

Attitude Adjustments

By John Mauldin | July 13, 2024



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We are in the time of year when Americans pack transatlantic airliners for their European vacations. I had actually hoped to be one of them. That didn't work out but we can still *talk* about events in Europe. And we probably should, because potentially major changes are happening.

Maybe I should say *more* changes are happening. Europe has already changed quite a bit since the UK voted in 2016 to leave the European Union. Whether you think those changes were good or not, they were certainly significant—economically, geopolitically, and socially. The departure of one of the EU's top economies, and one of its two nuclear powers, mattered in multiple ways.

Last week, the Conservative “Tory” party lost control of Britain's parliament for the first time in 14 years, ushering in a Labour government to face serious challenges. Across the channel, Marine Le Pen's populist movement failed to take control as some expected, but still gained seats in a national assembly where no one party has a majority. The resulting deadlock may leave France paralyzed as, like the UK, major problems grow.

None of this is on the radar for most Americans, as we are consumed with our own drama. Yet it's all connected. Brexit, Trump, France—these are part of a larger, global trend. Some people want to free themselves of intrusive governments and undesirable social changes. Others want more government involvement and protection. Some are just plain frustrated with how things are going. They aren't all angry in productive ways, but they share some common emotions.

I have been writing about this topic as it affects the US for some time, but I think looking around the world may help us better understand what's happening in our backyard. And maybe help those around the world (some 15–20% of my readers) who are scratching their heads at the US to better understand as well.

French Connection

Some basics. As in the US, in France they elect a president, but the role is quite different. Emmanuel Macron is head of state but not head of the government. Members of the National Assembly (lower house of the French Parliament) form a government with a prime minister and assorted lower officials. This often requires some coalition of parties to iron out a power-sharing deal. Once they do, the president becomes generally responsible for defense and foreign policy, while the prime minister and his/her government are in charge of domestic matters.

Among the French president's limited domestic powers is the ability to dissolve the National Assembly and call new elections. Macron did so last month, reacting to an unexpectedly strong showing by Le Pen's National Rally party (known as the RN) in the separate European Parliament elections.

Keep in mind, Macron didn't *have* to do this. It was a political choice, one that may have backfired. Ahead of the voting, Ian Bremmer tried to explain what Macron was thinking.

“Macron surprised even his closest allies by calling early legislative elections moments after his camp's 17-point defeat to Le Pen's far right in this month's European Parliament elections. This was a serious gamble for the president to take from a position of weakness, putting his own legacy as well as the stability of France—and Europe—on the line.

“The gambit was probably based on several calculations.

“First, Macron—who'd lost his parliamentary majority in the 2022 legislative elections—was likely to be forced into calling early elections later this fall in any case, when a flurry of censure motions was expected in the National Assembly on the 2025 deficit-cutting budget and other reforms. If Prime Minister **Gabriel Attal**, a Macronist, lost one or more of these motions, the president would have been pressured to dissolve the Assembly anyway. By doing it himself now instead, Macron figured he could own the Gaullist choice to take notice of the “will of the people,” seize the narrative, and control the timing to his advantage.

