

ECONOMIC PLANNING IN FRANCE

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INTRODUCTION

In the nineteen sixties, a number of authors complained of the difficulty of identifying the exact nature of French-style planning. This paper attempts to address this question again. I shall first consider briefly the relevance of the theory of economic planning to the French practice. A short historical review of the First to the Sixth Plans (1947-1975) will be followed by a more detailed analysis of the later plans, with particular emphasis on the Ninth Plan prepared for 1984-1988. This discussion will highlight the most vital aspects of the methods of French planning and its impact.

From a wide variety of possible themes, I have chosen two for detailed consideration. These are:

- (i) The use of macro-economic models in the planning process.
- (ii) The question of planning and political consensus.

Some analyses of the role of French planning are then presented. Evidence on the implementation of the plans in France precedes our own interpretation of their role.

PLANNING THEORY AND FRENCH PLANNING PRACTICE

D P Loucks (1975) proposes a straightforward categorisation of planning into four types

Prediction Planning

- (i) this type of planning consists mainly in forecasting or predicting future growth and identifying means of meeting demands arising from this growth. The future development of the economy is regarded as following a pre-conditioned path decided by existing conditions: planning thus consists of predicting and analysing the implications of this path.
A wide variety of statistical and econometric techniques is now available and as we see, later, input-output techniques and macro-econometric models of the economy have been used in French planning. Had planning consisted of the exclusive use of these techniques, we would have had prediction planning.
- (ii) Conventional planning: another view of planning is that of choosing, from a set of feasible plans, that which best meets the objectives expressed by the political leadership of the country. It is assumed that these objectives are well defined. The decision-maker can then use a variety of different techniques. For example, the planner may decide to minimize the losses arising from not meeting a minimum acceptable level T_j of each objective

$F_j(\bar{x})$ A relative loss from function L_j for each target may be constructed, so that the losses resulting from any deviation D_j from this target T_j

$$D_j = T_j - F_j(\bar{x})$$

will reflect the relative political importance of that particular deviation. The problem is then to find a solution X that minimizes the maximum loss

$$\begin{aligned} & \max_j L_j(D_j) \\ & \text{subject to } D_j = T_j - F_j(x) \quad \text{for all } j \\ & G_j(\bar{x}) = 0 \quad \text{for all } i \end{aligned}$$

where $G_j(\bar{x}) = 0$ are the constraints

The difficulty with conventional planning is that it assumes that the targets of the decision-makers are well defined. The relationship between the various components of the target vector which the planners wish to exist, must be specified. Clearly, the definition of these targets and of the relative loss functions will be the most problematical aspects of this technique. Heal (1973) shows that this type of planning is conceptually equivalent to viewing planning as a constrained optimisation problem. However, he admits that viewing the objective function as a set of targets to be attained (Loucks' conventional planning) is an approach that is widely adopted in practice.

- (iii) Optimization planning: this method is according to Loucks, a refinement of conventional planning in that both require an a priori knowledge of the decision-maker's preference. The preferences are now expressed as objectives. The planners seek to maximize an objective function subject to constraints indicating the limitations on available resources. Heal (1973) states that throughout his book it will be assumed that selecting a plan of action for an economic organization involves solving a constrained maximization problem. The objective function of a planning problem serves to represent preferences amongst alternative social states. The variables whose magnitudes affect the planners' assessment of the state of the economy will be the arguments of the objective function. Heal discusses the derivation of this function, which he calls a "social choice rule" and which Arrow (1963) had termed a "social welfare function" from individual preferences or majority-voting, and concludes:

"In practice, then, the objective function has to be seen as representing the collective preferences of a relatively small number of planners chosen to make social choices. There is a presumption that the small group chosen to make social choices will in terms of their preferences about issues that are objects of social choice be substantially more homogenous than the population at large" Heal (1973), p 59

Heal expects that this theory of planning as constrained optimisation will be most applicable to the command-type economy. In the free-enterprise or mixed economy, the central problem of this method is the inability of decision-makers to know what they want (or to specify the objective function) prior to knowing, or without knowing what they can have.

- (iv) **Compromise planning:** Loucks (1975) identifies a fourth type of planning which he simply calls compromise planning. This method explicitly assumes that the decision makers will consider and evaluate all the quantitative and qualitative factors that affect selection of feasible plans. The distinguishing feature of this type of planning is that no preference function need be defined. If the planning problem were specified in a mathematical programming framework, a sequential iteration and exploration technique could be adopted whereby the decision maker would come to recognize what he considers good solutions and important objectives. The final solution selected by the decision-maker represents his best compromise among conflicting objectives
- I hope that it will become clear in the rest of the paper that French planning bears almost no relation to the theory of economic planning, when this theory is interpreted as meaning what we have called conventional planning or optimization planning above. During the formal negotiations of the Plans in tripartite (government-industry-unions) commissions, the problem to be solved has never been formulated as one of constrained optimisation. Compromise planning seems to us a very appropriate term to describe the experience of economic planning in France since 1947: it is the nature of this compromise which we hope to elucidate in the following sections of this paper.

HISTORY OF FRENCH PLANNING

Work on the first French economic plan was begun by the newly formed Commissariat du Plan in 1945. This 'Monet Plan' as it came to be known, covered the period 1947-1950. The elaboration of this plan coincided with the development of national income statistics in France: there was a manifest lack of technical sophistication in the preparation and presentation of the first plan. Jean Monnet had written that the French economy was faced with a choice between "modernization or decadence". The aim of the first plan was to modernize, in other words to reconstruct the French industrial base, given scarce resources, in the context of a closed economy with very considerable state intervention. A number of war-time disciplinary measures were retained, giving government intervention in industry force of law. The first plan was also characterised by the limited breadth of its detailed programmes. It concentrated on a small group of six basic sectors, electricity, coal, steel, cement, transport and agricultural equipment. For these key sectors the plan specified ambitious, imperative, investment targets.

By the time the second plan came into force in 1954, the reconstruction phase was almost over, and most of the output targets of the first plan had been reached. The second plan, covering the period 1954-57, retained modernization and expansion as its principal objectives, but the scope of the plan now extended beyond massive investment projects in key sectors. The emphasis was on the quality and efficiency of production, rather than simply its expansion. This was the first of the plans to set a growth rate for gross domestic output and to attempt to establish a coherent system of forecasts and targets capable of exercising the general co-ordinating role

which was the key to the 'logic of plan' being evolved by M. Masse. This second plan, in his words, marked the beginning of the passage from a plan of priorities to a plan of harmonised growth. The target for gross domestic output was surpassed during the period covered by the Second Plan, industrial output expanding much more than predicted and agricultural output somewhat less. This success of the second plan was associated with balance of payments difficulties and rising prices, necessitating the introduction of short-term measures in 1957 and 1958 to restore equilibrium.

The third plan, designed to cover the period 1958-1961, thus began in unfavourable conditions. The annual growth rate in its first two years fell short of the target, so that this plan was officially replaced in 1960 and 1961 by an interim plan. The third plan aimed at increasing employment opportunities for the increasing young population, and at preparing the way for the Common Market. A high rate of economic growth together with equilibrium on the balance of payments, was to achieve these objectives. The third plan was expressed in terms of imperative tasks which were in effect general recommendations rather than actual decisions. The growth rate realised for gross domestic output was slightly higher than predicted by the interim plan and only slightly lower than originally forecast by the third plan.

The fourth plan covered the period 1962-1965. A new title 'plan for economic and social development' (rather than the previous 'plan for modernization') reflected the new concern about the distribution of the fruits of economic expansion, among underprivileged groups of people and less developed regions. The fourth plan benefited from the now considerable development of national income accounting, an inter-industry table was introduced. GDP was to rise by 5.5 per cent annually. A 50 per cent increase in goods for collective consumption was aimed at, various social needs in the field of health, education, urbanisation, .. etc. having been identified

The essential new feature of the fifth plan (1966-1970) was a recognition of the openness of the French economy and the need for competitiveness of industry. The target growth rate for GDP was 5 per cent annually, somewhat lower than that of the previous plan. In presenting the fifth plan to the press, P. Masse said that competitiveness was its principal objective, all the others stemming from that. This Plan reinforced the initiatives of the fourth plan on regional development. The fifth plan was submitted to Parliament in two stages, one stage for the general outline and another for the actual text of the plan. The fifth plan was relatively successful until the May 1968 crises which dramatically altered the economic and social basis of the plan. Significant wage increases were approved at the end of the year, leading to a balance of payments crisis followed by a devaluation of the franc in 1969.

The sixth plan (1971-1975) attempted to deal not only with the consequences but also with the causes of the 'evenements' of 1968. These were understood to have arisen from tensions in the labour market, high unemployment and slow growth in living standards of wage-earners. To achieve a high growth rate without inflation,

taking into account both the political aspirations of the majority of the French people and the need for external balance, such was the aim of the sixth plan. A high rate of growth of industrial production, 7.5 per cent per annum, was designed to circumvent the problem of a lack of consensus on the question of the distribution of the 'fruits of economic expansion'. The sixth plan was the first to benefit from the new macro econometric models which allowed coherent forecasts and detailed analyses of the effects of policy decisions. Despite this, the government of the day refused to commit itself to specific targets on income distribution: no incomes policy figured in the Plan. The sixth plan reflected the view of planning held by the President, Georges Pompidou. The object of the exercise was no longer to assign physical targets to production levels - this would be done by the market mechanism and by international competition. The plan would rationalize the methods available to the State, taxation, public charges, public expenditure, etc. with a view to maintaining equilibrium with the maximum possible satisfaction of individual and social needs. During the first year of the sixth plan, all went well. Industrial growth was as high as the plan wished, and inflation was contained. The later stages of the sixth plan, and the preparations of the seventh plan, were seriously perturbed by the events of the oil crisis in late 1973, and the death of M. Pompidou in April 1974.

