

France: Attali report calls for free-market reforms

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Jacques Attali, a top advisor to leading politicians in the center-left Socialist Party (PS) and the president of a think tank set up by right-wing President Nicolas Sarkozy, issued a plan for the “liberation of economic growth” of the French economy on January 23. Sarkozy has promised “in the main” to implement all the proposals.

The thrust of the 316 recommendations is to drastically reduce public spending and eliminate two thirds of state employees by attrition. The report states: “The French need in particular to know that the future of work is no longer in the public sector...and that of companies is no longer in subsidies.” The plan seeks to further reduce employers’ contributions to social charges, reputed to be the highest in Europe, which will directly affect public spending.

The report calls for the removal of all price controls on consumer goods, particularly by abrogating the 1996 Loi Galland. The 1996 law protects small retail businesses by forbidding supermarkets and large discount retailers from selling goods at below cost in order to take away customers from smaller businesses.

The report proposes a major change in labour law, allowing employers to fire workers employed on a full-time CDI (Indeterminate-Length Contracts) basis, by simply citing the need to restructure or improve profitability or competitiveness. The unemployed would be given a “salary” for one month for job-seeking purposes. Attali claims that if all his measures were applied, unemployment would be cut from 8 percent to 5 percent in two years, and people in poverty halved within five years, decreasing from the present 7 million to 3 million. The aim is to cut the public debt from 64 percent to 55 percent of GDP.

On higher education, the Attali report favours the creation of 10 “poles of university excellence”—an elite group of universities that “will be able to be financed 80 percent by the private sector.” This is already part of the

creeping privatisation in the LRU (Liberty and Responsibilities of Universities) law on higher education proposed by Sarkozy’s ministers and much opposed by students recently. Parents are to be given vouchers allowing them the “choice” of school for their children. Schools and families in deprived areas will be abandoned to even lower educational levels in the name of encouraging competition between them.

Other ideas in the plan include deregulation of professions like pharmacists and taxi drivers, to allow more such businesses to form.

The publication of such a right-wing report by a public intellectual linked to the PS speaks volumes about the political situation in France. The brief period of high poll ratings Sarkozy enjoyed in the summer of 2007 was largely due to the uniformly favourable coverage his proposed reforms received in the bourgeois media. This political collaboration was perhaps most clearly shown by Sarkozy’s nominating top PS figures—including Dominique Strauss-Kahn, Jack Lang, and Bernard Kouchner—to important public posts.

Attali himself has impeccable establishment credentials. Trained as an economist, including at the prestigious National Administration School (ENA) where he was a personal friend of PS heavyweight Laurent Fabius, he was president François Mitterrand’s “special advisor” when Mitterrand became President in 1981. In 1982-1983, as Mitterrand’s economic policies led to opposition in money markets, Attali openly campaigned for “economic rigor” in opposition to deficit spending.

Attali’s collaboration with Mitterrand lasted 10 years. In 1991, Attali launched the Bank for European Reconstruction and Development (BERD), whose aim was to finance private initiatives in the carve-up of the Eastern bloc economies. In 1993, Attali vacated his presidency at the BERD after a financial scandal involving the construction of its headquarters in London.

The cost overran by 560 million francs, which was higher than the total of the amount of loans to eastern Europe. Attali also ultimately paid more than 1 million francs to settle claims that he had received improper payments in the 2007 Angolagate arms-smuggling scandal.

The reaction of the PS to the Attali report underlines the difficulties that it faces as its leading figures openly collaborate with Sarkozy's government.

Attali's plan was warmly received by the Socialist Party's ex-presidential candidate, Ségolène Royal, who has staked out perhaps the most openly right-wing position of the major PS politicians. She commented: "This report has the merit of being there. We must have the intellectual honesty to look at the propositions on the table. I think that everything that goes in the direction of unclogging that which puts a brake on initiative must be taken into consideration. France needs reforms. This report has been made to help France and me, I want to help France."

Other PS politicians criticised the report in ways that showed their fundamental agreement with its right-wing policies. Thus, Jean-Christophe Cambadélis said: "The Attali report is a supermarket, one can find anything one wants in there. Anyway, Nicolas Sarkozy will end up citing the financial crisis to justify not acting on most of the decisions the report contains."

The strongest denunciation came from allies of Laurent Fabius, Attali's friend and former pro-business finance minister under Mitterrand. Thus, Claude Bartolone demagogically claimed he was "scandalised by the difference between the gravity of the situation and this 'free-market thing' that calls for cuts in wages and social protections."

The stamp of approval for the Attali plan came as expected from the employers' organisation Medef (Movement of French Enterprises), which "shares the main principles and values which inspire this report: the urgency of a policy of supply, an ambitious reform of the education system, a better organisation of competition, reform of the state, the control of public expenditure and the reduction of social charges [for employers]."

Currently, the fate of the report is unclear. President Sarkozy has made it known that he will not endorse at least two of its recommendations. An increase of 1.2 percent in value-added tax (VAT) and increased taxes on incomes through the CSG (which helps pay for welfare provisions) are out of the question. Prime Minister François Fillon commented, "One thing is certain: we will not raise VAT. The priority for me is reducing public

expenditure."

Sarkozy also opposed Attali's proposal to abolish *départements*, the second level of regional administration in France, created during the French Revolution. He cited the need for "historical legitimacy" provided by the *départements*—essentially admitting that, with popular opinion increasingly set against him, any substantial reform of local government would immediately become intensely controversial.

Attali also raised eyebrows among members of the right-wing government party, the UMP (Union for a Popular Movement), with his invitation to encourage 250,000 more immigrants a year to fill jobs in sectors lacking manpower. He claims this would raise economic growth by 0.5 percent a year, by providing ample cheap labour in sectors notorious for bad pay and conditions, such as construction, catering and healthcare. For Sarkozy—who campaigned along nationalist lines and made his Minister for Immigration and National Identity Brice Hortefeux's raids on immigrants and deportations a key policy focus—openly embracing such a policy would doubtless be politically complicated.

On the fundamental political issues, however, there is no principled disagreement between the UMP personnel in government and PS figures such as Attali, who are united on the need to enforce politically unpopular measures on the French masses. In a *Financial Times* interview that discussed the Attali report, Fillon said: "It only takes one event which strikes the French for the polls to change. All that doesn't matter. What matters is that we have a president for five years who is determined to change things. All the rest is anecdotal."



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