



Economic and Social Policy in France

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The re-establishment of communications with France has made it possible in recent numbers of the Review to publish notes on certain aspects of French economic and social policy in the period following liberation.¹ The difficulties encountered by the French Provisional Government have also been alluded to in some of these notes. As a rule, however, the notes have contained only fragmentary information dealing mainly with isolated aspects of the question. The following article provides a more comprehensive picture of the economic situation in liberated France and brings out more clearly the immensity of the task to be accomplished and the tremendous difficulties which have to be overcome. The author, who is Director of the recently established Social Investigation and Research Centre² of the French Ministry of Labour and Social Security, frankly admits that the policy of the French Government until early in this year has, of necessity, been largely opportunist. He shows, however, that the main principles of France's economic policy outlined by the head of the Provisional Government³ are gradually being put into practice.

IN considering the economic and social policy of France, the first essential is to examine the state of the country immediately after liberation and to appreciate the economic difficulties which had to be surmounted and the more acute social problems which had to be dealt with. It is only in the light of a knowledge of these facts that the significance and purpose of most of the economic and social measures taken by the Provisional Government of the Republic can be fully appreciated.

¹ Cf. *International Labour Review*, Vol. LI, No. 1, Jan. 1945, p. 75; No. 2, Feb. 1945, p. 211; No. 4, Apr. 1945, pp. 495 and 511; No. 5, May 1945, pp. 598, 624, 630, 643 and 647.

² *Idem*, Vol. LI, No. 5, May 1945, p. 626.

³ *Ibid.*, pp. 624-626.

THE ECONOMIC SITUATION AND THE MAIN SOCIAL PROBLEMS

The difficulties of the economic situation on the morrow of liberation were due to a number of causes. One of them was the tremendous levies made on the French economic system during the period of occupation. A second factor was the destruction resulting from the war, including that caused by Allied air raids, that carried out by the resistance movement, and that inflicted by the German forces during their withdrawal. Another cause which must not be overlooked is the fact that the economic situation of the country was aggravated by the economic stagnation from which France had been suffering for many years before the war began. Two of the main consequences of that stagnation were that when France went to war a large proportion of its industrial equipment was more or less out of date, and that the problem of housing was already acute. As always, economic difficulties are reflected in the monetary and financial field, and this aspect of the question must also be touched upon.

The Cost of German Occupation

It is not possible at present to give an exact figure for the cost of the German occupation of France. The investigations at present being made show that it must have exceeded a million million francs, without taking into account the systematic destruction carried out by the Germans or the German requisitioning of goods and services from private individuals. The largest items in the above total represented "occupation costs and guarantee fund", amounting to 643,000 millions, and advances amounting to 157,000 millions made by the Treasury to the Exchange Office in order to finance the clearing deficit. The full significance of these figures can be recognised when it is remembered that the national income of France in 1938 was estimated at 260,000 million francs. Consequently, the income from revenue could cover only 30 per cent. of the cost of occupation, leaving 47 per cent. to be covered by loans and the remainder by a process of currency inflation.

Paralysis of the Transport System

From the point of view of destruction resulting from the war, by far the most serious damage was done to the transport system. The result was that immediately before and immediately after liberation the economic life of the country was completely paralysed and the various parts were cut off from each other because of lack of communications. This is undoubtedly one of the gravest difficulties in the way of a revival of economic activity in France. A

few figures will serve to show the extent of the destruction and the seriousness of the transport shortage. In the case of rail transport, the number of locomotives in good working order in the hands of the French railways in 1939 was 16,000, whereas in September 1944 it was only 2,500. During the same period the number of goods trucks fell from 450,000 to 100,000, and the proportion was even greater in the case of closed vans, the number of which declined from 150,000 to 30,000. These vans are essential for the transport of most types of foodstuffs. In addition to the shortage of rolling stock, difficulties have been caused by the destruction of many miles of track, of a large number of bridges, and—most important of all—of the majority of the marshalling yards. The result is that the average period of turn-round, which was six days before the war, is now at least 15 days, which means that the 30,000 vans available in September 1944 represent the value of only 12,000 vans in 1939.

It was quite impossible to make good the shortage of rail transport by means of road transport because the supply of lorries available in France is only 33 per cent. of the pre-war figure and all the lorries are old and almost unserviceable. Before the war, the average age of a lorry was from three to four years, whereas now it is from ten to eleven years, since the Germans removed all the newer lorries. A survey of 60,000 lorries in Paris showed that over 30,000 of them were completely useless, nearly 20,000 were in a very dilapidated state, 5,000 on an average were constantly under repair, and less than 4,000 were suitable for long distance haulage. Moreover, there were practically no tires or spare parts available.

