French Economy

Are the Poor Still With Us? Off With Their Heads!

by Jacques Cheminade

While in foreign policy, the French President Jacques Chirac and his Prime Minister Jean-Pierre Raffarin continue to cleave to the notion of natural law—Jacques Chirac has yet again confronted the U.S. government, on the matter of Ariel Sharon's bombing of Palestinian camps in Syria—nevertheless, French domestic policy remains an unmitigated disaster. Its ideology reflects nothing less than a perfervid attempt to legitimize inequality and sacrifice the poor—the whole expressed in terms that recall, most unpleasantly, certain politicians of the Nineteenth Century. At some not-so-far-off point, so glaring an incoherency between foreign and domestic policy must necessarily lead to a blowout: With so ill-advised a domestic policy—"going along to get along" with an intrinsically unjust international financial system—how can the Government expect to mobilize Frenchmen behind its foreign policy, bold and fair as the latter may be?

Feed Rich, Starve Unemployed

The most worrisome statements have been issued by the Minister of Economy, Francis Mer, who "trained" for the post by dismantling France's steel industry. This past Sept. 15th, on a France 2 Radio program, he went so far as to state that high wage-earners are more deserving, "because they bring greater value into our society than those who earn less." Whereupon, he announced an austerity plan to be implemented once the regional elections have been held. Mer is, or is said to be of the same mind as the economist Nicolas Baverez, who has been spouting forth on "the decay of France" (Cf. his book-length essay, *La France Qui Tombe,* Editions Perrin, 2003). As for Renaud Dutreil, Secretary of State for Small and Medium-Sized Industry, he believes the French tax system must be altered so as to be less dissuasive to "those who have a lot of money."

In recent months, we have been treated to endless speechifying, on how the rich would be "better able to take care of the poor" were the rich to be "better served" by the state. Income tax will be cut back by 3%, the Wealth Tax reformed, and it will be made more fiscally worthwhile to employ domestic servants! Meanwhile, we learn that the population has got to be "sent back to work"; the unemployed must be got to "shoulder their responsibilities"; and the mass media are denouncing the "fakers" drawing unemployment benefit, sickness benefit, or income support.

Thus in July, 15,000 unemployed were simply struck from the lists of the ANPE (Agence Nationale Pour L'Emploi, the State Employment Agency), for having failed to turn up for meetings with agency officials, after three summons had been issued them. But, as Margareth Maruani, head of a research department at the National Center for Scientific Research (CNRS) has written, "Striking people off the ANPE lists, or slashing benefits, may well alter the way the figures look, but it does nothing whatsoever to actually bring unemployment down." Thus, the men and women who—having given up all hope of finding a job—throw in the towel, find themselves on the rubbish heap of so-called polite society.

Worse still, a new UNEDIC agreement (the Union National Pour L'Emploi dans L'Industrie et le Commerce, the agency that runs the national unemployment fund known as the ASSEDIC) has been signed by labor and management: A man who is out of work, and had previously been entitled to draw 30 months' benefit, will henceforth be entitled to draw but 23 months, if he be under the age of 50; if he be over 50, he may henceforth draw benefit for only 36, rather than 45 months. The aforesaid scheme came into force on Jan. 1 of this year, and applies now to those who will now be joining the ranks of the unemployed. It will shortly apply also retroactively, to those who were already out of work.

How were the trade unions coerced into signing on? The alternative was that unemployment benefits would have been made regressive, across the board.

Depending on the date they began receiving ASSEDIC unemployment benefits, between 613,000 and 856,000 French men and women have just lost between one day and nine months' benefits. Some 60% of the unemployed lost six or more months' benefits, at the stroke of a pen.

According to trade union statistics, once the new scheme comes into force, between 250,000 and 300,000 people will be barred from drawing unemployment benefit from the ASSEDIC. Some will find themselves with nothing to live on save the Allocation de Solidarité Spécifique, of roughly 410 euros per month, which is afforded the unemployed whose entitlement to benefit has run out.

Defense, Security Get Funds

In the past, there has been no cut-off point for the publicly-financed Allocation de Solidarité Spécifique (ASS). But henceforth, people who have just lost their jobs will, once their entitlement to unemployment benefit runs out, be covered by the ASS scheme for only two years. Current beneficiaries (420,000 persons) will be covered by the scheme for three years only.

