

an
Recovery
Program

FRANCE
COUNTRY STUDY

Economic Cooperation Administration
February 1949 • Washington, D. C.

France

Country Study



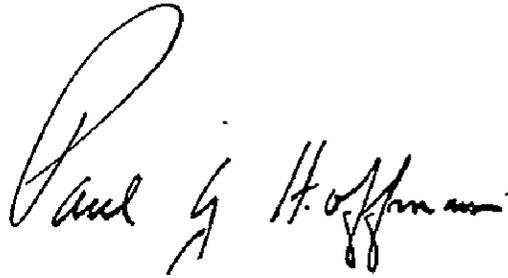
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Paul G. Hoffman
Administrator.

FEBRUARY 14, 1949.

Contents

	Page.
CHAPTER I. SUMMARY AND CONCLUSIONS.....	1
CHAPTER II. ANALYSIS OF THE CURRENT SITUATION.....	7
A. Introduction.....	7
B. Use of resources.....	8
1. National accounts.....	8
2. Consumption.....	10
3. Investment.....	12
C. Source of resources.....	17
1. Industrial production.....	17
2. Agricultural production.....	19
D. External accounts.....	20
1. Balance of payments.....	20
2. Imports.....	23
3. Exports.....	26
E. Internal financial situation.....	30
CHAPTER III. BASIC PROBLEMS.....	34
A. The problem of inflation.....	34
1. Underlying causes.....	34
2. 1949 budget.....	36
3. Credit control.....	37
4. Fiscal reform.....	38
B. The problem of French exports.....	38
1. Trade controls.....	39
2. Exchange rate.....	39
3. Production.....	41
4. Inflation.....	42
CHAPTER IV. DESCRIPTION AND CRITIQUE OF THE FRENCH FOUR-YEAR PROGRAM.....	44
A. The general targets of the program.....	44
B. The industrial production targets.....	45
C. The agricultural production targets.....	46
D. The investment program.....	47
E. Restoration of balance of payments equilibrium.....	52
F. The program for the French overseas territories.....	55
CHAPTER V. JUSTIFICATION OF ECA AID.....	59
A. Introduction.....	59
B. 1948-49 program.....	59
C. 1949-50 program.....	61
1. Introduction.....	61
2. Consumption.....	62
3. Industrial production.....	62
4. Agricultural production.....	63
5. Imports.....	63
6. Exports.....	64
7. Balance of payments.....	65
8. Conclusion.....	65

LIST OF TABLES IN TEXT

	Page
TABLE 1. Metropolitan France: Gross production and availabilities of finished goods and services at market prices, 1938, 1946-48.....	9
TABLE 2. Metropolitan France: Availabilities for consumption by major categories of products at market prices, 1938 and 1946-48.....	10
TABLE 3. Metropolitan France: Estimated monthly minimum subsistence budget for a single worker and minimum wage for Paris, 1947-48.....	12
TABLE 4. Metropolitan France: Availability of finished capital goods by major categories, at market prices, 1938 and 1946-48.....	13
TABLE 5. Metropolitan France: Maintenance and net investment by major categories, 1938 and 1946.....	13
TABLE 6. Metropolitan France: Net investment by economic sectors, 1947 and 1948.....	16
TABLE 7. Metropolitan France: Capital account of the French economy, 1947 and 1948.....	16
TABLE 8. Metropolitan France: Changes in output per man-hour in industry.....	18
TABLE 9. Metropolitan France: Volume of gross agricultural output.....	19
TABLE 10. Metropolitan France: Estimated agricultural employment and gross output per man in agriculture.....	20
TABLE 11. French Union: Balance of payments in all currencies on current account with non-franc areas, 1937, 1938, and 1947.....	21
TABLE 12. French Union: Balance of payments on current account in all currencies: 1947, 1948, and 1948-49 program.....	21
TABLE 13. French Union: Currency break-down of deficit on current account: 1947 and 1948 (first half).....	23
TABLE 14. Metropolitan France: Index of volume of imports, 1938 and 1946-48.....	24
TABLE 15. Metropolitan France: Commodity composition of imports from foreign countries, 1938, 1947, 1948, 1948-49.....	25
TABLE 16. Metropolitan France: Area pattern of imports from foreign countries, 1938, 1947 and 1948-49.....	25
TABLE 17. Metropolitan France: Index of volume of exports, 1938 and 1946-48.....	26
TABLE 18. Metropolitan France: Exports to foreign countries, 1947 and 1948.....	27
TABLE 19. Metropolitan France: Area pattern of exports to non-franc areas, 1938, 1947, 1948-49.....	27
TABLE 20. Metropolitan France: Monthly averages of exports by quarters to principal customers, 1947-48.....	28
TABLE 21. Metropolitan France: Commodity composition of exports to non-franc areas, 1935-38, 1947, 1948-49.....	29
TABLE 22. Metropolitan France: Division of total exports between foreign countries and DOT's.....	29
TABLE 23. Metropolitan France: Changes in money supply, January-August 1948.....	31
TABLE 24. France: Sources of financing of Government deficit in 1948.....	33
TABLE 25. Metropolitan France: General targets of French 4-year program for 1952-53.....	44
TABLE 26. Metropolitan France: Agricultural production targets (indexes) for 1952-53.....	47
TABLE 27. Metropolitan France: Pattern of net fixed investments in programmed sectors, 1948-49 to 1951-52.....	48

	Page
TABLE 28. Metropolitan France: Relation of foreign commodity trade to gross national product 1928, 1938, and 1952-53.....	51
TABLE 29. Metropolitan France: Estimated sources of financing of contemplated investments, 1948-49 to 1951-52.....	51
TABLE 30. French Union: Balance of payments on current account, 1937 to 1952-53.....	53
TABLE 31. French Union: Balance of trade on current account, 1937 and 1952-53.....	53
TABLE 32. Metropolitan France: Invisible items in the foreign balance of payments.....	54
TABLE 33. French Union: Balance of payments on current account by areas, 1947 and 1952-53.....	55
TABLE 34. French DOT's: Trade with metropolitan France, 1938 and 1947-48.....	56
TABLE 35. French DOT's: Trade balances in 1947 and 1952-53 (program).....	56
TABLE 36. French DOT's: Area pattern of trade balance in 1952-53.....	57
TABLE 37. French DOT's: Projected shifts in area pattern of trade balances: 1947 to 1952-53.....	57
TABLE 38. French Union: Summary balance of payments 1948-49, OEEC estimate.....	60
TABLE 39. French Union: Summary balance of payments, 1948-49, ECA estimate.....	60
TABLE 40. Metropolitan France: Industrial production goals.....	62
TABLE 41. French agricultural production: Actual prewar, 1948-49, and target for 1949-50.....	63
TABLE 42. Metropolitan France: Exports to non-franc areas.....	64
TABLE 43. French Union: Comparison of balance-of-payments deficit, 1948-49 and 1949-50.....	65
TABLE 44. French Union: Summary balance of payments, 1949-50, national estimate.....	66
TABLE 45. French Union: Summary balance of payments, 1949-50, ECA estimate.....	66

APPENDIX A. NATIONAL ACCOUNTS

TABLE I. French national production and availabilities.....	67
TABLE II. Metropolitan France: Balance of payments by product categories, 1938.....	68
TABLE III. Expected changes in the French national accounts 1929-52.....	68
TABLE IV. National product at factor cost by economic sectors.....	69

APPENDIX B. CONSUMPTION

TABLE I. Metropolitan France: Availabilities of industrial consumer goods.....	70
TABLE II. Index of availability of industrial goods.....	70
TABLE III. French food consumption.....	70
TABLE IV. Table minimum subsistence budget.....	71

APPENDIX C. PRODUCTION AND INVESTMENT

TABLE I. French investment program, 1948-49 through 1951-52.....	72
TABLE II. French production: 1938 and 1948 actuals, 1952-53 goals.....	73
TABLE III. French industrial performance: 1929 to 1952-53.....	73
TABLE IV. France: Index of industrial production (excluding construction).....	74

	Page
TABLE V. French agricultural position, prewar, current, and projected.....	74
TABLE VI. Estimated yields and production of crops in France, prewar and current.....	75
TABLE VII. Use of tillable land in France, prewar and current.....	75
TABLE VIII. French agricultural production.....	76
TABLE IX. Indexes of manpower productivity in French industry.....	77
TABLE X. Metropolitan France: Composition of energy supply, 1938 to 1952-53.....	77

APPENDIX D. EXTERNAL ACCOUNTS

TABLE I. French Union: Balance of payments, current account, 1937 to 1952-53.....	78
TABLE II. French Union: Balance of payments, current account, 1937 to 1952-53.....	79
TABLE III. French Union: Balance of payments in all currencies, 1947, 1948, 1948-49.....	80
TABLE IV. French Union: Balance of payments in United States dollars and gold, 1947, 1948, 1948-49.....	81
TABLE V. French Union: Balance of payments with sterling area, 1947, 1948, 1948-49.....	82
TABLE VI (a). French Union: Balance of payments, current account, 1947, in all currencies.....	82
TABLE VI (b). Balance of payments of French overseas territories with foreign countries in all currencies, 1947.....	83
TABLE VII. French Union: Balance of payments, 1948-49 (French OEEC submission).....	84
TABLE VIII (a). France: Estimated balance of payments in all currencies, 1949-50 (French OEEC submission).....	86
TABLE VIII (b). French DOT's: Estimated balance of payments in all currencies, 1949-50 (French OEEC submission).....	86
TABLE IX (a). French Union: Balance of payments in all currencies, 1949-50 (ECA revision of French OEEC submission).....	87
TABLE IX (b). French DOT: Balance of payments in all currencies, 1949-50 (ECA revision of French OEEC submission).....	87
TABLE X. Imports (c. i. f.) of metropolitan France from foreign countries by selected commodities, 1938, 1947, 1948, in quantity and current francs.....	88
TABLE XI. Imports (c. i. f.) into metropolitan France by country, 1938 and 1947 to date, by months.....	89
TABLE XII. Metropolitan France—Exports to foreign countries by commodity.....	90
TABLE XIII. Exports (f.o.b.) of metropolitan France to foreign countries by selected products; first 9 months 1947-48.....	91
TABLE XIV. Metropolitan France: Exports by country of destination, 1938, 1947, and 1948 to date (by months).....	92
TABLE XV. Metropolitan France: Exports by areas, selected years.....	93
TABLE XVI. Metropolitan France: Exports to foreign countries of selected commodities in first 8 months 1948 compared with exports in first 8 months 1947.....	94
TABLE XVII. Metropolitan France: Share in Belgian imports, 1938, 1946-48.....	95

APPENDIX E. INTERNAL FINANCE

	Page
TABLE I. French official price indexes.....	96
TABLE II. Quarterly changes in French official price indexes.....	97
TABLE III. French money supply.....	97
TABLE IV. French budget estimates, 1947, 1948, and 1949.....	98
TABLE V. Operations of the French Treasury in 1948 by half years.....	99
TABLE VI. Comparison of Queuille-Petsche proposals and 1949 budget adopted by French Parliament.....	99
TABLE VII. Quarterly changes in short-term borrowing by the Treasury in 1948.....	100
TABLE VIII. Extension of bank credit to business.....	100
TABLE IX. Comparison of change in money supply with expansion of private credit.....	100

CHAPTER I

Summary and Conclusions

After the liberation of France in 1944, the French economy was prostrate, with industrial activity at only 20 percent of prewar. Since then, France's economic recovery has been, in many respects, impressive. It suggests that the elements of a full recovery are present, provided two principal economic problems can be successfully overcome. The first of these, and at present the more pressing, is the problem of inflation. The second, and more fundamental, is the problem of labor productivity and production costs, particularly in French industry. The solution of both problems depends upon a strengthening of confidence—confidence in the franc, confidence in economic and political stability, confidence in the security of Western Europe. Progress toward their solution depends on continuation of United States aid.

Under the impulse of an active government economic policy, particularly in the form of large public investment expenditures, the recovery of industrial production in France since VE-day has been fairly rapid. The output of French industry, which in 1946 was 81 percent of the 1938 level, rose to 92 percent in 1947, and in the first half of 1948, to 102 percent. In the second half of 1948, principally as a result of the coal and steel strikes, output declined to 99 percent of 1938¹; as a result, it will fall somewhat short of the goal of the French program for 1948-49, the first ERP year.

Until the second half of 1947, industrial production was limited primarily by coal supply. Since then, improvement in industrial output has been the result of a general improvement of output per man-hour: from 72 percent of 1938 in 1946 to 86 percent in the first half of 1948. Nevertheless, the fact remains that output per man-hour is today well below the 1938 level. There are several reasons for this: Energy supply and raw materials stocks are still not always adequate to permit maximum efficiency of plant operations. Wartime under-maintenance of equipment has not yet been fully overcome. Finally, the adverse effects on labor effort and on management of the inflation

¹The measure of industrial output used here, is not the official monthly index of industrial production but a more comprehensive estimate of industrial production issued semiannually by the Official Planning Commission.

and of an atmosphere of political tension and uncertainty are important.

The recovery of French industry has been more a recovery of capital goods than of consumers goods production. The output of capital goods exceeded the depressed 1938 level as early as 1946 and in 1948 was almost a third above 1938. This pattern reflects the impressive investment effort which has been made by the French people and the French economy since liberation. It indicates also something of the enormous size of the real requirements for investment in an economy whose buildings and productive capital plant had already deteriorated seriously even before the years of wartime under-maintenance. The volume of net investment in 1947 and 1948 was three and one-half times that in 1938. Even so, the necessity of concentrating this large volume of investment in priority sectors has resulted in failure even to maintain capital in other sectors; for example, in housing, taken as a whole, despite the large expenditures for reconstruction of war-damaged housing.

The major part of investment in industrial plant and equipment and in housing has been government-financed. The virtual disappearance of the private long-term capital market, coupled with a lack of business confidence which has tended to inhibit investment in fixed capital, has forced the French Government to assume the role of chief source of long-term capital and of financial risk-taker over a large part of the industrial economy.

The recovery of French agricultural production has been irregular. It rose from 66 percent of the 1934-38 average in the 1945-46 agricultural year to 88 percent in 1946-47, but fell back again to 80 percent in 1947-48 because of very bad weather. Unusually favorable weather and resulting high yields have raised this index to 97 percent for the current agricultural year. For the future, the problem of French agriculture is to raise production well above prewar levels, without a marked increase in tilled area and despite a declining agricultural labor force. To accomplish this will require a great increase in yields and in output per man, primarily by greatly increased use of machinery and fertilizers. So far, some but not very much progress along these lines has been made.

Despite the high level of investment, consumption in France has improved considerably since liberation. Except for food, total availabilities for consumption in 1948 reached very nearly the 1938 level. Food consumption has recovered more slowly and in 1948 was still some 18 percent below 1938 on an over-all basis, although the farm population consumed food at prewar levels. Slow recovery of agricultural output, remaining world food shortages, and the withholding of foodstuffs from the market as a result of inflation have all con-

tributed to this result. As might be expected, this lower food consumption is reflected far less in the caloric intake, which is now not far from 1938 levels, than in the quality of the diet.

Of greater immediate political and psychological importance than the over-all availability of consumers goods are the shifts which have taken place in its distribution as between economic classes. One aspect of this is the maldistribution of domestic food supplies as between country and city. Further, it seems clear that the real income of the urban wage and salary-earner and particularly the rentier and pensioner has recovered less, as compared with prewar, than that of the farmer or the businessman. These inequities have arisen largely as a result of the persistent inflation. They would be eliminated or greatly reduced by an effective stabilization of prices and a return of confidence in the franc, particularly if accompanied by an equalization of the burden of taxation. Elimination of these inequities and effective stabilization of real wages would make an important contribution to political stability in France.

The ability of the French economy to produce, invest and consume at these levels is due in considerable part to the very large surplus of imports of goods and services over exports (and other receipts) during the past three years. In round figures, this surplus has amounted, for the period 1946-48, to 5.5 billion dollars and has been made possible by 3.5 billion dollars in aid and credits from the United States,² by liquidation of 1.2 billion dollars of French assets and by large credits from the United Kingdom and Canada.

These very large figures reflect the serious deterioration in the French balance-of-payments position as compared with prewar. Even before the war, in the late 1930's, the general condition of the French balance of payments was not good, although its seriousness was disguised by certain temporary factors. There was a large merchandise deficit and a considerable current account deficit, both of which would have been larger had not the depressed level of industrial activity in France reduced the need for imports. French exports were restricted by the autarchic policies of some other trading countries. On the other hand, revenue from foreign investment and from the liquidation of foreign assets was considerable, and France was favored by an improvement in her terms of trade as compared with the 1920's.

In the postwar period the merchandise deficit has increased enormously as compared with prewar, and a large current deficit on invisible account has appeared as a new adverse factor in France's external accounts. In 1947 the current account deficit of the French

² Including ERP and for fiscal year 1948-49.

Union reached the staggering total of 1,890 million dollars³ and its rate was even higher during the first half of 1948. By the second half of 1948 the deficit had been reduced to an annual rate of 1,544 million dollars,³ thanks to good crops and a sharp decline in food imports, and to some recovery in exports. For the first ERP program year, 1948-49, it seems likely that the current account deficit of the French Union will reach the target level of approximately 1,300 million dollars—assuming that France will receive approximately 981 million dollars of direct aid and 323 million dollars of indirect aid in 1948-49.

Improvement in the French balance-of-payments position must depend primarily on the recovery of exports. The volume of imports cannot be reduced much below the present level. Exports to foreign countries still remain well short of prewar: for the second half of 1948, the volume of such exports was approximately 88 percent of 1938. The most important single reason for the slow recovery of French exports has been the inflation.

The inflation which has plagued the French economy with only two interruptions since liberation has been due primarily to the following factors:

(a) The heavy public and private investment expenditures.

(b) The large budgetary deficits in Government operations, due on the one hand to the requirements of the investment program and the difficulty of reducing other expenditures, and, on the other hand, to the considerable losses in tax collection resulting from the inability of the Government to prevent tax evasions.

(c) The low volume of private savings available for financing fixed investment.

Control of the inflation is the most urgent problem of French recovery. On it depends the recovery of industrial labor productivity, of exports, and of that degree of social stability which is essential to the strengthening of confidence and to rapid progress in measures of cooperation with other participating countries. In 1949, France has a new opportunity to control the inflation. In the 1949 budget recently adopted by the Parliament, the new credit control and fiscal reform measures, the successful floating of a large internal loan, and the contemplated reduction in the ceiling on Bank of France advances from 200 to 175 billion francs, the essential groundwork for such control has been laid. There remain the difficult tasks of strengthening these measures, of holding the line against special interests, both public and private, and, if it proves necessary, of reducing marginally the rate of government expenditure for reconstruction and investment in the interest of financial stability.

Once a reasonable degree of economic stability has been restored,

³ Excluding extraordinary receipts.

it will be possible for the French people and their government to concentrate their efforts on the goal of French recovery: self-support at an adequate level of consumption. The production and consumption goals in the French long-term program may be summarized as follows, in comparison with actual levels prewar and in 1948:

Metropolitan France: Consumption and gross national production, 1929 to 1952-53

[1938=100]

	Consumption	Gross national production		Consumption	Gross national production
1929.....	106	113	1949-50.....	100	106
1938.....	100	100	1950-51.....	107	113
1948.....	95	98	1951-52.....	113	122
1948-49.....	97	100	1952-53.....	120	128

Production and consumption in 1952-53 are both scheduled to be substantially above not only the 1938 level but also the prosperous level of 1929. As a result of this increased production, the over-all balance of payments deficit is to be eliminated principally through an increase in exports and tourist receipts and by a shift of the French overseas territories from a deficit to a surplus position:

French Union: Balance of payments on current account, 1948 and 1952-53

[Millions of 1948 dollars]

	1948	1952-53
Imports (f. o. b.).....	2,400	2,117
Exports.....	1,069	1,982
DOT balance.....	-199	+167
Invisibles (net) ¹	*-246	-33
Deficit on current account.....	-1,776	20

¹ Including shipping.

² Extraordinary expenditures excluded.

³ According to the French Long-Term Program, there will still remain in 1952-53 a small dollar deficit on current account, to be covered by convertible surpluses earned in other areas.

It is apparent that the French people have set for themselves exacting goals for the period of the European Recovery Program.

For metropolitan France, the critical question is whether the difficult targets for labor productivity in industry and agriculture can be achieved. The target for French industrial production in 1952-53 is 140 percent of the 1948 level.⁴ To achieve it will require an increase in output per man-hour in industry by one-third over 1948 (16 percent above 1938). This will require extensive investments in French industry and systematic attention to the institutional and organizational factors of productivity. It will require also a reasonable degree of economic and political stability and of confidence. The French Gov-

⁴ Equivalent to 143 percent of 1938 and 110 percent of 1929.

ernment is fully alive to the difficulties of achieving this rapid increase in productivity and is energetically seeking the means to overcome them.

It should, however, be emphasized that the problem of French industry is not simply to increase physical output per man-hour but also to reduce real costs per unit of output, in order that French exports may compete successfully in overseas markets. The French domestic market is limited, French industry is relatively unspecialized, and real wages are relatively low in comparison with capital costs; hence, labor-saving investments are not necessarily cost-saving. For these reasons a high and rising volume of intra-European trade, permitting volume production and greater specialization in French industry, is essential if France is really to modernize its industrial plant and techniques and to lower real costs.

The most striking feature of the French long-term program is the very marked increase planned in the production of basic agricultural commodities. The program, if realized, will make France the largest western European exporter of wheat and other basic foodstuffs; success of this program will make a major contribution to the viability of the participating area as a whole. Such success depends, however, on an unprecedented increase in yields and in output per man, and it is not yet clear that the program provides administrative and physical means adequate to bring about these increases.

For 1949-50, the second year of ERP, the French Government has prepared a program which is in line with the objectives for 1952-53:

(1) Gross national production is to increase from an estimated 100 percent of 1938 in 1948-49 to 106 percent.

(2) Over-all availabilities for consumption are to increase from 97 percent of 1938 in 1948-49 to 100 percent.

(3) The current account deficit of the French Union is to decrease from 1,766 million dollars in 1948 and approximately 1,309 million dollars⁵ in 1948-49, to about 1,139 million dollars.⁵ The volume of exports from Metropolitan France to foreign countries is scheduled to increase by 39 percent above the 1948 level and 20 percent above the target level for 1948-49.

These targets demonstrate the intention of the French Government and people to take in 1949-50 a major step toward the goals of the long-term program. Success depends on maintaining a reasonable degree of price stability and of political tranquillity. It depends also on continuance of United States aid, tentatively estimated at \$875 million, and on a substantial amount of indirect aid in the form of drawing rights on other participating countries.

⁵ Estimated in 1948 dollars.

CHAPTER II

Analysis of the Current Situation

A. INTRODUCTION

The current situation of France and the problems of French recovery under ERP can be understood only against a background of the prewar condition of the French economy. Since the turn of the century, France had suffered a marked slowing down of economic growth. The situation was aggravated by the world economic crisis of the 1930's. While France did not suffer during the 1930's the extensive unemployment which occurred in other advanced industrial countries, her real national income fell sharply and never regained its 1929 peak. When, after 1933, the other industrial countries of Europe began to recover fairly rapidly, French production continued to stagnate; in 1938 French gross national production in real terms was still 12 percent and industrial production more than 25 percent below 1929.

It appears that during the whole period 1929-38 there was probably, in the aggregate, no net investment in French industry. The decline of agricultural employment relative to nonagricultural came to an end, and there was a sharp decline in the ratio of active to total population as opportunities for employment failed to appear. Employment in distribution increased markedly over the 1929 level, but it is apparent that this increase represented a form of disguised unemployment, for the real volume of services, of course, declined with the general level of economic activity. In industry, the growth of productivity was also sharply reduced after 1929.

In brief, the French economy in the 1930's was characterized by a virtual cessation of economic growth and a persistent under-utilization of the labor force and of the nonagricultural capital plant. The impact of this economic stagnation on the French standard of living was, however, far less than one might suppose; for example, in 1938 per capita consumption in real terms was only 6 percent below the 1929 level. The adverse effects on French consumption were cushioned by several compensating factors which tended to disguise the seriousness of France's prewar economic condition.¹ Most important among these offsetting factors were a nearly static population, a low rate of invest-

¹ Some of these factors have been partially removed or adversely modified as a result of World War II.

ment, a considerable improvement in France's foreign terms of trade as compared with the 1920's, and substantial net income from invisible items (tourism, investment income) which, with some liquidation of foreign exchange holdings, enabled the country to pay for a large surplus of imports over exports.

One of the most conspicuous economic problems in France since the liberation has been the persistent inflation which has partly offset the efforts of the French people to reconstruct their economy. This situation has been made more serious as a result of the country's political instability and the fact that coalition centrist governments, under constant and bitter criticism from both left and right, have found it difficult to adopt and enforce a vigorous and effective economic and fiscal policy. The inflation has distorted the price structure, reduced essential production, adversely affected productivity, sponged up labor and materials which should have gone into exports to increase foreign exchange earnings from overseas, and in general hindered efforts to insure the most effective utilization of resources. It has contributed to social instability and labor unrest, thus nourishing the seeds of communism. The inflation has intensified the traditional political instability, making it difficult for the Government to deal constructively with fundamental economic problems.

The great importance of other political and psychological factors cannot, however, be disregarded. In particular, the feeling of military insecurity which arose during the interwar years has been perpetuated by the German occupation and by the international tension of the postwar period. Political and social strife have been intensified in France by the policies of the Communist Party, which has called upon its followers to sabotage ERP; has consistently opposed effective governmental action to combat inflation, and has instigated a series of costly strikes, particularly in the coal mines.

These factors are at the root of France's problem and affect at every turn the more familiar economic phenomena in terms of which economic recovery is measured. They must be kept constantly in mind in analyzing the current status of French recovery and the prospects for the ultimate success of ERP in France.

The recovery of French production since liberation has been in many respects impressive and suggests strongly that the economic elements of a full recovery are present. It is in the field of government and psychology that the most difficult aspects of the French recovery are found.

B. USE OF RESOURCES

I. National Accounts

A brief examination of the French national accounts for the period 1946-48 in comparison with prewar, summarized in table 1 below,

provides a general framework within which the extent and character of the French recovery to date may be seen in perspective.² In making these comparisons, however, it is important to keep in mind that, as already noted, French production in 1938 was in real terms still some 12 percent, and consumption 6 percent, below the 1929 peak.

TABLE 1.—*Metropolitan France: Gross production and availabilities of finished goods and services at market prices, 1938, 1946-48*

[Billions of 1938 francs]

	1938	1946	1947	1948
Gross production of finished goods and services:				
Consumer goods and services.....	323	261	253	290
Housing (services).....	28	24	24	25
Capital goods.....	59	60	70	77
Armament.....	10	5	4	5
Government services.....	25	37	36	35
Total.....	445	387	417	432
Net imports of finished goods:				
Food.....	+8	+8	+3	+5
Other.....	-17	+3	-4	-7
Gross availability.....	1 436	1 398	1 416	1 430

¹ Net increases of stocks of raw materials and semifinished goods have been deducted as follows: 1938, nil; 1946, 4; 1947, 1; 1948, 3.

Source: Appendix A, table I.

The most important aspects of the pattern of French recovery illustrated by table 1 are:

(1) Production of finished goods, exclusive of armament and government services, averaged 92 percent of 1938 in 1947 and 97 percent in 1948. Consumer-goods production in 1947 was only 88 percent of 1938 and 90 percent in 1948. These figures reflect the still reduced level of real consumers' incomes as compared with prewar.

(2) Production of capital goods, on the other hand, exceeded the 1938 level as early as 1946, and in 1948 was almost a third above 1938. This change reflects the high level of investment made possible by large public investment expenditures.

(3) State services, although substantially above prewar, have shown a tendency to decline.

(4) Since the war, the French economy has in real terms spent annually for armament only half the 1938 amount.³

(5) Net imports, financed by foreign aid and liquidation of French foreign exchange assets, have made a large though declining contribution to total French availabilities of resources since the war. The

² Recent studies of French national accounts carried out under the auspices of the Monnet group (Commissariat General du Plan) provide the basis for the following analysis.

