

# The Mitterrand Project: The Firm-Level Reaction to the 1981-83 French Socialist Experiment

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## Introduction

France elected its first socialist president, Francois Mitterrand, in 1981. After implementing progressive policies in the first years of his presidency—such as shortening the work week, increasing the minimum wage and increasing wealth taxes—the French economy experienced rampant inflation and weak business investment and many of the policies were subsequently reversed. Weak business investment during this period has been cited as a factor in the failure of Mitterrand’s policies. Our project uses this 1981-1983 French Socialist experiment as a case study to analyze the role of business investment in determining the success of progressive policies in liberal democracies. The necessity to ensure continual business investment might represent a major obstacle to the implementation of progressive policies, which may also help to explain the limited nature of redistribution in highly unequal democracies.

## Research Question

Our goal is to use firm-level data to establish whether weak business confidence was caused by the expectation and implementation of progressive policies. To do this, we will analyze stock market valuations in France during the 1981-1983 period to measure whether weakness in investment was concentrated in the firms that had the greatest exposure to Mitterrand’s progressive policy platform.

## Role of the Research Assistants

The role of the three research assistants assigned to this project was to collect data from a French newspaper in and around the years the research question focuses on. This collection had two phases. First, we had to digitize microfilms of the paper in the W.E.B. Du Bois library. Once in PDF form, we were able to move the data from there onto spreadsheets to later be used in our analysis.

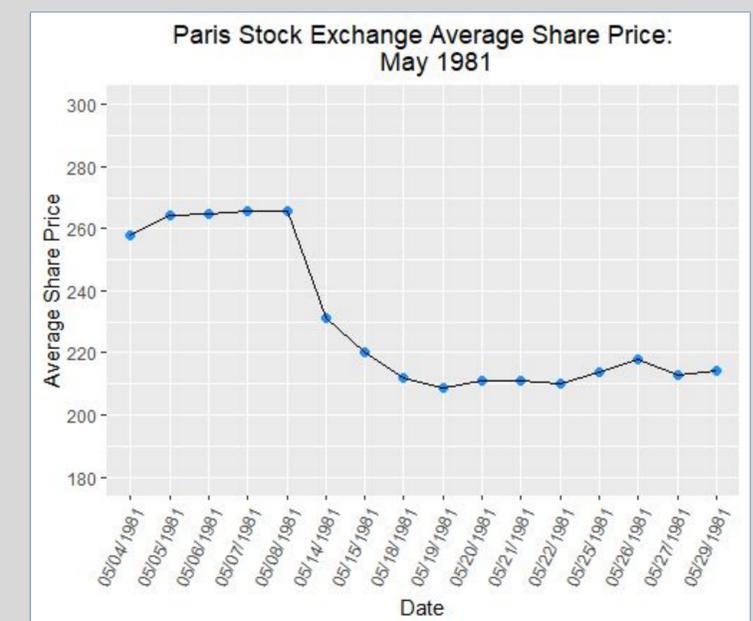
BOURSE DE PARIS 30 MARS COMPTANT											
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			Crédit	109 80	109 80	Siminco	285	285	Un. Imm. France	240	239
			Créd. Gén. Ind.	245	246	Société Générale	263	263	Sofragi	299	297
			Crédit Lyonnais	287	287	Soficom	244 70	244	Applic. Hydraul.	226	226
			Electro-Banque	186	186	Sovabail	310	306	Artios	320 10	320
			Ass. Groupe Paris-Vie	2000	2000	Unibail	313	313 80	Centen. Blancy	405	404
			Concorde	340	343	Unibail Crdit	230	230	(NY) Centreat	113 50	113
			Epargne de France	380	380	Cie Foncière	160 50	...	(NY) Champax	127	127
			Financ. Victoire	305	305	C.G.V.	201	210	Comindus	418	418
			France I.A.R.D.	138	143	Fonc. Ch.-d'Est	890	902	Cie Industrielle	301 50	300
			GAN (Sté Centr.)	749	747						

## Data and Methods

We build a dataset containing newly-collected firm-level stock market values from the digitized microfilms. We are still in the process of building the dataset, so there is more work to be done. We will use regression analysis to track the effect of the 1981 election, looking at different firms and sectors of the economy.

## Results

We created a graph of the average share prices over the month of the election, May 1981, as a preliminary look at any immediate changes due to the election.



- Leading up to the election on May 10th, the average share prices are relatively steady around 265 points.
- The average share price drops by about 30 points during the dates surrounding the election and continues to drop until May 18th, where it levels off around 210 points.
- The election seemed to have a significant effect on average share prices as the average share price dropped by about 20% after the election.