Socialists' austerity won't rescue France

by Dana Sloan

France is not about to be spared the devastating effects of the international depression that some 10 years of monetary and economic folly have unleashed on the rest of the world. But it is with particular incompetence and blindness that France's political leaders, both those in the ruling Socialist circles as well as the oppostiion, are preparing to "manage" the crisis.

Jean Karoubi, who served as François Mitterrand's campaign coordinator in the United States and is a close friend of presidential advisor Jacques Attali, recently expressed to *EIR* his confidence that the Socialist government's "restructuring" plan for the French economy was proceeding apace, in two phases.

The first phase, which is to last until the approach of the politically crucial 1984 legislative elections, would be characterized by rising unemployment and "no free lunches." Karoubi, a graduate of the London School of Economics, and currently employed by a multinational corporation in New York, is quite blunt about his purpose in backing the Socialist experiment for France: only a fascist dictatorship or the kind of illusion of "self-management" provided by the Socialists can implement the kind of austerity that monetarists today require. Phase two, as if by miracle, is supposed to allow the Socialists to win the legislative elections by loosening up on the austerity.

Meanwhile, circles close to former President Valéry Giscard d'Estaing who have hoisted Gaullist party leader Jacques Chirac into the position of head of the opposition, are busily preparing for the day when, as they put it, the French population realizes that it has such a bad case of gangrene, that they will vote their former leaders back into office in order to "amputate."

The reality is that it is the oligarchs and bankers of the International Monetary Fund and the Swiss Bank for International Settlements that are holding the bowl in which the various goldfish, some swimming to the left and others to the right, are circling.

The effective 20 percent devaluation of the French franc against major currencies such as the dollar and deutschemark since Mitterrand took over is beginning to have devastating effects, with worse yet to come. Fully 37 percent of the total French import bill is payable in dollars, which now have to be purchased at nearly 7 francs a piece. In addition, many loans taken out on the international markets when the exchange rate was in the order of 4.5 francs to the dollar are now coming due, but at the new rate.

Between early May 1981, on the eve of the presidential elections and July 1982, total French exchange reserves dropped by 100 billion francs, from 363.4 billion to 263.3 billion. At the same time, French borrowing on the foreign markets has been rising at an accelerating rate: during the first half of 1982 foreign borrowing amounted to $5.5 billion, compared to $4.3 billion for all of 1980 or $6.8 billion for all of 1981. The estimated balance of payments deficit for the current year will be 66 billion francs, or double the 1980 figure.

The French trade deficit has also begun to rise sharply, with a June gap of 13.2 billion francs compared to May's 3.1 billion. The cumulative deficit for the first half of the year is 43 billion francs, up from 25 billion for the same period last year.

Behind these figures is a collapse of the traditional surplus areas in French trade. For example, the agro-food sector surplus, which can usually be counted on to help "bring up the average," dropped by one-third, from 12 billion francs for the first half of 1981 to 8 billion. Investigations will probably show that this drop in the agro-food sector is attributable to the genocidal conditions being imposed on the developing sector economies.

Similarly, France's usual small trade surplus with the East bloc countries turned into a 5 billion franc deficit—a fact which might help the Reagan administration understand why France has been fighting so tenaciously to keep up its end of the Soviet gas pipeline deal, even to the extent of forcing Dresser Industries to risk the very real possibility of sanctions.

The 1981 six-month deficit with West Germany of 9 billion francs almost doubled, to 17 billion, a fact which has been the cause of much pleasure on the part of West German economists. What they haven't yet realized, however, is that the increase in imports of German goods, chiefly attributable to a consumer spending rise that followed the Socialists keeping their first electoral promises to increase the minimum wage, is about to come to a screeching halt with the wage-price controls imposed in July.

With unemployment over the 2 million mark, the social security and unemployment insurance funds are moving dangerously toward the verge of bankruptcy. In addition, this year's budget deficit will probably be double the 1981 figure of 72 billion francs, or triple the 1980 deficit, the result of not enough productive investment and too much worthless spending on such programs as the nationalization of banks and industry. In contrast, one of the first budgets to get the axe, according to French industrial sources, was the entirety of the Atomic Energy Commission's research budget for the second half of the year, a move coherent with the Mitterrand anti-industrial tendency.