French austerity budget raises taxes on workers

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The French budget prepared by the Socialist Party (PS)-Green Party government of President François Hollande is a massive attack against the working class. It plans to cut the budget deficit from 4.1 percent to 3.6 percent of gross domestic product (GDP) by cutting state spending by €15 billion and significantly boosting taxes on working households.

The planned cuts will affect public sector workers (2,000 retirees will not be replaced, and wages will be frozen for a fourth consecutive year) and cuts to subsidies to local governments will affect many public services.

Of the €15 billion in cuts, €6 billion are to Social Security, including €2.9 billion cuts from health benefits. The latter are to be realised by yet more "productivity gains" in hospitals, where already there are routine reports of insufficient supplies and staff.

Three billion euros of extra government receipts are also foreseen in taxes that will mostly hit households, and very marginally larger companies.

An increase on the VAT sales tax is to go into effect starting January 1. The €5 billion expected receipts will be fed into the "Tax Credit for Employment Competitiveness" (CICE), a tax break for employers which will free them from the newly announced taxes.

This gift to companies accounts for €10 billion and will also be financed by tax increases on workers and retirees. Finance Minister Pierre Moscovici has defended these policies by citing the free-market politics nostrums that have been used for 30 years: "We want to reform corporate taxes, which are stifling factors of production."

The government's announcement of a so-called "tax pause" is a fraud whose insincerity is barely concealed: in total, some €12 billion is to be taken in tax from workers, and almost as much offered as a gift to companies, particularly larger firms.

The stated objective for 2015 is to bring France's budget deficit within the limit of 3 percent of GDP mandated by the European Union. It is already forecast that the CICE will grant another €10 billion in tax breaks to companies that year.

The government is trying to present this budget as one that supports "economic growth" and prioritises "employment and purchasing power". In fact, cuts of such magnitude, added to the current pension cuts and occurring after five years of continuous austerity measures, can only worsen the economic situation by further reducing consumption by broad masses of workers. (See "Forecasting more recession and unemployment, the EU demands more austerity")

The French budget for 2014 is in line with the European Commission's calls for a massive attack on the working class in its last winter economic report. The discussions at the time described France as a "problem child," because its austerity policies were not as drastic as those of other European states, such as Greece or Spain.

In these countries, austerity measures have been so severe as to completely undermine economic life, collapsing the economy and putting the vast majority of young workers out of work.

As a top civil servant in the Austrian Finance Ministry explained in February, "There could be good macro-economic reasons [for less austerity], but this would be highly damaging for our credibility. We run the risk of being considered as soft once more." That is, European states should systematically obey the dictates of international finance capital, despite their catastrophic impact on the economy.

President Hollande's budget is still not doing enough from the viewpoint of the financial aristocracy. If the

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government insists on cutting public spending, as a *Le Monde* article explains, “more than 80 percent of the austerity effort will fall on public spending.” The *New York Times*, expressing the views of Wall Street, immediately criticized the cuts as “modest [and] not the radical change which many economists say the country needs.”

“The tendency is going in the right direction … but the situation is not as encouraging as it may seem”, wrote the *Economist*, complaining that France has the highest level of public spending in the EU and a total debt of more than 95 percent of GDP.

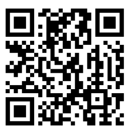
If the budget does not go as far as Wall Street would like in attacking social spending, it is primarily because Hollande fears a political explosion in the working class against his government.

At 23 percent, Hollande’s approval rating is at historic record lows for a French president who is only just over a year into his term. There was mass opposition to his drive to war in Syria.

More direct attacks would risk provoking a mass movement of opposition. If Hollande can still manoeuvre, it is in great part because none of the “left” parties that claim to criticise him dare to do anything that would risk undermining his government, which they support.

In its article of October 2, “Budget 2014: Taking from working people to give to companies”, the *Hebdo Anticapitaliste*, paper of the New Anti-capitalist Party (NPA), after having described this “class policy”, called for its supporters to “oppose it clearly, *in unity*, but not fearing a confrontation” (emphasis added).

For this party, “in unity” signifies the search for an alliance with the Left Front, which includes ex-members of the Socialist Party and the Stalinist PCF (French Communist Party)—a party which, like the NPA, openly called for Hollande to be elected in the second round of voting, promising that it “will never vote” a motion of censure against his government.



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