone system as we know it. Embracing growth, however, means accepting disruption, explaining inequality and defending economic producers. This cannot please everyone: *Bon chance Monsieur President*.

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