

Did the French bond markets collapse when Françoise Hollande...

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[Michael Burke has noted](#) in the Socialist Economic Bulletin:

The victory of François Hollande in the French Presidential contest provides a further insight into the operation of the bond markets. It is frequently argued that there can be no retreat from 'austerity', which in reality is simply the transfer of incomes from labour and the poor to capital and the rich, because the bond markets will recoil and long-term interest rates will soar. This is important as significantly higher long-term interest rates could, unchecked, choke off recovery.

As the new French President has made some gestures in the direction away from 'austerity', then it should be expected that at least French long-term interest rates would rise as a result. But French government bond yields have fallen since the Socialist victory, by 18bps (basis points, equivalent to one hundredth of a percentage point, or 0.18 per cent). Ten-year French government bond yields declined to 2.79 per cent, lower than before the election.

So much for the markets will run away from austerity. As Michael notes:

The repeated assertion that pro-growth policies cannot be adopted because of the negative reaction of the bond markets is a false one.