

# 'Free market' is Chirac's Achilles heel

by Vivian Freyre Zoakos

Newly elected Gaullist Premier Jacques Chirac of France is launching a "free market" economic policy program that will yield for him the same disastrous economic and political results now visible in practically every nation in Western Europe.

Adherence to the "magic of the marketplace" is threatening to collapse or has already collapsed conservative governments in West Germany, Norway, Belgium, Great Britain, and the Netherlands. The threatened or already accomplished shift of power in these countries to Socialist International-led regimes could bring to power parties that have indicated their willingness to hand over economic hegemony to the Soviets.

In the name of free-market ideology, Chirac went before the National Assembly on April 9 to outline what he intends to accomplish, via a series of decrees to be issued in the first 100 days of his administration:

- To seek lower inflation through a tight-money policy;
- To reduce sharply all public expenditures, thereby cutting the public-sector deficit;
- To lift price and exchange controls;
- To denationalize, over the next five years, 42 state-owned banks;
- To privatize nine industrial groups (not including the big money losers, the Renault automobile manufacturer and the steel groups Sacilor and Usinor);
- To denationalize at least one of three state-owned insurance groups;
- To give more leeway to companies to offer part-time or temporary jobs.

Chirac also expressed a commitment to removing the present restrictions on the firing of French workers, and to allow greater labor mobility. Due to opposition from President François Mitterrand, a Socialist, the premier was forced to drop his plan to include removal of these restrictions by executive decree—a method which will be used to implement all the rest. Instead, a bill with new labor-firing and mobility guidelines will be submitted to the National Assembly.

With his policy of deregulating the French economy and selling off state-owned industrial and banking assets to private interests, Chirac is giving away government control of precisely those instruments needed to halt the collapse of

France's productive economy. The government will get a one-time windfall from the sale of its assets, in exchange for giving private speculators the right to expand their speculative activities.

Given the overall collapse of international trade, and high interest rates that penalize productive activity in France and abroad, those measures ostensibly geared to making funds available to existing corporations—e.g., lifting price ceilings, cutting the workforce, and announced plans for corporate tax breaks—will not yield funds to be plowed back into corporate capital improvements. As experience has shown in the case of Britain, the United States and elsewhere, the actual result will be to increase speculative, non-productive activity, sinking the newly deregulated economy into greater uncontrolled chaos.

## Implications for SDI

On May 22, Mr. Chirac made his first endorsement as premier of the U.S. Strategic Defense Initiative, which he had backed before entering office last March. "This movement is irreversible and it is justified. . . . France cannot afford not to be associated with this great research program," he said.

This emphatic statement marks a major positive shift from the previous government's policy, but also indicates Chirac's dilemma: The focus on slashing spending has been totally at odds with collaborating in the American project, and may be the reason why two months went by before this policy was stated.

At the same time, interests inimical to French national security can be expected to move in to buy up the freed national assets. This is precisely the reason that Chirac's political forebear, President Charles de Gaulle, always pursued the wise policy of maintaining key French industrial and banking assets in French government hands. The vultures are already circling.

Carlo De Benedetti, chairman of Italy's Olivetti Corporation, announced at a press conference in Paris April 16 that he would target major-stock market takeovers in France, in anticipation of government sales of state holdings. He revealed plans to build an industrial empire in France modeled on his Italian operation, where he is taking over entire sectors of the economy such as agro-industry.

De Benedetti represents the interests of the powerful Venetian financial and political mafia, and associated interests as grouped in the European Industrialists' Roundtable Group, of which he is a ranking member. This is the power behind the faction of pro-Soviet appeasers, whom Chirac opposes on most political grounds. De Benedetti's French takeover operations are already under way. Last month, Chirac was subjected to political embarrassment when he moved to block De Benedetti's takeover of the Valeo Corporation. De Benedetti and his political crony, Gianni Agnelli of FIAT, are also looking to move into the Peugeot and Renault groups, and French telecommunications.