³ The armament item in table 1 does not include all military expenditure, but merely expenditure for equipment. Military expenditure for services is included in the Government services item, and that for fortifications in the capital goods item. Total military expenditure in 1938 was probably of the order of 18 billion francs.

percentage decline was from 7.7 percent in 1946 to 3.2 percent in 1948. In the process, the French have spent 1.8 billion dollars of their own gold and dollar assets and have received 4.5 billion dollars of aid, principally from the United States. These figures, however, do not really measure the enormous importance of foreign aid to the French economy; for if this aid had not been available to pay for imports of food, fuel, industrial materials, and equipment, national production since the war would have been less by an amount several times the amount of aid received.

2. Consumption

Changes in the total volume and pattern of goods and services available for consumption in France since liberation are shown in the following table:

TABLE 2.—*Metropolitan France: Availabilities for consumption by major categories of products, at market prices, 1938 and 1946-48*

[Billions of 1938 francs]

	1938	1946	1947	1948
Food.....	160	* 126	128	131
Housing (services).....	28	24	21	25
Clothing, footwear, textiles.....	41	33	34	39
Other nondurable goods and services.....	86	84	84	88
Durable goods.....	28	22	28	29
Total.....	343	289	298	312

* Includes net imports of food as follows: 1938-8; 1946-8; 1947-8; 1948-5.

NOTE.—(1) These figures may for practical purposes be considered representative of per capita as well as of total consumption, since total population in 1948 is 41.2 million compared with 41.6 million in 1938.

(2) These figures in effect assume that availability of consumers goods is equivalent to availability to consumers. During a serious inflation this is a somewhat misleading assumption because of the tendency to speculative inventory accumulation.

Source: Appendix A, table I.

Particularly striking are the food consumption figures, which were in 1948 still 18 percent below 1938 on an over-all basis, although the farm population consumed food at prewar levels. Moreover, the improvement since 1946 in total value of food consumed has not been great. Since other consumption except housing is at prewar levels, virtually the whole difference between consumption in 1948 and in 1938 is accounted for by the reduced level of food availabilities. As might be expected, this lower food consumption is reflected far less in the per capita caloric intake, which is now not far from 1938 levels, than in the quality of the diet. For example, in 1948-49 the per capita consumption of fats will be 19 percent, that of meat 8.5 percent and that of whole milk 24 percent below 1938.⁴ For the non-farm population the differences are, of course, much greater.

⁴ Appendix B, table III.

Aggregate consumption figures such as those in table 2 conceal the fact that the distribution of real income and therefore of consumption as between economic groups has been considerably less equitable than before the war, principally as a result of the persistent inflation. One evidence of this is the maldistribution of domestic food supplies as between farm and non-farm population.

In addition, trends in French workers' real earnings since the prewar period indicate significantly lowered levels of living. Precise information on the extent of the decline cannot be obtained from French statistics. However, hourly money wages of metal workers⁵ in Paris, for example, were approximately 9 to 10 times the prewar level in the fall of 1948, while retail prices measured by the limited 34-item (mostly foods) index for Paris rose to 18-19 times the prewar level, indicating a decline in real wages as compared with prewar of about one-half. This disparity has been reduced by increased postwar wage supplements, particularly in the form of family allowances, which benefit workers with dependent children. These allowances, which are supported by employers' contributions, amounting on the average to 16 percent of industrial pay rolls, have been expanded largely to meet the relatively greater hardships of family groups during an inflationary situation. Wage rates in the provinces are from 5 to 25 percent below the Paris levels, despite the fact that prewar consumer price differentials have been largely eliminated.

The differential between the skilled and unskilled worker has been considerably narrowed by the operation of wage controls, and by the system of giving flat-rate wage supplements to workers in every category, instead of percentage adjustments of the basic rate. The present reduced level of industrial output per man-hour as well as the difficulty of recruiting skilled workmen can perhaps be attributed in part to the reduction of such former income incentives. Earnings of salaried workers in France, as in other countries suffering from inflation, have not kept up with those of wage earners.

The price index used above in measuring reduction of purchasing power fails to take account of the black-market prices paid for a significant part of family purchases during this period and does not reflect the deterioration in quality and the entire disappearance of many items from the market. Data from family expenditure studies in the postwar period indicate that a larger proportion of family income is being spent on food than before the war. Within food expenditures there has been a shift from the higher-priced protein foods to the lower-priced carbohydrates. Although relatively effective rent con-

⁵ Statistics on wages of metalworkers are the only such data available for late 1948.

trols have reduced the amount of the total income devoted to housing, the poor state of repair and the limited new building has resulted in a significant reduction in housing standards in France as compared with the prewar period.

Some indication of French workers' difficulty in meeting rising prices can be obtained from Government estimates of the minimum subsistence budget for a single worker in Paris during the past year, shown in table 3 below.⁶ This minimum subsistence budget is comparable to a relief budget in the United States; the estimates of the minimum budget made by the moderate trade unions are substantially higher.⁷

TABLE 3.—*Metropolitan France: Estimated monthly minimum subsistence budget for a single worker and minimum wage for Paris, 1947-48*

	Francs per month		
	Estimated subsistence budget (1)	Minimum wage (2)	(2) as percentage of (1)
November 1947.....	8,828	8,500	96.3
February 1948.....	10,813	10,500	97.1
May 1948.....	11,364	10,500	92.4
August 1948.....	11,159	10,500	94.1
November 1948.....	13,230	12,400	93.7
Percent increase, November over August.....		18.6	18.1

Source: Institut National de la Statistique et des Etudes Economiques.

NOTE.—The estimates shown in table 3 are based on a consumption pattern in which only about 40 percent of total purchases are devoted for food as compared with the actual figure of 60 percent for workers' families in postwar family expenditure studies.

In spite of the relatively low subsistence standard set by this budget, workers receiving the minimum monthly wages have had considerable difficulty in meeting these requirements during the past year, and their situation deteriorated during the course of the year. This has resulted in dissatisfaction among workers and, to a considerable degree, explains the continued strength of the Communists, both politically and in the CGT.

3. Investment

As table 1 has shown, production of investment goods in France is already far above the 1938 levels. The following table shows how this production, plus or minus net imports or exports of equipment, is divided between the principal categories of investment goods and between replacement and new investment:

⁶ For composition of this budget see appendix B, table IV.

⁷ Estimates for November 1948, issued by the Interconfederation Committee of the Non-Communist Unions called for a minimum budget of 14,674 francs.

TABLE 4.—*Metropolitan France: Availability of finished capital goods by major categories, at market prices, 1938 and 1946-48*¹

[Billions of 1938 francs]

	1938	1946	1947	1948
Mechanical equipment.....	21	26	28	25
Transport equipment.....	12	17	21	22
Construction.....	25	24	29	31
Total gross investment ²	58	67	78	78
Maintenance.....	50	48	49	50
Total net domestic investment ²	8	19	29	28

¹ Excludes armament. Net foreign trade in equipment as follows: 1938 (-1); 1946 (+7); 1947 (+8) 1948 (+1).

² Excludes net inventory increases. See table 1, footnote 1.

Source: Appendix A, table I.

It is apparent that an impressive investment effort is being made and that, as already indicated, it has been in part at the expense of current consumption. Gross investment in 1948 was roughly 18 percent of total availabilities as compared with about 13 percent in 1938. The current volume of net, fixed investment increased very rapidly between 1946 and 1947, and leveled off during 1948.

In order to understand the direction and productive significance of those investments in somewhat more concrete terms, it is helpful to see quantitatively the relation between maintenance and net investment by major categories to the extent that data permit (table 5), and then to examine qualitatively the character of the investments within these broad categories.

TABLE 5.—*Metropolitan France: Maintenance and net investment by major categories, 1938 and 1946*

[Billions of 1948 francs]

	1938		1946		1947		1948	
	M	I	M	I	M	I	M	I
Industrial equipment.....	13	3.5	14	8	13.5	10.5	14	6
Transportation and communication equipment.....	11	1	8.5	8.5	10	11	10	12
Agricultural equipment.....	4	0.5	4.5	7.5	4.5	5	5	5
Construction.....	22	3	21	3	21	7.5	21	10
Total.....	50	8	48	19	49	29	50	28

M=Requirements for maintenance.

I=Net investment or disinvestment (-).

Source: Second and Third Semiannual Reports on the Realization of the Plan of Modernization and Equipment, pp. 65 and 85, respectively.

A close study of these figures, supplemented by other material from the same sources, reveals a great deal about the pattern of French investment and reconstruction since the war. It indicates also something of the enormous size of the real requirements for investment in an economy whose housing and productive capital plant had already

deteriorated seriously even before the years of wartime under-maintenance. Thus:

(1) Net investment in construction, which was a quarter of total net investment in 1947 and over a third in 1948, has been heavily concentrated in electric power (particularly hydroelectric dams), repair of roads and bridges, restoration of damaged industrial buildings and reconstruction of housing in the war-devastated areas. Taking the country as a whole, however, there has been no net investment in housing, which has (again for the country as a whole) continued to suffer disinvestment as it did during the 1930's.⁸

(2) Net investment in industry accounted for roughly one-third of total net investment in 1947, but less in 1948. It is heavily concentrated, particularly in the electric-power field, the machine-tool industry, and the oil refineries. (The latter suffered extensive war damage.) During 1947, the consumer-goods industries received a low priority; in the textile, food-processing, and printing industries disinvestment continued. In 1948, however, the emphasis on industrial investment shifted somewhat, and some re-equipment in the textile, chemical, food-processing, and printing industries has begun.

(3) The volume of net investment in transport remains very high, although the extent of dependence on emergency imports of railroad and road transport equipment has now been drastically reduced as compared with 1947. In 1947, the largest investment was in railroad reconstruction and rolling stock, in new trucks, and in the construction and purchase abroad of ships. In 1948, it appears that investment in trucks is in first place.

(4) Investment in agricultural equipment presents a contrasting picture. Over-all, there has been no net increase in agricultural equipment since the war, and even some disinvestment during 1946. However, the number of tractors has increased, though the total number still remains very small.

The division of investments among industrial sectors in the French economy since liberation has been to a very considerable extent determined by Government policy. In 1947, approximately 80 percent of total net investment (including reconstruction) was publicly financed. Only a small part can be classified as uncontrolled private investment, and even such investment has been shaped to some degree by Government policy in the allocation of materials (particularly coal and steel) and of foreign exchange.

⁸ The maintenance figures in table 5 are not estimates of actual maintenance but theoretical figures indicating how much investment would have been required to maintain existing capital in the four categories. In fact, the necessity of concentrating net investment in priority sectors has resulted in failure even to maintain capital in other sectors. This is true for housing, taken as a whole, despite the large expenditures on housing reconstruction.

The dominant part played by the French Government in the financing and control of investment in the private sector has been the result principally of the drying up of the private long-term-capital market.⁹ However, apparent lack of confidence on the part of the business community, which tends to inhibit investment in fixed productive capital, is also a factor. As a result, the Government, in response to the enormous real needs for investment and to strong political pressures, has been increasingly forced to assume the role of chief source of long-term capital and of financial risk taker and entrepreneur over a large part of the industrial economy. Had it not done so, there would probably have been a serious lack of effective demand for capital goods and under-utilization of plant and manpower in the capital-goods industries.

The size of public investment and its direction has been largely determined by three partially conflicting objectives and lines of policy: (1) Reconstruction of war damage and repair of under-maintenance, particularly of housing; (2) the Monnet plan; and (3) the achievement of financial stability. In practice, the last of these objectives has consistently given way to the first two. The first, perhaps, requires little explanation. French buildings were generally in bad shape before the war and suffered considerable war damage. The political support for public expenditures for this purpose is, understandably, very great. The Monnet plan is something entirely new in French experience. In its essentials, it is a program of very large public investments in the so-called basic sectors of the French industrial economy—investments intended to compensate for the years of economic stagnation prior to 1939. Table 6 below shows the pattern of net investments which has resulted from the interaction of these objectives.

The figures indicate that the Monnet plan "basic sectors" and housing reconstruction are together absorbing between 50 and 60 percent of net investment in France. As will be seen below, this pattern is continued in the French 4-year program.

Further examination into the sources of funds and methods of financing of French investments reveals some of the great difficulties which have been met and in part overcome by the French Government in pushing ahead with its investment program. It indicates also the sources of the persistent inflationary pressure in the French economy. Table 7 shows the national capital account of the French economy

⁹ Thus in 1947, savings by private persons available for financing investment amounted to only 1.5 percent of gross national product. The willingness to risk such savings in the long term capital market is very limited; the private long term capital market in France has dwindled almost to the vanishing point. Personal savings tend to be invested in local reconstruction and, where opportunities exist, in hoarding of gold or commodities or to be lost in capital flight. Private business financing is now limited very largely to self-financing out of undistributed profits and to commercial bank credit; the latter, however, apart from its inflationary impact, is obviously not an effective economic substitute for adequate long term financing.

TABLE 6.—Metropolitan France: Net Investment by Economic Sectors, 1947 and 1948¹

[Billions of francs at first half 1948 prices]

	1947 ²		1948 ³	
	Total	State-financed ⁴	Total	State-financed ⁴
Basic sectors:				
Coal mines ⁵	42	42	41	41
Electric power ⁵	69	62	60	51
Gas ⁵			1	1
State railways ⁴	38	38	40	40
Steel.....	13	3	20	4
Refineries.....	21	8	18	4
Cement.....	2		2	
Agricultural machinery.....	1		1	
Inland water transportation.....	8	7	4	1
Fertilizer.....			1	
Total.....	244	210	188	142
Other sectors:				
Agriculture.....	64	8	70	16
Housing.....	183	155	140	120
Industry and Commerce.....	83	62	90	20
Transportation and communication.....	133	128	110	100
Public services.....	30	30	22	22
Total.....	493	383	432	278
Grand total.....	737	593	620	420

¹ These figures exclude increases in inventories and actual maintenance expenditures, which are to be distinguished from the theoretical maintenance figures given in table 5. They exclude also unrecorded private investments; i. e., investments which are not regulated by public agencies.

² Figures raised by 60 percent, which correspond to the rise in capital goods prices between the 1947 average and the average for the first six months of 1948.

³ At annual rate based upon first 6 months.

⁴ Including financing by local authorities and nationalized industries.

⁵ Nationalized industries.

Source: Second and Third Semiannual reports, op. cit.

in such a way as to indicate the inflationary pressures in an economy whose fiscal system (particularly the tax system) is outmoded and inadequate to the enormous burden of investment financing which of necessity has been thrust upon it:

TABLE 7.—Metropolitan France: Capital account of the French economy, 1947 and 1948

[Billions of current francs]

	1947	1948 ¹		1947	1948 ¹
Outlays:			Sources of financing—Con.		
Net investments.....	² 627	910	Mainly noninflationary—Con.		
Public outlays (excluding investment).....	932	1,320	Undistributed business earnings.....	116	100
Total outlays.....	1,559	2,230	Savings accounts ⁵	10	160
				1,289	1,984
Sources of financing:			Mainly inflationary:		
Mainly noninflationary:			Private bank credit.....	90	262
Public revenues, etc. ³	989	1,486	Bank of France credit.....	180	⁶ 88
Capital market.....	64	118		270	350
Foreign aid and disinvestment ⁴	110	120	Surplus of financial resources over outlays.....		163

¹ First half year at an annual rate.

² Consists of: 460 billion francs (737 billion francs at 1948 prices; see table 6) increase in plant and equipment and 117 billion francs unrecorded private investment.

³ Includes receipts from Treasury correspondents, such as social security, postal savings, etc.

⁴ Includes liquidation of French foreign exchange assets.

⁵ Caisse des Depots and Crédit Foncier.

⁶ Reduction of advances to public agencies of 49 and increase of private credits of 136.

Source: Second and Third Semi-annual Reports, op. cit.

NOTE.—Prices in 1948 (first half) were 60 to 70 percent above average 1947 prices. The investment figures in this table cannot be directly compared with those in table 6 because the 1947 figures in table 6 are in 1948 francs. Furthermore, the net investment figures in this table include inventory increases and an estimate of unrecorded investments which are excluded from table 6.

As the table shows, the private capital market and individual savings contributed very little to the financing of investment. Undistributed business profits were substantial, but accounted for only about 15 percent of total net investment. In the absence of adequate Government revenues, the principal reliance has been on liquidation of foreign assets, foreign aid, and heavy inflationary financing by the banks.

The figures for the first half of 1948 show considerable improvement over 1947 from the viewpoint of financial stability. This was made possible by an extraordinary compulsory loan of 100 billion francs, whose deflationary effect was virtually exhausted by the middle of the year, and by a sharp increase in savings deposits. As a further stabilization measure the Government temporarily cut the rate of real fixed investment, but the sharply increased volume of private bank credit financed a largely offsetting increase in the rate of inventory accumulation, probably in large measure speculative.

C. SOURCES OF RESOURCES

1. Industrial Production

Under the impulse of an active Government economic policy, the recovery of industrial production in France since VE-day has been fairly rapid, considerably more rapid than after World War I. Until approximately the second half of 1947 industrial production was limited primarily by energy supply, of which the principal component (75 percent) is coal. A vigorous and effective effort on the part of the French Government to raise coal production by greatly increasing the labor force in the mines, and increased availabilities of United States and German coal, have virtually removed this obstacle, strikes apart.

The gross value of French industrial production (in real terms at factor cost), which was 81 (1938=100) in 1946, averaged 92 for the year 1947 and 102 for the first half of 1948.¹⁰ During the second half of 1948, however, it fell back again to an average of about 99, so that the average for the year 1948 will be about 100.

The most important single cause of this set-back in the second half of 1948 was, of course, the Communist-led strikes of October-November-

¹⁰ These figures are derived from appendix A, table IV. They give a slightly different picture than does the more widely used INSEE index of industrial production because their coverage is more comprehensive. (The INSEE index excludes food processing and clothing manufacture.) The INSEE index gives the following results (1938=100): 1946=79; 1947=95; 1948 (first half)=112. The sharp divergence of the two indexes for the first half of 1948 is due to seasonal factors and will be largely eliminated for the year as a whole.

Of interest in this connection is the following index of total energy availabilities (1938=100): 1946=85; 1947=94; 1948 (first half)=108.

ber 1948, principally the coal and steel strikes. These strikes cost the French economy some 5.5 million metric tons of coal and 400,000 metric tons of crude steel, and slowed production in a number of other industries. Coal stocks were reduced very seriously and, as a result, it has been necessary to increase imports of American coal during 1948-49 by 2,000,000 tons and to cut dollar imports of other commodities.

The obviously political character of the strikes undoubtedly cost the Communist leadership of the CGT some support among the rank and file of French labor. It is, however, important to appreciate that the ability of the Communist leaders at this time to carry on their program of economic sabotage, and, ultimately their ability to retain control of the CGT, depends directly on the extent of dissatisfaction among the rank and file of French workers. French labor is not interested in political strikes; that portion of it which follows the CGT leadership does so mainly because it has suffered from inflation and has sometimes found Communist direct action more satisfying than the slow processes of economic recovery.

Since 1947 the improvement in industrial output has reflected both an increase in output per man-hour and an increase in labor input as can be seen from the following table:

TABLE 8.—*Metropolitan France: Changes in output per man-hour in industry, 1946-1948*

[1938=100]

	Total hours worked ¹	Industrial production	Output per man-hour
1946.....	108	76	72
1947.....	124	95	77
1948:			
February.....	120	112	86
July.....	125	109	87

¹ Excludes time lost through strikes, absenteeism, vacations, etc.

Source: Manpower Commission, Commissariat of the Plan of Modernization and Equipment (Monnet plan).

NOTE.—In order to have a coverage comparable to that of the index of hours worked, it has been necessary to use the INSEE index of industrial production rather than the more comprehensive national account estimates. See footnote 10, p. 17.

The index of labor input has not changed materially from its 1947 level and will not increase substantially in the next few years unless immigration is encouraged or employment of workers from across the frontier is increased.^{10a} The increases thus far registered in output per man-hour can be explained largely in terms of increased raw materials, fuel, and energy supplies. The rate of increase in output per man-hour since the war has been substantial, amounting to 20 percent between 1946 and July 1948.

^{10a} An increase in the scheduled work week is unlikely since it is now approximately 47 hours on the average for all industries.

Nevertheless, the fact remains that the level of output per man-hour today is substantially below that of 1938. Several explanations of this low level may be adduced. The first, and probably most important, is the fact that energy supply and stocks of raw materials and replacement parts are still not always adequate to permit maximum efficiency in plant operations. Even before the coal strike, many French factories were unable to maintain a full weekly work schedule because of power shortages. Such conditions are more common now as a result of the coal strike. A second explanation is under-maintenance during the occupation years, of plant and equipment, which has not yet been made good. In many instances the physical plant of French industries today is in poorer condition than it was in 1938.

Another explanation, less tangible than the other two, is the lack of incentive to both management and labor to increase the efficiency of their operations. In an inflationary situation, comparative costs of production are of minor importance, as a ready domestic market at rising prices can be found without much difficulty. Management tends to be interested more in the quick profits to be made immediately rather than in the long-term market outlook for its products. Such an attitude on the part of management inevitably reacts unfavorably on the spirit and enterprise of the labor force. Finally, the adverse effects of the atmosphere of political tension and uncertainty on labor effort and on management should be noted.

2. Agricultural Production

The recovery of French agricultural production since liberation has been irregular, as the following summary table indicates, and is still well short of prewar. The fluctuations reflect primarily bad weather conditions in 1945-46 and 1947-48 and unusually good conditions in 1948-49.

TABLE 9.—*Metropolitan France: Volume of gross agricultural output*¹
[1934-38 average = 100]

1945-46.....	66	1947-48.....	80
1946-47.....	88	1948-49.....	97

¹ These indexes are based on estimates of gross physical volume of agricultural production valued at 1938 prices, on a consumption-year basis. The estimate for 1945-46 is from the Institut National de la Statistique et des Etudes Economiques. The estimate for 1946-47 was made by the Commission du Bilan and those for the other periods are by the ECA Special Mission to France.

According to census data, the agricultural labor force increased from a total of 7.1 million in 1938 to 7.4 million in 1946. However, the apparent increase is, in large part, due to a change in census methods and to false registration of rural inhabitants as agricultural laborers for ration card purposes. In part, also, the census reflects the reversal during and after World War II (as previously during World War I) of the trend away from the farms due to the difficulty of obtaining

food in the cities. Since 1946, this trend has been resumed and a Ministry of Agriculture estimate places the agricultural labor force in August 1948 at 7 million persons. It may be expected that as the conditions of urban living become more favorable, the agricultural labor force will decline sharply.

Area under crops in 1948 is still measurably less than in 1938. The goal of French agricultural policy is to expand the tilled area somewhat, but primarily to increase the use of fertilizer and the mechanization of French farming and by other means to raise agricultural output per man and per hectare well above prewar levels.

Changes in output per man in French agriculture are shown in the following table:

TABLE 10.—*Metropolitan France: Estimated agricultural employment and gross output per man in agriculture*

[1938=100]

	Index of agricultural employment	Index of agricultural output per man
1946-47.....	104	85
1947-48.....	102	80
1948-49.....	99	98

Although the excellent 1948-49 yields are also reflected in a high output per man, there is as yet no indication of an important permanent increase over prewar in the productivity of agricultural labor. This must await the success of the French agricultural equipment program, the consolidation of small, uneconomical farm holdings, and other necessary developments in French agricultural policy.

D. EXTERNAL ACCOUNTS

ECA aid makes its impact on the French economy through the medium of the external accounts, where it appears as the means of financing the excess of imports over exports. This import surplus (more precisely, the deficit in the current balance of payments) adds to the resources available to the French economy and makes feasible the capital investments fundamental to the recovery of France.

I. Balance of Payments

The prewar balance of payments of the French Union characteristically exhibited a deficit on merchandise account offset by net invisible receipts. The size of the merchandise deficit varied considerably. During the 1920's, it was generally small, and more than covered by invisible receipts. During the 1930's, the excess of imports increased

and the current account exhibited a net deficit, which was financed by liquidation of foreign assets.

Since liberation, the merchandise deficit has increased enormously, and a large current deficit on invisible account has appeared as a new, adverse factor in France's external accounts. This combination of factors has resulted in a postwar balance of payments deficit of staggering proportions. The magnitude of these changes may be seen from the following summary of the prewar and the 1947 figures:

TABLE 11.—*French Union: Balance of payments in all currencies on current account with non-franc areas, 1937, 1938, and 1947*

[Millions of current dollars or dollar equivalents]

	1937	1938	1947
Imports (Metropole).....	-1,130	-870	-2,492
Exports (Metropole).....	+670	+610	+1,040
DOT's current deficit ¹	-50	-60	-163
Trade deficit of French Union.....	-510	-290	-1,615
Net invisibles.....	+150	+207	+276
French Union deficit on current account.....	-330	-83	-1,390

¹ Largely a trade deficit.

² Excluding extraordinary receipts.

About two-thirds of the postwar increase in the total current account deficit of the French Union can be attributed to the deterioration of the merchandise balance, and about one-third to the shift in the invisibles account from surplus to deficit. (These changes are discussed more fully in connection with the analysis of the French long-term program in chapter IV below.)

The over-all French balance of payments position has shown surprisingly little improvement from 1947 to the first half of 1948. The following table summarizes the current account position of the French Union in 1947 and 1948 and the target figures for the first ERP program year according to official French estimates:

TABLE 12.—*French Union: Balance of payments on current account in all currencies, 1947, 1948, and 1948-49 program*

[Millions of 1948 dollars or dollar equivalents]

	1947	1948 (preliminary)		1948-49 program
		First half ¹	Second half ¹	
Imports.....	2,676	2,604	2,136	² 2,154
Exports.....	1,117	954	1,166	1,231
Trade balance.....	-1,559	-1,710	-970	-923
Net invisibles (including DOT deficit).....	³ -475	³ -298	-574	⁴ -385
Current deficit ²	-2,034	-2,008	-1,544	-1,308

¹ Annual rate.

² Including 178 million dollars of previous contracts.

³ Adjusted to exclude extraordinary receipts which would impair comparability.

⁴ Excluding 178 million dollars of previous contracts.

It will be seen that the current account deficit in the first half of 1948 was almost as high as that in 1947, taking both on the adjusted basis. Imports were at the same level as during 1947; exports declined sharply, and this decline was offset by a reduction in net invisible payments, mainly freight.

According to preliminary official estimates, the situation improved substantially during the second half of 1948, when the combined effect of a sharp cut in imports and expansion in exports more than offset an increase in net invisible payments and reduced the annual rate of current deficit by almost half a billion dollars.²⁴ According to these estimates, the French external accounts in the second half of 1948 exhibited a pattern not far different from that programmed for 1948-49. The over-all deficit in the second half of 1948 stood, apparently, at a level somewhat more than 200 million dollars above the programmed rate for the 1948-49 year; the reduction required to fulfill the 1948-49 program does not appear out of reach.

The biggest problem is presented by the invisible items, on which the net payment increased substantially in the second half of 1948 and which will require drastic cutting in order to achieve the 1948-49 program. Invisibles are particularly susceptible to being dissipated in capital flight operations, and it is possible that the tightening of the exchange controls now under way will increase materially the receipts on account of invisibles. This would be especially true of the tourist receipts item, of which the 90 million dollars received through official channels in 1948 is estimated to have been less than half of actual tourist expenditures in France.

The improvement in the balance of payments position of the French Union in gold and dollars is even more marked than the improvement in the overall position. The current account dollar deficit, which was running at a rate of 1.7 billion dollars in 1947 (adjusted to 1948 dollars and for extraordinary receipts), declined to an annual rate of 1.2 billion dollars during the first half of 1948. Its further decline to about the program figure of 1 billion dollars for 1948-49 seems probable. However, this improvement has been accomplished partially by shifting the deficit to other areas, as is indicated by the following figures:

²⁴The drop in imports indicated by these figures is at variance with the movement of the official index of import volume which increased from first to second half of 1948. Furthermore, a comparison of the balance of payments estimate of imports with the total as shown by customs figures indicates that the adjustment for under-valuation found necessary for 1946, 1947, and the first half of 1948 was apparently no longer necessary for the second half of 1948. The time lag between payments for and arrivals of imports may explain these differences.

TABLE 13.—*French Union: Currency breakdown of deficit on current account, 1947 and 1948 (1st half)*

[Billions of 1948 dollars or dollar equivalent]

	1947	1948 first half ¹
Over-all deficit.....	2.0	2.0
Dollar deficit.....	1.7	1.2
Sterling deficit.....	.1	.5
Other (net).....	.2	.3

¹ At annual rate.

