



مركز البيان للدراسات والتخطيط
Al-Bayan Center for Planning and Studies

Economic Velocity - How to sustain growth through economic flexibility and adaptability: the French model of state interventionism

By: Catherine Shakdam



About

Al-Bayan Center for Planning and Studies is an independent, nonprofit think tank based in Baghdad, Iraq. Its primary mission is to offer an authentic perspective on public and foreign policy issues related to Iraq and the region.

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

Copyright © 2018

www.bayancenter.org

Economic Velocity - How to sustain growth through economic flexibility and adaptability: the French model of state interventionism

By Catherine Shakdam*

Economic Velocity – How to sustain growth through economic flexibility and adaptability :the French model of state interventionism

By Catherine Shakdam

Given the very nature of our global economy and the unescaping reality of our' entanglements 2008 – 'stock market crash demonstrated, if anything else ,how deeply interconnected national economies are to each other ,thus putting the concept of national growth under a more 'globalist 'light.

While evidently nations have control over their sovereign economy, policies – whichever they may be ,will carry an impact onto the global market ,yet another variable experts will have to input within their calculations.

Put simply ,economic growth means an increase in real GDP – an increase in the value of national output/national expenditure ,which in turns translate into an increase of living standards ,improves tax revenues and helps towards the creation of new jobs.

For economic growth to be sustained ,productivity and demand must be maintained – a feat ,which if logical ,is not always so easy to achieve due to the litany of factors that must align in order to support such growth .France's exceptional economic boom post-WW2 most

* Researcher at Al-Bayan Center for Planning and Studies

certainly serves as an interesting example of a nation achieving economic velocity, but failing to master socio-economic flexibility.

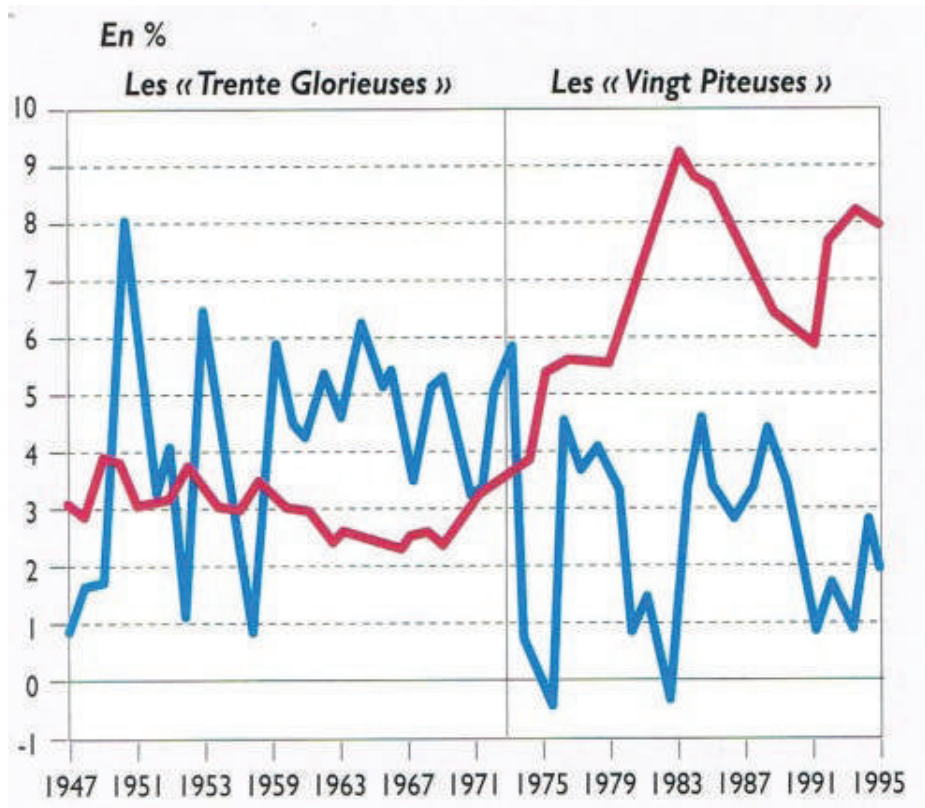
For three decades the France of the 'Trente Glorieuses' saw its economy grow by a rate of 7% per annum – over a decade such growth equates to a doubling of the national wealth. Such velocity was by definition unsustainable since ultimately it leads to market saturation; notwithstanding the weight of unemployment and social mobility/creativity in the workplace.

The following chart (1) draws a clear link: cause & effect in between productivity (blue) and unemployment (red) during and after the Trente Glorieuses. As long as France's Gross National Product¹ (GNP) enjoyed a steady increase, unemployment remained low. The oil crisis came to violently upset that economic ecosystem, throwing France and most industrial countries off the deep-end.

As it were, any sudden change of variable stands to offset growth and prompt a domino effect, unless measures such as economic stress tests are set in place ahead of time to identify weak points and ultimately implement measures to placate any downturn.

1. GNP – Gross national product is the market value of all the goods and services produced in one year by labor and property supplied by the citizens of a country.

