

Bettencourt tax-evasion scandal rocks French government

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Popular disgust is mounting over revelations that, while demanding huge social cuts from working people, top French officials took money from billionaire Lilliane Bettencourt and helped her evade taxes. The 87-year-old Bettencourt's net worth of €17 billion, largely in holdings of stock in cosmetics giant L'Oréal, makes her France's richest woman.

Yesterday, the news web site *Mediapart* published interviews implicating President Nicolas Sarkozy in the Bettencourt affair. It interviewed Claire T., Bettencourt's former accountant, currently under investigation, after she testified to police the night before.

The accountant's testimony suggests that Bettencourt illegally funded Sarkozy's election campaign. This threatens to undermine Sarkozy's political standing in the ruling class by making it untenable for him to carry out the cuts demanded by the financial markets and the political establishment. Sarkozy's poll ratings recently hit an all-time low of 26 percent.

Claire T. explained that she withdrew €50,000 per week from Bettencourt's accounts: "Partly it went to doctors, hairdressers, minor employees, etc. Partly it went to politicians... There was a regular parade of politicians at the house. They came mainly at election time. 'Dédé' [Liliane's late husband André Bettencourt] spread his money around pretty widely. Each [politician] came to get his envelope. Some even received €100,000 or €200,000."

One day, she explained, Bettencourt's financial advisor Patrice de Maistre asked her to withdraw an unusually large sum: €150,000. Asked why this was necessary, de Maistre replied: "But it's to finance Sarkozy's presidential campaign! I'm going to give it to the person charged with financing the campaign, Eric Woerth. And €50,000, that's not enough."

The withdrawal was ultimately made on March 26, 2007, shortly before Sarkozy's election in May of that year. Bettencourt got what she paid for: according to information first reported in *Mediapart*, a tax concession for the rich implemented by Sarkozy shortly after his election led to a tax rebate of €30 million for Lilliane Bettencourt in March 2008.

Claire T. said Sarkozy often came by for dinner: "Nicolas Sarkozy also received his envelope, in one of the little sitting rooms on the ground floor near the dining room. It was generally after dinner. Everyone knew about it at the house. As Mr. and Mrs. Bettencourt were both somewhat deaf, they spoke very loudly, and we often heard things we weren't supposed to. To be clear, everyone at the house knew that Sarkozy also went to see the Bettencourts to get money. He was a regular."

She confirmed that Bettencourt "has never had a single tax audit since 1995, at least. I never saw the least tax inspector, I can certify

that. You can really say we did not have to worry about the tax authorities."

The Bettencourt affair emerged when Lilliane's daughter, Françoise Bettencourt-Meyers, sued her mother and her mother's lover, François-Marie Banier, over control of roughly €1 billion in assets. Bettencourt-Meyers accused Banier, a 53-year-old society photographer, of "profiting from weakness" to defraud her family. After an 18-month legal battle, the trial began last July.

On June 16, *Mediapart* published small extracts from recordings made secretly by Bettencourt's butler to defend himself against potential legal action by Banier and Bettencourt. They suggested that Bettencourt maintained overseas bank accounts in Switzerland and Singapore and the island of D'Arros in the Seychelles, without declaring them to French tax authorities.

This led to allegations of conflict of interest against Woerth. He is now negotiating with the trade unions over the signature plank of Sarkozy's social policy—a highly unpopular pension cut, including a two-year rise in the retirement age. His wife Florence was hired in November 2007 by Clymène, the company that manages Bettencourt's financial holdings. There, she earned roughly €13,000 a month, with a €50,000 yearly bonus.

In one of the butler's recordings, de Maistre tells Bettencourt: "I made a mistake when I hired her... Having a minister's wife like that, it's not a plus, it's a minus... As you are the wealthiest woman in France, having a minister's wife working for us, it means all the newspapers and things say yes, everything is mixed up, etc. I admit that when I did it, her husband was finance minister, he asked me to do it. I did it to make him happy."

The revelations of these incestuous links between the government and the ultra-wealthy are a powerful demonstration of the class character of the state and of the policies it is pursuing. The social cuts demanded by Sarkozy seek to protect the prerogatives and sumptuous lifestyles of the capitalist elite—a financial aristocracy utterly contemptuous of the needs of working people.

Within the bourgeoisie internationally, the cuts that Woerth is overseeing are seen as critical to slashing state deficits and maintaining the stability of the euro. To reduce the budget deficit to the Maastricht limit of 3 percent of gross domestic product, while maintaining the tax impunity of Bettencourt and her fellow billionaires, the French state is committed to €100 billion in social cuts which are directed against the working class.

The major international banks and credit rating agencies are threatening to increase France's borrowing costs by removing its AAA credit rating, should it fail to implement these massive cuts.

Currently, the government is standing behind Woerth. Sarkozy

dismissed the allegations as “having no aspect of reality” and reflecting the “degradation” of “our times.” He promised to continue with the cuts.

