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Much of the world, though probably not all, breathed a sigh of relief last Sunday when the centrist pro European Union candidate Emmanuel Macron defeated Marine Le Pen of the far right, Front National, to become France's next president. In doing so, Macron was not the next in what had started to look like a series of dominoes falling in the global tilt to the right.

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From Brown University's Watson Institute for International and Public Affairs, this is Trending Globally. I'm Sarah Baldwin. We're joined today by Mark Blyth, a professor of political economy and a frequent commentator on international affairs at the Watson Institute and well beyond. Welcome to the podcast, Mark.

Always a pleasure.

Thanks for being here. You're just back from London?

Yes. I was.

Well, we appreciate your coming in today. So it already seems like ancient history, but can we talk about the three-day-old French election?

Sure. Because it only gets more interesting.

It does. So Macron beat Le Pen with about 66% of the vote?

Yes. Which means one in three French people thought it was OK to vote for fascists.

It does mean that.

It does mean that.

So on that note, what does what does this victory mean for France? And, also, is it really a setback for European populism?

Well it might be. OK. So there's two stories. So the first story is this-- populism is cyclical. For various reasons, the eurozone, in particular, has had a very long recovery since the financial crisis. People are rightly disgruntled. But don't worry. We've got a little bit of inflation, a little bit of growth, the unemployment rate's finally falling. That's reflected in the fact that only one in four people in Holland voted for the guy who looks like Willy Wonka's evil twin.

And only one in three voted for someone who thought that fascism was OK. So that's great. So woohoo, right?

Now here's the other story. It's 30 years in the making, structure, and a little bit of growth and inflation isn't going to actually make a difference. And, unfortunately, that's the one I subscribe to. So, essentially, the eurozone particularly is at a juncture. It has to massively reform itself so it can actually increase real wages for people who are heavily in debt and don't believe a word the political classes say anymore in short order. Now the problem with doing that is absolutely true, the unemployment rate's going down.

However, the underemployment rate still setting up at 18%. Now what does that mean? It means particularly for groups that have been really walloped in the crisis over the past nearly a decade-- young people in particular-- their chances of actually getting into secure full time employment is precarious as ever. So they are picking up part time, they're picking up poorly paid jobs, their level of insecurity is not going down. But the level of indebtedness, from everything from college loans to what they've taken to survive, has actually stayed the same.

Interest rates are low, so that's easy to service the debt. But at the same time, there's no inflation to eat away the debt. So the same sort of structural drivers of insecurity, which plays into populism, are still there. So what would it take? It would take Germany now saying, well, Macron. Thanks very much. You've bought us some time. All this mindless austerity that would focus on debt above anything else and everyone has to tighten their budgets, et cetera, it's great for us because we get to export to the rest of the world.

Because we import their demand, doesn't really work for the big economies like France. Let's re-balance the whole thing. Let's have transfers, let's have a real European treasury. We found out today-- just read the German press for today-- that's not happening. So, yeah, it's great if this cyclical story is true. But if the structural story is true, you've still got the same problems and the Germans ain't budging. Good luck with that.

So do you think populism is going to rear its head somewhere else? Is it like whack-a-mole?

It is populist whack-a-mole. Because, like I say, this has been a very long time in the making. Imagine a world in which 60% of the population-- this is all the rich countries of the world-- haven't had a real wage increase in about 30 years. But their debts have doubled. And then in the crisis, their debts didn't get bailed out, but everybody who had real assets got bailed out when you bailed out the financial system. And the costs of bailing out the financial system got put on you in the form of cuts to your unemployment benefit, your social security, et cetera, et cetera.

So you've been made to pay twice. So that's the background. Now you're going to have to redress that balance by basically taking people that haven't been in full time work for a decade nearly, and getting them up to a skill level whereby they made up all their lost earnings, and they are fully integrated parts of society. Oh, and by the way, aren't we having a robotics revolution in the middle of this?

Oh, right.

Right. So when you add all that together, mm-hmm. You know, yeah, mm-hmm. Right.

What do you think Macron's biggest challenges are in the immediate? France is going to be voting-- it's got parliamentary elections coming up in June. How do you think those are going to play out?

