'Hot autumn' in France may finish off foolish Chirac

by Christine Bierre

As France moves into its September *rentré,* after the summer vacation period, President Jacques Chirac is facing a combined economic, social, and political upheaval, brought about by his craven efforts to bring the nation into line with the economic dictates of the Maastricht Treaty.

On the economic side, all the indicators are in the red: The public deficit, indebtedness, unemployment are all on the rise, as the franc and the stock market hit all-time lows. Worse, the country now faces the specter of deflation and a depression. On the social front, political commentators and trade unionists are warning of a revolt this autumn, comparable to the mass strikes of last December. Politically, Chirac and his government will have to deal not only with a more determined left-wing opposition, but with widespread discontent and demoralization in his own camp. Day after day, the leading figures in the parliamentary majority—former Prime Minister Edouard Balladur, arch-monetarist former Finance Minister Alain Madelin, former Interior Minister Charles Pasqua, and National Assembly President Philippe Séguin—make known their opposition to the government policies.

What went wrong with the Chirac Presidency, in such short period of time? Where is the Chirac who took power just 18 months ago, and like a little Bonaparte, defied the world by relaunching nuclear tests? Where will the chauvinistic Chirac be in the weeks ahead, who claimed to teach the United States the lesson which de Gaulle wasn't able to teach?

Lyndon LaRouche situated the crisis in France within the context of the collapse of Maastricht, which he called "a scramble. It's part of the process of the ongoing wave of disintegration of the world's banking system. Nothing is working. There's a lot of pretense by governments and by news media, *to pretend* that there is no such crisis, but the crisis keeps coming. It's just like King Canute yelling at the waves: 'Don't come, waves!' But the waves keep coming." Speaking on Aug. 29 with the "EIR Talks" radio broadcast, LaRouche continued: "The Maastricht Treaty is going to be scrapped, in its present form anyway, probably totally. . . . You have a general strike in France, which may be the end of Jacques Chirac . . . the man is a stupid, petty-minded, cowardly, fool, who's made himself a total agent of the British, and I think they're about to throw him in the fire, along with the rest of the other fatheads."

A disastrous economic program

The economic plan that Prime Minister Alain Juppé adopted at the end of last year, over widespread popular opposition, is sending France directly into a brick wall. Aimed at reducing the public deficit and indebtedness through deep-going budget cuts and tax increases, the Juppé plan, imposed so that France could meet the Maastricht convergence criteria by 1997, has done just the opposite. The combination of budget cuts and tax increases has brought the economy to a screeching halt.

Recent statistics indicate that public indebtedness and the deficit will remain at all-time highs, due to drops in tax revenues provoked by lower growth, the continued rise in unemployment, and drops in consumption. While the government had projected a 1996 growth rate of 2.3%, the GNP grew an abysmal 1.1% in the first trimester, and registered a 0.4% drop in the second. In June, unemployment rose again, reaching 12.5% of the total workforce, leaving even Juppé lamenting, the first week of September, that unemployment will continue to rise in the coming months. The fewer people work, the more tax revenues collapse; worse, the whopping FF 120 billion in new taxes collected under the Juppé plan, in an attempt to cover the deficits, resulted in plummeting consumption.

As a result of this entire process, budget deficits will remain high. The Social Security deficit, which the Juppé plan had promised to bring down to, at most, FF 17 billion this year, will shoot up to FF 50-55 billion. As for the national deficit, figures published in June showing a measly reduction this year of FF 1.5 billion over the same period last year, indicating that the government will not fulfill its goal of reducing the deficit by FF 35 billion in 1996. Tax revenues are also well below par: Even though June figures show a 5.5% increase relative to last year, the government was counting on 7.5% growth coming both from tax increases and an increased economic activity.