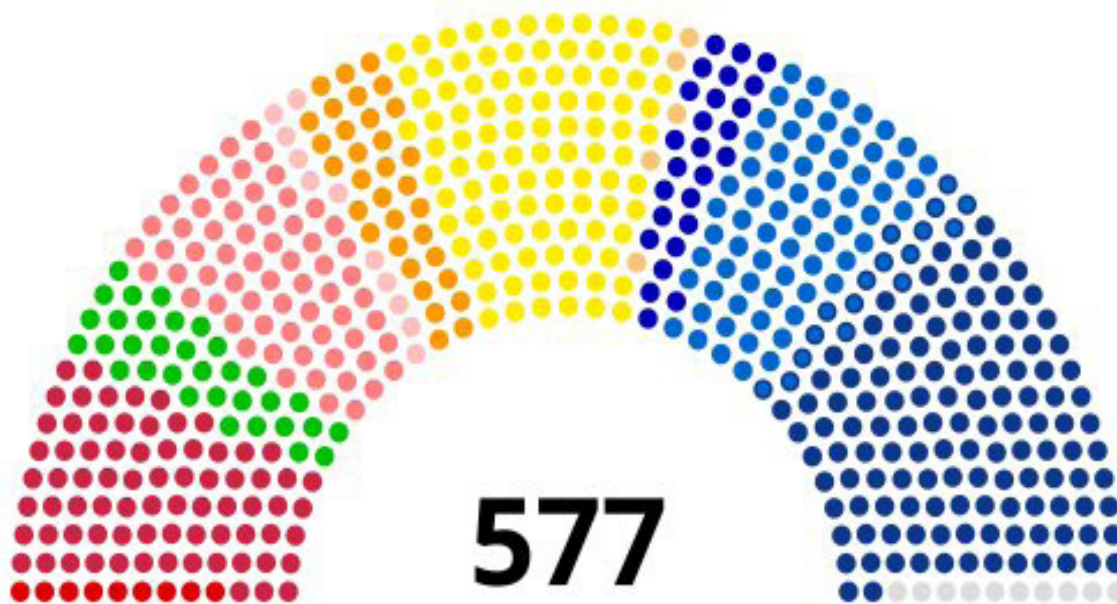
“Second, Macron sought to call the electorate’s bluff by raising the stakes of the contest (or forcing a “moment of clarification,” as he called it). The president hoped that the far right’s record-high support at the EU level represented a protest vote that would collapse once the future of France itself was on the ballot, the far right’s incompetence and incoherent policies were under scrutiny, and moderates who stayed home on June 9 turned out. A national election was less structurally favorable to the far right than a European campaign, at least in theory.

“Third, Macron was banking on the French left remaining hopelessly divided, after months of vicious infighting over the Ukraine and Gaza wars ended with a refusal to unite for the European elections. A fragmented left would have splintered one of the two political extremes and made Macron’s centrist alliance the only home for moderate left voters looking to thwart the radical right.

“Alas, it seems Macron miscalculated—badly.”

That last part is not entirely clear yet. Macron allies worked with leftist parties to hold off Le Pen, who is now sidelined at least temporarily. But doing so produced a strange mix that will have a hard time agreeing what year it is, much less forming a government.

In the 577-seat assembly, some party or coalition of parties needs 289 to form a majority. The colors here show how difficult that will be, even without knowing what each color represents.



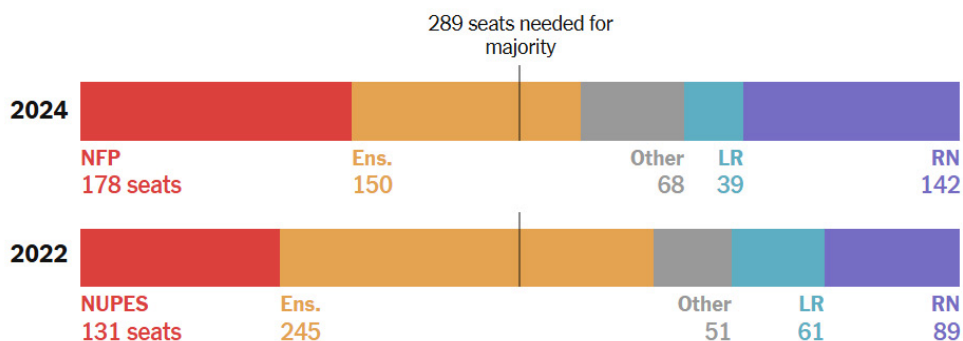
Source: [Andrew Neil](#)

There are four parties usually described as “left wing,” but they have significant differences. In this election, seeing what appeared to be a potential blowout by Le Pen’s RN party, the left united under a banner called the New Popular Front to run only one candidate in competitive districts. By not splitting the vote, they were able to get a combined 178 seats out of 577, up from 131 in 2022. That plus the increase from 89 to 142 by the RN shrank Macron’s centrist party from 245 to 150. But it also kept National Rally from getting what could have been close to a majority. *The New York Times* offered a great graphic illustrating this.

2024 results by group

Group	Pct. of votes	Seats
New Popular Front (NFP)	26.9%	178
Macron + Allies (Ens.)	22.3	150
National Rally + Allies (RN)	37.3	142
The Republicans (LR)	5.1	39
Other Right	3.5	27
Other	5.0	41
+ Show more		

Number of seats won in 2024 compared with 2022



Source: Ministry of the Interior

Source: *The New York Times*

Note that National Rally got 37% of the vote which if it were proportional would have given them 213 seats. This is just a product of their system, not unlike some of the disproportionate representation that we get in US congressional and national elections. It’s just the way they do it. Protests are a national sport in France, but I can’t remember a protest/riot on the part of the left when they actually won. Oh, well...

