

## The French Economy in the Twentieth Century

This new textbook examines the spectacular transformation that the French economy has undergone over the past century. Jean-Pierre Dormois offers a general introduction to the major trends as well as recent transformations of French society, and an overview of modern economic development. He tackles the key themes associated with the French ‘path of economic development’ – Malthusianism, exceptionalism and Colbertism. Other chapters address standard economic issues relating to the role of human capital formation, economic institutions and openness to the rest of the world. The author examines and interprets trends and features of the period as a whole, and sets them in a wider European framework. This book offers students a helpful and concise summary of recent research, and presents a uniquely synthetic view of the French economy in the twentieth century. It will have broad appeal for students and teachers of French and of European history and economics.

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## **The French Economy in the Twentieth Century**

*Prepared for the Economic History Society by*

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## Preface

The aim of this book is to present a comprehensive and synthetic view of the French economy in the twentieth century. It was intended as a sequel to Colin Heywood's volume on the nineteenth. Writing it at the beginning of the new millennium has entailed both advantages and drawbacks. Most historical accounts currently available stop short of the developments of the last twenty years (or alternatively treat them piecemeal), which means that they have yet to receive the full scrutiny they deserve. By contrast, this study attempts to provide an examination and interpretation of trends and features of the most recent period and integrate them in the longer term as well as set them in a wider European framework. Most historical surveys break down the twentieth century into several sequences or episodes (prewar, wartime, interwar, postwar), or they treat economic trends of the Third Republic (1870–1940), the Vichy regime (1940–44), the Fourth Republic (1944–58) and the Fifth Republic (since 1958) separately. This segmentation has been reinforced by the unrelenting specialisation of historical scholarship.

Rather than resorting to the chronological subdivisions imposed by political developments, the option adopted here has been to tackle broad (and popular) themes recurrent in the literature on French modern economic development. I begin with the classic claim, endemic among native (and sometimes foreign) authors, of a French *Sonderweg*<sup>1</sup> or exceptionalism. There persist to this day more and less extensive versions of this particular belief, ranging from an assertion of the primacy of geographical and cultural

<sup>1</sup> A term used by the German historical school to stress the supposed uniqueness of German history in the modern period.

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factors in a nation's path of development to the implicit contention that the commonly recognised 'laws of economics' do not apply to France. In this respect, the twentieth-century record points decisively towards an alignment of French practice and behaviour (if not always attitudes or representations) on a common Western pattern, a phenomenon sometimes referred to as 'Americanisation'. The examination of French economic performance in Chapter 2, when set in a European framework, further weakens the case for uniqueness. One of the powerful levers for such 'regional convergence' is to be found in the switch, with regard to trade and investment, from isolation to growing interdependence among Western countries between the first and the second halves of the twentieth century: this provides the guiding thread of Chapter 3. Outsiders and insiders alike often associate the French 'model' of development with an extensive and skilful form of statism (Chapter 4). Cost-benefit analysis of government intervention, initiative, and influence in the market has not been carried out systematically, but the patchy record suggests that the French brand of interventionism has been less successful and more akin to that found elsewhere in the world than was previously thought. Other collective institutions outside – but sometimes subject to – the state, and essential to the operation of a market economy, such as firms, banks and schools, are reviewed in Chapter 5. The contention that French workers were intrinsically partial to leisure is scrutinised in Chapter 6, which supplies the salient details of the composition of, and changes in, the labour force and human capital formation. Chapter 7 recounts the vicissitudes of France's agriculture which, despite its apparent capacity to fuel a positive trade balance and maintain the natural beauty of the countryside, illustrates how collective representations, skilful bargaining and good intentions can help create an economic nonsense. Finally, Chapter 8 documents the build-up of domestic industry and the subsequent transition from an industrial to a service economy which the country has undergone in the course of less than three generations. On the basis of the most recent information a few clues are offered in the Conclusion as to where the French economy may be heading at the turn of the twenty-first century.

The literature on the present subject is, as one would imagine, enormous. The bibliography at the end of the volume has been compiled with a view to providing, besides the sources tapped by the

author, a list of the most prominent works on the subject. Unfortunately, a lot of the research carried out by economists and historians in the postwar period was done in the spirit of the times, i.e. with a conviction of the ineluctable progress of socialism. ‘The fall of the Berlin wall [1989] has caught many of them on the wrong side of it’ (Flandreau) so that either the material needs to be re-examined in a new light or the conclusions drawn from it must be reformulated. In this respect, comparative economic history, it is hoped, constitutes the safest bulwark against the temptation to view the outside world, past and present, through the eyes of one’s own fantasies.