Bad as all this is, what is panicking in Paris, is a clear tendency for prices to fall, bringing back the specter of a deflationary crisis, which might turn into a full-blown depression. Prices published in June, after a three-month observation period, showed a tendency to fall in many areas: Vegetable prices went down 17.3%, liquid fuels (except gasoline) have dropped 4%, consumer electronics are down 2.1%, and coffee, tea, and cocoa dropped 2.1%. Many press editorials are comparing the deflationary tendency to the 1930s, when Pierre Laval, later a Nazi collaborator, carried out his monetarist obsessions with fixed parity between the franc and the gold standard, leading, much like today's obsession with the monetarists' "strong franc," to widespread unemployment, indebtedness, deflation, and depression.

The revolt grows

The overwhelming stench of the government's utter incompetence to deal with the coming depression, has created the conditions for a broad-based social revolt this autumn. Indicative of the tense mood was the fact that the traditional summer social truce went by the boards this year. Tough strikes and demonstrations occurred throughout the summer, mobilizing workers and company employees from, among others, Air France, the electrical appliances multinational Moulinex, the aerospace GIAT, the naval shipyards in the Loire area, and the some of the near-bankrupt public-sector banks.

Mass demonstrations and strikes are already in the preparation stage among education, banking, and farming workers. During August, a group of cattle-growers travelled from city to city along with their cows, to protest against the huge losses incurred as a result of the Mad Cow disease crisis. All the cattle-grower unions are demanding higher subsidies to compensate for their losses, as well as a halt to all beef imports until the effects of the crisis are relieved.

Every sector of the economy is threatened by layoffs. Unions fear that reorganizations in the near-bankrupt banking sector will lead in the next five years to the elimination of 40,000 jobs, out of the total 250,000 employed by the members of French Banking Association. The bankrupt Crédit Lyonnais, for instance, could lay off as many as 5,000 employees, on top of the 3,000 let go at the end of June; the Crédit Foncier also fears losing some 1,800 jobs. Other banks such as the BFCE, the CIC, or the Crédit National, are expected to have layoffs due to mergers and "restructuring."

French President Jacques Chirac. Even in his own party, the discontent with his incompetence is growing by the day.

The powerful public-sector teachers unions have already decided, unanimously, on a 24-hour strike on Sept. 30, to protest layoffs and budget cuts. For the first time in at least 20 years, the education budget has not increased, and a general "reduction in force" policy is under way. Jobs open to new applicants have decreased by 10 to 15%; 5,000 elementary and secondary teachers will be laid off in 1996; and some 15,000 assistant teachers will not be rehired this year. The trade unions will be organizing local actions leading up to the national strike on Sept. 30.

The national trade union federations have begun to mobilize their troops, as well. Nicole Notat, the leader of the government-allied CFDT, surprised everyone by warning in an interview with *Le Monde* that "a mood of impotence and of rage" is gaining ground among the working people. Marc Blondel, the leader of the federation Force Ouvrière, predicted a hot autumn, while the CFTC, a smaller Christian union, also warned of a "strong risk of social revolt," were the layoffs to continue.

Whether or not a social explosion occurs right now, discontent with the Chirac-Juppé government and the pessimism engendered by this whole situation is widespread. Opinion polls indicate that 77% of the population believes the economic situation is deteriorating, a feeling which is widely shared by left and right; of those, 69% are expecting a new social crisis of the dimensions of last December (Ipsos/Le Point poll). According to a CSA/La Tribune poll, 73% of corporate heads are pessimistic about the present situation, an increase of 15% from last year. According to that poll, two categories combined, "very pessimistic" and "somewhat pessimistic," gives a figure of 73% this year as opposed to 47% last year! One out of three individuals interviewed by this second poll says he is against the government's deficit reduction policies, and one out of two would like the government to foster consumption, as some supply-side economists are proposing.

