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On 18 May 1983, Alain Minc wrote in Liberation that protectionism, as well as being economically suicidal is sociologically regressive: it unleashes corporatist aspirations, distorts the social process, perpetuates a dependency relationship with the State and in short, is for the collectivity the equivalent of what would be the most classic of psychological regressions for an individual. Minc's statement is a clear analysis of the climate of fear which led to the imposition on France and on sections of the unwilling Left of the decision of 25 March 1983. That decision was to overcome the overseas trade deficit by deflation, and a reduction in economic activity, investment and consumption. The sheer intensity of the attacks was evidence that behind the apparent "rigour" of so-called economic laws, lies a choice in favour of a certain type of society which is assumed to be natural and therefore inevitable. It follows from this that free trade and external constraints appear as limits which democracy cannot transgress, a "dictatorship of necessity", which prohibits society from deciding for itself via discussion, struggle, political compromise. In brief the final victory of the Economic over the Humanistic!

The Choice of 25 March 1983

The left wing government brought to power in May-June 1981 by a majority of the French people embodied the choice of a particular solution to the crisis: to stimulate production and therefore employment by a reflation of popular demand which would benefit in particular the least well off; reductions in working hours; asserting control over the technological revolution through decentralisation, new rights for workers, the nationalisation of major industries, etc. There was undoubtedly much in this project that was the result of wishful thinking. The experiment's chances were handicapped in particular by inadequate critical analysis of the model of "productivist" development that has led to the crisis and an underestimation of the scale of cultural changes that would be needed in order to make the plan work (1).

But even before coming up against these basic obstacles, the policy of growth via demand reflation faced some unexpected difficulties: the free trade rules imposed by France's membership of GATT and above all of the EEC. For the Socialists the latter was all the more surprising, since the Common Market had been created deliberately to favour an expansionist policy. The French "expansionists" who twenty-five years ago signed and then put into effect the Treaty of Rome had made an agreement with the other countries to create a European Economic Community which would apply to an enlarged geographical area their own objectives. As the Treaty said "The aim of the Community is to promote, through the establishment of a Common Market and the bringing together of the member states, harmonious development of the economic activities of the whole community, continuous and balanced expansion, increased stability, faster improvement in the standard of living and closer relations between the various members". An internal free trade market, protected by a common external tariff and community preference regulations, has a general value only if the economic strategies of all the countries come together in a shared policy of expansion which means an accelerating increase in the

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standard of living of their producers and consumers. In other words, the Treaty was an agreement to construct together a model of development based on production and mass consumption according to the 'virtuous circle' of productivity-consumption-investment. At the time Pierre Mendès France expressed serious reservations about the possibility of leaving such harmonisation to the market mechanism and to the policies of individual states without a common social policy as well. These doubts seemed groundless so long as overall growth continued. But with the crisis of this model of development, the member countries of the EEC started, one after another, to practise policies of competitive austerity. It became necessary to reduce the pay of wage earners so that price levels could be reduced in a competitive market ('price effect') and so that the level of imports could be reduced ('volume-effect'). From this point, the 'founding compromise' of the European Community was broken.

Against this trend and with an overvalued franc, the French launched a counter policy of industrial modernisation and social programmes that was in accordance with the Treaty of Rome. But, despite two devaluations and a wages freeze, the Left was unable to shake off the 'price effect' (French products remained too expensive in a competitive market) and the policy could not overcome the external constraint. The increase in purchasing power, even when limited to the lowest incomes, led to an increase in imports rather than a growth in domestic production. At the same time, the austerity policies, involving sometimes spectacular reductions in purchasing power carried out by foreign governments (USA, Great Britain and, increasingly, West Germany) slowed down the entry of foreign imports - and therefore of French exports. From this resulted a massive deficit in the balance of payments.

