France, Italy vow more social cuts as EU approves their 2015 budgets

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Warning France and Italy that they were not making great enough efforts to cut their budget deficits in 2015, the European Commission nonetheless approved their budgets last week. The Commission received, in exchange, guarantees from both countries that they would impose more austerity measures in 2015 and, in the longer term, deep attacks against workers' social rights.

Monday, Paris sent a letter to the Commission in Brussels, vowing to reduce the deficit by a further €3.6 billion, including roughly €1.5 billion in spending cuts and over €2 billion in new revenues. Paris said it would therefore be in a position to reduce its "structural deficit" to 0.5 percent of gross domestic product (GDP), the limit specified by European Union (EU) treaties.

Italy is also promising to improve its structural budget deficit, that is, the budget deficit adjusted for the impact of the economic crisis on public finances. The reduction will be "more than 0.3 percent" compared to 2014, as opposed to a 0.1 percent cut in the initial draft of the budget, Italian government sources indicated. However, the reduction remains below the 0.5 percent cut the Commission had demanded. Rome's new cuts amount to €4.5 billion.

Though these measures do not bring down the overall French or Italian public budget deficits to 3 percent of GDP, the European Commission approved them, clearly calculating that vetoing the budgets of the Eurozone's second and third largest economies could have had disastrous results.

As French business daily *Les Echos* remarked, "In Brussels, the European Commission knows it would be counterproductive to force Paris into a showdown in a difficult economic climate, even though the cuts presented are not 100 percent convincing."

It cited Guntram Wolff of the Brueghel Institute: "The whole question cannot be settled with a few budget indicators. These rules are not useless, however, since they create external pressures on these countries and open up a space for political debate inside and between these countries. Given that there is not a common European budget, this coordination remains necessary for the eurozone."

The Commission manifestly feared that vetoing the French or Italian budgets would provoke an eruption of tensions between Germany, the leading Eurozone power, on the one hand, and France or Italy on the other—only two months after leading officials in Paris made sharp criticisms of German policy during the collapse of the French government at the end of August.

However, from the standpoint of the European bourgeoisie as a whole, these talks with the European Commission helped justify new austerity measures in France and Italy, where the ruling class is destroying entire sectors of the post-war social welfare state.

Italian Prime Minister Matteo Renzi is under pressure from the financial markets. The International Monetary Fund is demanding that his planned labor market reforms should proceed "rapidly from the development to the implementation stage." IMF administrators who carried out their annual inspection of the Italian economy in September forecast a few contraction of the economy this year and slashed their forecasts for future economic growth.

The core of Renzi's labor market reform is the elimination of protection from sackings for currently employed workers, and the replacement of all currently existing contracts with a single, universal contract form that includes a three-year probation period. The plan also sets up a new unemployment benefits agency. In line with the Hartz IV law in Germany, unemployed workers will be forced to accept low-paid jobs.

The new law also allows for more easily eliminating public-sector jobs. Renzi intends to continue the public sector wage freeze in 2015, and to slash state spending. The new labor laws include plans to further extend temp work inside the public sector.

In France, the government of Prime Minister Manuel Valls plans to break the main principle of social benefits in France since World War II, that of “universality”, by introducing means testing for family benefits.

This measure aims to weaken support for family benefits and other forms of social spending in the more affluent layers of the middle class—this being a prelude to the outright destruction of social spending and social rights that workers won in France in the post-World War II period.

Despite a series of pro-business “reforms” of the labor market, the bourgeoisie considers that jobs are far too secure in France. It is demanding that the ruling Socialist Party (PS) in France intensify its attacks on workers’ social rights.

Valls has also declared that he wants to end the principal form of the long-term job contract in France, the Indeterminate-Duration Contract (CDI), which he claims “protects workers too much”. This would allow companies to fire workers at will and thus pressure workers into accepting all manner of wage and benefit cuts, making French businesses more internationally competitive.

These historic attacks on the working class demonstrate the bankruptcy of European capitalism, which cannot guarantee decent living conditions for the workers and is increasingly riven by tensions between the major powers.

The fact that these social attacks are being carried out by the social-democratic parties, the PS in France and Renzi’s Democratic Party in Italy, underscores the utterly reactionary character of the bourgeois “left”. The European social-democratic parties rely, moreover, on the support of the Stalinist and pseudo-left forces to carry out austerity measures and try to stifle opposition in the working class.

Italian Labor Minister Giuliano Poletti, who participated in drawing up the labor law reform, is a long-time trade union official with past ties to the now-defunct Italian Communist Party. The Italian Pabloites of the Sinistra Critica group participated in the bourgeois “left” government of Romano Prodi, which backed deep attacks on the working class.

In France, the NPA, the Left Front, and the Lutte Ouvrière (LO) group all backed PS candidate François Hollande before he was elected in May 2012. As in Italy, all of these parties represent forces deeply hostile to the working class, who are seeking to block any political struggle of the working class against mass sackings and austerity measures.