French social democrats adopt new cuts after accepting pro-austerity Gallois report

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The Socialist Party (PS) government of President François Hollande announced tens of billions of new budget cuts yesterday, after the November 5 release of the pro-austerity report prepared at the PS' request by former French railways and Airbus boss Louis Gallois.

Speaking at his official residence in Matignon Palace, Prime Minister Jean-Marc Ayrault outlined some of the key points of his new policy to promote French corporate competitiveness. At the center of the plans are €20 billion (US$25.6 billion) in cuts to corporate taxes. Half of this sum will be passed on in the form of spending cuts; the other half will be financed by increases in sales taxes (Value-Added Tax, VAT), and "ecological" taxes paid by working people.

Ayrault said the "social partners"—that is, employers' groups and the trade union bureaucracy—will now prepare a "reform" of the financing of social security.

Ayrault all but admitted that his policy was to restore French corporate competitiveness by slashing workers' pay and living standards in line with lower wages in other countries, including Germany. He called for action "on labor costs, compared to our major European competitors, as wage costs in France and Germany have diverged."

He also called for more investment in French corporations, saying that €500 million will be made available to help fund small and mid-sized enterprises. His audience laughed when, in a slip of the tongue, Ayrault said that the funds would help these firms with "speculation," instead of "specialization" on world markets.

Ayrault also proudly announced that he was adopting "virtually all the recommendations of Mr. Gallois."

These plans are yet another confirmation of the anti-working class character of the Hollande administration, which has imposed tens of billions of euros in social cuts in its six months in office and stood by as mass layoffs devastated auto, transport and other industries.

Hollande is funding state spending with a €10 billion increase in sales taxes (the so-called "social VAT"). When this was proposed by his predecessor, President Nicolas Sarkozy, Hollande denounced it as "unjust, unfounded, and improvised". Now he is taking over this admittedly "unjust" anti-working class measure as his own.

Laurence Parisot, the head of the Medef (Movement of French Enterprises) bosses' organization, reacted happily: "Yes, we were listened to. … It is clear that the question of competitiveness was put at the center of the table, and that serious measures were taken."

The Stalinist French Communist Party (PCF)—a long-time coalition partner of the PS that unconditionally called for Hollande's election this May—cynically criticized the measure as "a hammer-blow against purchasing power". This will not prevent the PCF and other sections of the French petty-bourgeois "left", such as the New Anti-capitalist Party, from working closely with the PS and the union bureaucracy as they map out the cuts.

The Hollande government issued its report the day after accepting the Gallois report, which called for similar massive cuts in social spending to boost corporate competitiveness.

Gallois proposed cutting labor costs by €30 billion—including €20 billion in cuts to corporate taxes and €10 billion in employee taxes (the latter were abandoned by the PS)—and introducing more job "flexibility". This is a euphemism for management's ability to reduce job protections, change working hours and work schedules at will, and cut wages accordingly.

Gallois also made a nod to the interests of the union bureaucracy. He proposed that at least four "workers' representatives", i.e., union bureaucrats, be on companies' governing boards. This is a major demand of all the trade unions, to secure lucrative positions in which they will continue collaborating in imposing cost and job cuts on the workers.

Gallois' remit in preparing his report was to identify the causes of France's industrial collapse and to propose remedies for France's rising trade deficit, which has grown to €70 billion. Some 700,000 industrial jobs have been lost in the last decade. The hemorrhaging has accelerated since the outbreak of the 2008 crisis. In the last year alone, France's share of euro zone exports fell from 17 to 13 percent, and France's unemployment rate stands at 10.2 percent, compared to 6.9 percent in Germany.

Gallois' remedies are in line with the policies adopted by all major capitalist countries under the pressure of European recession, world slump and global competition with the rise of cheap-labour platforms in Asia and North Africa. All past concessions are to be swept away, and the welfare state destroyed to compete on global markets in a race to the bottom in living standards. These policies, which have produced 25 percent unemployment in Greece and Spain, are now also hitting northern Europe. (See: "Dutch grand coalition agrees on austerity programme")

According to the *Médiapart* news site, the report was drawn up after extensive consultations with employers. One of Gallois' aides in preparing the report was Pierre-Emmanuel Thiard, a member of the conservative Union for a Popular Majority (UMP) who advised Sarkozy on economic policy.

After initially attempting to distance itself somewhat from the Gallois report due to its unpopular policies, the government has now embraced it.

The most gushing praise for the report came from PS Minister of Industrial Renewal Arnaud Montebourg, often described as a PS "left". He praised the report for "encouraging the mobilization of all citizens. … Louis Gallois is appealing for a patriotic response. This means that in fact all French people can play their part in the revival of our industry. … I think that all French people should read the Gallois report, it is so edifying."

The unions also support making French business competitive at the expense of the workers. François Chérèque, leader of the PS-aligned CFDT (French Democratic Confederation of Labour), commented: "The CFDT is favorable to the transfer of some of the financing of social security which weighs down on work, and to place it on the CSG." He said that Gallois was going "in the right direction."