

Carnegie Endowment for International Peace

DIVISION OF ECONOMICS AND HISTORY

PRELIMINARY ECONOMIC STUDIES OF THE WAR

**EFFECTS OF THE WAR UPON
FRENCH ECONOMIC LIFE**



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PRELIMINARY ECONOMIC STUDIES OF THE WAR

No. 23

**EFFECTS OF THE WAR UPON
FRENCH ECONOMIC LIFE**

A Collection of Five Monographs

EDITED BY

CHARLES GIDE

Professor of Political Science at the University of Paris

The Effect of the War upon the French Merchant Marine, by Henri Mazel

The Effect of the War upon the French Textile Industry, by Albert Aftalion

The Effect of the War upon French Finance, by Bertrand Nogaro

The Effect of the War upon French Commercial Policy, by Albert Aftalion

The Effect of the War upon Labour in France, by William Oualid

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INTRODUCTORY NOTE BY THE DIRECTOR

THESE monographs constitute a *multum in parvo* of French economic history since the outbreak of the war. Revealing the expedients by which the country gathered in funds enough to carry the war through, they show in what financial condition the country is left. The serious inroads made on agriculture in France made that country, formerly self-sustaining, dependent on importations at a time when the state of the exchanges has rendered that resource difficult and costly. Transportation has been obstructed and the mercantile marine has passed through vicissitudes which have called out energetic measures for restoring it. The output of textile industries has been reduced and the export trade in them has been lost, partly by the difficulty of importing raw materials, partly because of the invasion of the manufacturing section of France by the German armies, and, very largely, by sheer destruction of working people. These effects of war are of such a kind as would naturally be caused by the sudden transfer of the greater part of an entire population from producing to fighting, but the account of the actual extent of them will be found profoundly interesting.

In the changed condition of labour one encounters something even more significant than the other effects of the struggle, and not easily foreseen except in its very general features. An outbreak of war and a sudden decree of mobilization in the very midst of the harvesting season must, of course, cripple the work of the field as it would that of the factory, but it was just at this time, when workers were elsewhere scarce, that the refugees from invaded districts created in certain areas a difficult problem of unemployment. This made necessary a rapid and extensive reorganization of the national working forces, transferring labour to points of greatest need and successfully enlisting the labour of women and of foreign and colonial workers. The handling of such problems and of those connected with wages, during the war and the demobilization at the close of it, affords a shining example of the efficiency of Republican France in industry as well as in warfare, and goes far to explain

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the quick recovery of that country, which bore the brunt of the German attack and was the greatest sufferer by its devastation.

The peace of the world is in no small degree dependent on the commercial regulations of the several countries. It was to be expected that commerce with hostile countries would cease during the war and be resumed at some time after its close, and also that the importation of food from all available quarters would be favoured; but it was hardly expected that import duties, as applied to merchandise generally, would be supplanted, as in the latter years of the war it was, by prohibitions applied to importation from countries both hostile and friendly. Yet such was the case, not only in France, but in other countries. The supreme importance of getting supplies for the army made it dangerous to allow either money or cargo space to be used for bringing in less necessary articles.

Such a control of commerce by states engaged in war is, in reality, only a part of a general fact, namely, that modern warfare has to be carried on by working forces as well as fighting ones, that the population at home and in the field must be mobilized, and that even when conscription ensures great forces in the field, a state is sorely handicapped if it leaves the army of support—the workers in mills, fields, shops, railway cars, and ships—to be secured only in the ordinary economic way. In any great war of the future in which forces are at all evenly balanced, the side will be successful which applies military rules to makers and carriers of food, clothing, munitions, and army supplies, as well as to the fighting army. The government of the whole force at home and in the field will have to be martial. Economic science itself calls for a general supplanting of the ordinary control of production in times of war. Such are a few of the lessons to be derived from this brief compendium of economic facts.

JOHN BATES CLARK,

Director.

**THE EFFECT OF THE WAR UPON THE
FRENCH MERCHANT MARINE**

By HENRI MAZEL

DIRECTOR OF THE REVUE DE LA MARINE MARCHANDE

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THE EFFECT OF THE WAR UPON THE FRENCH MERCHANT MARINE

INTRODUCTION

NUMEROUS articles and books have been written about the decay of the French merchant marine. This decay has been greatly exaggerated, however, and the truth is that the word should be used in this connexion only in a relative sense.

During the thirty years that intervened between the Franco-German War of 1870-1 and the end of the last century, as a matter of fact, the total tonnage of the French merchant marine fluctuated relatively little. Immediately after the victory of the German arms it comprised a million net tons, approximately, and in only one period of four years (1893-6) did it fall slightly below 900,000 net tons. Four years later (1900), however, it rose again to its former level, and after that its growth was regular up to the outbreak of the World War in 1914, when it comprised approximately 1,629,000 net tons.

In the first fifteen years of this century, accordingly, the total net tonnage of the French merchant marine underwent an increase of more than 60 per cent., so that it is manifestly an exaggeration to speak of its decay in an absolute sense of the word.

