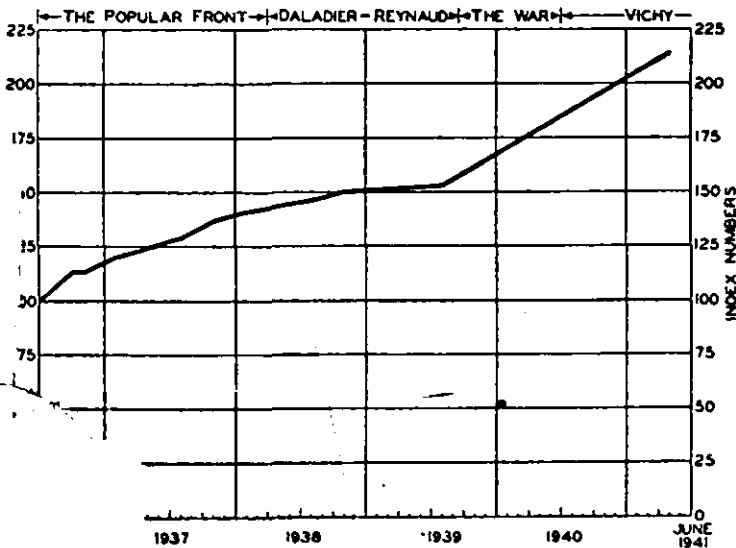


FRENCH PRICE CONTROL

BY
LOUIS FRANCK

COST OF LIVING JUNE 1936—APRIL 1941
June 1936 = 100



PUBLISHED BY
THE BROOKINGS INSTITUTION
WASHINGTON, D.C.

50¢

THE BROOKINGS INSTITUTION

Pamphlet No. 43

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French Price Control

From Blum to Petain

BY
LOUIS FRANCK



WASHINGTON, D.C.
THE BROOKINGS INSTITUTION
1942

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Set up and printed
Published September 1942

Printed in the United States of America

• George Banta Publishing Company
Menasha, Wisconsin

CONTENTS

	PAGE
I. ECONOMIC AND POLITICAL BACKGROUND . . .	I
II. EARLY PRICE CONTROLS	4
Wheat Prices	4
Rents	9
III. FRENCH PRICE STRUCTURE AT THE END OF 1935	11
IV. PREWAR GENERAL PRICE CONTROL	13
The Scope of Control	14
Administration	17
Trends and Results	20
V. WARTIME PRICE CONTROL	22
The Scope of Control	24
Wartime Price Trends	28
Lessons of Wartime Price Control	31
VI. VICHY PRICE CONTROL	34
The System of Control	35
Price Fixing Techniques	37
Price Trends	42
Critique of Vichy Price Fixing	46
VII. CONCLUSIONS	54

The author of this pamphlet is a French scholar who has had many years of experience in the field of administration in his country, both before the war and since the war began. A large amount of source material in the form of official decrees has been supplemented by study of local publications and by recent experience in France. Mr. Franck is now a Visiting Scholar at the Brookings Institution.

GENERAL PRICE control in France was initiated in 1936 with a rather loose supervision over retail prices. Retailers were then merely required to justify any increases made in prices of commodities classed as prime necessities. The main purposes of the 1936 law were simply to regulate the cost of living and to ensure to the wage earners the advantages of the new social legislation which had been enacted during the preceding months.¹ Progressively—sometimes more stringent, sometimes more flexible—a general *prix*-fixing system evolved. Today, in Vichy France, prices are fixed for all kinds of commodities and at every step of the production and distribution process. Because of the lack of raw materials and a general scarcity of food-stuffs, price fixing has become a new economic weapon designed to stimulate production.

Selective controls, particularly those covering wheat and rents, preceded the general price control law of 1936. Although these measures were not incorporated in the 1936 law, they are of considerable interest and will be examined briefly before we take up the general price control law. Furthermore, since certain economic and political factors have influenced the scope and techniques of French price control we shall sketch briefly this background.

I. Economic and Political Background

In interpreting French economic developments of

¹ This legislation culminated in the "Matignon Agreements" tending to an average wage increase of about 15 per cent, in the establishment of the 40-hour week, and the institution of paid vacations. See *Journal Officiel, Débats Parlementaires, Chambre*, Aug. 4, 1936, p. 2444.

the past twenty years, four features of the economy of France are significant. They are: (1) the importance of agriculture in national life; (2) the new industrial structure that developed after 1919; (3) the growing power of the French bureaucracy; and (4) the widespread dislike of autarchy.