I am very grateful to Michael Sanderson and Maurice Kirby, editors of the series, for commissioning and supporting this project and I owe a special debt to Elizabeth Howard for her patience and special attention in guiding my steps towards the completion of the manuscript. In researching for this volume I had to appeal to a number of librarians who have helped reduce my ignorance of the subject. My thanks go first and foremost to the staff at the Montpellier INSEE information section and the librarians of the economics faculty there. I have belatedly realised that regular reading of *The Economist* magazine had powerfully helped me to write economic English sufficiently well to be understood by native speakers. The *tour de force* which this book represents for me is a personal tribute to the quality, informative as well as literary, of its contents. This homage, however, is not meant to exonerate the author from his blunders, errors, omissions and misinterpretations, which remain his own.

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## Acronyms

AAL	Autorisation Administrative de Licenciement (official permission for dismissal – 1975–86)
ADP	Aéroports de Paris
AFP	Agence France Presse
ANACT	Agence Nationale pour l'Amélioration des Conditions de Travail
ANPE	Agence Nationale pour l'Emploi (job placement agency, created 1967)
APA	Allocation Personnalisée d'Autonomie (old-age allowance for the disabled elderly, est. 1998)
ART	Agence de Régulation de Télécommunications (Telecom regulator)
ASSEDIC	Association pour l'Emploi dans l'Industrie et le Commerce (1959)
BFCE	Banque Française du Commerce Extérieur
BIT/ILO	Bureau International du Travail (International Labour Office)
BNCI	Banque Nationale du Commerce et de l'Industrie
CAP	Common Agriculture Policy (created 1962)
CCF	Crédit Commercial de France
CDC	Caisse des Dépôts et Consignations (est. 1816)
CDD	contrat à durée déterminée (short-term, typically eighteen-month work contract)
CDF	Charbonnages de France (state-owned collieries)
CDI	contrat à durée indéterminée (long-term work contract)
CEA	Centre à l'Energie Atomique
CECA/ECSC	European Coal and Steel Community

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CED/EDC	(failed) European Defence Community, 1952–54
CEE	French acronym for European Economic Community (EEC, est. 1957)
CEEA/EURATOM	Communauté Européenne de l'Energie Atomique
CFDT	Confédération Française Démocratique du Travail (Social Democratic Labour Union; split off from FO in 1964)
CFP	Compagnie Française des Pétroles (est. 1924)
CFTC	Confédération Française des Travailleurs Chrétiens (Christian Democratic Labour Union)
CGC	Confédération Générale des Cadres (managers' union)
CGE	Compagnie Générale d'Electricité
CGP	Commissariat Général au Plan (planning agency, est. 1945)
CGPF	Confédération Générale de la Production Française (1919)
CGPME	Confédération Générale des PME, q.v.
CGT	Confédération Générale du Travail (oldest trade union federation, est. 1895)
CMU	Couverture Médicale Universelle (free medical care for the needy; est. 1997)
CNEP	Comptoir National d'Escompte de Paris
CNES	Centre National des Etudes Spatiales (space agency)
CNJA	Centre National des Jeunes Agriculteurs (young farmers' union, rival of FNSEA, q.v.)
CNPF	Confédération Nationale du Patronat Français (successor to CGPF q.v.; est. 1946, employers' federation)
CNR	Conseil National de la Résistance (unified by Jean Moulin in 1943)
CNRS	Centre National de la Recherche Scientifique (est. 1945)
COB	Commission des Opérations de Bourses (French securities exchange commission, est. 1967)
COFACE	Compagnie Française d'Assurance pour le Commerce Extérieur
CSG	Contribution Sociale Généralisée (1990)
CUMA	Coopérative d'Utilisation du Matériel Agricole