The increase in the non-dollar deficit has been mainly with the sterling area and with Belgium. During the first half of 1948, France ran a current account deficit of 231 million dollars in sterling and used up 200 million dollars of accumulated sterling balances.²² This compares with a sterling deficit for the full year 1947 of only 58 million dollars and for 1946 of 291 million dollars. It is already apparent that France's 200 million dollars of drawing rights in sterling for 1948-49 under the intra-European payments plan will be prematurely exhausted unless France cuts sterling imports substantially and/or increases exports to the sterling area. With regard to Belgium, the deficit during the first half of 1948 was below that in 1947. This was, however, accomplished by a reduction of the level of trade with Belgium to about one-half of the 1947 volume. The current difficulties which the French are experiencing with Belgium appear to result in part from the seasonal decline in tourist receipts from Belgium but more fundamentally from the French need to expand exports to Belgium above the depressed level of the first half of 1948.²³

In 1946 and 1947 the French financed their balance of payments deficit by borrowing abroad and through liquidating official and requisitioned private holdings. In 1946 more than 2.2 billion dollars was obtained in this way—half by borrowing and half by liquidation of French assets. In 1947 new borrowing of about 1.3 billion dollars constituted the major source of financing (mainly under the Blum-Byrnes agreement, and from the International Bank and the Export-Import Bank); continued drawing down of remaining assets brought in about half a billion dollars. Since 1947 interim and ECA aid have provided the major part of the financing of the French deficit.

2. Imports

The volume of total imports into metropolitan France in 1948 was only slightly above prewar, but this was the net result of sharply di-

²² See appendix D, table V.

²³ The discussion of the impediments to French exports in Chapter III below includes consideration of the specific difficulties of increasing exports to the United Kingdom and Belgium.

vergent movements of imports from the overseas territories and of those from foreign countries. The former were well below prewar, while the latter were higher, as the following table shows:

TABLE 14.—Metropolitan France: Index of volume of imports, 1938 and 1946-48
[1938=100]

	Total imports	From overseas dependent territories	From foreign countries
1938.....	100	100	100
1946.....	112	51	137
1947.....	107	50	130
1948:			
Full year.....	104	62	118
First half.....	99	60	113
Third quarter.....	104	49	126
Fourth quarter.....	114	80	110

Source: New official index (provisional) prepared by Institut National de Statistiques et des Études Économiques, on basis of the new classification of trade returns. The former index, available only through 1947, was as follows for that year (1938=100): Total imports, 117; from D O T's, 51; from foreign countries, 150.

According to the 1948-49 program, imports from foreign countries in that year will be about 25 percent under 1947, which implies, on the basis of the above index, a level some 5 percent above that of 1938. The 1948-49 program also implies a drop of almost 14 percent in the volume of imports from the present level and from the estimated volume for the calendar year 1948, and almost 20 percent under the actual level of imports from foreign countries in the third quarter of 1948.

Commodity pattern.—The reduction in imports contemplated by the 1948-49 import program as submitted by the French to OEEC compared with 1947 and 1948, involved a change in the commodity composition of imports made possible primarily by increased French production. For example:

(1) Imports of food and agricultural products in 1948-49 should be considerably less than half the 1947 volume.

(2) Imports of raw materials and semifinished goods should be higher in volume than in 1947; they will constitute a little over 60 percent of total imports from all areas, or about the same proportion as in 1938.

(3) Imports of manufactured goods (primarily equipment) should be about 200 million dollars less than in 1947, when equipment imports were swollen by heavy reconstruction needs, particularly transport equipment.

Except for agricultural products, which continued through 1948 to be almost 20 percent of total imports from foreign countries, most of the general shifts in commodity composition programmed for 1948-49 were actually achieved during the calendar year just ended.

These projected changes are illustrated by the following table:

TABLE 15.—Metropolitan France: Commodity composition of imports from foreign countries, 1938, 1947, 1948, 1948-49

[Percent of total imports from foreign countries, c. i. f. basis]

	1938 ¹	1947 ¹	1948 ²		Program 1948-49 ³
			First half ⁴	Second half ⁴	
Agricultural products.....	14.7	18.0	19.8	19.3	12.7
Combustibles and energy.....	27.4	16.2	23.4	24.4	22.0
Metals and minerals.....	6.7	9.6	7.8	7.4	10.5
Textiles and leather.....	23.3	19.4	22.4	23.3	23.8
Equipment.....	8.6	19.9	13.4	10.7	15.7
Other.....	19.3	16.9	13.2	14.9	15.3
Total.....	100.0	100.0	100.0	100.0	100.0

¹ French 4-year program.

² French report for first half of year of ERP; ECA Mission to France for second half.

³ French 1948-49 program, revised; f. o. b. basis.

⁴ Annual rates.

Area pattern.—The changes in the commodity composition of imports, and the large net drawing rights granted France under the intra-European payments plan, should make possible a drastic shift in the area pattern of metropolitan French imports in 1948-49 as compared with 1947. Thus, according to the 1948-49 program France's reliance on imports from the Western Hemisphere is expected to fall from 53 percent of total nonfranc imports in 1947 to about 40 percent in 1948-49. Conversely, other participating countries including the entire sterling area, which supplied only 39 percent of France's nonfranc imports in 1947, should supply nearly 53 percent in 1948-49. Although these changes represent an important shift toward prewar patterns, France's dependence on the Western Hemisphere continues high by prewar standards, and the failure of imports from Far Eastern areas and Eastern Europe to recover (as indicated by the low "other" percentage) is significant. Furthermore, the projected volume of imports from other participating countries and from the sterling area could not be financed without the 323 million dollars of net drawing rights, principally in sterling, because of lagging French exports.

TABLE 16.—Metropolitan France: Area pattern of imports from foreign countries, 1938, 1947, and 1948-49

	1938 ¹	1947 ¹	1948-49 ²		1938 ¹	1947 ¹	1948-49 ²
1. Nonparticipants:				2. Participants: All PC's			
Western Hemisphere.....	27.9	52.7	40.2	and DOT's.....	45.5	29.6	39.1
Sterling area.....	11.0	9.4	13.7		100.0	100.0	100.0
Other.....	15.6	8.3	7.0				

¹ From French 4-year program.

² French 1948-49 program as revised by OEEC, f. o. b. basis.

It should be noted that the 1948-49 program is still in the process of being implemented, and that changes from the original pattern have already occurred and will undoubtedly continue to occur. However, the main outlines of the foregoing discussion of imports appear to be borne out by actual developments.

3. Exports

Total exports of metropolitan France, including those to the overseas territories as well as those to foreign countries, have recently reached the prewar volume. Since exports to the DOT's, which do not earn foreign exchange, are running well ahead of prewar volume, it follows that exports to foreign countries are still below the 1938 level, although the last half of 1948 shows a considerable improvement:

TABLE 17.—*Metropolitan France: Index of volume of exports, 1938 and 1946-48*¹

[1938=100]

	Total ex-ports	To overseas dependent territories	To foreign countries
1938.....	100	100	100
1946.....	51	52	49
1947.....	85	107	76
1948: full year.....	94	130	78
First half.....	88	131	68
Third quarter.....	94	121	83
Fourth quarter.....	107	138	92

¹ New official index (provisional) prepared by Institut National de Statistiques et des Etudes Economiques on basis of new classification of trade returns. The former index, available only through 1947, was as follows for that year (1938=100): Total exports, 82; to DOT's, 104, to foreign countries, 74.

The volume of exports to foreign countries for 1948 as a whole appears to have been at about the 1947 level.¹⁵ The export goal in the 1948-49 program was set at about 10 percent above the 1947 volume, which is about the same percent above calendar 1948 or at about the rate of the third calendar quarter of 1948. This goal should be readily attainable.

For the first 9 months of 1948, the dollar value of French exports was almost identical with the dollar value of 1947 exports. It must be noted, however, that since April 1, 1948, the Saar has been treated as part of France for trade-statistics purposes. Saar shipments to Germany (primarily coal, but also iron, steel and other products), now included with French exports, probably totaled some 40 to 50 million dollars in the second and third quarters. The postwar figures are summarized in the following table:

¹⁵ Because of a shift in the recording procedures, first quarter 1948 exports are slightly understated; on the other hand, because exports of the Saar are counted as French exports beginning in April 1948, exports after that period are overstated relative to preceding periods.

TABLE 18.—Metropolitan France: Exports to foreign countries, 1947 and 1948

[Millions of current dollars f. o. b.]

	1947	1948		1947	1948
First quarter.....	245	189	Fourth quarter.....	274	(?)
Second quarter.....	290	1 288	Total, entire year.....	1,646	(?)
Third quarter.....	237	1 293	Quarterly average:		
Total, first 9 months.....	772	770	Second and third quarters..	263	292
			Entire year.....	262	(?)

¹ Includes Saar exports.

² Not available.

Source: Monthly French trade statistics.

Towards the end of 1947 and early in 1948 there was widespread belief among the foreign trade community that a devaluation of the franc was imminent.¹⁶ At that time the artificially high value of the franc was already restricting the conclusion of French export contracts. These rumors of devaluation made both buyers and sellers even more reluctant to close deals. This period of uncertainty is reflected in the sharp decline in exports in the first quarter of 1948.

The area distribution of French exports to foreign countries has changed comparatively little over the past 20 years. Some shifts are apparent, however, when 1947 and 1948 exports are compared with those of 1938. The most important change has been the increased proportion of exports going to participating countries outside the sterling zone. At the same time there has been a decrease in the percentage of French exports going to the United Kingdom and its overseas territories. The proportion of French exports going to nonparticipating countries in the sterling zone has increased, as has the proportion going to South America. On the other hand, the percent of French exports purchased by North and Central American countries has declined, as has the percent going to "other nonparticipants."

The following table illustrates these postwar shifts in the area pattern of French exports:

TABLE 19.—Metropolitan France: Area pattern of exports to nonfranc areas, 1938, 1947, 1948-49

	Percent of total exports			
	1938	1947	1948	Program, 1948-49
Western hemisphere.....	16.6	14.1	13.3	14.4
Sterling area.....	18.9	17.5	19.1	21.8
Nonparticipating.....	1.6	4.3	3.0	5.0
Participating.....	17.3	13.1	16.1	16.8
Other nonparticipating (excluding sterling).....	13.3	12.2	10.0	13.0
Other participating (excluding sterling).....	51.2	56.3	57.6	50.8
Total.....	100	100	100	100

¹⁶ The French franc was devalued on January 26, 1948.

French exports to the United States have increased markedly since June 1948, partly because of the differential exchange rates established by the January 1948 devaluation. In the third quarter of 1948, French exports to the United States totaled 18.1 million dollars, compared to 8.5 million dollars in the third quarter of 1947. For every month of 1948 to date, exports to the United Kingdom have been somewhat above exports in the same month of 1947; however, French exports to other sterling-area countries have dropped. Furthermore, French exports to two of her principal customers, Belgium-Luxemburg and Switzerland, were appreciably lower in the first 9 months of 1948 than they were during the same period of 1947.¹⁷ Quarterly export figures to France's more important customers follow:

TABLE 20.—*Metropolitan France: Monthly averages of exports by quarters to principal customers, 1947-48*

[Millions of current dollars]

	First quarter	Second quarter	Third quarter	Fourth quarter	Year
United States (1938 average, 4.0)					
1947.....	4.8	4.3	2.8	4.1	4.0
1948.....	2.9	5.5	6.0		
Great Britain (1938 average, 8.4)					
1947.....	8.7	9.5	11.5	12.4	10.5
1948.....	11.3	12.1	12.1		
Belgium-Luxemburg (1938 average, 10.0)					
1947.....	18.6	19.3	13.9	20.6	18.1
1948.....	11.9	25.0	11.8		
Switzerland (1938 average, 4.6):					
1947.....	9.6	10.2	9.1	8.5	9.3
1948.....	6.3	8.7	7.9		
Netherlands (1938 average, 3.5):					
1947.....	4.9	6.6	5.1	6.4	5.7
1948.....	5.4	7.1	7.7		
Germany (1938 average, 4.4):					
1947.....	4.2	3.9	4.2	3.8	4.0
1948.....	1.8	11.1	12.6		

¹ For further detail see appendix D, table XIV. Saar exports included with those of metropolitan France

Changes in the commodity composition of French exports between the prewar and postwar periods have been more marked than shifts in areas of destination. During the years immediately preceding World War II, exports of heavy industrial products and industrial raw materials constituted an increasing percentage of French exports at the expense of traditional French exports such as luxury goods, textiles, beverages, etc. This trend was temporarily reversed during the months following liberation, mainly because the goods then available in France for export were largely wines, liquors, cosmetics, and other luxury or semi-luxury products. More recently, the tendency toward increased emphasis on exports of industrial products and materials has reappeared. The following table summarizes the changes in the commodity composition of French exports, by broad categories:

¹⁷ See appendix D, table XIV.

TABLE 21.—Metropolitan France: Commodity composition of exports to nonfranc areas, 1935-38, 1947, 1948-49

	Percent of total exports		
	1935-38 ¹	1947 ²	Program, 1948-49
Agricultural products.....	15	16	10
Coal, coke, etc.....	1	2	4
Minerals and metals.....	13	5	12
Mechanical and electrical equipment.....	13	22	24
Textiles and leather.....	27	28	26
Chemicals.....	11	11	10
Other.....	20	16	15
Total.....	100	100	100

¹ Table II, French 1948-49 program as revised by OEEC.

² From French long-term program memorandum.

Although in 1947 agricultural products accounted for about the same percentage of total exports as they did in the prewar period, there were very marked shifts in the composition of agricultural exports.¹⁸ In the postwar period, the export volume for cereals, fats, fish products, meats, dairy products, and tobacco has declined from prewar levels both in absolute and in proportional terms. The only group which has registered an appreciable increase is beverages (wines, brandies, etc.), but here the increase has been substantial enough to keep the agricultural products category as a whole in its prewar relationship to total exports.

Exports to Overseas Territories. The general drop in world trade which characterized the 1930's did not affect French exports to the French DOT's as much as it affected French trade with foreign countries. While there was an absolute decline in the volume of French exports to DOT's during these years, the decline was not nearly as marked as the decline in French exports to nonfranc areas. Thus, export trade with the colonies accounted for a higher proportion of total trade in the 1930's than it did in the 1920's.

In the postwar period, the importance of the French possessions as buyers of French products has increased still more. On both a volume and value basis, exports to DOT's are presently above any previous levels, as the following table indicates.

TABLE 22.—Metropolitan France: Division of total exports between foreign countries and DOT's

	Percent of total exports			Percent of total exports	
	To foreign countries	To DOT's		To foreign countries	To DOT's
1928.....	83	17	1947.....	59	41
1935.....	68	32	1948 (9 months).....	54	46
1938.....	73	27	1948-49 program.....	61	39

Source: French customs statistics and 1948-49 program.

¹⁸ See appendix D, table XII.

E. INTERNAL FINANCIAL SITUATION¹⁹

The foregoing account of the current situation in France has emphasized that the principal short run problems of French recovery are all related to the persistent inflation which, except for two short periods, has plagued the French economy since liberation.

In the early postwar period, French fiscal policy was based on the premise that the inflation would be cured automatically by an increase in production, and that measures to reduce and control the expansion of the supply of purchasing power were unnecessary or, at the least, impractical. In the meantime, major reliance was placed on price controls and on rationing of a few essential items. However, prices rose by 60 percent in the first year after liberation and by another 60 percent during the second. At the end of 1946, official prices stood at $8\frac{1}{2}$ times the prewar level; black market prices, which were the effective prices for a large percentage of all transactions, rose considerably more.

The Monnet plan, published at the end of 1946, emphasized that price stabilization was essential to the success of the recovery effort. However, although there was an increasing awareness of the fact that the large budgetary deficits were an important factor in contributing to the inflation, primary emphasis continued to be placed on nonfiscal factors.

Most interesting in this connection was the "Blum experiment," initiated at the beginning of 1947. The Blum measures brought about some reduction in the deficit spending by the Government by cutting the war damage reconstruction program. However, major reliance for reversing the trend of rising prices was placed on the psychological "shock effect" of a dramatic Government order for a 10 percent roll-back of all prices. The plan succeeded in preventing a rise in prices during the first 5 months of 1947, but thereafter the inflation resumed its course. Continued inflationary pressure from the Government deficit and from private bank credit were not checked. By the end of 1947, prices had risen to from 12 to 14 times prewar.²⁰

Toward the end of 1947, the Schuman government initiated for the first time a vigorous and realistic effort to strike at the fiscal causes of the inflation. Finance Minister Mayer proposed a stabilization program which involved the relaxation of price controls and the elimination of subsidies, with major emphasis placed on budgetary balance and cessation of all deficit financing by the Government. Treasury resources were to be increased by a forced loan (the so-called levy loan) from the middle and upper income groups, including the farmers whose

¹⁹ Chapter III, below, contains a brief analysis of the causes of the French postwar inflation. This section summarizes the history of the inflation, from liberation to the end of the Schuman-Mayer stabilization effort.

²⁰ See appendix E, tables I, II, and III for data on price changes and changes in money supply during this period.

traditional evasion of taxation has increased since the war. The proceeds of the levy were to be applied against the reconstruction and investment programs. These measures, though somewhat diluted in the Assembly, were the primary reason for the stabilization which was achieved during the first half of 1948. The exceptional levy demonstrated, though briefly, that France could enjoy financial stability and at the same time maintain the investment program, provided all classes of the population could be made to pay taxes. During the first half of 1948, French Government financing for the first time since the war was non-inflationary. From February to July 1948, retail prices increased by less than 1 percent; wholesale prices, however, were stable only during the period from February through May. In June-July, prices began again to increase and during the third quarter retail prices rose 17 percent.

The reasons for the short-lived character of the stabilization were twofold. First was the unrestricted expansion of bank credit to business during the first half of the year which took place at a rate almost three times as great as during the first half of 1947; and second, the resumption of inflationary financing by the Government after the proceeds of the levy loan had been exhausted. These two inflationary pressures converged in July and forced prices again upward.

The close correlation between the underlying fiscal pressures and the course of the stabilization effort is graphically illustrated by the following analysis of the change in the total money supply:

TABLE 23.—*Metropolitan France: Changes in money supply, January-August, 1948*

[Billions of francs]

	January-May	June-July
Due to public operations.....	-73	+57
Due to private credit.....	+145	+102
Due to miscellaneous accounts.....	+8	-36
Total change in money supply.....	+80	+123

Source: International Monetary Fund.

The stabilization achieved during the first half of 1948 demonstrated both the technical possibility of controlling inflation and the flaws of the French Government's approach to the problem at that time. It had been clear from the beginning of the year that the levy loan would carry the Treasury through only the first part of 1948, but no plans were made for obtaining additional non-inflationary receipts to cover Government expenditures during the remainder of the year. Similarly, the inflationary implications of the rapid and unchecked expansion of bank credit to business had been widely recognized. With regard to the budget, the French Government hesi-

tated to ask the Parliament for additional taxes in the face of the approaching elections. Action was postponed on the ground that the use of the 50 billion franc surplus which the Treasury had accumulated during the first half of the year and the 38 billion francs in the interim aid counterpart fund account (also accumulated during the first half of the year) would cover the budgetary deficit, despite the fact that the utilization of these funds during the second half of the year would be inflationary, since they represented an addition to total purchasing power during that period.

The resumption of price increases quickly dissipated the precarious political base on which the stabilization plan and the Schuman government rested. The Socialist left revolted, demanding wage increases, and the Schuman government fell. There followed a period of political confusion during which three French Governments fell and no fiscal program could be prepared or enacted. When, in September, the Queuille government obtained a parliamentary majority, France was shaken by strikes.

During the third quarter of 1948 there was a rapid deterioration in public finances. In the absence of additional tax receipts, the Treasury was forced to draw again on the Bank of France. Advances from the Bank of France, which had been reduced by 21 billion francs during the first half of the year, were increased by 35 billion francs during the third quarter. In addition, the Bank of France increased its holdings of short-term Treasury paper by 23 billion francs. At the same time the Treasury surplus accumulated during the first half of the year was expended and 33 billion francs were obtained from commercial banks. An expansion of bank credit to business amounting to 77 billion francs added to inflationary pressures.

It was not until late September that the Queuille government was able to develop a fiscal program for the remainder of the year that held promise of proving adequate. The new measures called for 120 billion francs in taxes, mainly through advancing the collection of production taxes, certain feasible economies, and the limitation of private bank credit through quantitative restrictions. It was estimated that as a result of those measures advances from the Bank of France could be reduced to their level at the beginning of the year and that Treasury expenditures could be financed without any further recourse to the banking system.

The Queuille program has not been as successful as anticipated, partly because these receipts were diminished by the effect of the strikes on business activity and partly because of an over-estimation of receipts. Nevertheless, the program did succeed in halting during the fourth quarter of 1948 the rapid deterioration in public finances which occurred during the third quarter of the year. It appears that for the year as a whole, Treasury expenditures may be covered with the help

of 185 billion francs in short-term borrowing (114 billion francs of which took place during the third quarter), offset by an accumulation of ECA counterpart funds of perhaps 25 billion francs. This short-term borrowing is not all inflationary. Of the 185 billion franc total, 96 billions are estimated to consist of bonds and public expenditure drafts held outside of the banking system. Thus, net inflationary financing for the year as a whole will have amounted to about 65 billion francs. This represents a considerable improvement over 1947, when advances from the Bank of France amounted to 115 billion francs and bank holdings of Treasury short-term instruments increased by 47 billion francs.²¹

The following table summarizes the manner in which the over-all deficit in Government expenditures during 1948, amounting to 551 billion francs, will be covered.

TABLE 24.—*France: Sources of Financing of Government Deficit in 1948.*

[Billions of francs]	
Levy loan.....	108
Reconstruction bonds.....	7
War damage loans.....	24
Counterpart of American assistance.....	130
Counterpart of deterioration in foreign exchange position.....	97
Short-term borrowing.....	185
Bons du tresor.....	118
Public expenditure drafts.....	67
Total deficit.....	551

²¹ For details of French budget and Treasury operations during 1948, see appendix E, tables IV, V, VI, and VII.

CHAPTER III

Basic Current Problems

A. THE PROBLEM OF INFLATION

I. Underlying Causes

Something of the underlying causes of the French inflation has already been suggested. It may, however, be helpful to summarize them here in a more systematic form.

The French inflation, like any inflation, is the product of a complex interaction of economic, psychological, and political factors, whose net effect is to keep the volume of purchasing power increasing more rapidly than the total volume of goods and services currently available. In the French situation since liberation, the following factors seem to be dominant.

(a) As shown above, the heavy public and private investment expenditures, which reflect the economy's real need for capital formation, have resulted in a drastic shift of resources from the production of consumer's goods to that of capital goods, as compared with 1938. This has been partially offset by foreign aid, but the shift has resulted in a far smaller supply of consumers' goods relative to consumers' incomes. Moreover, as noted above, the absolute volume of consumers' goods currently available, particularly food for the urban wage earner, is still below 1938: For the latter group it will remain so throughout the current fiscal year and 1949-50.

(b) The volume of private savings has been much lower than before the war. This is partly the result of the general uncertainty about the future and partly of the inflation itself, which destroys the value of money savings.

(c) Large budgetary deficits in Government financing operations have been an important force generating inflation. These deficits were partially attributable to necessary expenditures for reconstruction and development, but successive governments were unable to collect the revenues required or to reduce other expenditures. The inability of the Government to collect taxes from large sections of the population has prevented the accumulation of a surplus. This is no new phenomenon in French society, but its injurious effects

have been greatly aggravated because of the investment requirements of the recovery program.

(d) A large expansion of bank credit, particularly in 1947 and the first half of 1948, financed private investment, a part of which, in the absence of controls, was diverted into uneconomic fields. For example, part of the withholding of commodities from the market in order to obtain benefits from the rise in prices was made possible through increased bank credit which financed inventory accumulations.

(e) The wage-price spiral, which is the normal concomitant of inflation, takes on a particularly intractable character in France because of the resentment of the working population against the continuous pressure of rising prices over the last three years. It is this that gives to the Communist leadership of the Confederation General du Travail its strength, even though most of the French people are aware of the Soviet-directed nature of the tactics of the Confederation General du Travail.

(f) Finally, all these factors have intensified the political antagonisms in French society and have made it very difficult for successive governments to come to grips with the problem, and to take the fiscal measures within the competence of government action.

The basic fact is that the investment and reconstruction programs in the Monnet plan necessitate sacrifices in present consumption on the part of all groups in French society. If the sacrifices are not accepted through the orderly process of individual savings or Government taxation, they are imposed through the wasteful and inequitable mechanism of the inflation. The inflation exacts the largest sacrifices from the urban wage and salaried worker, and from the "rentier" and other fixed-income groups. The French worker now also bears a larger tax burden relative to income than other groups. Unless the burden of the reconstruction and investment program can be more equitably shared in French society by a reduction in the consumption of those groups which are relatively well off, the inflation is likely to continue. It may well be that a marginal reduction in the investment program would be preferable to continuance of the inflation; not only for the sake of economic justice, but also because the economic disorganization and waste which result from the inflation may outweigh the short-term benefits of the marginal investments. It is important, however, to realize that if such a cut becomes necessary it might postpone the attainment of external balance, and would certainly cause that balance to be reached at a lower standard of living for the French people. Thus, the French people need clearly to recognize the real alternatives which they face—either increases in taxation from the groups which traditionally have escaped their share of the tax burden, and a decrease in the consumption of these groups; or reductions in the invest-

ment program with the consequences which such cuts imply for the anticipated level of economic activity and the standard of living in the future.

2. 1949 Budget

The 1949 budget, as passed by the French Assembly, gives considerable evidence that the French Government is attempting to deal realistically with the fiscal causes of the inflation. For the first time, the budget provides definite non-inflationary receipts for all expenditures. In addition, the Prime Minister has stated that resort will not be had to direct or indirect inflationary financing; if receipts fall short of the estimates, expenditures will be cut or additional non-inflationary resources will be obtained. The budget has undergone considerable revision from the form in which it was first presented to the Assembly, but it still retains features which represent a great improvement over past efforts of post-liberation governments.

The original budget proposed by Prime Minister Queuille called for total expenditures of 1,950 billion francs with a deficit (after the use of counterpart) of about 400 billion francs to be covered by a new forced loan of 180 billion francs, a shift of income taxes to a pay-as-you-go basis to yield 100 billion francs, and a 30-percent increase in the production tax to yield another 100 billion francs. In the measure which passed the Assembly, the gap to be covered was reduced to 300 billion francs. This was done by a 65-billion-franc decrease in expenditures and the assumption of the use of 30 billions more of franc counterpart funds. At the same time that total expenditures were decreased, military expenditures were raised by 30 billion francs and civil reconstruction by 15 billion francs. Thus, the cuts in other parts of the program amounted to 110 billion francs. The modernization program appears to have borne the brunt of this cut.

On the receipts side, the levy loan and the acceleration of direct taxes were eliminated. Estimated receipts from preexisting taxes are budgeted at 30% above the 1948 level, a very optimistic figure. So large an increase appears unlikely unless prices continue to rise or the fiscal reform proves more quickly effective than is generally anticipated. The 300 billion franc deficit is to be covered by a 25% increase in the production tax and a 15% increase in other indirect taxes to yield 137 billion francs; by the payment of 60 billion francs of war damage indemnities in nonnegotiable Treasury obligations with maturities of 3, 6, and 9 years; and by an internal loan of 100 billion francs. If this internal loan has not been subscribed in full by April 1, 1949, the Government is empowered to levy additional taxes by decree. (Latest reports indicate that the loan will be oversubscribed.) Despite certain reservations, it is believed that the 1949 budget provides a basis upon which financial stability may be achieved.

3. Credit Control

The credit control measures instituted by the Queuille government represent the first attempt at quantitative limitation of credit in France. The previous regulations, which had been in force for about a year, provided for the screening of each separate credit request by the commercial banks, and in the case of large requests by the Bank of France, on the basis of the essentiality of the transaction for which credit was requested, and the inability of the applicant to obtain funds in other ways. Since the individual bank officials had no general frame of reference within which an individual application could be judged, and since, moreover, they were not technically equipped to pass on anything but the banking aspect of the request, these qualitative controls were largely ineffective. Another important weakness of the old system of controls was the fact that it did not apply to commercial bills which were freely discounted both by the commercial banks and the Bank of France. Since two-thirds of the credit extended to business is customarily through the medium of the commercial bill, the system of controls left most of the problem untouched. In the first nine months during which the earlier regulations were in force (October 1947-June 1948), the volume of credit extended to business was two-thirds above the volume for the comparable period of the previous year.

