



Post-War Recovery and Growth How France Found Economic Velocity After WW2

By: Catherine Shakdam



Al-Bayan Center Studies Series



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Al-Bayan Center pursues its vision by conducting independent analysis, as well as proposing workable solutions for complex issues that concern policymakers and academics.

Post-War Recovery and Growth - How France Found Economic Velocity After WW2

By Catherine Shakdam*

OVERVIEW

If much of Europe breathed a sigh of relief following the fall of Berlin in 1945 – and with it, Nazi Germany, much of the Old Continent found itself tittering on the edge of financial bankruptcy. France, like many of its neighbours, was plagued by economic atrophy.

Exhausted by a war that emptied not only its wealth and ability to exploit its natural resources, but also saw its workforce drastically impacted by the war death toll, France was contemplating insolvency. And yet, the years that followed would be that of unparalleled growth, advancement, and modernisation.

France's most spectacular period of uninterrupted economic growth came on the back of a military conflict that quite literally brought France's national economy to its knees. An argument could be made on how 'necessity' forced France to embrace change by reforming its socio-economic standards, and assert its strength not through military prowess but by becoming an industrial power. A new France was born on the ruins of the old: one that embraced technology.

The 'Trente Glorieuses' – Glorious Thirties (1945–1975) marked a period of strong and continuous growth that gave the country its place as a major player in the world economy.

* Researcher at Al-Bayan Center for Planning and Studies

But such economic success would not come without any turbulences – up until the return to power of General de Gaulle in 1958, a date which marked a fundamental break in France's history in how political power was conceptualised, the country had to contend with colonial wars and political instability.¹

France's economic reinvention cannot be understood fully without taking into account the context in which it took place. But if anything is to be taken from this period, it is the willingness of a nation to look forward and do away with those traditions which hampered change.

The period that begins after the war and will last until the mid-1970s will be marked by a strong economic growth and will allow for much financial social independence and empowerment at a time of dramatic population growth, and social change. Unlike any other period in its history, France post-WW2 saw women enter the market place.

The economic and social system set up after the war in France and other main Western countries of Europe is largely responsible for the strong growth they all witnessed. As it were, a better understanding of the relationship in between economic growth and the social construct allowed for broad development, thus given birth to a buoyant middle class.

Under this new economic order society and the economy as a whole are now organized for mass production and consumption – very much on point with the American model of Taylorism. France, and Europe's eagerness to map its reconstruction on the United States has a lot to do with the credits the US extended under the Marshall Plan.

1. Les Trente Glorieuses: Ou la révolution invisible de 1946 à 1975, By Jean Fourastié

In a few short years Taylorism², and the principles of Early Management Theory becomes the basis of France's remarkable economic recovery; more to the point it had an impact on the way that society thought itself.

Frederick Winslow Taylor, a 20th century economist, proposed that by optimizing and simplifying jobs, productivity would increase. He also advanced the idea that workers and managers needed to cooperate with one another. This was very different from the way work was typically done in businesses beforehand. A factory manager at that time had very little contact with the workers, and he left them on their own to produce the necessary product. There was no standardization, and a worker's main motivation was often continued employment, so there was no incentive to work as quickly or as efficiently as possible.

Taylor believed that all workers were motivated by money, so he promoted the idea of "a fair day's pay for a fair day's work." In other words, if a worker didn't achieve enough in a day, he didn't deserve to be paid as much as another worker who was highly productive.

With a background in mechanical engineering, Taylor was very interested in efficiency. He applied the scientific method to study the optimal way to do any type of workplace task. As such, he found that by calculating the time needed for the various elements of a task, he could develop the "best" way to complete that task.

These "time and motion" studies also led Taylor to conclude that certain people could work more efficiently than others. These were

2. Taylorism; the new doctrine of the second industrial revolution – Yü-ch'üan Ku, Cornell University, May, 1931 – Business & Economics

the people whom managers should seek to hire where possible. Therefore, selecting the right people for the job was another important part of workplace efficiency. Taking what he learned from these workplace experiments, Taylor developed four principles of scientific management. These principles are also known simply as “Taylorism”. Taylor’s four principles are as follows:

- Replace the work culture with work efficiency, thus putting the emphasis on training and motivation.
- Monitor worker performance, and provide instructions and supervision to ensure that they’re using the most efficient ways of working.
- Allocate the work between managers and workers so that the managers spend their time planning and training, allowing the workers to perform their tasks efficiently.

This society of production and mass consumption is based on the so-called “Fordist compromise” mechanism. Employers must distribute wages of a sufficient level so that the employees can consume the production of the companies: the wages thus create an outlet to the production (in a more precise way, the Fordist compromise postulates that wages growth must follow that of labor productivity).

But for this American model to generate economic velocity, the state had to exert control through a series of regulations – and so was born state interventionism.

Within the framework of the Glorious Thirties, the economy was market driven but under tight government control. Control is actually what made such growth possible in the first place.

Up until WW2 France did not understand national economy in the way that it does now – an extension of its sovereignty. America's growing influence onto the world economy following WW2 completely revolutionised the manner in which nations came to formulate their sovereign economy.

