French Socialist Party government endorses austerity in debate over Gallois report

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President François Hollande's social democratic government is stressing its support for social cuts after seeking to distance itself from a pro-austerity report being prepared by Louis Gallois, the former CEO of aerospace-defence firm EADS. The government's assurances that it will pursue a policy of austerity follow a barrage of critical press commentary demanding that the Gallois report not be "buried."

Last Friday, key details of the report, which Gallois will publish on November 5, were leaked to the conservative daily *Le Figaro*. They include proposals for €30 billion (US$39 billion) in new cuts in corporate contributions to social spending, with €20 billion cut from employers' taxes. This would be offset by "massive reductions" in public spending and a hike in sales taxes that disproportionately impact working class consumers.

Gallois's entourage told *Le Figaro* that his report faced "lobbying from Keynesian economists," including at the Finance Ministry in Bercy.

The report, commissioned by Hollande himself after his election last May, makes crystal clear the anti-working class character of the Socialist Party (PS) government's policies. Among its proposals is a reversal of Hollande's elimination of the so-called social VAT, an unpopular increase in sales taxes ordered by his Gaullist predecessor, President Nicolas Sarkozy.

The leaks also came only days after a new LH2 poll showed a further 9 percentage point drop in Hollande's approval ratings, to 40 percent.

The government initially attempted to distance itself from the Gallois report. On the day the report was leaked, Hollande issued a statement blandly observing that the "author is responsible for the report, which does not set the policy of the government or of the president of the Republic."

Health Minister Marisol Touraine, whose budget would bear much of the cuts, commented: "I do not believe that, given the situation in public finances, we can…make the French people bear a new multi-billion-euro shock."

The corporate-financial elite quickly whipped the Hollande government into line, however, with a press campaign demanding that the Gallois report be adopted.

In one *Le Figaro* comment calling on "all French entrepreneurs to band together to defend the report," Entrepreneurs Club president Guillaume Cairou stressed that social cuts would boost corporate competitiveness. He said, "Let's not forget a simple reality: we entrepreneurs in France earn 3 to 4 times less after tax than we would if we were British or German. Entrepreneurs of France, let us unite against this denial of reality!"

Auto maker Renault's CEO, Carlos Ghosn, also endorsed the Gallois report, stating: "If we want to create jobs in France and avoid massive emigration of industries out of France, we must cut social spending that weighs on our work." Pitting workers in France against their counterparts in low-wage countries, he called for cutting the cost of making Renault Clio cars in France by €1,000 so as to make France a more attractive site for their production than Turkey.

Economy Minister Pierre Moscovici moved to reassure the financial aristocracy that the Gallois report was "not buried."

"We really have the ambition to put in place unprecedentedly large structural reforms in this country to deal with the challenges we face today," he declared, promising that cuts would take place over a "multi-year trajectory that we absolutely want to implement."

Yesterday, Prime Minister Jean-Marc Ayrault said he did not intend to "bury the Gallois report," adding that on the question of corporate competitiveness, "the government is not tearing itself apart, the government is working…seriously." He pledged that the Gallois report would be an "essential contribution" to state policy, boasting that he personally had given Gallois "carte blanche" when Gallois began preparing his report.

The debate over the Gallois report makes clear the class character of the PS government. As it nervously watches its poll ratings plummet and anger mount in the working class against its social attacks, it cannot even slow the pace of austerity, but immediately bows to the dictates of powerful corporate interests.

This exposes the arguments of petty-bourgeois parties such as the New Anti-capitalist Party (NPA) and the French Communist Party (PCF), which called for a Hollande vote, claiming that he would respond to popular pressure from below. The NPA and PCF bear political responsibility for the attacks the PS is carrying out after having been voted into office with their support.

As shown by a *Journal du Dimanche* interview of one of the Gallois report's critics inside the PS, Jacques Attali, the PS is united on a policy of deep austerity. Attali, a former economic advisor to President François Mitterrand, criticised the German government's austerity policies for risking a socio-economic collapse, but indicated that he preferred more carefully targeted, but equally large, social cuts.

Calling for state spending to be more "efficient," he attacked the cuts imposed under Berlin's leadership in Greece: "Competitiveness is not simply a matter of cutting social spending. Otherwise, Greece would be very competitive."

Asked if boosting competitiveness while preserving social protections was not a "pious wish," Attali said no, adding: "We would be wrong, for example, to align ourselves on the German social system…it is the Germans who should align themselves on our family policy, otherwise in 20 years we will be paying their pensions."

Attali was referring to French financial subsidies for families with children, which contribute to the differential between German and French fertility rates—1.42 and 2.08 children per woman, respectively. On current trends, by 2050 there would be 75 million people in France, but only 65-70 million in Germany.

Nevertheless, Attali advocated social cuts as large and as unpopular as those proposed by Gallois, which entail deep cuts to wages and social services.

He said, "France cannot be spared a long, lasting, and lastingly unpopular policy that will bear fruit only with time…. We need much more global reforms, from changes in training of day care assistants to cuts to labour costs, passing by the computerisation of public services." He called for "20 billion euros in yearly spending cuts for three years and collecting 10 billion euros in new taxes each year."