

placing Juppé with an economic liberal more pleasing to the City of London, such as former Prime Minister Edouard Balladur or even the hated former Interior Minister Charles Pasqua. The French liberal right wing is also pressuring the State to cut spending, in order to reduce taxes which, they believe, hamper what they call economic recovery, meaning speculation. These are the currents that Mont Pelerinite Alain Madelin, before Juppé abruptly fired him as finance minister, represented within the government and the present right-wing majority.

Pleasing no one, enraging them all

Given all these campaign promises, the hour of truth is now bearing down on the Chirac government, and its maneuvering room is very small. The State is reduced to taking ridiculous administrative measures, cutting a bit here and a bit there, and distributing small hand-outs left and right, all the while never raising the issue that the international financial system is on the verge of a blowout. This prevarication is creating across-the-board discontent with the government.

- By firing Alain Madelin for calling for civil service layoffs and eliminating retirement benefits which civil servants enjoy relative to the private sector, the government pleased the unions but angered the right-wing majority in its own party, all of whom were elected in 1993 on the basis of Balladur's economic liberal platform and who are still deputies today.

- A series of measures eliminating inducements to purely financial investment, aimed at obtaining 10 billion francs more in taxes, infuriated the middle class who have been putting their savings into such investments over the last years.

- To appease the disgruntled liberal right wing, Juppé then announced that he was freezing wage increases for civil servants, a decision which provoked the national strike of Oct. 10.

- Juppé also adopted a series of petty measures aimed at fighting fraud against unemployment and welfare funds, and tightened the laws against illegal immigration, measures which infuriated the left wing.

- Finally, the 1996 budget adopted by the government last September, which showed a 1.8% growth, provoked widespread discontent among the liberal right wing and others, who wanted far more cuts. The fact that taxes increased across the board, while as a candidate, Chirac had promised tax reductions, also created an uproar among those circles.

Having decided not to act against the real disease causing the international economic crisis, that is, the cancerous growth of speculation, which Chirac himself denounced at the July Halifax summit of the Group of Seven, the President is left with undertaking minor administrative measures, nowhere near adequate to meet the enormous expectations raised by his campaign. Seeing the pace at which the international financial crisis is ballooning and the rapidity with which discontent has developed against his government, Jacques Chirac does not have much more time left. The only way out is the one elaborated by LaRouchean economist Jacques Cheminade during his bid in the Presidential campaign: Move for a financial reorganization of the international monetary system, bury the Maastricht Treaty, and replace it with a Euro-American Marshall Plan for reconstruction through large-scale infrastructure projects of the eastern European and the North African economies.

German Finance Ministry defends derivatives

In late September, the Germany Finance Ministry responded to a petition on financial derivatives and economic emergency measures by the Civil Rights Movement Solidarity (BBS), sent to the Committee of Appeals of the German Parliament. The reply says that BBS references to "casino economy," "exposure of German banks," and "necessary countermeasures," are nothing but "exaggeration and panicky." Moreover, it says, the "usefulness of derivatives for the worldwide economy" is "beyond any doubt." They are "useful and necessary." Central banks and supervisory agencies have done a good job to limit risks. However, nobody can prevent "individual criminal activities."

The ministry acknowledges that there were some

"problems" with the international financial system in recent times, such as the Mexico crisis or the 1992-93 turmoil in the European Monetary System: "However, this absolutely does not mean, that the international financial and monetary system has become unstable. Its adequate functioning was never at stake, including the high point of the currency crisis in Mexico. The close international cooperation in the G-7 circle, and also in many other international groups, and the central role of the international financial and economic institutions (IMF, OECD), are guarantors for an essentially stable and successful international financial and monetary system."

The BBS proposal for Hamiltonian countermeasures drew fire: "Using the central bank for financing public investments" cannot be tolerated, replied the ministry, comparing Alexander Hamilton's establishment of a national banking system for credit creation to such "currency reforms" as the destabilizing "currency reforms" after both world wars.—*Lothar Komp*