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the National Bureau of Economic Research

Volume Title: *Economic Research and the Development*

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provided by Research Papers in Econ

Volume Author/Editor: NBER

Volume Publisher: NBER

Volume ISBN: 0-87014-115-5

Volume URL: <http://www.nber.org/books/unkn46-1>

Publication Date: June 1946

Chapter Title: *Economic Research in France after the War*

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Chapter URL: <http://www.nber.org/chapters/c9706>

Chapter pages in book: (p. 77 - 86)

Economic Research in France
after the War

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IT WAS inevitable that the crisis of 1930 and then the German occupation beginning in 1940 should leave profound marks on economic thinking and research methods in France.

The first consequence of the occupation was a general system of regulation. For the upkeep of its army and the disposition of agricultural production the occupying power needed a system of control and distribution. In agriculture such a system was provided by the Ministry of Food Supplies, and in industry by the so-called 'Organization Committees'. It was the task of the Ministry of Food Supplies to collect from the farmers and distribute among consumers such essential products as grain, potatoes, meat and bread. The Organization Committees had to subdivide the remaining stocks of raw materials, textiles, ferrous and non-ferrous metals, and to allocate them to the respective industries, many of which were condemned to work for Germany.

This double system—the administrative distribution of products supplemented by a system of price fixing—obviously must have seemed hateful to the majority of Frenchmen, who saw in it nothing but an expression of enemy power. On the other hand, it was not without charm for those who had long been inclined to consider over-all government intervention in economic matters as the system of the future.

At the same time, the French refugees, particularly the London group around General de Gaulle, were impressed by the system of general control and management of production that functioned so well in England. Upon their return to France they not only did not revolt against the controls established by the enemy and by the Pétain government, but they took it upon themselves

to reinforce that system. They never considered the great difference between England and France. Three-quarters of England's food supplies had to be imported through the large seaports, and her agriculture has long played merely a secondary role. France, on the contrary, had been cut off from abroad for five years and her foodstuffs are supplied by a large peasant class, scattered over a great number of individual farm units.

In any case, this administrative system had a certain attraction for many people who are convinced that, if managed better, it could function even in peacetime.

Everyone knew that after the war, import controls would still be necessary for some time to come. Here again there was a concept that fitted in well with an idea popular in prewar France, namely, that a country ought to direct its foreign trade along certain lines rather than leave its development to individual initiative.

Another observation should be added. The wartime distribution system, with its creation of what seems like equality of consumers, rich and poor, has appealed to many. The ration book system places rich and poor on the same level. There are equal quantities of bread, meat, vegetables for everybody, even equal quantities of coal or wood. This has justly been called "war communism". In practice this communism is more often illusion than reality. Since in France the rations were insufficient for the needs of a family everyone tried to obtain additional supplies through personal relations with farmers and land owners. Inasmuch as in France the bonds between the agricultural and industrial population have remained extremely close, this equality among consumers exists more in theory than in fact. Nevertheless, this equality ideal seems to many people to have become practicable, no longer utopian.

All these circumstances combined have created a favorable attitude towards planning not just as a means to cope with exceptional situations, but as a system that can function under normal conditions.

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As a result of these tendencies research centers have been established in almost all of our government agencies. There was a sudden need for economic information, even in the most unexpected places, for example the Ministry of War or Navy, and an unusual number of calculating and tabulating machines has been bought by these different ministries. Unfortunately, the persons who used them were generally inexperienced and the sources of information were less adequate than before the war. It was impossible to undertake any research project of a general nature. Only material necessary for everyday needs was explored. As the one exception in this respect I wish to mention Mr. Sauvy's Institut de Conjoncture which has published two or three most interesting studies made according to truly scientific methods. In any case, the need for source material for economic research is widespread, and this is an encouraging symptom.

Two other currents of thinking are worth mentioning. One relates to the name of the late Lord Keynes whose ideas are now arousing great interest among the young French economists. To me this fad presents something of a paradox. Lord Keynes' theories were formed under the influence of an economic crisis, of a period of general overproduction, rapidly declining prices, and widespread unemployment. At present there is no unemployment, prices are at a peak, and production has been reduced fifty percent. On the other hand, the remedies Lord Keynes suggested are mainly of a monetary and financial nature. In my opinion it is quite possible that in one or two years it may again be necessary to apply some of them but, at least for the time being, the main fascination for his French followers lies in his strong interventionist attitude and the emphasis he put on the role of national banks and treasuries in economic planning. Also, Lord Keynes was always in favor of creating purchasing power in one form or another, and of course, this is tempting to the many who find this method of financing most attractive for countries that are in financial difficulties.

Finally, a last and important trend of ideas pertains to the

experiments in nationalization today in France and in England. They can be considered from two viewpoints.