On the other hand, it is not to be denied that the French merchant marine grew slowly in comparison with those of certain other countries, so that in a relative sense the use of the word is perhaps justifiable. If we take as our starting-point the year 1874 (the earliest year for which the *Annuaire statistique* was published by the *Service de statistique générale de la France*), we find that from that year to 1913 the French merchant

same time have all the raw material she needed for the satisfaction of her own requirements.

This state of affairs was completely disrupted, as we shall see in the course of this study, by the abnormal conditions created by the war. While this applies to a certain extent to all of the textile industries, in this immediate connexion it seems advisable to leave the silk industry out of consideration, since its fate was somewhat different from that of the others. As regards the wool, cotton, linen, and jute industries, however, if we glance at the figures indicating the imports of the corresponding raw materials we cannot fail to see the disastrous influence of the war upon them. The prodigious falling-off of these imports during the war is clearly revealed in the following table :

AMOUNT OF IMPORTS OF RAW TEXTILE MATERIALS INTO FRANCE IN
1913 AND 1918

				<i>Metric Tons</i>	
				<i>1913</i>	<i>1918</i>
Wool	.	.	.	286,000	44,000
Cotton	.	.	.	329,000	142,000
Flax	.	.	.	113,000	7,000
Hemp	.	.	.	30,000	16,000
Jute	.	.	.	122,000	9,000
Total	.	.	.	880,000	218,000

Thus from 1913, the year before the outbreak of the war, to 1918, the last year of the war, the imports of raw textile materials other than silk decreased from 880,000 to 218,000 metric tons—a decrease of more than 75 per cent. The significance of this decrease becomes apparent when it is recalled that all of the cotton and jute put through the process of manufacture in French textile mills came from abroad ; as regards wool, on the other hand, French clips produced scarcely a seventh or an eighth of the total quantity worked up in France ; and as regards linen and hemp, finally, the French production of raw material constituted less than a third of the total quantity received by the spinning mills. It is obvious, accordingly, that a falling-off of imports as pronounced as that indicated in the above table must necessarily have exerted a very restrictive influence upon the total production of manufactured textile products in France.

What do we observe as regards the country's foreign trade in manufactured textile products? The following table indicates the value of the exports thereof before and during the war :¹

VALUE OF EXPORTS OF MANUFACTURED TEXTILE PRODUCTS FROM FRANCE
IN 1913 AND 1918

	<i>Millions of Francs</i>	
	1913	1918
Yarn	212	57
Woollen (cloth)	220	40
Cotton (cloth)	385	244
Linen and Hemp (cloth)	27	4
Jute (cloth)	17	31
Total	861	376

Thus the value of the exports of manufactured textile products, whereof France was so proud before the war, decreased from 861,000,000 francs in 1913 to 376,000,000 francs in 1918—a decrease of more than 56 per cent. The above figure for 1918, moreover, takes into account the intervening rise of prices ; and if we made no allowance for this, we would find that the figure corresponding to 1918 would amount to scarcely a sixth of that corresponding to 1913. During the war France lost a number of foreign markets in which she had previously secured a firm foothold ; she ceased to be a factor in the world-market as an exporter of manufactured textile products.

As regards the imports of manufactured textile products, on the other hand, their value underwent a prodigious increase, as shown by the following table :

VALUE OF IMPORTS OF MANUFACTURED TEXTILE PRODUCTS INTO FRANCE
IN 1913 AND 1918

	<i>Millions of Francs</i>	
	1913	1918
Yarn	64	884
Woollen (cloth)	51	544
Cotton (cloth)	56	648
Linen and Hemp (cloth)	10	101
Jute (cloth)	15	190
Total	196	2,367

¹ In the case of manufactured products we give figures representing value instead of quantity, for the reason that we consider them of greater interest.

after they had sufficiently recovered from the effects of the first terrible blow, took up production in the uninvaded parts of the country. Having slightly modified their personnel, they made an effort to increase the productivity of the mechanical equipment left at their disposal. The existing machinery was overhauled and in some cases even added to, while some of that which was so close to the firing-line that it could not be used was taken down and remounted elsewhere. Sometimes, indeed, but rather rarely, new mills were erected. All this accounts for the fact that the imports of raw materials in 1916 show a considerable increase with respect to those of the preceding year.

Beginning with 1917, however, a new falling-off in the imports of raw materials is to be observed; and it becomes especially pronounced in the following year. Whereas in 1916 some 457,000 tons of raw materials were imported, or approximately one-half of the quantity corresponding to 1913, in 1918 only 218,000 tons were imported, or approximately one-fourth of the quantity corresponding to 1913. In 1916 the industry suffered from the loss of a large part of its mechanical equipment; in 1918 even the equipment left available was inadequately supplied with raw material. This new decrease in importation, and consequently in production, was a result of the renewal of the German submarine activity in 1917.

