



Interview: Alain Juppé, Paris financial chief

Deputy director of Jacques Chirac's presidential campaign during 1981, Alain Juppé is currently the Paris Mayor's Director of Financial and Economic Affairs. M. Juppé is the founder and General Secretary of the "Club 89," one of the many groups created in the wake of the Socialists' electoral victory to gather the forces of the opposition.

The following are excerpts from an interview conducted in Paris on May 6 by Dana Sloan of the EIR French desk.

Sloan: What is your judgment of the results after one year of Socialist rule?

Juppé: One year is not long enough a period of time to permit us to make a judgment, but it is sufficient to have a certain idea of the impact of the government's first measures. This Socialist experiment got off to a bad start in several areas, psychological, political and economic.

Let's begin with the economic situation. The French economy has deteriorated in one year, but also a process has been started which I think is even greater cause of concern for the future. Let me give you three examples. First, unemployment: between April 1981 and now, the number of unemployed has risen by three to four hundred thousand, and the apparent stabilization since the beginning of the year must not give us any illusions. This time of year, there is always a seasonal decrease. Secondly, inflation. The President of the Republic declared a few days ago in a speech in Limousin that France is one of the few Western countries where the inflation rate has dropped—I must admit I was rather stupefied to hear this, because exactly the opposite is the case. France is one of the few Western countries which has *not* succeeded in reducing its inflation rate. According to the figures for March, we are going at an annual rate of 13 to 14 percent. Now, the difference between France and its other partners has practically doubled from three points to six.

The third element of our diagnosis of the economy is of course the currency. We had a first devaluation last October, and at the present time the franc is in a particularly unstable situation. In France we have a tendency to

put all the responsibility on the dollar, saying that the problem is that the dollar is too high because of the high interest rates. In reality what is happening is that when the dollar goes up, the franc goes down, but when the dollar drops, the franc does, too.

I don't think that this is the result of international speculation, but that it is the reflection of judgment on the prospects for the French economy. It reflects, for example, our trade situation. Foreign Trade Minister Michel Jobert himself estimates that the deficit will be on the order of 100 billion francs for 1982, which is a hair-raising figure.

What seems even more serious are the prospects ahead, since the deterioration of the economic situation has not yet really been felt in daily life. But people will become more and more conscious of the deterioration as time goes by. I think the most serious aspect is the French economy's loss of competitiveness, starting with the increase in social and tax costs to business. . . .

Secondly, you have the reduction of weekly working hours without a corresponding compensation [reduction] in wages. This is already a serious problem for a reduction to 39 hours, but if the same tendency were to continue for 38, 37 or 36 hours, it will become absolutely catastrophic.

Thirdly, you have Labor Minister Auroux's project with respect to trade-union power in firms, which is now under consideration. The Auroux project would generalize trade-union meetings in the plants and set up obstacles in business. Some have estimated the cost as 2 or 3 percent of total wages, which is quite extraordinary. I think all these decisions will aggravate our situation with respect to productivity and competitiveness, and this is what seems most dangerous for our economy.

Sloan: Jacques Chirac seems to be leaning further toward economic liberalism. Is that to differentiate himself from the government's Socialist policy?

Juppé: One of Jacques Chirac's economic ideas is that in France, today, the weight of the state in the economy,

through taxes, social costs, regulations of all kinds, and nationalization, has become excessive. And he is convinced that the dynamism of the economy, growth, and the creation of new wealth must not come from the state but from the productive sector.

But you are wrong if you think that is to differentiate himself from the Socialist experiment. Of course, it is the counterpoint to the Socialist experiment, but Chirac said this before 1982, before 1981, and since I actively prepared his campaign, I could cite speeches from the 1977-78 legislative elections where he was already speaking along these lines.

What you have to see is that what has been happening in France since the Socialists came into power is an acceleration of a phenomenon which already existed before; and since approximately 1970 to the present, the weight of taxes and other expenses has constantly increased. So this sort of "stabilization" of the economy, or creeping socialism, began a good 10 years ago. . . .

Sloan: In the United States, the policy of the Federal Reserve under Paul Volcker has been to maintain interest rates at usuriously high levels. The same policy was followed in Great Britain, under Thatcher. This has led to a reduction of inflation, but at the expense of production, which has dropped 2 percent for every 1 percent drop in inflation. So isn't the remedy being proposed even more serious than the illness?

Juppé: Absolutely. I was in the United States about a month ago, where I was in contact with a number of economic officials and experts in Washington. What struck me is that there are two sides to the economic debate in the United States, what are called the supply-siders and the monetarists. Each side more or less throws the ball into the other camp. Some people I met said that if the tax cuts didn't work it was because they were only 1 percent the first year, so it was really symbolic, and because at the same time the Fed is carrying out a strict monetarist policy. I don't think that our present monetary difficulties mean that the [supply-side] is erroneous.

As for monetarism, I have some reservations. To try to control the quantity of money put into circulation—in France this is done through control of the actual quantity by telling the banks that they cannot increase their lending by more than x percent above the previous year. This presents many inconveniences because it completely freezes things, while use of interest rates leads to what we have seen in the United States, and I think that since monetarism is based on long periods, the conjunctural cycle becomes extremely difficult. I have to admit that on this problem there is a kind of vacuum in economic thinking; no one has any real answers as to what to substitute.

I was very struck during this trip to the United States

when someone told me "Jacques Rueff was right," that we cannot regulate economic activity through the quantity of money but through the price of money, and so must come back to a standard which would permit us to determine in a stable fashion the price of money. That being said, I think these are ideas which are still somewhat marginal, so there is a kind of disarray in economic thinking.

Sloan: The political climate in France appears very violent. Where are we headed?

Juppé: This is quite true. I think there are risks of confrontation, which for the time being have remained verbal, but with an escalation. We have to wonder how far it will go. The Socialist regime bears the burden of responsibility primarily for the deterioration of the political climate since, so to speak, it was the Socialists who fired first with their party congress in Valence last year, and the absolutely extraordinary statements that were made about the necessity for heads to roll in the police and the administration [which are state-controlled—ed.].

I willingly admit that the opposition also has a tendency sometimes to respond to sectarianism with sectarianism. I recognize that there have been a certain number of excessive declarations from the opposition as well, people who gave in to a verbal "upping the ante."



Interview: Jean-Marie Rausch, Mayor of Metz

The following interview with Jean-Marie Rausch, Senator and Mayor from the city of Metz in the industrial Lorraine region and president of the regional council of the Moselle department was conducted in early June by EIR Wiesbaden Bureau chief Philip Golub. A member of the Centre des Démocrates Sociaux (CDS), Senator Rausch played an important role in the fight last year to prevent the Socialist government from stopping construction of the Cattenom nuclear reactor, considered to be the necessary component