France had two possible solutions to this balance of payments dilemma - either to reduce the level of imports in its overall expenditures or to limit its total expenditures (consumption and investment), wherever they came from. The government on 25 March opted for the second solution. So as not to limit the freedom to purchase foreign foods, the government reduced the ability to buy any product (French or foreign)! Leaving aside the difficulties that this caused to the populations concerned, one cannot but be struck by the total discredit that this threw on the traditional argument whereby free trade favours world economic growth. The re-establishment of a trade balance by "competitive deflation" is the worst of all forms of commercial protectionism. When every country embarks on it at the same time (as was the case in 1960-82) the world market contracts overall much more severely than would have been the case if there had been a direct control of international trading flows.

The consequences of this political choice for France could be easily predicted and are now known. The stagnation of purchasing power, and the ending of the reduction in the working week led immediately to a new fall in investment and, after a few months, to a renewed increase in the growth of unemployment. It is perfectly true that the balance of payments immediately stabilised but this result - which was due to the 'American recovery' (based on deficits on public expenditure and foreign trade accounts) - is both fragile and insufficient. Worst of all, the total abandonment of a policy of economic and social progress profoundly demoralised the workers who had placed their trust in the Left, and led to a growth in racialism and narrow corporatism. The choice of free trade makes it unlikely that this evolution can be halted. The INSEE economists, working from a model that leaves unchanged the earlier import patterns, have demonstrated that the 'external constraint' condemns

the French to a long term stagnation of their purchasing power and in particular to a dramatic increase in unemployment.

The Conditions of an Alternative Party

The political and cultural risks of this scenario are perhaps even more serious than its social consequences (if one dare say that in the face of the distress of the unemployed). It amounts to saying that democracy is incapable of working, that a community of men and women cannot freely decide upon their fate. In order to prevent this collapse of belief and to show that the autonomy of the political can overcome the totalitarianism of the economic, it is vital to demonstrate plainly that other choices do exist, choices which inevitably have their costs. There is, in fact, only one solution if one wants to re-establish France's autonomy in the handling of its socio-economic affairs: consumers and investors must pay more heed to French producers. To get the two million unemployed back to work and to prevent the creation of others, the product of their labour must be accepted. And for that to happen, it is not enough that their products are 'more competitive' because their productivity is greater than abroad. If productivity means simply reducing wage costs compared with abroad, there may perhaps be slightly more exports but domestic demand will be smaller: econometrics shows that the second consequence is always greater than the first. A reduction in the share of imports in our purchases can only come about through a collective decision. And since not every one agrees about this, institutional measures are necessary - in other words, protectionism.

Let us not mince words: any protectionist policy means limiting imports. In fact, austerity is one of the worst forms of protectionism. What we must seek to do is "découplage" - to "liberate" our economic strategy so that we can pursue a policy of economic and social progress, if possible with all our Community partners but if necessary without them, and with all other countries who might wish to join us. To those who ask 'Do we need a little, a lot, or a massive amount of protectionism?' I would reply that it all depends how much you want to transform society. The aim is to achieve an export surplus of 50 milliard francs to pay back our debts and not to increase them - and hence to reduce our actual imports by a sixth. This would bring the import export coefficient level to that of 1979, hardly a revolutionary prospect of 'Cambodian' proportions. Obviously, if the French decided to work for only two hours a day, we would have to be stricter. But the opposite is not true. With a lot of protectionism, either society would not change at all, or it would change in a way that has nothing socialist about it. The emphasis on the need for 'uncoupling' is to open up the possibility for social changes that must moreover be made as a result of democratic choices.

The initial measures to take involve increasing the prices to French consumers and investors of non-French goods and to reduce the export prices of French goods. The first way to do this is perfectly compatible with current Community agreements. It involves removing the cost of social security protection from the export prices of our goods and adding to the price of imported goods the equivalent cost of the social security protection which French workers require. In France of course, the bulk of social security costs are paid for by contributions from the employers, contributions which, unlike VAT are not removed from the prices when they cross the frontier. Thus the overseas customer pays for the cost of France's social security system whereas we pay no social security contribution on a pair of pyjamas made in Macao! So our social security

system adversely affects the productivity of the French worker and the French consumer (who is often the same person) makes him pay for it. Basing the existing cost of our social security system on direct or indirect taxation would remove this bias. Its consequences would be that the competitive position of French goods would increase but that French workers would have a reduced purchasing power for foreign goods. We can no longer benefit, as workers, from social security and, as consumers, from the absence of social security in the Third World (unless, that is, we wish to make other French workers unemployed).