The rural population is a leading element in French life.

Though France has experienced a century of progressive industrialization, she has remained chiefly a nation of peasants—of farmers who own and till their own soil. Despite a slow and steady relative decline in numbers,² it would be difficult to overemphasize the political and social importance of the rural population. The French system of electoral apportionment, for example, definitely favored the rural districts, especially for the senatorial elections.

Increased output and cartel affiliations have characterized recent industrial developments.

Reincorporation of Alsace-Lorraine into the French nation and the development of new industries, such as aluminum, were important factors in bringing industrial output to a much higher level.⁴ Iron ore, potash, and bauxite in the mineral group and textile manufactures showed large increases.

As domestic requirements were rather small, markets for the increased production were not always easy to find. To obtain outlets for raw materials and semi-finished products, many French industries joined inter-

²In 1931, when the last census was taken, there were 7,637,433 farmers and they accounted for 35 per cent of the active or working population of 21,611,835, *Annuaire Statistique 1938*, p. 103.

national combinations. In fact, it is not inaccurate to say that they became permanent members of almost all important European cartels.³ This tendency was coupled with a strongly protective policy at home which was designed to keep the domestic market free of foreign competition. Tariffs and import quotas—the latter since 1931—were the instruments used to achieve this objective.

French bureaucracy greatly increased its powers between the two wars.

Economic and financial reconstruction following the First World War required that the state take the initiative and assist in every possible way in rebuilding the nation's economy. The French Parliament proved poorly equipped to solve the problems that arose. Under the circumstances, it was perhaps entirely logical that government by qualified experts—high officials currently in power and former officials—should supersede the customary governmental procedures. This evolutionary change started with the difficult problems connected with war debts and reparations. It soon spread rapidly throughout the economic structure to fields such as tariff management and price control.

Illustrative of the increasing power of the executive branch including the various bureaus and the declining position of the French Parliament is the use of decree laws. Since 1934 urgent problems commonly have been solved by decree laws issued in accordance with powers vested in the executive. Members of the bureaucracy are usually far more influential than Parliament in determining the form and scope of the decrees.

³ In her thesis, *Les Ententes Internationales* (Paris Librairie Technique et Economique, 1936), Mme. Laurence Ballande listed 106 European combines. Of these, French industries were members of about 80.

France has not looked with favor on autarchy.

Prior to the war the French nation did not desire to attain agricultural and industrial self-sufficiency. The important position of agriculture, industrial affiliations with international combinations, the large colonial empire, the Anglo-French military and naval alliance, financial collaboration with the western democracies, the existence of gold reserves at home and abroad, the traditional dislike by French banking circles of any kind of foreign exchange control—these and other factors tended to keep France from pursuing a course that would lead to economic self-sufficiency.⁴

II. Early Price Controls

In this section we consider the selective price controls applicable to wheat and housing. As they were never brought within the scope of the general price control law, developments with respect to these prices will be traced to the present time.

WHEAT PRICES

French political circles have always been responsive to the needs and views of the rural population. This accounts in part for the fact that wheat was the first commodity subjected to price control. The political influence of the farmers is also responsible for the persistence of efforts to obtain satisfactory control over the wheat market.

The first attempts to control wheat prices were far from successful.

Following thorough discussion in Parliament, the

⁴ See statement by Charles Rist in *Revue d'Economie Politique*, June 1936, p. 586. A statement by Pierre Fromont on French agricultural policy on p. 784 of the same issue is also of interest.

first law governing the price of wheat was enacted July 10, 1933. A minimum price of 115 francs a quintal⁵ was established. Prior to the repeal of this law in December 1934, black markets⁶ developed throughout France with quotations ranging as low as 75 to 85 francs.⁷

A free market price coupled with a certain amount of production planning was advocated by the Flandin government which came into power in November 1934. The minimum price law of 1933 was rescinded and prices were permitted to take their natural course. With a view to stabilizing the wheat market, large purchases were made for the army. Substantial amounts of cereals were also set aside for export or for feed for livestock. Further, it was made unlawful to grow wheat on farms on which it had not been grown recently, and to use certain superior seed grain that ordinarily meant increased yields.⁸ The Flandin policy proved to be even less successful than the minimum price system. The wheat market collapsed and the price fell as low as 65 francs a quintal.

