French general strike shows Chirac, 'no man can serve two masters'

by Christine Bierre

The general strike organized by the government employees unions on Oct. 10, and joined by the unions for the public sector companies, was a complete success. Called to protest Prime Minister Alain Juppé's decision to freeze wage increases of civil servants, the strike has very clearly defined the limits that the unions are setting to any type of austerity policy the government might try to impose. Indeed, even though what the government was demanding—no further wage increases will be negotiated as of 1996, although the State will honor increases previously negotiated to begin in 1996—cannot be yet considered as massive austerity, the unions suspect that this is only the beginning of a general austerity drive. They see no reason why lower- to middle-income workers should bear the brunt of France's economic crisis, while no measures are being taken to tax speculative profits.

The average rate of participation in the strike, which involved more than 5 million workers, was 55%, with the highest rates in the sectors of public education, 58%; transport, 50%; postal services, 56.9%; unemployment office personnel, 41.6%; telecommunications, 64%; the national gas company (GDF), 58%; and national electricity company (EDF), 64%. Demonstrations brought out over 100,000 people in Paris and about 10,000 average in each of the major cities. This is considered very high, since the demonstrations were only one element of the strike strategy.

Barely four months after the election of President Jacques Chirac, France is thus rapidly approaching a turning point—what the great German poet Friedrich Schiller called the *punctum saliens*—which will very much define the future of the country. Chirac was elected on the basis of a fundamental misconception: the idea that the government would be able to fight the serious social imbalances created by the global and domestic economic crisis, while, at the same time, reducing the budget deficit in order to meet the "convergence criteria" for joining the single European currency, as set forth in the Maastricht Treaty.

The President's dilemma

The dilemma takes the following form. On the social side, unemployment has reached a breaking point: One out of four French workers is eiter out of a job entirely, employed in a precarious, State-financed make-work project, or receiving special social assistance benefits created in the recent years to assist the long-term unemployed, who have no prospect for getting new job. Living standards for the majority of the population, and especially for the poor, have declined over the last years, with the level of homelessness reaching the 500,000 mark. The process is feeding social tensions to such an extent that one of Chirac's election themes was his commitment to fight the "social fracture" of the country. It was the fact that Chirac addressed that problem, promising to create jobs, housing for the poor and the marginalized, and to reconstruct the poor suburbs through a Marshall Plan-style program—as well as his foreign policy of justice toward Africa, the Middle East, and eastern Europe—that gave him the victory. On the strength of his promises, many who traditionally vote for the left wing, cast their votes for "social Gaullist" Chirac. Within those layers, the expectations he raised for a real change were immense.

However, Chirac also promised that he would reduce the State deficit and indebtedness, reduce taxes, and pare down the overall weight of the State in the national economy, in order to please the international financial institutions and the liberal economics proponents in the right-wing majority of his RPR party.

But, if France is to comply with the conditions of the Maastricht Treaty, which the country subscribed to in 1992, the government has no choice but to adopt austerity, which runs totally contrary to Chirac's commitment to fight the "social fracture" with all that that implies in terms of increased government spending. According to the Maastricht "convergence criteria," no country will be allowed to take part in the single European currency or European central bank arrangements set to go into place at the end of the century, unless it meets five conditions; the most stringent establishes a limit of 3% of GNP for a State's budget, and 60% for public indebtedness.

France's budget deficit is currently at 5%, and massive international pressure has been brought to bear for France to bring down the deficit, by the International Monetary Fund, the Organization Economic Cooperation and Development, European monetary committee, German Finance Minister Theo Waigel, and German Central Bank head Hans Tietmeyer. The massive speculation against the franc originating, as Prime Minister Juppé aptly stated, from the "London gnomes," is part of those pressures aimed ultimately at replacing Juppé with an economic liberal more pleasing to the City of London, such as former Prime Minister Edouard Balladur or even the hated former Interior Minister Charles Pasqua. The French liberal right wing is also pressuring the State to cut spending, in order to reduce taxes which, they believe, hamper what they call economic recovery, meaning speculation. These are the currents that Mont Pelerinite Alain Madelin, before Juppé abruptly fired him as finance minister, represented within the government and the present right-wing majority.

Pleasing no one, enraging them all

Given all these campaign promises, the hour of truth is now bearing down on the Chirac government, and its maneuvering room is very small. The State is reduced to taking ridiculous administrative measures, cutting a bit here and a bit there, and distributing small hand-outs left and right, all the while never raising the issue that the international financial system is on the verge of a blowout. This prevarication is creating across-the-board discontent with the government.

- By firing Alain Madelin for calling for civil service layoffs and eliminating retirement benefits which civil servants enjoy relative to the private sector, the government pleased the unions but angered the right-wing majority in its own party, all of whom were elected in 1993 on the basis of Balladur's economic liberal platform and who are still deputies today.
- A series of measures eliminating inducements to purely financial investment, aimed at obtaining 10 billion francs more in taxes, infuriated the middle class who have been putting their savings into such investments over the last years.
- To appease the disgruntled liberal right wing, Juppé then announced that he was freezing wage increases for civil servants, a decision which provoked the national strike of Oct. 10.
- Juppé also adopted a series of petty measures aimed at fighting fraud against unemployment and welfare funds, and tightened the laws against illegal immigration, measures which infuriated the left wing.
- Finally, the 1996 budget adopted by the government last September, which showed a 1.8% growth, provoked widespread discontent among the liberal right wing and others, who wanted far more cuts. The fact that taxes increased across the board, while as a candidate, Chirac had promised tax reductions, also created an uproar among those circles.

Having decided not to act against the real disease causing the international economic crisis, that is, the cancerous growth of speculation, which Chirac himself denounced at the July Halifax summit of the Group of Seven, the President is left with undertaking minor administrative measures, nowhere near adequate to meet the enormous expectations raised by his campaign. Seeing the pace at which the international financial crisis is ballooning and the rapidity with which discontent has developed against his government, Jacques Chirac does not have much more time left. The only way out is the one elaborated by LaRouchean economist Jacques Cheminade during his bid in the Presidential campaign: Move for a financial reorganization of the international monetary system, bury the Maastricht Treaty, and replace it with a Euro-American Marshall Plan for reconstruction through large-scale infrastructure projects of the eastern European and the North African economies.

German Finance Ministry defends derivatives

In late September, the Germany Finance Ministry responded to a petition on financial derivatives and economic emergency measures by the Civil Rights Movement Solidarity (BBS), sent to the Committee of Appeals of the German Parliament. The reply says that BBS references to "casino economy," "exposure of German banks," and "necessary countermeasures," are nothing but "exaggeration and panicky." Moreover, it says, the "usefulness of derivatives for the worldwide economy" is "beyond any doubt." They are "useful and necessary." Central banks and supervisory agencies have done a good job to limit risks. However, nobody can prevent "individual criminal activities."

The ministry acknowledges that there were some "problems" with the international financial system in recent times, such as the Mexico crisis or the 1992-93 turmoil in the European Monetary System: "However, this absolutely does not mean, that the international financial and monetary system has become unstable. Its adequate functioning was never at stake, including the high point of the currency crisis in Mexico. The close international cooperation in the G-7 circle, and also in many other international groups, and the central role of the international financial and economic institutions (IMF, OECD), are guarantors for an essentially stable and successful international financial and monetary system."

The BBS proposal for Hamiltonian countermeasures drew fire: "Using the central bank for financing public investments" cannot be tolerated, replied the ministry, comparing Alexander Hamilton's establishment of a national banking system for credit creation to such "currency reforms" as the destabilizing "currency reforms" after both world wars.—*Lothar Komp*