Well let's put it this way, a guy who's basically a media creation of the Parisian elite and everybody who's done well for the past 30 years, is a fantasy boy object, has no political party, represents no one, he has a movement called En Marche-- but they've never actually had a march so I don't know why they're called En Marche-- they've never filled a stadium, as far as I'm aware. I'm not sure he actually represents anyone. So he's going to walk into the Council of Deputies, and they're going to go, Yeah. We'll do exactly what you want. Now imagine that they do.

He already said what he wanted. And he wanted the Germans to change policy. We need a whole new EU. And the Germans this morning said that's not going to happen. So what's going to happen is sort of the fantasy figure is going to turn into I can't do anything, is going to turn into a loan, only a prettier version, and we'll be back to square one.

If France doesn't go, where is next?

OK. Think about it this way, there's elections coming up in Italy. The Italians haven't grown in 20 years. Now, they haven't grown since the day they joined the Euro. Now is that causation or correlation or just coincidence?

You tell us.

I'll leave up to the Italians to decide because they will. Now let's suppose that given the weird nature of their parliamentary politics, Beppe Grillo-- the left wing populist-- actually manages to get the majority, and they don't have this weird two run-off where everybody has to vote for someone else or whatever. Now let's just say that him, or somebody like him, does the following-- I'd like to have a referendum on the euro. Now here's what happens. Everybody who's got savings, or assets, that denominated in euros-- if they're in the eurozone, unless you're really rich and then they're denominated in dollars and their hid in Delaware, but that's an entirely different story.

Now let's say for normal people, you got savings deposits in France in euros. And the Italians say let's have a referendum on the euro. Everybody who hears that should immediately try and open a German bank account. Because what that means is that you might be with nuevo pesetas, or new francs, or something like this, or new lira very shortly. So anticipating this, you should try and open a German bank account. Now German bank

accounts already yield the square root of diddly squat minus 5, right.

So imagine all the money in Italy flying into Germany trying open a German bank account. The only thing the Germans could do is put up capital controls, which means, eh, the end of the euro instantly. Or alternatively, they issue bonds. They issue like 60% of GDP in debt to stop the appreciation in their exchange rate. Which would go against every fiber of their being. Regardless, at the end of the day, the real euros would be the real euro countries-- Germany and their allies, and anybody else who'd try this trick would be nuevo pesetas, right?

Given that you'd rather hold real euros than nuevo pesetas, it makes it almost inevitable that the minute somebody calls time on the euro simply by saying let's have a referendum-- crack-- we're in trouble. So France, hey. You dodged it. Holland, we dodged it. Italy, we might dodge it. But the fundamental problem is you have a eurozone that is not producing jobs and growth for the majority of the people, hasn't done for 10 years, the populists are feeding on this. Unless the institutions sort themselves out and become much, much more growth oriented, it's an accident waiting to happen.

Oh, jeez. Well we'll see. We'll call you after it happens and you can update us. Comey. Thoughts?

Funny, isn't it? I mean, what's really funny about it is the fact that here's a guy that Democrats have been going on for months about. He's untrustworthy, and he's partisan, he's political. And now they're all outraged about the fact that he's been fired, right. Now, of course, it is singularly weird why--

It is kind of scary.

Well, it's not-- it's not scary. The president is allowed to do this. So the guy decides that the guy is not right for the job, you know. He had a show called The Apprentice. He did this all the time. I don't know why anybody's surprised by that. So he fires this guy and everyone's oh, this is outrageous. And then it's oh, it's not outrageous, all the rest of it. OK. What's really funny is, this is all connected to the Russia thing. Which I think is mainly noise rather than signal. But it is kind of weird that the very same-- well rather the day after he fires this guy-- the Russian ambassador is the guy who comes to visit the White House. I mean it just looks bad. I'm just saying, it just looks bad. As for sort of what's really going on, I have no idea. Nobody saw this one coming. And it's just happened. We'll see what the dust settles.

It's--

I don't do optimism. I do cocktails.

Mark, thank you for coming in today. And we're going to make you come back and talk to us again soon.

Excellent. I will try and be more positive.

Thank you, Mark.

Bye.

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