

through taxes, social costs, regulations of all kinds, and nationalization, has become excessive. And he is convinced that the dynamism of the economy, growth, and the creation of new wealth must not come from the state but from the productive sector.

But you are wrong if you think that is to differentiate himself from the Socialist experiment. Of course, it is the counterpoint to the Socialist experiment, but Chirac said this before 1982, before 1981, and since I actively prepared his campaign, I could cite speeches from the 1977-78 legislative elections where he was already speaking along these lines.

What you have to see is that what has been happening in France since the Socialists came into power is an acceleration of a phenomenon which already existed before; and since approximately 1970 to the present, the weight of taxes and other expenses has constantly increased. So this sort of "stabilization" of the economy, or creeping socialism, began a good 10 years ago. . . .

Sloan: In the United States, the policy of the Federal Reserve under Paul Volcker has been to maintain interest rates at usuriously high levels. The same policy was followed in Great Britain, under Thatcher. This has led to a reduction of inflation, but at the expense of production, which has dropped 2 percent for every 1 percent drop in inflation. So isn't the remedy being proposed even more serious than the illness?

Juppé: Absolutely. I was in the United States about a month ago, where I was in contact with a number of economic officials and experts in Washington. What struck me is that there are two sides to the economic debate in the United States, what are called the supply-siders and the monetarists. Each side more or less throws the ball into the other camp. Some people I met said that if the tax cuts didn't work it was because they were only 1 percent the first year, so it was really symbolic, and because at the same time the Fed is carrying out a strict monetarist policy. I don't think that our present monetary difficulties mean that the [supply-side] is erroneous.

As for monetarism, I have some reservations. To try to control the quantity of money put into circulation—in France this is done through control of the actual quantity by telling the banks that they cannot increase their lending by more than x percent above the previous year. This presents many inconveniences because it completely freezes things, while use of interest rates leads to what we have seen in the United States, and I think that since monetarism is based on long periods, the conjunctural cycle becomes extremely difficult. I have to admit that on this problem there is a kind of vacuum in economic thinking; no one has any real answers as to what to substitute.

I was very struck during this trip to the United States

when someone told me "Jacques Rueff was right," that we cannot regulate economic activity through the quantity of money but through the price of money, and so must come back to a standard which would permit us to determine in a stable fashion the price of money. That being said, I think these are ideas which are still somewhat marginal, so there is a kind of disarray in economic thinking.

Sloan: The political climate in France appears very violent. Where are we headed?

Juppé: This is quite true. I think there are risks of confrontation, which for the time being have remained verbal, but with an escalation. We have to wonder how far it will go. The Socialist regime bears the burden of responsibility primarily for the deterioration of the political climate since, so to speak, it was the Socialists who fired first with their party congress in Valence last year, and the absolutely extraordinary statements that were made about the necessity for heads to roll in the police and the administration [which are state-controlled—ed.].

I willingly admit that the opposition also has a tendency sometimes to respond to sectarianism with sectarianism. I recognize that there have been a certain number of excessive declarations from the opposition as well, people who gave in to a verbal "upping the ante."



Interview: Jean-Marie Rausch, Mayor of Metz

The following interview with Jean-Marie Rausch, Senator and Mayor from the city of Metz in the industrial Lorraine region and president of the regional council of the Moselle department was conducted in early June by EIR Wiesbaden Bureau chief Philip Golub. A member of the Centre des Démocrates Sociaux (CDS), Senator Rausch played an important role in the fight last year to prevent the Socialist government from stopping construction of the Cattenom nuclear reactor, considered to be the necessary component

of any program to preserve Lorraine as an industrial center. Senator Rausch is emerging as an increasingly outspoken leader of the opposition in France.

Golub: You recently noted, after a visit to Paris, that under the present Socialist government, the "French State" no longer exists. What exactly motivated these remarks?

Rausch: I didn't say under the Socialists, but I did say that there is no longer a state, which means that there is no real authority. This is logical to a certain extent because among the key "mythical" words the Socialists use today, "decentralization" has a leading position. They recently drew up a bill very quickly and railroaded it through Parliament which transferred local executive authority from the prefects to the presidents of the general councils for the departments, or the regional councils for the regions. Many people, beginning with myself, have pointed out its shortcomings, both because of what is not provided for and because the rest can be interpreted so imprecisely that it in fact goes against the spirit of the law itself. This results in having people do more or less as they please, and under the pretext of enforcing the law on decentralization, the state withdraws and stops playing its real role. Because of this, elected officials, now much more than in the preceding system, refuse to follow central orders and begin building their own baronies or fortresses in the provinces. [Gaullist leader] Michel Debre goes even further than I do, as a real "Jacobin," a real centralizer, and says that national unity itself is endangered. I don't go that far, but I do say that a central authority and the state have been considerably weakened. Endless discussions among all "social partners" are entered into, with people saying anything and everything, but with an absence of any sense of authority.

Golub: In the beginning of François Mitterrand's seven-year term, the Socialists held a congress at Valence where very violent proposals were made regarding the opposition. They spoke of a "radicalization of power," of "heads falling." This sparked off an equally violent reaction, especially from the RPR. Do you think Charles Pasqua is right to speak of a "latent civil war" in France?

Rausch: The political situation certainly could become brutal. The Citroen strikes are one example of it. We are told today that the problem is being solved, but nevertheless it pointed out the risk of a stupid conflict of ideas between freedom to work and freedom for the trade unions, as if it were possible to oppose two freedoms to one another. Behind this, however, could be detected the iron will of the [Communism Party-controlled] CGT to take over one of the largest remaining French industries, even at the cost of dismantling and suffocating it, provoking tens of thousands of layoffs. This may signify

that for the Communist Party and for part of the Socialist Party, those in the spirit of the Congress of Valence, the socialization process is not going quickly enough and should be accelerated by sacrificing part of the economy and industrial jobs.

