French Socialist Party government presents initial austerity budget

Antoine Lerougetel, Alex Lantier
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The Socialist Party (PS) government of President François Hollande presented its 2012 budget and initial economic plans this week following the June 27-28 European Union summit. The PS announced token tax increases on the wealthy together with wage freezes and spending cuts to bring France's budget deficit in line with EU guidelines.

Prime Minister Jean-Marc Ayrault presented the budget Thursday, two days after giving a speech officially presenting his government's policy to the National Assembly. Ayrault used a report from the Court of Auditors, commissioned by Hollande and published on Monday, to justify minimal tax increases on the rich and major attacks on the working class. The report noted that PS campaign projections of economic growth had been over-optimistic. Gross domestic product (GDP) was likely to grow 0.3 percent in 2012 instead of a 0.5 percent, and 1.2 percent in 2013 instead of 1.7 percent.

It was widely reported at the time of Hollande's election that the PS would seize upon this report to justify cuts against the working class (see: "Incoming French president signals budget cuts, handouts to banks ").

Ayrault said that between 2007 and 2011, France's debt grew by €600 billion ($738 billion) "to nearly €1,800 billion today, or 90 percent of the wealth produced annually in France." He warned opponents of austerity, "The state pays nearly 50 billion euros to its creditors annually," declaring that these debts threatened the welfare system and public services.

In this he echoed threats from the financial markets that unless France makes deep social cuts, the banks will refuse to lend to the state to finance France's debts. *Der Spiegel* noted: "The announcement of the revised [GDP] figures has fuelled fears that France might also become a candidate for an EU bailout if it does not get its finances in order." France would join Greece, Spain, Italy, Portugal and Ireland, whose EU-imposed austerity packages, at the behest of the banks, have devastated their economies and workers' living standards.

Ayrault claimed there would be no "austerity turn," but rather "recovery with justice" to tackle the "crushing" debt crisis, adding that his policy would be to tax the rich and big business while sparing "the working classes and the middle class."

The tax and spending figures released with Ayrault's budget belie these cynical claims. Hollande has set initial targets of €10 billion this year and €33 billion next year in deficit cuts. The comparatively small tax increases Ayrault is projecting make clear that most of the pain from the deficit-reduction program will fall on the backs of the working class in the form of cuts to jobs and public services.

The budget plan projects only €7.2 billion in tax increases, including €1.1 billion from a special tax on banks and oil companies and €2.3 billion from a one-off tax on high-income households. The PS is also pledging to tax households earning €1 million or more per year at 75 percent, though the fact that it anticipates receiving only a few billion euros in tax revenues from this measure suggests that the PS expects this tax to be evaded.

The budget lays out the beginning of a coming wave of attacks on the working class. According to business daily *Les Echos*, Ayrault's directives to his cabinet ministers call for a 7 percent cut in operating expenses and a wage freeze for public-sector employees.

Two-thirds of retiring public-sector employees will not be replaced—as opposed to one half under Hollande's predecessor, President Nicolas Sarkozy of the right-wing Union for a Popular Movement (UMP). This means cutting 60,000 jobs per year until 2015, which will condemn hundreds of thousands of youth to joblessness. Police personnel are to be increased by 5,000, however.

At the same time, the PS government is doing nothing to halt a wave of mass layoffs hitting a range of industries including airlines, telecoms, refining and retail. David Cousquer of research firm Trendeo reported that some 22,200 jobs were lost in May-June 2012, up 120 percent from a year ago, and the General Confederation of Labor (CGT) has forecast some 75,000 job losses. Unemployment is expected to rise above 10 percent this summer.

The ruling class views the reactionary policies already laid out by the Hollande government as only a down payment, however, on future attacks on the working class intended to slash social spending and wages so as to reestablish French businesses' competitiveness on the world market.

In its July 4 editorial, *Le Monde* wrote: "Mr Ayrault avoided the words which annoy—'rigour', 'austerity'. But … if the Prime Minister has avoided revealing the details of the reductions in public expenditure which he is bound to, everyone knows, especially him, that he will not be able to put off the moment of truth for long."

It is widely expected that the 2013 budget to be voted in the autumn will include deeper social attacks. This will be the topic of the July 9-10 Social Conference in which the union bureaucracy will negotiate agreements with state officials and employers' federations.

The first weeks of the Hollande administration are a devastating exposure of petty-bourgeois groups such as the Left Front of Jean-Luc Mélenchon and the New Anti-Capitalist Party (NPA), which called for an unconditional Hollande vote. They bear direct political responsibility for the cuts being carried out by this anti-working class government.

In the aftermath of the June EU summit, Hollande is committed to inscribing the "golden rule" balanced budget rule into law, or possibly even into France's constitution (see: "EU summit averts split with deal to bail out Spanish, Italian banks"). There can be no clearer evidence of his commitment to fiscal austerity and the preservation of the trillions of euros in wealth monopolized by the top one percent of French society.