Most importantly, the economy became a political tool to be wielded as a mean of influence on the global scene. In many ways this grand push towards the industrialisation of national economy was the first step taken towards globalisation. From then on national and regional economies, societies, and cultures became integrated through the global network of trade, communication, immigration and transportation.

In the more recent past, globalisation was often primarily focused on the economic side of the world, such as trade, foreign direct investment and international capital flows, more recently the term has been expanded to include a broader range of areas and activities such as culture, media, technology, socio-cultural, political, and even biological factors, e.g. climate change.

Global trade has grown enormously since WW2, international trade in manufactured goods alone has grown an estimated 100 times from \$95 billion to \$12 trillion in the 50 years since 1955. However, globalisation is much more than just trade.

In the last twenty years the breadth and depth of links between nations and between regions has grown enormously. Communications

costs have declined dramatically allowing easy daily contact via the web and telephone, enabling the outsourcing of IT and other services, to India for example, and the rise in global work teams.

France's Glorious Thirties really marked France's first entry into the world economy, opening up then untapped potentials and opportunities.

It manifested as follow:

The state organized public services, which it owned and which enjoyed a monopoly. Moreover, it played a regulatory role in the economy (price controls, exchange controls, credit regulation, etc.).

To power its economic recovery France began to implement Keynesian principles of regulation of economic activity through fiscal and monetary policies. That translated in the supervision of the labor market (labor law protecting the interests of employees, fixing a minimum wage ...). Because the state owned large companies, it set the tone for new business practices as well as strategic investment.

Rather than rely solely on private entrepreneurship – which ultimately poses limitations when attempting to formulate a national economic narrative, the state became an active actor: allowing through industrial modernization and planning to orchestrate growth on a national level. Such impetus ultimately helped shape modern day France.

The aim of state interventionism was to seek general interest and: to avoid crises and imbalances, in particular unemployment; to protect the

actors in structural weakness, consumers, employees, people in social difficulty; limit inequalities; make large-scale collective investments (transport, energy, etc.).

This system, combining market economy and public interventionism is set in the context of reconstruction, called for and justified a powerful and centralized state intervention (some mechanisms of the same nature had already been initiated in the 1930s, in France and in several countries in order to cope with the consequences of the 1929 crisis).

The introduction of this mixed economy is also explained by the domination of social and progressive ideas throughout the period of the Glorious Thirties. Governments settling after the Liberation applied the progressive program of the National Council of Resistance, allowing for France's economy to transition, and society to be quite literally transformed. The establishment of France's 'Sécurité Sociale' system revolutionised society more profoundly than any other reforms.

The general scheme was presented in 1945. It was firstly intended to cover the whole population. Social Security consists of a set of institutions that serve to protect individuals from the consequences of various events or situations, usually referred to as social risks. There are four branches in the social security system in France. These are illness, old age/retirement, family and work accident/occupational disease. The compulsory 'general scheme' covers the general population and mostly the employees.

Another one is the agricultural scheme that includes agricultural-sector employees and non-salaried workers against all risks. Moreover, the last one is the supplementary pension schemes, ARRCO and

AGIRC, which are compulsory for all private-sector employees affiliated to the general and agricultural schemes.³

The Social Security organized during the Liberation contributed to the improvement of the health and to the prolongation of the lifespan. Inequalities remained small and full employment had been assured. France also had become self-sufficient in terms of food and then exporter of agricultural products.

Under this new system households acceded to mass consumption, the mobility offered by the automobile, and the comfort of new housing. The balance of the period of the Glorious Thirties and the system of mixed economy must however be relativized. In appearance the success is brilliant. State interventionism, however, was accompanied by various excesses – for example, it led to abuses of power within the public sector, whereas various corporations inflated their numerical importance and their strategic position to acquire privileges and secure their own immobilism.

In its desire to map out its economic growth on that of the United States France committed to reforms with devastating effects. For example, the establishment of a productivist agricultural policy led to the disappearance of the traditional peasantry and prompted a massive rural exodus. This in turn led to a push for low-cost social housing which ultimately fed ghettoization.

The development of large-scale retailers destroyed local shops and sterilized city centers, pushing thousands of small businesses to close down.

3. L'organisation de la Sécurité sociale. (2011, January 5). Le portail du service public de la Sécurité sociale / Usagers /. Retrieved June 11, 2014, from <http://www.securite-sociale.fr/L-organisation-de-la-Securite-sociale?type=part>

France's economic remapping was not without collateral damages.

One by-product of such remapping was large-scale labour immigration to keep cost down and avoid companies, through an increase of the workforce to make large investments towards productivity. This policy was largely supported and subsidised by the state through a loosening of immigration procedures led to much social instability.

Arguably a lack of foresight and socio-economic planning translated into a social malaise that has yet to be resolved.

The phase of the thirty glorious can globally be perceived as a happy period. The public policies followed were consistent and often positive, particularly because of the successful mix of state and market. But at the same time, a lack of planning or maybe understanding of societal dynamics open up France to a litany of crises.