

From the London End

Five Years of Monnet Plan

THE results of the first five years of the plan for the modernisation of French industry have just been published. The achievements since M Jean Monnet first put the plan into operation are indeed impressive. The downward trend in French industry has been reversed. This is shown strikingly by the comparison of its present performance with that of 1938 and 1929, the peak periods of industrial activity before the war.

From the beginning of the post-war period it was widely recognised that a full programme of modernisation and re-equipment of French industry, in view of the strictly limited resources, could not be effectively carried out except under some form of central direction. A Commission had been set up under M Monnet to prepare a four-year plan for the key industries, and the report of the Commission was adopted by the Blum Government in January 1947. A Commission was set up with the principal task of co-ordinating investment activity in those sectors of the economy for which it was responsible. Two other bodies were subsequently created — the *Fonds de Modernisation et d'Equipments* in March 1948 and the *Commission d'Inverstissements* in June 1948. The purpose of the former was to make funds available for certain approved projects from the counterpart funds of the Marshall Aid Programme, and the task of the latter was to assess the investment needs of the whole, economy, including the sector not covered by the Commission under M Monnet.

The first two years of the plan were taken up by questions of investment policy rather than actual financing. The Commission did not dispose of any funds of its own, and had no more than advisory power in relation to the functions which came under its purview. The first of the industries to receive attention were those basic industries such as coal, electricity, petroleum, steel, cement, agricultural machinery and transport. Later other industries were added after an interim report of the working of the plan up to the end of 1949. In the case of the public sector, the Commission was required to take into account the whole investment programme for each industry before sponsoring financial assistance for specific pur-

poses. The public sector occupied by far the most important part in the operation of the plan and of the Frs. 733.8 milliard advances from the FME up to the end of 1950, Frs. 516.5 milliard or about 70 per cent were for the publicly owned industries. In the private sector, whilst the provision of finance was relatively small at the beginning, the Fonds' field of operation was considerably extended in 1949 and 1950 and in the later years, sources other than the Fonds actually supplied less money to the private sector than in 1949.

The source from which the Fonds had been drawing its money was mainly the counter-part funds of the Marshall Aid Mutual Security Programmes, i.e., the proceeds in francs of the exchange of American dollars and goods received as grants. In the first three years of the Fonds' operations, the counter-part funds provided about $\frac{2}{3}$ of the total amount advances to industry, both public and private. The balance came from taxation and from other special Government contributions. When in 1950 American aid had diminished by quite significant proportions, the greater amount of the financing of industry through the Fonds was made from internal sources. It was this which contributed to a huge extent to the inflation which brought the downfall of successive Governments in 1951.

In 1951 the production of power was equivalent to that of 2.35 tons of coal per head of the population as against 2.28 in 1929. Internal consumption of steel had increased by 50 per cent after 1938. French farmers who had 30,000 tractors in 1938 now possess 150,000, and the consumption of fertilisers was 30 per cent higher than before the war.

Transport has also been expanding rapidly. Rail traffic was half as great again in 1938, whilst shipping activity had increased by over 30 per cent. Industrial production exceeded the figures of 1929 by about 20 per cent.

Insofar as the level of consumption, and the standard of living of the French people were concerned, the improvement was something of the order of 6 per cent above what it was before the war, and 7 per cent higher than in 1946. Over three-quarters of the increase in production since 1938 has, however,

been absorbed by needs other than those of private consumption. The report says that the collective wealth of Frenchmen has improved more rapidly than that of the individual.

In spite of these tremendous advances in many fields of the French economy, the problem which the Monnet Plan has not been able to solve is that of the dollar gap. A report of the Commission maintains that the failure to secure a balance of payments was largely due to factors outside French control. It does however point out that the extent of the dollar gap has been somewhat reduced. In 1950 the deficit of the franc area with foreign countries did not exceed \$238 million as against more than \$2,000 million in 1946. The dollar problem, according to the report, had been reduced by two-thirds. The general conclusion of the report is that the prospects for the French economy, at a time when another plan for modernisation is about to be launched, are incomparably better in all fields than they were five years ago. The Pinay Government's main platform was halting the rise in the cost of living. In March, 1952 when it came into power, a new anti-inflationary policy was initiated. The first line of approach in reducing the budget deficit was the Government leaving tax rates unchanged and concentrating on cutting or postponing expenditure, particularly investment expenditure, and this in a huge measure meant a setback to the more significant activities of the Monnet Commission.

There is no doubt that the financial atmosphere in France changed remarkably after the Pinay Government came into power. This was reflected in the decline in the price of gold on the Paris gold market when the 20 franc gold piece fell from over 5,000 francs in February to 3,860 francs at the end of June. Wholesale prices which had been rising at a rate of 2 per cent monthly fell from February to June by 6 per cent, although there have been subsequent increases. The high rate of industrial production since the Monnet Plan was first launched had been well maintained until July. Since then, industrial production has fallen. In spite of the tremendous advances which are noted by the report, there can be no doubt that a large part of the increase was due to foreign aid. The re-armament programme which was imposed on the French economy

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