The Office of Wheat approached the problem of price control on a very broad basis.

As the minimum price law and the Flandin policies did not attain their objective, it was to be expected that

⁵ A quintal is approximately 225 pounds.

⁶ The French use the term "marché noir" for any market in which there are transactions at prices that do not conform with those approved (or those that probably would be approved) by the price control authorities. For other species of black market operations, see pp. 49 ff.

⁷ See statement by Fromont in *Revue d'Economie Politique*, June 1936, pp. 788 ff.

⁸ This policy was in sharp contrast to the Italian "battaglia del grano," or "battle for wheat." In France 22 million quintals of wheat were set aside for uses other than foodstuffs or exported with government subsidies from 1932 to 1935, and 21 million quintals were stored. See Fromont, the same.

the Office of Wheat, which was established in August 1936,⁹ would proceed along different lines. The announced purposes of the Office were to ensure stable and remunerative prices to farmers and to eliminate speculative price movements. In practice the Office aimed at administrative determination of prices, gradual and controlled sales, and complete control of imports and exports. Sales were no longer made through private trade channels, which were considered responsible for previous price collapses. Under the new plan growers sold their crops to departmental cooperatives at fixed prices, and these cooperatives in turn sold the wheat either directly to the millers or through private traders. Moreover, in order to minimize the depressing influence of large imports at the low world price, the Office was made the sole importer and exporter.¹⁰

In the second half of August the Office was required to examine the proposals for price fixing offered by departmental committees and then to fix the base price.¹¹ A standard set of rules for determining the price of wheat was established. In determining the price the Office takes into account: (1) the size of the crop; (2) the relation of the wheat price to the cost of living, particularly as compared with the ratio just before the first World War; (3) the level of wages, as compared with 1914; and (4) the prices of farming implements, fertilizers, seeds, and other materials.

⁹ The Administrative Board of the Office of Wheat consisted of 51 members including 29 producers, 9 millers and traders, 9 representatives of consumers and 4 state officials. In France, large administrative boards have usually been the rule, but 51 members is well above the average.

¹⁰ *Débats, Chambre*, July 3, 1936, pp. 1765 ff. Speeches by M. Maxence Roldes and Minister Georges Monnet.

¹¹ The price fixed by the Office in August was generally increased each month by a small premium of 1.5 or 2 francs a quintal. This premium is comparable to the carrying charge differentials found in American grain markets.

Although standard rules were established, the price of wheat has not been determined in accordance with a rigid statistical procedure. In fixing the base price, political pressure has at times been an important element. For example, the proposals by the departmental committees provided for prices ranging from 140 to 220 francs a quintal for the crop year 1936-37, with an average of 160 francs. The price determined in accordance with the standard rules would have been 155 francs; the price fixed by the Office was 140 francs.

The wheat growers generally have regarded the policies of the Office of Wheat as satisfactory.

The attitude of the farmers has been influenced by the fact that increases in the price of wheat ordinarily have been larger than the rise in the cost of living. In each year after 1936 the ratio of the index of the price of wheat to the cost of living index was above 100 per cent, as may be seen in the table on page 8. While the position of the wheat grower appears to have been relatively most favorable in 1939, it must be remembered that variations in yield per acre affect the net cash return from a given acreage. Because of a sharp increase in the cost of living in 1940, the ratio declined sharply. For July 1941 the ratio was 94. Following the determination of a price of 290 francs in August 1941, however, the ratio rose to about 116. The high price established in 1941 is characteristic of Vichy policy, which tends to favor the rural areas.¹²

¹² In July 1942, the price of wheat was fixed at 375 francs per quintal, that is, about 30 per cent higher than in 1941. Moreover, to meet the bread shortage in France, special premiums are being offered to farmers for early deliveries. *New York Times*, July 3, 1942.

