



Anita Szűcs

## BUDGET WITHOUT A MAJORITY: THE CONVERGENCE OF FRENCH DOMESTIC POLITICAL CRISIS AND EUROPEAN FISCAL CONSTRAINTS

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### SUMMARY

- The adoption of the 2026 French budget through the use of Article 49(3) of the Constitution demonstrated that the institutional logic of the Fifth Republic remains capable of sustaining effective governance without a parliamentary majority; at the same time, however, such governance is increasingly reliant on exceptional procedural mechanisms.
- In the fragmented National Assembly that emerged from the 2024 snap elections, the budgetary debate centred less on compromise-building than on political positioning, resulting in a prolonged governing deadlock and structural instability.
- The postponement of the pension reform in exchange for the tacit support of the Socialists brought the tension between fiscal discipline and social cohesion to the forefront of French economic policymaking.
- On the revenue side, the budget responded to the constraints imposed by EU deficit targets through targeted tax measures and moderate expenditure restraint, while France's fiscal manoeuvring space remained limited within the European fiscal framework.
- The repeated use of Article 49(3) not only raises questions about the legitimacy of budgetary governance but also foreshadows a further deepening of political polarisation in the period leading up to the 2026 municipal elections and the 2027 presidential contest.

After several months of debate and significant delay, the parliamentary deliberations on France's 2026 budget concluded on 2 February 2026. The government ultimately secured adoption of the budget by invoking Article 49(3) of the Constitution, a provision that allows legislation to enter into force without a parliamentary vote, provided that the National Assembly does not adopt a motion of censure tabled in response to the procedure. Two no-confidence motions were submitted but rejected by the Assembly, and the draft budget law (Projet de loi de finances pour 2026, PLF 2026) was consequently deemed adopted.

Beyond ensuring the continuity of state operations, the adoption of the budget became a test of governmental capacity, the political risk premium attached to France's public debt, and the trajectory of defence spending and the national defence industry. Throughout the debate, political actors were already positioning themselves with a view to the 2026 municipal elections and the 2027 presidential election.



## **Adoption of the Draft Finance Law**

Since the snap legislative elections of June–July 2024, no durable governing majority has emerged in the lower house of the French Parliament. While minority government is common in several political systems, the French electoral system is designed to generate stable parliamentary majorities, traditionally ensuring consolidated executive authority. In the current Assembly, the National Rally (Rassemblement National) holds 122 seats. The largest parliamentary bloc is the New Popular Front (Nouveau Front Populaire), an electoral alliance composed of four left-wing parties: La France Insoumise (71 seats), the Socialist Party (69 seats), the Greens (Écologiste, 38 seats), and the Communist/GDR group (17 seats). The presidential camp, Ensemble pour la République, holds 92 seats, while the Prime Minister’s political group, Droite Républicaine, controls 49 seats.

No party or alliance approaches the 289 seats required for an absolute majority in the 577-member Assembly. Political blocs have constrained one another’s room for manoeuvre, and coalition compromise remains structurally underdeveloped within the institutional culture of the Fifth Republic. As a result, the governing coalition lacked a stable majority to pass the 2026 budget, while opposition actors prioritised political positioning over negotiated compromise.

The draft law was debated amid significant executive instability. Prime Ministers Michel Barnier (December 2024) and François Bayrou (September 2025) both fell during the broader political crisis surrounding the budgetary process. Their successor, Sébastien Lecornu, was tasked with crisis management and resolving the parliamentary deadlock.

The adoption of the budget constitutes a constitutional precondition for the functioning of the state. As a general rule, the finance law must be adopted by 31 December. Failing this, a temporary “loi spéciale” may authorise tax collection and the disbursement of essential expenditures—such as pensions and public sector salaries—pending the adoption of the full budget.

Given the parliamentary impasse, Lecornu invoked Article 49(3) three times during the debate—on the revenue section, the expenditure section, and the final text (20, 23, and 30 January 2026). Article 49(3) allows the government to assume responsibility for a bill—most notably the annual finance bill and the social security financing bill—such that the text is adopted unless an absolute majority supports a motion of censure within twenty-four hours of its tabling. The mechanism reverses the logic of parliamentary majority-building: rather than requiring the government to assemble a majority in favour of the bill, it requires the opposition to construct an absolute majority to bring down the government.

Although the use of Article 49(3) is constitutionally entrenched and historically recurrent—having been invoked more than one hundred times since 1958, including over thirty times during Emmanuel Macron’s presidency—its political cost remains significant. On 2 February 2026, two motions of censure were debated: the left-wing motion (excluding the Socialists) received 260 votes, short of the required 289; the motion tabled by the National Rally and its allies received 135 votes. The government’s survival was not secured by a formal supporting majority, but by the Socialist Party’s abstention, which prevented the formation of an absolute majority against it.