The Seventh Plan (1976-1980) thus began its life in difficult circumstances of external economic and internal political upheaval. The heritage of the sixth plan outlined a number of problems which had arisen in the planning process. A more actively antagonistic political division appeared, making the establishment of consensus, which was part of the planning process, more difficult. Some began to reject the very idea of planning, even those in power preferring short-term management of the economy and avoiding any medium-term commitments. The seventh plan set up a number of objectives. First of all, external balance with the new higher price in oil was to be achieved through measures to encourage exports, to limit the growth of private consumption, and, in the longer term, to reduce the dependence on external sources by developing nuclear technology. Inflation was to be reduced by matching the rate of growth of the money supply to that of GDP (5 - 6 per cent). This growth rate should facilitate a return to full employment and meet some of the social demands on public goods and on regional development.

The first innovation of the seventh plan was the listing of 25 'priority action programmes', each assigned to a specific ministry and accompanied by a financial allocation. The twenty-five programmes reinforced the general orientation. The second major innovation of the seventh plan was the creation of a new Conseil de Planification. This committee included the Commissaire du Plan, the President of the Republic, the Prime Minister and all ministers directly concerned with a specific objective of the plan. The intention was to create a link between the immediate day-to-day business of government and of the ministries with the longer term horizon of the plan. The creation of this Conseil was not welcomed by all: many saw it as contrary to the previous spirit of planning, and as representing an increased intervention by politicians in the planning process. Y. Ullmo (1978) identified a tendency for the plans, over the years, to become a catalogue of desirable

developments in the economy Likewise in Ullmo (1973) he says that the plans had become progressively emptied of genuine content. The real decisions of the plan may be identified by the number of specific detailed projects listed in it (major public investment projects . etc.). Lately, the plan has been reduced to 'forecasts' - in effect statements on decisions or commitments the government does not wish to take, or more general studies which are, properly speaking, preliminary to the actual decisions The 25 priority action programmes were designed to overcome this problem The Commissariat du Plan was also, for the first time, instructed to carry out annual rolling projections, to keep control over the execution of the seventh plan

The seventh plan was not a success Inflation and unemployment rates throughout the period were higher than those written into the plan, whereas GDP growth was lower. It was implicitly recognised, as early as 1978, that the seventh plan was unrealistic: the major structural transformation resulting from the oil price rise in 1973, and again in 1979, had been hugely underestimated A report on the general outlines of the Eighth Plan, to cover the period 1981-1985, was published in 1979, but, as things turned out, the eighth plan was never implemented, due to the election of the Socialist government led by Francois Mitterrand in 1981. This general report was divided into three sections. The first discussed at length France's dependence on external energy sources and the means of reducing it. The second section attempted to deal with the unemployment problem through a continuance of seventh plan policies to 'put the economy in order' to meet international competition. The third named six areas for priority action. The most important new feature of this preliminary report on the ill-fated eighth plan was the government's refusal to commit itself to a central projection, in other words, the Plan would no longer specify a target growth rate of national product.

Recent Developments in French Planning

The new government of May 1981 had different policies and a different attitude to planning from M. Giscard's ministers. The socialists undertook an expansionary economic policy designed to bring the French economy out of the current stagnation. The increase in consumer demand arising from increased state spending, increased minimum wages etc. would increase production, stimulate the level of investment and thus in the longer term, with an improvement in external demand, increase employment This policy had some positive results in that the stagnation of 1980-81 gave way to small GDP growth rate in 1982, and the rising trend in unemployment was halted. However the chain reaction envisaged by the policy did not occur. Increased consumer demand was met by imports, not home production, causing an increase in the trade deficit, while investment levels in private industry did not show sustained improvement. The general outline of this policy was outlined in an Interim Plan for 1982-83, but it was abandoned in favour of austerity measures during 1983. A Commission de Reforme de la Plan ification was appointed to examine the problems and possible improvements in the planning process. The Commission reported in June 1982. It first analysed the problem of

planning in an uncertain international environment and identified two possible attitudes: the first is a 'fatalist' one, leaving the operation of world markets to determine what would happen in the French economy. The second attitude is to believe that the planning process can give the society the means to 'assume' its own destiny. The Commission believes that the first attitude dominated French Plans in the 1970s: planning was a mere trimming while the international market effectively determined the structural changes in the French economy.³ The French people's refusal of this policy was expressed in the change of government in May 1981.

Several recommendations of the Commission de reforme de la Planification became law in July 1982. The two-phase preparation of plans was emphasised. A first law outlining the major objectives of the plan, and the means of attaining these would be submitted to a vote in Parliament. This 1^{er} Loi de Plan is in effect a synthesis by the Commissariat du Plan of the consultations, negotiations, recommendations of the social partners in a number of tripartite working groups involving trade unions, confederation of industry and the public service. A new Commission Nationale de Planification was created to oversee the preparation and execution of plans but its function is mainly consultative, the government being ultimately responsible for the plan.

After the adoption by the Council of Ministers and by the Parliament, a second phase of consultation with tripartite groups and regional representatives was begun. The second Loi de Plan for the Ninth Plan 1984-1988 was to be presented to Parliament at the end of November 1983.

Other provisions of the law related to the reform of planning, concerned the creation of parliamentary delegations to be more directly involved with the Commissariat du Plan in preparing and examining the execution of the plan. A series of tripartite Groupes de Strategie Industrielle were given particular responsibilities in specific sectors in the creation of a coherent industrial policy. Long term study groups were reintroduced, to examine prospects over a longer horizon than that of the plan. Another measure provided for a more explicit link between the five-year plan and the annual Budget. But apart from the institutional reforms, the Ninth Plan marks a major change in 'tone' from the previous Plans. Enabling the social and economic forces to take effective control of their destiny, such is the ambition of the plan. To achieve this, the planning process is to be made more democratic, more contractual and more decentralized. Plan contracts will make the plan compulsory for state enterprises, and optional for private enterprise.

Underlying the ninth plan is an analysis of the present international crisis. The present recession is seen, not as a short-term phenomenon, but as a major transformation of the economic mechanisms, social relations, the world balance of power on which the post war growth was based. The switch to flexible exchange rates in 1971, the oil price shocks in 1973 and 1979 and the difficulties thus arising in North-South have brought increasing and continuing international instability in the economy. Socially, there are also a number of important developments taking place. These include a reduced fertility rate (the French labour force will continue to grow, however, until 2000 at least), the changing nature of work with increased

automation and higher unemployment, the slowing-down of the post war trends of mass consumption. Social aspirations in many areas are changing, while social protection schemes and public services in the fields of health, education, etc introduced during the period of high growth, are now expected. Meeting these aspirations in times of recession is difficult.

The French economy, being an open one, is influenced by all these external and internal economic and social changes. The whole orientation of the ninth plan is to mobilise the social forces to meet this challenge, to help the French economy survive in a world crisis and to continue social progress. Renewal of the productive apparatus, modernization, is the central aspect of this plan. "Investir, innover, former" is the motto. Investment in new equipment, new technology is to be accompanied by a huge research and training programme, 2.5 per cent of GDP is to be spent on research and development. Increased expenditure on cultural renewal is also provided for in this first plan to be called "9^{eme} Plan de Developpement Economique Social et Culturel". Specific objectives are identified in two other areas in the 1^{er} Loi de Plan, that development aid reach a level of at least 0.7 per cent of GNP by 1988, and that the dependence on imported energy sources be reduced by 50 per cent by 1990. On the question of unemployment, the Plan emphasises restoring the potential for high growth as the only long term way towards a solution. In the shorter term, various measures related to length of working week and retirement ages, and others related to ensuring that available labour has the appropriate qualifications, should have some impact on the level of unemployment.

The ninth plan names twelve 'Programmes Priorities d'Execution' which incorporate the orientation of the plan. The law brought in to reform the planning process in 1982 makes provision for a financial allocation specifically for these programmes to be built in to the annual Loi des Finances, or Budget. The ninth plan is thus a return to the original type of planning as carried under the reconstruction phase, inspired by J. Monnet and E. Hirsch. The first most important common feature between the first and ninth plans is that of the political will to plan, i.e. the clearly expressed wish that government action, and that of the economic and social agents, be written into a coherent, mobilising, medium-term project. The second aspect which the first and latest plans have in common is the emphasis on modernisation, through investment and through research. Lastly, both plans identified a small number of specific targets, and recognized the need for a clear choice of priorities, inevitably down-playing other objectives.

