# French parliament approves austerity measures

**Kumaran Ira**
**21 November 2011**

On November 16, France’s lower house approved a 2012 budget including a new round of austerity measures recently announced by the right-wing government of President Nicolas Sarkozy. It aims to cut the budget deficit to 3 percent of gross domestic product (GDP) by 2013, to preserve France’s AAA credit rating.

The budget was approved by a vote of 315 to 198 in the lower house. It is now being examined by the Senate, which is controlled by the bourgeois “left” opposition Socialist Party (PS).

The budget is supposed to be the last one ahead of the 2012 presidential election, in which Sarkozy is challenged by PS candidate François Hollande. Hollande has also pledged to reduce the deficit to 3 per cent in 2013 through massive social cuts.

The government announced the new round of austerity measures on November 7, including a €65 billion saving by 2016, on top of cuts announced in August after the government revised its 2012 growth forecast from 1.7 to 1 percent. The total cost-cutting planned for 2012 is roughly €18 billion.

Praising the 2012 budget for its historic social cuts, budget minister Valérie Pécresse told *Europe 1:* “We will ask Frenchmen for efforts we have never asked of them. The budget is an effort. We want to get out of debt.”

Workers will be worst hit by the new measures, which will come into effect starting in 2012. The measures include a hike in sales tax from 5.5 percent to 7 percent on a range of services and products including water, food, and books; the minimum retirement age to 62 will come into effect in 2017 instead of 2018; cuts in health care; cuts in family and housing benefits, which will be indexed on economic growth instead of inflation.

The government announced a temporary tax hike for companies with annual turnover of over €250 million—relatively much lower than the cuts on social spending for the working class.

As part of austerity measures, the parliament also adopted a new cost-cutting measure: increasing the number of days of unpaid sick leave for workers in both the public and private sectors to save €500 million. Public sector workers will forgo pay on their first day of sick leave and the number of days of unpaid sick leave for private sector workers will rise to 4 days from 3.

The government presented the budget amidst an escalating euro zone debt crisis, as the financial markets and the major powers successfully ousted the Papandreou government in Greece and the Berlusconi regime in Italy to press for deeper social cuts. Speculation against state debts has now spread to central economies of Europe, including Italy and France—whose borrowing costs on state bonds has risen sharply. The banks drove up the yield on France's 10-year bond to 3.4 percent, the highest level in 10 years and 1.5 percent more than for Germany.

French sovereign debt is still rated AAA, allowing it to borrow money at lower interest rates. However, it is under growing pressure from financial markets over its large budget deficit and the huge exposure of French banks to state debts of Greece, Spain and Italy. France has debts totaling €1.7 trillion, or 85.5 percent of GDP.

On November 10, Standard & Poor’s announced a downgrade of France’s AAA rating then retracted it, claiming it was an error. Should its credit rating be downgraded, however, French borrowing costs will rise dramatically, and many commentators say that France will not keep its AAA rating. Recently, economist and former presidential adviser Jacques Attali told the economic newspaper *La Tribune*: "Let's not pretend, the financial markets don't see French debt as AAA anymore."

Faced with declining competitiveness against its economic rivals, French big business is calling for structural reforms to slash wages and other labor costs. The Medef business confederation and the Afep association of private enterprises recently complained that France lost competitiveness, particularly against Germany in export market share, balance of payments, and costs of labor and production. According to Eurostat, the hourly labor costs in France rose to €33.40 in 2010 from €24.40 in 2000; in Germany it rose from €26.30 to €33.20 in the same period.

To increase competitiveness, Afep has proposed "cleaning up public finances by cutting spending, lowering wage costs by creating a social value-added tax and the suppression of legislation on the 35-hour work week."

In response to their demands, Sarkozy announced that he would appoint an advisory council which includes business associations and trade unions to begin working on it at the end of the year. In a November 15 speech in Bordeaux, he said: "The very high cost of labor in our country penalizes our economy and penalizes France in international competition."

The PS criticized Sarkozy's measures from the right, claiming they are insufficient to cut the deficit. Karine Berger, an economic adviser to Hollande, told Reuters: "François Hollande is considering an effort of 50 billion euros of supplementary budget reductions in 2012 and 2013 to cut the public deficit to 3 percent."

The PS is appealing for support from finance capital, attacking Sarkozy's cuts as insufficient, and proof that he is too weak to carry out the attacks that are required against the working class.

Nicole Bricq (PS), the general reporter of the Senate Finance Committee, said France faced "a somewhat confused period in which the government is repeatedly taking improvised measures with 'minimum' announcements. … The European Commission has noted that the Fillon plan is insufficient."

As Sarkozy's administration prepares new assaults against the working class, it will face working class resistance amidst soaring unemployment and collapsing workers' living standards. Sarkozy can pursue the cuts due to the complicity of the union bureaucracy, which support the cuts, and the state. Both the unions and their pseudo-left allies such as New Anti-Capitalist Party (NPA) play an important role in blocking a political movement of the working class against the entire political establishment.

While supporting the social cuts, unions are planning to call a toothless one-day protest in an attempt to dissipate popular discontent. At the same time, they are accepting the principle of the cuts demanded by the government. The CFDT's (French Democratic Labor Confederation's) François Chérèque told *Le Progrès*: "The debt is becoming excessive. It is inevitable that it will be reduced, so the debt is not transmitted to future generations."

On November 18, France's main trade unions, including the CGT (General Confederation of Labor, dominated by French Communist Party) and CFDT gathered together calling for a one-day protest on December 13. They are calling such a toothless protest after almost a month of measures were announced, and the parliament will have already passed all the cuts.

Soon after the measures were announced, the NPA published a communiqué proposing that "the entire social and political left, trade unions and parties, get together in coming days to organize opposition."

The purpose of calling such an action with the unions and other pseudo-left allies is to demobilize working class opposition to the cuts and divert it behind the campaign of electing the PS in the 2012 presidential election. This is a blind alley for the working class, as the PS is committed to pursuing the austerity policies begun by Sarkozy on behalf of the financial markets and the banks.