



The French 2026 budget

A macroeconomic debate:

A Fiscal Discipline Solution
or
A Keynesian Solution?

Dr David Rees. February 2026

2026 French Budget

The dispute over the French 2026 budget vs the NFP (New Popular Front)* counter-budget show two completely different economic philosophies about what the French state should be.

The 2026 government budget tries to make France financially safer; the NFP counter-budget tries to make France socially richer — and they fundamentally disagree on whether debt or inequality is the biggest danger.

* Nouveau Front Populaire: La France Insoumise, Partie Socialiste, Verts, Partie Communiste

The Main Disagreement

Government (Macronist). German Fiscal model / Neo-Liberal

- France spends too much
- Risks a debt crisis
- Risks being downgraded by the rating agencies – leading to higher IR on debt servicing
- **Solution. Maintain the fiscal reforms (since 2017)**
- **Reduce social spending**
- **Increase defence spending**

NFP (Socialist). Keynesian / Neo-Keynesian model

- France taxes labour and under-taxes wealth
- Risks social instability and increasing inequality
- Risks economic stagnation
- **Solution. Cancel Macron's fiscal reforms and increase taxes on capital and the very wealthy**
- **Increase purchasing power**
- **Increase investment in social services**

Take a step back

- Before analysing the 2026 budget, see [Fiscal Policy and Politics. A Case Study of France under President Macron'](#) which illustrates how, since Macron's reforms, the French state reduced fiscal revenue by 52bn euros a year – hence increasing the deficit and the debt.
- This was not due to ignorance – the debt crisis was prepared.
- The 52bn 'lost' revenue was for the rich (loss of ISF etc) and big business (reduced Corporation Tax, CICE, Exit Tax) – people who have a very low MPC and public social spending cuts (high MPC) which creates a negative multiplier effect.

2026 French Budget

- Electricity price cap removed
- Gas support almost fully removed
- No more broad inflation compensation payments
- Removal of fuel rebates
- Higher charges for patients
- Adoption of the 2023 retirement reform
- Reduced unemployment benefit
- Lower housing support
- Non replacement of retiring civil servants

2026 French Budget

Estimated cumulative public-sector employment impact

Sector	Estimated effect
Central state administration	8k–11k
Hospitals & health support	5k–10k
Local governments	15k–25k
Social/admin agencies	3k–5k

Realistic multi-year total:

≈ 30,000 to 50,000 fewer public-sector jobs (over several years)

Local Government

- Local government represents about 20% of state spending (transfers)
- Regional trains (TER), Vocational training, Secondary schools, Infrastructure etc. See <https://reeseconomics.eu/themes/France/State%20transfers.pdf> for further information
- Municipalities reduce spending, reduce maintenance, reduce staff etc. For example, Pays de La Loire is reducing its budget by 82m€ - with a 75% cut to associations, sports and culture.
- All this leads to poorer local services and a negative multiplier effect

The economic consequences

- Employment loss and investment loss lead to a negative multiplier (decrease in growth) and a reduction of fiscal revenue – which increase the deficit and debt.
- The increase in electricity, fuel (petrol and diesel) and gas – which are all highly inelastic, leads to a reduction of consumption and again to a reduction of fiscal revenue.
- This is exactly the opposite of what Keynes would recommend (see [The New Deal](#))
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NFP Counter-budget

- The NFP proposes a Keynesian counter budget based on improving Purchasing Power – especially for those with a high MPC and increasing Fiscal Revenue.*
- This is what we might have had if Macron had respected the standard protocol after the national vote in 2024 for the parliamentary elections. See [Political Crises](#).

* For more detail, see the LFI counter-budget of 2018 [here](#)

Personally

Personally, I am very much in the Keynesian and Neo-Keynesian school of thought, along with economists of *Economistes Aterrés*,

Thomas Piketty (inequality and wealth taxation)

Julia Cagé (public finance and redistribution)

Gabriel Zucman (global wealth taxation & tax avoidance)

Joseph Stiglitz (Nobel Prize winner)

Paul Krugman (Nobel Prize winner)

Questions?