From the later type of planning, the phase when planning accompanied high growth rates and much of the plans were based on P. Masse's ideas, the ninth plan takes up the question of distribution. The problem is tackled on a more solid base than before, since the planning reform law now provides the means for genuine decentralisation and real regional planning. The Programmes priorities d'execution includes a measure providing for increases in minimum wage levels and more equitable taxation schemes.

However, the ninth plan cannot copy previous Plans in all respects: it must meet the challenge of an international economic crisis, at a time when the interdependence of economies is greater than before, reducing the autonomy of individual countries. The ninth plan takes account of these circumstances, makes clear choices and intends to give itself all available means to attain its objectives 4

MACRO-MODELS IN FRENCH PLANNING

The sixth plan introduced a new technique to French planning - the macro econometric model. A detailed analysis of the models used is beyond the scope of the present paper, but will be the subject of a later study. We shall thus confine this discussion to a brief outline of the basic features of the two most important models before addressing the question of what role they play in the planning process.

The FIFI (physico-financier) model was developed at the national statistical and economic studies institute, INSEE. This model was based on the theory of the "competitioned" economy developed by M. Raymond Courbis. The essential feature of this theory was the division of the economy into a sheltered and an exposed sector, prices being determined by the international market in the exposed sector. The theory also contained a profits-based or "autofinancing" theory of investment and emphasised the need for measures to stimulate supply in the exposed sector through cost reduction. FIFI was thus a global macro-model but it did not include the financial aspects to the extent expected. It was a static model, giving projections for the final year of the five-year period. FIFI is a stimulation model, not an attempt at optimisation, designed as an aid to decision-making in areas over which the Government has some control.

The DMS (Dynamique Multisectorial) model was completed in 1976 and was designed to replace FIFI as the central model of the planning process. It was commissioned from the INSEE by the Commissariat du Plan. It represents an improvement on FIFI in several respects. DMS is a dynamic, medium-term model, providing year to year projections. The economy is divided into 11 branches or sectors, industry being divided into consumption, intermediate and capital goods sectors. Prices are determined mainly by labour costs per unit plus the cost of intermediate products, while salaries are determined by a Phillips-Lipsey type relation for each sector. The authors of DMS reject the international price-taker in the exposed sector hypothesis of FIFI as an exaggeration. Total consumption is determined from a savings function, and then divided into 21 categories. Thus, the behaviour of the economic agents, enterprises and households, is much more extensively treated in DMS than in FIFI. An important feature of DMS is the incorporation of productivity cycles (arising from lags in the employment effects of output changes). The cycles have repercussions on wage costs and thus on prices. The growth of productive capacity is determined in the model by the profit rate and the pressure of demand, as represented by capacity utilisation rates in most sectors.

DMS is a large simulation model with around 1100 equations of which 200 are behavioural. It is an annual model with an eight-year horizon, most equations being based on the estimation period 1959-1974. The authors of DMS emphasise that medium term forecasting has always been closely linked to the preparation of the plan. They hoped that this model would provide a precise reference framework for the debates on policy for economic and social development. It elucidates problems which may show up in the medium term (balance of payments or labour market difficulties etc.), and it enables detached analyses to be made of the impact of

exogenous variables (which may be external uncertain factors, or internal policy instruments). DMS is the central model used in the preparation of the latest (ninth) plan. However, many other smaller models are now also in use, in the Direction de la Prevision section of the Finance ministry, and in various other ministries. What function these models actually have in the planning process is not a straightforward matter. The introduction of the FIFI model into the preparation of the sixth plan was first hailed as a significant advance. A new precision was added to the analysis of the interdependence of the various sectors of the economy, and the model could be used to analyse different policy options. However, from the start, the new technique brought new problems. The first of these was incomprehension. The social partners were not sufficiently confident of the new technique to use it effectively. They were invited to submit policy hypotheses to be estimated by the model, but only the Conseil National du Patronat Francais and one agricultural organisation availed of the offer. The two major trade unions the CFDT and the CGT, rejected the model. For the CFDT, the model was simply a mathematical translation of a certain concept of the operation of the economy: it reproduced the relations inherent in a capitalist economy. The model builders wanted the model to server the interests of the capitalist system and FIFI should not be presented as a neutral technical instrument. Likewise the CGT rejected the economic analysis built into the model, claiming that it confined the discussion of policy-problems to avoid the real issues. The CGT refused to carry out policy simulations using the model, saying that to do so would be to accept the formalisation of the role of the State built into the model.

The second problem arising from the models is that of myth-making or of mystification. For many the model is a black box. Using the model effectively, remaining conscious of its imperfections and correctly interpreting its results, is difficult. The model may have the effect of focussing attention on itself and pushing other problems, outside its capabilities, aside. Critics hold that the use of the model has the effect of masking the real centres of decision making. The model acquires a reality of its own, but is in fact totally conditioned by the view of the operation of the economy held by the model builders. Lastly, the model cannot deal effectively with a number of important structural problems, such as the distribution of income or the impact of new technology.⁵

Claude Seibel (1973) summarises the impact of the macro-models as the following:

“The first reaction of the social partners to a new instrument which they do not understand too clearly, is to believe it is capable of solving all problems. The second reaction, when the limitations of the new technique began to appear, is to reject the formalisation totally!”

The Commission de Reforme de la Planification issued a report prior to the ninth plan. It suggested that the increasing sophistication of models had to some extent hidden other problems in planning in recent years. The Commission feels that the question of uncertainty has not been satisfactorily resolved in the models. One cannot but be struck by the richness of the theory of planning under uncertainty compared with the poverty of its applications. As a first step, the Commission

suggests clearer identification of the uncertain factors, be they external or internal to the French economy, and the setting up of detailed scenarios to trace through the effects of different possible values of the uncertain variables. A clearer statement of the heart of the models, the small number of basic behavioural relations underlying the construction, should be published, so that circumstances where the model is appropriate or inappropriate could be more readily identified by the social partners. The Commission also states that a clear hierarchy of plan objectives should be established. Finally, the Commission addresses the question of structural problems in macro models as mentioned above. At present, they say it would appear that two unconnected debates are taking place, one political and social debate on the structural aspects of the present crisis, and another econometric debate on the continuation or otherwise of past tendencies. One of the tasks of planning is to confront the different strategies of the social partners with the structural transformations which are feasible. The instruments of planning must be able to cope with the task. macro econometric models do not succeed in doing so at present.

In summary, it seems that an increasing number of increasingly elaborate econometric models are used in French planning. The models are very valuable in exploring the future and in preparing decisions. However they must be placed in a wider context of consultation and confrontation of the actors in planning. Using the model in the preparation of the Plan is but one element of a much broader strategic game played by the social partners.

PLANNING AND POLITICAL CONSENSUS

Industry and Planning

Business organisation, as represented by the Conseil National du Patronat Français (CNPF), while not initially favourable to the notion of planning, was quickly converted in the early 1950s and participates fully and willingly since then in the planning process.

Industry is always well-represented in the tripartite Commissions which work on the preparation of a particular Plan. S. Cohen (1969) identifies the key element of this successful co-operation between public and private sectors share. In addition to the formal negotiations in the Commissions, many businessmen retain direct contacts with planners in the Commissariat. Big business can negotiate in such a way that, when target production and investment levels by branch are decided, there will not be a major discrepancy between the planners and the businessmen. Planners also have a certain bargaining power in the negotiations, in particular the support of the finance ministry in the form of incentives and subsidies, and the unwillingness of business to get on the wrong side of this ministry.

Of late, the CNPF has participated much more critically in the plans of the socialist government. Still, industry has infinitely more to gain, at the very least in the form of information on important government decisions, than it could possibly lose, by active participation in the work of the planning Commissions.

Unions and Planning

French trade unions are not a homogenous or politically united group, so that attitudes to the planning process vary. 'Neo-capitalism' is a term used by the left to describe the political economy of the Plan. The motive force in the economy remains private profit, but the State has taken on a greatly expanded role. The State functions as the vanguard of French capitalism, sometimes acting independently, sometimes in alliance with dynamic elements in the private sector to find solutions and economic strategies which private firms alone would have been unable to find. S. Cohen (1969) discussing French planning in the fifties and sixties, feels that the trade unions were often faced with a "fait accompli". The common background and education of the civil servants and the business men (together with their higher numerical representation) meant that trade union representatives were effectively excluded from decision-making in Commission discussions.

Some unions, such as the communist-affiliated Confederation Generale du Travail (CGT) therefore adopted a policy of unconditional opposition to planning. They interpreted the planning process in terms of the theory of State monopoly capitalism i.e. the State is the instrument of domination by a particular class, its policies serve to exacerbate the exploitation of the working class. However, from the fourth plan onwards, the CGT decided to send representatives, as observers rather than participants, to the work of the Commission. Other unions, such as the socialist-affiliated Confederation Francaise Democratique du Travail (CFDT), have felt that unions would gain more than they could lose by participating actively in the planning process. They could help to make the plans more socially conscious, stress collective needs publicly in the preparation of the plans, or at least expose the negligence of the planners in certain areas. In general, the attitudes of the trade-unions to planning in France could be said to be one of contestative participation.

Political Parties

No major French political party is overtly opposed to planning, the differences lie in the degree of commitment and in the role thought appropriate for the Plan. In summary, the parties of the left believe in an increased responsibility for the State in the management of the economy, while the Gaullist parties are part of a long French "interventionist" tradition dating back to Colbert. The party of M. Giscard d'Estaing is the most liberal, the one which believes most strongly in market forces. I find the all-important questions of the nature of planning, of its impact on the French economy, and of planning and political consensus, to be inextricably mixed.

ANALYSES OF FRENCH PLANNING

Three types of approaches to the analysis of French planning may be identified. These are:

1. planning as decision-making;
2. planning as a new institutional or administrative arrangement;

3. planning as the setting up of new social and economic 'norms'.

1 Viewing planning as decision-making leads to analysing the planning process as an uncertainty-reducing factor, a method for avoiding inconsistencies in the strategies and policies of the social partners, or even as the launching of a real collective project for economic and social development. The plans are then evaluated according to their expressed objectives as compared with their actual results. Such a view of planning usually leads either to an over-estimation of the role of the plans (for example, by attributing the high growth rates of the French economy in the 1950s and 1960s to the effects of planning) or to a denial that planning has any significant effects whatsoever. This second conclusion is exemplified by the work of McArthur and Scott (1969). Their major empirical study found that any State influence on the industrial sector could not be attributed to the structures of planning. This finding is explained by the discovery that national plans in France do not conform to the model of strategic corporate planning - the economy is not managed as a big 'divisionalized' firm - as the authors state explicitly that they expect a direct correspondance between the two forms of planning. Supposing that the objective function for the State's activities (to return to the Optimal Planning terms) could be as readily described (especially in a society with deep ideological divisions) as that of corporate enterprise, is a very questionable assumption.

The overall growth rate 'predicted' by the plans, at least up to 1973, was approximately realized, but Carre, Dubois and Malinvaud (1972) point out that forecasts were much less accurate on an industrial branch basis. Several authors hold that the actual decisions taken by the plan have diminished throughout the 1970s. Some (see Friedberg (1975)) go so far as to attribute this decline to the replacement of informal decision-making by direct contact between planners and business men by more formal and ritualized 'concertation' procedures.

2 The second view of planning, stressing the institutional aspects, is more often proposed by sociologists, or political scientists, rather than economists. It usually emphasizes planning as a new mode of action by the public service in France. The bureaucratic structure has changed its methods, from a day-to-day management in response to immediate crises, to an organized and ritualized (through the planning Commissions) form of collective decision-making. The significance of planning is that it has brought about a new relationship and a new mode of action by all the social partners. This view of planning attaches more importance to the 'concertation' phase of the planning process involving negotiations of the social partners in tripartite commissions for the preparation of the Plan, than to its actual execution, or to the effects of its decisions.

The emphasis on the institutional aspects of planning usually includes, e.g. in Cohen (1969), a discussion of the particular administrative structure of the Commissariat General du Plan. It is a small organisation, with only about 60 full-time planners, it is light, flexible, non bureaucratic. It must act as broker among several power groups,

including big business and the Ministère des Finances, it is at the inter-face of all other Ministères, always needing their co-operation without having power over them

“Within the government and administrative apparatus, the Commissariat du Plan’s role is solely one of conception, counsel and appraisal. It takes part in the procedures and the preparation of decisions, but it has no power of its own and administers no funds for economic action.” Pierre Masse, cited in Cohen (1969)

This special administrative structure, and the way in which the Commissariat has used and developed its limited powers, are key elements in the success of French economic planning.

3 The third view of planning, the development of new economic or social norms, places the “stakes” and the effects of planning in the non-tangible or in the ideological domain. The common interests, education, ideas of the planning community (comprising the Commissariat General du Plan, the INSEE, the Direction de La Prevision section of the Ministère des Finances, and hauts fonctionnaires in other ministries) and of industrial leaders, is stressed, and the attitudes of the former are attributed to the administrative reforms of 1945 and the training of the Ecole Nationale d’Administration. The State, usually represented by members of the planning community in tripartite Commission negotiations, tries to ensure that the Plan represents the general interest of the people; planning is an instrument of social progress

There are psychological benefits to the planning process. According to Carre, Dubois and Malinvaud (1972):-

“In the first place, planning may have helped growth to the extent that it led entrepreneurs and government agencies to anticipate the future in a more optimistic way than they would have done without the plan, and also to the extent that it stimulated the work of modernization.”

“In the second place, planning may have contributed to growth by acting as a means of ensuring consistency among decisions influencing the medium-term future: these are decisions that the play of the market can provide little light on however effective it is in securing short-term adjustments. The National Plan, by proposing a consistent set of objectives and forecasts and acting as a generalized market study, probably makes it possible to avoid the creation of excess productive capacity or bottlenecks blocking growth or leading to external disequilibria.”

“The forecasts have contributed to the creation of an expansionary climate.”

The real function of the plan is thus a latent one. Planning contributes to the reduction of divergences between the social partners, by consultation and

negotiation in the Commissions it brings about a socialisation of the conditions in which decisions are taken

An alternative ideological view of planning sees it as serving the interests of modern capitalism. This reflects the particular interests of a certain social class. The function of planning is thus to justify in the so-called general interest what is in effect the interests of modern capitalist industry. Planning has facilitated and justified the increased concentration and monopolization of French industry.

ASSESSMENT

Before our assessment of French planning, I shall attempt to analyse the impact of the Plans. Direct evidence on the execution of the Plans in France is not easy to find, and Carre, Dubois and Malnvaud (1972) point out that the planners themselves have not studied the effects of their actions in any systematic way. However, we shall attempt to evaluate the evidence under three headings.-

1. The Plan and nationalized industry
2. The Plan and the provision of collective goods.
3. The effect of the Plan on private industry.

1. *Nationalized Industry.* In the earlier plans, the greater part of investment carried out by public enterprises was programmed in the plan. The approximate amount of money to be spent was specified for each firm, and major investment projects, such as the electrification of a train line, were itemized. The public enterprises concerned were concentrated in the key areas of energy and transport. This control of the investment projects of public enterprises arose from their legal status, on the one hand, and from their dependence on State funds for financing the investment, on the other. The channels by which the funds are made available involve the Ministry of Industry, which gives a technical and general economic opinion on the investment project, the Ministry of Finance and the Fonds de Developpement Economique et Social (FDES). This last organization was set up to advise on the choice of projects for public funds, to distribute funds that were decided in the Budget, to ensure that the project was actually carried out, and to issue an annual report on how the investment projects fitted in with the Plan.

It appears that the FDES played a crucial role in the execution of the first and second plans, and that it remained important up to the end of the fourth plan in 1965. After that however, the percentage of state funds for investment passing through the hands of the FDES declined in line with the governments' wishes to diminish state influence in favour of market forces. A report on the nationalized enterprises known as *Rapport Nora* was issued in 1967. It recommended that greater freedom be given to these enterprises in the matters of investment, prices of goods and services sold, and wage levels for employees. This would give the firms greater day-to-day autonomy. At the same time, the report recommended that the major public firms sign planning agreements (or '*contrats de programmes*') with the state to ensure overall strategic co-ordination. A small number of such agreements

were signed during the sixth plan, but in retrospect it appears that the ministries of Industry and Finance strongly resisted the move towards greater autonomy for the nationalized enterprises.

Table 1 shows the size of the public sector in industry in France before and after the nationalizations carried out in early 1982. It is too early yet to analyse the effects of this latest extension of the public sector, but it is clear that this sector is of major importance, controlling 29.4 per cent of sales, 22.2 per cent of employment and 51.9 per cent of investment in industry (energy included). It has always been the policy of the left to co-ordinate the activities of the state enterprises through the plan, and to make these enterprises the privileged instrument of the execution of the plan. They are to be particularly responsible for promoting investment and the use of new technology, and for helping French industry to compete internationally. To this end the *contrats de plan* concept has been revived. The contracts recognize the need to set out more clearly the states responsibilities to these industries without seriously damaging their autonomy. The responsibilities are on three levels. the State as

Table 1. State enterprises in France before and after 1981/82 nationalisation programme

	Totals	Before Nationalization	After
		%	%
Sales, turnover, (millions of francs)			
Total, all industry	1706.06	17.2	29.4
Industry, excluding energy	1352.20	8.9	24.3
Number employed (thousands)			
Total, all industry	4473.92	11.0	22.2
Industry, excluding energy	4220.48	6.4	18.3
Investment (millions of francs)			
Total, all industry	100.09	43.5	51.9
Industry, excluding energy	60.76	12.1	25.9

Source: OECD (1983) Economic Survey of France, March.

shareholder, with associated financial implications; the State as guarantor of public service, implying quantification of the costs of providing the services; and, lastly, the State as promotor of a strategy for research and technology. Twelve such contracts, covering three to five-year periods, were agreed in 1983 for the steel, chemical, automobile, aeronautic and electric sectors.

2. Collective goods: The first three plans, covering the period up to 1962, did not concern themselves directly with the satisfaction of social needs. However, the

second plan attributed a high priority to building new schools and educational establishments. The third plan extended its scope to include health and urbanization needs also, but without specific budgetary commitment. Real concern with the provision of collective goods (defined as Gross Fixed Capital Formation by public authorities, including telecommunications and motorways) emerged with the fourth plan in 1962. It is reasonable to presume that the previous plans had laid important foundation for the new development in the form of medium-term thinking and forecasting in the Ministries, and the quantification and rationalization of public decisions. The fourth plan, with the reference to social needs in its title, was the first to be submitted first to the Conseil Economique et Social and then to the vote of Parliament. A number of Commissions on the matters of public goods were set up during the preparation of this plan: a 50 per cent increase in collective goods and a rate of increase of public investment which was twice that of GDP were decided upon. For the first time, references to the plan targets were made in the discussions preparing the annual budget.

The fourth plan achieved its targets in the increase in public goods, as illustrated by Table 2. The overall implementation rate was 98 per cent, target levels being surpassed in transport and telecommunications. The fact that major public investment projects were maintained, despite the introduction of a counter-inflationary stabilization plan in 1963, indicates the planners' influence and authority.

For the period covered by the fifth plan, 1960-1970, a somewhat lower rate of increase in public investment (9.1 per cent as against 10.7 per cent) was approved, with priority given to investments which would have an impact on competitiveness. The budget deficit arising out of measures taken at the time of the 1966 events led to a cutback in these investments projects, in all areas except telecommunications. As a result, the overall implementation rate, at 84.5 per cent, was considerably lower than for the previous plan. Table 3 gives further detail on the implementation rates in the major spending categories.

The sixth plan (1971-1975) took a different approach. The overall objective of the plan included a commitment to slower growth of public spending, which had risen as a percentage of GDP during the 1960s. The overall implementation rate in the sense of authorized versus planned spending on investment in public goods, as analysed for the previous two plans, was 89.3 per cent with sectoral variations. In addition, six 'programmes finalises' (small public expenditure programmes) were chosen, constituting formal expenditure commitments. These programmes had implementation rates ranging from 69 per cent to 96 per cent. However, this innovation became the central feature of public sector planning in the seventh plan (1976-1980). Twenty-five specific expenditure programmes were mentioned in the plan, and as Table 4 shows, they were approximately carried out. The overall implementation rate was 93 per cent. They were, in general, fairly modest inter-ministerial projects.

Table 2: Public goods in the Fourth Plan (1962-1963)*

	Authorized spending as a percentage of fourth plan target levels
Agriculture	97.5
Schools	91.9
Culture	81.8
Urbanization	78.5
Health	99.7
Transport	110.3
Telecommunications	103.0
Overseas department	90
Overall Rate	98

Source: Les Cahiers Francais (1977) no. 182

* These figures in Tables 2 and 3 are taken from an article on "La Planification des Equipements Collectifs" by Mr. J. Bravo on The Commissariat du Plan, included in an appendix to Les Cahiers Francais No. 182.

Table 3: Public Goods in the Fifth Plan (1966-1970)

	Authorized spending as a percentage of fifth Plan target levels
Schools and universities	82.7
Sports facilities	78.4
Vocational training for adults	70.4
Culture	65.4
Scientific research	68.1
Health	85.3
Special Education	54.1
Rural areas	84.2
Urbanization	81.1
Roads	74.7
Other Transport	75.4
Post and Telecommunications	105.8
Overall Rate	84.5

Source: Les Cahiers Francais (1977), No. 182.

The encouraging record of these 'Programmes d'Action Prioritaire' (PAP) as they were called, accounts for the new government's retention of the same concept, now called 'Programmes Prioritaires d'Execution'

3 Private Enterprises: as we have already mentioned, whereas the plan could have a 'compulsory' character for state enterprises, it was never other than 'indicative' for private enterprise. However the plan helped to create an expansionary climate which had repercussions in the private sector

In 1967 the INSEE carried out a survey on a sample of 2000 enterprises. It was found that 80 per cent were aware of the planned growth rate of output for the fifth plan, and two-thirds of these knew the growth rate predicted for their particular branch. Asked whether this information influenced the firms, 24 per cent declared that the plan forecasts had a major influence on their investment decisions, 37 per cent said it had some influence and 39 per cent no influence. The answers to the question varied considerably with the size of firm. For firms with more than 5000 employees, the percentages were 51 per cent, 42 per cent and 7 per cent respectively.

It seems that the role of the plan in bringing about a more optimistic view of the future, thus encouraging the firms to modernize and invest to a greater extent than they would have done without the plan, is confirmed by this survey. The plan acted as a 'reducer of uncertainty'. The development of analysis and forecasting or planning divisions in larger enterprises is to some extent an outcome of the work of this nature developed with the planning process: it was necessary for the firms to speak to the planning authorities in the same language of quantitative forecasts. It might be unfair to assert that the use of these techniques resulted in a better allocation of resources, that it eliminated excess capacity or bottlenecks in production. It may not have eliminated incoherencies in production and investment programmes, but it seems fair to claim that it certainly reduced them.

In the light of this information, I propose a view of French planning which does not fit exactly into any of the three categories for assessment mentioned in the previous section. I propose a 'minimalist' and a more ambitious role for French planning. The 'minimalist' view is that economic planning in France is a process by which public sector policies are co-ordinated, and by which the social partners are informed of one another's opinions and activities.

Within the public sector, this process involves an internal dialogue between the 'spending' ministries, and the Finance ministry which allocates the funds, with the Commissariat du Plan acting as broker between them. We have seen that the degree of actual co-ordination brought about has varied throughout the history of planning in France. The earlier plans made investment, production and pricing decisions for major nationalized industries, and were executed by them. The State retained much control over public enterprises, but in the 1960s those enterprises which compete internationally gained some autonomy.

Table 4: The PAPs of the Seventh Plan and their implementation rates

Programme	Planned total expenditure in b. 1975 Fr	% Implement- ation rate in 1980
1. Strengthening food and agriculture industries	3.4	90
2. Promoting industrialized building	0.1	86
3. Promoting small and medium firms	1.5	114
4. Development of telephone system (PTT)	104.4	91
5. Improvement of transport for West, South-West and Massif Central	5.8	99
6. Rhone-Rhine Link	0.8	78
7. Development of overseas territories	1.3	95
8. Reducing dependence on imported energy and raw materials	1.5	96
9. Export promotion	3.8	90
10. Improving the public employment service	3.1	89
11. Vocational training for the young	5.9	117
12. Upgrading manual work conditions - of which in PTT	(3.3)	(99)
13. Promoting equal opportunity in schools	20.6	107
14. Family Policy	1.0	72
15. Domiciliary care for elderly	0.5	82
16. Preventative health care	4.0	109
17. Easier access to justice	0.8	115
18. Consumer protection	1.9	95
19. Improvement of accommodation and nursing standards in hospital	3.7	72
20. Road Safety	0.9	91
21. Improvement of urban life	12.9	76
22. Conservation of architectural heritage	1.0	104
23. Rural development	2.9	105
24. Environmental protection	2.2	78
25. Research and development	10.5	91
Total	200.7	93
- of which PTT	(107.7)	(92)

Source: Estrin and Holmes (1983), p. 163

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In the matter of public investment projects, we have seen that provision of public goods was given increasing attention in successive plans. The impact of the plan on public spending was greatest when clear priorities and specific projects were specified in the plan. From the point of view of the private sector, the planning process provides much useful information and can thus re-inforce the mechanisms of the market. But more important still, planning forces the government to make at least an attempt at setting up an integrated medium-term strategy for the economy: it counteracts the "incrementalist" tendency of democratic governments, the tendency for policy to be decided almost on a day to day basis, decisions being taken only as each specific problem reaches a critical state. Throughout its history since 1947 French planning has fulfilled at least this 'minimalist' function. In my view it is a very valuable one.

A more ambitious view of planning is that it is a social contract: the preparation of the plan involves active negotiation by the social partners to achieve a consensus on social and economic objectives, which are implemented through political choices. The plan is thus a reference point for economic interests and social forces, it is a guide to public attention. The plan is a mobilising project, it enables the society to control and to build, collectively, its future.

It is felt that French planning has, at certain stages in its history, approximated to this more ambitious role. At the time of the Monnet-inspired first plan, there was general agreement on plan objectives. Later, for example during the Masse-inspired fourth plan, 'concerted' economy was the term used. This referred to the work of the Plan Commissions, involving the social partners (government, industry and unions) in a process of consultation, negotiation and information-exchange with a view to an agreed plan. The plan which emerged was thus the 'Plan of the nation', contracted by all the social partners.

By the early 1970s, the plan had changed to be the 'plan of government'. The number of plan commissions was reduced, and their work was oriented by far more political interference than before. The decline in planning is attributed mainly to a decline in the political will to plan. The IXth Plan de Developpement Economique, Social et Culturel, (1983) with its increased democratisation of the preparation of the plan and the broadening of scope to include cultural aspects, is clearly intended as a project for the future of the whole society. With either the 'minimalist' or the more ambitious function it is certain that economic planning in France is an extremely worthwhile exercise.

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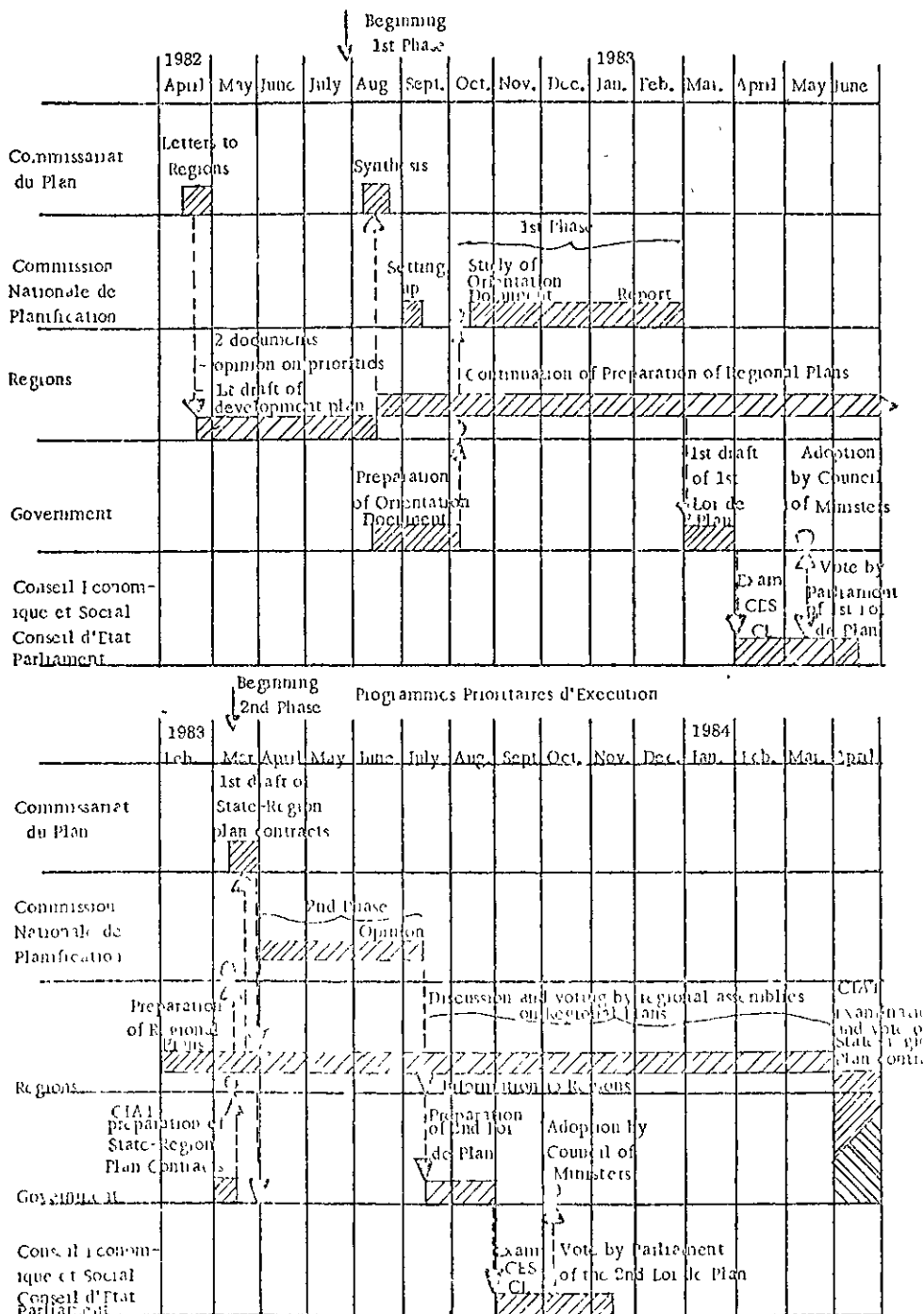
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FOOTNOTES

- 1 These might relate, for example, to the growth rate of GNP, inflation or unemployment rates, or the balance of payments deficit
- 2 The fourth plan was the first to be submitted to a vote in Parliament and to the Conseil Economique et Social, provided for in the Constitution of the V Republique
- 3 The decline of planning is seen as a political decision, a rejection of planning in favour of market forces

- 4 The means of achieving the Plan objectives are the subject of the Second Loi de Plan, not available at the time of writing
- 5 The distribution of income between wages and profits was a central pre-occupation of the STAR model (Annales de l'Insee, September 1975), developed at the Direction de la Prevision in the early 1970s. Theoretical developments on production functions may enable future models to deal more satisfactorily with new technology

Appendix : Calendar of preparation of the IXth Plan



Source. La lettre du 9^{ème} Plan, No. 1 March 1983
Paris, Commissariat Général du Plan.

Glossary

Conseil Economique et Social. Consultative body with representatives from Industry, Trade Unions, Government, Agricultural organizations, etc

Conseil d'Etat. Council of State

CIAT (Comite Inter-ministeriel pour les problemes d'action regionale et d'amenagement du territoire). A new inter-ministerial committee set up to co-ordinate regional plans and to oversee the preparation of 'contrats de plan' between the State and the Regions.

Commission Nationale de Planification. Committee set up to co-ordinate and report on the work of the other nine tripartite planning Commissions

DISCUSSION

W.J. L. Ryan: I should like to congratulate Dr Timoney on her paper. Economic Planning in France. She has given us an important and perceptive analysis of the evolution of French Planning over the past 40 years. Dr Timoney's paper is of special interest to those of us who are a generation or two ahead of her, in years though not in wisdom. It is of especial interest to those of us who can recall the early 1960s when French planning was a product for which other countries, notably Ireland and the United Kingdom, had a high propensity to import.

Having studied Dr. Timoney's paper, I am not sure that French Planning was ever a product (certainly not after the first and possibly the second plans) that performed all that well in its home market. I doubt if it was ever a product that was exportable to countries which did not have a directive central government. For me, the relationship between French planning and the real French economy remains unclear. To what extent did the plans affect the economic reality? To what extent did the changing economic circumstances affect the nature and scope of the plans? I incline towards the latter view. Beyond that, I do not wish to discuss planning in a narrow French context. Instead, I would like to look briefly at planning in the Irish context.

A plan must start with the situation as it exists and concern itself with how that situation can be altered to make it better. In Ireland at present, the most serious economic and social problem is unemployment. The solution is to increase the number of sustainable jobs. That requires the right policies. These policies must be developed in the context of a mixed economy, one in which there is both a public and a private sector. I have no doctrinaire view about the relative roles or relative sizes of the public and private sectors. The balance between the two sectors, however, must be sustainable.

In present Irish circumstances, in my view a medium-term plan should have two objectives:

- (i) First, to bring current public expenditure into line with the revenue that can be raised at tax rates that are broadly acceptable. The tax burden is at the limit of the tolerable, but there is scope for restructuring the tax system to increase incentives and promote greater equity. The gap between current expenditure and tax revenue must therefore be closed by curbing current expenditure.
- (ii) Second, to formulate a consistent set of policies to encourage and sustain the growth of output and employment in the market sector, and especially in those parts of it that are exposed to foreign competition.

Now, a brief look at the first objective. In planning the Government finances, I think that the Public Sector Borrowing Requirement (PSBR) should be the central concept. The size of the PSBR should be reduced, a much greater proportion of it should be matched by the creation of productive assets and it should be financed to a much greater extent by domestic borrowing.

Specifically, the objective should be to eliminate the structural component of the current budget deficit by 1987. That should be done by controlling current expenditure and not by increasing the tax burden. Controlling current expenditure must not be a mere catalogue of cuts. The main emphasis should be on developing mechanisms for evaluating and controlling expenditure. Another objective should be to limit foreign borrowing to capital projects that will generate an increase in national output, directly or indirectly, which is sufficient to service the borrowings. This requires the spelling out of criteria by which these projects can be identified. Capital projects which do not meet these criteria should be financed by domestic borrowing. While fiscal policy is pursuing these objectives, the aim of monetary policy should be to keep the balance of payments deficit on a sustainable path.

The pursuit of this first objective will mean that fiscal policy will have deflationary effects in the short-term. If national output and employment are to grow, these deflationary effects must be offset by other policies. The only macro-economic policies available are incomes and exchange rate policies. Since the effects of exchange rate policy would only be temporary without an effective incomes policy, the main emphasis must be placed on incomes policy. In addition to these other policies, there must be policies directed at particular sectors, and especially to agriculture, industry and tradeable services.

The main requirement for faster growth in agriculture is a transfer of control over land which is not being fully utilised to more efficient farmers. For both, agriculture and industry, the charges for essential services should be brought more closely into line with those being paid by enterprises in other countries with which Irish producers must compete.

Within industrial policy, the emphasis must be shifted towards increasing the value-

added which is retained in Ireland. This will require the development of companies to produce materials, components and services that are now being imported, and of strong "stand-alone", indigenous and foreign-owned enterprises. To assure cost competitiveness, the growth in pay should not exceed the growth in an index of the weighted average of the pay increases occurring in other EMS (or EEC) countries. In the context of these fiscal, monetary, incomes and agricultural and industrial policies, the objective of exchange rate policy should be to maintain a stable real trade-weighted exchange rate.

The policies I have described would, in my view, create an economic climate in which the level of sustainable employment would rise and the numbers unemployed fall. But a year or two would elapse before their effects would be felt. During this interim period, special measures to reduce unemployment would be desirable. The emphasis should be on special measures that involve least cost to the Exchequer.

There must be concern that disadvantaged groups should not suffer from the implementation of the policies required to restore the basis for faster growth in output and employment. Since social expenditures, mainly social welfare, health, education and housing, account for nearly half of current public expenditure, they cannot escape making a contribution to the reductions needed to eliminate the structural budget deficit by 1987. However, a great deal can be achieved by re-allocating social expenditures to ensure better treatment for the less well-off and the disadvantaged, within the context of stricter control of social expenditures.

I very much doubt that the broad strategy I have described could be translated into specific policies, and that the policies could be effectively implemented, without changes in governmental processes and in the public service. In addition, the strategy could not be pursued without consent. Consent will be forthcoming only if there is fuller understanding of why the strategy is necessary. Some new forum might therefore be required. It should consist of representatives of unions, employers and agriculture, and Government should be directly involved in its work.

With this approach to planning, quantification and targeting are very difficult. In order to estimate its effects policy measures would have to be divided into two groups:

- a) First, those which relate to the whole economy. These would include fiscal, monetary, incomes and exchange rate policies.
- b) Second, policies to improve the performance of particular sectors. These would include policy measures relating to agriculture, industry, State-sponsored bodies and the public service. These are basically supply side policies.

With the economic models available here (and indeed anywhere else) only the effects of the first group, the macro-economic policies, can be projected. There are no models available for assessing the effects of the second group of policies (supply side). The assessment of the effects of supply side policies must depend at this stage

on judgement

In the approach to planning which I have briefly outlined, the emphasis is on policy. And the right policy can only be based on the right analysis. It may be that the approach I have outlined is very close to that of the ninth plan in France. I suspect that it probably is. But I have always found French plans difficult to grasp when I read them, somewhat removed from reality when I read commentaries on their approach and objectives, totally baffling when described by an enthusiastic Frenchman involved in planning, and utterly beyond comprehension when attempts are made to place them in some wider philosophic context.

In conclusion, I have the very greatest pleasure in proposing the best thanks of the Society to Dr Timoney for her excellent paper.

Desmond Norton. I am very happy to second the vote of thanks to Dr Timoney. A few years ago she told me that she intended to proceed with a doctorate in France, but that she was having difficulty in narrowing down her topic. I am now glad to see that she succeeded in surmounting that problem. One of the results is tonight's fine paper. I confine most of my comments to some of the methodological and conceptual issues. These concern Section I on the categorisation of planning into four types (drawn from the work of D P Loucks, 1975), the question of plan horizon and the treatment of uncertainty.

But first, why plan? Reliance on the market mechanism would probably reveal externalities of many kinds. There is also the question of the "defective telescopic nature" of the market in over-discounting the future. Brief comment on these matters would have been welcome.

Following Loucks, the fourfold categorisation of planning in Section I is as follows.

- (i) What is described as prediction planning involves forecasting future growth and identifying means of meeting increased demands arising from such growth. The future development of the economy is regarded as following a pre-conditioned path more or less independently of policy action, and planning is said to consist of analysing the implications of that path. However, the core of planning is the design of policy action to affect the state of the economy. Thus "prediction planning" is really not planning at all. Dr Timoney goes on to state that had French planning consisted exclusively of the use of input-output and econometric models "we would have had prediction planning". This seems to suggest that such models are empty of policy relevance; not so. Probably the main use of input-output analysis in the planning exercise is in estimating the maximum feasible growth rate over the planning horizon and, often, in estimating the level of inter-sectoral breakdown of investment implied by the overall growth targets. Given that target levels for endogenous variables have been decided on, econometric models are then used to estimate the levels of policy instruments implied by the specified targets. In fact, as was

described in two papers read to this Society in 1964, one of them by the proposer of tonight's vote of thanks, both of those methodologies appear to have had some role in the design of Ireland's Second Programme for Economic Expansion (R.C. Geary, (1964), and W.J.L. Ryan, (1964)).

- (ii) What is described as "conventional" planning often involves minimising a loss function subject to constraints, i.e., subject to an econometric model. Thus the policy makers are envisaged as seeking to minimise some function of the deviations between the desired values of the target variables and the actual values of those variables. The problem in the illustration of Dr. Timoney is to minimise $\max_j L_j(D_j)$. However, following the work of Theil, (1964, 1965), and many others, the problem in this context is more often expressed as minimise $E_j L_j / (D_j)$, it is not hard to see that minimising the sum of losses due, possibly to not attaining each of several targets, will generally be superior to minimising the maximum loss due to not attaining any particular target in a world of many targets.
- (1a) Minimising a loss function is equivalent to maximising the negative of that function. Thus the distinction between optimization planning and "conventional" planning is not clear-cut. In the former, the planner seeks to optimize a welfare function subject to constraints, i.e., subject to an econometric model. It is stated that in a free-enterprise or mixed economy, the central problem with that approach is the inability of decision-makers to know either the objective function or the econometric model. However there is a fundamental prior problem, namely, the intransitivity of social choice (Arrow, 1951), so that even if an objective function were set up, there is no guarantee that it would satisfy the "reasonable" prior condition of transitivity.
- (iv) In compromise planning, the problem is to find the "best" compromise among conflicting objectives. However the same can be said of "conventional" planning and optimization planning. The discussion of compromise planning is somewhat vague. That is particularly unfortunate in view of the author's statement that "compromise planning seems to us a very appropriate term to describe the experience of economic planning in France since 1947". Furthermore, no attempt seems to have been made to link the discussion of compromise planning in Section I with the later parts of the paper.

It is my view that the paper would be improved if much of Section I were deleted or re-written, if the notion of compromise planning were more fully explored and if the subsequent parts of the paper were linked to the earlier discussion of compromise planning. Perhaps Section I should have focused more on the Tinbergen-Theil-Brainard control-theoretic theory of economic policy (see for example Norton, 1975): contrary to what is often assumed, that the body of analysis can give insights into the consistency and rationality of macroeconomic planning without knowing the policymaker's objective function and without knowing the constraints, i.e., the econometric model.

For the moment we ignore the problem of uncertainty. As the author indicates, recent French plans have had calendar time horizons of 5 years. This raises the question why 5 years? Why not, say, 10 years? A reply to these questions might be that the attainment of most macro targets in 10 years from the first year is largely independent of decisions made in the first year, however, the attainment of targets in the fifth year does have substantive implications for decision-making in the first year. Phrased otherwise (the answer offered might be that) the effects of decisions in the first year of the plan largely converge to zero for years more than 5 years forward but not for fewer years forward. However, if this be the justification for a 5-year horizon, it must then be the case that planners should always abide by a 5-year horizon; thus when the first year of the plan elapses a further year should be added, and so on, rolling forward, thereby always maintaining an appropriate and approximately fixed macro time horizon (which would not be a fixed calendar time horizon). Such medium-term macro horizons would, of course, have to be dovetailed into a broad perspective planning framework to allow for those intertemporal interactions of more than 5 years duration. I would have welcomed some criticism of the fixed-calendar-year horizon approach of the French plans. In that context the author notes that although the seventh plan had a fixed calendar horizon, 1976-1980, the Commissariat du Plan was nevertheless instructed to carry out rolling projections to keep control over the execution of the plan. Some attempt to reconcile these two statements seems in order.

Next, let us introduce uncertainty. Dr. Timoney points out that one cannot be struck by the richness of the theory of planning under uncertainty compared with the poverty of its implications. The central point in this context is that if there is randomness in the environment, one generally should not design plans and really attempt to stick to them; rather, one should formulate a strategy and use feedback, revising the plan, say, each year. The situation is like sending a rocket from earth to the moon. Suppose that the engineers design what appears to be the best trajectory of the rocket from earth to moon, that the rocket starts to proceed along that path but, due to uncontrollable and unforeseeable events, it gets knocked off that trajectory. In general, it would not be sensible to try to return the rocket to the originally conceived best path. The same applies in economic planning: if (due, for example, to an unexpected boom or slump in the world economy and hence in export demand), a plan gets knocked off course, it no longer makes much sense to try to keep it on the originally conceived trajectory. Rather, the plan should be revised each year, thereby availing of all the information available at the times when decisions must be made, (i.e., the realised values of what were initially random variables). It follows also that in a random environment it does not make much sense to regard a plan as unsuccessful, as Dr. Timoney and most others apparently do, simply because it did not attain the initially chosen targets.

As I have argued elsewhere for Ireland (Norton, 1975) it would seem to me that rolling plans, sequentially availing of the accumulation of information over time (in particular, the realised values of random variables) and sequentially maintaining an appropriate time horizon, would have been more appropriate in the French context. But these remarks have not been meant to detract from the value of Dr. Timoney's

paper It will be of interest to see whether they will also apply to the (currently) eagerly awaited planning document from Ireland's National Planning Board

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John Brady, S.J., I would like to associate myself with the thanks expressed to Dr Timoney for her interesting paper A point of particular interest about it is its account of how the French maintained their economic planning exercises through the difficult years of the oil crises of 1973-74 and 1979-80 Even though their success was partial, they are in a much better position today as a result of having kept up the effort We, on the other hand, abandoned economic planning on the grounds that it was too difficult in the uncertainties of the oil crises years. Basically, we have been floundering around for the last ten years as far as economic planning is concerned.