- 1) Many people, particularly members of certain political parties, are interested in them from a desire to see the general public benefit from the profits hitherto collected by the stockholders and executives of these industries.
- 2) Another viewpoint is based on the hope for improved output in centralized industries and on the general feeling that the economic prosperity of a country depends upon the perfection of its basic equipment; for example, electricity, railroads, and credit. One has to let the whole country share in these benefits, and to find the money to make equipment adequate to fulfill modern needs at their highest level. Economic research occasioned by such conversion would be more national than international, and more technological than economic.

Now, as far as I am concerned, the most useful economic research during the next years will be centered around quite different fields. Immediately after this war, just as after the preceding war, national economies, almost unconsciously, were determined by international economic phenomena. It seems to me that the most useful results of research will come from the study of these phenomena and from comparisons among the different countries.

In this respect international price movements will play an essential part. What will their direction be? Will it be towards prosperity or depression? Undoubtedly, the resumption of production in all countries and the reduction of freight rates will sooner or later lead to a more or less rapid decline in the general movement of prices. A comparative study of this movement of prices and their trends in the different countries seems indispensable, not only from a scientific but also from a practical point of view. The present confusion in the monetary systems of the principal countries makes this comparison difficult. I believe that in setting up economic research projects, nothing would be

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more useful than putting the results of research in one country at the disposal of scientists in other countries, and to find scientifically sound methods of comparison. I know well that in this organization of ideas the Bank for International Settlements and the economic service of the League of Nations have been and still are rendering outstanding services. But I believe that right now it is of major concern to find a *common base* that would allow a comparison of price movements in different countries. Among these prices, those of raw materials and manufactured products will obviously play a major part.

If it were possible to have periodic meetings—say, every six months—of a few economists or statisticians in charge of studying these movements in each country and to compare the results obtained by each, there would be an effective means of preventing some of the serious mistakes which were unintentionally made immediately after World War I.

I believe it would be no less important for each country to start projects similar to those which were carried out so successfully by the National Bureau of Economic Research concerning the formation and distribution of incomes. The war gave rise to spectacular changes in income distribution. It would be most interesting to know how this income distribution will adjust itself to peacetime conditions during the next ten years, and how it will differ in industrial, agricultural, and mixed economies. Real conclusions from such studies must be based upon comparisons with other countries. We are all aware of the difficulties of such comparisons. But I believe that even at this time it is not impossible to make an attempt in this direction.

If the world enjoys a period of relatively stable peace, nothing would be more important in my opinion than an analysis of the fundamental elements of international commerce and the way in which the flow of trade and the balance of payments are re-established after World War II. In this respect the work done by the League of Nations during the last fifteen years has been of great service. But if statistics could be worked out on the basis of

identical classifications, and made comparable for all countries, such work would show much more thoroughly than has so far been possible the mechanism that adjusts production in the different countries through international trade. Probably no other problem has aroused so much dissension and misunderstanding in the last fifteen years. Whether it is a question of relative prices in different countries or the mechanism by which the respective balances of payments adjust themselves, opinions differ widely, and there is no solid basis of observation that would allow their scientific verification.

During the coming years I intend to prepare a chart book, at least for the French foreign trade, which will be a convenient means of solving at least part of the problem.

Finally, there is a fourth subject of greatest importance. At present many governments are proclaiming a policy of 'full employment'. Governments are blamed for the failure of such 'full employment' to materialize after World War I. It is apparently recognized as a well established economic truth that we are now in possession of effective means to prevent a new crisis of employment such as was experienced by the major countries after 1930, and particularly by the United States after 1920.

The concept of 'full employment' is very old. In France the February revolution of 1848 proclaimed "the right to work". In Germany it was National Socialism which recently declared that the idea of "the right to work" had its very origin in that doctrine. "The right to work" is merely a slightly modified formula for 'full employment'.

I personally have the strongest doubts about this concept. It is not that I do not wish to see 'full employment' realized, or that I am an advocate of the pure 'laissez faire' policy in matters of unemployment. My attitude is scientific and I am very skeptical about the methods suggested to achieve 'full employment'. I think economists ought to re-examine the causes that led to universal unemployment after 1930, as well as the validity of the remedies by which it is believed we can escape it, should there be

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another period of prolonged price depression such as occurred in the 1930's.

It has been said that the regulation of savings particularly might help to prevent threatening social dangers. Until now there has been no international study of this problem, which is not at all identical with that of cycles, examined with such lucidity by the Commission so brilliantly guided by Mr. Haberler. Here again I believe that the exchange of ideas by economists from different countries in a small committee would prove extremely useful, and I take the liberty of suggesting such a commission for the study of that question as an item of major importance.

The National Bureau of Economic Research, in achieving its great results, did not examine everyday topics, but based its studies on the permanent problems underlying the economic life of the world today. I believe this should be the guiding principle for future investigations by economic research centers. I consider it essential that the study of these problems be not restricted by a purely national point of view. We must look for their solution in international comparisons, though we cannot ignore the difficulties implied by such comparisons. As far as I am able to do so, I shall quite certainly try to influence economic research in my country toward this end.