The position as regards river and sea transport is no better. Immediately after liberation 125,000 miles of the existing 144,000 miles of navigable waterways were out of action. As regards sea transport, the French merchant fleet consists at present of 323,000 tons of liners (37 per cent. of the pre-war tonnage), 462,000 tons of mixed cargo vessels (27 per cent.), and 95,175 tons of tankers (25 per cent.). Moreover, this fleet is old and worn out and is not directly available for French economic use, for most of it is incorporated in the inter-Allied pool, leaving at the disposal of France only 160,000 tons of freighters (about 8 per cent. of the pre-war figure) and 75,000 tons of liners.

The Shortage of Coal and Raw Materials

The inadequacy of the transport system would in itself go far to explain the economic paralysis of France on the morrow of liberation, which is only very slowly being overcome. Another cause, however, was the lack of certain essential industrial products. The most important of those is coal, the weekly consumption of which

before the war was 1,300,000 metric tons, of which 450,000 tons were imported. At present there are no imports, and until recently the weekly output of the French coalfields was only about 400,000 tons. Thus the lack of coal is one of the important causes of French economic difficulties, and it is a serious one, since coal is essential for most types of industrial production.

There is also a shortage of a number of industrial raw materials which are essential to France and which in normal times are largely imported. The lack of supplies from abroad has seriously affected the economic situation of the country. Some idea of the extent of the decline in imports can be obtained from the fact that as compared with 1938 imports of textiles have fallen by 95 per cent., leather by 60 per cent., footwear by 75 per cent., clothing by 80 per cent., and so on. Supplies of petrol, copper and non-ferrous metals are practically non-existent.

The Fall in Production and the Shortage of Manufactured Goods

The situation just described obviously reacted on industrial production, which, in 1944, was only about 60 per cent. of the 1943 and 30 per cent. of the 1938 figure. The following figures will serve to indicate the decline in production resulting from the lack of imports. The monthly output of cast iron, which was 315,000 metric tons in 87 Departments in 1938, was only 30,000 tons in October 1944. The corresponding figures for steel are 341,000 and 34,000 tons. In 1938 the monthly consumption of rubber was 5,400 tons; in the last three months of 1944 it was only 240 tons. The monthly output of paper fell from 77,000 tons in 1938 to 8,400 tons in November 1944. This great drop in production may be attributed largely to the shortage of essential raw materials normally obtained from abroad and to the chaotic transport situation. From many points of view the real bottle neck in the French economic system at the present time is the shortage of transport. Many industries could resume their activities to a limited extent if they could obtain the raw materials and the fuel which are available in France but which cannot be transported over the long distance between their place of origin and the factories for which they are required.

The Scarcity of Labour

Another cause of the industrial difficulties of the country, which was less obvious at the time of writing and was not then making itself fully felt because of the fundamental scarcity of materials and transport, is the shortage of labour, at least in certain branches. This statement may appear paradoxical in view of the fact that

there were over 400,000 persons unemployed and 1,200,000 on short time about the end of 1944. There can be no doubt, however, that in the event of even a slight expansion of economic activity the country would suffer acutely from the absence of the 2,000,000 Frenchmen in Germany (1,000,000 as prisoners of war, 600,000 as workers, and 550,000 as political prisoners), more especially as those include the majority of the younger workers and skilled workers. The expansion of the French war effort will have similar consequences. In a speech delivered on 2 March 1945, General de Gaulle said that on that date there were 1,200,000 men under arms and that this number would be rapidly increased by the addition of further age groups.

The labour shortage has already made itself felt in some branches of the economic system, particularly in agriculture, where a number of estimates put the shortage at about 100,000 men. There is a similar situation in the building and public works industry, in which, although 24,000 unemployed workers were in receipt of benefit at the end of 1944, the estimated labour requirements for the first quarter of 1945 were 70,000 labourers and rather more than 16,000 skilled workers. The demand for labour in this industry is bound to increase as reconstruction work is undertaken.

There is a similar situation in the mining industry, where there is practically no unemployment and where it was estimated that an additional 10,000 workers would be required in the first quarter of 1945. The existence of unemployment in certain occupations (in which a revival of activity will recur as soon as imports on a reasonable scale become possible) and a scarcity of labour in other branches not dependent upon imports is one of the most difficult problems which has to be tackled in the French economic situation.