Chart- 1



— annual variation GNP(per habitant)

— unemployment rate(relative to % of working population)

If the post-war 'catch-up' had boosted the economy, economic dynamism remained tied to the level of development.

To put this in perspective, consider the following by way of example: by 76% 2007 of the French population owned a mobile phone, putting pressure onto manufacturers to open up new avenues due to market saturation.

Manufacturers had and continue to look for new technologies to accelerate the replacement of mobiles ,and for operators to offer services based on the new features on offer – thus forcing market rejuvenation on the basis of consumerism.

Jean Fourastié ,the very French economist who coined the term: 'Trente Glorieuses' forecasted back at the height of France's economic run that the nation would soon suffer the risk of high unemployment as a result of industries 'permanent quest for productivity gains and the relative saturation of consumer markets.

At a time when the economic thought was bent on consumerism, he advocated adaptability and innovation to an ever-changing financial ecosystem .Well ahead of his peers on that particular subject matter, Fourastié understood that a thriving national economy does not exist in a vacuum ,and that factors such immigration ,access to education, social mobility ,innovation and a litany of other variables all must be weighed in to formulate a cohesive policy.

More to the point ,Fourastié considered and demonstrated the pertinent evolution of one's purchasing power versus the ' real price'² of any given good.

For manufacturers to maintain and even develop their market-share aka their ability to sustain consumerism ,means would need to be developed towards either enhanced productivity or technological advancements such as to generate sustainable growth.

It is to better conceptualise France's economic vision that the economist established a universal standard for measuring the real price

2. Real price: the PRICE of a PRODUCT or FINANCIAL SECURITY measured in constant price terms to make allowance for the effects of INFLATION. For example, although the price of a product increases from, say, £1 to £1.10 (a 10% increase) between 2002 and 2004, if during this period the general price level had risen by 20%, then the real price of the product would have fallen.

of a product – according to his calculations” :the labor-equivalent time it takes to make it “.This allows to know in time the evolution of purchasing power .This method of calculation neutralizes the effects of the price increase according to the sectors and the increase of the incomes ,which do not evolve at the same speed.

To offer context to such theory ,Fourastié cites as an example the actual price of the kilowatt-hour of electricity ,which due to technological advancement dropped considerably since ,1925 while some services – such as a haircut witnessed a sharp increase ,in line with inflation.

Although mostly unknown on the international scene Fourastié is often cited in France as the forefather of state-interventionism in regards to France’s national economy .His work has inspired policy makers by offering experts a conceptual device that allowed them to rationalise France’s own brand of socialist-capitalism :enshrining the idea that it was up to the State to offer not only an economic vision but forge a direction.

In his book ,Le Grand Espoir du 20^{eme} Ciele published in 1949Fourastié enunciates the theories of increased productivity and evolution of the three sectors) primary ,secondary and tertiary (to the tertiary ,arguing technological advancement and productivity as the main drivers of France’s then-budding economic recovery.

Although Fourastié was not alone in his studying of France’s recovery ,his understanding of France’s values ,and main driving socio-political factors made his analysis resonate among not only the public but state officials.

As it were ,France’s recovery ,while fitting within a global economic

advancement cannot be divorced from France's own economic philosophy and institutional aspirations.

What makes France's growth so different perhaps from its contemporaries at a time of extreme financial positivity is the state's commitment to direct, rein in, and impact such growth so that it would exist within a defined socio-political strategy.

If France wanted to see its economy flourish it wanted to do so to promote social equality through full employment. The right to work is enshrined in France's public consciousness, very much an extension of republicanism.

In an interview Fourastié once stressed "First of all it was] the Trente Glorieuses, [from the economic point of view, an extremely brilliant period, a revolution that profoundly changed the country...

Not only is production more important, but it is moreover obtained with fewer hours of work. Previously, low production was obtained with a large number of workers. Why? Because the production techniques were then less effective than they are today".

And": Yields per hectare have increased dramatically. For wheat they have increased from twelve quintals per hectare to thirty quintals per hectare; for wine, from twenty-five hectoliters to one hundred hectoliters! Conversely, the number of agricultural workers per hundred hectares has increased from twenty-eight to eight. This means that only eight people obtain a much higher output than the twenty-eight people of". 1946

Work efficiency posits Fourastié remains a key driver of growth.

France's three decades 'run it needs to be noted, came to a halt on

the back of 1973 oil crisis.³ Although France was not a direct of the oil embargo the increase fivefold in between October and November 1973 of the price of a barrel of petrol deeply impacted its economy and beyond ,world markets.

So much so in fact that on 30 November ,1973 Prime Minister Pierre Messmer announced a series of decisions to reduce energy consumption: a ban on illuminated advertising ,lighting in shop windows and empty offices between 10 p.m .and 7 a.m ;no television broadcasts after 11 p.m .except on Saturdays ,Sundays and public holidays ;less heating; and speed limitations for vehicles.

In just a few months France’s economic standing went from ‘boom’ to ‘bust – ‘laying bare those weaknesses the state had failed to not only identify ,but make provisions for.