Golub: Another domestic problem very much up front these days is terrorism, the laxity of the government and especially of Justice Minister Robert Badinter in the conflict opposing him to Interior Minister Gaston Defferre, as concerns national as well as international terrorism. Badinter recently freed some terrorists from Action Directe who had been involved in distributing leaflets in Paris which called for the assassination of President Reagan.

Rausch: In Metz, a Red Brigader called Stella was arrested at the border and jailed at the Metz prison. He was freed the following day under special direct orders from the Justice Minister, without passing through the normal court.

Golub: As for economic questions in France, I believe the results of one year of socialist rule are damning. Do you think first of all that there is a possibility of the government's changing its economic policy? Secondly, the Socialists have just introduced very openly the idea of austerity for France. They even spoke of lowering salaries, though in veiled terms, and Edmond Maire [head of the Socialist-environmentalist trade union, the CFDT] took it up as well. It appears certain that a serious economic crisis is on the horizon.

Rausch: Yes, I think it is looming on the horizon. What makes it all the more serious is that François Mitterrand and his advisors were betting, at least partially, on an upswing in the U.S.A. and in Germany in 1982, which, at least for the moment, is not taking place. Where is the French problem in this? France's Gross Domestic Product amounts to 360 trillion francs and the state's budget is between 750 and 800 billion francs. The social budget is close to 100 trillion, which means that at the beginning of the year, in precise terms, a levy of 44 percent of the GDP was needed to finance the totality of the state and its social charges. The President himself moreover personally approved a budget deficit of 100 billion francs, which he said must not be exceeded, which corresponds roughly to another 3 points of the gross domestic product. This means that 44 percent is paid for by taxes and the other 3 percent no one yet knows how. It could be done in three different ways: First of all if the growth rate goes up more than expected. The second solution would be to borrow the 3 percent. France has already done this before. The third solution would be to print money.

As economic recovery is not taking place in advanced-sector countries, we are condemned to the last two solutions. But it will be even worse as the 100 billion

[deficit] will actually add up to 150 billion. This inevitably lowers France's credibility, because she either borrows or because she prints money. This explains why there is such monetary erosion in France, which we can't slow down, and why there is such a rise in prices, over 1 percent per month. And in the 150 billion franc deficit, there is practically no investment. Most jobs created are non-productive and in government services. It will therefore be catastrophic in my opinion. This slide downhill cannot be caught up with, and Mr. Mitterrand and his clique act as though they can bring about a recovery through incantations, along with the Americans and the Germans; since that isn't happening, they have no remedy.

The result is that France will certainly be forced to devalue. . . . Other countries' prices are rising less quickly and because of the mechanisms of European solidarity, especially agricultural, this distortion is unbearable. Either France must leave [the European Community], which is unthinkable or it must at least leave the monetary snake, which is possible, but unthinkable, or it must devalue the Franc. I think the devaluation will be large, and will in turn bring about a serious crisis. [Finance Minister Jacques] Delors knows it and claims the only solution to be one of tightening the belt. The trade unions don't seem to want to play along, and even if Maire says he agrees, the others, such as the *CGT*, don't seem to be about to. If this type of proposal for lowering Frenchmen's income had been made a little over a year ago, they would have screamed that it was in order to make the big bosses richer!

I think this is what will bring a very serious crisis to France next year, first an economic crisis and then a political one.

Golub: Other than from rare individuals such as Raymond Barre, one never hears what you are now saying. It would appear that the opposition has not articulated a clear policy which could be presented to the population as a remedy to the present economic breakdown. You have spoken of the problem of the non-productive investment and so on. Why hasn't this been developed into an economic program for the opposition?

Rausch: What I have put forth is a diagnosis, not a program, which would of course be much more complicated, but feasible. The success of an economic program depends greatly on the confidence of the population. In my opinion, by next year or at the latest in a year and a half, the President will realize that because of his economic program, he no longer has the confidence of the rest of the world, and may even be confronted with the same phenomenon as General de Gaulle in June 1968, that of dissolving the National Assembly. At that point, the present opposition would undoubtedly take the majority. . . .

GREAT BRITAIN

The Falkland Islands Company: who runs it

by Renée Sigerson

The Falkland Islands Company is the front through which the British Royal Household maintains its claims of sovereignty over the Malvinas Islands in the South Atlantic. Had it not been for the Falkland Islands Company (FIC), which subsidizes the islands' meager economic existence, there would have been no British population on the islands on which the Crown could have based its claims.

For weeks now, in the midst of worldwide attention directed at the islands as a result of war, not a single newspaper in any part of the world has been able to report who runs the Falkland Islands Company. Its board of directors has never been revealed, and the real story of how it came under its present ownership was kept under wraps.

Not a business enterprise

We summarize here the results of an investigation conducted in London on the ownership and history of the FIC. The investigations indicate that Britain has shrouded the FIC's workings in secrecy for two reasons: 1) to exclude any possibility of Argentine cooperation in economic development of the islands; and 2) to conceal from public opinion that the FIC is a modern version of the 18th- and 19th-century trading companies which in those days were open instruments of the Crown in behalf of its imperial designs. British claims that the FIC is a privately held corporation in the wool business are a fraud perpetrated to avert international recognition of Britain's imperial control-points.

The only founding document accounting for the existence of the FIC is a Royal Charter granted by Queen Victoria. Normally, British companies have a