FRENCH WHEAT PRICES COMPARED WITH COST OF LIVING, 1934-41

Calendar Year	Average Yearly Price of Wheat (Francs per quintal)	Wheat Price Index	Cost of Living Index	Ratio Wheat Index to Cost of Living Index
1934.....	119.20	100.0	100.0	100.0
1935.....	81.60	68.5	93.8	73.0
1936.....	116.85	98.0	102.6	95.5
1937.....	164.80	138.3	122.8	112.6
1938.....	195.50	164.0	140.0	117.1
1939.....	207.90	174.4	147.0	118.6
1940.....	211.50	177.4	175.0 ^a	101.4
1941.....	252.80	212.1	205.0 ^a	103.5

^a The statistical data necessary to compute the cost of living index are not available. We have estimated an average increase of 18 per cent from 1939 to 1940 and a further increase of 18 per cent from 1940 to 1941. These estimates are based on personal experience in France.

Price increases that resulted from the activities of the Office generally have been shifted to the consumers. Although the indexes for flour and bread shown in the table below did not increase proportionately with the index for wheat, this does not necessarily mean that increases in the price of wheat were not shifted. In the production of both flour and bread there are

WHEAT, FLOUR, AND BREAD PRICES IN FRANCE, 1934-41

Year	Retail Price of Flour (Francs per kilogram)	Price of Bread—Best Quality (Francs per kilogram)	Index of Flour Prices	Index of Bread Prices	Index of Wheat Prices
1934.....	2.92	1.95	100.0	100.0	100.0
1935.....	2.38	1.57	81.5	80.5	68.5
1936.....	2.56	1.76	87.7	90.3	98.0
1937.....	3.34	2.36	114.4	121.0	138.3
1938.....	3.92	2.81	134.2	144.1	164.0
1939.....	4.30	3.20	147.3	164.1	174.4
1940.....	...	3.30	...	169.2	177.4
1941.....	...	3.30	...	169.2	212.1

other costs that bear no relation to the price of wheat. It will be observed that in 1941 a very sharp increase in the price of wheat was not reflected in the price of bread. In that year the Vichy government decided to pay a direct subsidy to the producers of wheat in order to keep the price of bread unchanged.

RENTS

In contrast with the procedure followed in determining wheat prices, the control of rents has been practically always exercised by Parliament. Every legislature since 1919 has spent some time coping with the rent problem. Deputies and senators from the cities have tried to curb urban rents, while those from rural sections have tried to control farm leases. The French regulations that have developed over a period of many years cover an immense field and are extremely complicated. Obviously, in this brief review these measures cannot be covered in complete detail. We shall stress merely the wartime controls and the long-run effects of rent control policies.

Legislation controlling rents has been particularly drastic in time of war. In September 1939, tenants inducted into the military service were granted an automatic reduction equal to 75 per cent of their rents, with a proviso that the obligation could be cancelled entirely if the lessee proved his inability to pay. Tenants who were not called to military service, but who lost part of their income because of the war, were granted a 75 per cent reduction and the right to postpone payment of the remaining 25 per cent. The final date for payment was fixed at the end of the year following the legal cessation of hostilities.

French rent control has affected the building industry adversely.

The severe rent control measures have contributed to the complete collapse of the building industry. In 1939 rents in France were roughly three times their level in 1914. For Paris the computed figure was 2.9 times the average for 1914, but the cost of living had increased seven times and money wages in the construction industry about ten times.¹³ The following index numbers reflect the declining position of housing construction.¹⁴

Year	Index of Housing Construction
1913	100
1934	82
1935	68
1936	63
1937	57

A tendency to consider housing as a social service has developed in recent years. Many new houses have been built in the suburbs of Paris and other important cities, for workers and the lower and middle *bourgeoisie* groups. In these developments rents are low to moderate. In general, rents are not closely related to costs of construction, of which a substantial part is covered by the cities, the departments, or the state. Prior to the present war the French Treasury had not fully recognized this trend. Subsidies were granted to the departments and cities without any attempt to pursue a coordinate policy of slum clearance.

The problem of slum clearance has never been seriously faced. In September 1939 no less than 17 slum

¹³ See "Rapport Présenté par le Comité chargé de l'Enquête Générale sur la Production," *Journal Officiel*, December 1937.

¹⁴ Based on new rooms authorized by building permits.

areas still existed in Paris, with 200,000 inhabitants living under most unsanitary conditions.¹⁵ For at least 25 years, French housing has been the worst in Western and Central Europe, yet in a year such as 1938 about 40 per cent of the building workers were unemployed. Of those employed, a large number were engaged on public works projects. French citizens spend a very small part of their income on housing—less than 10 per cent of their annual income as compared with 15 to 25 per cent in the United States.