## **Political Bargaining and the Pension Reform Compromise**

Parliamentary deliberations crystallised around three principal budgetary clusters, the most politically salient being pension reform. The 2023 reform, which gradually raised the statutory retirement age



from 62 to 64 and accelerated the increase in the contribution period required for a full pension to 43 years, had been framed by the government as a cornerstone of medium-term fiscal consolidation.

In the context of the 2026 budget, pension reform functioned not only as a policy instrument but as a marker of political identity and legitimacy. The government viewed the reform as a mechanism to contain expenditure growth, improve long-term sustainability, and raise employment rates among the 55–64 age cohort. The left, by contrast, framed pensions as a symbol of social justice and labour protection, deeply embedded in France's social model.

To secure political survival, the government agreed to postpone the effective implementation of the increase to 64 years until after the presidential election, in exchange for the Socialist Party's decision not to support the motion of censure. While this compromise was politically expedient, it implied a relative loosening of the originally envisaged fiscal trajectory.

The broader fiscal context amplified the stakes. France aims to reduce its deficit to approximately 5 per cent of GDP in 2026 (down from roughly 5.4 per cent in 2025) and to return to the EU's 3 per cent threshold by 2029. Pension expenditure affects not only medium-term budgetary balances, but also labour supply dynamics and sovereign risk perception in financial markets. The partial suspension of reform therefore had implications extending beyond domestic politics, touching on debt sustainability and borrowing costs.

### **Revenue, Expenditure, and Corporate Taxation**

On the revenue side, the government avoided broad-based tax increases affecting households. Instead, the final package relied on targeted measures: the retention of the temporary surcharge on large corporations (approximately €7.3 billion in revenue), the extension of a temporary levy on the highest-income households (approximately €650 million), a new measure targeting luxury assets held through corporate structures (approximately €100 million), the indexation of income tax brackets to inflation, and the introduction of a €2 levy on small imported parcels (approximately €400 million).

The political logic of the compromise was dual: the government could claim that middle-class households were shielded from visible tax burdens, while the Socialists could emphasise a more equitable distribution of consolidation costs.

On the expenditure side, net spending cuts were reduced to approximately €9 billion, compared to an initial proposal of around €17 billion. Key ministries—including the interior, justice, and defence—were only moderately affected. The dynamic illustrates a structural feature of minority governance: while fiscal consolidation is widely acknowledged as necessary, specific retrenchment measures tend to be diluted through political bargaining.

The debate over corporate taxation—particularly the future of the *Cotisation sur la valeur ajoutée des entreprises* (CVAE)—highlighted tensions between competitiveness concerns and fiscal constraints. Previously envisaged reductions were postponed or slowed in light of deficit targets and limited fiscal space.

### **Beyond Administrative Continuity: Markets, Defence, and Electoral Politics**

The stakes of the 2026 budget extended well beyond administrative continuity. For both the government and financial markets, expenditure restraint was a matter of credibility. Persistent uncertainty over the deficit trajectory risked translating into higher sovereign spreads and borrowing



costs. Credit rating agencies pointed to the polarised parliamentary process as a constraint on credible consolidation.

Defence spending constituted the second major strategic dimension. The 2026 budget allocates an additional €6.5–6.7 billion to defence, bringing total spending to approximately €57.1 billion, in line with France’s multiannual military programming law. In the context of the war in Ukraine, Middle Eastern instability, and broader European deterrence debates, defence outlays reflect both geopolitical imperatives and industrial policy considerations.

As the March 2026 municipal elections approach (15 and 22 March), budgetary politics increasingly intersect with campaign dynamics. In France, municipal elections carry significance beyond local governance: they shape territorial party entrenchment, organisational networks, and perceptions of national political momentum between presidential cycles. Mayors hold dual legitimacy as both local executives and representatives of the state, rendering municipal office a powerful political platform and a potential springboard for national careers.

For the governing coalition, the budget’s adoption reinforces a narrative of institutional stability. Les Républicains emphasised fiscal discipline and predictability, appealing to older and more affluent middle-class constituencies. The Socialist Party used the negotiations to project governmental responsibility while extracting visible concessions on pensions and tax equity. La France Insoumise and the Communist Party criticised the repeated use of Article 49(3) as undermining parliamentary deliberation, targeting younger and more system-critical voters. The National Rally framed the process as evidence of governmental incapacity, appealing to working-class and economically vulnerable constituencies sensitive to cost-of-living pressures.

### **Institutional Implications**

The adoption of the 2026 budget was a necessary but not sufficient condition for alleviating France’s political deadlock. It has reopened fundamental questions concerning the institutional logic of the Fifth Republic: how long can executive governance persist without a stable parliamentary majority, and where lie the limits of political legitimacy when Article 49(3) becomes a recurrent instrument of law-making? These questions will shape not only the municipal elections, but also the trajectory toward the 2027 presidential contest.

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