Talks are underway but it is hard to see a plausible combination with enough votes to form a government. Macron might have to appoint a “caretaker” government with very limited powers. New elections aren’t allowed until June 2025. Alternately, Macron could make deals with left-wing parties to form a government. That would no doubt come at the expense of his own more centrist agenda.

(By the way, does anyone else find these terms “left” and “right” increasingly meaningless? We use them for convenience, but they rarely describe what we think. “Far left” and “far right” are even harder to define. I think most readers would generally assume that I am on the right and conservative although a lot of my positions have evolved, some dramatically, over 7 decades. Yet I really can’t imagine being associated on the same political spectrum as Le Pen. Another example of the old ways breaking down, perhaps.)

Where is this leading France? As of now, it seems a hung parliament is the most likely outcome, which will likely mean new elections in a year or so. By then, Le Pen and the RN may look more attractive. Their main issues are immigration and nationalism, which are not going away. And that’s what really interests me. *Why* is the RN gaining ground?

Well, just look at Macron. He is what you would get if a laboratory created a test-tube “elitist.” He has it all: educated parents, the best private education, philosophy degrees, exemption from military service, a stint in investment banking before entering politics. Maybe the idea that Le Pen—whom he had already defeated once—could threaten his destiny just didn’t compute.

If so, this election was Macron’s own fault. He has had plenty of warning. The 2019 “yellow vest” protests over a fuel tax hike, and others that followed, should have told him the rural regions and working class were deeply unsatisfied. A crime-generating immigration surge caused further unease. Many French people feel left out in their own country. Voter turnout was 60%, the highest in 20 years. People obviously wanted to make their voices heard.

Sound familiar? It should. But Macron and his elite supporters didn’t want to hear it. But now they heard it, good and hard. And as we will see, this is not just the French doing their thing.

Curled Upper Lip

Something similar is happening in the UK. The Conservative (aka “Tory”) Party has held power since 2010, during which time life grew increasingly difficult for most voters. Yet a series of Tory leaders didn’t want to hear it.

The British stiff upper lip seems to have finally curled, as last week’s elections tossed out the Tories and made Labour leader Keir Starmer the new PM. And a bit like France and other European countries, the UK has many additional parties. Nigel Farage’s anti-immigration Reform UK Party is also in the mix. But for now, Labour is getting its turn.

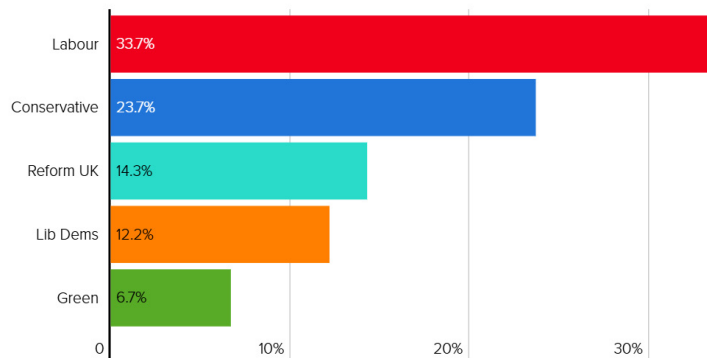
Will a Labour government do any better? We’ll see. From what I read, the unhappiness seems less about ideology or policy and more about *attitude*. Rishi Sunak’s elites looked hopelessly out of touch with regular people. The UK has problems and voters saw little sign Tory leaders were capable of (or interested in) fixing them. The constant change at the top with not much to show for it just increased frustration.

The outcome in the 650 member House of Commons looked like a landslide, but looking deeper it was anything but. Again, it is the rules of their system and Labour played it well. The British have a “first past the post” system, which basically means whoever gets the most votes wins. Combine that system with many different parties in the mix and you get odd discrepancies between vote totals and seats in Parliament. In this election, 13 different parties won at least one seat. Labour candidates got 34% of the votes but it produced 60% control of Parliament.

Here are some more NYT charts to illustrate.