He declared, “We cannot content ourselves with saying, ‘Oh my God, there will be an election, we cannot make reforms.’ I was elected for five years, until the last second I will continue this work.”

Woerth said, “Nicolas Sarkozy is right to have confidence in me. It’s out of the question that I would resign and justify the positions of those who are attacking me.”

There are, however, signs of growing pressure for government officials to resign. Two junior ministers resigned the day before yesterday—Alain Joyandet, charged with overseas cooperation, and Christian Blanc, the head of Paris area affairs—amid rumors of comparatively small-scale financial misdeeds. Joyandet was purported to have spent €116,500 in public funds to rent a private jet to fly to Martinique and attend a conference on Haiti, while Blanc had billed his department for €12,000 in cigars.

Alain Joannès commented in *Le Télégramme*: “The forced resignation of two ministers suggests mainly that the government is looking for a target to protect Eric Woerth. However, sacrificing two people to try to save a third, who is more severely threatened, testifies to major panic at the top.”

The *Parti Socialiste* (PS), the main bourgeois opposition party, is calling for a cabinet reshuffle so the government can continue its cuts with a less politically compromised team. This reflects the broad agreement within the ruling class on the need to cut state spending at the expense of working people.

Former PS Secretary François Hollande said, “A reshuffle is needed. It is not my job to do it, that is the task of the president of the Republic, but what it is my job to say is that the current team is discredited.”

PS spokesman Benoît Hamon said, “I say and I repeat that Mr. Woerth is tasked with a reform that is necessary to our common interests—the reform of pensions—and that today he is no longer able nor in a situation, nor legitimate to continue carrying out this mission.”

Whatever the current position of PS officials, there can be no doubt that powerful sections of the ruling class are considering more drastic action against Sarkozy if he proves unable to carry out the social cuts. There is growing speculation that Sarkozy may not obtain a second term as president.

The revelations concerning Bettencourt come from high-ranking judicial officials who are investigating her. They regularly leak material to *Mediapart*, which itself has unimpeachable establishment credentials.

It was set up by a team of journalists led by Edwy Plenel, a former editor of France’s daily of record, *Le Monde*, and an ex-member of the *Ligue Communiste Révolutionnaire*. It was publicly endorsed by the 2007 PS presidential candidate, Ségolène Royal, shortly after its launch.

Support for the Bettencourt investigation from any faction of the French ruling class is of an entirely hypocritical character. Not only is there broad agreement on the need for the Sarkozy-Woerth pension cuts, but also on the necessity to avoid airing Liliane Bettencourt’s political biography, the origins of her fortune, and her links throughout the entire political establishment. Though widely known, these details have been studiously ignored by the media in the course of the current scandal.

Liliane’s father, Eugène Schueller, founded L’Oréal and financed

the fascist group *La Cagoule* during the second half of the 1930s. *La Cagoule* was widely feared and hated for its violent attacks against Jewish and Communist targets in France, including the firebombing of synagogues and the assassination of Soviet officials and Italians fleeing the fascist dictatorship of Benito Mussolini. It also ran arms to the fascist rebels of General Francisco Franco during the Spanish Civil War.

During World War II, *La Cagoule* largely supported the Nazi occupation of France, though some of its members shifted their allegiances when it became clear that Nazi Germany would lose. *La Cagoule* helped found the *Légion des Volontaires Français*, a volunteer force fighting with the Nazis against the USSR on the Eastern Front.

Several young men who met Schueller while active around *La Cagoule* in the 1930s went on to play prominent roles in French politics. These included his future son-in-law, André Bettencourt, who died in November 2007, and, above all, François Mitterrand—the future leader of the PS and president of France from 1981 to 1995.

Under the Nazi occupation, André Bettencourt wrote for the Nazi-financed newspaper *La Terre Française* (The French Earth). In the Easter 1941 edition, he denounced Jews as “hypocritical Pharisees” whose “race is tainted with Jesus’ blood for all eternity.” When these writings were brought to light by sacked L’Oréal board member Jean Frydman in 1994, Bettencourt acknowledged that the writings were his and attributed them to “errors of youth.”

He claimed that he joined the French Resistance in 1943—in particular, the cell run by Mitterrand, then a Vichy official. Bettencourt claimed that he helped Mitterrand escape to London by plane in November 1943.

Bettencourt worked under de Gaulle at the end of World War II, going on to pursue a prominent career in politics. He held high office from the 1950s to the 1970s under a succession of conservative and social-democratic governments, and held legislative office as a senator from Normandy until 1995.

Following the liberation from Nazi occupation, his testimony—together with that of Mitterrand and *Parti Communiste Français* member Jacques Sadoul—helped Schueller avoid conviction for collaborating with the Nazis, a verdict that would have led to the confiscation of his holdings in L’Oréal. To this day, this money goes to support the anti-working class policies of the French ruling elite.



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