Overall, it is estimated that by Jan. 1, 2004, about 250,000 unemployed whose right to draw benefits will have run out, will be expelled from the ASS scheme. The situation will worsen in 2005. Dreadful as this is for the individuals concerned, there is more behind it: it is a maneuver, by the state, to shuffle off the burden onto the Conseils Généraux, the regional authorities out in the provinces. The latter are already compelled to finance Income Support, and, lacking as they do the needful financial means, they will have no option but to apply draconian selection criteria to those who apply for Income Support! On Sept. 21, François Fillon told the Sunday paper *Journal du Dimanche,* "One simply cannot go on financing the unemployed indefinitely."

Who would dispute for a moment that paid employment is real value; or, as the Government puts it, one must "revalue work?" Fine! But there have got to be jobs in the first place, and those who work at them should be paid a fair wage. At the present time, that is far, far from the reality. Over the past decade, one after the other, the giant trees in the industrial forest have been felled: Metaleurop, Deawoo, Orion, Air Lib, Tati, Alstom, all would have gone under, had they not been salvaged *in extremis* by the Government, and mass redundancies are greatly to be feared. The country has been hit by an avalanche of job-reduction plans: STMicroelectronics, Matra, Schneider Electric, Doux, Alcatel, Giat Industries, Altadis.

Clearly, then, hypocrisy is the watchword for Messrs. Mer, Dutreil, and Fillon: if the government has failed to expand the country's economy, and thereby create jobs, then to stop financing unemployment benefits is a crime against the workforce. What are France's true priorities? In the Finance Bill for the year 2004, the tax chapter is most telling: Although the "happy few" are to enjoy tax cuts amounting to something like EU2.20 billion, other levies will be jacked up, hitting everyone, including the poorest of the poor. Thus, heating fuel will be more heavily taxed, as will tobacco, while the charge for each day's hospital stay will be sharply increased. The interest yield in the popular savings-bank scheme, known as the Livret A, used essentially by low wage-earners, will be slashed, as will a special scheme known as State Medical Assistance, on which many illegal immigrants entirely depend. In total, the state will increase mandatory fees and taxes by roughly EU3.2 billion in 2004, which will more than make up for the tax breaks afforded the privileged classes.

Similarly with budget options: Spending on the public weal will be cut, the only exception being police measures. The Department of Labor is to be the worst hit, alongside Aménagement du Territoire (the Department responsible for regional and provincial industrial development and planning); and the Infrastructure and Transport Departments. The Government is about to do away with the bedrock subsidy designed to improve public transport, known as Transports en Commun en Site Propre (TCSP) and Aides aux Plans de Déplacement Urbain (PDU).

Only two Ministries remain unscathed: Defense, and Interior.

As for research, officially "the workforce will, overall, remain as is"; but the reality is that one out of every three permanently-employed scientists who retire or leave Government research institutes, will be replaced by someone holding a three- to five-year contract. In other words, major bodies such as the CNRS, the National Institute for Health and Medical Research, and the National Institute for Agronomic Research will lose out on 550 permanent research workers, out of the 1,600 persons expected to leave. The budget outlines "four major themes that will enjoy funding priority," and in favour of which, research foundations may be set up.

In other words, the State intends to withdraw from research! Within but two short years, the CNRS will have lost almost EU400 million, the equivalent of a year's operating credits.

Downsizing Government

As for the Department of Education, a 2.8% increase in credits will do no more than cover the scheduled wage increases. Administrative jobs are to be cut, mainly in supervisory and oversight positions, while no further contingent of school doctors, nurses, or social workers are to be recruited.

France's future is on the chopping block. What the Government's very sorry choices reflect, is a depressive belief that financial constraints are an act of God. The type of society looming on the very near horizon, is one that is soft on the rich, and very, very hard indeed, on the allegedly unfit. So-called intellectuals, like Nicolas Baverez and François Mitterand's former advisor Jacques Attali (the latter writing in *L'Expansion* in October 2003), clamor for yet another round of tax cuts to "let capital circulate freely, and encourage innovation," while axing public expenditure and reforming the state by "down-sizing" it.

In other words, France is looking at a full-scale return to the Anglo-Dutch Nineteenth-Century model. Its citizens are expected to believe that lining the pockets of the wealthy must necessarily, somehow, someway, be "good for business"; and that in so doing, society is being "equitable"—which is not quite the same concept as that of equality!

Not a peep from Chirac's and Raffarin's Government as to what might actually change the rules of the game: a grand, over-reaching infrastructure scheme (as has been suggested by Finance Minister Tremonti of Italy and the van Miert Commission); investments into industry; European Invesment Bank subsidy to research and innovation; and, overall, a new productive credit system; so that Europe will, once again, find her way to a mission on this earth.

If Europe is to pursue her current fair and generous foreign policy, the course of her economic strategy must be sharply altered, now.