International finance capital and the strikes in France

Nick Beams
25 May 2016

The mobilisation of the forces of the French state by the Socialist Party government of Francois Hollande against striking oil refinery and other workers is the spearhead of a long-demanded offensive against the French and European working class by the representatives of international finance capital.

Since the global financial crisis in 2008, and particularly since the crisis of the euro in 2012 and the second phase of a double-dip recession, the International Monetary Fund, the European Central Bank and other financial institutions have been demanding the implementation of what are euphemistically described as “structural reforms.” The real agenda is to boost profitability of French and European capitalism as a whole.

“Structural reform” is aimed at savagely attacking the conditions of the working class by opening the way for employers to hire and fire at will, scrapping legal protections against sackings, cutting unemployment benefits and reducing government social services spending.

As police were being brought in to attack striking oil refinery workers in Marseilles, the IMF set out its latest prescriptions for economic policy measures in France. They centred on techniques to increase labour market “flexibility” and reduce pensions and other social services.

It said the implementation of the *El Khomri* labour law, the focus of the strikes, would be a “step forward, increasing the scope for company-level agreements and reducing judicial uncertainty around dismissals.” But more had to be done, it insisted.

In other words, regulations that govern national pay and working conditions must be continually rolled back to the conditions that prevailed in the 1930s and beyond and legal impediments to the ability of companies to hire and fire removed. This is the agenda that the Hollande government is now seeking to impose with the force of the state.

Setting out the factors which had made France’s labour market “less adaptable” to developments in the global economy, the IMF cited “centralized labour agreements for over 700 branches; long and uncertain judicial procedures around dismissals; relatively easy access to unemployment and welfare benefits” as well as a “relatively high minimum wage.”

The other major demand is for a reduction in government spending which the IMF insisted was “at the heart of France’s fiscal difficulties.” It called for limiting the “wage drift at all levels of government that would help reduce the wage bill,” a reduction in pensions by lifting the retirement age, the extension of means-testing for social benefits and the rationalisation of hospital services to reduce costs.

This offensive comes at a critical turning point in the deepening breakdown of the global economy and the international financial system. Since 2012, and the commitment by ECB president Mario Draghi to do “whatever it takes” to prevent a collapse of the euro, the central bank has pursued a policy of “quantitative easing”—the pumping of trillions of euro into the financial system.

These measures have done nothing to revive the real economy. Their only effect has been to promote speculation in financial markets, leading to ever-widening social inequality. Investment in the real economy, the driving force of economic growth, remains around 25 percent below where it was prior to 2008 and large sections of the euro-zone economy have not returned to the levels of output they reached eight years ago.

The initiation of negative interest rates by the ECB earlier this year has likewise failed to bring any economic revival. In fact, their introduction and similar moves by the Bank of Japan have only added to the instability of global financial markets amid growing tensions among the major capitalist powers as they struggle for markets and profits in a stagnant world economy.

While accommodating the demands of the banks and finance houses with endless supplies of cheap cash, Draghi has been acutely aware that these measures in and of themselves are not sufficient to maintain the position of European capitalism in the intensifying global economic struggle against its rivals. In the view of the ruling financial elites, the entire post-war system of social services and regulations introduced to stave off the threat of social revolution after the experiences of fascism in the 1930s has made Europe uncompetitive and must now be destroyed. This is the essential content of the demand for "structural reforms."

In a speech on this issue in May 2015, Draghi noted that in every press conference since becoming ECB president, he had ended his introductory remarks "with a call to accelerate structural reform in Europe." This would raise productivity and increase "price and wage flexibility," that is, boost profitability.

The increased urgency, from the standpoint of the ruling elite, of this task is underscored in the Annual Report of the ECB issued in April. After claiming that the present policies were working, the report then essentially refuted that assessment by noting that 2016 would be a "challenging year" for the central bank. "We face uncertainty about the outlook for the global economy. We face continued disinflationary forces. And we face questions about the direction of Europe and its resilience to new shocks."

That is, almost eight years since the onset of the global economic breakdown, rather than there being an "economic recovery" on the horizon, the situation confronting global capital is worsening.

Just as in the 1930s, this deepening economic crisis is driving the ruling classes in France and throughout the world to war and militarism, coupled with a renewed onslaught against the working class and attacks on democratic rights at home. What is unfolding in France is, therefore, the most acute expression of global trends and tendencies.

Its significance can only be fully appreciated by placing it within the context of the history of the past quarter-century.

The collapse of the Soviet Union in 1991 was greeted with a wave of triumphalism on the part of the bourgeoisie and its political representatives as they hailed the "death of socialism" and the "triumph" of the market—a reaction which was mirrored in the response of all the petty-bourgeois pseudo left tendencies as they integrated themselves ever more deeply into the structures of the capitalist state and its political establishment.

Only the International Committee of the Fourth International (ICFI) explained that the liquidation of the Soviet Union was not the death of socialism but rather the collapse of Stalinism and its nationalist program of "socialism in one country" under the impact of globalised production, and that, far from establishing a new capitalist equilibrium, the world had entered a new period of wars and revolution.

The collapse of the Soviet Union, however, gave rise to considerable disorientation in the working class. But the essential tendencies identified by the ICFI are now coming to the surface and have produced a resurgence of the class struggle. The urgent immediate task is the mobilisation of the working class across Europe in support of the French workers in the struggle against the Hollande government and the financial elites that stand behind it. This movement must be armed with an international socialist perspective directed to the fight for political power and the building of the ICFI as the revolutionary party to lead it.