France: Socialist Party proposes "counter stimulus plan"

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The French Socialist Party announced its alternative economic stimulus plan on January 21. The announcement came after months of tacit support for the successive rescue measures for the troubled French banking system by the conservative government of Nicolas Sarkozy, including a €360 billion bailout last October. On December 4, President Sarkozy had announced a "massive" economic stimulus plan for the economy.

The Socialist Party's economic plan, entitled "Acting in a real way against the crisis," is to all intents and purposes an extension of Sarkozy's plan to save French capitalism at the expense of the working class.

The plan of the Socialist Party (Parti socialiste—PS) foresees the injection of €50 billion of taxpayers' money directly or indirectly into the coffers of employers, compared with the €26 billion allotted under the government's own stimulus plan. The emphasis of the Socialist Party's plan is boosting rapidly declining production by boosting consumption, at the household and regional and local state levels, through broader intervention by the French state into the banking and industrial sector.

It closely follows the recommendations of the International Monetary Fund, and matches the amount of money made available by the German coalition government for its own rescue package. As PS national secretary Martine Aubry presented the plan, "Our plan mobilises €50 billion in credit, of which €10 billion is in capital, which is situated within the margin of 2 to 3 percent of GDP advocated by the experts and the IMF."

The alternative plan was presented in the French media as a political comeback and a "counteroffensive" by a party in a deep crisis. The Socialist Party's congress last November ended with the election of Aubry as national secretary after an open confrontation between various wings of the SP and an extremely close contest between ex-presidential candidate Segolene Royal and Aubry herself.

The decision of the SP to present a "counter stimulus plan" is part of an attempt initiated by several European social democratic parties in the last months of 2008 to present a more radical face. Aubry had campaigned against Royal under the slogan of "anchoring the SP to the left," while Royal courted the centre-right Democratic Movement party (*Mouvement démocrate)*.

The stimulus plan—except for a few "reservations" from a minor figure in the PS leadership, Malik Boutih (twice lobbied by Sarkozy to join his government)—was supported by all factions in the PS. The leader of the so-called left wing, Benoit Hamon, said, "This is an efficient plan, which tackles the roots of the economic crisis, a comprehensive, an ambitious and credible plan" giving "leverage in relationship to the economy."

Much was made of the measures designed to increase the money available to those dependent on income support, unemployment benefit or other state allowances. According to the PS, a lump sum of €500 would be made available to around 12 million people, the legal minimum wage would increase by €30 before it is due to be raised, and the housing benefit would increase by 10 percent. There are also measures to influence prices by a reduction of VAT from 19.6 percent to 18.6 percent and a freeze on rents in 2009 and 2010 in areas with high rent increases. These were presented as benefiting the poorest layers "with a very strong tendency to consume."

Other measures were presented as "protecting" workers in employment. The plan proposes an increase in the amount and duration of payment for layoffs in industry, as well as promoting early retirement to "make sackings more difficult." But the former minister of the economy under Francois Mitterrand, Michel Sapin, made clear, "If most businesses that carry out sackings cannot do otherwise, unfortunately, some resort to sackings in order to increase their profitability. In this case the social plans have to be looked at very closely and have to be in proportion to the means of the enterprise."

The plan proposes various incentives for public investments, such as an increase of state funds for the regions and municipalities. This is meant to enable them to implement previous plans and invest in ecological projects, including a freeze in the reduction of 20,000 staff in hospitals, and a refurbishment plan for hospitals. The PS proposes the building of 300,000 extra units of social housing.

Measures are put forward to facilitate private investments.

A section is dedicated to state intervention into the economy. The state has to intervene "in a compulsory way" with banks that are recapitalised by the state with stricter conditions attached to bailouts, and other remedial funds. The state would use various means to influence decisions taken by businesses at the level of tax on benefits, etc. The PS advocates that the state become a temporary shareholder in industry and services, as has already taken place with the banks.

There follows measures to "moralise" the banking and financial systems, "[s]tarting of course with the abolition of all the severance payments and the bonuses of the managers who have led their enterprises into a impasse; carrying on with a ban for the banks which have received help from the state to pay dividends or to buy their shares back." A bank in receipt of taxpayers' money would be obliged to have a government member on its board.

The last section of the counter-plan is dedicated to the reintroduction of some regulation into the banking system, with new laws at the national and European level that include tighter control of CEO incomes and a "fight against tax fraud and tax evasion."

Despite its vague appeals to European-wide financial regulation, the PS counter-plan is nationalistic and utopian.

The origins of the crisis are attributed purely to low wages and lack of consumption in an otherwise healthy and viable economic system. The plan states, "Once the worst of the crisis has passed, we refuse to accept the same political choices being repeated which have led to the present catastrophe."

The PS's assumption is that the French state is in a position to protect the national economy from a crisis that is worldwide. The inability of the various economic blocs and national states to devise a common solution was clearly revealed at the outbreak of the crisis. Despite this, every major power has embarked on a protectionist course and decreed its own stimulus and rescue packages, directed against its rivals, none of which has had any effect on the crisis.

Such a national plan can in reality only mean an attack on workers' conditions in order to boost the chances of French industry and services in competition with their rivals in Europe and internationally. This is the meaning of the PS's complaint that the Sarkozy government is not spending enough. Its plan can only be implemented by attacking jobs, working conditions and the wages and income of the working class.

The counter-plan cannot defend jobs. It is based on the assumption that short-term spending is going to give a "strong impulse" to consumption and thereby give a boost to production. But the employers are busy laying off workers, driving wages down and shutting factories.

The PS plan does not even begin to address the reality of the crisis. Its stated assumption is that the crisis is due to a lack of consumption due to an imbalance in income distribution, not a crisis of capitalist production itself. It advocates the reform of a system that cannot be reformed, proclaiming "a structural crisis of the contemporary model of capitalism."

According to the PS counter-plan, the system is not only basically sound, but it will recover sooner rather than later if industry and the banks are helped to ride out the storm. Overall the PS counter-plan is not fundamentally different from that of the Sarkozy government. The pro-business newspaper *Les Echos* writes, "Concretely these plans must be preceded by a reopening of financial circuits. The rescuing of the banks is 'a precondition,' otherwise the money spent will be wasted. The counter-plan of the PS wants to condition the help given to the banks by demanding they grant credits and that bonuses be scrapped, exactly as the president of the republic has demanded. On that account both the right and the left are the same.

"The Sarkozy plan and the Aubry counter-plan propose all in all the same thing for the businesses. The same focus, in particular on the car industry, whereas according to the IMF the help to the various sectors as in the refinancing of the American car makers is a bad idea."

A socialist response to the crisis of the capitalist system would include the expropriation of the banks and the big corporations by the working class so they can be run in order to meet social need. This presupposes a mobilisation of the working class to take political power and the establishment of a workers' government.