The options for France: Third World alliance or an IMF receivership

by Laurent Murawiec

France is poised to be placed under the receivership of the International Monetary Fund (IMF) and the Bank for International Settlements (BIS), the first OECD nation to be dealt the treatment hitherto reserved for bankrupted developing nations.

Through the drama of a parity readjustment within the European Monetary System, France is to be the first, but will by no means be the last industrial nation to be wrecked in this fashion. Allies of the IMF inside France are already predicting "riots and social chaos by next June."

The austerity drive

Speculation against the French franc had been causing continuous, massive outflows of foreign reserves, as the Banque de France intervened to support the currency against short selling based on the idea that devaluation could not be avoided. During the week of March 3-10 alone, the central bank lost close to $3 billion dollars—compared to the $4 billion receipts of the "jumbo" loan borrowed by the Republic last fall on the Euromarkets.

Despite the Banque's brutal handling of speculators, as overnight Euro-francs, cornered by the central bank, hit unheard-of levels of 6,000 percent—15 percent a day—the short selling turned into a hurricane.

The European Community negotiations on European Monetary System (EMS) parities held in Brussels revolved around this: West Germany was going to "help" France with a face-saving device—an upvaluation of the deutschemark simultaneous with a devaluation of the French franc, in order to spare Mitterrand and Prime Minister Pierre Mauroy from their third unilateral devaluation in a year and a half—at a price. While the German press dropped all diplomatic pretense—"the problem is that the French refuse to acknowledge the failure of their policies"—West German Finance Minister Gerhard Stoltenberg's demands singularly enhanced the position of France's Finance Minister Jacques Delors, who has for months tirelessly advocated the same austerity policy his German colleague was demanding.

The monetary crisis, of course, intervened in the thick of the jockeying associated with the government reshuffle in Paris after local election losses by the Socialist-led majority, which was widely interpreted as a manifestation of general discontent in the population.

At the high cost of a budget deficit that quadrupled within two years, a trade deficit that trebled, a rate of inflation that even price controls and closely supervised wages could not keep from remaining in the vicinity of 10 percent per annum, and a stagnation and decline of industrial investment, the Socialist government only managed to halt the increase in unemployment. The industrial policy has been a mixture of hollow promises, outlays in moonbeam "telematique" gadgets, and deficit financing for public corporations.

If President Mitterrand's foreign policy has had some very definite thrusts in the direction of economic development of the Third World, that is by no means the case for his domestic policy. The Socialists have presided over an accelerated de-industrialization. Mitterrand's Jesuit-run and Swiss-controlled Finance Minister Delors, after presiding over the vain short-term largesse of the first few months of the presidency, is now tightening the noose around the productive economy.

In short, the manifest failure of the Socialists' economic policy—a failure of which this journal has been forewarning since Mitterrand came to power—has been turned into the instrument of various domestic and international political factions for wrecking the Fifth Republic as a whole.

The reshuffle and the bankers

The British press—traditional friends of a vanquished France—leaked in mid-March that the IMF staff had already completed a study of a loan package for France. The IMF's European desk, led by deputy director Alan Whittome, arrived in Paris on March 21 for the propitiously timed annual "surveillance" review. The contents of their talks with French Treasury officials were detailed by bankers, one of whom explained that "France's creditors want the French to be more serious about an austerity program. For that, the act of going to the IMF is what is needed. It will show people that France is serious about implementing austerity."

A leading Paris commentator summed it up most aptly as "handing over the government of France to the dictatorship of [IMF managing director] Jacques de Larosière, now about to be entrusted with the job of inflicting the same ugly conditionalities which are usually reserved for application to the

Third World on his native country.

Since France will ask the European Community to extend a $4 billion loan, it is the EMS and its extremely conditional medium-term financing facility that will do the IMF's dirty work immediately. The extent of the fundamental French bankruptcy is such, however, that far less than a year will elapse before international banks demand that whoever is then France's Prime Minister go and beg at the doors of the Washington headquarters of the IMF. "There is no way France could get a new Euromarket 'jumbo' unless they acquire the IMF's seal of good [that is austere, deflationary] conduct first," another banker stated.