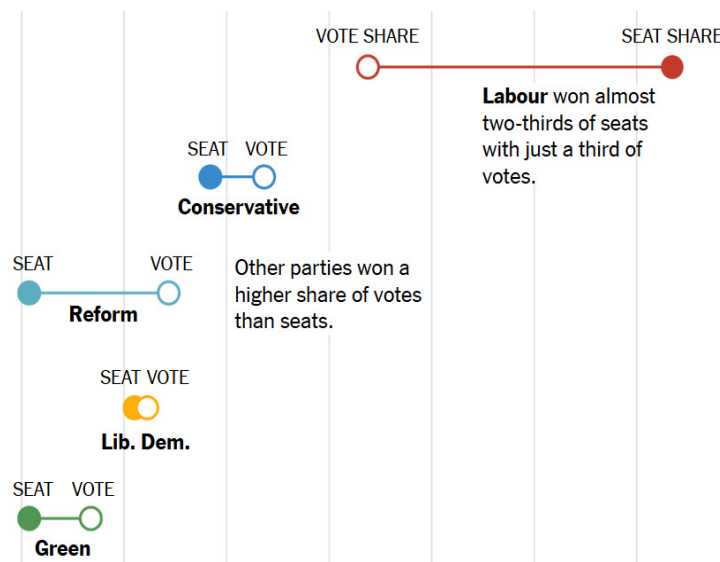
NATIONAL VOTE SHARE

The five parties with the largest vote share.



Source: The New York Times

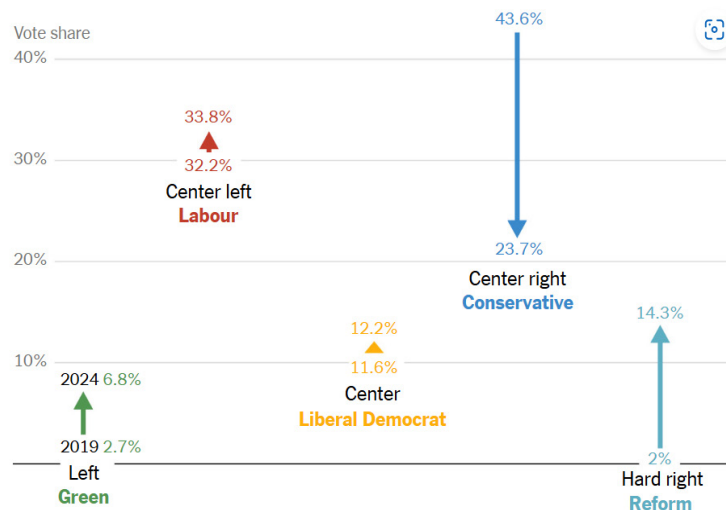
Labour’s taking so many seats had the mathematical effect of leaving the smaller parties with fewer seats than their share of the votes would have implied. This looks strange to American eyes but again, it’s just how their system works.



Source: The New York Times

Comparing this election to the last one in 2019, the voter movement looked like this:

Support for the hard right surged



Source: The New York Times

As you can see, it is quite accurate to see this election as more of a Conservative loss than a Labour win. Labour’s share of the votes increased only slightly. What appears to have happened was a defection of previously Conservative voters to the “hard right” (whatever that means) Reform Party.

That suggests Labour’s majority may not be as solid as it looks. Anatole Kaletsky said (in a note we shared with [Over My Shoulder](#) readers this week, by the way) he expects voters will be disappointed soon, precipitating a crisis in the next year or so.

Voter Pushback

But politicians are only part of the problem, and not just in the UK or France. Voters and citizens around the world want their governments to do the impossible. The leaders are happy to promise it.

Arguably, some of what we’re seeing is just anger at whoever is in charge. Not everything is the government’s fault, but it’s easy to blame politicians for all (or most) of it. We have a convenient tool (voting) to punish them. In this case, the post-COVID inflation on top of immigration and other issues gives people many reasons to be dissatisfied.

The problem, however, is that voting against someone necessarily means you are voting *for* someone else (even if it's by omission). Whoever wins may or may not be an improvement. Dissatisfied voters are increasingly willing to try alternatives that not so long ago were considered unacceptably extreme. The alternatives aren't always winning (i.e., Le Pen) but many are gaining ground.

(As with all trends, this one has exceptions. Last month, Mexico overwhelmingly elected Claudia Sheinbaum to succeed outgoing President Andres Manuel Lopez Obrador. Their Morena party, often described as "left wing populist," also made big legislative gains. But the notable part here is Mexicans voted *against* change. Anger at the status quo isn't universal, or at least not equally severe everywhere.)

