

Keynes and the French 2026 Budget

Budgetary Orthodoxy vs. Keynes

- **Case Study:** Macroeconomic analysis of the 2026 French Budget.
- **The Core Question:** Would John Maynard Keynes approve of this budget's austerity strategy?

The Context of the 2026 Budget

A Budget Defined by Austerity

Government Objective

Reduce the public deficit to 5% of GDP.

The Method

€16 billion in net spending cuts.

Targeted Sectors

Civil public investments, education, and social welfare.

The *General Theory* (1936) Verdict

Categorical macroeconomic opposition.



The Fallacy of Composition

The Flaw of the "Treasury View"



The False Premise

"An indebted state must be managed like an indebted household."



The Fallacy of Composition

What is rational for an individual becomes destructive if the whole country does it simultaneously.



Effective Demand

Anticipated demand by businesses dictates production and employment levels.



The Consequence of Austerity

The state destroys demand, immediately emptying the private sector's order books.



The Investment Multiplier

The Domino Effect of Public Spending

The Key Principle

In macroeconomics, one person's spending is another's income.

The Multiplier Mechanism

€16 billion cut = a destruction of national wealth (GDP) far greater than €16 billion.

The Fiscal Impact

Lower economic activity mechanically leads to a drop in tax revenues (VAT, corporate taxes).

The Modern Limit

While an open economy (imports) weakens this multiplier, the destruction of wealth remains a mathematical certainty.

Uncertainty and "Animal Spirits"

Market Psychology in Peril

The Post-Keynesian View (Paul Davidson)

The economy navigates "true uncertainty," not merely calculable risk.

The Engine of Investment

The "animal spirits" of entrepreneurs (optimism, vital urge, confidence).

The Budget's Signal

Austerity creates a deeply anxiety-inducing, recessionary climate.

The Result

The private sector freezes its investments and hoards cash.

The Paradox of Thrift

When Virtue Becomes a Macroeconomic Vice



The State's 2026 Goal

Reduce the deficit to restore national savings.



The Keynesian Reality

Braking the economy drops overall income, destroying the country's total capacity to save.





The Final Diagnosis


The government is running a dangerously "pro-cyclical" policy by hitting an economy that is already slowing down.

The Social Impact (Michal Kalecki)

The Targeted Destruction of Consumption

-  **The Post-Keynesian Contribution**

The impact of austerity depends entirely on *which* social classes are targeted.
-  **The Propensity to Consume**

Workers spend almost all (100%) of what they earn just to live.
-  **The 2026 Error**

By targeting social welfare, the state directly cuts the income of those who consume the most, maximizing the destruction of effective demand.

Social Imbalance (J.K. Galbraith)

Private Opulence and Public Squalor

The Institutionalist Critique

Rejecting the "conventional wisdom" that sacrifices the real economy for accounting standards.

"Social Imbalance" (1958 to 2026)

Protecting private consumption while letting public infrastructure decay.

The Clash of Values

The 2026 budget marks the triumph of "ceremonial values" (reassuring rating agencies) over "instrumental values" (funding hospitals and schools).



The Radical Perspective (Baran & Sweezy)

The Arbitrations of Monopoly Capital

The 2026 Budget Paradox

Austerity hits civil spending but often spares defense budgets and major corporate subsidies.

The Radical Analysis

The state voluntarily limits its civil spending so as never to compete with the private market.

The Structural Goal

Absorbing the economic surplus through military or state spending to protect the status quo and the established order.

Synthesis of the Keynesian Audit

A Budget Based on an Obsolete Doctrine

Three macroeconomic traps the government falls into:



Forgetting the Multiplier

Destroying growth and lowering tax revenues.



Sabotaging Confidence

Crushing "animal spirits" and paralyzing private investment.



The Paradox of Thrift Trap

Risking an even worse Debt-to-GDP ratio.



Conclusion & Outlook

The Imperative of Green Keynesianism

- **The Lesson for Future Managers**
A nation's economy cannot be steered with a corporate Excel spreadsheet.
- **The 21st Century Challenge**
The *General Theory* must adapt to the climate emergency.
- **Green Keynesianism**
The goal isn't just short-term job creation, but directing public investment toward the ecological transition.
- **The Danger of 2026**
Slashing public investment today mortgages our ability to finance the decarbonized world of tomorrow.

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