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DATAR	Délégation à l'Aménagement du Territoire (town and country planning agency, est. 1963)
DGE	Direction Générale à l'Équipement (est. 1941)
DGT	Direction Générale des Télécommunications (est. 1944)
DOM	Département d'outre-mer (overseas department)
ECB	European Central Bank
ECU	European Currency Unit (introduced 1979) forerunner of the Euro
EDF	Electricité de France (electricity utility)
EEC/EU	European Economic Community (1958), European Union (since 1992)
ENA	Ecole Nationale d'Administration (est. 1945)
ENS	Ecole Normale Supérieure (est. 1794)
ERAP	Entreprise de Recherche et d'Activités Pétrolières
ERP	European Recovery Program (Marshall Plan 1948–52)
FDES	Fonds de Développement Economique et Social (est. 1948 succeeded FME, q.v.)
FDI	foreign direct investment
FEOGA	Fonds Européen d'Orientation et de Garantie Agricole (EEC organisation managing farming aid, est. 1962)
FME	Fonds de Modernisation Economique (1947)
FNSEA	Fédération Nationale des Syndicats d'Exploitants Agricoles (mainstream farmers' union)
FO	Force Ouvrière (non-Communist, split off from CGT, q.v., 1947)
FORMA	Fonds d'Orientation et de Régulation des Marchés Agricoles (est. 1960)
FSGT	Fonds Spécial de Grands Travaux
GATT	General Agreement on Tariffs and Trade (1948–93)
GDF	Gaz de France (gas utility, est. 1945)
GEN	Grandes Entreprises Nationales (major public corporations or SOEs, q.v.)
GIE	Groupement d'intérêt économique (1967)
GPRF	Provisional government of the French Republic (1944–6)
HEC	Hautes Etudes Commerciales, France's first business school (est. 1881)

HLM	Habitations à Loyer Modéré (council housing)
HSP	Haute Société Protestante (refers to influential Protestant banking families during the Third Republic)
IAA	industries agroalimentaires (food industries)
INRA	Institut National de la Recherche Agronomique
INSEE	Institut National des Statistiques et des Etudes Economiques (statistical agency, est. 1945)
ISF	impot de solidarité sur la fortune (wealth tax)
IT	information technology
IUT	Institut Universitaire de Technologie (similar to polytechnics; created 1966)
IVD	Indemnité Viagère de Départ (retirement allowance for ageing farmers)
LoN	League of Nations (1920–45); forerunner of United Nations (est. 1944)
MEDEF	National Employers' Association, successor to CNPF, q.v. (1992)
OECD	Organisation for Economic Co-operation and Development (succeeded OECE 1960)
OECE	organised 1948 to apportion US aid under the Marshall Plan (1948–52)
ONIB, ONIC	Office National Interprofessionnel du Blé [des Céréales] (wheat/cereals marketing board)
ORTF	Office de Radiodiffusion Télévision Française (public broadcaster)
OS	ouvrier spécialisé (unskilled operative)
PCF	Parti Communiste Français (est. 1920)
PME	petites et moyennes entreprises (small and medium-sized firms)
PS	Parti Socialiste (est. 1971; successor to SFIO, q.v.)
RATP	Régie Autonome des Transports Parisiens
RDS	Remboursement de la dette sociale (additional payroll tax, created 1995)
RMI	Revenu minimum d'insertion (1990)
SA	société anonyme (joint-stock company)
SAFER	Société d'Aménagement Foncier et d'Etablissement Rural
SARL	société anonyme à responsabilité limitée (limited liability company)
SEEF	Service des Etudes Economiques et Financières (Central economic intelligence bureau at the Ministry of Finance)



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SEM	Société d'Economie Mixte (mixed company)
SFIO	Section Française de l'Internationale, Ouvrière (Second International, Amsterdam 1889)
SMIG	Salaire Minimum Interprofessionnel Garanti (minimum wage, est. 1950; became SMIC in 1970)
SNC	société en nom collectif (partnership)
SNCF	Société Nationale des Chemins de Fer Français (state-owned rail operator, est. 1937)
SNCM	Société Nationale des Compagnies Maritimes (state-owned shipping company)
SNIAS	Société Nationale des Industries Aéronautiques et Spatiales
SOE	state-owned enterprise
UAP	Union des Assurances de Paris (insurance conglomerate)
TOM	territoire d'outre-mer (overseas territory)
TUC	Travaux d'Utilité Collective (1985)
TVA	Taxe sur la Valeur Ajoutée (VAT, est. 1954)
UDCA	Union de Défense des Commerçants et Artisans (1953)
UEP/WPU	Western Payment Union (1948)
UNEDIC	Union Nationale pour l'Emploi dans l'Industrie et le Commerce (1959)
WPU	<i>see</i> UEP
WTO	World Trade Organisation (succeeded GATT in 1993)