It is in that context that Fourastié’s work make most sense since his approach restores the economic reality behind the statistics on the basis of historical comparatism.

Fourastié’s methodology is based essentially on the attempt to reconstitute past and contemporary economic realities by collecting available statistics or reconstructing those that are missing .As he will say: ”At the limit ,economics is and can only be the rational commentary of information from statistics“.

The difficulty was immense however ,because statistics were generally neither here nor there – at best they were scattered ,incomplete ,biased or false .With no filing system and no computer database France’s economic growth had suffered a lack of monitoring that ultimately left the nation vulnerable to economic hardship.

3. 16 and 17 October 1973, the Arab oil-producing countries announced an embargo on oil deliveries to states supporting Israel in the Yom Kippur War.

If Fourastié's instincts were right – only data ,within its own socio-political context can offer a real vision of any one nation's economic standing ,and thus allow for projections and/or reflection, relativism – the difficulties of comparison in time and space ,because of inflation ,changes in the structure of consumption or occupation, and technological progress as well as productivity ,got in the way of his analysis.

What is important in Fourastié's work is this link he tries to establish between the different elements of economic reality.

Fourastié's approach is to analyze the consequences of economic growth on social reality.

In his book on the ' Trente Glorieuses 'the economist begins with an artificial comparison of two villages :one Portuguese and the other French ,to describe the opposition between two states of development in the countryside.

The first village represents the situation common to all underdeveloped countries that Fourastié considers quite aptly as millennium ,while the second presents the consequences of the improvement of the productivity on the living conditions and on the social structure.

From the outset ,the statistical contrast is striking) and will be in the whole book .(In these two villages ,for an almost equivalent population 534)against ,(670 the active population is mainly agricultural (74%) in the first ,minority (24%) in the second.

The number of workers is significantly lower 52%) versus(32% because of schooling and retirement .Everything is significantly different :the birth rate 4%) vs ,(2% .infant mortality 9.5%) vs,(1.4% . mobility 75%) of natives in the village vs ,(31% .concentration of

yields of wheat per hectare 12) against ,(35 or hectoliters of wine25)
”currents “against” 100 of appellations ,(“of workers per hectare28)
against ,(8 of plowing animals 100) to (1 replaced by tractors 2) against
.(40The household equipment contrasts even more :refrigerators5)
against ,(210 washing machine 0) against ,(180 indoor toilet 10) against
,(150telephone 5) against ,(110 automobile 5) against ,(280 radio50)
against.(250

But Fourastié’s study ‘was not as artificial as he hinted at the beginning of his book .In fact ,his study was tied to two French villages: Douelle and Quercy separated by time – beginning and end of the Trente Glorieuses.

The idea was to emphasise the differences in between traditional and modern society from a socio-economic perspective.

To some extent Fourastié’s findings and theory can help map out emerging economies and pre-empt on the difficulties they may face through extrapolation.

It is from this empirical approach that Fourastié builds his economic theory – a theory that profoundly impacted France’s economic vision.

The work of Fourastié is in line with the first empirical research, statistics and social surveys .When he describes the condition of production in the seventeenth century ,he will show for example that the agricultural yields of the seventeenth and eighteenth centuries were barely enough to feed the French population of that time – thus linking the anthropological characteristic of a state to its technological development.

But how could such a theory ,or rather the premise of such a theory, be applied today – at a time of great economic uncertainty and political

instability ?How indeed...

If France's Trente Glorieuses resonates in France as a 'golden age' of sort - a time in the Republic's history where social ideals were made possible on the back of a booming economy ... France witnessed the establishment of paid-vacations ,social security ,and free education - to name only a few ;those decades were not without challenges.

One may argue in fact that France's historical economic run was always bound to fail ,and that 1973 oil crisis only serve to precipitate the inevitable.

While France undoubtedly emerged from the rubbles of WW2 stronger and largely richer - in buying power per capita alone ,the state's failure to anticipate the socio-economic inequalities its policies ultimately generated since based on the premise of colonialism ,have thwarted France's economic velocity.

How to sustain economic growth in an ever-changing environment remains a challenge both developed and developing economies face. France's model - the ways in which the Republic conceptualised its economic strategy to meet its socio-political aspirations are but one examples.

One may argue that France's greater lesson lies more in its failures than its successes since they speak of those variables the state failed to consider in its strategy.

Our biggest challenge lies in any one nation's ability to find a permanent source of funding for investment in infrastructure - the bedrock of any healthy economy.

The trick may lie still in correlative studies ,or better yet ,our

willingness to consider that the way we conceptualise economics requires some calibrating .National economies have become more complex and subject to more variables on account of globalisation alone - notwithstanding the development of new industry sectors, the emergence of new social constructs ,(political movements) as in mobility ,(scarcity ,access to natural resources ,migration trends ,and so on.

If the rule still stands that productivity and demand drive a market ,a nation's success in achieving such a touch balancing act requires much more flexibility and foresight then at any given time in our history.