European Union threatens to veto France’s 2015 budget

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The 2015 budget to be debated this week at the National Assembly represents an enormous attack on the working class and the French population. However, the European Union (EU) and the institutions of the Eurozone are indicating that it does not go far enough in slashing French budget deficits and that they will veto it Wednesday if Paris does not intensify its social attacks on the working class.

Last week, sources at the European Commission told the press that they plan to refuse the budget in talks in Brussels scheduled for Wednesday. They could impose disciplinary procedures and fines on the French state.

The head of the European Central Bank (ECB), Mario Draghi, also declared that the budgets of European states must “stay in line with the rules of the Stability and Growth Pact,” which dictates that budget deficits must remain below three percent of a country’s gross domestic product (GDP). However, France’s 2015 budget predicts a budget deficit of 4.3 percent of GDP.

This weekend, the Standard and Poor’s rating agency also threatened to downgrade France’s AA credit rating to push Paris to accelerate its austerity measures.

Yesterday, Jens Weidmann—a member of the ECB’s council of governors and the head of Germany’s Bundesbank—asked the Commission to press France for more cuts. He declared that “the credibility of the rules would be seriously undermined” if France did not cut its deficits to three percent of GDP. “From my point of view, it is not by straying from the path of consolidation that confidence can be restored.”

Faced with these international criticisms, Prime Minister Manuel Valls tried to strike a pose of independence, stating, “We are the ones who are deciding on the budget. The only thing we ask of the Europeans is that they take into account the reality which unfortunately imposes itself upon us: the crisis that is undermining the Eurozone. France must be respected, it is a great country. We will not accept lectures on how to run our affairs.”

In fact, despite the unpopularity of the French government, which is hated for its reactionary austerity policies, the Socialist Party’s (PS) ministers are now discussing further attacks on unemployment insurance, family benefits, and other social services. Already a month ago, Labor Minister François Rebsamen had floated a proposal to impose new tests on unemployed workers, so as to deny more of them unemployment benefits.

Now, Economy Minister Emmanuel Macron, a former Rothschild investment banker, is continuing this war on the unemployed. He explained in an interview with the *Journal du Dimanche* that he plans to cut both the duration and size of unemployment benefits, imposing a system of cutoffs modeled on the reactionary Hartz IV cuts imposed a decade ago in Germany.

As the global economic crisis that began in 2008 has increased the number of unemployed and underemployed in France to over five million, these measures will have a devastating social and economic impact.

Valls indicated his support for Macron’s initiative, describing the preparation of these new attacks as “a legitimate discussion.” Macron is proposing to push them through in six months.

PS deputies at the National Assembly are also working on the possibility of abandoning the universal character of family benefits, which would instead be means-tested. This would hit large sections of the population, including higher earners in the middle classes.

These new attacks are on top of those already laid out by the PS's reactionary proposed budget, which slashes more than €21 billion in spending and contains the first corporate tax cuts specified by French President François Hollande's so-called Responsibility Pact.

The state's operating costs are to be slashed by €7.7 billion and its funding for local governments by €3.7 billion. Fully €9.6 billion, or almost half of the total planned budget cuts, are directly hitting social services and benefits. The health system is slashing spending by €3.2 billion, while family benefits are being cut by €700 million.

The €3.7 billion cut from regional and municipal administrations will undermine other social services, such as school lunches and day care centers that are funded at the local level.

These austerity measures dictated by the PS and the European Commission demonstrate the bankruptcy of capitalism, which is now pushing France on the path of social retrogression followed since 2008 by countries like Greece, Ireland, and Spain. With their typical class arrogance, overpaid bankers and high-level officials are demanding that workers and large sections of the population be reduced to poverty.

At the same time, the European economy is on the verge of a new collapse and of deflation, in particular with the surprise announcement that Germany's August exports had fallen 5.8 percent and that the country, the Eurozone's largest economy, is likely going into recession.

The crisis inside the EU highlights the inter-imperialist tensions that are exploding between the major European powers, notably Germany and France. In August, a first French government led by Valls collapsed when two ministers, Arnaud Montebourg and Benoit Hamon, criticized Paris's austerity policies, which they denounced as being dictated by Berlin and responsible for the rise of France's neo-fascist National Front (FN).

Paris seemed to be counting on support from Rome to protect its budget in EU negotiations, after the October 2 comment by Italian Prime Minister Matteo Renzi that on this matter, "Paris is right." In this direction, the warning addressed to Paris by the Italian head of the ECB, Mario Draghi, is one indication that the PS government may have been overconfident on this issue.

Whatever the result of Franco-Italian negotiations, however, an explosive confrontation is on the agenda at the Wednesday European summit in Brussels, in particular between the largest economic powers in the Eurozone: Germany, France, and Italy.