Unhappiness is clearly rising in most of the developed world (we haven't even mentioned Germany and The Netherlands). Those currently on top are feeling the heat. I think Geopolitical Futures analyst Antonia Colibasanu nailed it last week with the following line (my emphasis):

"More than three out of every five French voters in the first round supported parties whose views were once considered extreme. Labeled far-right or far-left, many of them are united in their animosity toward the so-called center and what they perceive to be its elitist governing style."

There's that word again: "elitist." It is quickly becoming a global epithet. And not without reason.

Glaring Hypocrisy

Regular readers will recall Dr. Peter Turchin's research on "elites" in society. I wrote two letters about him last year (see [The Science of Cycles](#) and [Noble Sacrifices](#)) and then had him at SIC on a panel with Neil Howe and George Friedman. I think Turchin's concept of "elite overproduction" is key to understanding the world today.

Briefly, throughout history societies have split into elites and commoners, though of course not using those terms. A small group acquires wealth and education, or wins a genetic lottery (inherited royalties), then uses those advantages to become self-perpetuating. They and their descendants grow accustomed to privilege.

Over time, the number of elites expands, and they eventually begin competing against each other. There's simply not enough "privilege" to satisfy all those who think they deserve it. But the elite attempt to maintain their positions causes what Turchin calls "popular immiseration." The masses become miserable, or at least see their comparatively lower living standards, and blame the elites, who are at the same time fighting amongst themselves. It becomes (again using Turchin's term) a "revolutionary situation."

Turchin says there are only two ways out of this box. One is an overthrow of the elites, which typically doesn't happen peacefully (i.e., the French Revolution and its guillotines). The other is for the elites to admit their untenable positions and accept serious reforms.

I think US and European societies are approaching this decision point. Frustration has been building for decades but just the last 20 years or so have brought it to a head. People are tired of being told how to live their lives by those who don't have to struggle. Inflation just reinforces this.

Boris Johnson's COVID parties are perhaps the clearest example. The hypocrisy was just so glaring as the same person who ordered restrictions on everyone else simply exempted himself. Remember the photos of Queen Elizabeth sitting alone at her husband's funeral? Thousands of British families suffered similar anguish. Johnson, who made the rules, felt no obligation to respect them himself. Neither did Gavin Newsom in California or assorted other elites in many places.

We know change is coming. The question is how it will happen. Turchin points to some historic examples of elites bowing to peaceful change. It is possible but rare. The debt crisis I've been describing will bring some very tough choices, but they may be only part of a longer list.

Whatever you may think of Trump, he has somehow positioned himself as the anti-elite. I suspect historians will write many books on how a billionaire became a populist. But this was kind of Turchin's point. Trump was an elite but somehow didn't seem elitist to 46.1% of the voters in 2016 and then 46.8% in 2020. As I often quip, I've been to three hog callings and two county fairs, and was very active in party politics in a past life, but I never saw this coming. By the way, the also anti-elite Bernie Sanders gave both Clinton and Biden strong opposition for the Democratic nomination.

It's been a long, strange trip. And it just seems to be starting.

NYC, Fishing and I've Got Mail

It looks like I will be in New York City sometime in mid-August. Then Shane and I will be doing my northwest British Columbia fishing trip with 30 of my readers in the last week of August.

Thank you to everyone who visited our new [Mauldin Economics community website](#). I had an enjoyable Saturday interacting with the comments about the Chevron decision. I'm pretty sure that was the most response that I've had in 25 years of writing this letter. It went from mostly very favorable to a smaller but vocal group who disagreed. I appreciated those comments, too. I read them all and enjoyed the feedback.

And speaking of feedback, some readers let us know the new platform's registration process is a bit cumbersome. We hear you and are working to improve it. Meanwhile, please [sign up](#) if you can, then tell me (and all our other editors) what's on your mind.

It is clearly vacation time here in Dorado Beach. I was having lunch with a friend (and longtime reader) at the club which is generally pretty active. There were just two tables during our long lunch. There were three times as many staff. The usually lively and energetic gym is a comparative ghost town. That will change next month as families return to get their kids in school. I look forward to seeing more activity.

The social interaction is a small distraction from my aggressively overtaxed schedule of finishing my book, writing a new business plan, researching these letters, and more. I turn 75 in a few months but retirement is not even remotely on my radar.

And with that, I'll hit the send button. You have a great week and don't forget to [follow me on X!](#)

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