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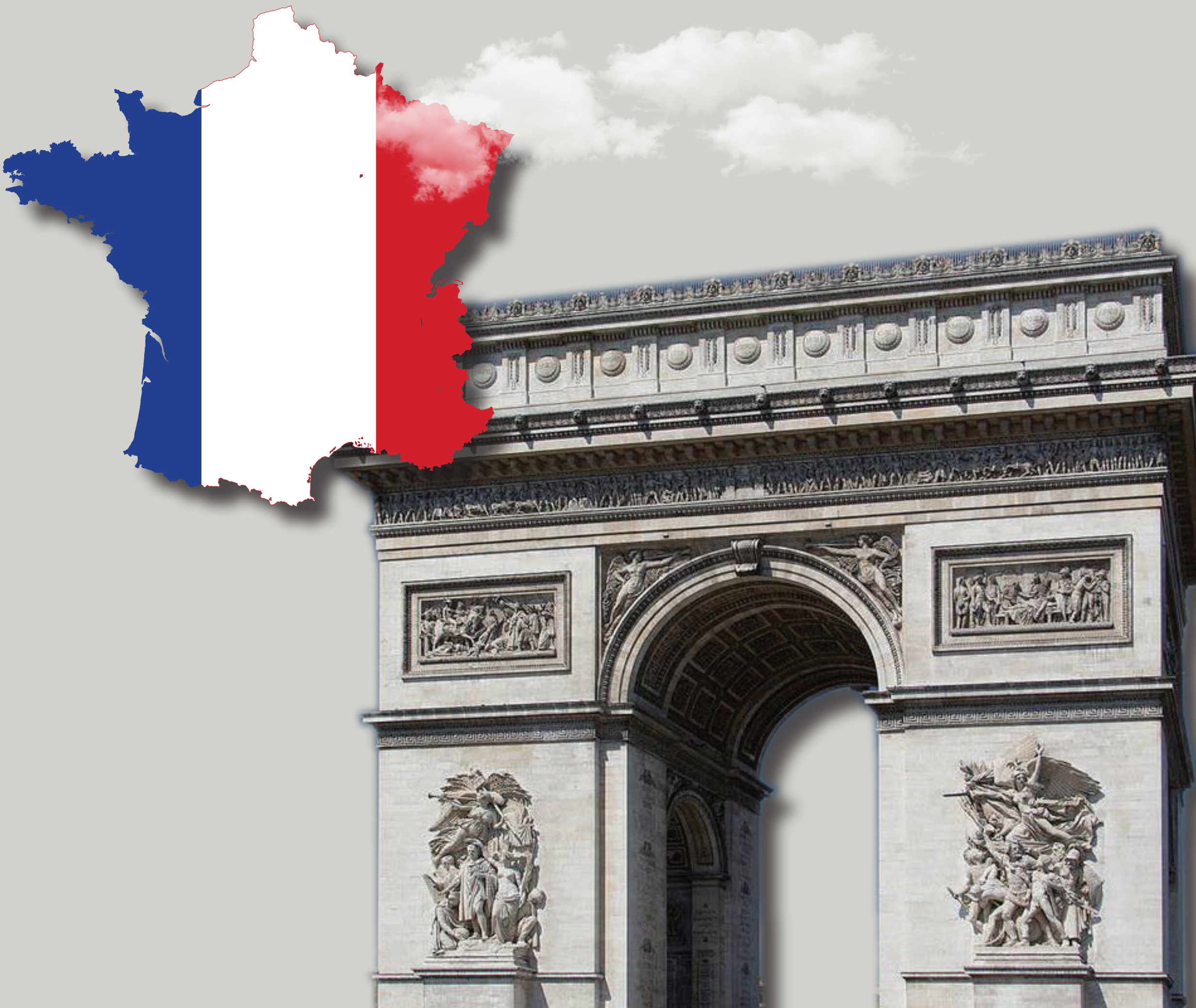

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“Les Trente Glorieuses”- nationalisation of key industries

By Catherine Shakdam *

The expression was coined by Jean Fourastier (1907-1990) in his book “Les Trente Glorieuses, or the invisible revolution from 1946 to 1975”, published in 1979. This expression refers to “the Revolution of the Three Glorious”, three days of revolt the 27th, 28th and 29th of July 1830 known as the “July Revolution” (and which gave birth to the most famous painting of E. Delacroix Freedom Guiding the People).

It designates the period running between 1945 and 1975, in the image of the transformations which had benefited a village of Quercy. “These thirty years are glorious,” he wrote.

Fourastier’s point of view of those pertinent decades in France’s history is in fact more nuanced than many gave him credit for. If those three decades were arguably glorious from an economist’s standpoint, they were far from idyllic.

France’s reconstruction would come at a cost - a human cost … and many have argued a moral cost since values and priorities witnessed a grand reshuffling towards individualism.

The first meaning of the ‘Trente Glorieuses’ is undoubtedly economic growth. American thinker W.W. Rostow dedicated an entire study (1986) to the economic phenomenon to best understand its mechanism, and architecture.

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Rostow mainly argues that the ‘Trente Glorieuses’ were made possible by the series of socio-political and economic advancement France went through at it moved towards the democratisation of its institutions.

To reach economic velocity, France had indeed to modernise its approach.

With the ‘Trente Glorieuses’, Rostow argues, France enters the “era of mass consumption” – “the society of abundance.”

The State finances security and helps society; new sectors of industry begin to develop, changes occur in the workforce, consumerism powers the development of the service sector and the production of durable consumer goods sees a sharp increase in its market share.

But such growth, unfettered growth many have since argued also led to a social fracture, fueled by demographic and environmental transformations.

This period in France’s history can be broken up into three very distinct timeframes:

1. 1945: the French nation comes out of the war suffering from scarcity but is recovering.
2. 1955 will mark a definite break from the trauma of WW2 with France firmly in the swing of unprecedented economic growth.
3. Strong of over a decade of consumerism France will be brought to a complete halt by the events of 1968.

– FROM PENURY TO RECOVERY –

It’s 1945 and France is celebrating its victory against Nazi Germany and occupation. As France turns within to formulate its institutional future many questions are being raised on how to overcome the trauma of war … not so much politically but socio-economically.

Ravaged by war France 1945 is in ruin.

If the French allowed for the myths of unity and renewed grandeur to lull them into a daze, most were mainly preoccupied with basic survival – something Gen. de Gaulle was keen to emphasise as he urged state officials to look at reconstruction from the viewpoint of strategic planning.

France’s material losses in the wake of WW2 are far more dire than that of 1918 – entire cities have been razed, half of the railway network is unusable, and the industry has little to no coal to function with.

To add to such a bleak picture, France’s labor force has been decimated. Beyond those lives which were lost in combat, France saw its immigrant population throughout the 1930s dwindle to a trickle. As a result, France’s productivity suffered a grave human deficit, putting reconstruction in jeopardy.

To fill this human deficit, the state will resort to a series of drastic measures by subsidising immigration through a system of family allowances and the creation of an agency dedicated to labor immigration: the National Office of Immigration.

“Labor migrations from the Mediterranean basin to Northwest Europe have been a major feature of the cultural geography of the continent in the years since World War II. In France, these movements have concerned permanent immigrants, occupied initially in agriculture and mining and later in construction and heavy industry, and seasonal immigrants, employed almost exclusively in agriculture, as well as Algerians, who customarily move freely between the two countries. Among the permanent and seasonal immigrant workers, Italians were long the dominant nationality, but they have been largely replaced in recent years by Spanish and Portuguese groups. Regionally, the permanent and Algerian immigrants have been heavily concentrated around Paris and in the industrial regions of the North, Lorraine, and the Rhone Valley, whereas the location of seasonal workers have been closely correlated with the distribution of certain labor-intensive crops. A complex set of economic, political, and cultural factors interact, both in France and the countries of emigration, to cause variations in the observed patterns of movement, nationality, and employment."[1]

Paris also attempted to attract its displaced people back to those areas where they were most needed and even called upon its war prisoners to power recovery.

France's difficulties are not limited to the destruction of its cities, industries, and human capital. France faces a trade deficit as well. In 1945, France's imports exceeds its exports 4 to 1, leaving the country open to food insecurity and price fluctuation. The time of plenty when France's wealth was very much back by its generous farm lands, and the diversity of its crops was long gone.

France's military victory did not, as expected, bring back abundance … food scarcity and reliance on food stamps remain a reality most have to grapple with well into the early 1950s.

For years to come the French will have one obsession and one

1. James R McDonald – Labor Immigration in France

obsession alone: food supply.

In May 1945 the official ‘ration’ stands at 1515 calories per adult, forcing millions to resort to the Black Market to meet their respective needs. France will face such food restrictions that marches against hunger will be organised, calling on state officials to remedy such terrible social reality.

Scarcity will have dramatic effects onto society as new divides and inequalities will emerge.

France’s long economic battle begun on the day it celebrated its liberation.

Following the liberation of its territories, Paris will gave priority to the rehabilitation of its ports, bridges, and railways, so that access could be restored and reconstruction built on the back of a viable network. Such determination was soon to wield remarkable results, bearing in mind the technical difficulties the state had to face.

By 1945 the SNCF (incorporated in 1937) can provide a traffic 20% higher than in 1938, despite an equipment and staff deficit.

“Many cities such as Brest, Caen, Dunkerque, Falaise, and St Lo were almost completely destroyed. Hundreds of towns, villages, and farms suffered the same fate. All told, over 1 million people were made homeless. Several thousand kilometers of mainline railroad tracks were torn up, 2300 railroad bridges were destroyed, and France lost about half of the railroad cars and early 80% of the locomotives which she had in 1939.”[2]

2. War Damage and Problems of Reconstruction in France, 1940-1945, George W. Kyte - Pacific Historical Review Vol. 15, No. 4 (Dec., 1946), pp. 417-426

A war-torn nation, the state will demand of its citizens to unite and push hard against difficult odds. This infrastructure battle Paris will wage as it goes about restoring France to its former glory, will leave a psychological imprint into collective memory, powering a hunger for success.

To forget the infamy of a war which spared none and hurt so many, France gathered behind its industries and commerce to redress and erase its national trauma. Indeed, "**Necessity is the mother of invention**."

Another priority for France is energy, and most specifically the production of coal. Coal it needs to be highlighted was France's ticket to energy independence – something Paris was keen to establish in order to develop its industry sector. Without energy independence, France's financial and commercial future would be tethered to a fluctuating market – leaving the nation open to insecurity and potentially crippling political setbacks.

Here too Paris is ruthless in its drive to reach top productivity.

In 1945 France will produce 35 million tons of coal against 67 million tons in 1938.

By 1946 France managed to increase its production to 47 million tons, and 55 million tons by 1955.

Faced with a shortage of electricity, cooking gas, and fuel as well as dilapidated factories, and a dwindling agriculture due to an exhaustion of the soil, Paris will be forced to rethink reconstruction by embracing modernisation and a grand economic restructuring.

1945 marks a break from rural traditional France.

Begins the cult of productivism as an expression of patriotism – but while countries such as the United States will remain wary of ‘state interventionism’ when it comes to economic mapping, France will fully embrace nationalisation as a mean to control, direct, and safeguard its state economy.

Posters calling for a grand national effort towards reconstruction advocate production, production, and more production – with war in its rear view mirror France will aim to reassert itself an industrial and economic powerhouse.

As one can easily imagine, France’s economic recovery becomes then the subject of many political debates, with two very different school of thoughts.

Some will argue: productivity, inflation, and borrowing, while others will argue that recovery demands: financial austerity, increased capital tax, and an aggressive deflation policy.

Following two consecutive monetary devaluations and the ever-fleeting hope that Germany will make good on its war compensation package, France will be forced to think outside the box to reinvent itself a national economy. France was not alone in playing devaluation as a mean to shore up its competitivity.

The immediate effects of the Second World War on the European economy had been disastrous. Damage to communications networks disrupted the transport of raw materials and finished products. The irregularity of supplies to industry and the destruction inflicted on the production apparatus resulted in a considerable number of temporary lay-offs and, consequently, in a reduction in purchasing power at a time when all kinds of requirements continued to grow. Even in the victorious countries, food rationing continued well after the end of the war, and the black market fostered dangerous social inequalities. Crime, juvenile delinquency and prostitution increased. The simultaneous reconstruction of accommodation, industry and the transport infrastructure was stifling national economies. Under these conditions, people were first and foremost preoccupied with the restrictions affecting everyday life and often had difficulty in thinking about their long-term future. The shortage of coal in the very hard winter of 1946–1947 led to widespread strikes and mass demonstrations.

The spectre of inflation and currency devaluation, which reminded people of the economic crises and stock-exchange crashes of the inter-war years, led European leaders to take rigorous measures. The persistent imbalance between supply and demand in domestic consumer products was pushing prices higher and exacerbated budget deficits both internally and externally. Countries were going into debt in order to finance reconstruction programmes and to rectify social inequalities.

In 1944, Belgium went ahead with a major programme to restore the franc, which involved a drastic reduction in the circulation of banknotes and deposits. Some essential sectors of the European economy had been nationalised, and modernisation and retooling programmes were gradually put in hand. While unemployment was affecting a large part of the continent, some countries were paradoxically faced with a shortage of labour in those very sectors essential for economic revival.

Although thousands of German prisoners of war had been set to work, programmes involving the large-scale migration of foreign workers had been put in train in order to meet the particular needs of agriculture and of the coal and steel industries.

It was in this difficult economic context that Belgium and France concluded with Italy a protocol on cooperation and immigration that provided for coal to be supplied to Italy, which its economy desperately needed, in exchange for thousands of Italian workers unemployed at home. More than 500 000 Italians emigrated to countries in Western Europe between 1946 and 1955.

In an attempt to improve exports and tackle unemployment more effectively in the context of European economic growth, Great Britain devalued the pound sterling in 1949 equivalent to a reduction of 30.5 % against the gold standard. This drastic reduction had a rapid domino effect on other, weaker European currencies. The Netherlands, the Scandinavian countries and Finland immediately devalued their currencies by the same percentage as the UK, Germany by 25 %, France by 22 % and Belgium by 12.5 %.

Disillusion caused by poverty spread and resulted in demands for greater social justice. The low level of wages led to numerous strikes, particularly in France and Italy. The fledgling social security systems were put to a severe test by the large number of disabled persons, widows and other victims of the war who claimed a pension. The whole of society was therefore affected by the high welfare cost of the war. Keeping faith with certain programmes drawn up during the war or following a tradition of mutual-benefit societies, European countries took steps to establish a broader-based social security system and laid the foundations for the modern welfare state.

Of the many reforms that will follow the Liberation none more than the creation of a ministry of the national economy and the outlines of a recovery plan based on an inflationary policy will define the Glorious Thirties.

If France very much mapped out its recovery on its ally: the United States, it also incorporated those values which have ultimately defined

France's democratic idealism – the desire to create a truly democratic society on the basis of equality and fraternity.

While it lead its 'production battle' France also pursued the policies outlined by the National Council of Resistance, to ensure that wealth would be equally distributed throughout the nations and inequalities redress to the benefit of all – socialism reigned king.

The National Council of Resistance proclaimed the "right to work" – thus putting the onus on the government to provide for its citizens. This sense of entitlement to 'work' has remained ingrained in the French psyche. It also called for the working class to have a say in the direction and management of their place of employment. This new socialist 'culture' was accompanied by a wave of nationalisation all throughout the 1930s and 1940s.

The war industries for example came under control of the state, so did the railway (semi-public company up until 1983 when it becomes fully nationalised), and several key industries: automobile for instance.

Two phases, organised in three consecutive waves stand out in the history of nationalisation following the Liberation; the first is very much circumstantial (coal factories, war industry sector) – nationalisation by ordinances throughout 1944 and 1945 under the authority of the Provisional Government, while the second will be the result of much careful planning: energy sector, insurances, credit companies etc … under the authority of an Assembly which mandate was specifically to that effect.

It is important to note that not all nationalisations, while legal, were always moral or ethical. When Renault (auto industry) is appropriated by the state in January 1945 for example, no compensation is offered.

The premise of such decision was derived from the idea that any 'collaboration' with Nazy Germany during the time of occupation warranted punishment.

Socialist France as it were, could not conceive a recovery away from state control. And while Paris may have in fact drew from America's examples and influence to power its own recovery, it never bought into the idea of unfettered capitalism.

Whether out of tradition, or a keen sense that nationalism and patriotism are expressed in the manner in which the state 'looks after' its citizens, France was not one republic to abandon its national economy to the hands of speculators. Growth would become a state affair – if not one directly linked to national security.

Between December 1945 and April 1946, the sectors of credit, energy resources and insurance were nationalized by the Provisional Government in France. This decision comes a few months after the end of the war in Europe.

General Charles de Gaulle's desire to nationalize sectors of the French economy had been expressed as early as 1942 during a speech in London. He justified this policy by his ambition to restore the central role of the French state. At the head of the provisional government formed after the liberation, de Gaulle goes into action. By definition, nationalization is the transfer of a private sector enterprise through the state to the public sector.

A first wave of nationalizations is launched in December 1944 to punish companies suspected of collaborating with the German occupation during the war. This is particularly the case of the Renault car manufacturer, nationalized on January 16, 1945.

December 2, 1945 marks the beginning of a second wave affecting the Credit Lyonnais, the National Discount Comptoir of Paris, the National Bank for Commerce and industry and the Société générale. For their part, the coal, gas and electricity companies passed into the hands of the state on April 8, 1946. Later in April, 34 insurance companies would be nationalized.

The Constitution of the Fourth Republic (October 27, 1946), emphasizes the essential character of nationalization. As this excerpt from the preamble states, “any good, any enterprise, whose operation has or acquires the characteristics of a national public service or a de facto monopoly, must become the property of the community”.

A third wave of nationalization will take place in 1948 in the sectors of land, air and sea transport.

By the end of 1946, Paris in in control of all key industry sectors, expect for the energy industry. Needless to say that a fierce debate emerged as to the need … or not to fully nationalise the energy sector in view of its market reach, and geopolitical significance.

Many economic motives have guided governments in the implementation of nationalizations that have experienced a wide expansion around the world. Nationalizations can be seen as an antitrust policy, a potential correction to market failures or a way to restructure the productive system.[3] Additionally, nationalizations can overhaul the financing of the economy and they can be an instrument of social change.Privatizations eventually improve firms’ performance, allowing the development of savings ’investment in capital for firms. Finally, privatization can be a substitute for debt since it provides new financial resources to the State.

3. Stoffaes, 1983; Bös, 1991; Willner, 2001

France’s Public Sector –

The perimeter of the public sector – that is to say, the group consisting of public companies in which the state holds more than 50% of the capital – has evolved considerably over the last thirty years. These contrasting developments are the consequences of political alternations and, with them, successive nationalisations and privatizations. Nevertheless, the construction of a public sector considered as a tool in the hands of the executive branch finds a more distant origin.

The three waves of nationalizations

The public sector is the result of many nationalizations whose first wave was launched under the Popular Front in 1936. A nationalization is a legal operation that consists in transferring the ownership of a company to the community against a compensation of the shareholders . It can relate to the entire capital of the company or only a part but more than 50%. A public company is therefore a company directly or indirectly controlled by the public authorities (State, local authorities) because of the property or its financial participation.

The Popular Front is at the origin of both the creation of public enterprises and nationalizations of private companies. Thus, for example, the National Society of French Railways (SNCF) was created on January 1, 1938 after the nationalization of the railways whose managing companies had been undermined by the crisis of 1929. The government of union from the left, without engaging in a dirigiste policy, nevertheless intended to have tools for managing the economy in certain sectors deemed key.

But it is especially after the Second World War, in 1945 and 1946, that the government engages in a resolute policy of nationalization. It is in line with the program of the National Council of Resistance adopted March 15, 1944 and which proposed "the return to the Nation of the great means of production monopolized, fruit of the common work, the sources of energy, the wealth of the underground, insurance companies and big banks ". However, some nationalizations also had a political dimension and appeared as a punishment for bosses deemed too committed to collaboration with the enemy. Thus, Renault was transformed into national management in January 1945.

However, for the majority of these nationalizations, it was to have instruments of intervention in the key sectors. This is why the gas and electricity industries (law of 8 April 1946), coal (creation of Charbonnages de France by the law of 17 May 1946), the Banque de France (law of December 2, 1945) and four large deposit banks, but also more than thirty insurance companies, Air France (order of June 26, 1945) or Paris transport. The third wave of nationalizations comes on the occasion of the arrival of the left in power in 1981. It then implements an interventionist economic program. One of the pillars of this program is precisely a series of nationalizations decided by the law of February 11, 1982. There are not less than thirty-six banks, two financial companies as important as Suez and Paribas and five major industrial groups (CGE, Saint-Gobain, Pechiney, Rhone-Poulenc, Thomson) entering the public sector.

