



Fuelling friction

Shifting the onus of providing relief from high fuel prices onto States can strain federalism

At a meeting with Chief Ministers about the resurgence of COVID-19 on Wednesday, Prime Minister Narendra Modi charged Opposition-ruled States with committing an injustice to the people by not cutting duties on petroleum products as the Centre had done in November 2021. Those cuts of ₹5 and ₹10 per litre of petrol and diesel, respectively, came as fuel prices crossed well past ₹100 a litre — those levels have been breached again after a poll-driven lull. The PM noted that the Centre's plea at the time, for States to back these cuts by paring their VAT levies on petroleum products, was not heeded by States not governed by the BJP. But even NDA-administered States are now facing extremely high inflation — retail inflation in April was 8.19% for Uttar Pradesh and Assam, and 7.4% to 7.6% in Bihar, Jammu & Kashmir and Haryana — far higher than the national retail inflation rate of 6.95% for the month. The PM's remarks, buttressed by the slogan of cooperative federalism, attracted an instant backlash from West Bengal, Tamil Nadu, Maharashtra, Kerala, Telangana, Jharkhand and Andhra Pradesh. While all States are fretful about resource constraints and pending dues from the Centre, some had reduced VAT on fuel products and others have not hiked rates for years. Despite its recent assertions that no taxes were levied to counter the pandemic, the Centre had hiked fuel taxes even amid the 2020 COVID-19 lockdown with a preference for cess levies that do not have to be shared with States.

While the political brouhaha over the PM's pitch unfolds, the signal for the common man is clear — abandon any hope of immediate relief. This is akin to striking a cruel blow against the middle and lower-income classes, already besieged by successive setbacks on the job, health and income fronts. Household budgets are severely squeezed because of price rise. Even industry has mooted fuel tax cuts to sustain a fragile consumption recovery. With record tax collections last year and revenue buoyancy expected to hold up this year, the Centre has fiscal room to slash its fuel taxes, and there will be an automatic cascading effect on State taxes levied on an *ad valorem* basis. Expecting States, which are worried about their limited revenue sources once

An interpretation of the French elections

Emmanuel Macron should tread carefully as the far right's Le Pen and the left-wing's Mélenchon cannot be written off



EMILE CHABAL

Who won the French presidential election?

At first glance, the answer to this question seems obvious: the winner was the incumbent, Emmanuel Macron, who was re-elected with 58.5% of the vote in the second round of the election on Sunday. But you could be forgiven for thinking that the loser — the far-right candidate, Marine Le Pen — also won. On Sunday night she announced that her defeat was a "spectacular victory".

Even more confusingly, one of the candidates who did not make it to the second round at all — Jean-Luc Mélenchon, who represented a coalition of far-left movements — claimed victory on Sunday as well. When he appeared on television, shortly after the results were announced, he explained that he represented the "Third Estate". This historical reference to the group that initiated the French Revolution in 1789 was a way of saying that, even if he had not won this time, he would win very soon.

So what is going on, and why are so many candidates claiming victory?

Macron's half-victory

Let us start with Mr. Macron. Here, at least, there would seem to be little ambiguity. Mr. Macron came top in the first round of the election and won in the second round by a comfortable margin.

However, this was not a foregone conclusion. He survived the nationwide "yellow vests" protest movement in 2018-19, steered France through an unprecedented

pandemic, and navigated a major war in Ukraine in the weeks leading up to the election. He secured broad political support throughout this period and managed to retain some of the youthful dynamism of his early presidency.

Politically, too, he has shown himself to be remarkably astute. His claim that he would transcend France's 250-year-old left-right divide seemed like misplaced hubris, but this election has demonstrated the success of his strategy. Having reduced the main centre-left party to a mere rump in 2017, he has now done the same for the main centre-right party, whose candidate in this presidential election received less than 5% of the vote.

Last but not least, Mr. Macron has enhanced France's position in Europe. His calls for greater European integration fell on deaf ears five years ago, but the pandemic led to a unique Europe-wide economic support package, and the war in Ukraine has dramatically highlighted the need for a common European defence strategy.