Decline in Labour Productivity

Another cause of the decrease in industrial output is an appreciable falling off in labour productivity. As a rule it is difficult to give a precise figure for this decline in productivity, but it is possible to do so in certain occupations. The most typical example is the mining industry, in which the daily output per worker has fallen from over 23 hundredweight in 1938 to 17 hundredweight in 1944—a reduction of 26.2 per cent. The decline in labour productivity throughout industry is a reflection of the increasingly defective technical conditions under which work is carried on as a result of the use of worn-out machinery on the one hand and interruption in work due to delays in the arrival of raw materials or the supply of electrical energy on the other. Another factor is the considerable

decline in the standard of living, and especially food supplies, clothing and housing.

Undernourishment

As regards nutrition, it has been estimated that at the end of 1944 official rations provided about 1,255 calories per person per day, which is only 51.4 per cent. of the estimated normal ration of about 2,450 calories. This lack of nourishment is all the more serious because it has been accompanied by a decline in quality. In particular, the proportion of fats in the food ration has declined considerably, and at the end of 1944 only about 27.7 per cent. of the requirements in this field could be met. Here again the difficulty is explained by the fact, which is often ignored, that imports provided a large proportion of the food supplies of the country. This was particularly true in the case of fats, the consumption of which before the war was 47.8 ounces a month, of which about half was imported. At present the basic ration is only 8.8 ounces as a result of the falling-off in agricultural production.

The Decline of Agricultural Production

A number of estimates tend to show that agricultural production in 1944 was 15 per cent. below the 1943 figure and almost 50 per cent. below the 1938 figure. The reduction in the area under cultivation as compared to 1938 was 18 per cent. for wheat and 30 per cent. for oats, and the proportion of the harvest going on the market was only about 65 per cent. in the case of wine, meat and vegetables and 50 per cent. in the case of potatoes. The wheat harvest in 1944 is believed to have amounted to 58 million quintals as compared with an average of 78 millions for the ten years preceding the war. The oats harvest was only 46 per cent. of the pre-war figure. There has been a similar falling-off in most other crops. This is due to the shortage of labour, the lack of equipment and agricultural machinery, the lack of fuel, and the inadequate supply of fertilisers. As regards the last named, there is a particular scarcity of nitrates and phosphates, the amount available for agriculture having fallen from 176,000 metric tons in 1938-39 to 63,000 in 1943-44 in the case of nitrates, and from 358,000 to 6,500 tons in the case of soluble phosphates.

The livestock position is also serious. In 1943, there was a decrease of 7.5 per cent. in the number of cattle, 20 per cent. in the case of sheep, 46 per cent. in the case of pigs, and 22 per cent. in the case of horses. The figure has declined further in 1944, partly as a result of the war (particularly in Normandy) and partly owing to the lack of fodder. Early in 1944, before the cattle could be put out

to grass, several cases were reported of cattle dying of starvation in a number of Departments. Owing to the drought of 1944 the situation is no better at the beginning of 1945. It must also be noted that the animals are in a permanent state of undernourishment. The scarcity of fodder and its bad quality—due mainly to the shortage of phosphates in the ground—has affected the bone structure of young animals and reduced the output of milk, which is only a small fraction of the 1938 figure.

The Problem of Housing and Reconstruction

The destruction caused by the war has produced an unprecedented housing problem. The shortage is all the more acute because before the war France was far from having an excess of houses but was on the contrary suffering from a marked scarcity. There had been practically no building for many years, as can be seen from the following figures. In 1931, 2,081 building permits were granted in Paris, whereas in 1937 the number had fallen to 333. In 1938, 15 dwellings were built in France for every 10,000 inhabitants, as compared with 35 in the Netherlands and 80 in England. The dwelling houses in existence in 1939 were inadequate as regards quality as well as quantity.¹

It is obvious that the war has tremendously increased the housing shortage. Provisional estimates put the number of buildings destroyed at 1,200,000, not counting the destruction in Alsace-Lorraine, which is estimated on less reliable data at about 300,000. This means that in the whole of France, about 1,500,000 dwellings have been destroyed, representing a floor space of 250,000,000 square metres. The rebuilding of those houses and the incidental work of repairs to roads, drainage systems, etc., will require in all some 10,000 million man-hours. In France, 760 towns or villages have been more than half destroyed, and these include a number of large towns such as St. Nazaire and Lorient (80 to 90 per cent. destroyed), St. Lô (70 per cent.), Havre, Dunkirk, St. Malo, and others. When account is taken of the pre-war housing shortage, the recent destruction and the fact that for several years back even the most necessary maintenance work has been neglected, it will be realised that the housing conditions of large sections of the French population are extremely defective. This is a very serious problem which it will take many years to solve.

¹ In 1926, the last year for which complete figures were available, it was estimated that 8.75 per cent. of the urban population lived under overcrowded conditions and that 31.8 per cent. had inadequate accommodation without being excessively overcrowded. The situation in the towns must have got worse between 1926 and 1939, because the population rose from 16 to 20 million inhabitants, whereas the amount of building was very slight.

The housing shortage, in so far as it is due to the war, is only one aspect of the problem of reconstruction. Account must also be taken of the extensive clearing of mines which will be necessary, for there are believed to be more than 100 million mines still in the ground. Preliminary estimates by the Ministry of Reconstruction suggest that reconstruction will cost at least 1,500,000 million francs, of which two thirds will be required for rebuilding houses that have been destroyed, 10,000 millions for clearing mines, 36,000 millions for clearing rubble, 100,000 millions for industrial rebuilding, 200,000 millions for agricultural undertakings, etc. It is expected that the work will take at least thirty years.

The Financial and Monetary Situation

All the above economic difficulties are naturally reflected in the financial and monetary fields. The outstanding feature of the financial situation throughout the period of occupation was a considerable budgetary deficit, which could only be partly covered by loans. The origin of this deficit was the German levies. The result of the deficit is that the total interest-bearing public debt rose from 409,000 million francs in August 1939 to 1,006,000 millions in August 1944. The currency in circulation increased from 129,000 millions to 605,000 millions during the same period. Consequently, although liberation meant the cessation of occupation costs, the monetary and financial problems of the country were still acute.

Prices and Wages

The decline in industrial and agricultural production, accompanied as it was by a considerable increase in the amount of currency in circulation, was bound to lead to a rise in prices. It is impossible to give an exact and reliable figure for the depreciation in the purchasing power of the currency because there is no official index of wholesale and retail prices, and it is extremely difficult to calculate one, because in practice quite a number of the products taken into account in the preparation of this index are no longer available and two scales of prices subsist side by side—the legal price and the black-market price. If account is taken of official prices only, the depreciation of the currency is less than might be imagined from the increase in the volume of money in circulation. The rise in prices would seem to be in the neighbourhood of 150 per cent. This naturally had serious consequences for persons with fixed incomes and also for wage earners, whose wages did not keep pace with the rise in prices. The discrepancy between the movement of wages and the movement of prices clearly raises an extreme-

ly serious social problem, which is rendered all the more complex by the fact that there seems little hope of stopping the upward movement of prices during as the present shortage of commodities.

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Such, in brief outline, was the economic and social situation in France immediately after its liberation. The remainder of this article will deal with the policy followed by the Provisional Government of the Republic in its efforts to cope with that situation.

THE GOVERNMENT'S ECONOMIC POLICY

It is difficult to give any concise summary of the economic and social policy of the Government, partly because of the multiplicity of legislative measures that have been passed and partly because these measures were dictated more by the need to deal with an emergency than by general economic considerations.

The Transport System

The most numerous measures passed by the Government have been those dealing with the transport situation, but these are technical rather than political measures. They call for some notice, nevertheless, if only to mark the extent of what has been achieved. By 15 January 1945, an enquiry in 85 Departments showed that 154 bridges had been repaired, 209 were in course of repair, 1,877 temporary bridges and foot bridges were in use, and 322 temporary bridges were being built. All these figures refer to road bridges.

Similar work was carried out to restore rail transport, both as regards the permanent way and the rolling stock. Between September 1944 and January 1945 the number of locomotives in good running order rose from 2,500 to 6,525, and the number of goods trucks rose from 100,000 to 160,000, of which 50,000 were covered vans. This improvement was achieved entirely by the repair of damaged locomotives and trucks, and therefore there is little chance of any further increase in the amount of available rolling stock after the beginning of 1945. This means that the ceiling has been reached as regards the number of loaded trucks available on the railways. By means of a system of priorities the existing rolling stock is reserved for the most urgent forms of transport. In spite of this the number of loaded trucks available for civilian food supplies has not increased since the end of October 1944 because so many trucks are reserved for use by the Allies, who sometimes require more than 700 trains a week (representing more than 30,000 loaded or empty trucks). Indeed, the number of trucks available for civilian food supplies reached its maximum of 12,000 during the first weeks of

November and fell to 7,000 in the second week of January. One factor which prevents further improvement in the transport situation is the rate of turn-round of trucks, which cannot be appreciably improved until the marshalling yards are rebuilt. The situation at the beginning of 1945 was as follows: out of 50,000 covered vans capable of carrying 25,000 loads a week with a turn-round of 15 days, 15,000 loads go to military priorities, 3,000 for the essential requirements of the National Railways and indispensable industrial services, leaving on the average 7,000 for food supplies. Of this last figure, 3,500 trucks a week are required for supplying bread and 2,500 for the transport of cattle, leaving only about 1,000 trucks for all other commodities—a figure which is grossly inadequate. These few details show the material limitations that hamper any attempt to improve the transport situation or the supply of food to the population until such time as rolling stock can be imported.

As the whole economic life of the country at present is dependent on an improvement of transport and as there is little prospect of such improvement in the very near future, the economic policy of the Government has been directed mainly to general economic organisation and to measures dealing with prices and currency.

General Economic Organisation

Some of the measures taken for the organisation of the economic system are particularly worthy of mention. There is, for example, the Order of 23 November 1944 which established an Interdepartmental Economic Committee, responsible for suggesting measures of general economic policy, national economic plans and the general principles governing economic negotiations with foreign Governments. The same Order defined the new powers of the Ministry of National Economy and the organisation of its services. It provides that the Minister of National Economy is responsible for the general direction of economic policy, the preparation of an economic plan and the supervision of its operation. The Ministry of National Economy is made responsible for guiding and supervising the work of the Ministries of Industrial Production, Agriculture and Food Supplies, and Reconstruction and Town Planning. A Planning Department and a Planning Council have been set up in the Ministry of National Economy, and these are divided into sections specialising in different branches of economic planning. The creation of the Ministry of Reconstruction and Town Planning is another step in the general economic reorganisation carried out by the Government.

Two other measures in the same field are the dissolving of the Peasant Corporation and the introduction of the industrial organisa-

tion offices (*offices professionnels*). The Peasant Corporation was established by the Vichy Government and was dissolved under legislation promulgated before the Provisional Government returned to Paris. In its place the Government has set up a new type of organisation for agriculture. Under an Order of 12 October 1944 a provisional organisation was established: the National Agricultural Committee, which is a body corporate with financial autonomy, and departmental agricultural committees are made responsible for advising the Minister of Agriculture and the prefects in different departments on any matters submitted to them, expressing their opinion on operations connected with the liquidation of the Peasant Corporation and proposing to the Minister any improvements in the system of transforming, amalgamating or dissolving existing agricultural organisations. The National Committee will co-ordinate the work of the departmental committees. Provision is also made for the appointment by Ministerial Order of advisory committees dealing with the technical aspects of the main branches of agricultural production. The members of these bodies are appointed and not elected.

The industrial organisation offices are intended to take the place of the former organising committees which were appointed by the Vichy Government in the main branches of industry and commerce and were responsible for enforcing the prescribed economic policy and acting as links between the various branches of industry and the State. The organising committees were run by members of the industry in question, in practice by the heads of the larger undertakings. They were based on the idea of industrial representation as conceived in a corporative system. In spite of the numerous criticisms levelled against those committees, they were provisionally retained in existence by an Order of 22 June 1944 on account of the part they could play in the economic organisation of the country. During January 1945 the Minister of Industrial Production stated that these committees would disappear and be replaced by industrial organisation offices, each of which will be responsible for carrying out Government policy in the branch of the economic system with which it deals. These offices will be controlled by commissioners, appointed by the Minister, who will be assisted by joint advisory committees representing the trade unions and the employers' organisations.

Nationalisation Measures

An Order of 13 December 1944 provided for the nationalisation of the coalfields of the Nord and Pas-de-Calais Departments, and a further Order of 16 January 1945 nationalised the Renault factories.

The preamble to the Order of 13 December proclaimed that only the State had the necessary authority to enforce in complete unity of conception and application that policy which was essential to solve effectively the existing technical, economic and social problems of the coal-mining industry. It pointed out that this task was extremely important for the country at large and that it must be carried out in accordance with a comprehensive plan so as to ensure that the mining undertakings might collaborate as effectively and rapidly as possible in the revival of French industrial activity. The State alone was capable, on the technical side, of enforcing a production programme, undertaking the necessary regrouping of pits, and standardising equipment (if necessary with the help of financial contributions from the State) and, in the social field, of adequately safeguarding the interests and health of the workers, settling the unduly frequent disputes between employers and workers, satisfying legitimate claims, enabling the workers to share in the management of the undertakings, and in general giving the necessary stimulus to those responsible under its authority and supervision for handling the problems of management and production.

The agency set up under this Order is known as the National Coalfields of the Nord and the Pas-de-Calais, the immediate task of which is to take all the necessary general measures for ensuring business-like management and the maximum output of coal. The constitution of the National Coalfields as laid down in the Order is provisional. From the legal point of view it has certain novel features. In addition to a general manager and assistant general managers, there is a very large and representative advisory committee, from which a permanent subcommittee will be appointed which will meet frequently. It was considered necessary to introduce some flexibility in the existing rules for public establishments enjoying financial autonomy. The National Coalfields may be run on the same lines as ordinary industrial or commercial companies, as these alone are thought to give full scope for managerial initiative. The decisions of the manager do not require to be approved in advance by the Government controllers. The National Coalfields will not only be responsible for the working of the mines but will also, during the transition period, pay to the former owners a provisional compensation calculated as a lump sum. From the social point of view it should be noted that representatives of the staff are members of the advisory committee and the permanent subcommittee. The Order states that the task of these representatives is to study the management of the coalfields as a whole and co-operate in those technical, industrial and social improvements which it will be one of the principal tasks of the coalfields to carry out.

Prices Policy

One of the outstanding features of the economic policy of the Provisional Government is undoubtedly the efforts it has made to maintain a certain stability in prices as long as possible. The system of rationing and distribution of food supplies was intended to further this aim. It has proved comparatively effective in the field of official prices, but it has not been able to prevent the steady rise in prices on the black market in view of the continuing shortage of foodstuffs. One aspect of the prices policy, in so far as consumers' goods were concerned, has been the subsidies granted to maintain certain prices at a level below the cost of production. These subsidies have amounted to about 40,000 million francs, of which some 12,000 millions went to the railways, 11,000 millions for bread, and smaller amounts for meat, fats, inland water transport, etc. These subsidies have not, however, proved adequate to prevent entirely a rise in prices which were being artificially kept down. For instance, the Government was obliged to permit an increase in the price of bread and on 4 January 1945 to revise railway charges, accepting an increase of 40 per cent. in passenger rates and 70 per cent. in goods rates.

Financial and Monetary Policy

The financial policy of the Government was intended mainly to secure the absorption of all sums available on the capital market and the money market and to make an inventory of all foreign holdings in France and French holdings abroad, as well as of all gold, securities and foreign exchange existing in France. The Government has also endeavoured to block for the time being a certain fraction of income, more particularly by introducing a system of compulsory savings for Government officials.¹

Two financial operations of particular importance are worthy of mention: the issue of a perpetual loan known as the Liberation Loan, and an extensive conversion operation. The amount subscribed to the loan was 164,000 million francs, of which 44 per cent. was paid in cash. This loan permitted a reduction in the short-term debt, because 37,000 millions were subscribed in the form of Treasury bonds and savings certificates. The balance of the loan was covered by a charge on bank accounts, amounting to 54,000 millions, or 33 per cent. of the total. This meant that the Liberation Loan enabled the Government to reduce to an appreciable

¹ Cf. *International Labour Review*, Vol. LI, No. 5, May 1945: "Wage Increases in Liberated France", p. 608.

extent the amount of currency in circulation. By the end of 1944 the volume of currency in circulation was 572,000 million francs, as compared with 605,000 millions in August 1944. As the quotations for public funds were high and the market was easy, the Government was able to fix the rate of interest on this loan at 3 per cent. and thus carry out a policy of lowering interest rates in general. As part of the same policy an extensive conversion of Government funds was carried out early in 1945. The funds in question were 4 and 4.5 per cent. securities, which were converted to 3 per cent.; the sum involved was about 105,000 million francs.

From the budgetary point of view the removal of German levies relieved the strain considerably, so that in spite of an increase in civil and military expenditure the total expenditure included in the budget was reduced. The total estimate for the first three months of 1945 is 101,400 million francs (58,100 millions for civil expenditure and 43,300 millions for military expenditure) as compared with 113,600 millions for the first three months of 1944 (34,900 millions for civil expenditure, 4,900 millions for military expenditure, and the rest for the cost of occupation).

THE GOVERNMENT'S SOCIAL POLICY

The social policy of the Government is revealed in a number of measures, some of which were inspired by the necessity of raising the standard of living of the workers while others aimed at re-establishing the trade union system or setting up new social agencies.

Measures to Raise the Standard of Living

It may be remembered that as early as 21 August 1944 the Provisional Government in France reached an agreement with the General Confederation of Labour on the necessity of raising wages by stages, with the primary objective of enabling wage earners to obtain a livelihood. The intention was that the whole system of wages should subsequently be overhauled. The Government undertook the first of those tasks by issuing an Order of 24 August 1944, which was amended by a further Order of 14 September. The new rates of wages under those Orders were determined by Orders issued either by the Minister of Labour and Social Security or by the regional commissioners, after consulting the employers' and workers' organisations. A further measure to improve the standard of living was the Order of 6 January 1945 revising the salary scales of Government officials. The system of family allowances was improved by an Order of 17 October 1944. On 2 February 1945 an Order was

promulgated to reorganise the system of old-age allowances for workers and to amend the old-age and invalidity pensions schemes.¹

Restoration of the Social Insurance System

The financial basis for a reorganisation of the old-age and invalidity pensions schemes was laid down in two Orders of 30 December 1944 which established two financial systems to rectify the extremely precarious situation into which the social insurance funds had fallen.

The method by which the Vichy Government had financed the system of old-age pensions had produced a growing deficit for the social insurance funds.² In 1944 this deficit amounted to more than 3,500 million francs. The General Guarantee Fund and the various sickness and maternity insurance funds had been obliged to dispose of securities to a value of several hundred millions in order to meet the demands made on them. The balances of the social insurance funds with the Government Deposit and Trust Fund had been almost entirely used up, and current payments had to be met by a variety of hand-to-mouth expedients.

The new financial system introduced by the Orders of 30 December 1944 provided for an increase in the contribution based on wages from 8 per cent. to 12 per cent. (half being paid by the employer and half by the worker). An earlier Order of 29 October 1944 had raised the limit of wages for social insurance purposes from 48,000 to 60,000 francs. An additional contribution of 4 per cent. of wages, payable by the employer, is destined to finance the system of old-age allowances. The new scale of contributions came into effect on 1 January 1945 for all wages on which social insurance contributions are due. It applies also to special insurance schemes. The increase in the employer's contribution is counterbalanced by the abolition of the deduction of 6 per cent. which was previously made towards the equalisation funds for family allowances for workers who had been sent to Germany. This means that the new contribution is intended to cover both old-age allowances and allowances to the families of deported workers. In the event of financial difficulties the necessary funds will be provided in the form of an advance by the general social insurance system. The increase in the rate of workers' contributions is counterbalanced by the fact that the limit for exemption from the tax on salaries and wages has been raised from 10,000 to 20,000 francs.

¹ For details of the provisions of all those Orders, see "Wage Increases in Liberated France", *International Labour Review*, Vol. LI, No. 5, May 1945, pp. 598-612.

² *Ibid.*, p. 610.

Two further Orders of 3 November and 15 December 1944 introduced improvements in the workmen's compensation scheme. An Order of 2 February 1945 providing compensation for workers who are temporarily displaced from their homes lies on the border line between wages policy and the organisation of the labour market and may be dealt with under the latter head.

Labour Supply Policy

The preamble to the Order of 2 February states that it is intended to meet the situation brought about by the persistence of a considerable volume of unemployment in certain industrial areas while at the same time the labour shortage in areas affected by the war was making it impossible to undertake the necessary clearance work. The Order provides that unemployed workers may be temporarily displaced for work in localities other than their usual place of residence. Workers who agree to this transfer will receive compensation varying according to the zone in which they are employed and according to their family responsibilities. Workers who refuse such employment or who give it up without valid reason will immediately lose their right to unemployment benefit. The Order provides that no worker may be compelled to remain away from his home for more than six months.

Restoration of Freedom of Association

The Government's task of social reorganisation was carried out in the main by two series of measures: the one restoring freedom of association and abolishing the Labour Charter, and the other setting up works councils.

An Order of 9 August 1944 annulled the Vichy Act of 4 October 1941 concerning the social organisation of occupations, with all its amending, supplementary and subsidiary texts. Freedom of association was restored by an Order of 27 July 1944.¹ This meant that the legal system of occupational associations provided for in Part III of the Labour Code came into force once again. All persons engaged in the same occupation or in similar or allied trades contributing to the production of any given articles have again the right to form occupational groups for the representation and defence of the common interests of their branch of industrial activity. The system of a single compulsory association disappeared with the Labour Charter, and the workers' unions which had continued to exist underground resumed their legal activities. The Order of 27 July made provision for the necessary purge of these organisations and the exclusion of undesirable elements.

¹ *Idem*, Vol. L, No. 5, Nov. 1944, p. 638.

In connection with the restoration of occupational organisations it is important to note that a distinction was made between workers' organisations and employers' organisations. In the former case the principle is that trade unions or federations of trade unions which existed on 3 November 1939 and were subsequently dissolved will be restored to the rights they possessed on the date on which they were dissolved. In the case of employers' organisations it is provided that, up to a date to be fixed by Decree, the executives of those organisations may be dissolved by Order of the Minister concerned or of the regional commissioners. Any such Order will appoint provisional administrators to maintain the organisation in existence until such time as a provisional committee of management is appointed. In the case of both employers' and workers' organisations, trade union re-establishment boards were set up at a national and also at a departmental level.¹ The task of these boards is to prevent any person who is known to have worked for an enemy undertaking from serving on the executive or other administrative body of an occupational association. The boards will also set up and supervise the provisional administrative committees mentioned above when it proves necessary to set up such committees because two thirds of the members of the executive of any given association are no longer available, or because the executive has been dissolved. Here again there is a distinction to be made. On the workers' side the members of the re-establishment boards are selected by the General Confederation of Labour and by the French Confederation of Christian Trade Unions, subject to the approval of the public authorities, whereas on the employers' side the members of the boards are appointed and the chairman of each board is a Government official. Appointments to the National Board are made by Decree and those to the departmental boards by Order.

The legislation restoring freedom of association is far from being a dead letter, for it has been followed by a considerable increase in the membership of the trade unions. The General Confederation of Labour has already risen to a membership of 4,300,000, in 4,000 trade unions; its pre-war maximum in 1936 was 6,300,000 members, organised in 15,000 unions. One of the main features of the growth in membership is said to be the number of young workers who are joining unions.

Works Committees

A further step in the programme of social reorganisation, which is at the same time partly economic in character, is the introduction of works committees by an Order of 22 February 1945.² The in-

¹ Cf. *International Labour Review*, Vol. I, No. 5, Nov. 1944, p. 638.

² For details of these committees, see below, p. 770.

roduction of a system of works committees is not merely part of the programme drawn up both by the resistance movement and by those working with General de Gaulle in London, but is also the outcome of a spontaneous movement in a number of factories immediately after liberation, which led to the appointment of administrative committees or production committees in many undertakings. The purpose of the new legislation is to legalise and extend this system. The Order emphasises that in the economic field the works committees are not intended to take decisions but merely to act as advisory bodies. On the social side, however, they will be responsible for the administration of the various social agencies within their respective undertakings. The committees must be kept fully informed of the economic situation of the undertaking.

CONCLUSIONS

Such would appear to be the main features of the economic and social policy of the Government in so far as they can be determined from the measures that have so far been passed. In the strictly economic sphere, as will have been seen, the characteristic features of this policy are the numerous measures which were intended mainly to mitigate the most serious difficulties. Some of the measures taken, however, may be considered as part of a general economic reorganisation. This is the case, as was pointed out, as regards the extension of the powers of the Ministry of National Economy, the appointment of a Planning Committee, the establishment of a Ministry of Reconstruction and Town Planning, nationalisation measures, and the proposed transformation of the organising committees into industrial organisation offices.

On the social side the policy of the Government has been directed towards two main objectives: the restoration of order in the social system; and the creation of new social institutions. The effort to restore order has been particularly marked in the field of trade union organisation, where the Labour Charter was annulled, and in the sphere of living conditions, where a few preliminary steps have been taken towards readjusting wages to bring them into line with the increased cost of living. In this latter field, however, there is still much to be done, and for that reason a special committee has been set up to consider the whole question of wages and bring order into the chaotic situation which at present exists. The most striking measures as regards the development of new social institutions is the establishment of works committees which have certain rights in the economic field.

Another important aspect of the Government's policy is the reform of the social insurance system, which has only just been

begun and which is intended to produce considerable improvements in the rates of benefit provided for the workers.

The analysis of the economic situation of the country at the beginning of this article showed the immensity of the task facing the Provisional Government. It follows that the present economic and social policy must be considered from a long-term aspect. So far the general principles which must underlie any such policy can scarcely be clearly discerned in their entirety. We are faced with a number of emergency measures lacking in real unity, and it is consequently difficult to determine exactly the future trends of the economic policy of the French Government.

Some indication of what the Provisional Government proposes in the economic and social fields was, however, given by General de Gaulle in a speech to the Consultative Assembly on 2 March 1945.¹ Particular attention should be paid to the passages in which the head of the Provisional Government expressed himself as being in favour of a policy of industrialisation, more especially for the expansion of the metal industries, and in favour of a policy of agricultural development, including electrification, improved equipment, the redistribution of land, and colonial development. General de Gaulle also emphasised the part which the State must play in the control of economic life. He stated that the Government intended to set up a new National Economic Council consisting of qualified representatives of all those who took part in the economic life of the country. The most important passage of his speech was that in which General de Gaulle, after declaring himself in favour of the widest possible degree of freedom in the economic system, confirmed his previously expressed belief in a policy of nationalisation. He pointed out, however, that it would be for the future representatives of the nation to take the final decision on the various provisional measures which the Government was at present introducing.

It will thus be seen that, in addition to the emergency and opportunist measures which it has introduced, the Provisional Government offers a long-term programme, the outstanding features of which are the industrialisation of the country (bound up with reconstruction) and State control of the economic system, more particularly by the nationalisation of certain industries. It would appear, however, that for some considerable time to come the Government will be obliged to devote most of its attention to the immediate economic and social problems arising from day to day.

¹ Cf. *International Labour Review*, Vol. LI, No. 5, May 1945, pp. 624-626.