With effective administration, and provided that Government operations at the Bank of France do not add to bank reserves, the new controls should be effective in reducing the inflationary expansion of bank credit. The controls provide that (1) no further loans can be made by banks from deposits existing on October 1; (2) a 20-percent reserve in cash or Government bonds must be held against new deposits; (3) a ceiling for rediscounts at the Bank of France is to be set for each commercial bank; (4) the prior approval by the Bank of France of large credit requests is retained; and (5) commercial paper is included under the controls in exactly the same way as other credit instruments.

The critical element in these regulations is, of course, the level at which the individual bank rediscount ceilings are set. The present ceilings appear sufficiently restrictive since they have been set at a level only slightly higher than the volume of rediscounts existing on October 1. Although the business community has been violently opposed to the new restrictions, the French Government is aware of the necessity of maintaining the ceilings. Another point which should be emphasized is that the effectiveness of these controls depends on Government operations. If the Government increases its advances from the Bank of France, even if only temporarily, the reserves of the banking system are replenished, and the volume of credit may be expanded by five times the amount of the advance.

Not directly relevant to the inflation, but of importance to the Monnet plan, is the fact that the distribution of the limited volume of credit permitted under the present regulations is made by banking officials who are not equipped to judge alternative uses from the point of view of the over-all French modernization plan. This could be done more realistically by officials familiar with the investment program.

4. Fiscal Reform

Fiscal reform has long been recognized as a necessity in France. The French tax system is complicated, difficult to enforce, and regressive. The fiscal burden seems low compared to that of other countries. In the postwar period it has ranged from 20 to 25 percent of the national income as compared with 38 to 42 percent in the United Kingdom. The difference has been attributed mainly to the widespread character of tax evasions by all groups of the population except the wage and salary earner whose taxes are deducted at the source.

Indirect taxes account for two-thirds of the total tax yield, excluding social security receipts. Even the direct taxes, however, are regressive in their operation. It has been estimated by French officials that in 1947 wage earners paid 70 percent of all personal income taxes collected, while corporate income taxes are negligible. French estimates also state that if income taxes in France were actually collected, total tax receipts would be increased by one-third without any change in rates. If rates comparable to those in the United States were introduced, and if taxes were collected, it is believed that receipts would be sufficient to cover total budgetary expenses and the Government's portion of the Monnet plan investments.

In accordance with the parliamentary mandate obtained by Finance Minister Reynaud in August, the Government in December submitted a fiscal reform bill to Parliament which became effective on January 1, 1949, subject to later parliamentary amendment. The bill is modest in its aims. It is directed mainly at improving the collection of present direct taxes by simplification of the tax structure. The dozen or so separate income tax schedules are consolidated into two schedules, one for personal incomes and the other for corporate incomes. Procedures are simplified and a large number of small taxes with low yields are eliminated. The fiscal reform will probably result in more effective enforcement and increased revenues. However, it is not likely to reach its full effectiveness for several years.

B. THE PROBLEM OF FRENCH EXPORTS

Next to the problem of inflation, the most serious of France's economic problems revolves around the current impediments to an increase

in exports. The present character of the principal impediments is summarized below:

1. Trade Controls

The growth of national trade controls in Europe and in other parts of the world, especially before and since the war, and the character of the national economic policies which they implement, have resulted in a drastic change as compared with prewar in the structure of foreign demand for French exports. This is obvious enough in the case of so-called luxury exports (the importance of which in French prewar exports has, however, been considerably exaggerated).¹ It is also true for a wide range of consumer goods. Furthermore, there appears to be a tendency of national economic planning in Europe today to move toward a reduced dependence on foreign trade generally, to move away from the objective of a more internationally specialized structure of national production and toward what is euphemistically called a "balanced" (i. e., more self-sufficient) economy.

This trend, particularly in Europe, appears not to be a passing phase associated with the difficulties of a reconstruction period, but a fundamental trend, with roots extending back for more than a generation. To reverse it will require an equally fundamental solution. This is one of the great challenges which the European Recovery Program has presented to the participating countries and to the OEEC. The European countries and the OEEC recognize the critical importance of this problem.

2. Exchange Rate

From December 26, 1945, until January 26, 1948, a single official rate for the French franc of approximately 119 to the dollar was applicable to all types of transactions, and the corresponding cross rates were used for all transactions in other currencies. On January 26, 1948, the French franc was devalued to a new official rate of 214 to the dollar. In addition, a "free" market² was established for certain currencies (originally the dollar and the Portuguese escudo, later also the Swiss franc); a system of premium rates was introduced for non-commercial transactions in these currencies, and exporters were permitted to sell their earnings of these currencies half on the "free" market and half to the French Government's stabilization fund at the official rate. The effective commercial rate for these currencies, therefore, was midway between the official rate of 214 and the then "free" market rate of about 306. Foreign exchange could be legally acquired

¹In the period 1935 to 1938 only some 15 to 20 percent of French exports to foreign countries consisted of luxury goods.

²Although this market is nominally free, the Government controls the demand for currencies traded on the free market through its issuance of import licenses.

by French importers at rates varying from the pre-January official rate of 119 to the dollar to the new "free" market rate, depending on the type of import.

On October 18, 1948, an "alignment" of the French franc exchange rate system was introduced which had as its principal change a devaluation of the franc relative to those currencies not traded on the "free" market. By this change the rates for these currencies were established at the cross rate for the dollar "middle rate," thereby restoring an orderly pattern of cross rates for commercial transactions.

There is no doubt that the rate of exchange for the franc has exercised some influence on exports. The low level of exports during the early part of 1948 can be attributed to the confusion in commercial channels caused by the January devaluation. Furthermore, during the period from January to October 1948, the record of exports and testimony of foreign traders suggest that the external value of the franc interfered with French exports to an important extent. Not only were the prices of French exports too high in foreign markets, but exports were not remunerative enough compared with the advantage of sale in the domestic market.

Although it is still too early to judge, it seems reasonable to believe that, with the alignment of October 18, which resulted in a further devaluation of the franc in relation to France's principal European customers, there may be some stimulation of exports to these areas. Continued inflation in France, of course, would necessitate a further lowering of the external value of the franc to solve France's pressing export problem.

In addition to the official market for foreign exchange in Paris, there exists also a black market called the "marché parallèle" on which the dollar has been quoted at rates around 500 francs in recent months. However, these rates cannot be taken as reliable indicators of the "real" external value of the franc because of the thinness of this market.

The French Government has provided certain direct incentives to exporters. In both metropolitan France and the overseas territories, exporters of specified types of goods which the French Government wishes to stimulate may set aside 10 percent of the foreign exchange proceeds of their exports in a special fund which can be drawn upon for re-equipment of these export industries. Each drawing upon the fund must be approved by the appropriate technical agencies of the French Government after consultation with the Industry Association. A certain portion of this fund is pooled and made available to those firms which can justify its use by demonstrating that an increase in its exports will result.

In addition, industrial raw materials over and above the specific

import program may be imported under the so-called "IMEX" procedure.^{2a} This procedure has been in operation since 1945. Under it, exporters are permitted to import raw materials upon a showing that these imports will result in exports earning foreign exchange greater than that used to finance the initial purchase. The coefficient of export earnings to import requirements varies from industry to industry from two for exports of semifinished products made from nonferrous metals to seven and eight for wool and clothing and dyed textiles, and higher for other export products. Over 100 percent of the currency earned must be at least as "strong" as the currency expended; the remainder may be in softer currencies.

In addition to these procedures, all exporters may retain 10 percent of their foreign-exchange earnings for a variety of purposes, including accessory expenses, purchase of raw materials and equipment, and any other expenses in connection with their operations abroad. These accounts are the so-called "E.F.A.C." accounts. They are freely utilizable with a minimum of administrative procedure but must be repatriated if at any time the exporter ceases his export activity.

3. Production

The development of French exports of essential goods depends on French production levels, on effective French internal demand for these goods and, in relatively unrestricted markets, on French ability to compete effectively with suppliers in other countries.

Until the strikes in the latter part of 1948, French industrial production during 1948 consistently exceeded levels achieved in 1947. In particular, increases were marked in the fields of metal production, chemicals, rubber goods, and textiles. In view of these increases, it may be asked why French export volume to foreign countries through most of 1948 has been no higher than that achieved in comparable months of 1947. The French production index reflects the importance in France of industries whose products are encountering increasing difficulties abroad—for example, textiles, glass products, rubber products, and consumers' goods of various sorts. For many of these products, the volume of exports achieved in the first 8 months of 1948 is considerably below the volume exported during comparable 1947 months. Exports of glass have dropped, as have exports of tires, essential oils, pharmaceutical products, passenger and commercial vehicles, textile machinery, most finished textiles, hides, gloves, perfumes, and books.

On the other hand, the volume of exports of most heavy industrial goods and industrial raw materials has increased in 1948. It is difficult to compare 1948 iron and steel exports with those of 1947, since

^{2a} In their requirements for 1949-50, the French have included about 100 million dollars for imports not specified in their import program but which are planned for in connection with their drive to stimulate exports.

Saar exports are included in French statistics only since April 1, 1948; however, even making allowances for Saar exports, it is apparent that France is now exporting more iron and steel than she did in 1947. Exports of caustic soda, sodium carbonate, phosphate fertilizers, agricultural machinery, machine tools, and certain yarns and threads have also gone up in 1948.³

It would appear, therefore, that the failure of French exports as a whole to rise reflects the inability of less essential goods to find markets abroad—both because of import restrictions on the part of customers and because of the high export prices caused by the French inflation. These causes now seem more important than any lack of availability of goods for export. It appears also that fears expressed that the investment program, through its absorption of equipment goods, was mainly responsible for the current lag of exports may have been considerably exaggerated. This factor may, however, loom larger in the future.

4. Inflation

On the whole, it is the French inflation which is probably the most important single factor now delaying expansion of French exports. Inflation in France has restricted exports in a multitude of ways. First, it has raised production costs; with fixed exchange rates between the franc and other currencies, these high production costs have meant higher delivered prices to customers. The relatively high price of French merchandise has worsened France's competitive position in world markets, and has particularly held down exports to areas where administrative restrictions on imports are lenient; for example, the United States, Belgium, and Switzerland. Belgium and Switzerland are normally two of France's largest customers, while French trade with the United States is important because of the dollar exchange it generates.

French exports to the United States have been rising in spite of price obstacles, but exports to Belgium and Switzerland have been dropping substantially. The French attribute these drops to the "saturation" of Belgian and Swiss markets. However, the value of total Belgian imports from all sources during the first 7 months of 1948 was 20 percent higher than in the comparable 1947 period; and, while Belgian imports from France during the latter period amounted to 13 percent of the total, in the former they come to only 9 percent of the total.⁴ It seems probable that French exports to these countries could be substantially increased if French prices were lower. The drop in French exports to Belgium and Switzerland is especially seri-

³ For details, see appendix D, table XV.

⁴ See appendix D, table XVI.

ous because many of the products normally exported to these countries will not find markets elsewhere.

Associated with inflation in France has been widespread loss of confidence in the value of the franc, a factor which undoubtedly retards exports. Many French producers would rather hold stocks of goods than dispose of them for currency; others are reluctant to consummate long-term contracts under present unstable conditions. Because of the high level of domestic demand associated with the inflation, French producers find it relatively easy to dispose of their output on the domestic market at good profits. Under these circumstances, many prospective exporters have little incentive to seek foreign markets. Similarly, the competing attraction of inflation-fed demand in the French overseas areas diverts goods which might otherwise have found foreign markets.

CHAPTER IV

Description and Critique of the French 4-Year Program¹

A. THE GENERAL TARGETS OF THE PROGRAM

The over-all targets of the French 4-year program for 1952-53 are summarized in table 25 below; they are to be achieved at the same time as the balance of payments of the French Union is to be brought into equilibrium:

TABLE 25.—*Metropolitan France: General targets of French 4-year program for 1952-53*

	As percent of 1948	As percent of 1938	As percent of 1929
Gross national product.....	131	123	114
Consumption.....	126	120	113

Source: Appendix A, table III.

Of the two goals, consumption may, in the first instance, be considered the determining one; for, if it were possible to reduce materially the consumption goal, the goal for gross national product could be correspondingly lowered, imports reduced and availabilities for exports increased, and thus the achievement of balance-of-payments equilibrium made easier.

Any appraisal of this fairly rapid increase in consumption from present levels must be made with these considerations in mind:

(1) The unsettled psychological and political situation in France appears to make necessary a sustained and reasonably rapid improvement in the living conditions of the average Frenchman, and particularly of the urban wage earner.

(2) Most of the French population still finds itself well short of the 1938 consumption level. Yet that level was itself substantially

¹The French Government has submitted to the OEEC a 4-year program which is now being reviewed by that agency. (Réponse française au questionnaire de l'OECE sur le programme à long terme, October 1948). This review is still at a very early stage and the ECA Mission to France has had little opportunity to study the program in detail. The following comments are, therefore, very tentative, intended to raise issues for further exploration rather than to suggest firm conclusions.

below the levels of the late 1920's—levels which may now represent to many Frenchmen a satisfactory standard of life.

For these reasons; then, the program's consumption goal (which also implies more equitable distribution than at present) may not be excessive. At the same time it would appear that the goals of self-support in 1952-53 and of maintaining a reasonably high rate of investment throughout the ERP period should receive a priority at least equal to, if not higher than, that of the consumption targets, if there is a short fall in French production below the target level.

Achievement of the consumption and investment goals depends, of course, on achievement of the production goals.² The production goals require an average annual increase of gross national product of 7.5 percent over the 4-year period. This is obviously a very ambitious and optimistic target. However, it may reasonably be assumed that a 5-to-10 percent shortfall in gross national product, consumption or investment in 1952-53 would not mean failure of the objectives of ERP in France.

The feasibility of the gross-national-product goal can best be judged by an examination of the feasibility of the targets for industrial and agricultural production.

B. THE INDUSTRIAL PRODUCTION TARGETS

The general industrial target for the year 1952-53 may be expressed as follows:³

140 percent of 1948

143 percent of 1938

110 percent of 1929

This level of industrial production is to be achieved with only a 5-percent increase of the industrial labor force. Since the average scheduled workweek presumably cannot be extended materially beyond its present duration, the average output per man-hour in industry will have to increase 33 percent above the 1948 level (16 percent above 1938) to achieve this target. The French point out that there is still a good deal of under-utilized capacity in industry and that materials-supply problems are still an important hindrance to output per man-hour. A very considerable amount of investments and improvement in technical know-how are conditions for the achievement of this industrial target. It should be emphasized that France's problem is not simply to increase physical output per man-hour but also to reduce

² The French goal for gross national production in 1952-53 is affected primarily by the consumption goal, but it is also affected by the volume of investment planned for the period immediately after ERP. In the French program this volume is set at almost double the 1938 volume and 122 percent of the 1929 volume (appendix A, table III). This appears to be a reasonable goal.

³ The indexes are based on French estimates of gross industrial production at factor cost. See Appendix A, table IV.)

real costs per unit of industrial output, in order that French industrial exports may compete successfully in overseas markets. Consideration should also be given to increasing labor input (through immigration or otherwise) as a partial substitute for a possibly unattainable output per man-hour target.

Within the general industrial target, the structure of French industrial production is expected to continue the trend of the interwar period in the direction of increasing emphasis on the capital-goods industries (the usual trend of an advanced industrial economy). Total energy output is expected to rise by about the same proportion as general industrial production, but with greatly increased emphasis on fuel oil and hydroelectricity. Steel production is to reach 14.3 million tons (crude basis) and to provide 3 million tons (net) of finished steel for export, as compared with 1.4 million tons in 1938. The equipment industries are to expand output by 40 percent above the 1947 level, and equipment exports are to expand to 155 percent of the 1947 volume. Chemicals production is to be expanded sufficiently to permit exports 80 percent above the 1947 level.

On the other hand, the textile production target is only 70 to 80 percent of 1938, except for rayon, with exports no greater than the 1938 volume.⁴

C. THE AGRICULTURAL PRODUCTION TARGETS

The most striking feature of the French 4-year program is the very marked increase planned in the production of basic agricultural commodities. The program intends to make France the largest western European exporter of basic foodstuffs. While, as noted above, the industrial output targets are, in general, in line with the prewar trends, the agricultural targets represent a radical alteration in French economic thinking, not only as compared with prewar, but with 1946-47.⁵ The economic strategists of the French Government have concluded that France cannot achieve balance-of-payments equilibrium simply by increasing industrial exports because of the difficulty of finding adequate markets, particularly in the other participating countries. They have decided to plan for greatly increased food exports to the United Kingdom, Western Germany, which would decrease European foreign exchange outlay for food.

The general target for agricultural production in 1952-53 is 125 percent of prewar. The achievement of the production targets shown in the following table is expected to provide for the export annually

⁴ These production targets as well as an energy balance for 1952-53 are summarized in tabular form in appendix C, table II.

⁵ Although the French 4-year program is in most respects a lineal descendent of the original Monnet plan, the agricultural program is an entirely new feature. The earlier plans had aimed merely at elimination of net imports of foodstuffs.

of 1,500,000 metric tons of wheat, 120,000 metric tons of meat and 46,000 metric tons of butter and cheese:

TABLE 26.—*Metropolitan France: Agricultural production targets (Indexes) for 1952-53*¹

	1934-38=100	1948 (first half)=100
Wheat.....	123	135
Meat.....	129	129
Dairy products.....	120	159
Fats.....	166	146
Sugar.....	151	.....

¹ Source: Réponse française au questionnaire de l'OECE sur le programme à long-terme, October 1948 p. 19.

The full realization of these agricultural goals will require an intensive development program. Since the possibility of putting under crops additional land above the prewar level or even above the present reduced level is not great, emphasis must be placed on increased yields and (unless large-scale immigration is arranged) on increased output per man. In the case of wheat, the target would require an increase in average yield per hectare from the 1930-39 average of 15.6 to 20 quintals. Such an improvement can only be expected as a result of a radical increase in the use of machinery and fertilizers, improvement of seed and of major changes in other farming methods. These are changes which farmers will adopt only slowly, even when they have the benefit of a nation-wide agricultural training and information program, such as exists in the United States, but not yet in France. Similar considerations appear to apply, though perhaps less clearly, to the meat and milk targets.

If the French agricultural production targets are not reached, it is likely that either food export goals would not be attained, or consumption targets lowered. It would appear that the French agricultural program needs careful reexamination, particularly on the score of adequacy of administrative means to accomplish the targets. This is the more necessary because the French agricultural export program is an important element in the plans for European external balance in 1952-53. For the sake not only of French recovery, but of the recovery of all of western Europe, therefore, it is to be hoped that the French will take all possible steps to realize their major agricultural export targets.

D. THE INVESTMENT PROGRAM

The 4-year program projects total gross investments of 5,280 billion 1948 francs for the 4 years 1948-49 to 1951-52, equivalent to approxi-

mately 20 percent of projected gross national product for the period.⁷ Of this amount, 3,560 billion francs⁸ is net fixed investment, of which 2,300 billion francs are stated to be directly related to the specific targets set and the balance for unspecified "other fixed investments."

The 2,300-billion-franc figure breaks down as follows:

TABLE 27.—*Metropolitan France: Pattern of net fixed investments in programmed sectors, 1948-49 to 1951-52.*

	Percent
Energy:	
Solid fuel.....	13
Liquid fuel.....	5
Electricity and gas.....	16
Total.....	34
Metallurgy.....	5
Agriculture.....	24
Inland transport.....	12
Export industries:	
Mechanical.....	6.5
Chemical.....	5.5
Shipping.....	9
Tourism.....	3
Paper and rayon.....	1
Total.....	25
Total, all categories.....	100

There can be no doubt that a very large effort is required of the French economy to achieve by 1952-53 the large investments described above and at the same time to take care of the extensive reconstruction, housing and other unprogrammed investments. Regarding this investment program (plus the unprogrammed investments), two major categories of questions arise:

- (1) *Is it the minimum required to do the job and,*
- (2) *Can it be carried out without inflation?*

The first question can be answered only after the detailed and time-consuming examination of plans and projects still to be made. Nevertheless, it may be useful to review very briefly some of the principal questions which arise in connection with the evaluation of the investment program.

Recalling that the French 4-year program is, in its main outlines, the Monnet plan, it is important to understand something of the economic thinking which originally animated the plan and still strongly influences official French economic policy. In general, the idea was not merely to expand the capacity of the basic sectors sufficiently to support a level of industrial production and national income somewhat above the 1929 peak; the policy was also to install in those sectors the

⁷ Thus the program contemplates a continuation of approximately the present proportion of gross investment to gross national product throughout the period.

⁸ See appendix C, table I.

best modern equipment which could be economically used in order to increase greatly the capital intensity of production and thus to raise labor productivity in these sectors "as high as that of the most advanced countries." Such an increase in productivity in these sectors, it was believed, would have such an important general effect on real costs throughout the whole economy that France could recover and expand her export markets and, therefore, achieve economic independence while maintaining reasonably high consumption levels. The earlier versions of the plan aimed at a sort of optimum treatment of the basic sectors, with the rest of the economy allowed to develop as the structure of demand and the availability of capital, materials and enterprise should determine. A further and subordinate motivation underlying the plan was the desire quickly to replace Germany as the principal continental producer and exporter of steel and of products of the mechanical industries. At the time the plan was formulated, the Potsdam declaration and the original level-of-industry agreement were still in full effect, and this objective appeared both reasonable and attainable.

From this brief characterization of the economic thinking behind the 4-year investment program, three kinds of subquestions arise in connection with which criteria may tentatively be suggested for reviewing the program:

(1) *Does the degree of capital intensity of planned production for the basic sectors make economic sense?*

Pending detailed investigations it may be observed that the objective of achieving in these sectors, within a short time, a level of productivity as high as that of the most advanced countries appears to be an over-ambitious target. In France, unlike the United States, low real costs may be attainable by means of labor-intensive production techniques more readily than by capital-intensive techniques in view particularly of the possibility of labor immigration from other participating countries. Because of the limited size of the domestic market, the volume of production and the degree of specialization of processes and of whole plants required to obtain the benefits of the most capital-intensive techniques are not always possible in French industry. Moreover, real wages in France are substantially lower compared with capital costs than in the United States. This criterion relates not only to the particular production techniques used to produce a given product; it relates also to the question of what products to produce. However, it should be remembered that to the extent that a high volume of intra-European trade and specialization can be achieved through the integration of the economies of the participating countries, increasingly capital-intensive techniques can be economically employed.

(2) Closely related to this question is another: *Are some of the 4-year program investments of such a character that the increased yield is realized too slowly over a long period instead of being concentrated on helping the balance of payments to attain equilibrium?*

It is believed that the original conception of the Mönnet plan has led to undertaking a number of investments of this character in the basic sectors of the economy. Examples may be found in investments in inland transport in excess of the minimum required to permit the target volume of freight to be handled. Some of the proposed modernization investments in the French coal mines might similarly be examined in the light of this criterion.

In addition to the specifically programmed investments of the French 4-year program, there will be other sizable fixed investments. Among these, to judge from present patterns, the major part will be investments in the reconstruction of housing. It is possible that a thorough review of the French housing picture would indicate the possibility of temporarily reducing total housing investment in the interests of financial stability and of more productive investments, while at the same time giving an effective priority to the most urgent housing needs.

(3) *Does the program give adequate scope to the advantages to be gained from international trade?*

This is a problem which, even more than the other two, involves the ERP countries as a group rather than France alone. In order to reduce their balance of payments deficits, there is a temptation to these countries to reduce international trade as a whole. This course of action springs from several motives. First, where imports exceed exports, a given percentage reduction in both reduces the deficit more than proportionately. Secondly, difficulties in the way of expanding exports (not only price difficulties, but particularly import restrictions in customer countries) force reliance on a reduction of imports in order to reduce the balance of payments deficit. Finally, and perhaps most important, where a country's economy is heavily dependent on foreign trade, there is a strong temptation for economic policy makers to attempt to reduce this dependence in order to reduce the uncertainties of their task and the vulnerability of their country's economy to the vicissitudes of international trade.

France is a country with a traditionally large import balance. However, a substantial part of her exports are in the luxury and consumer goods categories which are now under severe restriction by customer countries. France combines a rich endowment of natural resources with a high degree of industrialization, and is better able than many countries to reduce its vulnerability to the unpredictable disturbances

of foreign trade. It is therefore not surprising to find that the ratio of foreign trade to gross national product implicit in the 1952-53 program is well below the level of the 1920's although it is not materially different from that of the 1930's, when trade restrictions by other countries had combined with reduced industrial activity to reduce French foreign trade drastically below the levels of the 1920's. The following figures illustrate this tendency:

TABLE 28.—*Metropolitan France: Relation of foreign commodity trade to gross national product, 1928, 1938 and 1952-53*

[1938=100]

	Total volume of commodity trade ¹	GNP	Ratio (1)÷(2)
1928.....	179	² 113	1.58
1952-53.....	129	128	1.01

¹ Index of nonfranc imports (c. i. f.) plus exports at 1948 prices. The 1952-53 f. o. b. import figure given in the French 4-year program has been increased by a rough estimate of freight.

² 1928.

From a purely national point of view, the loss of potential productivity implied in this decision may now seem to the French not too high a price to pay for the economic security which it is assumed such lessened external dependence may bring to the national economy. But its serious implications for industrial production costs, and therefore for the competitive position of French exports and for the French standard of living should not be lost from view.

The second question, Can the contemplated investments be financed without inflation? is in the short run the most critical one. The answer given by the French program is that it must be and will be. In support of this contention they have presented to OEEC the following rough estimate of the sources of financing of total gross investment over the 4-year period. (The figures are expressed as percentages of gross national product and therefore add up to 20 percent.)

TABLE 29.—*Metropolitan France: Estimated sources of financing of contemplated investments: 1948-49 and 1951-52*

[Percent of GNP]	
Individual savings.....	4
Business savings ¹	8
Foreign aid.....	3
Government budget.....	5
Total investment requirements.....	20

¹ Including both depreciation allowances and undistributed profits.

Source: Estimates presented by the French delegation to the OEEC long-term working group.

The critical items are those for individual savings and for budgetary financing. If they can be achieved, the whole of the contemplated investments can be carried out without inflation. Comparison of these estimates with actual experience in 1947 and the first half of 1948 shows how difficult it will be to carry out investments of this magnitude without resort to inflationary financing. However, fiscal developments in recent months have been encouraging.

In 1947, individual savings amounted to only about 1.5 percent of gross national product. To raise individual savings to 4 percent requires at the least a reasonable assurance of an end to the inflation. The achievement of a large current budget surplus for financing of investment requires a considerable fiscal reform. The Government has begun to carry out such a reform, but it is, as already noted, modest in its aims and not likely to yield important increases in current revenues for some time. In order to obtain the necessary budgetary surplus in the interim, therefore, tax revenues under existing procedures will have to be expanded and supplemented.

Unless increases in consumption are delayed, it may not be possible, at least through 1949-50, for the whole of the contemplated investments to be financed without resort to inflationary means. The alternative would be marginally to reduce the rate of investment. If this could be done rationally, with reference to criteria such as those outlined above, it may be that the targets of the long-term program would not be seriously endangered. In any event, it appears that the continuation of inflation would be a far greater threat to the targets of the long-term program and to the objectives of ERP for France than would a marginal curtailment of investment expenditures.

E. RESTORATION OF BALANCE OF PAYMENTS EQUILIBRIUM

The French long-term program provides for the restoration by 1952-53 of over-all equilibrium in the balance of payments through bringing both the visible and invisible sectors of the current account into approximate balance. More precisely, a 33-million dollar surplus on merchandise account (including all of the colonial balance, which is largely merchandise) would offset an equal net deficit on the invisible items such as shipping, investment income and tourism.

Such an achievement would constitute a fundamental shift in the structure of the French external accounts not only from their present situation but also from that which prevailed before the war. The nature of this shift is illustrated by the following estimates:

TABLE 30.—*French Union: Balance of payments on current account, 1937 and 1952-53*¹

[Millions of current dollars]¹

	Exports (f. o. b.)	Imports (f. o. b.)	D. O. T. balance	Balance on merchan- dise account (excluding shipping)	Balance on invisibles (including shipping)	Net deficit on current account
1937.....	670	1,130	-50	-510	+180	-330
1938.....	640	870	-60	-200	+207	-83
1947.....	1,040	2,402	-162	-1,615	² -276	-1,890
1948.....	1,060	2,400	-190	-1,340	² -246	-1,776
1948-49.....	1,231	2,155	-214	-1,138	-171	-1,300
1949-50.....	1,467	2,172	-205	-910	-228	-1,139
1952-53.....	1,982	2,117	+167	+33	-33	0

¹ After 1947, in 1948 dollars.