And yet, despite these undeniable successes, there is a whiff of illegitimacy about Mr. Macron's victory. This can be explained by the large number of people who voted for him without enthusiasm. As in 2017, he faced Ms. Le Pen in the second round, which meant that France's significant left-wing electorate was deprived of a left-wing candidate for whom to vote in a presidential runoff for the third time in 20 years.

As a result, a big chunk of the left voted for Mr. Macron, not because they approved of his policies, but because he seemed a more palatable option than Ms. Le Pen. Given that the French take seriously the battle of ideas in election campaigns, the fact that Mr. Macron has again been elected by default is a source of intense frustration



EMMANUEL MACRON

and resentment.

This has been compounded by Mr. Macron's unpopularity. While he has maintained excellent overall approval ratings for an incumbent, he provokes a strong negative reaction among his detractors. They view him as authoritarian, classist, neo-liberal, and detached from the concerns of ordinary people.

All of this means that many people see Mr. Macron's victory as little more than a formality. They argue that he faced a weak opponent and was never really challenged. And they point to the low voter turnout — a shade under 72% — as a sign of how fragile his mandate really is.

Le Pen's half-defeat

Ms. Le Pen's supporters have similarly mixed emotions. There is no way to conceal the fact that their candidate did worse than she had hoped. Several opinion polls had her neck-and-neck with the outgoing President, but she underperformed in the first round, scoring only 23%, and her support tailed off in the second round, where her final score was 41.5%.

This was, of course, significantly more than the 33.9% she managed in the second round in 2017, but she also had the benefit of anti-incumbency. This time, she surfed on a wave of dissatisfaction about the cost of living in France, and

she could count on the transfer of votes from another far-right candidate, Eric Zemmour, who was eliminated in the first round.

Despite these advantages, the gap between her and Mr. Macron was still well over 10 percentage points. Her margin of defeat confirmed that she remains an "outsider", a repository for a protest vote, rather than a credible candidate.

Nevertheless, there is cause for optimism among her supporters. Ms. Le Pen is no longer a political undesirable. From an institutional perspective, she has been normalised as Mr. Macron's principal opponent in the presidential elections. The ideas of the far-right in France remain unpopular and she continues to be associated with instability and incompetence, but she has managed to make her political brand more palatable.

In particular, Ms. Le Pen has become the voice of France's working class. She won a majority of the vote share among the working class and lower-middle class voters, especially in rural and semi-rural areas. Her face-off against Mr. Macron, who was unambiguously the candidate of the middle- and upper-classes, came to resemble a form of class struggle for the 21st century.

This suggests that Ms. Le Pen could still do better next time. If she can retain her identity as the candidate of the working class while continuing to burnish her leadership credentials, she can aspire to even greater success — assuming, that is, she survives that long.

What is left of the left?

Mr. Mélenchon was eliminated in the first round of the election, but his score of 21.9% exceeded most polling estimates. In the final days of the campaign, hundreds of thousands of left-wing voters de-

clined to vote tactically for Mr. Mélenchon in the hope of consigning Ms. Le Pen to the first round.

This unprecedented mobilisation of voters, which included exceptionally high turnouts in the depressed urban areas of French cities, came as a surprise. The French left had been hopelessly divided in the run to the presidential election, with six different candidates on offer. No one believed that they could mount a credible challenge in an ideological landscape dominated by the right and far-right.

Mr. Mélenchon's excellent score does conceal some major weaknesses: the combined vote of the left-wing candidates in the first round of the election was a little over 30%, which is the same as the combined votes for all the far-right candidates. The left has a long way to go before it can win again.

But, given this extremely unfavourable ideological climate, Mr. Mélenchon's performance was a source of hope. It showed that even in the face of disunity, France's powerful left-wing electorate could come together. And it also showed that some of the themes dear to the left — such as inequality — could be claimed by the left, instead of the far-right.

Most of all, Mr. Mélenchon's narrow elimination restored a much-needed clash of ideas to an exhausted and demobilised electorate. If the left can organise itself around a new set of candidates and ideas, it is well-placed to exploit the vacuum that will be open up when Mr. Macron steps down in 2027. Until then, the new President — who can fairly lay claim to a historic victory — will have to tread carefully.

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