Another immediate answer is to devalue the franc. This has the same effect: more French workers are employed since French goods are more competitive, but they can afford to buy fewer foreign goods. The result is positive in terms of jobs, negative in terms of our purchasing power for many imported goods. (Most obviously so in the case of oil). Once again what is at issue is a social choice: if more workers are to have jobs and to purchase the products of their own community, the ability of those who can afford it to pay for petrol to drive imported cars is reduced But in this case, existing Community regulations prevent us from devaluing more than, say, German industrialists will permit. This is why a 'political' readjustment of the exchange rate is only possible by leaving at least for a while, the European Monetary System (as the Giscard presidency did on two occasions).

The problem of France's commercial deficit will not, however, be solved in the short term by competitive devaluation. In the first year indeed it would be worsened, as the costs of importing what at the moment are essential goods increased. The basic difficulty is that the French must start to buy goods that can be made in France. This means import substitution, to "bring home" the domestic market. Thus the use of protectionist measures becomes essential. But the debate on ways of protecting the domestic market immediately became infected with hysteria, with protection being made a synonym for autarchy, the mother of all evils. Yet what was really involved? Article 109 of the Treaty of Rome states that "In case of an emergency in the balance of payments . . . the member State concerned may take the necessary emergency measures in order to stabilise the situation". Such measures have been several times successfully applied in Italy (for further details, see A L Philippe Mensine's article in Le Monde Diplomatique for June 1983).

One of the objections is, of course, foreign retaliation. It is, however, to be remembered that the aim is not to eliminate but to reduce the deficits with our principal partners. Moreover, 'austerity' in France (as in Southern Europe and for that matter the whole Third World) causes a fall in the exports of, say, West Germany. Why not agree directly with our partners a reasonable, but limited, trade surplus in their favour which would not prevent us from engaging on a policy of expansion. Such a negotiation which could pave the way for a general agreement on commercial rules that would no longer be destabilising, would be at once more straightforward and more honest than the blackmail of petty "backdoor protectionism", at which France is much less successful than the USA, Germany or Japan. It may be noted that the "video experiment" at Poitiers was a complete success. The Japanese companies came to France and thus created jobs here, while the French realised that the magnétoscope was not the most urgent need in the world.

The great argument against protection is always "You're destroying Europe". But one year after the 'sacrifice' of 25 March, Europe does

not appear to be getting along that much better. Reduced by Brussels technocrats and liberal governments into a shapeless free trade zone, Europe is in a state of deep crisis. And yet there is an immense opportunity for community initiatives which could arrest her decline as Philippe Mensine and Georges Devile have shown (see Le Monde Diplomatique, December 1983). The French government has suggested endless proposals for social and industrial development. Unfortunately, however, it has neglected - in Europe as in France - to mobilise the resources of the Labour movement. It has not been able to become a rallying point for the men and women who are looking for a 'common policy' of modernisation and of social progress. There would have been such powerful support for a programme which declared "We seek a concerted recovery in Europe that involves an increased standard of living, a reduction in the working week, increased investment and the creation of jobs. In the absence of an agreement with the other Governments, we shall apply such a policy forthwith. So as not to become victims of unfair competition we shall take compensatory measures of protection. But these will be immediately lifted when the European governments can agree once again to uphold the principles of the Treaty of Rome. Let me be quite clear on this. I am in favour of a Europe of social progress; but a Europe that is no more than a free trade zone, without any common industrial and social policy, has no interest. It would be much better for each country to choose its degree of protectionism and to negotiate the best arrangements it could with the American and Japanese giants. To protect their own "social compromises" Sweden, Norway and Switzerland have kept themselves out of the EEC, and these are major exporters in the advanced technological industries.