² Extraordinary receipts eliminated as follows: military expenditures of 142 million dollars in 1947 and 38 million dollars in 1948, and investment income of 73 million dollars in 1947.

To facilitate a comparison of the programmed situation for 1952-53 with 1947 and prewar, the figures for the earlier years may be converted approximately to 1948 prices as in the following table:

TABLE 31.—*French Union: Balance of trade on current account, 1937 and 1952-53*

[Millions of 1948 dollars]

	Exports (f. o. b.)	Imports (f. o. b.)	Colonial balance	Net total
1937.....	1,285	2,170	-96	-981
1938.....	1,350	1,840	-127	-617
1947.....	1,117	2,676	-175	-1,734
1948.....	1,060	2,400	-190	-1,530
1948-49.....	1,231	2,155	-214	-1,138
1949-50.....	1,467	2,172	-205	-910
1952-53.....	1,982	2,117	+167	+33

It is apparent that imports are scheduled to decline only insignificantly from the level programmed for 1948-49. The burden of the adjustment is to be borne by exports and by the colonial balance. The former are to increase in volume by 60 percent from 1948-49 to 1952-53 (the volume increase over 1948 is about 85 percent); the latter is to shift from a deficit of more than 200 million dollars to a surplus of almost that amount.

The deterioration of the French Union balance of payments from prewar to 1948, on a volume basis, is accounted for somewhat more by an increase in imports than by a decrease in exports, although both occurred. The required increase in the volume of exports by 1952-53 from the prewar level is of the order of 50 percent; imports, on the other hand, are programmed at approximately the prewar volume. The colonial deficit, although somewhat larger now than before the war, has not been a major contributor to the worsening of the French external accounts. The scheduled shift in the colonial balance is almost as marked from prewar to 1952-53 as from the present

to that year. . . Taking all the merchandise items together, the prewar situation, on a volume basis, is scheduled to be regained by 1952-53. These volume forecasts have apparently been based on the assumption that the relative prices of French imports and exports in 1952-53 will be approximately the same as in 1948. However, because the current level of French export prices in terms of foreign exchange is high, it is not unlikely that a considerable reduction, in relation to import prices, will be necessary in order to market a greatly increased volume of exports. If so, the physical volume of exports required to achieve balance in 1952-53 will have to be correspondingly larger, and the critical question will be: Will this reduction of export prices be achieved as a result of higher productivity and lower real costs in French industry, or will it be achieved by devaluation, at the expense of the French standard of living?

In the invisible accounts, the improvement in tourism and shipping during the ERP period is expected to more than outweigh the worsening in the investment income account, as shown by the following estimates:

TABLE 32.—Metropolitan France: Invisible items in the foreign balance of payments¹

[Millions of current dollars]

	Tourism	Shipping	Investment income		Tourism	Shipping	Investment income
1937.....	+83	-25	+164	1948-49.....	+88	-181	0
1938.....	+101	-14	+136	1949-50.....	+125	-139	-83
1947.....	+9	-311	² +13	1952-53.....	+330	-157	-114
1948.....	+54	-220	+16				

¹ After 1947, in 1948 dollars.

² Adjusted by deduction of receipts applicable to earlier years.

The projected increase in the tourism account as compared with prewar derives in part from the rise in prices; nevertheless, the 1937 and 1938 estimates in 1948 dollars would come to approximately 160 and 215 million dollars, indicating a programmed volume increase in 1952-53 of some 55 percent over the better of these two prewar years. Foreign travel all through the 1930's, however, was relatively depressed; in comparison with 1929 the program for 1952-53 does not seem unreasonable.

Unlike most other elements of the French external accounts, the shipping and investment income items are scheduled to be in a worse position in 1952-53 than that experienced in 1937 and 1938. Some improvement is foreseen over the next several years in the shipping account as compared with the immediate postwar years; the investment income account, however, grows progressively more adverse due to the combined effect of the liquidation of French foreign assets and the increasing service charges on postwar foreign borrowing. By

1952-53 the investment income account will show almost as large a deficit as it showed a surplus in the prewar years.

In 1947, the French Union had a deficit in its current international transactions with most areas; an exception was the participating sterling area (i. e., United Kingdom and British colonies). By 1952-53 the enormous 1947 deficit with North and Central America would be reduced to one-tenth and the deficit with South America, the Far East, and participating continental countries transformed into a surplus. The deficit vis-à-vis the nonparticipating sterling area (i. e., the Dominions) would remain; the surplus with the participating sterling area would increase slightly. The figures follow:

TABLE 33.—*French Union: Balance of payments on current account by areas, 1947 and 1952-53*

[In millions of dollars]

	1947 ¹	1952-53 ²		1947 ¹	1952-53 ²
Nonparticipating countries:			Participating countries:		
North and Central America	-1,330 0	-140	Sterling Area	+114.3	+147
South America	-216 2	+53	Other	-92.8	+35
Sterling Area	-149 4	-147			
Other	-24.8	+52			

¹ Millions of current dollars.

² Millions of 1948 dollars.

NOTE.—No comparable data are available for prewar or 1948.

Such a pattern of international payments implies free convertibility of currencies: dollars and sterling earned (net) in trade with participating countries, South America, and the Far East would be used to settle net deficits vis-à-vis North and Central America and the British Dominions. The problem of convertibility is peculiarly an OEEC problem which must be considered on an over-all basis. It now seems unlikely, however, that so large a sum of dollars can be earned by France from other participating countries in the foreseeable future.

F. THE PROGRAM FOR THE FRENCH OVERSEAS TERRITORIES

An important role in the French long-term program has been assigned to the overseas territories: a shift from net drawer to net contributor to the foreign-exchange pool of the French Union. In fact, the anticipated surplus of 167 million dollars ⁹ in the external accounts of the DOT's vis-à-vis foreign countries would just offset, in 1952-53, an anticipated deficit for the Metropole, resulting in equilibrium for the French Union as a whole.

Before the war, the DOT's imported somewhat more than they exported, considering their total external trade (i. e. with metropolitan

⁹ This apparently refers to merchandise trade only. The long-term program does not specify what the noncommercial balance of the DOT's will be in 1952-53. In 1947 there was a deficit of 25 million dollars.

France as well as with foreign countries).³⁰ Omitting Syria-Lebanon, the bulk of this import surplus was accounted for by the North African colonies, with the exception of Algeria whose export surplus was insufficient to overcome the trade deficit of the rest of the area. Only Indochina had a substantial export surplus.

In their trade with metropolitan France before the war, the territories consistently exported more than they imported. In 1938, judging from French customs statistics, exports of the colonies to the Metropole aggregated 12.5 billion francs, against imports of 8.4 billion. The exportable surpluses of the territories were thus directed primarily toward the Metropole; as a consequence, the trade deficit of the colonies vis-à-vis foreign countries was substantial; their net drawings on the foreign exchange resources of the French Union aggregated 50 million dollars in 1937 and 60 million dollars in 1938. Today, however, the colonies are not net exporters to the Metropole. The figures follow (as shown by metropolitan France customs):

TABLE 34.—*French DOT's: Trade with Metropolitan France, 1938 and 1947-48*
[Millions of current dollars]

	Export of DOT to Metropole	Imports of DOT from Metropole
1938, total.....	358	240
1947, total.....	738	726
1948:		
First quarter.....	290	178
Second quarter.....	219	245
Third quarter.....	144	203

The shifts from 1947 in the trade balance of the overseas territories envisaged by the long-term program are shown in table 35 and indicate a reversal vis-à-vis both the Metropole and foreign countries:

TABLE 35.—*French DOT's: Trade balances in 1947 and 1952-53 (program)*
[Millions of dollars]

	1947 ¹	Program 1952-53 ²		1947 ¹	Program, 1952-53 ²
With foreign countries:			Grand total:		
Exports.....	65	480	Exports.....	803	1,278
Imports.....	205	313	Imports.....	931	1,256
Balance.....	-140	+167	Balance.....	-128	+22
With the Metropole:					
Exports.....	738	798			
Imports.....	726	943			
Balance.....	+12	-145			

¹ Current dollars.

² 1948 dollars.

Sources: 1947 trade with foreign countries based on balance of payments. Trade with Metropole based on French customs returns. 1952-53 figures based on French long-term program.

³⁰ Based on the admittedly incomplete customs statistics of the territories.

Virtually all of the reversal vis-à-vis the Metropole is scheduled to arise from an increase in DOT imports. The shift in the trade balance with foreign countries is to come about through an increase in exports materially larger than that in imports.

The trade balance with foreign countries breaks down by areas approximately as follows:

TABLE 36.—*French DOT's: Area pattern of trade balance in 1952-53*

[Millions of 1948 dollars]

	Exports	Imports	Balance
North and Central America.....	94	70	24
South America.....	3	5	-2
Nonparticipating sterling countries.....	64	49	15
Other nonparticipating countries.....	70	17	53
Participating countries.			
Sterling.....	112	59	53
Other.....	137	113	24
Total.....	480	313	167

In 1947 the DOT's had a balance-of-payments deficit with practically all foreign countries. Although strictly comparable figures are not available, the following are indicative of the order of magnitude of the programmed shifts:

TABLE 37.—*French DOT's: Projected shifts in area pattern¹ of trade balances, 1947 and 1952-53*

[Millions of 1948 dollars]

	1947	1952-53 program	Change
Dollar area (including Canada).....	-125	+24	+149
Total sterling area.....	-14	+63	+32
Other participating countries.....	-24	+24	+48

¹ The 1947 figures cover noncommercial as well as commercial transactions; those for 1952-53 cover only the latter. This incomparability affects principally the sterling-area figures and serves to reduce the indicated change by some 10 to 20 million dollars.

The French expect to bring about these shifts by attaining the following three objectives: (1) Build up DOT production of such essentials as cereals and fats; (2) increase DOT exports to the Metropole of raw materials and foods now obtained in the dollar area and the British Dominions; and (3) increase DOT exports to foreign countries.

Essential to achieving the production and export targets of the overseas territories are: Raising of the standard of living in the territories; the continued development of public-utilities systems and the transportation network; increased investment in agriculture, mining, and, to a lesser extent, in industry; the increase and training of the labor force; and the resolution of the chief political and social prob-

lems of some of the overseas territories. These are obviously most ambitious aims to be achieved by 1952-53.

The increase in the standard of living necessary to provide incentives and prevent inflation will come partly from French exports and ECA aid. But in the main it will result from the efforts of the territories themselves. The most important part of this would be the achievement of a grain balance in North Africa. North Africa, normally a net exporter of grain, has been obliged since 1946 to import large quantities of wheat. This has resulted not only from the dry spells but from the large population growth which requires an annual increase of 50,000 tons of grains to maintain current consumption. By further mechanization applied to the North African grain fields, output is expected to be lifted from 3.2 million tons in 1948-49 to 5 million tons in 1952-53. If achieved this should make North Africa self-sufficient in bread grains.

Raising the output in many parts of Africa will be hampered by the insufficient labor force. France will have to take measures to increase the number of workers in the DOT's and to train them to use the modern equipment which is to be installed under the investment program.

Since the end of the war, local populations in some parts of the French Union have desired to break some of their ties with the Metropole. In part, this has been Communist-inspired and Communist-led, though its real causes lie far deeper, in a general awakening of the peoples of many of the economically backward countries of the world. The most serious threat to the achievement of France's economic goals in the overseas territories is the continued fighting in Indochina. The French believe that a peaceful and stable Indochina within the French Union is necessary to the achievement of France's long-term economic goals. The possibilities, however, of an early settlement of the conflict are not yet in sight.

CHAPTER V

Justification of ECA Aid

A. INTRODUCTION

In evaluating the contribution to the French recovery of ERP aid, it must be remembered that the French had reached a serious payments crisis in the fall of 1947 which necessitated drastic reductions in dollar imports and in imports from the European hard-currency countries. Interim aid alleviated this payments crisis. However, interim aid was designed mainly to prevent deterioration in the French economy until the enactment of ERP should permit sufficient United States aid for the development and reconstruction of the French economy toward the goal of self-support at a reasonable standard of living. Thus, at the inception of ERP, French economic development had been retarded by the previous critical shortage of foreign exchange. Working stocks of raw materials had been depleted and were in need of replenishment; consumption was at a reduced level, with the bread ration at only 250 grams.

B. 1948-49 PROGRAM

The original French request for direct aid in the 1948-49 period amounted to 1,114 million dollars, which was reduced as a result of OEEC screening to a figure of 989 million dollars. ECA has reduced this figure slightly to 980.9 million dollars.

In the time that has elapsed since approval by OEEC of the revised French program for 1948-49, certain changes have been made in the program by ECA which are shown in tables 38 and 39. These changes are primarily the result of shifts in imports made necessary by the short-fall in domestic production due to recent strikes. They consist principally of an increase of coal imports, and consequently of freight expenditures, and of a decrease in other imports. The French program for 1948-49 as revised by ECA appears to be reasonable and to permit an important forward step toward the goals of the ERP.

The import program appears to be at the practical minimum required to maintain consumption and to permit a moderately satisfactory increase in industrial output. For its complete realization of this program France will have to draw to the extent of 40 million dollars on its already depleted monetary reserves. The export program,

TABLE 38.—French Union: Summary balance of payments, 1948-49, OEEC estimate.

[Millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
Imports.....	529.8	220.3	750.1	1,226.4	1,976.5
Exports.....	65.0	120.0	185.0	1,040.0	1,231.0
Merchandise balance.....	-464.8	-100.3	-565.1	-180.9	-745.5
Invisibles (net).....	-232.7	+3.5	-229.2	-119.1	-348.3
DOT's deficit on current account.....	-117.6	-30.6	-208.2	-6.0	-214.2
Current account balance.....	-875.1	-127.4	-1,002.5	-305.5	-1,308.0
Settlements.....		-10.0	-10.0	-5.7	-15.7
Capital transactions:					
a. Non-ECA financing.....					
b. Repayments.....	+71.8		+71.8	-20.5	-92.3
c. Other.....	+40.0	-8.5	+31.5	+8.5	+40.0
Net position.....	-906.9	-145.9	-1,052.8	-323.2	-1,376.0
Estimated requirements for United States aid.....			989.0		
Uncovered deficit.....			63.8		

¹ Consisting of amortization payments on the following credits: (Millions of dollars)

First Exim Bank loan.....	18.3
Maritime Commission credits.....	3.1
Private loans previous to 1940.....	.4
Gold loan from Federal Reserve Bank of New York.....	50.0

71.8

² The French submission states that this deficit will be covered by 47 million dollars of restituted gold and 16.8 million dollars of monetary reserves.

TABLE 39.—French Union: Summary balance of payments, 1948-49, ECA estimate

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
Imports.....	538.8	151.2	740.0	1,205.7	1,945.7
Exports.....	70.0	120.0	190.0	1,041.0	1,231.0
Merchandise balance.....	518.8	-31.2	-550.0	-164.7	-714.7
Invisibles (net).....	-252.7	+3.5	-249.2	-99.1	-348.3
Current account balance.....	-771.5	-278.0	-799.2	-263.8	-1,063.0
Deficit DOT's on current account.....	-177.6	-30.6	-208.2	-6.0	-214.2
Current account balance.....	-949.1	-58.4	-1,007.4	-269.8	-1,277.2
Settlements.....		-10.0	-10.0		-10.0
Capital transactions:					
(a) Non-ECA financing.....		+11.3	+11.3		+11.3
(b) Repayments.....	³ -46.6	-8.4	-55.0	-12.1	-67.1
(c) Other.....	+40.0		+40.0	-5.7	+34.3
Net position.....	-955.7	-65.5	-1,021.1	-287.6	-1,308.7
Estimated requirements for United States aid.....			980.9		
Uncovered deficit.....			40.2		

¹ Increased by 20 million dollars over the French submission for freight for additional coal.

² Payment to Belgium.

³ The figure is 25 million dollars lower than the French submission because the present arrangements for repayment of the gold loan from the Federal Reserve Bank of New York call for repayment of 25 million dollars rather than 50 million dollars in fiscal year 1948-49.

⁴ Restituted gold of 47 million dollars which the French submission counts on for financing this deficit will not be available in 1948-49.

admittedly modest, is believed to be realistic. The 1948-49 program calls for a very considerable improvement in the French external position. Both the global current-account deficit (in all currencies) and the dollar deficit are scheduled at a level 400 million dollars below 1947, notwithstanding the fact that France received 200 million dollars of nonrecurring income in 1947. The increase over 1947 scheduled for

consumption is moderate, and will still leave over-all consumption at a level below that of 1938.

Of the 980.9 million dollars of direct aid programed by ECA for France for 1948-49, 97 million dollars has already been made available on loan, 619.2 million dollars as direct grants, and 7.3 million dollars as conditional allotments. In order to complete the program contemplated for this fiscal year, additional direct grants of 257.4 million dollars are necessary. In addition to this, France received 75 million dollars in loans and 260 million dollars in direct grants in the second calendar quarter of 1948.

C. THE 1949-50 PROGRAM

1. Introduction

The second annual program submitted by the French Government is a step in the direction of the goals of the French 4-year program. The major targets which the French plan to achieve during the second year of ERP, may be summarized as follows:

(a) A 6-percent increase in the gross national product above the current level to reach a level equal to 106 percent of 1938.

(b) A 3-percent increase in the current over-all consumption level in order to reach the 1938 level. The major improvement is planned for food consumption, which, as already noted, is still below the 1938 level. On a caloric basis it is expected that food consumption in 1949-50 will reach the prewar level. However, the diet will still be markedly inferior, and the greater inequities in the distribution of food as between the farm and nonfarm population, and as between wage earners and other groups in the urban population will probably not be entirely eliminated.

(c) A continuation of the investment program at a high level, to absorb about one-fifth of gross national production.

(d) A reduction of the over-all current account deficit of the French union from \$1.3 billion in 1948-49 to \$1.0 billion, and of the current account dollar deficit from \$1.0 billion in 1948-49 to \$0.8 billion. Because of an increase in debt repayments, the total dollar deficit would decline somewhat less, from \$1 billion to \$0.9 billion.

In order to implement the 1949-50 program, the French have requested 890 million dollars in direct aid, and 249 million dollars in intra-European drawing rights. The ECA tentatively contemplates a direct aid figure of approximately 875 million dollars.

It appears, as noted earlier, that the French may not fully achieve their 1948-49 goals for industrial production; this will make it more difficult to reach the goals of the second program year. Moreover, it appears that the targets for agricultural production in 1949-50 may not be met unless weather conditions are very favorable. Such short-falls from the 1949-50 targets are more likely to have the effect of

increasing than of reducing France's need for ERP assistance in 1949-50, unless offsetting sacrifices of the consumption or investment targets are made.

2. Consumption

It is estimated that per capita consumption of food will increase somewhat in the second program year, although the increase in total calories will not be matched by a similar improvement in the quality of the diet. About half of the caloric value of the French diet will still consist of bread and other cereal products. Only very slight increases are anticipated for other foods such as fats, sugar and meat, which were important items in the French diet before the war. An increase in total food availabilities is particularly important in France because of the distortion of the distribution of food caused by the inflation. As regards consumption of nonfood items, no increase is planned in 1949-50. Indeed there may even be a slight decline in the availability of clothing and of coal for domestic heating.

3. Industrial Production

In line with the long-term goals, the major increases in industrial production in 1949-50 are scheduled for the basic sectors, and for those industries which contribute most to an increase in French exports. The following table shows the actual rate of production and the goals for the first and second years' programs for the more important of these industries.

TABLE 40.—*Metropolitan France: Industrial production goals*

	First half 1948, annual rate	1948-49 program	1949-50 program
Coal (million metric tons).....	63.6	65.5	68.2
Electricity (billion kilowatt-hours).....	28	31	34
Petroleum refining (million metric tons).....	7.5	10	12.4
Total energy (million metric tons coal equivalent).....	39.3	93	102
Crude steel (million metric tons).....	8.2	10	12.5
Rayon (thousand metric tons).....		76	105.2
Mechanical and electrical industries (index numbers).....		100	100

It will be noted that total energy production is planned to increase by 10 percent over the first year's program, that steel production is planned to increase by 25 percent, and that of the mechanical and electrical industries by 10 percent. Energy availabilities are, of course, basic to the whole industrial development plan. Steel and mechanical and electrical goods are essential both for the fulfillment of the French investment program and for the increase in exports, without which France cannot achieve self-support at a reasonable standard of living. The most successful French exports during recent months have been equipment and steel; it is these items, together with agricultural commodities, which the French emphasize in the export targets of their Four-Year Program.

4. Agricultural Production

Table 41 below shows the French program for the major agricultural items. The goals are ambitious and rest on optimistic assumptions. The cereal production target is 11 percent above that of 1948-49 and 95 percent of prewar. Milk production is scheduled to rise by 13 percent to 90 percent of prewar and that of other dairy products by 16 percent to 92 percent of prewar. These increases are to be obtained without any appreciable increase in the area under cultivation, primarily by increasing yields above the remarkably good 1948-49 levels through increased use of fertilizers and agricultural machinery. However, the planned increase in use of fertilizers (see appendix C, table V) may not fully materialize, due to short falls in both domestic production and imports during the current program year.

TABLE 41.—*French agricultural production: Actual prewar, 1948-49, and target for 1949-50*

[Thousands of metric tons]

	1934-38	1948-49	1949-50		1934-38	1948-49	1949-50
Breadgrains.....	9,007	8,072	8,600	Butter.....	188	136	160
Coarse grains.....	6,505	5,195	6,100	Cheese.....	230	195	225
Milk.....	14,600	11,700	13,300	Meat.....	2,100	2,115	2,175

Source: French 1949-50 program.

On the basis of these production targets, the French hope to be able in 1949-50 to begin the export of breadgrains which is such an important element in their program for achieving viability in 1952-53. If weather conditions are not as favorable in 1949-50 as they were in 1948-49, the French agricultural goals for the second program year may not be fully realized.

5. Imports

The French schedule their imports from foreign countries for 1949-50 at about the same level as programmed for 1948-49. The 1948-49 program represents a substantial reduction from previous levels and it is not expected in the French long-term program, that any further significant reduction in the total value of imports can be achieved. The commodity composition, however, will change; smaller imports of food and manufactured goods will be offset by the larger imports of industrial raw materials required for the projected large increase in industrial production.

It must be remembered that the French import program for 1949-50 as submitted to the OEEC and the ECA was based on the available and foreseeable resources of foreign exchange, including an amount of ERP aid about 10% smaller than in 1948-49. The commodities included in it were only those which fitted within the budget. Other imports slightly lower in priority were left out. If, for any reason, some of

the commodities included in the original submission should be eliminated, there should be substituted for them other items which would also contribute to recovery. In this sense the import program which was prepared by the French about eight months before the beginning of the second ERP year is only preliminary, and will be constantly changed as more precise information becomes available and more accurate forecasts are possible. The ECA screening of this import program has, of course, the same limitations.

The area pattern of French imports in 1949-50 indicates a shift in sources of supply in the direction of the pattern on which the 1952-53 equilibrium is to be based. A large increase in imports from the non-participating sterling area is offset by decreases in imports from the United Kingdom and its dependencies. Imports from the Western Hemisphere drop sharply. Imports for the French overseas territories in 1949-50 are scheduled at considerably above the 1947 level. This increase is the result of the development program for the overseas territories, which it is hoped will later enable them to provide France with commodities now requiring foreign exchange, and to become a net contributor to the balance of payments of the French Union.

6. Exports

Total exports of Metropolitan France to foreign countries are estimated by the ECA at 1,477 million dollars, 19 percent by volume above the 1948-49 program target and 26 percent above the level of the last half of 1948. This increase in exports over 1948-49 represents one third of the increase required to reach the 1952-53 export targets. The French are at present concentrating on the development of the industries from which they expect the major increases in exports.

As can be seen from the table below, the increase in exports scheduled in 1949-50 over the first year's program, is concentrated in three sectors, agricultural products, ores and metals, and equipment. Very little increase is projected for the "all other" categories which include the traditional French exports such as clothing, leather goods, chemicals, and light manufactures.

With regard to exports as well as imports, the area pattern is expected to change during the 1949-50 program, in line with the require-

TABLE 42.—*Metropolitan France: Exports to non-franc areas*

[Millions of 1948 dollars]

	1947	1948-49	1949-50		1947	1948-49	1949-50
Agricultural products....	142	119	183	Textile products (excluding clothing).....	273	289	290
Coal.....	11	44	52				
Ores and metals.....	55	151	209				
Equipment.....	183	209	271	All other.....	382	419	462
				Total.....	1,046	1,231	1,467

¹ This is the figure contained in the French program.

ments of long-term equilibrium. Dollar exports are scheduled to increase by 45 percent between the two program years, which will bring them roughly to the 1938 volume. The increase in exports scheduled for the nonparticipating sterling area is even more marked.

7. Balance of Payments

As can be seen from table 43, a considerable improvement in the French Union's balance of payments position is programmed for 1949-50.

TABLE 43.—*French Union: Comparison of balance of payments deficit, 1948-49, 1949-50*

[In millions of dollars]

	1948-49	1949-50		1948-49	1949-50
Deficit on current account:			Net balance of payments position ¹ :		
In all currencies.....	-1,277	-1,055	In all currencies.....	-1,309	-1,161
In gold and dollars.....	-1,008	-816	In gold and dollars.....	-1,021	-920

¹ Including capital receipts and expenditures.

The details of the French balance-of-payments position as estimated by OEEC and by ECA are shown in tables 44 and 45 below. The difference between the OEEC and the ECA estimates are small. ECA has estimated the exports of metropolitan France at a slightly higher level. In addition, it has incorporated into its estimate of the French balance-of-payments position recent information on the repayment of the gold loan from the Federal Reserve Bank of New York, and on the restitution of Japanese and German gold. With regard to the former, present information indicates that 25 million dollars of the gold loan will be repaid during 1948-49 and 75 million dollars during 1949-50 (the French estimates are on the basis of repayment of 50 million dollars during each of the two years). With regard to gold restitution, the ECA estimates assume that these will be available in 1949-50, if at all, rather than in 1948-49.

The major part of the improvement in the current account position is due to the projected increase in exports, although a reduction in net invisible payments due primarily to lower freight payments and increased tourist receipts, is also an important factor. The current account position, however, does not fully reflect the French need for assistance, due to substantial and increasing amortization payments, mostly to the United States.

8. Conclusion

The goals of the 1949-50 program appear reasonable and are in line with the direction of French recovery outlined in the 4-year program. The ECA estimate for 1949-50 calls for imports from foreign countries at approximately the same level as that programmed for 1948-49. Exports are forecast at the ambitious level of 27 percent above the

TABLE 44.—French Union: Summary balance of payments, 1949-50, national estimate

[Millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
Imports.....	524.0	282.0	806.0	1,366.1	2,172.1
Exports.....	90.0	169.0	259.0	1,208.0	1,467.0
Merchandise balance.....	434.0	113.0	547.0	-158.1	-705.1
Invisibles (net).....	88.0	+6.9	-81.1	-61.0	-142.1
Deficit DOT's on current account.....	165.9	-19.1	-185.0	-20.1	-205.1
Current account balance.....	687.9	125.2	-813.1	-239.2	-1,052.3
Capital transactions:					
Non-ECA financing.....					
Repayments.....	-71.6	-5.3	-76.9		
Net position.....	759.5	130.5	89.0		
Estimated requirements for United States aid.....					

¹ Consisting of amortization payments as follows: (Million dollars)

First Exim bank loan.....	18.3
Maritime Commission credits.....	3.3
Gold Loan from Federal Reserve Bank of New York.....	59.0
Total.....	71.6

TABLE 45.—French Union: Summary balance of payments, 1949-50, ECA estimate

[Millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
Imports (Metropole).....	589.8	¹ 210.8	800.6	1,366.1	2,166.7
Exports (Metropole).....	90.0	² 169.0	259.0	1,218.1	1,477.1
Merchandise balance.....	-499.8	-41.8	-541.6	-148.0	-689.6
Invisibles (net).....	-88.0	+6.9	-81.1	-61.0	-142.1
Deficit DOT current account.....	-176.3	³ -16.5	-192.8	-31.4	-224.2
Total current account balance.....	-764.1	-51.4	-815.5	-240.4	-1,055.9
Capital transactions: Repayments.....	⁴ -96.6	-8.3	-104.9		
Net position.....	-860.7	-59.7	-920.4		
Estimated requirements for United States aid.....			875.0		
Residual.....			545.4		

¹ Includes 12.0 million dollars of dollar imports from ONP.