Opposition just beating their gums

The future facing the country, if Chirac continues to fixate on these rotten policies, is very grim. Even though there is much disgruntlement with the government's policies, nobody, with the exception of LaRouche ally and former President candidate Jacques Cheminade, is proposing an alternative. Within the majority, many attack the "strong franc" policy; but instead of blaming it on themselves (they were, after all, complicit when they were in the government under Mitterrand), and proposing to the other European Union partners a return to de Gaulle's dirigist, productive policies, they remain content with placing the blame on Germany and the Bundesbank (central bank), which they accuse of being the enforcers for the harsh Maastricht single currency convergence criteria. The group around Balladur, Pasqua, and Séguin within Chirac's party, the RPR, recently pressured him to have a "straight talk" with German Chancellor Helmut Kohl about easing the Maastricht criteria and being more flexible, if he is really serious about completing the European Monetary Union and its single currency.

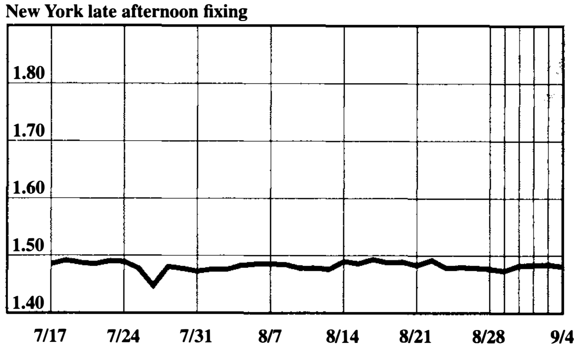
Others, like Mont Pelerin Society president Alain Madelin, Chirac's short-lived finance minister, recently issued a call in *Le Monde,* for the government to bailout the bankrupt banking system. Madelin proposed to reduce interest rates as close to zero as possible, in order to refinance the banks that will then be able to lend for a theoretical upswing. Ironically, Edouard Balladur, a fervent supporter of the Maastricht Treaty and its strong franc corollary, recently called on France to follow the "German reunification" model, where state subsidies financed the industrial reconstruction of the eastern sector. He proposed that the government credit institution, the Caisse des Dépôts et des Consignations, issue a large public loan to be used to relaunch the French government infrastructure projects, which were discontinued in the budget-balancing frenzy. Doing this, said Balladur, could restart investment in the public and the private sector.

The Socialist Party's Lionel Jospin opened the traditional summer cadre school with a new get-tough speech. The present disaster is a result of the "lies" Chirac told when he was running for President last year, he said. Even though Jospin called on his troops to fight those policies and not to go down as the "generation of the '30s," the Socialist Party supports the Maastricht Treaty and could find itself in the same predicament as its predecessors, if it does not explicitly turn its back on Maastricht.

Currency Rates

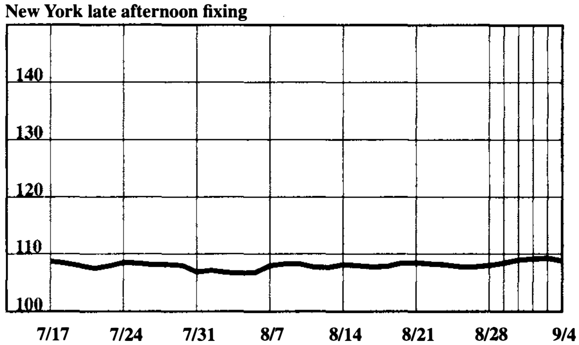
The dollar in deutschemarks

New York late afternoon fixing



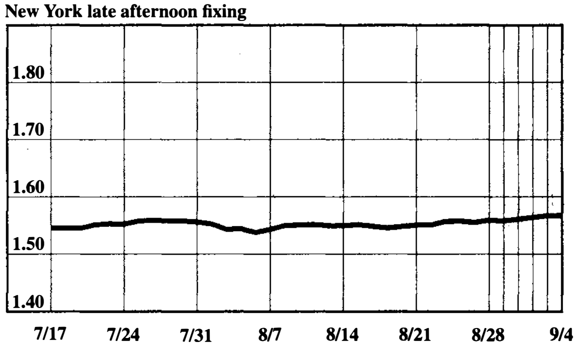
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing