

# Regional Development, Economic Growth and Employment in France

*Excessive concentration of industry in a few large cities and the ever-greater abandonment of the countryside are features common to many countries today. The following study is devoted to the case of France, where congestion around the capital has reached alarming proportions. After a brief review of the dimensions and gravity of the situation the reader will find a theoretical discussion of methods of assessing the cost and productiveness of regional development projects. This is followed by a description of the agencies and machinery set up to implement development policy in France, from which it clearly emerges that private enterprise is induced to serve the ends of regional development by means of persuasion and encouragement rather than by direct state intervention. In conclusion, an attempt is made to foresee what effects the creation of the Common Market in Europe will probably have on industrial decentralisation in France.*

## REGIONAL UNBALANCE AND DEVELOPMENT

**I**MMEDIATELY after the Second World War when the reconstruction and modernisation of the French economy were both very much in the public mind, a strong school of thought grew up in favour of a policy of regional economic development. This movement in no way meant harking back to an outdated political regionalism, which would have been positively harmful to the extent that it conflicted with the general interest and national unity. Its supporters were to be found in the overcrowded and overgrown capital as well as in the provinces threatened with economic anaemia, since both groups suffered from the extreme concentration of economic and human resources in the Paris area.<sup>1</sup> This concentration, which has been the subject of constant attack in recent years, has reached such a point that one writer, in a term which has since caught the public fancy, has actually been able to speak of the "desert" around Paris.<sup>2</sup>

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<sup>1</sup> Defined in laws and regulations as the départements of the Seine, Seine-et-Marne and Seine-et-Oise plus five cantons of the Oise département.

<sup>2</sup> J. F. GRAVIER : *Paris et le désert français*, second edition (Paris, Flammarion, 1958).

### *Demographic and Economic Unbalance*

This description of the French provinces as a desert is not entirely fanciful, as can be gathered from a few figures about the distribution of population. Thus, the Paris area alone now has 6,400,000 inhabitants or more than the total population of the 33 largest towns in France.<sup>1</sup> Similarly, while the average population density of France as a whole is 78 persons to the square kilometer, there are 10,750 to the square kilometer in the département of the Seine and only 25 in rural France.<sup>2</sup>

This lopsidedness in the distribution of the population is even more marked in the geographical distribution of business and wealth. It has recently been calculated that the Paris area, with 16 per cent. of the total population of France, contains 23 per cent. of the total number of wage earners in industry, 28.2 per cent. of those in commerce, 32 per cent. of those in road haulage, 51 per cent. of the employees in banking and stockbroking, and 71 per cent. of those in insurance.<sup>3</sup> Some 40 per cent. of all French wages are paid out in the Paris area and over a quarter in the département of the Seine alone.<sup>4</sup> As regards wealth, a good idea of its distribution is given by the estates subject to death duty. Undoubtedly, these figures are not reliable in absolute terms because of tax evasion, but this does not make them any less useful for purposes of comparison. The figures for 1956 show a wide disparity between the Paris area and the remainder of the country.<sup>5</sup> The average declared value of personal estates in the Seine département was 6,910,000 francs as against 3,630,000 francs in the rest of France. This disparity is also found in the distribution of large fortunes—in the same year out of 82 estates of more than 100 million francs, 36 were declared in the Seine département.

This unbalance as between one region and another is not peculiar to France. But few countries are subject to centralisation and its

<sup>1</sup> Evidence given by Mr. Sudreau before the Committee on Regional Economies of the Economic Council on 13 July 1957. The information quoted here is given in *Action syndicale et économies régionales* (Paris), July 1958, pp. 5. See also the paper submitted on behalf of the Economic Council by R. GONDOUIN: "Etude de l'aménagement de la région parisienne", in *Journal officiel de la République française. Avis et rapports du Conseil économique*, No. 7, 25 Mar. 1959.

<sup>2</sup> Cf. J. M. JEANNENEY: *Forces et faiblesses de l'économie française, 1945-1956* (Paris, Librairie A. Colin, 1956), p. 247.

<sup>3</sup> *Action syndicale et économies régionales*, loc. cit.

<sup>4</sup> Nadine PERRIN: "La répartition géographique de la population française et l'aménagement du territoire", in *Population* (Paris), Oct.-Dec. 1956, p. 703.

<sup>5</sup> "Les produits de l'enregistrement, des domaines et du timbre en 1956", in *Statistiques et études financières* (Paris), Supplément, No. 118, Oct. 1958; calculations based on Appendices 17 (pp. 1194-1195) and 19 (pp. 1200 ff.).

drawbacks to anything like the same extent.<sup>1</sup> The main reason for this, which has often been pointed out, is the centralisation of political power in Paris, where government departments only grudgingly delegate their authority to local bodies. The result is that—

Nothing of any importance can be settled in the provinces. For the simplest transactions it is often necessary actually to be in Paris, for there is no one on the spot who can act on behalf of the central departments. The speeding up of communications, so far from improving matters, has steadily made them worse. This largely accounts for the abnormal growth of the Paris area, the centralisation of industries, companies, businesses and people who are afraid that they will be handicapped unless they are in the capital too. This is quite apart from another tendency for cultural and university life, scientific and technical research and the press to be centralised in Paris as well.<sup>2</sup>

The trend has been strengthened by a development for which it is directly responsible, namely the construction of a road and railway system in the form of a "star" or "cobweb" spreading out from Paris over the rest of France, which has given industries and businesses of all kinds a strong incentive to establish themselves in Paris.<sup>3</sup>

### *Seriousness of the Situation*

This concentration of business and national manpower and wealth in the capital is doubly serious. In the first place, it is alarming because this swollen capital has (as we shall see) created "crushing financial burdens, a ring of slums which are a barrier to social progress, a heavy population deficit and acute sensitivity to political and economic crises", and because simultaneously the provinces with the fewest natural advantages "have been sterilised by the pull of Paris on their investment funds and most go-ahead men and women, by the stagnation of community life and by the absence of any agricultural policy...".<sup>4</sup> Apart from this, however, it is also dangerous because the process tends to snowball and the unbalance spontaneously gets worse. Just, as wealth attracts wealth<sup>5</sup> and a kind of "multiplier" effect is produced by the

<sup>1</sup> See *inter alia* United Nations: *Economic Survey of Europe in 1954* (Geneva, 1955), pp. 136 ff.; and Cl. GOUREAU: "Les organismes de la politique de développement régional", in *Droit social* (Paris), 21st Year, No. 5, May 1958.

<sup>2</sup> GOUREAU, *op. cit.*, pp. 257-258.

<sup>3</sup> United Nations, *op. cit.*, p. 179; and PERRIN, *op. cit.*, p. 721.

<sup>4</sup> J. F. GRAVIER: *Décentralisation et progrès technique* (Paris, Flammarion, 1953), p. 165.

<sup>5</sup> As Gravier points out, Quesnay said as long as two centuries ago in the *Encyclopédie*: "Revenues procure comforts and further revenues which sustain their owners and attract other men."

arrival of every new city dweller who "becomes a consumer and requires still more inhabitants to supply him (business men, officials, etc.)" <sup>1</sup>, so underdevelopment leads to further underdevelopment and poverty. The process of decay can readily be traced. As the young men and investment funds are drawn towards the expanding markets of the big cities, local outlets diminish, investment dries up, the active population declines and specialisation becomes blurred or disappears. For example, the café owner sells haberdashery, groceries and bread as a sideline, the stone mason moves away because there is not enough work and the houses fall into disrepair because he has gone . . . and so the whole local economy runs down.

It is true that outside Paris and its surroundings there are certain other districts which continue to attract population and industries. The Lyons area and the north and east of France are still growing in wealth and production capacity. But these are only exceptions and the contrast between Paris and the remainder of France is generally valid. It is really only in the Paris area that growth has reached a pitch which is considered to be excessive and a drag on the expansion of the national economy as a whole, in short to be malignant. With the existing administrative and economic centralisation "it is impossible to create or do anything in France without going through Paris". This artificial bottleneck constricts the development of the whole country, and to a certain extent the enormous potential of a France with nearly 45 million inhabitants is cramped by the far smaller capacity of an overcrowded city of 6 million people, where the sheer concentration of activities of all kinds leads to congestion and the danger of permanent paralysis.<sup>2</sup>

### *Need for Early Action*

Awareness of the drawbacks of this position is by no means new and a few voices had been raised in criticism even before the Second World War. The motives at that time were usually strategic rather than economic or social<sup>3</sup>, however, and it was only when reconstruction had to be tackled that public opinion really woke up to the problem. Nevertheless, although immediately after the Liberation a Department of National Development was set up within the Ministry of Reconstruction and Town

<sup>1</sup> PERRIN, op. cit., p. 721.

<sup>2</sup> *Action syndicale et économies régionales*, op. cit., pp. 7-9.

<sup>3</sup> Alain GIRARD (in collaboration with P. MEUTEY): *Développement économique et mobilité des travailleurs* (Paris, Institut national d'études démographiques, 1956), pp. 27-35.

Planning, needs at the time were so acute that the first French modernisation and investment plan gave priority to the basic industries and made no properly planned attempt to even out regional inequalities. It was not until 1950 that the policy of regional development, defined as "the achievement of a better distribution of manpower in relation to natural resources and the pattern of industry", entered an active stage. Even so, it can be argued that until 1954 this still largely remained a matter for private initiative rather than public action. The urgent need did not become apparent until the second modernisation and investment plan as a result of two related factors—

(1) It is quite certain that, looking beyond purely national considerations, we are now witnessing a "rise in potential needs", resulting partly from a rate of population growth exceeding 1 per cent. in Europe<sup>1</sup> and partly from the improvement in the minimum standard of living now considered acceptable. The problem of the optimum development of natural resources and the most efficient use of the land is therefore sure to become more acute as time goes on.

(2) There are a number of special problems in the case of France. The last report<sup>2</sup> of the Manpower Committee to the Commissioner-General for State Planning pointed out that labour shortages may hamper implementation of the Third Plan—an anxiety it had earlier expressed in connection with the Second Plan.<sup>3</sup> Obviously, it would be hard to tolerate underemployment or mis-employment of manpower on any scale in some parts of the country at a time when national manpower resources were relatively strained. The Committee therefore specifically urged the transfer or establishment of new industries outside the most heavily industrialised areas (particularly the Paris area) in which the shortages would otherwise be bound to grow worse. Complex but diversified regional economies should be built up to provide work for any labour made redundant through the closing down of industry elsewhere.

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<sup>1</sup> Cf. J. MILHAU: "Les objectifs et les principes d'une politique des économies régionales, Rapport présenté au nom du Conseil économique", in *Journal officiel. Avis et rapports du Conseil économique*, No. 3, 1 Feb. 1957, p. 56.

<sup>2</sup> *Revue française du travail* (Paris), 12th Year, No. 2, 1958, pp. 3 ff. Also "Employment under the Third French Modernisation and Investment Plan, 1957-61", in *Industry and Labour* (Geneva, I.L.O.), Vol. XX, No. 11, 1 Dec. 1958, pp. 418-420, and "Employment Forecasting and Manpower Policy in France", in *International Labour Review*, Vol. LXXIX, No. 2, Feb. 1959, p. 189.

<sup>3</sup> *Revue française du travail*, 8th Year, No. 3, 1954.

The establishment of the Common Market gives an added incentive to France and her partners to mobilise all their resources as quickly as possible to face up to stiffer competition and make the most of the opportunities for expansion offered by the lowering and ultimate abolition of barriers to trade.<sup>1</sup>

### *The Three Forms of Regional Development*

However this may be, plans of this kind can obviously take a wide variety of forms. In fact, if they are to succeed it is essential that they should do so, for they must be kept flexible and adapted to local conditions. For purposes of classification it is possible to pick out the following three types of regional development plan designed to iron out economic inequalities :

(1) the transfer of industries from the "congested" areas such as Paris to the relatively depressed areas, i.e. *decentralisation* ;

(2) attempts to revive decaying areas by encouraging the introduction of profitable new industries to take the place of those that have become obsolete through changes in techniques, markets or tastes, i.e. *conversion* ;

(3) investment in the exploitation of hitherto neglected natural resources, such as mineral deposits, hydro-electric power, irrigation enabling new crops to be grown, reafforestation, etc., i.e. *development proper*.

Any opposition between these three types of regional development is, of course, to a large extent artificial. In real life, any plan usually includes all three and they interlock. For instance, the development plan for Languedoc aims at the conversion of the area from concentration on a single crop (vine growing) to mixed farming, and also at development involving the irrigation and reafforestation of tens of thousands of hectares which are now barren or under-farmed.<sup>2</sup> At the same time, the introduction of new industries in certain areas officially scheduled as "depressed" (Béziers, Lodève-Bédarieux, etc.) and therefore entitled to special treatment (tax reliefs, equipment grants, etc.) is designed to promote industrial decentralisation.

<sup>1</sup> The prospect of the Common Market makes it even more urgent to proceed with regional development schemes, since fears have sometimes been expressed whether a regional development policy can be pursued once a country's frontiers have been opened. See, in particular, the editorial of the review *Usine nouvelle* (Paris), Mar. 1957. Also Cl. DELMAS : *Quel avenir pour la France ?* (Paris, Aubier, 1956), pp. 235 ff.

<sup>2</sup> See for example Ph. RENAUDIN : "L'aménagement de la région Bas-Rhône-Languedoc", in *Droit social* (Paris), 20th Year, No. 4, Apr. 1957, pp. 197 ff. The Languedoc scheme was published in *Journal officiel*, 26-27 Jan. 1959, pp. 1307 ff.

## THEORETICAL ASPECTS OF A NATIONAL DEVELOPMENT POLICY

Whatever the methods employed the aim remains the same—to secure the distribution of industry best calculated to increase the national product. But while the aims are easy to define it is far harder to gauge with any kind of accuracy the value of these methods and schemes. Any scheme, whether of decentralisation, conversion or development, involves some cost and is expected to yield a return. This balancing of profit against loss should logically govern all regional development policy. Schemes which are the most profitable from the national standpoint should be carried out first and it should be possible to weed out those that on balance would involve no gain or an actual loss.

Estimating costs and returns, however, is a difficult business since it is concerned with very complex theoretical concepts instead of readily ascertainable facts. We shall deal with them in turn and go on to say a few words about the problems involved in coming to a decision.

*The Cost of Regional Development*

The complexity of this concept is due to the fact that the *real cost* (which can be described as the “economic cost” as opposed to the money cost or book-keeping cost to private or public agents) of regional development is the outcome of two factors. The *expense* to the economy of undue centralisation and underdevelopment must be subtracted from the *direct cost* of the proposed scheme in the shape of public or private outlay or loss of income, i.e.—

real cost = direct cost less savings.

Let us look in turn at the two components of this real cost.

*Direct Cost.*

This is difficult to assess accurately as it is made up of a variety of items on which information is often lacking. These items can be divided into the following five categories:

(1) First of all there is the cost of the concessions made by the authorities, with the avowed aim of encouraging industry to shift its location. These may take a number of different forms, e.g. tax relief for firms establishing themselves in certain areas, financial facilities and loans at preferential rates, equipment grants, etc. In addition to these direct concessions to firms, there are various forms of assistance to the workers, e.g. removal grants, retraining at government expense, which provide the factory with the necessary labour either more cheaply or at no cost at all.

(2) Secondly, there is the private investment involved in any development scheme. This investment can itself be broken down into two classes—"primary" and "induced". The primary investment occurs when a new factory is built or an existing factory is transferred or converted to a new type of product. While in practice the extent of this investment is difficult to ascertain, in theory at least it is relatively easy to measure. But induced investment is quite another proposition, the task of estimating it being aggravated by the fact that its relation to primary investment is by definition indirect. The most obvious types of induced private investment are the building of the houses, shops, entertainment facilities, etc., needed in the new location. A point that should be made, however, is that "this argument only applies when housing is available elsewhere within the country and could be occupied by the workers if their firm were to establish itself nearby. When the shortage of suitable housing is nation-wide, any housing built cannot be attributed to the transfer because it would have had to be built anyway."<sup>1</sup> This is the first snag to be struck in reckoning the cost of shifting industry. But there is another difficulty (still connected with private induced investment) caused by uncertainty as to the point at which the relation between cause and effect becomes too slight to warrant allocating certain expenses to the debit side of the scheme.

(3) Public investment is often made necessary by the new shift in just the same way as private investment. It usually involves the provision of new public buildings (offices, hospitals, schools, etc.) and possibly the construction of new, or the enlargement of existing, communication facilities, the laying on of extra water supplies, etc. A parallel definition to the one proposed above between primary and induced private investment can also be drawn between public investment carried out before the shift with the avowed aim of encouraging new industry, and public investment carried out to meet the needs created by the regional development plan as it progresses. Similarly, the foregoing argument about private investment, namely that the only investments that should be taken into account are those which would not have been necessary (taking the country as a whole) if the factory had been established elsewhere, is also valid in this case.

(4) The debit side of any regional development scheme must also include the additional private operating costs, which differ from the private expenditure referred to above in that they go on as long as the new industries remain in existence. Obviously,

<sup>1</sup> Cf. J. M. JEANNENEY: "A la recherche de principes pour une politique nationale de développement des économies régionales", in *Revue économique* (Paris), No. 6, Nov. 1956, pp. 870-871.



only the extra costs, i.e. those in excess of the costs which would have been incurred even if the plant had been located elsewhere, must be reckoned. Examples of these costs are the expense of transporting workers backwards and forwards (usually incurred whenever the labour force is drawn from the surrounding countryside) when an equivalent amount of travelling could have been avoided if another location had been chosen. Whether these transport expenses are borne by the employer, either wholly or in part, or whether they are paid entirely out of the workers' own pockets is immaterial from our point of view. In either case, the new location involves devoting resources to the transport of individuals which could have been used for other purposes, and productive investment is reduced by a corresponding amount. The costs thereby incurred can therefore legitimately be placed on the debit side of the scheme. What goes for the transport of people also goes for the transport of goods, both raw materials and finished products. Whenever the choice of location involves a greater use of the transport system than another possible location, the extra cost must also be debited to the scheme.

(5) Similarly, any increase in the cost of operating public services must also be taken into account. The population increase caused by regional development schemes is liable to entail higher expenditure on administration, police, etc. Even if there is no population growth, the expansion of business can be expected in any case to place a heavier load on the postal facilities, courts of law, etc. Allowance must therefore be made for these extra costs, which will sometimes have to be added to the other components of the scheme's cost.

It does not always follow, however, that all five types of cost referred to above are necessarily incurred. In practice it can even happen that a regional development scheme will lead to the removal of certain costs borne by the economy, so that the cost of the scheme itself is correspondingly reduced.

#### *Saving of Certain Costs Borne by the Economy.*

Regional development is partly designed, as was stated earlier, to iron out regional disparities in rates of growth. By counteracting excessive concentration on the one hand and regional underdevelopment on the other, it automatically relieves the economy of certain non-productive costs of one or other of the foregoing five types. A few words are called for on these costs caused by over-concentration or underdevelopment which are thereby avoided.<sup>1</sup>

<sup>1</sup> In connection with what follows see M. PENOUIL: "Note sur quelques aspects de la politique d'aménagement du territoire", in *Cahiers de l'Institut de science économique appliquée* (Paris), No. 70, July 1958, pp. 4 ff.

From the standpoint of the cost of public services per head and of the cost of services provided by private enterprise, both in terms of operating costs and of capital investment and depreciation, there is unquestionably an optimum size for towns and an optimum regional density. "Any location which brings the population of a town or region closer to this optimum must be credited with the savings achieved; conversely, any scheme which departs from this optimum by creating either over-population or under-population must be debited with the extra public<sup>1</sup> expenditure it causes."<sup>2</sup>

The cost of excessive concentration is due precisely to the fact that this optimum has been exceeded. Nevertheless, it is difficult to calculate it with any accuracy. According to American studies, the cost of public services per head varies in accordance with the size of the town, falling at first as the population increases to a minimum, which marks the optimum size from this standpoint, and thereafter rising faster than the population. The optimum size of a town in the United States measured by this yardstick appears to be of the order of 150,000 to 200,000 inhabitants.<sup>3</sup> In France, on the other hand, the optimum does not appear to be as high—the Ministry of Reconstruction and Town Planning places it around 50,000.<sup>4</sup> Studies on this subject are unfortunately few and far between, and virtually the only figures that can be quoted are those compiled by Gravier<sup>5</sup> in 1949 comparing the level of municipal expenditure per head of the population in Paris (25,000 francs for a population of 3 million), Marseilles (8,500 francs for a population of 600,000) and Cholet (4,000 francs for a population of 27,000).

These figures are not enough to go on in defining an optimum population, especially since it would probably be arbitrary to assume that the municipal services available to the inhabitants of these three towns were the same. The level of expenditure per head would only be a reliable guide to the relative cost of providing municipal services in towns of different sizes if these services could be taken to be comparable in quality as well as quantity—which is probably not the case.

Moreover, the cost of public services per head of the population is only one criterion for computing the optimum; by itself it is not conclusive since high costs in this respect may be compensated

<sup>1</sup> And private.

<sup>2</sup> JEANNENEY, in *Revue économique*, op. cit., p. 873.

<sup>3</sup> R. M. LILLIBRIDGE: "Urban Size—An Assessment", in *Land Economics*, Nov. 1952, quoted by PENOUIL, op. cit., p. 5.

<sup>4</sup> See MILHAU, op. cit., p. 56.

<sup>5</sup> GRAVIER: *Décentralisation et progrès technique*, op. cit., pp. 135 ff.

by savings in individual budgets, so that on balance there may be a gain. Nor does it seem that there can be any question of laying down any absolute optimum for the most desirable size of town or the most desirable density of population for a region, as this is bound to depend on the kind of activities carried on there. All in all, in the present state of our knowledge, the most that can probably be said is that—

Once the concentration of people goes beyond a certain point it creates additional costs. Traffic congestion requires more policemen to control it. The anonymous crowds of the big cities call for closer police supervision than the populations of small towns, where everybody knows his neighbours and, in a sense, helps to keep an eye on them. Drinking-water supplies, sewage and the collection of rubbish all become increasingly expensive. . . . The same is true of other services provided by private enterprise. Normally, a shop's unit costs fall as its turnover increases, and it can achieve a high turnover far more easily in a densely populated area. Supplies, on the other hand, particularly of food, are apt to be more expensive if the city is very large since they have to come from sources a long way away and pass through the hands of a number of middlemen.<sup>1</sup>

While the waste caused by excessive concentration is very substantial, the cost to the community of regional underdevelopment may also be quite appreciable. In so far as it leads to emigration and a decline in the active population, it causes losses of two kinds—

(1) Firstly, the fall in the population often leads to the abandonment of capital stock, particularly of buildings, which are no longer maintained and soon become derelict. The land itself is often neglected or else farmed extensively. The result in either case is a permanent loss of capital. Furthermore, the general increase in the population of France itself and of Europe as a whole implies that, one day, the land which now lies abandoned will once more have to be brought under the plough.<sup>2</sup> It will therefore be necessary, sooner or later, to rebuild what is now being allowed to decay.

(2) Secondly, the population of the underdeveloped areas usually falls below the optimum level and this also involves a waste which exactly mirrors the waste caused by overconcentration. For example doctors, dentists, teachers, postal employees and others engaged in providing social and administrative services are either underemployed, which involves unduly high costs per head of the population, or too few in number for a given area, with the result that public and community services are less efficient and the economy suffers accordingly.<sup>3</sup>

<sup>1</sup> JEANNENEY, in *Revue économique*, op. cit., p. 873.

<sup>2</sup> MILHAU, op. cit., p. 56.

<sup>3</sup> PERRIN, op. cit., p. 703.

*The Real Cost of Regional Development.*

With so many different factors involved, the real cost of regional development is very difficult to ascertain at the present time ; using such statistics and cost figures as are available, it is impossible to make even a rough estimate. For example, there is not even any proper study of the extent of the induced investments (workers' housing, supply facilities for people and industry, etc.) caused by the establishment of a new industry in an underdeveloped area. Nor has anyone traced the cost curve per head of the population of public or private services according to the density of the population.<sup>1</sup>

The question arises whether it is at least easier to calculate the productiveness of regional development schemes. This point is discussed below.

*Productiveness of Regional Development Schemes*

The anticipated result of a regional development scheme can be measured in a number of different ways. The most satisfactory form of measurement, i.e. the most general and the easiest to interpret, would unquestionably be to calculate the increase in the national income or production which could be expected to accrue from a particular scheme. This, however, raises a twofold problem which calls for some comment.

(1) The length of the reference period must first be considered, since everything depends on the observer's economic horizon. The anticipated increase in national income calculated, for example, on the basis of the capitalised value of the future flow of goods and services dating from the time of the estimate will clearly become greater as the period of anticipation is extended further into the future. The capitalised value will, at the same time, be affected by the "rate of interest" used in calculating this future yield, i.e. the rate of interest reflecting the discount which goods and services that cannot be consumed immediately usually suffer in human eyes. This, then, is a factor which indirectly curtails the length of the period of anticipation, for if the future is heavily discounted the goods or services which can be expected by the end of a reasonably long period depreciate so heavily in value that they can virtually be left out of account and the practicable period of anticipation is therefore limited. But in deciding between two comparable forms of investment, one of which yields most of its returns in the short run while the other yields more but later,

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<sup>1</sup> JEANNENEY, in *Revue économique*, op. cit., p. 875.

this discounting of the future will be decisive. If it is slight, the latter type of investment will be preferred ; if it is heavy the former will probably be chosen.

(2) Similarly, if a short period of anticipation is chosen, the induced effects of the scheme are usually left out of account and only the direct effects are reckoned. Irrespective of the length of the period, however, one comes up against the problem (referred to earlier in connection with the cost)<sup>1</sup> of the link between cause and effect, which becomes steadily more blurred as the analysis is developed, with the result that it is impossible not to be arbitrary in drawing a line around the induced effects. As the link between cause and effect becomes more tenuous there is less and less certainty about the causes of particular effects, and it follows that the measurement of the latter becomes increasingly hypothetical. And yet in regional development schemes the induced effects are often far more important and decisive than the direct effect, which is inevitably on a very limited scale. These initial schemes are designed simply as " pump-priming " operations ; once the process of regional growth gets under way it is hoped that it will continue under its own momentum. This hope is based on the observation that carefully planned investments set off a technical and economic chain reaction and create markets and industries for which previously there was no call. Subsequently other industries, which may not even be complementary, can be fostered or attracted purely and simply because the concentration in a limited area of the necessary factors and facilities of production encourages the emergence of new industries.<sup>2</sup>

Of course, these induced effects and products, which are more or less directly due to the original scheme, are extremely difficult to assess even in a rough and ready way. One is usually forced to confine oneself to gauging the results more directly and unambitiously by putting on the credit side of the proposed scheme the direct results expected of it, calculated in physical units. These physical units may vary in nature. One scheme may be expected to create so many jobs while another will enable so many hectares to be brought into cultivation or converted to other crops. In this way it is possible, by setting the physical units against the direct cost borne by the public authorities, to make a fairly accurate estimate of the cost per unit of employment thus created or the cost per unit of area brought into production. This calculation has been made

<sup>1</sup> See above, p. 296.

<sup>2</sup> Usually referred to as " external economies " ; this particular instance is concerned with a special type of " atmosphere-creating " external economy. Cf. J. E. MEADE : *Trade and Welfare* (London, Oxford University Press, 1955), pp. 18 ff.

in one or two cases <sup>1</sup> but it naturally has little value except from the standpoint of public finance, and little economic point either as it only takes account of part of the actual costs and results.

This type of analysis is sometimes pushed farther in monetary terms, particularly when a regional development scheme is carried out with the help of a company relying on private capital <sup>2</sup>, for which it is essential that the scheme should pay its way. In these cases the costs taken into account are private and not public, and the results are calculated in terms of income, e.g. if the scheme is concerned with irrigation not only will the extent of the irrigated area be estimated but the anticipated output per unit will be worked out and this output will be multiplied by an average unit price to obtain the gross income that may be expected from the scheme. Operating costs are then deducted to arrive at the net income per unit of area, and comparison of this net income with the cost of the irrigation water needed to obtain it will then show the amount that the user should be charged per cubic metre of water to make the scheme commercially or financially sound.

Plainly, however, even when costing is taken quite far, the final figures do not convey the full effect of the scheme, but only the most immediate results.

French economists are well aware of these shortcomings, and, apart altogether from strictly statistical forecasts, immense importance is attached in practice to the indirect or induced effects of these development schemes. This is amply borne out by the place occupied by the theory of "poles of growth" in the writing of French economists on the subject.<sup>3</sup>

This theory<sup>4</sup> is based on observation of the crucial fact that "growth does not occur everywhere at the same time—it takes place in points or poles of growth. It branches out in different directions with varying force and with varying end results for the economy as a whole."<sup>5</sup>

Regional development must originate in regional poles of growth, i.e. in dynamic industries which can make their influence

<sup>1</sup> For example for purposes of international comparison. On this point see P. ROMUS : *Expansion économique régionale et communauté européenne* (Leyden, Sythoff, 1958).

<sup>2</sup> For example joint investment companies or regional development companies. See below.

<sup>3</sup> See the following reports submitted on behalf of the Economic Council : MILHAU, op. cit. ; M. BYÉ : " Les moyens d'une politique des économies régionales ", in *Journal officiel. Avis et rapports du Conseil économique*, No. 12, 16 May 1957 ; and J. MILHAU : " La mise en œuvre des programmes d'action régionale et la notion de région de programme ", ibid., No. 21, 6 Dec. 1958. Also PENOUIL, op. cit.

<sup>4</sup> Due to F. PERROUX : " Note sur la notion de pôle de croissance ", in *Economie appliquée* (Paris), 1955, Nos. 1-2, pp. 307-320.

<sup>5</sup> PERROUX, op. cit., p. 307.

felt on their environment and bring other industries in their train through the operation of various accelerator and multiplier effects.

Clearly all industries are not suited to act as the core of a pole of growth; an industry can only set off a lasting process of regional expansion if it meets a certain number of requirements.<sup>1</sup> First of all, in deciding which industries to encourage, it is essential to make allowance for local potentialities, i.e. to draw as far as possible on the region's own natural resources and more generally on the available factors of production (capital, land and manpower). Account must also be taken of the needs of the local market, for the initial rate of development will be faster if, for example, a scheme fills a gap in a production circuit already partly in existence (e.g. power supply, processing and marketing of local products, etc.). Lastly, the impetus must come from an expanding industry in which demand is steadily growing. It must be an industry with a future rather than one that has seen better days. This policy is in contrast to the practice of paying out subsidies in an attempt to prop up long-established industries which are decaying as a result of changes in taste and techniques.

### *The Choice*

As was stated earlier, the problem of choosing investment schemes designed to promote regional development seems a simple one at first sight. After costs and anticipated yields for each scheme have been compared, preference should go to the one producing the biggest yield per unit of expenditure.

We have, however, stressed in the foregoing pages the complexity of the calculations needed in any accurate and comprehensive estimate of the cost or yield of a development scheme, e.g. the problem of deciding where the induced effects end and of assessing their value. These problems are still very far from being solved and one expert has in fact written that we are "proceeding by guess-work based on scraps of information and even on mere impressions". He adds that these guesses "are quite likely to be proved wrong whenever a proper study is made, since experience in economic research shows that quite often reality is not at all what is usually expected".<sup>2</sup>

Moreover, all the arguments put forward hitherto have been concerned with the economic aspects alone. But even if these economic calculations became so accurate that it was possible to determine the precise optima in monetary terms, other consider-

<sup>1</sup> PENOUIL, *op. cit.*, pp. 24 ff.

<sup>2</sup> JEANNENEY, in *Revue économique*, *op. cit.*, p. 875.

ations could, quite legitimately, lead to alternative policies being preferred. The psychological and social factors must come first once it is recalled that the purpose of human activity is to maximise satisfactions rather than material goods. If the optimum production or development in terms of measurable income for the community can only be secured by destroying a whole way of life and pattern of society, or by moving people away from the land and environment they have always known, the psychological cost may more than outweigh the benefits that can be expected from the scheme even though there is absolutely no common measure and therefore no possibility of scientific comparison.

The facts seem to bear out this predominance of the human factor over purely economic considerations. An illuminating example of this can be quoted. From 1950 onwards the mines of the "south-centre" coalfield, particularly in the Cévennes, had been in difficulties because of stiff competition from Lorraine coal. As the mines were marginal, the management of the company<sup>1</sup>, in order to prevent any redundancy, made an agreement with the French Coal Board for the transfer of 5,000 miners to the Lorraine coalfields and the closing down of their own mines, rather than continue operations which had become uneconomic. Substantial inducements were offered to workers who were willing to move. Their removal and travelling expenses were paid, housing was guaranteed, and grants of 200,000 francs were paid to married men and 75,000 francs to single men. The results were, however, disappointing. Only 186 men left voluntarily between April 1954 and March 1955, most of them foreigners or workers who had only recently settled in the district. The miners' attachment to their homes, their climate and their way of life was stronger than any economic incentives.<sup>2</sup> Accordingly, it is now proposed to take new industries to them so as to provide work for those who have lost their jobs. As the establishment of these new industries will prove more expensive for the community it can, presumably, be asserted that, economically speaking, this is not such a good solution. Nevertheless, it is an improvement from the social and human points of view and it has now been adopted.

Thus economic calculations and political and social factors are simultaneously involved in the process of reaching the right decision and it will be necessary now to examine how considerations as diverse as these are weighed up, and how and by whom regional development plans are framed and implemented.

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<sup>1</sup> The Houillères du Midi.

<sup>2</sup> See GIRARD and MEUTEY, *op. cit.*, pp. 14 ff. and 43 ff.



REGIONAL DEVELOPMENT AGENCIES AND MACHINERY <sup>1</sup>*Growth of Regional Legislation*

At the beginning of this article the growth of awareness of regional problems in France was referred to. While this awareness dates from the period between the two wars it was only after the economy had been set back on its feet again that the authorities were prepared to take action to tackle regional inequalities. The first document of major importance appeared in February 1950, when the Ministry of Reconstruction and Town Planning published a "National Development Plan" which set forth the reasons, aims and methods of regional economic development. In the same year, on 8 August 1950, the National Development Fund was set up <sup>2</sup> to finance certain schemes. Nevertheless, it was not until 1954 that under the Act of 14 August of that year "authorising the Government to embark on a programme of financial stability, economic expansion and social progress" any measures of major practical importance were taken. These were—

(1) the decree dated 14 September 1954 <sup>3</sup> establishing an Industrial Conversion Fund and a Manpower Retraining Fund and overhauling some of the regulations affecting the National Development Fund in order to facilitate industrial decentralisation ;

(2) the two decrees dated 10 November 1954 <sup>4</sup> respecting the conversion and construction of buildings for industrial purposes ;

(3) the two decrees dated 6 December 1954 <sup>5</sup> respecting the retraining and regrading of manpower and industrial decentralisation ;

(4) the decree dated 11 December 1954 <sup>6</sup> respecting the establishment of economic expansion committees and regional co-ordination councils.

Additional measures were taken the following year, the most important of which was a decree dated 5 January 1955 <sup>7</sup> designed to

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<sup>1</sup> For the points covered in this section see S. ANTOINE : " L'aménagement du territoire et l'expansion régionale (Les institutions : analyse critique) ", in *Etudes et documents du Centre de recherches économiques et sociales* (Paris), Feb.-Mar. 1958 ; BYÉ, *op. cit.* ; MILHAU, the two reports already referred to submitted on behalf of the Economic Council ; and ROMUS, *op. cit.*

<sup>2</sup> *Journal officiel*, 13 Aug. 1950.

<sup>3</sup> *Ibid.*, 23 Sep. 1954.

<sup>4</sup> *Ibid.*, 16 Nov. 1954.

<sup>5</sup> *Ibid.*, 7 Dec. 1954.

<sup>6</sup> *Ibid.*, 12 Dec. 1954.

<sup>7</sup> *Ibid.*, 8 Jan. 1955.

encourage a better geographical distribution of industry and to halt the industrial growth of the Paris area. Above all, however, the Government was granted special powers by the Act of 2 April 1955 to encourage the development of areas suffering from underemployment or inadequate investment. Under this Act fourteen decrees were issued on 30 June 1955 consolidating various measures which had been taken earlier and clarifying a number of points. These decrees can be considered as the core of French legislation on regional development<sup>1</sup>; one of them established the Economic and Social Development Fund, in which the existing Industrial Conversion Fund and Industrial Decentralisation Fund were merged. The enactments which have come into force since have mainly been concerned with procedural matters and have made no substantial change in the structure of the system, which is discussed below.

### *Regional Legislation ; Principles and Practice in Regional Development Policy*

This spate of enactments defined the procedure to be followed in carrying out the policy of regional development. Reliance is placed only to a moderate degree on direct intervention, and persuasion and encouragement are chiefly used to steer industries where they are wanted.

There is virtually only one measure on record which deliberately sets out to restrict business freedom. This is the decree dated 5 January 1955 (referred to earlier) which stipulates that in the Paris area the construction of industrial buildings employing more than 50 persons, or with a floor space in excess of 500 square metres (reduced to 100 square metres by a recent order issued in December 1958), and extensions of more than 10 per cent. of the floor space of existing industrial buildings, must first of all obtain the sanction of the Minister of Housing and Reconstruction in consultation with a committee of Ministers. A more recent decree<sup>2</sup> has closed a loophole in the 1955 decree by also requiring the approval of the authorities for the purchase of vacant factories in the same area.

The incentives, on the other hand, are plentiful and can be divided into the following four categories :

1. *Financial facilities.* These may take one of two forms, namely an interest rebate on loans used to finance any development scheme (the aim being that the borrower should not have to pay more than 4½ per cent.) and government backing for such

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<sup>1</sup> *Journal officiel*, 2 July 1955.

<sup>2</sup> Dated 31 Dec. 1958, *ibid.*, 4 Jan. 1959, p. 264.

loans irrespective of the interest rebate. These financial facilities may be granted either directly to business firms or to bodies such as the regional development companies which are referred to later.

2. *Loans.* These may be granted either to business firms or to local authorities. Most of the loans to firms are made by the Economic and Social Development Fund, which is divided into sections dealing with : (a) industrial, agricultural, commercial and tourist equipment ; (b) industrial and agricultural conversion and industrial decentralisation ; (c) productivity ; (d) building. The National Development Fund, on the other hand, accounts for the bulk of the loans to local authorities and public agencies. These loans are used to finance approved schemes for the building of industrial or housing estates by communes, either individually or in association, and in some cases in special areas designated by the Minister of Reconstruction.

3. *Tax reliefs.* These fall into two classes—general reliefs, and special measures to assist certain depressed areas. The general reliefs are embodied in the Finance Act of 7 February 1953. Under section 35 of this Act, local authorities may, for periods not exceeding five years, make a 50 per cent. cut in the licence tax payable by new industries established in their areas provided that these industries have first been exempted by the Government from registration duty or have obtained a loan from certain public sources. In addition, by agreement with the treasury, regional development companies may be exempted from company taxation and the graduated income tax on distributed profits. The depressed areas covered by special measures are scheduled by order of the Minister and are defined as areas suffering from serious permanent underemployment which it is believed can be cured by the introduction of new industries. These special measures consist of the following tax reliefs : (a) reduction of the property transfer tax and, in some cases, exemption from the tax on the initial purchase of property forming part of a local development scheme ; and (b) exemption for five years from the licence tax for firms qualifying for the foregoing reliefs.

4. *Grants.* There are two sorts of grants : equipment grants for firms moving to the depressed areas referred to earlier, which may amount to as much as 20 per cent. of the investment required ; and compensation to workers who are dismissed or laid off by firms which close down or curtail or convert their production. This compensation is used to tide the workers over the time needed to retrain them. Similarly, removal grants are payable whenever workers accept new jobs involving transfer elsewhere.

To be fully effective these measures must clearly form part of coherent plans for balanced regional development. This brings us to the many public, private and joint state-private agencies and bodies subject to private law which have been set up by legislation for this purpose.<sup>1</sup>

### *Regional Development Machinery and Institutions*

It would probably be difficult to draw an organisational chart giving an accurate picture of the relationship between the different bodies involved at one time or another in formulating and implementing regional development policy. Duties have been distributed empirically and responsibility for decisions tends to be widely shared, so that a functional layout showing a chain of command would hardly be suitable.<sup>2</sup>

The agencies and bodies concerned are linked mainly by co-ordination arrangements which could only be conveyed by an organisational chart at the expense of clarity. Instead, the different bodies involved in regional development will be described in turn and it is hoped that the way in which their actions interlock will become apparent from this description.

The organisations concerned with regional development appear to fall into three main classes—public bodies, private agencies and joint state-private companies.

#### *Public Bodies.*

These can be subdivided into two groups.

First, come the government departments virtually all of which are involved ; however, only a few of the most important are listed here.

(1) The Ministry of Reconstruction and Town Planning possesses a Directorate of Development and grants building permits. It has power to refuse them, particularly in the interests of relieving congestion in the Paris area. The Directorate of Development also publishes and maintains a Schedule of Available Industrial Buildings to encourage decentralisation.<sup>3</sup>

(2) The Ministry of Finance and Economic Affairs operates the Economic and Social Development Fund and in consequence

<sup>1</sup> Since this article was written special urgent but less far-reaching measures of assistance have also been planned for certain areas designated as less seriously depressed.

<sup>2</sup> Organisational charts of this kind have sometimes been drawn up. See for example PERRIN, *op. cit.*, p. 707, and ROMUS, *op. cit.*, pp. 221-222.

<sup>3</sup> Since 8 January 1958 there has also been a Central Development Council under the Ministry of Reconstruction and Town Planning, but this body does not appear to possess very wide powers.

allots the financial benefits referred to earlier. It also participates in the regional development companies and the joint state-private companies which are discussed below. It maintains liaison with the regions through its inspectors.<sup>1</sup> It also watches over the Productivity Commission, which is concerned with manufacturing industry.

(3) The Ministry of the Interior shares in the drafting of regional plans through the prefects and its own roving inspectors.<sup>2</sup>

(4) The Secretariat for Industry and Commerce is responsible for investigating the merits of concentrations, mergers and proposals for specialisation.

(5) The Secretariat of State for Labour and Social Security deals with social aspects.

(6) The Ministry of Agriculture is concerned with regional development in virtually every decision it makes.

The General Planning Commission deserves special mention since, although its outlook is national, it is coming to attach increasing importance to geographical and regional factors.<sup>3</sup> It is responsible for defining the "depressed areas" referred to earlier and for framing regional development plans. In this respect, it appears to be the pivot on which co-ordination between the various public bodies involved hinges and, in fact, through its Co-ordinating Group (replaced after the end of 1958 by the Committee for Regional Economies) it does also belong to the second category of public agencies, namely the co-ordinating bodies, of which there are three.

(1) The Co-ordinating Group of the Planning Commission is actually responsible for regional economic planning. It also provides the secretariat for the National Economic Policy Committee and the Committee of Ministers on Economic Policy (referred to later) which explains its key importance.

(2) The Committee of Ministers on Economic Policy comprises all the Ministers responsible for regional development and whose approval is necessary before the publication of any plans.

(3) The National Economic Policy Committee, made up of prominent figures from the employers' and workers' organisations, is only an advisory body but must be consulted in the drafting of the main decrees on regional development, particularly those dealing with the plans themselves.

<sup>1</sup> Inspecteurs généraux de l'économie nationale.

<sup>2</sup> Inspecteurs généraux de l'Administration en mission extraordinaire.

<sup>3</sup> See P. BAUCHET : *L'expérience française de planification* (Paris, Editions du Seuil, 1958), particularly pp. 141 ff.

*Private Agencies.*

Private agencies concerned with regional development are less varied. The most important are—

(1) Economic expansion committees. These were set up on private initiative, their original aim being to enlighten public opinion in their areas as to the problems of economic survival and expansion. Their scope tends to vary widely. Some of them cover a number of départements while others only operate locally. If they comply with certain statutory requirements (among others that they must cover at least a département) they may be recognised by decree and the Government is then bound to consult them in drafting its regional plans. These committees form a National Conference<sup>1</sup>, which was set up on 20 October 1952 to collate and compare local and regional efforts to publicise the policy of regional development, to provide information and literature on the subject and generally to act as a link between public opinion and the authorities. Side by side with this, the French Institute of Regional Economy was founded in 1955 to help the National Conference and regional committees on the technical side of their work.

(2) Industrial groups. These bodies, which are non-profit-making, are formed under one of the many decrees issued on 30 June 1955. Their aim is to enable firms to co-operate in carrying out modernisation and conversion schemes. The groups are also eligible for government approval, in which case they become entitled to tax reliefs or financial benefits of the kind referred to earlier.

(3) Regional development companies, which have been referred to a number of times already, are established under a decree of 30 June 1955 and are regulated by an order issued on 7 October of the same year. They are joint stock companies with a minimum capital of 250 million francs and are intended to provide capital to finance industrial concerns in areas suffering from under-employment or underdevelopment. As was mentioned earlier they too are entitled to various tax reliefs and financial benefits.

(4) Financial survey companies. These are designed to investigate problems of regional development and are usually formed to pave the way for regional development companies or the state-private companies described below.

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<sup>1</sup> Conférence nationale des Comités régionaux d'études pour la mise en valeur de la France.

*State-Private Companies.*

There are two types of state-private companies engaged in regional development ; they are subject to a series of enactments, the earliest of which is the Act of 24 May 1951.

(1) First of all there are the joint investment companies, which are designed to provide certain basic facilities. Local authorities are authorised to take part in financing these companies, but their share may not exceed 65 per cent. of the issued capital, while a variety of controls are imposed as soon as the public shareholding reaches 20 per cent. In certain circumstances these companies are also eligible for tax reliefs or financial benefits. There are two types of joint investment companies, namely general purpose companies designed to carry out comprehensive regional programmes (e.g. the Lower-Rhône-Languedoc Development Company, which is described in more detail below) and special purpose companies (such as the Estérel-Côte d'Azur Motor Road Company or the Marseilles Municipal Building and Development Company) which are less ambitious in scope.

(2) In addition, a Central Development Company was formed in 1955 as a limited liability company with a capital of 100 million francs. Its main shareholders included public bodies such as the Deposits and Consignments Fund, the French Electricity Authority and the départements. The remainder of the capital was put up by private firms, banks, farmers' organisations and the like. The company is intended to assist local authorities to develop particular areas and is solely concerned with the provision of basic facilities. It assists local authorities—whether alone, operating in groups, or acting through other state-private companies—to prepare sites for housing or factories, provide roads, water, gas and electricity, build branch railway lines, and so forth. Similarly, the Company may help in carrying out major schemes in agriculture.

It may do so either by taking holdings in local companies or by providing local authorities or joint investment companies with administrative, technical and financial help. In practice, the Company is also indirectly responsible for co-ordinating the work of the joint investment companies.

*Planning and Execution of Regional Development*

This, then, in broad outline, is the manner in which the regional development machinery operates.

The basic element of the actual process of development, however, is the individual regional plan, the preparation and execution of which must now be discussed briefly.

### *Preparation of Regional Development Plans.*

These documents (one for each region) are produced in the following way<sup>1</sup>:

(1) In the initial phase a first draft is drawn up by the Planning Commission on the basis of information available from official or private sources (e.g. the reports of the inspectors of the Ministries of the Interior and of Finance, the reports and inquiries of survey committees, discussions with prominent local figures, etc).

(2) The next phase is taken up with consultations during which the first draft is submitted to the authorised representatives of the region in question. For instance, it will be recalled that any government approved economic expansion committees must be consulted at this stage.

(3) The plan is then revised by the Co-ordinating Group of the Planning Commission in the light of the opinions and objections received during the previous phase.

(4) The resulting draft plan is then laid before the National Economic Policy Committee, which expresses its views.

(5) Lastly, the Council of Ministers gives its verdict and the plan is published in the *Journal officiel* in the form of a joint Ministerial order.

Up to the end of April 1959 eight regional development plans out of the 22 envisaged had been published. They cover the following regions (in chronological order of publication): Brittany, Poitou-Charente, Corsica, Lorraine, Midi-Pyrénées, Languedoc, Alsace and Nord. Other plans are in hand and those dealing with Auvergne, the Rhône-Alps area and Provence have reached an advanced stage.

### *Execution of Regional Development Plans.*

Using this plan as a guide, efforts are then made to bring in the kind of firms the region needs. As we have seen, they can be steered in the desired direction in two different ways: by administrative fiat, although this is usually negative, e.g. the ban on further construction and the regulation of entry by new industrial firms by making it necessary to obtain a permit; by providing incentives in the shape of facilities of various kinds (loans, grants, tax reliefs, fully equipped sites, etc.) to firms which fit in with the plan. The

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<sup>1</sup> On this point see MILHAU: "La mise en œuvre des programmes d'action régionale et la notion de région de programme", op. cit., pp. 984-985.



process of financing the schemes forming part of a regional development plan is helped by the legislation on joint investment companies (for basic facilities) and regional development companies (for complete schemes).

Of course practical action is not necessarily held up while all the details are worked out. Some measures are so urgent that they brook no delay, e.g. in the "depressed areas" referred to earlier. Moreover the measures required in these areas are usually on a fairly limited scale and are not likely to upset the pattern of the regional plan which will later include them. The same also applies to the decentralisation of industry from the Paris area, which is desirable in any case.

The main purpose of these plans is to promote and co-ordinate development schemes along the lines necessary for economic expansion. Whenever this expansion depends on a "pump-priming" scheme (such as major irrigation or drainage works or the tapping of natural resources), work on the operation can clearly go ahead before the detailed co-ordination required under the plan has been finally settled.

This means that it is already possible, if not to cast up the debit and credit sides of regional development (which would go well beyond the scope of the article), at least to give, by means of a few illustrations, some idea of the achievements to date, even though the plans for the regions or districts concerned have either not been published yet or have only appeared quite recently.

#### SOME EXAMPLES OF ACHIEVEMENTS UNDER REGIONAL DEVELOPMENT PLANS

As has already been explained, regional development involves three main types of operation—decentralisation, conversion and development proper. These three operations involve structural changes which are fairly slow to make themselves felt. In a fundamentally liberal economy, where in economic matters the authorities suggest rather than order and encourage rather than direct, spectacular or speedy results can hardly be expected. This is particularly true of the first two types—decentralisation and conversion—which require individual action by numbers of firms, though none the less drastic action since it amounts in most cases to starting all over again. On the other hand development proper, which involves breaking new ground, often consists of major schemes and progress tends to be concentrated instead of scattered, so that the results are more visible and more likely to catch the imagination. Moreover, because it entails building from scratch

instead of overhauling obsolete industries the process is perhaps easier to set in motion. Since the impetus is provided from outside by quasi-public bodies (often joint investment companies) the authorities find it easier to make their influence felt. Schemes of this kind may therefore often be got under way more quickly. Nevertheless, big schemes which are designed as the starting point for the development of a whole region are usually a lengthy process and only pay off after a period which must be reckoned in years. It follows that the results, in so far as they can be gauged at the present time, are still relatively limited. But this does not mean that they are negligible.

### *Industrial Decentralisation and Conversion*

By way of illustration table I shows the results achieved in the years 1955-57 under industrial decentralisation and conversion schemes assisted by the Economic and Social Development Fund.

TABLE I. RESULTS ACHIEVED UNDER INDUSTRIAL DECENTRALISATION AND CONVERSION SCHEMES WITH THE HELP OF THE ECONOMIC AND SOCIAL DEVELOPMENT FUND, 1955-57

Year	Number of schemes	Help given (in millions of francs)			Jobs created
		Loans	Grants	Loans on special terms	
1955-56 . . . .	174	5,149	759.1	8,990	17,036
1957 . . . . .	126	4,362	577.3	1,090	10,251
Total . . . .	300	9,511	1,336.4	10,080	27,287

Source: Ministry of Industry and Commerce; reproduced in Commissariat général au Plan de modernisation et d'équipement: *Rapport annuel sur l'exécution du Plan de modernisation et d'équipement*, Tome I: *Métropole* (Paris, Nov. 1958), table 17, p. 41.

But all the industrial decentralisation schemes have not received financial assistance from the State, and the restrictions on new industrial building in the Paris area and the concessions made to firms that transfer to areas suffering from potential or actual underemployment have had distinctly more far-reaching and promising results (table II).

In all, 151 applications were received between the end of 1954 and the end of 1957 for grants towards the cost of retraining workers made necessary by decentralisation or conversion or else as a result of redundancies or the closing down of factories. Of

TABLE II. INDUSTRIAL DECENTRALISATION SCHEMES  
CARRIED OUT WITHOUT STATE FINANCIAL ASSISTANCE

Start of scheme	No. of schemes approved	Jobs created by—		Vacant factories taken over
		1957	End of scheme	
1950-54 <sup>1</sup> . . . . .	56	19,115	26,760	35
1955 <sup>1</sup> . . . . .	76	11,635	16,085	55
1956 . . . . .	103	7,720	21,945	64
1957 . . . . .	141	4,630	17,250	86
Total . . . . .	376	43,100	82,040	240
Projects (approved)	17	—	2,695	7
Grand total . . . . .	393	43,100	84,735	247

Source : Ministry of Industry and Commerce ; reproduced in Commissariat général au Plan de modernisation et d'équipement, op. cit., table 18, p. 43.

<sup>1</sup> Of the schemes approved between 1950 and 1955, three were not carried out or were abandoned.

these applications, 122 were considered and 83 were approved. In this way some 314 million francs were granted, covering the cost of retraining nearly 5,000 workers. Of the 371 applications for the payment of removal expenses incurred by redundant workers who were forced to move their homes, 289 were approved at a total cost of over 43 million francs.<sup>1</sup>

### *Regional Development Proper*

Progress in regional development proper is more difficult to assess. It may involve two types of scheme.

In the first type an effort is made, while retaining the existing structure, to induce producers, particularly farmers, to improve their operating and marketing methods. This effort is backed up by the provision of the basic facilities required by modern methods, such as electricity, water supplies, roads, etc., and of technical agricultural training to meet local needs. Progress is slow, as it is hampered not only by a shortage of staff qualified in agricultural extension work and training, but also by stubborn psychological obstacles such as the farmers' reluctance to change their ways, hostility or suspicion over the consolidation of holdings, etc. The results so far, however, have been encouraging and it is hoped that they will gather speed as time goes on. Under the plan for Brittany, for example, which was the first regional plan to be sanctioned, the number of tractors doubled in two years from 15,000

<sup>1</sup> Commissariat général au Plan de modernisation et d'équipement, op. cit., pp. 38 ff.

at the beginning of 1956 to 30,000 in the middle of 1958. Over the same period consumption of fertilizer increased by 10 per cent., exports of cauliflowers rose from 12,000 to 60,000 tons, and milk output from 16,660,000 to around 18,000,000 hectolitres. There has been substantial progress in rural electrification and in laying on water supplies, while the consolidation of holdings is largely held up now by the lack of qualified staff.<sup>1</sup> Thus it can be seen that the results give grounds for optimism.

In the second type of plan, regional development may involve starting from scratch by drastically changing existing natural conditions and creating new centres of development. Reference was made earlier to one of these major schemes, which forms the keystone of a certain number of plans, namely the scheme for the Lower-Rhône-Languedoc area. A number of other major schemes have also been included in the second and third modernisation and investment plans and have been or will be incorporated in the appropriate regional development plans. In industry these include tapping the oil and gas deposits of the south-west and stepping up the output of by-products, particularly sulphur. As regards agriculture they include the irrigation of Provence and the Middle Durance basin using the waters of the Durance and the Verdon, the irrigation of the hill area of Gascony using water from the Néouvielle mountains, the irrigation of the Landes in Gascogne and the draining of the western marshes. Each of these, however, is a long-drawn-out process, involving preparatory surveys which often last for several years. Accordingly, only the earliest schemes have now passed this stage and—an instructive point—even so it has not always been possible to put them into practice. For example, the scheme for draining the western marshes which forms part of the plan for the Poitou-Charentes area came to grief through the clash of irreconcilable local interests.<sup>2</sup> On the other hand, in Languedoc the National Company for the Irrigation of the Lower Rhône and Languedoc began work in 1957 and by the end of 1958 work was in hand or completed on 40 kilometres of the main irrigation canal, the Pichegu pumping station near Saint-Gilles with a planned capacity of 38,900 horsepower and 18 kilometres of the main branch of the Costière which will be used to irrigate 33,000 hectares. It was planned that a start would be made on bringing these projects into service by the spring of 1959.

<sup>1</sup> See Commissariat général au Plan de modernisation et d'équipement, *op. cit.*, pp. 503 ff.

<sup>2</sup> The plan called for the setting up of a single authority and this proved to be impossible owing to local opposition. Cf. Commissariat général au Plan de modernisation et d'équipement, *op. cit.*, p. 489. Also MILHAU: "La mise en œuvre des programmes d'action régionale et la notion de région de programme", *op. cit.*, p. 994.

These figures and examples, few as they are, give some idea of the scale of regional development being undertaken in France today. The question is, however, whether these efforts carried out in a national context will not be prejudiced and, in fact, whether they are not already out-dated, by the abolition of frontiers entailed by the European Common Market. Might they not in any case stand in the way of the economic shifts which will be brought about by the lowering of obstacles to trade ?

#### REGIONAL DEVELOPMENT IN A EUROPEAN CONTEXT

In actual fact, however, while regional development problems in France, as in any other country, have their own special features and the approach to them is correspondingly different, they are not a source of concern in France alone. Apart altogether from, for example, the Tennessee Valley scheme in the United States before the Second World War and current Soviet experiments in "regionalisation", the governments of almost all France's European neighbours are also to some extent engaged in a policy of regional development.

In their case the analogies are striking, for to a large extent they too are trying to encourage regional industrialisation, although without neglecting agriculture. This does not mean industrialisation spread thinly but evenly over the country, but rather, where possible, the development of diversified industrial zones where firms cater for each other's needs and by the mere fact of their juxtaposition create the external economies which are a condition of higher efficiency. To a large extent the other countries have also preferred a policy of encouragement rather than direction, and place few hopes on the mobility of populations or workers as a means of coping with these problems.

In view of this widespread desire for balanced regional development, it may be asked whether this trend is not in flat opposition to the whole idea of the European Common Market which recently came into being. The main principle underlying the European Economic Community is surely to enable industry to move to its optimum location irrespective of any national or, *a fortiori*, regional considerations. And yet, as we have seen, an effort has been made in France (as elsewhere) to encourage industry to move to certain areas by granting special benefits and privileges. How can this anomaly be preserved within a European Community ?

The answer to this apparent contradiction probably lies in the fact that the regional policies of the countries concerned, so far from being mutually exclusive, in fact support and complement each other. It is, for example, a well-known fact that national

frontiers often repel industries which could otherwise be carried on near the periphery of the country. It is clear that in such cases the abolition of economic frontiers will help rather than hinder the expansion of industry in these outlying areas. Similarly, the regional poles of growth, wherever they may be developed, will be easier to locate and will be a more economic proposition if their hinterlands are not cut across by political frontiers.

Above all, the European Economic Community does in practice recognise that governments are right to pursue regional development policies. The Economic Community, like the older Coal and Steel Community, emphasises the importance of retraining workers to meet the changed needs that will accompany the establishment of the Common Market. There is no question of leaving everything to blind economic forces. Instead, the aim is to enable the participating countries "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favoured", as is stated in the Preamble to the Treaty establishing the European Economic Community. The foregoing pages have been concerned with the administrative machinery set up in France to help different regions to adapt themselves to changes in demand or techniques. But there is reason to believe that this machinery could equally well be used to ease the adjustments required by the Common Market.

Thus, there is no real conflict between the progressive establishment of the European Economic Community and the continuation of a policy of regional development by the individual countries belonging to it. Indeed, it can be asserted that the integration of the European economies *must* be accompanied by a certain amount of "reshaping of geography".<sup>1</sup>

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<sup>1</sup> Cf. M. Byé: "Freer Trade and Social Welfare: Comments on Mr. Heilperin's article", in *International Labour Review*, Vol. LXXVII, No. 1, Jan. 1958, pp. 43 ff., particularly p. 46.