² Includes 8.0 million dollars of dollar exports to ONP.

³ Includes 24.2 million of dollar imports and 8.8 million of dollar exports to ONP.

⁴ Includes 21.6 million dollars payment for Exports, Import, and Maritime Commission loans and 75.0 million dollars for repayment of gold loan to the FRB of N. Y. See table 39, footnote (3).

⁵ It is not now clear how this residual deficit will be financed. If the 37 million dollars of gold now held by American authorities in Japan is determined to be the assets of the French Government, it could be financed from this source. In addition the French may receive from 5 to 15 million dollars in a final distribution from the German "gold pot". To the extent that these receipts do not materialize, it may be necessary for the French to sacrifice a part of their monetary reserves held on pledge by the Federal Reserve Bank of New York.

current rate. Targets for agricultural production may well prove too optimistic. The programmed increase in industrial production has not been reduced despite the shortfalls in the first program year. Achievement of reasonable conditions of internal financial stability is assumed. The goals for 1949-50 signify an intention on the part of the French people to make a maximum effort toward achievement of self-support in 1952-53. Success of this effort depends upon direct aid from the United States in approximately the amount of 875 million dollars.

APPENDIX A—NATIONAL ACCOUNTS

TABLE I.—*French national production and availabilities*

[In billions of 1938 francs]

Items	1938				1940				1947				1948 ¹			
	Gross produc- tion	Net foreign trade			Gross produc- tion	Net foreign trade			Gross produc- tion	Net foreign trade			Gross produc- tion	Net foreign trade		
		Im- port	Ex- port	Availa- bility		Im- port	Ex- port	Availa- bility		Im- port	Ex- port	Availa- bility		Im- port	Ex- port	Availa- bility
Food.....	152	8	---	100	118	8	---	120	125	3	---	128	126	5	---	131
Nondurable goods and services.....	85	---	9	80	87	---	3	81	90	---	6	84	83	---	5	88
Housing.....	23	---	---	23	---	---	---	24	24	---	---	24	25	---	---	25
Clothing, footwear, textiles, etc.....	47	---	6	41	35	---	2	33	38	---	4	34	40	---	1	39
Other durable goods.....	20	---	1	28	21	---	1	22	30	---	2	28	31	---	2	28
Total consumer goods.....	351	---	8	343	285	---	4	280	307	---	9	208	315	---	3	312
Mechanical equipment.....	21	---	---	21	21	---	5	26	25	---	3	28	26	---	1	25
Transportation equipment.....	13	---	1	12	15	---	2	17	16	---	5	21	20	---	2	22
Construction and public works.....	25	---	---	25	24	---	---	24	29	---	---	29	31	---	---	31
Armament.....	10	---	---	10	5	---	---	5	4	---	---	4	5	---	---	5
Total capital goods.....	69	---	---	68	65	---	---	72	74	---	---	82	82	---	---	83
Total finished goods.....	420	---	---	411	360	---	---	361	381	---	---	380	397	---	---	395
Government services.....	25	---	---	25	37	---	---	37	36	---	---	36	35	---	---	35
Domestic raw materials and semifinished products put into stock.....	---	---	---	---	4	---	---	4	1	---	---	1	3	---	---	3
National availability.....	---	---	---	436	---	---	---	402	---	---	---	417	---	---	---	433
Domestic raw materials and semifinished products exported.....	12	---	12	---	3	---	3	---	5	---	5	---	0	---	0	---
Total goods and services.....	457	---	---	436	394	---	---	396	423	---	---	423	441	---	---	440
Imported raw materials and semifinished products.....	20	20	---	---	24	23	---	---	27	27	---	---	22	22	---	---
Total net imports or exports.....	---	37	29	8	---	40	8	-32	---	38	17	-21	---	29	15	-14
Gross national product.....	428	---	---	428	370	---	---	370	396	---	---	396	410	---	---	410
Maintenance.....	60	---	---	60	48	---	---	48	40	---	---	40	50	---	---	50
Net national product.....	378	---	---	378	322	---	---	322	347	---	---	347	309	---	---	309

¹ Estimated on basis of actuals for first 6 months, and available information on second six months.

Sources: Estimation du Revenu National, Deuxieme Rapport sur la realisation, Troisieme Rapport sur la realisation,

TABLE II.—Metropolitan France: Balance of payments by product categories, 1938

[In billions of 1938 francs]

	Imports (payments)			Exports (receipts)			Balance
	DOT	Foreign	Total	DOT	Foreign	Total	
<i>Trade and services:</i>							
Foodstuffs.....	0.5	3.5	13	1.5	13.5	5	-8
Nondurable goods and services.....				4.5	4.5	9	9
Clothing-footwear, textiles.....				2.0	4.0	6	6
Other durable.....		1	1	0.5	1.5	2	1
Mechanical and equipment.....		3	3	1.0	2.0	3	3
Transport.....				0.5	0.5	1	1
Raw materials.....	3	26	29	1.5	10.5	12	-17
Total.....	12.5	33.5	46	11.5	26.5	38	-8
Capital accounts.....	2	6	8				8

¹ Including 0.5 for tourism.

² Including 3 for freight.

³ Including 2.5 for tourism.

⁴ Including 1 for tourism.

⁵ Including 0.5 for tourism.

Source: Estimation du Revenu National Français.

TABLE III.—Expected changes in the French national accounts, 1929-52

[In billions of 1938 francs]

	1929	1938	1946	1947	1948	1949-49	1949-50	1950-51	1951-52	1952-53
Gross national product.....	485	428	370	396	410	430	454	485	520	550
Imported surplus.....		8	32	21	14	13	12	10	5	
Total resources ¹ 1+2.....	485	436	402	417	433	443	466	495	525	550
Total investment.....	95	68	72	82	83	88	96	102	110	115
Armament.....	5	10	5	4	5	5	5	6	5	5
Civil investment, 4-5.....	90	58	67	78	78	83	91	97	105	110
Consumption, 3-4.....	300	368	330	335	350	355	370	393	415	440
Of which: Government services.....	20	25	37	30	35	32	31	30	29	27
	In percents									
Ratio:										
$\frac{6}{3}$ Civil investment Total resources $\times 100$	18.6	13.3	16.7	18.8	18.0	18.7	19.5	10.6	20.0	20.0
$\frac{4}{1}$ Total investment GNP.....	10.7	15.9	19.4	20.6	19.8	20.4	21.2	21.1	21.2	20.0
	Indices									
GNP:										
1929=100.....	100	88	76	82	86	89	94	100	107	114
1938=100.....	113	100	86	93	98	100	106	113	122	128
1948=100.....	116	102	88	95	100	103	108	116	124	131
Consumption:										
1929=100.....	100	94	85	86	90	91	95	101	106	113
1938=100.....	106	100	90	91	95	97	100	107	113	120
1948=100.....	111	105	94	96	100	101	106	112	119	126

¹ National availabilities.

Sources: This table is derived for the period 1938-48 from the table I on national income by products. Data for 1949-53 are estimated on the basis of the French long-term program. Original data were in 1948 francs. The 1948 data are actually half year figures but they have been assumed for the purpose of this table as representative for the whole year. The data for 1952-53 have been derived by making GNP 1952-53=1.3 GNP 1948-49.

TABLE IV.—National product-at factor cost by economic sectors

Production sectors	1938	1946	1947	1948 (first half at annual rate)
Agriculture.....	78	85	64	158
Industry.....	127	103	117	130
Power.....	9	10	10	11
Raw materials.....	22	17	22	27
Building and public works.....	17	19	20	21
Mechanical industries.....	26	—	—	26
Textiles, clothing, leather.....	28	57	65	24
Food processing, agricultural industries.....	15	—	—	10
Miscellaneous transformation industries.....	10	—	—	11
Transport.....	26	30	32	333
Commerce.....	52	38	42	41
Banking, insurance.....	6	4	5	6
Housing ²	16	15	14	14
Private services.....	26	24	24	25
Net product at factors cost.....	331	277	243	307
Indirect taxes.....	35	25	30	338
Subsidies.....	-8	-11	-11	-11
Net product at market prices.....	358	291	317	334
Government services.....	20	31	30	30
Net national product.....	378	322	347	364
Maintenance.....	50	48	49	50
GNP.....	428	370	396	414

¹ Doubling of actual production figure of first half year understated production for the year as a whole. An average of production during the first half of 1948 and the second half of 1947 comes to 69, thus $(64+74) \div 2$.

² The most recent French estimates have added an adjustment for "cote mobiliere" which are included in these figures. The adjustment amounts to 3 in 1938, and 2 in 1946 and 1947. "Cote mobiliere" represents the rental value of housing properties.

³ Residual.

Source: Second semiannual report 1947.

APPENDIX B—CONSUMPTION

TABLE I.—*Metropolitan France: Availabilities of industrial consumer goods*

[Monthly averages]

	Unit	1933	1946, second half	1947			
				1st quarter	2d quarter	3d quarter	4th quarter
Woolen cloth.....	Tons.....	6,313	4,401	5,016	5,573	4,935	6,252
Cotton cloth.....		8,153	7,806	8,429	7,036	7,373	10,006
Silk and rayon cloth.....		1,521	654	865	935	830	961
Socks and stockings, all kinds.....	1,000 pairs.....	21,500	17,100	8,260	8,000	7,300	.....
Wool thread for haberdashery.....	Tons.....	1,080	1,021	1,130	1,243	1,101	1,331
Footwear.....	1,000 pairs.....	5,575	3,662	3,709	3,776	3,392	3,730
Heating apparatus.....	Tons.....	.....	8,113	10,191	10,090	8,323	10,261
Window glass.....		2,600	6,393	6,887	5,775	5,578	4,024
Glassware.....		3,829	2,801	2,916	1,794	2,189	4,118
Electric bulbs.....		327	263	361	237	262	317
Earthenware.....		4,250	2,992	3,510	3,512	3,266	3,662
Chlorinated household requirements:							
Javel extract ²		424	534	523	814	900	820
Soap.....		29,146	13,780	15,257	14,719	15,416	20,138
Paints and varnishes.....		14,400	15,062	14,658	17,724	16,951	18,032
Bicycle tires.....		600	829	957	930	636	789
Motor and motorcycle tires.....		5,161	5,153	5,873	5,190	4,596	4,904

¹ Fourth quarter 1946.

² Production of Metropolitan France not including imports or exports.

Source: Ministry of Commerce and Industry; Ministry of Finance (General Customs Department).

TABLE II.—*Index of availability of industrial goods*

[1938=100]

	1941	1942	1943	1944	1945	1946	1947	1948
1st quarter.....	69	58	53	50	34	74	94	106
2d quarter.....	70	60	55	45	43	91	109	.....
3d quarter.....	63	57	51	23	50	83	94	.....
4th quarter.....	64	58	52	33	71	90	95	.....

Source: Etudes et Conjoncture. Mars, Avril 1948.

TABLE III.—*French food consumption*

[In kilograms per person per year and calories per person per day]

	1938 ¹	1947-48 ¹	1948-49 ²		1949-50 ³	
	Kilo-grams	Kilo-grams	Kilo-grams	Calories	Kilo-grams	Calories
Grain as flour.....	134	126	141	.....	n. a.	.....
Refined sugar.....	23	16	16	.....	20	.....
Potatoes.....	134	149	152	.....	150	.....
Dry legumes.....	6	4	5	.....	6	.....
Vegetables.....	100	100	98	.....	96	.....
Fruits and nuts.....	31	33	34	.....	38	.....
Meat.....	47	46	43	.....	45	.....
Fish.....	9	7	10	.....	11	.....
Eggs.....	9	9	8	.....	9	.....
Whole milk.....	38	69	67	.....	73	.....
Cheese.....	7	4	5	.....	5	.....
Fats.....	16	13	13	.....	15	.....
Total calories per person per day.....	2,800	2,450	.....	2,650	.....	2,700

¹ Excluding the Saar.

² Including the Saar.

³ Probably underestimated by 100 calories or 10 kilograms of flour.

Source: OF&R provisional estimates, November 1948-December 1948-49. The 1948-49 data correspond to the budget import figures; 1949-50 data are ECA forecasts.

TABLE IV.—Minimum subsistence budget (for 1 bachelor in the Paris area consuming approximately 2,700 calories a day and doing light manual labor)

[Francs per month]

	1947			1948										
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
Food.....	4,310	4,376	4,430	4,788	5,135	5,150	5,313	5,498	5,105	5,014	5,114	5,309	5,450	5,422
Heat, light.....	535	540	550	856	883	883	716	716	720	720	720	720	749	804
Miscellaneous household items ¹	725	725	725	997	997	997	1,025	1,025	1,025	1,075	1,075	1,075	1,223	1,332
Rent.....	250	250	250	325	325	325	325	325	325	325	325	325	325	325
Other expenses.....	1,210	1,274	1,308	1,483	1,483	1,483	1,523	1,523	1,523	1,548	1,553	1,597	2,280	3,016
Total (except clothing and linen).....	7,036	7,174	7,371	8,440	8,823	8,838	8,002	9,087	8,604	8,682	8,787	9,026	10,043	10,289
Clothing ²		1,270			1,523			1,765			1,853			2,273
Household and bed linen ²		109			203			235			247			345
Other expenses ² (2.5 percent of total).....		215			264			277			272			328
Total.....		8,828			10,813			11,364			11,159			13,230
Minimum wage.....	7,000	8,500	10,500	10,300	10,500	10,500	10,500	10,500	10,500	10,500	10,500	11,900	11,900	11,900
Transportation bonus ³													500	500
Total.....													12,400	12,400

¹ Laundry, cleaning, soap, medical expenses, china, etc.

² Computed every 3 months.

³ Commencing October, Paris workers were granted a bonus of 500 francs per month to compensate for the sharp increase in Paris transportation rates effective the same date.

Source: Price data from the Institut National de la Statistique et des Etudes Economiques. Wage statistics from the labor attaché.

APPENDIX C—PRODUCTION AND INVESTMENT

TABLE I.—*French investment program, 1948-49 through 1951-52*

[In billions of July 1948 francs]

A. Programed net investment in "basic sectors":	
Coal.....	260
Electricity.....	370
Gas.....	35
Liquid fuel.....	125
Iron and steel.....	105
Agriculture.....	500
Agricultural machinery industry.....	10
Nitrogen.....	30
Railway transportation.....	260
Inland water transportation.....	15
Total.....	1, 710
B. Programed net investment in "other activities necessary to achieve long-term objectives":	
Mechanical industries.....	150
Chemical industries.....	130
Artificial textiles.....	20
Paper and pulp.....	10
Merchant marine.....	210
Tourist trade.....	70
Total.....	590
C. Total of programed investment (A plus B).....	2, 300
D. Other investments, net.....	1, 260
E. Maintenance.....	1, 720
F. Gross investment (C plus D plus E).....	5, 280

¹ This corresponds approximately to the 431 billions (1938 francs) shown in item 4 of table III, appendix A.

Source: *Response Francaise au questionnaire de l'OEEC sur le Programme a long terme*, Paris, October 1948.

TABLE II.—*French production: 1938 and 1948 actuals, 1952-53 goals*

	Unit	1938	1948 (at rate of first 6 months)	1952-53 goals
A. Metropolitan France (including the Saar):				
Industry:				
Coal:				
France.....	Millions of tons.....	47.6	51.8	60
Saar.....	do.....	14.4	11.7	17
Electricity ¹	Billions kilowatt-hours.....	18.6	28	40
Oil (crude products refined in France).....	Millions of tons.....	6	7.3	18.7
Crude steel:				
France.....	do.....	6.2	7.2	12.5
Saar.....	do.....	2.5	1	1.8
Lead (metal).....	Thousands of tons.....	42.6	42.6	60
Aluminum.....	do.....	45.3	65	105
Artificial fibers.....	do.....	34	76	150
Nitrogenous fertilizers.....	Thousands of tons of nitrogen.....	1177	200	350
Agriculture:				
Wheat.....	Millions of quintals.....	281.5	74	100
Meat.....	Thousands of tons.....	21,700	1,700	2,200
Milk and dairy products.....	Millions of milk hectolitres.....	2146	110	175
Fats.....	Thousands of tons (in terms of oil).....	2325	250	540
B. Overseas territories:				
Natural phosphates.....	Millions of tons.....	3.7	5.6	7
Iron ore ²	do.....	3.8	3.8	4.7
Lead ore (c).....	Thousands of tons.....	39.0	40	110
Wood (c).....	do.....	500	650	900
Raw cotton.....	do.....	16.6	30	50
Fats (c).....	Thousands of tons (in terms of oil).....	290	170	960

¹ France alone.

² Annual average 1934-38.

* Exportable quantities.

Source: Response Française au questionnaire de l'OEEC sur le Programme à long terme Paris, October 1948.

TABLE III.—*French industrial performance: 1929-1952-53*

	1929 peak	1935-38 average	1947	1948-49 program	1949-50 program	1952-53 targets
Millions of tons						
Solid fuels:						
Production.....	58.5	52.0	47.5	54.4	66.3	77.0
Net imports.....	24.9	16.7	10.9	13.6	10.0	12.0
Change in stocks.....	1.8	.6	-1	1.6	.8	.....
Consumption.....	85.2	69.3	58.3	69.6	77.1	89.0
Crude steel: Production.....						
	11.9	9.1	6.4	10.0	12.5	14.3
Finished steel:						
Production.....	8.0	5.9	4.5	7.6	9.0	10.5
Net imports.....	-2.3	-1.0	.3	-9	-1.2	-3.3
Consumption.....	5.7	4.9	4.8	6.7	7.8	7.2
Liquid fuel:						
Crude supply.....						
		6.3	5.0	8.1	10.3	18.7
Refined POL.....		4.8	4.5	7.2	9.5	16.5
Net imports.....		1.0	1.5	1.1	.8	-3.1
Consumption.....		5.8	6.0	8.3	10.3	13.4
Thousands of tons						
Nonferrous metals:						
Aluminum.....	24	27	71	95	85	100
Copper.....	146	112	127	125	140	200
Tin.....	12.3	9.5	10.5	11	12	.....
Zinc.....	116	92	105	103	110	140
Lead.....	112	89	88	83	85	100
Nickel.....	6.2	6.1	5.7	8	.....	.....
Raw textiles:						
Cotton.....	319	233	221	235	276	261
Wool.....	163	118	89	121	120	125

Source: Long-term working group (63) 10, annexes.

TABLE IV.—France: Index of industrial production (excluding construction)

[1938=100]

1946	79	1948—June	114
1947	95	July	103
1948—January	105	August	93
February	112	September	107
March	112	October	100
April	114	November	107
May	118	December	110

Source: Institut National de Statistique et des Etudes Economiques.

TABLE V.—French agricultural position: Prewar, current, and projected

[In thousands of tons]

	1934-38	1947-48	1948-49	1949-50	1952-53
A. DOMESTIC PRODUCTION OF AGRICULTURAL COMMODITIES					
Bread grains	9,007	3,686	8,072	8,600	10,800
Fats and oils	235	190	228	230	1,490
Meat	2,100	1,834	2,115	2,175	2,650
Sugar					
Milk	14,600	9,800	11,700	13,300	17,500
Cheese	230	160	195	225	300
Coarse grains	6,385	4,350	5,540		7,900
B. NET CHANGE IN DOMESTIC SUPPLY DUE TO FOREIGN TRADE					
Bread grains	93	1,467	-8	-100	-1,500
Fats and oils	517	345	361	376	332
Meat	50	38	21	-14	-120
Sugar					
Milk	-150	70	100	-100	-1,210
Cheese			3	-8	-21
Coarse grains	1,365	500	960	900	250
C. CONSUMABLE SUPPLY OF AGRICULTURAL COMMODITIES					
Bread grains:					
Human consumption	6,500	4,300	6,000	6,500	6,500
Animal consumption	2,600	853	2,064	2,000	2,800
Total	9,100	6,153	8,064	8,500	9,300
Coarse grains	7,780	4,850	6,500		8,150
Fats and oils	802	544	589	656	1,872
Meat	2,150	1,872	2,136	2,161	2,530
Sugar	1,089	726	744		1,100
Milk	14,450	9,870	11,800	13,200	16,290
Cheese	230	160	198	217	279
D. FERTILIZERS AVAILABLE TO FARMERS					
Nitrogen	5 218	222	300	320	450
Phosphate	5 425	418	500	600	800
Potash	5 893	366	450	600	700

Source: French memorandum on the 1949-50 program.

¹ Includes 50 synthetic detergives.

² More recent French tables on the 1952-53 program indicate meat production at 2,200, exports at 150, and consumable supply at 2,050.

³ Includes some coarse grains for human consumption.

⁴ Excludes invisible fats consumed with meat (suet and lard) which amounted to 40 in 1934-38 and 1947-48 and is estimated at 50 for 1948-49, 1949-50, and 1952-53.

⁵ 1938-39.

TABLE VI.—*Estimated yields and production of crops in France, prewar and current*

	Yields in quintals per hectare (annual average)			Production in thousands of metric tons		
	1930-39	1947	1948	1930-39	1947	1948
Cereals, total.....	14.60	10.02	15.58	15,632	8,037	13,238
Wheat.....	15.40	9.62	17.69	8,049	3,266	7,419
Rye.....	11.59	8.66	11.17	787	334	612
Oats.....	14.26	10.77	13.78	4,749	2,813	3,360
Barley.....	14.71	11.71	15.40	1,104	1,123	1,248
Potatoes.....	102	105	140	16,933	13,296	16,721
Sugar-beets.....	287	202	307	9,117	5,892	9,601
Oil-seeds.....	11.20	6.05	9.75	16	85	155
Dry legumes.....	0.86	6.37	7.82	251	159	184
Tobacco.....	19.04	17.91	18.12	33	62	47
Vineyards.....	38.46	30.67	32.63	5,889	4,417	4,703

Production of meat, milk and eggs

	1938	1946	1947	1948
Meat (thousands tons):				
Beef.....	611	550	601	522
Veal.....	265	200	219	198
Pork.....	669	410	501	575
Mutton.....	108	50	59	60
Horse.....	41	40	67	60
Poultry.....	355	352	390	350
Total.....	2,049	1,602	1,837	1,765
Milk (thousand hectolitres).....	113	98	100	103
Eggs (millions).....	6,300	6,280	6,310	6,110

Source: French Ministry of Agriculture.

TABLE VII.—*Use of tillable land in France, prewar and current*

[In thousands of hectares]

Crop	Average 1934-38	1946	1947	1948 (preliminary)
Cereals.....	10,636	8,367	8,025	8,551
Roots and tubers.....	3,316	2,463	2,700	2,699
Dry legumes.....	195	186	214	199
Fresh vegetables—field grown.....	171	172	169	165
Miscellaneous, including oilseeds.....	75	297	238	297
Forage crops.....	4,313	4,574	4,656	4,656
Fallow.....	1,946	1,940	2,014	1,615
Total.....	20,652	17,963	18,046	18,182

¹ Area planted for 1948-49 crop.

Source: French Ministry of Agriculture

TABLE VIII.—*French agricultural production*

[Value of 1938 francs]

Produce	Unit price 1938	Quantity 1934-38	Value of 1934-38 production in millions of 1938 francs	Quantity, 1946	Value of 1946 production in millions of 1938 francs	Quantity, 1947	Value of 1947 production in millions of 1938 francs
Wheat.....	200 francs per quintal.....	65,000,000 quintals.....	13,000	57,000,000 quintals.....	11,400	22,000,000 quintals.....	4,400
Potatoes.....	50 francs per quintal.....	65,000,000 quintals.....	3,250	65,000,000 quintals.....	3,250	70,000,000 quintals.....	3,500
Dry vegetables.....	2,000 francs per ton.....	5,000,000 tons.....	10,000	6,000,000 tons.....	12,000	6,000,000 tons.....	12,000
Fresh vegetables.....	3,000 francs per ton.....	208,000 tons.....	624	114,000 tons.....	342	108,000 tons.....	324
Industrial beets.....	240 francs per ton.....	8,785,000 tons.....	2,108	6,500,000 tons.....	1,560	6,107,000 tons.....	1,465
Fruit.....	3,000 francs per ton.....	1,200,000 tons.....	3,600	1,500,000 tons.....	4,500	1,500,000 tons.....	4,500
Wine.....	165 francs per hectolitre.....	60,000,000 hectolitres.....	9,900	40,000,000 hectolitres.....	6,600	42,000,000 hectolitres.....	6,930
Cider apples.....	350 francs per ton.....	3,000,000 tons.....	1,050	2,000,000 tons.....	700	2,000,000 tons.....	700
Beef.....	8 francs 50 per kilogram.....	625,000 tons.....	5,312	600,000 tons.....	5,100	595,000 tons.....	5,057
Veal.....	12 francs 50 per kilogram.....	290,000 tons.....	3,625	200,000 tons.....	2,500	220,000 tons.....	2,750
Mutton.....	13 francs 50 per kilogram.....	95,000 tons.....	1,282	60,000 tons.....	810	60,000 tons.....	810
Pork.....	10 francs 50 per kilogram.....	700,000 tons.....	7,350	500,000 tons.....	5,250	500,000 tons.....	5,250
Horse meat.....	5 francs per kilogram.....	40,000 tons.....	200	40,000 tons.....	200	66,000 tons.....	330
Poultry.....	12 francs per kilogram.....	550,000 tons.....	6,600	600,000 tons.....	7,200	650,000 tons.....	7,800
Eggs.....	0 franc 60 each.....	6 billion.....	3,600	7 billion.....	4,200	7 billion.....	4,200
Milk.....	1 franc per liter.....	110,000,000 hecto- liters.	11,000	70,000,000 hecto- liters.	7,000	75,000,000 hecto- liters.	7,500
Total.....	.....	.....	82,501	.....	72,612	.....	67,516
Index.....	.....	.....	100	.....	88	.....	82

¹ This total different from that in table 4, appendix A, because it refers to the 1931-38 average rather than to 1938.

Source: Second half yearly report.

TABLE IX.—Indices of manpower productivity in French industry

Period	Coal mines	Metal-lurgy	Mechanical industry	Construction materials	Chemical industry	Rubber	Paper industry	Textiles	Hides and skins	Total
1946—January.....	62	51	56	55	61	58	52	63	52	60
April.....	64	59	74	78	79	67	57	74	58	71
July.....	64	75	79	89	95	80	64	83	60	81
October.....	67	81	77	90	86	87	87	87	66	79
1947—January.....	67	75	75	69	85	87	75	78	61	77
April.....	69	78	79	83	92	100	77	84	61	83
July.....	67	81	82	83	94	93	79	84	64	81
October.....	68	83	76	81	93	97	83	92	65	83
1948—February.....	70	84	88	79	100	104	80	89	71	86
May.....	68	92	86	87	107	105	91	97	76	88
July.....	66	89	85	86	107	99	90	95	74	86

Source: Etudes et Conjoncture.

TABLE X.—Metropolitan France: Composition of energy supply, 1938, 1952-53

	1938	1948-49	1949-50	1952-53
	Index 1938=100			
Coal.....	100	107	115	122
Oil.....	100	111	128	186
Hydroelectric.....	100	158	167	246
Total.....	100	112	123	141
	Percent of total			
Coal.....	80	76	76	70
Oil.....	9	12	12	15
Hydroelectric.....	11	12	12	15
Total.....	100	100	100	100

APPENDIX D--EXTERNAL ACCOUNTS

TABLE I.—*French Union: Balance of payments, current account, 1937, 1952-53*

[Millions of current dollars]

	1937		1938		1947		1948 (prelim.)		1948-49		1949-50		1952-53	
	Private estimates				Official estimates				OEEC programs					
	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments
Merchandise (f. o. b.).....	670	1,130	640	1,870	1,040	2,492	1,060	2,400	1,231	2,155	1,467	2,172	1,983	2,117
Freight and insurance.....	Net	25	Net	14	90	410	50	270	70	251	71	260	10	107
Tourism.....	83	Net	101	Net	50	47	90	36	125	37	175	50	400	70
Investment income (including public debt service) ²	210	40	102	46	147	61	100	84	95	95	95	97	99	183
Other.....	Net	42	Net	16	413	258	172	230	151	229	152	228	Net	92
Metropole subtotal.....	903	1,243	933	616	1,755	3,267	1,472	3,020	1,673	2,707	1,969	2,807	2,492	2,620
D. O. T. balance.....		50		60		163		190		214		205	187	
Total.....	903	1,293	933	1,000	1,755	3,430	1,472	3,210	1,673	2,921	1,969	3,012	2,629	2,620
Franc zone deficit:														
Unadjusted.....		330		73		1,675		1,738		1,308		1,052		
Adjusted ⁴		330		73		1,890		1,770		1,308		1,052		

¹ Original c. i. f. estimates reduced to f. o. b. basis by deducting estimated 10 percent for freight and insurance.

² Original estimates adjusted for foreign exchange element in freight and insurance charges which were deducted from imports according to footnote 1.

³ Original estimates of receipts reduced by 30 percent to allow for overstatement.

⁴ Investment income and government military receipts applicable to prior years estimated as follows: investment income, \$73,000,000 in 1947; government military, \$142,000,000 in 1947 and \$38,000,000 in 1948.

Sources:

1937, 1938—Rist-Schwob estimates as published by League of Nations; cf. footnotes 1, 2, and 3.

1947, 1948—Official French estimates.

1948-49, 1949-50, 1952-53—OEEC programs, in 1948, prices. See airgram 8 from Paris for 1948-49 details, and OEEC Doc. PR (48) 43/44 for 1949-50 and 1952-53 details.

The 1949-50 figures have been revised by ECA, see table IX.

TABLE II.—*French Union: Balance of payments, current account, 1937, 1952-53*

[Millions of 1948 dollars]

	1937		1938		1947	1948 preliminary		1948-49		1949-50		1952-53		
	Private estimates				Official estimates				OEEC programs					
	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments
Merchandise (f. o. b.).....	1,285	2,170	1,350	1,840	1,117	2,076	1,090	2,400	1,231	2,155	1,467	2,172	1,033	2,117
Freight and insurance.....	(not 160)	48	(not 215)	30	106	430	50	270	70	251	71	260	10	167
Tourism.....	160	(not)	215	(not)	62	51	90	36	125	37	175	50	400	70
Investment income (including public debt service).....	210	46	192	46	147	61	100	84	95	95	95	97	60	183
Other.....	(not)	42	(not)	10	413	202	172	230	151	229	152	228	(not)	92
Metropole subtotal.....	1,655	2,206	1,757	1,923	1,845	3,489	1,472	3,020	1,673	2,707	1,900	2,807	2,402	2,029
DOT balance.....		96		127		175		190		214		205	167	
Totals.....	1,655	2,402	1,757	2,059	1,845	3,664	1,472	3,210	1,673	2,081	1,900	3,012	2,029	2,029
Franc zone deficit:														
Unadjusted.....		747		302		1,819		1,738		1,308		1,052		
Adjusted.....		747		302		2,034		1,778		1,308		1,052		

NOTE.—For sources and adjustments to underlying data, see appendix D, table I. Conversion of 1937, 1938, and 1947 data to 1948 prices was made by means of United States wholesale price index.

TABLE III.—*French Union: Balance of payments in all currencies, 1947, 1948, 1948-49*

[Millions of dollars]

Current account	1947				1948 (preliminary)		1948-49 program (in 1948 dollars) (OEEC)	
	Current dollars		1948 dollars		Re-ceipts	Pay-ments	Re-ceipts	Pay-ments
	Re-ceipts	Pay-ments	Re-ceipts	Pay-ments				
Merchandise (i.o.b.)	1,040	2,492	1,117	2,676	1,060	2,400	1,231	2,155
Freight and insurance	99	410	106	438	50	270	70	251
Tourism	56	47	56	47	90	36	125	37
Investment income (including public debt service)	1 147	61	1 147	61	100	84	95	95
Foreign workers	14	69	15	73	12	100	13	105
Government (excluding interim)	1 144	48	1 144	48	1 160	130	138	124
All other	254	141	254	141				
Metropole subtotal	1,755	3,267	1,840	3,483	1,472	3,020	1,673	2,767
Colonial deficit		163		175		190		214
Total current items	1,755	3,429	1,840	3,658	1,472	3,210	1,673	2,981
Deficit on current account		1,675		1,818		1,738		1,308
Extraordinary items ¹	215		215		38			
Adjusted deficit		1,890		2,033		1,776		1,308
Capital account:								
Borrowings (long term)	1,121	32			226	20		92
Asset liquidation	27	11			144		40	
Miscellaneous	241	198			129		62	31
Monetary reserves	622	93			280	14	17	
Interim and ECA aid					815		1,312	
Errors and omissions		2			178			

¹ Investment income and government (military) receipts applicable to prior years estimated as follows: Investment income 73 million dollars in 1947; government (military) 142 million dollars in 1947 and 38 million dollars in 1948.

Sources: 1947-48 Official estimates of French Ministry of Finance. Capital account 1948 tentative. 1948-49 OEEC program, revised as of November 1948, in 1948 prices.

TABLE IV.—*French Union: Balance of payments in United States dollars and gold, 1947, 1948, 1948-49*

[Millions of dollars]

	1947				1948 forecast ¹		1948-49 OEEC program	
	Current prices		1948 dollars					
	Re-ceipts	Pay-ments	Re-ceipts	Pay-ments	Re-ceipts	Pay-ments	Re-ceipts	Pay-ments
Current account:								
Merchandise:								
United States.....	48	1,056	52	1,140	} 66	987	{ 65	593
Other.....	62	211	67	228					} 5	134	{ 6	135
Freight and insurance:								
United States.....	6	268	6	290	} 30	7	{ 30	8
Other.....	7	45	8	49					} 15	59	{ 1	64
Tourism:								
United States.....	12	3	13	3	} 119	69	{ 26	25
Other.....	1	1	1	1					} 15	119	{ 15	10
Investment income, United States.....	24	38	24	38				
Miscellaneous:								
United States.....	208	32	208	32				
Other.....		7		7				
Metropole total:								
United States.....	298	1,397	303	1,503	} 235		{ 128	825
Other.....	70	264	76	285					} 160		{ 72	179
Colonial deficit:								
United States.....		115		124	} 1,180		{	875
Other.....		8		9					} 1,415		{ 72	1,003
French Union total:								
United States.....	298	1,512	303	1,627	} 1,180		{ 128	1,003
Other.....	70	272	76	294					} 1,180		{ 72	210
Deficit:								
United States.....		1,214		1,324	} 1,180		{	875
Other.....		202		218					} 1,180		{	138
Adjusted deficit: ⁴								
United States.....				1,454	} 1,180		{	
Other.....				218				

¹ Tentative calculation based on French official estimates for first half of year converted to annual rate, with adjustment for extraordinary items. These are therefore not necessarily comparable with preliminary official estimates for full year given in Appendix D, table I.

² Includes 130 million dollars United States military expenditures applicable to prior years.

³ Includes 38 million dollars United States military expenditures applicable to prior years.

⁴ Compare footnotes 2 and 3.

Sources: 1947 French official estimates. 1948 see footnote ¹. 1948-49 OEEC Program; in 1948 prices.

TABLE V.—*French Union: Balance of payments with sterling area, 1947, 1948, 1948-49*

[Millions of dollars]

	1947		First half 1948 at annual rate		1948-49 OEEC program	
	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments
Current account:						
Merchandise trade (f. o. b.) ¹	284 0	423 9	192 0	650 0	274 0	478.0
Freight and insurance.....	22 1	54 4	8 8	43.2		
Interest and dividends.....	86 8	7 4	84.0	6.4		
Foreign travel.....	24.4	4.2	10 4	2 4	4.0	
Government (including debt service).....	2 13.5	12 5		7.2		
Miscellaneous.....	104.4	76 6	78 4	74 4		
Metropole subtotal.....	535.2	579.0	373 6	789 6		
Colonial deficit.....		14.0		45.0		
French Union total.....	535 2	593.0	373	835 2	278.0	478 0
Deficit on current account.....		57.9		461.6		200 0
Capital account:						
Borrowing Total.....	81.1		92 0			
Private bank credits (wool).....			80.0			
B. I. S. loan.....	80 7		12.0			
New Zealand loan.....			20 0			
Miscellaneous.....	32.9	24 4				
Monetary reserves:						
Public.....	61.7	187.0	308.0			
Private.....	78 3		7.4			
Arbitrage.....	17.9			9 6		
Errors and omissions.....		2 6		26.2		

¹ Net of returns and cancellations.

² Of which 12.7 dollars represented Military expenditures.

Source: French Ministry of Finance.

TABLE VI (a).—*French Union: Balance of payments, current account, 1947, in all currencies*

[Millions of dollars]

	United States	OWH	NPSA	OPC and DOTS	ONP	Total
Payments						
Imports.....	1,056.0	399.5	179.0	737.5	119.8	2,491.8
Freight.....	268 0	49.8	2.0	89.3	.9	410.0
Tourism.....	8.5	1.0	.5	36.8	.2	47.0
Income from capital.....	37.9	.3		21.8	1.0	61.0
Foreign workers.....	3.0	.4		64.6	1.0	69.0
Other payments.....	28 6	14.3	5 0	126.1	15 0	189 0
Total.....	1,402.0	465 3	186.5	1,076 1	137.9	3,266.8
Receipts:						
Exports.....	48.0	118.0	38.9	741.2	93.0	1,040 0
Freight.....	6.0	8.4	2.0	75 6	6.0	99.0
Tourism.....	11 7	2 1	.2	41.2	.8	56.0
Income from capital.....	24.3	12.0		104 7	6.9	147.0
Foreign workers.....	3.0	.7		9.6	.7	14.0
Other receipts.....	205.3	15.1		171.0	6.6	398.0
Total.....	298.3	157.2	41.1	1,143 3	114.1	1,754 0
Merchandise balance.....	-1,008.0	-280.6	-140.1	3.7	-26.0	-1,451.8
Net invisibles.....	-95.7	-27.5	-5.3	64.5	3.0	-61.0
Balance on current account:						
Metropolitan France.....	-1,103.7	-308 1	-145.4	68.2	-23.8	-1,512 8
DOTS.....	-115.0	-10.0	-10.0	-24.0	-3.6	-162.6
French Union.....	-1,218.7	-318 1	-155.4	44.2	-27.4	-1,675 4

Sources: French 1948-40 submission to OEEC.

TABLE VI (b).—*Balance of payments of French overseas territories with foreign countries in all currencies, 1947*

[Millions of dollars]

	Re- ceipts	Pay- ments		Re- ceipts	Pay- ments
Current account:			Capital account:		
Exports and imports (f. o. b.) ¹	64.4	204.5	Long-term operations.....	0.1	0.7
Freight and insurance.....	4.3	17.1	Increase in franc balances held by foreigners.....	8.5	-----
Investment income.....	1.0	6.9	Foreign exchange granted by metropole ²	162.5	-----
Foreign travel.....	1.2	4.3	Errors and omissions.....	2.3	-----
Services of banks, insurance cost, communication cost, etc.....	.5	3.9			
Wages, salaries, pensions, etc.	4	1.0			
All other.....	6.2	12.9			
Totals.....	78.0	250.6			
Net deficit on current ac- count.....	-----	172.6			

¹ Net of cancellations and returns.

² This item appears in the French Union balance of payments as the colonial balance. See appendix D, table I, and VI (a):

Source: French Ministry of Finance.

TABLE VII.—French Union: Balance of payments, 1948-49.
(French OEEC submission)

[Millions of dollars]

	United States	Other Western Hemisphere		NPSA	Other nonparticipating		Other participating		Total		Grand total
		Dollar	Nondollar		Dollar	Nondollar	United Kingdom	Other	Dollar	Nondollar	
A. Current operations:											
Merchandise transactions:											
Imports	592.8	149.6	56.2	145.2	15.3	135.4	1332.8	727.2	757.7	1,300.8	2,151.5
Exports	65.0	40.0	72.0	55.0	8.0	152.0	219.0	620.0	113.0	1,118.0	1,231.0
Trade balance	-527.8	-109.6	-15.8	-90.2	-7.3	16.6	-113.8	-107.2	-644.7	-278.8	-923.5
Other current payments:											
Freight	135.3	2.5	12.0	6.0	0	23.9	53.4	13.2	137.8	114.1	251.9
Tourism	8.0	.3	.5	.5	0	.2	4.0	23.0	8.8	28.2	37.0
Income from capital	63.5	0	7.5	0	0	1.0	7.0	15.4	63.5	31.5	95.0
Immigrant remittances	3.0	0	0	0	0	3.0	5.0	94.0	3.0	102.0	105.0
Other expenditure	21.9	10.0	9.3	5.0	0	15.0	21.0	41.5	31.0	91.8	123.7
Total	231.7	13.3	29.3	12.1	0	43.1	91.0	192.1	245.0	307.6	612.0
Other current receipts:											
Freight	6.0	7.8	.6	0	0	5.5	12.0	39.0	13.8	57.1	70.9
Tourism	30.0	1.4	2.0	.5	0	3.0	20.0	67.5	31.4	93.0	125.0
Income from capital	1.0	0	11.5	0	0	6.0	36.0	40.5	1.0	91.0	95.0
Immigrant remittances	3.0	0	0	0	0	0	4.5	5.5	3.0	10.0	13.0
Other receipts	22.0	15.7	7.3	0	0	12.0	40.5	40.9	37.7	100.7	138.4
Total	62.0	24.9	22.0	.5	0	20.5	113.0	103.4	80.0	355.4	442.8
Balance of nonmerchandise transactions:											
Surplus (+) or deficit (-) on current account:	-109.7	+11.0	-7.3	-11.0	0	-16.6	+22.0	+1.3	-158.1	-12.2	-170.3
Metropolitan France	-697.5	-98.0	+8.5	-101.8	-7.3	0	-91.3	-105.9	-802.8	-291.0	-1,093.8
DOTs	-177.0	-22.0	0	0	-8.0	0	-4.0	-2.0	-208.2	-6.0	-214.2
French Union	-875.1	-120.6	+8.5	-101.8	-15.3	0	-95.8	-107.9	-1,011.0	-297.0	-1,308.0

B. Capital operation:											
Loan repayment.....	-71.8	0	-8.4	0	0	-2.4	-9.7	-71.8	-20.5	-02.3	
Expenditure on account of payments agree- ments (net).....	0	0	0	0	0	-10.0	0	-5.7	-10.0	-5.7	-15.7
Liquidations of securities.....	+40.0	0	0	0	0	0	0	+40.0	0	+40.0	
Gold restitution.....	+47.0	0	0	0	0	0	0	+47.0	0	+47.0	
Change in monetary reserve.....	+54.2	-49.2	0	0	+1.8	+10.0	0	+16.8	0	+16.8	
Deficit on current and capital accounts.....	-805.7	-169.8	+0.1	-101.8	-13.6	0	-08.2	-123.3	-989.0	323.3	-1,312.3
ERP aid.....	+805.7	+169.8	0	0	+13.6	0	0	0	0	0	0
Direct.....	0	0	0	+101.8	0		+08.2	+123.3	+089.0	+323.3	+1,312.3
Indirect.....											

¹ These figures differ from the import figures in table X, appendix D, probably because of a discrepancy between the geographical source of the imports and the area where payments are made. Apparently, the largest part of the discrepancy relates to wool imports from the nonparticipating sterling area, which in this balance of payments are considered as originating in the United Kingdom where the payments are made. This difference does not alter the relationship with the sterling area as a whole. In 1949-50 this inconsistency in presentation has been eliminated.

² Includes previous contracts as follows:

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	Million dollars
U. S.....	03.0
OWH.....	.8
ONP.....	11.2
OP.....	103.0

Total... 178.0

TABLE VIII (a).—*France: Estimated balance of payments in all currencies, 1949-50 (French OEEC submission)*

[Millions of dollars]

	United States	OWH	NPSA	OPC and DOT's	ONP	Total
Merchandise transactions:						
Imports.....	524.0	270.0	270.0	928.9	179.2	2,172.1
Exports.....	90.0	161.0	80.0	945.0	101.0	1,467.0
Trade balance.....	-434.0	-109.0	-190.0	+16.1	+11.8	-705.1
Other current payments:						
Freight.....	96.0	14.0	7.0	118.7	24.0	259.7
Tourism.....	8.0	1.3	0.5	40.0	0.2	50.0
Income from capital.....	66.0	7.4		22.3	1.0	96.7
Immigrant remittances.....	3.0			102.0	3.0	108.0
Other expenditures.....	22.0	19.3	5.0	68.7	15.0	120.0
Total other current payments.....	195.0	42.0	12.5	341.7	43.2	634.4
Other current receipts:						
Freight.....	6.0	8.4		51.0	5.5	70.9
Tourism.....	75.0	6.0	1.0	90.0	3.0	175.0
Income from capital.....	1.0	11.5		76.5	6.0	95.0
Immigrant remittances.....	3.0			10.0		13.0
Other receipts.....	22.0	23.0		81.4	12.0	138.4
Total other current receipts.....	107.0	48.9	1.0	308.9	26.5	492.3
Balance of nonmerchandise transactions.....	-88.0	+6.9	-11.5	-32.8	-16.7	-142.1
Surplus (+) or deficit (-) on current account:						
Metropolitan France.....	-522.0	-102.1	-201.5	-16.7	-4.9	-847.2
DOT.....	-165.9	-2.8	-30.6	+9.6	-15.4	-205.1
French Union.....	-687.9	-104.9	-232.1	-7.1	-20.3	-1,052.3
Repayment of loans.....	-71.6	-5.3				-76.9
Current deficit plus loan payments.....	-750.5	-110.2	-232.1	-7.1	-20.3	-1,120.2

TABLE VIII (b).—*French DOT's: Estimated balance of payments in all currencies, 1949-50 (French OEEC submission)*

[Millions of dollars]

	United States	OWH	NPSA	OPC and DOT's	ONP	Total
Merchandise transactions:						
Imports.....	173.9	10.3	50.6	105.8	38.4	379.0
Exports.....	30.0	7.5	20.0	136.4	23.0	216.9
Trade balance.....	-143.9	-2.8	-30.6	+30.6	-15.4	-162.1
Invisible payments ¹	25.5			27.5		53.0
Invisible receipts ¹	3.5			6.5		10.0
Balance of nonmerchandise transactions.....	-22.0			-21.0		-43.0
Surplus (+) or deficit (-) on current account.....	-165.9	-2.8	-30.6	+9.6	-15.4	-205.1

¹ Includes only miscellaneous items. Freight and other invisible items are included in the appropriate categories of the balance of payments of the Metropole.

TABLE IX (a).—*French Union: Balance of payments in all currencies, 1949-50*
(EOA revision of French OEEC submission)

[Millions of dollars]

	United States	OWH	All other	Total
Merchandise transactions:				
Imports.....	530.8	197.9	1,370.0	2,166.7
Exports.....	90.0	161.0	1,226.1	1,477.1
Trade balance.....	-499.8	-36.9	-152.9	-689.6
Other current payments:				
Freight.....	96.0	14.0	149.7	259.7
Tourism.....	8.0	1.3	40.7	50.0
Income from capital.....	66.0	7.4	23.3	96.7
Immigrant remittances.....	3.0	-----	105.0	108.0
Other expenditures.....	22.0	19.3	78.7	120.0
Total current payments.....	195.0	42.0	397.4	634.4
Other current receipts:				
Freight.....	6.0	8.4	56.5	70.9
Tourism.....	75.0	6.0	94.0	175.0
Income from capital.....	1.0	11.5	82.5	95.0
Immigrant remittances.....	3.0	-----	10.0	13.0
Other receipts.....	22.0	23.0	93.4	138.4
Total current receipts.....	107.0	48.9	336.4	492.3
Balance of nonmerchandise transactions.....	-88.0	+6.9	-61.0	-142.1
Surplus (+) or deficit (-) on current account:				
Metropolitan France.....	-537.8	-30.0	-213.9	-831.7
DOT.....	-176.3	-1.1	-46.8	-224.2
French Union.....	-769.1	-31.1	-260.7	-1,055.9
Repayment of loans.....	-966	-83	-----	-104.0
Current deficit plus loan repayments.....	-860.7	-39.4	-260.7	-1,160.8

TABLE IX (b).—*French DOT: Balance of payments in all currencies, 1949-50*
(EOA revision of French OEEC submission)

[Millions of dollars]

	United States	OWH	All other	Total
Merchandise transactions:				
Imports.....	184.3	8.6	205.2	398.1
Exports.....	30.0	7.5	179.4	216.9
Trade balance.....	154.3	-1.1	-25.8	-181.2
Invisible payments ¹	25.5	-----	27.5	53.0
Invisible receipts ¹	3.5	-----	6.5	10.0
Invisible balance.....	-22.0	-----	-21.0	-43.0
Surplus (+), deficit (-), on current account.....	-176.3	-1.1	-46.8	-224.2

¹ Includes only miscellaneous items. Freight and the other invisible items are included in the appropriate categories of the balance of payments of the Metropole.

TABLE X.—Imports (c. i. f.) of Metropolitan France from foreign countries by selected commodities, 1938, 1947, 1948

[In quantity and current francs]

	Thousands of metric tons unless otherwise specified			In millions of current francs		
	1938	1947	1948 (first 8 months)	1938	1947	1948 (first 8 months)
Horses (heads).....	925.0	22,664.0	6,142.0	7.3	1,513.1	431.2
Fresh or frozen meat.....	8.3	35.3	13.8	43.8	2,512.8	2,281.8
Concentrated milk.....	2.4	38.0	10.7	22.6	2,634.6	1,049.6
Potatoes.....	79.1	221.4	34.1	74.5	1,920.1	594.2
Dry vegetables.....	47.5	31.5	33.6	93.5	851.7	1,424.4
Edible fruits.....	264.8	28.2	89.6	774.7	933.1	4,507.6
Green coffee.....	126.9	29.6	.2	695.3	1,765.3	23.1
Wheat, spelt, meslin.....	201.1	261.9	702.4	301.7	2,239.5	10,722.6
Barley.....	29.7	82.6	133.8	37.1	691.9	2,465.8
Corn.....	26.5	513.5	155.2	826.7	4,517.0	2,503.7
Cereal flour.....	1.3	256.4	232.4	2.8	2,874.9	4,060.8
Peanuts.....	279.3	30.1	20.5	514.0	1,091.4	1,043.9
Copra.....	95.9	111.9	36.8	181.0	2,692.5	1,489.4
Seeds, grains, fruits.....	23.5	10.5	5.2	88.0	637.0	387.5
Lard.....	6.3	19.4	10.8	-----	1,353.0	1,135.7
Linseed oil.....	7	34.3	11.8	2.7	2,430.9	1,049.8
Sugar.....	124.7	69.2	55.6	140.0	1,013.7	2,091.4
Oil cakes.....	58.3	109.3	61.6	68.7	1,047.3	1,201.5
Raw tobacco.....	13.9	22.8	5.8	163.4	1,637.4	764.9
Iron pyrites.....	430.5	519.5	367.7	89.9	987.5	990.6
Solid mineral fuel.....	21,842.0	15,041.4	9,963.6	4,769.6	21,820.0	28,595.5
Crude petroleum products.....	6,978.1	4,986.3	4,577.5	3,393.4	11,509.5	30,064.8
Gasoline (thousands of hectoliters).....	7,400.4	9,511.5	223.0	424.0	3,557.9	1,153.7
Gas oils.....	93.9	233.7	72.0	52.0	635.0	404.6
Fuel oils.....	404.7	533.1	412.8	146.1	1,179.9	1,708.6
Petroleum oils, lubricants.....	71.1	114.0	46.6	154.6	725.3	1,358.3
Electric energy (millions of kilowatt-hours).....	408.0	1,437.9	309.3	63.8	780.6	613.0
Nitrogenous fertilizers.....	234.0	270.6	293.5	200.0	1,969.2	2,281.7
Organic colorants.....	1.2	2.3	1.9	140.8	1,159.2	1,454.1
Essential oils (thousands of kilograms).....	951.0	567.5	426.1	81.1	628.7	275.5
Crude rubber.....	51.9	40.9	41.5	516.7	1,743.6	2,402.8
Tires.....	3.5	5.6	3.6	49.1	841.2	933.0
Leather and raw cattle skins.....	21.3	14.3	14.3	230.7	1,271.4	1,389.3
Sheep skins.....	53.5	36.6	31.6	535.4	2,177.7	2,323.0
Other raw skins.....	.8	.5	.2	350.3	666.1	515.9
Treated and manufactured skins.....	.5	.6	.6	125.0	632.0	163.2
Rough and round timber.....	375.4	1,315.2	1,255.8	199.7	2,010.0	3,389.9
Squared or sawn timber.....	257.4	501.8	277.8	319.0	3,119.3	2,102.1
Products for the manufacture of paper (cellulose pulps).....	512.0	360.8	242.8	688.0	5,480.3	5,811.2
Books.....	3.3	4.2	1.9	53.9	1,100.0	619.3
Flax.....	39.0	34.7	13.6	307.7	1,910.6	865.9
Cotton.....	266.8	194.9	106.2	2,146.7	16,551.9	19,702.1
Jute.....	81.7	58.9	44.4	262.9	2,233.1	1,920.5
Rayon thread.....	.5	1.9	1.0	23.1	670.0	466.4
Manilla, abacca sisal threads.....	8.6	21.2	10.6	38.8	1,216.0	985.3
Clothes and accessories.....	.3	2.2	.3	40.8	744.6	247.8
Metal products, hot-rolled or forged, iron or steel.....	22.0	431.3	177.0	47.4	3,688.1	4,420.8
Crude copper in bulk.....	108.9	148.6	37.6	802.5	8,370.7	3,971.8
Crude aluminum in bulk.....	2.7	23.5	15.7	46.0	1,086.8	1,120.3
Zinc in bulk.....	27.3	60.0	21.0	73.5	1,999.5	1,520.6
Crude lead, not alloyed.....	30.1	47.4	18.7	92.6	1,770.7	2,549.8
Tin, nonalloyed, in ingots.....	8.6	9.4	4.7	271.5	1,939.6	1,997.6
Motors other than for cars or motorcycles.....	2.0	6.1	.9	47.7	843.0	184.2
Lifting and handling equipment.....	3.4	17.5	10.5	44.8	1,387.5	1,047.5
Machines and equipment for agriculture.....	2.4	15.3	17.2	18.1	768.2	1,700.4
Equipment for textile industry.....	3.9	9.0	6.5	94.3	1,045.8	1,514.7
Machine tools and equipment.....	10.8	37.5	14.9	480.0	4,995.1	3,650.6
Generators (motors, transformers).....	2.3	5.0	2.4	67.0	744.5	679.4
Railway equipment.....	.8	51.5	1.3	10.9	3,271.6	50.4
Rolling stock.....	.3	439.8	6.6	1.1	12,304.5	267.4
Trucks (thousands of vehicles).....	1.0	5.5	.4	24.0	1,107.3	160.5
Tractors.....	4.6	19.2	16.5	84.9	1,986.3	2,110.9
Ships (thousands of gross registered tonnage).....	27.4	718.9	249.5	103.0	9,485.2	8,120.0
Equipment for serial navigation.....	39.9	1.6	.5	11.6	754.7	703.6
Clocks and watches.....	.4	.3	.3	12.7	688.9	521.9

Source: Commerce Extérieur.

TABLE XI.—Imports (c. i. f.) into metropolitan France by country, 1938 and 1947 to date¹ by months

[In millions of dollars]

Country of origin	Monthly average	Jan.-Feb. average	March	April	May	June	July-Aug. average	Sept.	Oct.	Nov.	Dec.
United States:											
1938.....	12.5										
1947.....	63.8	49.2	60.0	52.7	101.7	65.2	69.9	66.7	60.4	59.8	60.9
1948.....	44.2	32.4	72.0	63.0	43.7	48.3	46.0	47.9			
Canada:											
1938.....	1.5										
1947.....	5.8	4.3	4.7	5.8	4.4	7.0	4.0	6.7	4.1	6.5	12.0
1948.....	2.8	5.2	3.4	2.3	1.5	3.3	3.5	3.0			
Chile:											
1938.....	1.0										
1947.....	2.7	2.1	2.4	2.0	5.1	2.3	3.4	4.7	3.5	.6	1.4
1948.....	1.0	.6	2.7	.8	1.6	.8	2.1	3.9			
Great Britain:											
1938.....	7.7										
1947.....	7.8	7.0	12.5	5.0	8.2	6.7	6.4	7.2	7.5	7.2	12.5
1948.....	8.2	7.7	15.8	9.8	7.7	7.6	6.4	10.3			
Australia:											
1938.....	3.6										
1947.....	6.6	6.1	10.7	7.0	5.0	6.9	5.3	5.1	5.9	5.3	10.9
1948.....	12.3	7.5	25.0	14.6	13.4	12.5	13.3	11.9			
U. E. B. L.:											
1938.....	7.5										
1947.....	12.6	9.1	8.1	12.8	13.1	12.9	11.4	14.6	14.4	13.8	20.9
1948.....	9.5	12.3	13.0	12.5	6.5	9.0	8.2	14.8			
Switzerland:											
1938.....	2.4										
1947.....	6.2	5.6	6.1	6.3	6.0	5.5	5.7	5.2	6.2	3.7	12.3
1948.....	5.5	6.7	11.2	7.4	3.8	5.8	4.7	4.1			
Netherlands:											
1938.....	3.5										
1947.....	3.8	1.8	3.1	4.6	3.8	1.9	1.6	3.3	7.4	9.0	6.5
1948.....	6.4	7.7	14.3	9.3	4.5	4.4	4.6	6.7			
Sweden:											
1938.....	1.5										
1947.....	4.8	5.0	3.3	2.3	4.3	3.8	6.0	5.8	5.0	4.6	5.7
1948.....	5.7	5.0	4.2	6.4	5.2	7.0	3.7	5.6			
Egypt:											
1938.....	1.1										
1947.....	3.0	5.3	1.0	2.7	4.8	4.8	2.4	2.2	.2	.9	3.6
1948.....	5.7	4.3	9.3	9.2	2.6	13.7	5.1	1.3			
Argentina:											
1938.....	2.2										
1947.....	8.2	9.6	10.1	19.1	3.6	.85	5.7	6.7	7.4	3.2	9.3
1948.....	9.1	4.3	15.1	24.5	9.3	7.7	8.0	3.9			
Brazil:											
1938.....	1.7										
1947.....	.7	4.0	4.3	2.7	6.4	5.5	2.6	7.9	5.3	7.1	4.7
1948.....	1.1	1.1	1.4	.8	.3	.3	3.3	1.7			
Germany:											
1938.....	7.5										
1947.....	9.4	7.8	8.3	10.6	11.4	11.3	10.6	12.7	9.6	7.6	5.1
1948.....	13.2	6.3	18.9	16.6	11.8	15.0	14.8	21.9			
Other foreign countries:											
1938.....	24.8										
1947.....	40.9	36.1	39.1	38.1	39.3	42.3	43.5	41.5	45.5	43.5	42.5
1948.....	69.5	84.2	93.8	82.4	65.9	80.7	64.5	84.3			
<i>Totals</i>											
Foreign countries:											
1938.....	80.0										
1947.....	180.7	153.1	174.1	172.3	217.0	185.2	179.0	190.3	182.7	172.7	208.7
1948.....	188.9	180.3	295.9	253.1	172.6	209.1	184.5	215.7	220		
Colonies:											
1938.....	30.0										
1947.....	61.5	54.5	56.0	53.7	53.6	65.4	55.3	56.2	72.3	72.9	8.8
1948.....	69.3	82.5	128.5	86.6	63.9	67.1	49.3	78.8			

¹ Conversion of data for 1948 to dollars is tentative.

² Preliminary figure.

Source: Commerce Extérieur.

TABLE XII.—Metropolitan France: Exports to foreign countries by commodity

[F. O. B. value in millions of dollars]

	Yearly average 1935-38	1947	Program 1948-49 (1948 dollars)
Food products.....	89.1	142.1	119.5
1 Cereals and cereal products.....	6.6	3.6	.0
2. Fats (olive oil).....	8.0	2.4	4.0
3. Meats (luxury canned goods, etc.).....	2.8	3.1	3.0
4. Fish.....	3.9	2.8	2.8
5. Dairy products.....	3.3	3.6	3.1
6. Fruits, vegetables, etc.....	18.1	21.3	15.1
7. Miscellaneous food products.....	46.1	105.3	91.5
8. Tobacco.....	.3		
Raw materials and semifinished products.....	325.5	498.5	603.5
9. Solid fuels.....	8.5	11.2	44.1
10. Iron and steel.....	72.6	41.4	145.7
11. Nonferrous metals.....	12.2	13.3	5.4
12. Wood.....	10.8	14.7	14.6
13. Pulp, paper.....	17.2	28.2	38.0
14. Cotton.....	22.1	42.4	41.7
15. Wool.....	62.8	132.6	151.8
16. Silk and artificial fibers.....	33.3	75.7	70.7
17. Other textiles.....	15.3	22.0	25.0
18. Chemicals.....	70.7	117.0	126.5
Finished products.....	224.6	405.4	448.0
19. Glass.....	3.3	19.5	22.4
20. Metalwork products.....	15.9	39.0	41.0
21. Ceramics.....	2.0	9.0	11.0
22. Leathers.....	40.8	20.8	26.6
23. Clothing.....	11.6	14.9	20.0
24. Rubber.....	4.5	14.9	17.0
25. Other manufactured products.....	94.3	104.0	101.2
26. Electrical equipment.....	5.8	16.0	25.4
27. Other machinery.....	19.6	59.5	81.2
28. Transportation.....	26.8	107.8	102.3
Total.....	639.2	1,046.0	1,231.0

Source: Table II, French 1948-49 program (revised).

TABLE XIII.—Exports (f.o.b.) of metropolitan France to foreign countries by selected products first 9 months 1947-1948

Commodity	Quantity (in metric tons unless otherwise specified)		Value (in millions of 1947 francs) ¹	
	1947	1948	1947	1948
Wines (hectoliters).....	259,611	283,793	3,707	2,790
Spirits (hectoliters).....	44,869	56,375	2,769	2,486
Liqueurs (hectoliters).....	29,303	21,242	666	388
Cheese.....	2,634	2,370	290	275
Canned vegetables.....	1,580	1,957	140	175
Candy.....	3,353	6,400	417	659
Seeds, grains.....	19,964	13,542	1,502	1,075
Potatoes.....	10,288	8,572	130	92
Fruits.....	13,734	13,163	869	896
Coal.....	394,669	² 2,632,126	1,044	5,807
Potash.....	526,964	459,055	2,480	1,446
Iron ore.....	4,832,634	4,782,859	2,035	1,869
Iron and steel.....	70,693	² 247,758	1,173	3,617
Caustic soda.....	34,219	40,339	359	662
Carbonate of soda.....	131,631	140,309	689	891
Phosphate fertilizer.....	90,809	102,628	323	478
Dyestuffs.....	1,713	1,768	641	804
Medicines.....	3,247	1,524	795	514
Tires.....	4,502	4,118	760	657
Glass.....	59,375	48,700	1,659	1,356
Semimanufactured steel products.....	32,232	59,485	709	1,840
Metal products.....	26,369	30,118	2,313	1,973
Cast-iron pipe.....	41,933	42,711	431	570
Agricultural machinery.....	6,396	7,509	362	508
Textile machinery.....	7,195	5,695	478	820
Machine tools.....	2,085	2,573	333	578
Automobiles (number).....	34,925	25,064	5,026	3,814
Trucks (number).....	7,746	3,488	1,402	558
Combed wool.....	7,747	9,147	2,593	3,134
Wool thread.....	7,351	7,132	4,140	4,392
Woolen cloth.....	3,080	2,772	3,450	2,851
Cotton thread.....	2,093	1,348	860	839
Cotton cloth.....	2,923	2,181	2,088	1,292
Silk thread.....	12	35	30	17
Silk cloth.....	84	54	551	245
Rayon thread.....	1,579	2,132	500	873
Rayon cloth.....	2,729	1,524	4,457	1,555
Linen thread.....	1,424	1,612	658	389
Linen cloth.....	354	184	305	105
Raw flax.....	64,983	30,338	503	224
Rabbit skins.....	4,098	4,775	788	808
Gloves.....	40	16	310	193
Perfume.....	2,357	1,000	1,262	556
Paper for cigarettes.....	5,295	3,523	750	393
Books.....	5,670	5,045	1,278	891

¹ Obtained by dividing the 1948 value by 1.80, the average rate of the 1948 devaluation, as given in the official source.

² Increase accounted for largely by exports of the Saar.

Source: Commerce Extérieur de la France Métropolitaine.

TABLE XIV.—Metropolitan France: Exports by country of destination, 1938, 1947, and 1948¹ to date (by months)

[F. o. b. value in millions of current dollars]

Country of destination	Monthly average	January-February average	March	April	May	June	July-August average	September	October	November	December
United States:											
1938	4.0										
1947	4.0	5.6	3.1	5.7	3.1	4.0	2.8	2.9	3.5	5.3	3.4
1948	4.5	2.2	4.4	5.0	4.6	6.0	5.3	7.5			
Canada:											
1938	.4										
1947	.7	.4	.8	.6	1.2	1.0	.5	.2	.7	1.3	.7
1948	.7	.3	.4	.6	1.3	1.3	.8	1.0			
Chile:											
1938	.1										
1947	.2	.2	.2	.3	.2	.2	.3	.1	.2	.3	.3
1948	.1	.1	.1	.2			.1	.1			
Great Britain:											
1938	8.4										
1947	10.5	9.7	6.7	9.8	8.8	9.8	12.1	10.3	11.2	12.1	13.8
1948	10.4	10.8	12.3	14.4	9.5	12.5	12.5	11.2			
Australia:											
1938	.3										
1947	.7	.5	.6	1.1	.6	.9	.8	.5	1.0	.5	.8
1948	.6	.3	.6	.5	.4	.9	.8	1.2			
UEBL:											
1938	10.0										
1947	18.1	18.5	18.7	21.0	18.6	18.2	16.0	9.7	18.3	17.9	25.6
1948	11.3	11.5	12.6	14.6	12.8	15.0	11.8	11.9			
Switzerland:											
1938	4.6										
1947	9.3	9.3	10.2	9.6	10.0	11.0	9.9	7.4	8.4	8.5	8.7
1948	6.9	5.7	7.5	7.8	8.7	9.5	8.2	7.4			
Netherlands:											
1938	3.5										
1947	5.7	4.8	5.1	7.1	6.8	5.9	5.3	4.7	5.4	5.6	8.3
1948	6.0	5.1	6.0	6.3	6.5	8.6	7.5	8.0			
Sweden:											
1938	1.2										
1947	4.2	3.7	4.0	4.8	4.5	5.9	3.8	4.2	4.6	3.4	4.7
1948	4.8	3.3	4.2	6.4	5.2	7.0	6.1	5.8			
Egypt:											
1938	.8										
1947	2.3	2.6	2.4	2.4	2.2	3.3	2.2	2.2	3.2	1.4	1.1
1948	2.1	.8	1.8	1.7	2.2	3.4	2.7	4.3			
Argentina:											
1938	1.7										
1947	2.8	2.0	2.8	3.6	3.3	3.5	2.8	2.5	2.8	3.0	2.5
1948	1.4	.9	1.3	1.5	1.9	1.8	2.0	2.0			
Brazil:											
1938	.7										
1947	2.1	1.9	1.9	2.7	2.0	2.7	1.7	1.0	2.1	2.6	3.2
1948	2.0	1.7	3.5	2.7	2.5	1.2	1.2	1.9			
Germany:											
1938	4.4										
1947	4.0	3.0	4.7	3.9	4.0	3.8	4.1	4.5	4.3	4.2	2.9
1948	7.8	1.7	1.9	9.4	12.2	11.8	12.3	13.1			
Other foreign countries:											
1938	12.0										
1947	23.2	19.8	17.5	23.4	25.3	30.2	23.5	22.6	23.7	21.0	25.1
1948	19.6	12.8	18.0	20.8	21.7	26.2	22.6	30.0			
TOTALS											
Foreign countries:											
1938	53.0										
1947	38.6	82.7	82.7	102.0	90.5	100.6	85.9	73.0	88.9	87.2	101.4
1948	85.6	57.2	74.6	92.9	89.5	106.3	93.8	105.4	105		
Colonies:											
1938	20.0										
1947	60.5	49.9	53.8	69.1	67.1	65.4	52.9	56.2	64.5	65.4	70.6
1948	65.2	48.3	76.9	75.4	77.1	92.6	66.4	84.8			

¹ Conversion of data to 1948 dollars is tentative.

² Preliminary figure.

Source: Commerce Extérieur.

TABLE XV.—Metropolitan France: Exports by areas, selected years

[F. o. b. value in millions of current dollars]

Country of destination	1935-38 ¹	1947 ²	1948 ³	Program 1948-49 ⁴	Program 1949-50 ⁴	Program 1952-53 ⁴
I. United States.....	51.5	47.5	53.7	65	90	380
II. Canada and Newfoundland.....	5.6	8.2	7.8	12	16	
III. Other countries in Western Hemisphere.....	50.6	90.4	72.3	100	145	
(a) Nondollar.....		62.4	47.4	60		
Argentina.....		33.2	18.6	25		
Brazil.....		25.5	24.7	30		
Uruguay.....		3.7	4.1	5		
(b) Dollar.....		28.0	24.9	40		
Venezuela.....		7.4	7.8	12		
Mexico.....		5.5	2.3	8		
Columbia.....		4.9	4.0	5		
Philippines.....		1.2	.8	2		
Others.....		9.0	10.0	13		
IV. Nonparticipating countries in sterling area.....	13.3	47.0	29.8	61	80	145
India.....		11.8	5.0	10		
Union of South Africa.....		11.5	6.3	15		
Australia.....		8.8	6.9	16		
Iraq.....		3.9	6.0	5		
New Zealand.....		3.0	.3	5		
Others.....		8.0	5.3	10		
V. Other nonparticipating countries.....	99.2	119.5	99.5	160	191	263
(a) Eastern European countries.....		48.0	46.2	41.5		
Czechoslovakia.....		19.0	18.5	12		
Poland.....		10.9	8.1	12		
Finland.....		10.7	12.9	11		
Yugoslavia.....		4.0	3.4	4		
Hungary.....		1.9	2.5	1		
Rumania.....		.9		.5		
Bulgaria.....		.5	.8	.5		
U. S. S. R.....		.1		.5		
(b) All others.....		71.5	53.3	118.5		
Egypt.....		27.0	23.9	35		
Syria (Lebanon).....		10.5	19.0	15		
China.....		7.7	3.2	6		
Iran.....		7.6	2.5	5		
Palestine.....		6.4	1.8	3		
Tangier.....		2.0	1.7	2		
Arabia.....		.6		1		
Japan.....		.1	.3	6		
Spain.....		.1	.6	45		
Others.....		.5	.3	.5		
VI. Participating countries and dependent overseas territories.....	419.0	735.8	734.0	833		
(a) Sterling area ⁵		137.5	158.7	207	240	355
Great Britain.....		123.8	143.3	190		
British Malaya.....		4.4	2.5			
Hong Kong.....		2.1	3.2	17		
Other British D.O.T.'s.....		7.2	9.7			
(b) Others.....		598.3	575.3	626	705	810
Ireland.....		5.0	2.1	5		
Iceland.....		1.0		1		
Belgium, Luxembourg, and Belgian Congo.....		217.5	152.9	160		
Switzerland.....		111.0	91.2	105		
Netherlands and NEI.....		69.9	78.7	100		
Sweden.....		50.6	62.9	45		

¹ Yearly average. Source: Table II, French 1948-49 submission to OEEC and Tableau General du Commerce Extérieur.

² Source: Tableau General du Commerce Extérieur.

³ Source: Actual figures for first 8 months converted to annual rate. French Ministère des Finances et des Affaires Économiques, "Le Commerce Extérieur de la France Métropolitaine aux Mois de Juillet et Aout 1948," October 1948.

⁴ In millions of 1948 dollars.

⁵ Ireland and Iceland excluded.

TABLE XV.—Metropolitan France: Exports by areas, selected years—Continued

[F. o. b. value in millions of current dollars]

Country of destination	1935-38 ¹	1947 ²	1948 ³	Program 1948-49 ⁴	Program 1949-50 ⁴	Program 1952-53 ⁴
VI. Participating countries and dependent overseas territories—Con.						
(b) Others—Continued						
Germany.....		48.5	94.0	73		
Norway.....		23.3	28.4	30		
Italy.....		18.0	18.9	45		
Portugal and DOT's.....		16.5	10.6	20		
Denmark.....		14.5	12.7	15		
Turkey.....		6.9	7.7	10		
Austria.....		5.4	9.3	10		
Greece.....		3.2	4.2	7		
All foreign countries total.....	639.2	1,018.4	997.1	1,231	1,467	1,983
VII. French dependencies and possessions.	275.2	721.0	854.0	782		943
Grand total.....	9,144	1,769.4	1,852.6	2,013		2,926

TABLE XVI.—Metropolitan France: Exports to foreign countries of selected commodities in first 8 months of 1948 compared with exports in first 8 months 1947

[In metric tons unless otherwise specified]

Commodity	Exports		Percent increase (+) or decrease (-) 1948 compared to 1947
	First 8 months 1948	First 8 months 1947	
Coal.....	2,207,510	361,200	+511
Potash.....	436,000	492,000	-11
Iron ore.....	4,217,694	4,284,258	-2
Iron and steel.....	205,317	60,455	+240
Caustic soda.....	35,346	28,660	+23
Sodium carbonate.....	123,384	106,100	+16
Dyestuffs.....	1,564	1,570	-6
Phosphate fertilizers.....	87,696	82,756	+6
Tires.....	3,795	4,184	-9
Glass.....	42,138	52,087	-20
Essential oils.....	307	433	-29
Pharmaceutical products.....	1,232	3,026	-59
Semifinished steel products ¹	58,845	29,800	+97
Cast-iron pipe.....	37,179	38,542	-4
Agricultural machinery.....	7,285	5,957	+22
Textile machinery.....	5,015	6,830	-27
Machin tools.....	2,064	1,925	+7
Passenger autos (units).....	22,643	31,659	-28
Commercial vehicles (units).....	2,822	7,309	-62
Combed wools.....	8,081	7,724	+5
Wool and worsted yarns.....	6,150	6,543	-6
Wool and worsted cloth.....	2,382	2,782	-14
Cotton yarn.....	1,164	1,870	-38
Cotton cloth.....	2,005	2,644	-24
Rayon yarn.....	2,024	1,379	+47
Silk yarn.....	33	11	+200
Silk cloth.....	48	79	-39
Rayon cloth.....	1,105	2,493	-56
Linen yarn.....	1,486	2,307	-36
Linen textiles.....	138	315	-56
Rabbit skins.....	4,563	3,855	-18
Finished pelts.....	100	141	-29
Gloves, leather.....	13	35	-63
Perfume.....	874	2,208	-60
Cigarette paper.....	2,791	4,853	-42
Toys, games, sport goods.....	958	624	+54
Paper and cardboard.....	34,430	27,840	+24
Books.....	4,451	5,098	-13
Veneers.....	6,690	4,069	+63

¹ 1948 increase due principally to incorporation of Saar shipments into French customs statistics after Apr. 1, 1948.

² 1948 increase partly due to incorporation of Saar shipments into French customs statistics after Apr. 1, 1948.

³ Wire, sheets, tubes, etc.

Source: Le Commerce Extérieur de la France Métropolitaine aux Mois de Juillet et Aout 1948.

TABLE XVII.—*Metropolitan France—share in Belgian imports, 1938, 1946-48*

[Millions of current dollars]

	Belgian imports		French share of total, percent
	Total	From France	
1938.....	779	112	14
1946.....	1,199	175	15
1947.....	1,951	221	11
1947: First seven months.....	969	129	13
1948: First seven months.....	1,158	103	9

Source: Trade figures contained in Belgium-Luxembourg's "Bulletin de Statistique" converted into dollars at appropriate rates.

APPENDIX E—INTERNAL FINANCE

TABLE I.—*French official price indexes*

[1938=100]

	Wholesale prices			Retail prices ¹ in Paris—general index
	General index	Food	Industrial products	
August 1944.....	271	284	257	295
Average 1945.....	375	373	377	393
Average 1946.....	648	690	606	
1947				
January.....	874	892	756	856
February.....	889	1,021	756	858
March.....	860	965	756	838
April.....	847	938	757	837
May.....	946	1,132	759	886
June.....	904	1,047	762	915
July.....	982	985	777	965
August.....	1,004	1,211	785	1,068
September.....	1,096	1,367	825	1,157
October.....	1,122	1,392	853	1,268
November.....	1,204	1,422	967	1,336
December.....	1,217	1,434	1,001	1,364
Average 1947.....	989	1,159	819	1,030
1948				
January.....	1,463	1,567	1,359	1,414
February.....	1,537	1,584	1,491	1,519
March.....	1,535	1,554	1,516	1,499
April.....	1,555	1,590	1,520	1,499
May.....	1,653	1,702	1,604	1,511
June.....	1,691	1,661	1,722	1,529
July.....	1,698	1,652	1,743	1,528
August.....	1,783	1,809	1,757	1,670
September.....	1,791	1,823	1,759	1,783
October.....	1,884	1,883	1,891	1,844
November.....	1,917	1,904	2,049	1,870
December.....	1,971	1,827	2,115	1,928
Average 1948.....	1,707	1,718	1,711	1,633

¹ 29 food items and 4 items of heat and light.

Source: Institut National de la Statistique et des Etudes Economiques.

TABLE II.—Quarterly changes in French official price indexes

[1948=100]

	Wholesale Prices		Retail Prices			Wholesale Prices		Retail Prices	
	Index number	Per cent change	Index number	Per cent change		Index number	Per cent change	Index number	Per cent change
December 1945.....	401		497		1947				
1946					March.....	800	2	838	-3
March.....	548	19	490	-1	June.....	904	9	935	12
June.....	604	10	577	18	September.....	1006	21	1157	24
September.....	727	20	785	38	December.....	1217	11	1354	17
December.....	846	16	865	10	Average quarterly increase.....		11		12.5
Average quarterly increase.....		16		16	1948				
					March.....	1535	26	1499	11
					June.....	1691	10	1629	2
					September.....	1791	6	1783	17
					November.....	1974	10	1870	5
					Average quarterly increase (first 3 quarters 1948).....		14		10

Source: Based on appendix E, table I.

TABLE III.—French money supply

[Billions of current francs]

	Note circulation (gross)	Demand deposits (gross)	Net money supply
1938.....	111	63	170
1944.....	573	328	881
1945.....	570	529	1,071
1946.....	722	743	1,426
1947.....	921	842	1,720
1948, June-September.....	791	1,170	1,909
	911	1,267	2,123

Source: I. M. F., International Financial Statistics.

TABLE IV.—French budget estimates 1947, 1948 and 1949

[In billions of current francs]

	1947.	1948 (estimate as of Dec. 22)	1949 (as passed by French Parliament)
Expenditures:			
Budgetary.....	661	663	1,250
Advances and special accounts.....	96	159	
Reconstruction of war damages.....	1 126	175	270
Modernization.....	1 10	201	305
Reconstruction merchant marine.....	1 26	44	45
Net redemption of treasury bonds.....	96		
Total.....	1,015	1,542	1,870
Budgetary receipts.....	652	691	1,250
Deficit.....	363	551	620
Financing:			
(a) Existing means:			
Levy loan.....		108	
Advances from Bank of France.....	115		
Bons du Tresor.....		118	
Public expenditure drafts (traites).....	47	67	
Franc counterpart.....		130	280
Foreign disinvestment.....	93	97	
Miscellaneous.....	1 108	131	43
Total.....	363	551	323
(b) New measures:			
Special obligations for war-damage payments.....			60
Increase in indirect taxes.....			137
Internal loan.....			100
Total.....			297
Total (a) and (b).....			620

* 1 253 billion francs of modernization and reconstruction were financed through the Government in 1947, but of this amount only 162 billion francs appeared directly in Treasury statements. Part of the remainder is in "Advances and special accounts," but most of it represents Government sponsored loans to the basic sectors from the nationalized banks (51 billion francs) and from other banking institutions.

* Major component is the item "Accounts with correspondents" which amounts to 92 billion francs.

Source: French Ministry of Finance.

TABLE V.—Operations of the French Treasury in 1948, by half years

[All figures are in billions of current francs; estimates as of Dec. 22, 1948]

	First half		Second half (forecast)		Year (forecast)	
	Minus	Plus	Minus	Plus	Minus	Plus
I. Budgetary operations:						
(a) Receipts.....		430		561		991
(b) Expenditures:						
For 1947.....	99		24		114	
For 1948.....	340		509		849	
Total.....	430	430	533	561	963	991
Balance I.....	0			+28		+28
II. Reconstruction and equipment:						
(a) Resources:						
Levy loan.....		85		23		108
Reconstruction bonds.....		5		2		7
War-damage loans.....		14		10		24
American-aid counterpart.....		25		105		130
(b) Requirements:						
Reconstruction.....	55		120		175	
Equipment:						
National railways.....	76		114		60	
Other nationalized industries.....	5		6		11	
Post, telegraph, and telephone.....	15		29		44	
Merchant fleet.....						
Total.....	151	129	259	140	420	269
Balance II.....	-22		-129		-151	
III. Treasury operations proper:						
Advances and special accounts.....	50		109		159	
Deposits by correspondents.....		73		23		96
Bons du Trésor.....		26		92		118
Public expenditure drafts (traites).....		24		43		67
Funds in transit.....				1		1
Total.....	50	123	109	159	159	282
Balance III.....		+73		+50		+123
Balance all operations.....		+51	-51			

¹ Includes excess receipts of Caisse Autonome d'Amortissement amounting to 66 billion francs.

Source: French Treasury.

TABLE VI.—Comparison of Queuille-Petsche proposals and 1949 budget adopted by French Parliament

[In billions of current francs]

	Queuille-Petsche	Budget adopted		Queuille-Petsche	Budget adopted
Expenditures:			Resources:		
Budgetary expenditures.....	1,350	1,250	Budgetary receipts.....	1,250	1,250
Military.....	320	350	Counterpart.....	250	250
Civil reconstruction.....	135	150	Increase in direct taxes.....	100	
War-damage reconstruction.....	250	1,270	Increase in indirect taxes.....	100	137
National railways.....	40	35	Levy loan.....	180	
Merchant marine.....	45	45	Internal loan.....		100
Modernization program.....	250	1,270	Deferred war-damage payment.....		60
Total expenditures.....	1,035	1,870	Miscellaneous.....	55	43
			Total resources.....	1,935	1,870

¹ The 100 billion franc reduction in ordinary budget expenditures represents items which will now have to be covered almost entirely by the modernization budget. Hence the apparent increase in war damage reconstruction and the modernization programs are fictitious. In fact these programs were reduced.

Source: French Treasury.

TABLE VII.—Quarterly changes in short-term borrowing by the treasury in 1948¹

[In billions of current francs]

	Total	First quarter	Second quarter	Third quarter	Fourth quarter ¹
Advances from Bank of France.....	0	7	-28	35	-14
Bons du Tresor.....	118	-4	26	58	38
Traites.....	67	18	9	21	19
Total.....	185	21	7	114	43

¹ Estimated.

Source: Bank of France statements and data from ECA Mission.

TABLE VIII.—Extension of bank credit to business

[In billions of francs]

	Outstanding	Change		Outstanding	Change
End of December 1945.....	118		1948		
March.....	139	+21	March.....	584	+94
June.....	180	+41	June.....	656	+72
September.....	225	+45	July.....	697	+41
December.....	308	+83	September.....	730	+33
Total 1946.....		+190	November.....	768	+38
March.....	328	+22	Total January–November 1948.....		+278
July.....	375	+47			
September.....	406	+31			
December.....	490	+84			
Total 1947.....		+184			

Source: Premier et Deuxieme Rapport Annuel du Conseil National du Credit, and ECA Mission.

TABLE IX.—Comparison of change in money supply with expansion of private credit

[Billions of current francs]

	Total money supply (not end of period)	Change in money supply	Change in bank credit to business
1945.....	1,071		
1946:			
June.....	1,164	+93	+62
December.....	1,426	+262	+128
1947:			
June.....	1,565	+139	+69
December.....	1,720	+155	+115
1948: June.....	1,909	+189	+186
Total.....		+838	+560

¹ May.
² January–July 1947.

Source: Appendix E, tables III and IX.



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