The numbers speak for themselves. In 1982, after this new wave of nationalization, the public sector accounted for 23% of the gross domestic product. It comprises more than 3,000 companies and employs 1.9 million people, or 9% of the workforce.

A constant privatization movement for nearly thirty years …

When the election campaign for the March 1986 legislative elections begins, the right - who will win the elections - presents an economic program inspired by the Reagan and Thatcherian models. Among the measures advocated are prominently privatizations which must profoundly change the face of the public sector. This development is crucial since, since their implementation by the first government of cohabitation (1986-1988), the privatization of public enterprises have not ceased.

The law of July 2, 1986 set the list of the sixty companies to be privatized and that of August 6, 1986 specified the terms of implementation. From 1986 to 1988, only about ten companies were actually sold. They fell into three main sectors: banks and insurance companies - Société Générale (June 1987), Paribas (January 1987), Suez (end of 1987) and Crédit commercial de France (May 1987) -, the industry - with Saint-Gobain (1986), the General Electricity Company, future Alcatel (1987) and Matra (1988) -, finally the communication with the Agency Havas (1987) and TF1 (1987). Despite the new rotation of 1988 and the “doctrine of ni-ni” (neither nationalization nor privatization) defended by President Mitterrand, the socialist government engages in partial privatizations, public capital remaining the majority. Several means are then used: the sale of the activities of certain public companies (ex: para-chemical subsidiaries sold to the Total group), the reduction of capital controlled by the State (eg Elf Aquitaine, Rhône-Poulenc, Crédit local de France), the change of status of certain companies opening the door to other privatizations (eg Renault with the law of 4 July 1990). The return of the right to the government (1993-1997) is a new wave of privatization. The law of 19 July 1993 provides for the transfer of

21 companies. The industry is primarily concerned (notably Rhône-Poulenc in 1993, Elf Aquitaine in 1994, Seita, Pechiney and Usinor in 1995, Renault in 1996). But banking and insurance are also (BNP and UAP in 1993, AGF in 1996).

Between 1997 and 2002, the socialist government continued the transfer of state-owned enterprises to the private sector. Indeed, many partial openings of capital were realized during this period, the State remaining majority. This was particularly the case in the industrial sector (Thomson Multimedia in 1999), banking and insurance (CNP in 1998), transport (Air France in 1999) and telecommunications (with France Telecom in 1997 and in France). 1998). But in several cases, the opening up of public companies to private capital has led to their privatization, with the State selling its majority share (CIC and GAN in 1998, Crédit Lyonnais in 1999 or Banque Hervet in 2000).

From 2002, the State continues to sell some of its holdings in French companies, while some major operations are carried out. Thus France Telecom was transferred to the private sector in 2004, as was Air France, in the same year, in order to facilitate the merger with the Dutch company KLM. We can also mention the decrees of 2 and 16 February 2006 respectively authorizing the total privatizations of the company Motorways of North and East of France (SANEF) and the company Autoroutes Paris-Rhin-Rhône. They are followed by the sale of all State shares in Autoroutes du Sud to the Vinci group in March 2006.

Lastly, in the energy sector, if EDF has been a public limited company since 2004, since the State still holds 85% of its capital, the situation has changed dramatically with regard to GDF Société anonyme since 2004, GDF has been privatized and became, thanks to a merger, GDF-

Suez in 2008, the State's participation in the capital is now a minority.

Privatizations have followed various motives.

While privatizations have, at least for so-called conservative majorities, reflected a restrictive view of the role of the state in the economy, they have often been guided by practical requirements.

Indeed, privatizations provide budgetary resources that, although punctual, are no less important in a context of high government debt. Thus it has been estimated that privatization receipts (total or partial) between 1986 and 2005 amounted to a total of 82 billion euros.

Finally, in a context of strong international competition, privatizations allow the companies concerned to invest through capital increases that the State, given its financial position, would not have been able to finance.