The final argument against such a policy is one that appeals particularly to those trade unionists of the Christian progressive tradition and to 'third world' supporters. They argue that the first victims of protectionism would be the Third World countries who have struggled to create themselves into exporters. But in fact the developing nations who export manufactured goods or agro-industrial products were in 1981-83 the victims of a much more dangerous form of protectionism: a regressive monetarist policy. We must propose a 'club' of co-development to all the new nations who respect trade union rights and the legislation of the International Labour Office. They would improve their domestic markets by increasing wages and would have to agree to keep out the imports whose cheapness is based on dictatorship, and management by terror, hunger and torture. We could help the new nations to come to grips with new technologies, and also negotiate directly with them the flow of commercial exchanges. If the whole of Europe were to adopt such a policy, it would moreover be an enormous means of applying pressure on the dictatorships. For we have to choose. Buying textiles from the Philippines means sabotaging the process of building democracy in Tunisia. In the same way, the Confederation of Agricultural Workers, in its memorandum on the crisis of the CAP, proposes to limit the imports of soya and cassava which enable the 'milk factories' to ruin the peasants of Europe while destroying the cash-crop cultures of Brazil and Thailand. But the Confederation insists that the product of that tax should be given over in its entirety to the development of food self-sufficiency in the Third World.

The Crux of the Problem

Within the framework of a short article it is impossible to go through the many studies that explore the concrete mechanisms and the macro economic consequences of the various measures of "découplage" that have been

suggested so far. It is more important to understand the underlying cultural reasons for the almost irrational hostility to this protectionist alternative that was expressed (even by a union leader like Edmond Maire) when the debate started in March 1983. Speaking on the steps of the Elysée, Maire proclaimed "No to Protectionism, no to radicalisation". This refusal actually demonstrated how far "official opinion" has shifted towards liberalism, how auspicious it has become of social and economic progress controlled by the State. Stalinism is the loathsome caricature of what such State control is taken to mean. Ever since then the majority of economic commentators - even those of the Left - have assumed that a desire to safeguard social progress and reform from the crisis of capitalism means breaking with the 'free world' and looking for a model towards, at best, Algeria and at worst, to Russia. Thus the March 1983 choice fitted in perfectly with the 'ideological inheritance' of the 1970s. It confirmed the (temporary) victory of liberalism over progressive developmentism though it did not rule out the possibility of new form of liberal developmentism - which one might characterise as 'neo saint simonian' and which consists of requiring the State to support companies, who then make war on the companies of other countries. Here is a new example of the Hobbesian view of society as the war of all against all - with this qualification that the French state must help its individual components to make war on the individual members of neighbouring states. The result may perhaps lead to a "national coalition" but not to a national community.

And this is the real crux of the problem. Behind the debate on the free market lies the whole debate about liberalism, democracy and freedom, autonomy and solidarity. Liberalism claims that the market alone can create a social bond between individuals who are as independent of each other as are the visitors to a fair ground. Liberalism is by definition free trade since, from the rural village to the global village, it is the same market which creates the same social bond. Yet the lesson of historians, of anthropologists and of the greatest economists is that this just is not true. Societies are created and reformed by struggle and by compromise - sometimes institutionalised and sometimes not - and, more often than not, within the framework of nation states. Within these frameworks, the market can certainly act to harmonise the "everyday" initiatives of individuals. After the war, the "fordist" model of development was the dominant theme for such activities, supplemented by comprehensive social welfare systems. But this model and these systems are now in crisis and the world is sliding towards a whirlpool which only the most powerful forces, relying on the strongest States, can successfully navigate. In his book *L'Après crise est commencé*, Alain Minc acknowledges this and argues that the State should become a protective shield for industry (the sword being the nationalised industries, shaped along the lines of the Japanese giants). What is necessary, he says, is greater State intervention precisely because the world economy is not the playground that the nineteenth century liberal economists imagined it to be. It is now a battlefield for and between economic forces who have escaped from the traditional rules of perfect competition. All of them seek to cheat the market in order to survive. This cheating takes the form of artificially distorting the profit requirement by favouring long-term objectives, and by ensuring, whatever the cost may be, a dominant position in the world economy. These are long-term actions which require governmental intervention and a transfer of resources; in other words the presence of the State. The latter can no longer be simply the agent of redistribution (the Welfare State) and the guarantor of law and order. It must participate fully in the world economy. It

must be productive without being a producer.