The components of the austerity demanded have already been made known: "balance" the budget of the huge, state-run social security, public health, family benefit and unemployment benefit agencies, i.e., very severe cuts in benefits and sizeable increases in fees paid by beneficiaries; reduce price subsidies and rip up the systems of subsidizing credit and investment for industry; cut the large State investment programs; pump large amounts from the population's purchasing power with increased taxes, direct and probably indirect (value added) tax and, in short, "reduce the trade deficit by reducing imports." A government official explained: "If 40 billion francs are pumped out of purchasing power, imports will drop by 25 billion and return to more manageable levels. For this, we must engineer a recession, a contraction of at least one year."

Far from being a return to policies favoring industrial investment and the growth of productivity, the accentuation of austerity—christened "rigor" as in "rigor mortis" by a finance minister imbued by his Jesuit mentors with notions of redemption-through-sacrifice—and the return to IMF-cherished "orthodoxy" will mean further destruction of the productive powers of the nation. Nothing could have been more revealing than the sudden statement issued by Marcel Boiteux, the head of Electricité de France (EDF), the giant utility which is the Western world's biggest single operator of nuclear power plants, that "our nuclear program is going to have to be shortened at the top."

The results of the government reshuffle further confirm this orientation. Jacques Delors is made into something of a "super-minister," with the Ministries of Economics, Finance, and the Budget regrouped directly under him—a dictatorial power both in political terms and with respect to the economy. De Larosière's local agent thus comes out the winner of the crisis. His former budget colleague Laurent Fabius, a monetarist whiz-kid who joined the Socialist Party out of unmitigated careerism, takes the all-important Ministry of Research and Industry, traditionally the bastion of the "productivist, industrialist, Colbertist" faction of the civil service, which seals the fate of the country's positive industrial policies. The departure of blustering Jean-Pierre Chevènement, a left-wing Socialist faction leader, simply confirms what the angry chief executives of national and nationalized industrial corporations were repeating over the last months: his absolute failure to put any of his attractive words into deeds.

Delors and Fabius are thus the appointees of the IMF's de Larosière and BIS head Fritz Leutwiler. Their job was described by an American Banker: "No, not like Brazil. The banks are treating France *exactly like Mexico*." Prime Minister Mauroy has been maintained primarily for political reasons—it is thought that his popular brand of "socialism" will for the moment be best suited to inducing the population to swallow the bitter pills of austerity.

Mitterrand's posture: head of a banana republic?

The artful way in which the new government has been composed betrays the inner workings of François Mitterrand's mind: rather than facing the real issues of the crisis, the president has responded with petty politicking. He has shrewdly placed his arch-rival Michel Rocard in the perilous job of agricultural minister—a move intended to ruin his young rival's career. Mitterrand's loyal ally Pierre Beregovoi, a tough party-machine operator close to the Grand Orient (the French-dominated international Masonic lodge opposed to the British Scottish Rite) has been also given a job as a "super-minister" in charge of all social and related affairs, which gives him control over a gigantic, if shrinking, financial and social empire. Beregovoi is clearly intended to "balance" Delors.

Paris sources report that Mitterrand intends to "wear and tear" Mauroy, squeeze Mauroy and his allies, and drop the lemons towards year-end, when both Mauroy and his Communist team-mates have made themselves utterly unpopular. Meanwhile, he is pushing forward some of the Socialist Party's leading leftists loyal to him, such as party number-two leader Jean Poperen and parliamentary chief Louis Mermaz, in order to control the rank and file's inevitable radicalization and discontent.

The byzantine, futile nature of such all-too-skilled maneuvers will shortly be exposed, as soon as speculation against the franc resumes—within weeks at most—and the pressure for another reshuffling combined with a larger devaluation and tougher austerity increases. A "controlled disintergration" of the Socialist regime, and the institutions of the republic, would then unfold.

Remarkably, while the monetary-political drama was shown at the center of the stage, Foreign Minister Claude Cheysson exhibited a momentous change in the tone of his diplomacy, freely admitting "the failure of the French experiment in trying limited growth on its own," and calling for "a deal at world level" for "a new monetary order," phrases which could as well have been written by U.S. Secretary of State George Shultz—and probably were.

Also, it was learned simultaneously in Paris that the 1983 campaign of French experimental nuclear tests in the Pacific—crucial to develop France's nuclear arsenal—were once more cancelled for the year and postponed to 1984 for budgetary reasons.

