

The bond markets, rearmament and the global assault on social spending

Nick Beams
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International finance capital is delivering its orders as the Macron government moves to impose a dictatorship in response to the mass protests of October 17, which saw more than 550,000 people march in a national day of action against rising fuel and living costs and the crisis in the education system.

Massive cuts to social spending must be carried out, with whatever measures are necessary, to pay for spending on the military amid a deepening crisis of the finances of the French state.

The immediate ruling class agenda is budget cuts amounting to €54 billion, which will make major inroads into social spending. But this is only the start. The goal is nothing less than the destruction of the entire social security system established after World War II as a response to bitter struggles of the working class.

The dictates of finance are being delivered via the bond market, with investors selling off French debt and driving up interest rates. On Monday the yield on 10-year bonds rose from 4.80 to 4.90 percent, a major increase.

The demands of international finance were spelled out at the annual meeting of the International Monetary Fund held earlier this month, as it declared that cuts to public spending globally had become a matter of “urgency” because the rise in long-term interest rates was now exceeding the growth rate of GDP.

France is at the center of this financial storm. Public debt is €3.5 trillion, equivalent to 120 percent of GDP and rising. Debt servicing costs, the payment of interest, are set to rise by 25 percent this year to €65 billion. The head of the Bank of France Emmanuel Moulin has said that France risks being “strangled by interest rates” unless action is taken on public finances.

That is, the working class must be made to pay for the demands made by the wolves of finance capital. The assault on the social conditions of the working class is intimately tied to the financing of rearmament which is

taking place in France and globally.

War financing requires the issuing of more debt. More debt increases interest rates, leading to intensified demands that social spending be cut to protect the finances of the national state.

This connection was drawn out by Prime Minister Sébastien Lecornu. He told *Le Figaro* on September 17: “Next year, because of the geopolitical context, which is pushing interest rates up, the country will have to find an additional 10 billion euros.” The “geopolitical context” to which he referred is the massive rearmament by all the imperialist powers.

There is a feedback loop at work here. Money is borrowed to finance the military, pushing up interest rates, and then more money must be found to pay the additional interest bill through cuts in social spending.

The same mechanism is at work in every major economy. In the US where the interest bill at more than \$1 trillion is fast becoming the biggest item in the budget, Trump has already stated that there is no more for social services because of war spending.

In the French crisis, as the *World Socialist Web Site* has explained, the ruling class is pursuing a two-track policy. On the one hand, it is moving rapidly to establish dictatorial forms of rule. On the other, it is relying on the trade union bureaucracy and Jean-Luc Mélenchon’s La France Insoumise (LFI) to subordinate the working class to the capitalist state.

The role of Mélenchon is starkly revealed in his attitude to the debt crisis and the dictates of the bond markets. In a speech to the LFI’s summer school last year, he maintained there was no crisis, that it was simply the creation of just two men, Macron and Prime Minister François Bayrou. The goal was to have Macron “go away” and that France was 1,000 kilometers away from a crisis.

This falsified depiction of economic reality flowed

directly from his political perspective based on the assertion that socialist revolution is off the agenda, that there is no need for a revolutionary leadership and that change can only come via the ballot box and the parliamentary system.

Mélenchon's latest attempt to throw dust in the eyes of the youth, the "yellow vests" and the working class and blind them to the revolutionary tasks they confront is his proposal that the Bank of France should "burn" its holdings of French debt, around €600 billion or 18 percent of the total, in order to free up resources for social spending.

In other words, according to Mélenchon, the situation in France does not derive from the ever-deepening crisis of French and global capitalism—one of the features of which is the growing debt mountain in all the major economies—but is merely a technical problem which can be solved by bookkeeping.

Mélenchon's bankrupt proposal ignores the fact that the Bank of France is not some neutral organization which can be ordered to act in the interests of the "people," but it is an organ of international finance capital integrated into its networks through the European Central Bank.

Moreover, the debt held by the central bank is only a fraction of the total, the vast bulk of which is held by private banks, investment funds and wealthy oligarchs.

Their reaction to such a measure would be to launch an immediate sell-off of French bonds, provoking a major escalation of interest rates and a deepening of the financial crisis in order to enforce their dictates.

Mélenchon knows this from his own experience. He was a member of the Socialist Party whose Mitterrand government that was elected on a wave of popular enthusiasm in 1981 for a program of social reform. The violent adverse reaction by financial markets resulted in its complete reversal, leading to deepening attacks on the working class.

The experience of Greece in 2015 reinforces these lessons. There SYRIZA came to power promising to defy the dictates of the ECB, the IMF and international finance capital but bowed before their demands for sweeping austerity, despite the 62 percent No vote in the July referendum.

The reason was that the only way the grip of finance capital could have been broken was through the revolutionary mobilization of the Greek working class on a socialist program, immediately reaching out to the working class across Europe for support.

SYRIZA and its allies were opposed and hostile to such

a perspective because they represent not the interests of the working masses but the upper echelons of the middle class seeking to maintain their position within the capitalist system and sections of the capitalist class itself.

Mélenchon and his LFI play the same role.

In opposition to these forces, the working class must base its struggle on a strategy which is grounded on a complete break with finance capital. Anything less, no matter how "radical" it might sound, means subordination to its dictates.

The financial crisis cannot be resolved by adjustments, tinkering and bookkeeping measures. In the first place, the debt must be repudiated. It has been incurred to meet the interests of the capitalist oligarchy, not the working class. Its further accumulation is being fueled by the demands for increased military spending, as French imperialism joins its international counterparts in the struggle to redivide the world.

Debt repudiation means that the banks, the network of financial institutions and the capitalist oligarchs which devour the resources of society and the state must be expropriated.

The resources exist in abundance for the satisfaction of all social needs and the further development of society.

The vicious reaction the fight for this program will produce from international capital poses the immediate necessity for the French working class to turn for support to the rest of the European working class—in Spain, Belgium, Germany, Italy where major struggles are erupting and beyond—to develop the European and international socialist revolution.

The International Committee of the Fourth International, the world Trotskyist movement, has explained that the fight for this program—the only viable and realistic perspective in the unfolding revolutionary situation—requires the building of a revolutionary leadership. To advance this perspective, it fights for the development of rank-and-file committees of action to develop the struggles now unfolding, to free them from the grip of the bureaucratic apparatuses, to prepare a general strike and in this way advance the fight for the working class to take political power.



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