When we compare the imports of raw textile materials with the imports of merchandise of all kinds, however, we note that the falling-off between 1916 and 1918 was greater with respect to the former than with respect to the latter. The total tonnage of the loaded ships that entered French ports decreased from twenty-six millions in 1916 to twenty millions in 1918—a falling-off of one-fourth. In the same period the imports of merchandise of all kinds decreased from forty millions to twenty-nine millions of tons—a falling-off of one-third. With respect to textile materials, however, we have seen that the falling-off amounted to one-half. The decrease was thus proportionately greater than that which should have resulted from the reduction of the merchant fleet available.

More than from the reduction of the merchant fleet, however,

the French textile industry suffered from a direct consequence thereof, namely, from the policy of restrictions which the Government adopted with respect to importation and exportation immediately after the renewal of the German submarine activity. France was determined that this should in no way detract from her military power, and accordingly she resolved to direct all her efforts toward the adoption of whatever measures were calculated to ensure victory. To this end, therefore, she deliberately and courageously sacrificed many economic interests which could be looked upon as thoroughly legitimate. It was because she was inspired by this predominant desire for victory, indeed, that in spite of and in the worst phase of the submarine activity she persistently refused to employ her shipbuilding establishments for their normal purpose and continued to use them for the manufacture of guns and ammunition.

These same considerations lay at the foundation of the policy of priorities that was adopted in the matter of maritime transportation. By virtue of this policy preference was given to the transportation of merchandise deemed essential to military success, such as munitions and certain indispensable food products. Wool, cotton, and jute intended to supply the needs of the civil population were consequently conceded but little space in the available ships. In fact, even the textile materials necessary for the manufacture of soldiers' uniforms, blankets, &c., were considered less essential than certain other kinds of war material and were accordingly accepted for transportation only in more or less limited quantities.

The same considerations further led, moreover, to the policy of transporting compact and easily handled manufactured products in preference to heavy and bulky raw materials. To a considerable extent, for instance, more flour and less wheat were transported, more oil and less oleaginous seeds, more paper and less cellulose, more powder and less nitrate, and also more yarn and cloth and less raw cotton and wool. The Government, and especially the Army Supply Service, was led to cut down its foreign purchases of raw materials in favour of manufactured products, notwithstanding the resultant disadvantages with

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on Derogations from the Prohibition of Importation was created in the Ministry of Commerce with the object of considering, and submitting to the Minister, propositions concerning any general derogation to benefit certain products and the limited imports to be authorized for certain other products.

The system provided for in the decree in question made distinction between three categories of merchandise.

The first category comprised those products which were to be looked upon as indispensable to the country, and of which it was to be feared that only rather inadequate quantities, at best, could be procured from abroad. In the case of these products of prime necessity a general derogation from the prohibition was established; that is to say, it was provided that their importation was to be subject to no restrictions whatsoever.

The second category comprised products which it was deemed necessary to procure from abroad only up to a certain limit, beyond which they would cease to be indispensable. This idea is found to be a practical application of the theory of the decreasing utility of products so familiar to contemporary economic science. In the case of certain products, therefore, the decree provided for limited imports and for prohibition of importation beyond the limits specified.

The third category, finally, comprised products the foreign purchase of which was held unnecessary, either because they were less useful for the prosecution of the war, or because France herself, or her colonies, produced the necessary minimum of them. For these products prohibition was established. The question is: Was this prohibition absolute? While the decree itself did not definitely settle this question, certain it is that absolute prohibition was the logical sequence of the system. For since the first category comprised products to be allowed to enter the country without any restrictions whatsoever, and the second category products to be admitted in certain limited quantities, it follows that the third category ought properly to have comprised products to be excluded altogether.

In a rational organization the second category would naturally comprise the largest number of products. Economists familiar

with the above-mentioned theory of the decreasing utility of products will agree that there are few kinds of merchandise whereof unlimited importation is desirable and likewise few whereof no importation whatsoever is tolerable. The fact is, indeed, that the utility of imports is generally great enough up to a certain limit, which is sometimes very high and sometimes very low ; and beyond that limit the utility falls away.

The entire problem resolved itself, accordingly, into a question of the quantity of imports to be authorized—a quantity which it was necessary to determine from the standpoint of the given circumstances, that is, from the standpoint of a nation struggling to conduct one of the longest and most bitter of wars with decreased resources at its disposal, and ready to resort to almost any means calculated to ensure victory. For the majority of products the problem was to determine this quantity. The majority of products should have been placed in the category of merchandise to be allowed to enter the country in determined quantities.

The fixation of the limits constituted one of the chief functions of the aforesaid Committee on Derogations from the Prohibition of Importation created in conformity with the decree of March 22, 1917—which committee was afterwards divided into several narrowly specialized sub-committees comprising representatives of various Government departments, and representatives of industry, agriculture, and commerce. Having official statistics at their disposal, and being in a position to benefit by expert knowledge and experience, the committee and sub-committees were called upon to determine, on the one hand, the war-time requirements of the national consumption, and, on the other hand, the war-time capacities of the national production. But the difference between these two quantities could serve only as a basis or starting-point for the fixation of the limits, since for the totality of products it would probably have been too large in proportion to the country's means of payment. After the completion of this first task, accordingly, it was foreseen that it would be necessary to undertake a second ; that is to say, it would be necessary to group the various products together