It is no accident that following Fritz Mondale's mid-March visit a cartload of Anglo-American and related controllers of international affairs landed in Paris to present Mitterrand with "an offer he cannot refuse." Henry Kissinger, Lord Carrington, Arco-Aspen magnate and Malthusian fanatic Robert D. Anderson, Pehr Gyllenhammar of Volvo, and Dope Inc.'s Sir Y. K. Pao showed up in Paris before the dust of the government reshuffle had had time to settle. Kissinger had the gall to tell Mitterrand to his face that he "had not been my first choice for President of France"!

But Kissinger's remarkable arrogance, with all the memories of the Fourth Republic it conjures up—when France's rulers had to give foreign creditors a tour before being appointed—aptly represents the state of affairs. Whereas in his late 1982 New Delhi speech, Mitterrand had raised high hopes in the developing sector that France, in the tradition of General de Gaulle, would be the Third World's prime ally among nations of the North in the fight for a New World economic order, Mitterrand was now being told by the Kissinger group that if he joined in their plans to force the Third World under total austerity, some relief might be arranged.

Whither France?

France's fate is not merely France's affair: France's international role, or the lack thereof, is too important for the rest of the world. The imposition of dictatorship by supranational institutions there would be a grave blow to the potential for a New World economic order.

Within the country, three political forces are poised to fight savagely for control of the wreckage: the Gaullist-led opposition, the so-called "center-left option" groups, and the forces of radicalized chaos.

Waiting for their turn to come, the innumerable groupings of the center-left, under the banner of a complete return to the Fourth Republic, have already voiced their ambitions to provide an alternative as soon as the left-leaning Mauroy and the Communist Party are out of the way. Whatever the particulars in that kaleidoscope, where corruption is the alpha and omega of life, Jean Riboud, a friend of the President as well as chairman of the Schlumberger, Ltd. interests—a representative of the Geneva-linked Protestant financier interests that have exerted a controlling influence over French affairs for over four centuries—is one of their main controllers. His own control over a president who might well retreat into his "inner literary life" in reaction to shocks inflicted by a reality which he does not fully grasp, is redoubled through special presidential adviser Jacques Attali, an unstable and dangerously inept ideologue.

A second group is the present opposition, whose recent, substantial local election gains have encouraged it to set its aims on petty political advantage, has seen its hopes of returning to power reinvigorated by the currency crisis and its outcome. While former Prime Minister Raymond Barre, who has assiduously cultivated Swiss and Anglo-American financier interests since his fall from power in 1981, is posturing as the future savior, riding the crest of a wave of even-tougher austerity, the more palatable, anti-Malthusian neo-Gaullist leader Jacques Chirac seems to be profiling himself as yet another proponent of one or the other brand of austerity, rather that pulling around him the "productivist" forces, which remain socially and politically powerful.

Reports have it that Chirac's party, the RPR, intends to launch a strategy of disintegration of the National Assembly by the fall: RPR members of parliament would resign one by one, provoke by-elections, and be triumphantly returned, with the demonstration that the government is totally rejected by the population. It is hoped that early general elections would then be called, which would sweep Chirac into power.

Such a strategy would be playing with fire in the present climate of radicalization—the "third option."

Some leading French and Swiss-related oligarchical circles are already announcing their intent to replay to the full the scenario for the Jacques Necker-led upheavals of 1789 in France. One of these explained, as noted above, that "by May or June, there will be riots in the streets; social chaos will sweep the country." Many of the ingredients of such an explosion are already present, and the economic and social decay fostered by austerity will both increase them and provide the sparks to ignite the whole. François Mitterrand must already be remembering the tired facial expressions of Salvador Allende towards the end of his rule.

Is that to say that France is necessarily headed for civil war? Not quite—not yet. The powerful military, which has more of a say in public affairs than at any other time in the 20th century, save for the last years of the Fourth Republic in 1954-58, provides a stabilizer to a society that is otherwise starting to dangerously wobble. Some already plan for a greater degree of intervention by the military leadership. As a guarantor of France's sovereignty, the military might indeed have to step in at some point.

Yet options exist that the French president might still seize to save both his country and his career. France—now being treated "at the level of Mexico"—can and should join the organizing for a debtors' cartel, organizing which is the thrust of policy among key leaders in Ibero-American nations in particular. France can appeal to like-minded forces in West Germany who reject the de-industrialization and the strategic neutralization of which both nations are threatened. In combination with West Germany, France has a powerful potential to develop new military technologies, ensuring both nations' sovereignty—and economic welfare.