Hundreds of billions for the banks

France votes credits for European Financial Stability Fund

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On June 1 the French National Assembly authorized the government to contribute France's share of €111 billion to the €750 billion European Financial Stability Fund (EFSF). This is the fund that eurozone governments agreed to set up in May, in order to stem speculation against the euro and the possibility of sovereign defaults by Greece, Portugal and Spain.

The measure passed overwhelmingly, by 462 votes to 33. The opposition *Parti Socialiste* (PS) voted with the ruling conservative UMP (Union for a Popular Movement). The 25 deputies of the *Parti communiste français'* (PCF) voted against it, as did a handful of right-wing UMP nationalists.

A similar bipartisan line-up had occurred May 3, when the National Assembly approved the €16.8 billion French contribution to the EU-IMF €110 billion loan to Greece. The condition for this loan was Greek Prime Minister George Papandreou's imposing massive cuts in wages, pensions and jobs on the Greek population.

The EFSF vote was confirmed by the Senate on June 3 by a similarly lopsided, 309-24 vote. News of the vote was largely buried in the inside pages of the newspapers. The vote came shortly after the German parliament voted its €148 billion share of the EFSF on May 21.

Budget Minister François Baroin made clear that the government would press for huge spending cuts, including possibly through the introduction of a balanced-budget amendment. He promised, "We will not touch taxes." He added, "We must maintain our AAA [credit rating], we must reduce our debt in order to be less dependent on the markets, and that's where we get the idea of a constitutional amendment" requiring balanced budgets.

Baroin claimed that the bailout plans would not modify projections that France's 2010 budget deficit would be €152 billion.

The EFSF bailout plans are a reactionary measure of, for and by the financial aristocracy. The EFSF will not cancel the debts of Greece, Spain or other countries currently targeted by the financial markets, but bail out the major international banks while forcing the heavily indebted countries to make further social cuts and even larger debt payments in the future. In the wealthier countries, the cost of extending the loans will also deepen pressures to cut state budgets.

These measures are designed to bring indebted countries into line with requirements of the European Stability Pact, also known as the Maastricht criteria. These stipulate that a country's budget deficit must not be higher that 3 percent of gross domestic product, and its public debt cannot be more than 60 percent of GDP. In France, even assuming that the government never has to borrow any money to fund the EFSF, this will mean cutting the budget by €100 billion.

Opposition to the EFSF in the parliament was of an equally reactionary, nationalist character. PCF deputy Jean-Pierre Brard launched into a chauvinist rant against Germany, calling for it to bear the entire cost of the bailout. Brard compared Germany to "a thieving magpie," adding, "Germany, during the Nazi tyranny, pillaged Greece." He concluded, "France would grow in stature by demanding that Germany pay its debt to Greece."

This amounts simply to a proposal that, instead of looting the entire European working class, the banks should be given license to loot only the German working class.

Such comments are part of an escalating war of words between European political and financial authorities over how to proceed with the bailout. They echo proposals by Manolis Glezos of the petty-bourgeois SYRIZA coalition in Greece (See “SYRIZA rally: the reactionary politics of the middle class ‘left’ in Greece”)

On May 31 *Der Spiegel* published an article, “German Central Bankers Suspect French Intrigue,” detailing German objections to the European Central Bank policy of purchasing Greek government debt. This allows the Greek government’s creditors—notably, major French banks—to exchange the risky Greek bonds they hold for cash freshly printed by the ECB. This policy was also approved largely by French officials: ECB director Jean-Claude Trichet and International Monetary Fund Managing Director Dominique Strauss-Kahn.

Der Spiegel claimed that the ECB has already bought €26 billion in government bonds, and was buying roughly €2 billion more each day. However, German banks have reportedly promised Berlin not to resort to the ECB purchasing program.

Saying that German authorities “suspect a French plot,” *Der Spiegel* wrote, “This policy effectively makes the ECB a so-called ‘bad bank’ (a bank that buys up toxic assets as a means of helping out other institutions), all protestations of its president to the contrary. The pile of junk bonds on the ECB’s balance sheet continues to grow. The fact that the ECB is keeping prices artificially high is downright encouraging banks to unload their risky assets onto the central bank.”

The same day, ECB council members Axel Weber and Mario Draghi, who head the German and Italian central banks respectively, also called for a rapid end to ECB purchases of government debt. Hinting at the risk of inflation, Weber said the program entailed “stability risks” and “must be precisely targeted and limited.”

Draghi said the ECB bond purchases “will have to be discontinued as quickly as possible, as soon as the markets spontaneously resume trading of the securities of the countries involved.”

At a press conference at the Austrian Central Bank, Trichet replied, “In simple words: We are not printing money.” He called for further budget cuts.