All this is indeed so - but it is not the whole story. A nation's businesses do not by themselves create a national community nor even an economic community. Liberals, of course, claim that they do, that every franc spent by a company producing goods is spent again by the person who receives it and that everyone can enter into the market by offering his services, his goods or his labour. All the great economists from the predecessors of Marx to the successors of Keynes, have shown that this is not the case. It is scarcely true even in a closed economy: the regulation of post-war growth required the close involvement of the state or at least the existence of binding agreements to guarantee that all wage-earners - and indeed all citizens - received an income adequate to ensure that companies had enough customers and thus could take on enough labour. And at least the country's disposable income would be spent on goods produced by the labour of that country.

Even this requirement is missing in an economy that is wholly open. Whoever receives an income thinks it can be exchanged for goods produced either at home or abroad. But if the goods are imported, all that has happened is that the money has been spent on goods produced by another community. The money is only earned and purchasing power only exists when goods produced by our own nation are, at the same time, being exchanged for the money of another country. Unless this happens, one fine day we will find - as happened on 25 March 1983 - that the income we thought we had the right to spend, we should not have spent because it did not come from the labour of our nation. It is impossible for those two million who want nothing more than to produce the goods to fill the gap to do so unless companies will employ more labour and sell its product, either of their own free will or under constraint, to other countries.

Alain Minc's solution is simple. All we need to do is to destroy our foreign rivals (and thus prevent their wage-earners from working and oblige their consumers to obtain their goods from us). Beyond the fact that it is highly unlikely that we would win such a battle, it is precisely this battle which over ten years has brought the world to the edge of the precipice. Even the victor, Japan, today finds itself harmed by its own success in ruining its customers and can now succeed only by accepting dollars whose worth can be guaranteed solely by the military might of their creator.

Minc's solution comes down to the old adage 'If you want peace, prepare for war'. It is certainly sensible to prepare for war, to guarantee your own control of your own means of production. But the solution we have called *découplage* is more comprehensive and relies less on conflict abroad and more on harmony at home. What this means is as follows: at least 80% of it (instead of 75% as at the present time) for goods at the moment being produced in the home market or capable of being so by those who today are out of work. When it is appropriate, give preference to those countries who have decided to co-operate in development with us. This is not the Gulag yet it is undoubtedly a limit on liberty (which is why it is hated so much by ultra-liberals like Hayek). But such a limitation is the necessary counterpart to the benefits of democracy and social welfare. It is as desirable as are measures against smoking in confined places and stopping when the traffic lights are at red.

We are back, of course, with the two hundred year old debate on the limits which democracy and the general welfare can impose on the freedom of the individual. From the very beginnings of that debate, democrats have told liberals that freedom for the fox means death to the chickens and that in a world where not everyone is strong, it is the law which liberates and freedom which oppresses. The argument remains wholly valid. The myth of liberty without solidarity has always been justified by stressing the link between freedom and free enterprise. Today, however, there is another mobilising cry to the freedom of the consumer. This has given rise to a strong 'consumer corporatism'. The argument is "What do we care about the fate of the producer or of the unemployed? It's our money to be used as we see fit". And the result of this view has been the necessity to reduce everyone's supply of money. Liberalism of this kind must be challenged by pointing out that a sensible co-operation of producers and consumers increases the area of real freedom for all.

Our last question concerns the problem of what to do with the renewed freedom that découplage would bring. Such a policy, however achieved and however great, is itself no more than the necessary precondition for a series of domestic, political and social choices. The free market itself implies a particular type of social organisation based for the most part on an external model. Découplage, by contrast, requires the deliberate choice of a model of development based on the democratic imperative. Political and social choices can no longer hide behind impersonal and supranational market forces. (It is indeed precisely for this reason that the term has taken on for liberals almost a diabolical significance). Découplage does not of itself rule out a continuation of corporatism and the nanny state. But it can also lead to the creation of new ways of living and working; to a thirty-five hour week; to an ending of the discipline of the factory and the whip of market forces. At the present time, social conflict and its implications for policy are once again exposed to the glare of broad daylight - a light which some may find blinding.

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