Regarding some observations made by previous speakers about the difficulty of understanding the French way of doing things, anyone who has worked with French people will probably have experienced their tendency to discuss and argue about possible plans at great length, to a degree which can even exasperate us. However, when they act, they do so with great energy and resoluteness, and get things done. In economic planning they have some pretty impressive achievements on the ground to show for their efforts, particularly in energy provision and infrastructure. If the French approach were to be applied to the Irish scene, some proportionately similar achievements would probably have been realised by now. For example, an Irish version of their determined drive to escape from dependence on oil for energy provision would be a vigorous programme to develop our potential to produce energy from biomass At a recent conference on this theme in Galway, having heard the experts describe the potential as very large, the reaction of the audience was to ask if that was so where were the trees Similarly, if French planners looked at the long-standing traffic problems of Dublin, they would probably have a fast circulation road around the city built by now, just as they have around Paris. Looking at the pattern of population growth in the Dublin Region, they would by

now have commenced the building of satellite towns 20 to 30 miles away from the city, just as they have in the Paris region. In areas such as these we could learn a lot from the achievements of French economic planners, which contrast with our own dismal record of non-achievement.

E. W. Henry: I offer Dr. Timoney my warm congratulations on her excellent paper, which we can all study with profit, both as a concise history of French planning, and as an example of all the things that can occur, for good or ill, during a forty-year period of explicit economic planning in a modern democracy.

In her summary concluding view of French planning she proposes two valuable aspects or results:

- (a) The 'minimalist' view is that economic planning in France is a process by which public sector policies are co-ordinated, and by which the social partners are informed of one another's opinions and activities.
- (b) But more important still, planning forces the government to make at least an attempt at setting up an integrated medium-term strategy for the economy: it counteracts the "incrementalist" tendency of democratic governments, the tendency for policy to be decided almost on a day to day basis, decisions being taken only as each specific problem reaches a critical state.

In support of her conviction that planning (with implied modelling and simulation as background) can have a worthwhile contribution to make to economic growth and improved welfare, I would like to refer very briefly to closely similar convictions held by Professor Richard Stone of the Department of Applied Economics (DAE), University of Cambridge. Stone directed the Cambridge Growth Project during its fourteen years of existence (1961-1974) at the DAE and was actively involved in many of the twelve volumes of reports on the Project which were published during 1962-1974 under the general title *A Programme for Growth*.

The Project's stated aim was "to study quantitatively in as great detail as possible the present structure and future prospects of the British economy, the possibilities of stimulating its rate of growth and the problems to which this would give rise". We note at this point that the project was not a plan as such, but a background model, in the widest sense, available for use in any real-world planning preparations or exercises. The heart of the matter, of relevance tonight, is in Volume 5: *The Model in its Environment*, A Progress Report, (July, 1964).

In the Foreword to Volume 5 Stone says: "I cannot emphasise too strongly that the main purpose of this kind of economic model-building is to increase the flow of information available to the active forces in society that have to take economic decisions. Its aim is to improve, not to overthrow, existing methods of decision

making, whatever these may be. This is true not only of the models now appearing in almost every part of the western world, but also of those now being developed in the socialist countries. It is an encouraging feature of our times that the need for such endeavours is coming to be more and more recognised in responsible circles, quite independently on the political environment. It is left to extremists, either of the right or the left, to argue otherwise”.

In this section “Models and their Environment” (pp. 2-4) he outlines the interaction between a model, a policy and a plan, as a leadup to the main discussion centred on a computable model of economic growth.

“The combination of theories with facts give rise to a model. Since economics is largely concerned with quantities, the model must be quantitative; and since we need to know not only how the system would behave if left to itself but also what would be the problems and results of trying to change it in various respects, the model must be readily computable...

The combination of a model with a set of objectives gives rise to a policy. This is where the politician comes in: he formulates the objectives. He may specify objectives in detail or he may delegate his responsibility, as when with whatever safeguards he thinks desirable, he accepts the principle of consumer's sovereignty: this means that consumers may spend their money as they please, and the economic system must try to provide the goods they want and not some other goods. Thus, just as the initiative in model-building lies with the scientist, so the initiative in formulating the objectives lies with the politician. But neither works on his own; each is dependent on social acceptance and the cooperation of others.

The combination of a policy with a set of administrative procedures, or what I have called controls, gives rise to a plan. This is where the administrator, both private and public, comes in. But he too may delegate his authority and indeed in many cases must do so if the cost of basing all decisions on sufficient information is to be minimised ...

When the plan is put into practice it comes up against events and this gives rise to our experience of the part of life with which the plan deals. As a result every element that led to the plan may to some extent be modified. It is inconceivable that initially we should have succeeded in building a perfect model, specifying a perfect set of objectives or designing a perfect set of controls. The possibility of these modifications is indicated ... by the feedbacks from experience to theories, facts, objectives and controls, from which the effects of experience spread to the model, the policy and the plan. Of course this is a very simplified presentation of a very complicated process. In fact, each stage in the process throws light on the preceding stages as well as on the succeeding ones, and each part of the system interacts to a greater or less degree with most of the other parts.”

Brendan M. Walsh: I would like to join with previous speakers in congratulating Dr. Timoney on her interesting paper. It is worth drawing attention to certain features of

French planning as revealed in to-night's paper. It does not seem to extend to what we should call "Demand Management". The level of government spending and taxation, and the balance between them, seem to be excluded from the remit of the planners. This omission gives planning a very particular meaning in France. In fact, it tends to be limited to three general areas. In our terminology, these would be known as (i) the public capital programme, (ii) industrial policy, and (iii) regional planning or aménagement du territoire.

No one should deny a role to central planning in the organization of what we in Ireland call the Public Capital Programme. The overall size of this programme, and the priority of for inclusion in it, are surely at the core of economic planning in a mixed society. French economists and econometricians have made significant contributions to this area, and we in Ireland should emulate them by applying project and evaluation to the elements of the public sector's capital programme.

Industrial policy is probably the most difficult component of any country's economic policies to evaluate. Each country seems to envy the successful elements in the other's package, ignoring the failures. France may be admired for its apparently successful energy programme, but what about the money it has wasted on Concorde? The strongly protectionist nature of its industrial policies should not be ignored. It is interesting to note that over half the expenditure under the seventh plan was on telecommunications. How much of this was a covert subsidy to French industry?

The third area where French planning is obviously deeply involved is in regional planning. This has taken on a renewed significance under the Mitterand government. In fact, newspaper accounts of the current plan convey the impression that they are almost exclusively concerned with the regional allocation of investment funds.

Bearing in mind these three components of French planning, it is clear that we could learn from their experience, especially in the area of project appraisal. However, we should be wary of uncritical enthusiasm for the concept of planning as it is practiced in France.

Reply from Dr. Timoney: I would first like to thank all those who contributed. I am glad that the paper did stimulate considerable discussion.

In response to Professor L. Ryan's remarks, I hope that this paper has not rendered French planning more 'baffling', but that it has somewhat clarified its nature. I deliberately avoided the philosophical-type eulogies and hope to have given instead a balanced and realistic assessment of what economic planning is in France.

I feel I have to agree with Dr. D. Norton that the first section of the paper is not fully satisfactory. It is not a wholly successful attempt to link the theories of planning with the practice. I felt that the scope of the paper was sufficiently wide that I would not enter the debate on "why plan?" The most important arguments in favour of

planning are based on the 'myopia' of the market mechanism and the superior ability of the State to deal with externalities and to take long-term decisions

On the role of econometric models and input-output techniques, I refer you to the contribution by Professor E Henry (above) The quotations from Professor R Stone which he has brought to us are particularly apt and useful "The aim of the model is to improve, not overthrow, existing methods of decision making whatever they may be" The interaction of the 'scientific' and 'political' aspects of the model are also excellently summarised in that contribution, showing how models will not in practice be empty of policy relevance

The term 'compromise planning' is very appropriate in that it suggests the political consensus aspect of planning as practiced in France - none of the other three categorizations broached this aspect Although I did not use the term directly in the later sections of the paper I hoped that latter sections in particular, illustrated how important the negotiation between the social partners is in the process of economic planning in France this is the 'compromise' intended

As regards the five year horizon, I feel that it was chosen or it emerged as a 'reasonable' length for forecasting, coinciding perhaps with the average term of democratic governments The idea of a rolling plan is compelling in practice, planning in France would lose its crucial mobilizing social contract feature if it were adopted (For the seventh plan, the Commissariat du Plan was instructed to carry out what were in fact ancillary long-term studies of a progressive nature)

I agree with Fr J Brady S J that the organisation of energy provision and of public infrastructure has been particularly good in France As Professor Brendan Walsh says, effective administration of what we would call the Public Capital Programme has been a major component of French planning I feel that the operation of French industrial planning - its successes, drawbacks or its protectionist nature - would have to be the subject of a separate study, as would the regional impact of the French Plans

In conclusion I would like to thank Professor K A Kennedy of the Economic and Social Research Institute and the anonymous referees for valuable suggestions based on an earlier draft, and Professor Ryan and Dr Norton for their generous comments here this evening