III. French Price Structure at the End of 1935

The French price structure in the year before the adoption of the first general price control law was unstable. Instability is characteristic of prices prior to the institution of general controls, and France was not an exception to the rule.

In July 1935 French prices were at their lowest levels since 1929. Wholesale prices were roughly 50 per cent less than in 1929, retail prices had declined by 30 per cent, and the cost of living had decreased by 20 per cent. These sharp reductions were attributable to a policy of drastic deflation. As is usually the case, prices within a particular classification such as wholesale or retail were not affected uniformly. In the domestic price field the fall had been very slight for protected commodities¹⁶ and public utilities. Domestic prices had fallen much less rapidly than foreign prices during the depression.

¹⁵ See Louis Sellier, *Rapport au Conseil Municipal de Paris* (1937).

¹⁶ Including those protected by heavy tariffs and the existence of national trusts.

The measures of July-August 1935 were aimed at the major disparities in prices. The policies adopted by the Laval government were unquestionably the most deflationary that were ever carried out in France.¹⁷ Salaries of state employees and interest paid to holders of bonds issued by the national government were uniformly reduced by 10 per cent. The price of bread was reduced by 0.1 francs a kilogram or about 6 per cent; electric rates were equalized with an average reduction of about 6 to 8 per cent; coal prices were reduced by 5 to 15 per cent; and prices of potash fertilizers by 5 per cent. In addition, rents were cut 10 per cent. This list suggests that Laval's advisers were fully aware of the existence of the price disparities to which we have referred. The measures taken with respect to bread and rents, however, are best described as demagogic.

Forced price reductions did not result in a balanced price structure.

Before the Laval experiment, the cost of living index was 85; it fell to 81 at the end of 1935, but rose again to 85 during the first months of 1936. The trend in agricultural prices was slightly upward at the beginning of 1936, and this increase offset the reductions in the prices of electricity, coal, and other items. The index for goods produced domestically stood at 412 during the first half of 1936, but the index for imported commodities was only 304. Moreover, the cost of transpor-

¹⁷ The deflation in the state's budget was approximately 7 billion francs which, coupled with deflation of local and railroad expenditures, meant a total curtailment of about 11 billions. See "Exposé des Motifs" in *Bulletin de Statistique et de Législation Comparée*, July 1935, p. 173; see also Jean Dessirier, "L'Economie Française devant la dévaluation monétaire," *Revue d'Economie Politique*, September-October 1936, p. 1527.

tation, which was slightly higher than in 1930, was not affected.

With a view to stimulating economic recovery some political leaders—chiefly Paul Reynaud—advocated a policy of devaluation coupled with partial “reflation.” Because of the pressure of the heavy industries and the Bank of France which supported Laval, however, their views were not seriously considered as a basis for official policy. In fact, they were actually considered poor citizens, at times even as traitors.

Once more the merits of alternative policies were not seriously appraised and the exigencies of politics controlled. The complete failure of the deflationary policy, the arguments for and against currency readjustment, social strife, which had been continuous from the end of 1933, and the financial scandals that had occurred—all these contributed to the rising discontent which culminated in a victory for the Blum Popular Front in the general elections of May 1936.

IV. Prewar General Price Control

Following a brief discussion in Parliament, the first comprehensive French price control measure became effective on August 19, 1936. At that time there was great uncertainty as to the economic effects of the new social legislation sponsored by the Blum government. Those with conservative views believed that the 40-hour week and other measures would mean a rise in prices of as much as 35 per cent.¹⁸ On the other hand, members of Parliament with extreme leftist views put

¹⁸ See speech by M. Tinguy du Pouet, *Débats, Chambre*, June 12, 1936, p. 1412.

the increase at a much lower figure and even hoped that costs might be reduced by the 40-hour week.¹⁹

The primary purpose of the price control law was to ensure to the workers the full advantages of the new social legislation. Retaining the full advantages of the Blum measures required that the cost of living be kept as low as possible, but conditions presaged an upward trend.²⁰ The revision of the law in the middle of 1937 (second draft) was occasioned largely by the devaluation of the franc. A second revision (third draft) represented an attempt to develop a more equitable system of price control. Throughout the entire three-year period 1936-39, however, controlling the cost of living remained a dominant consideration.

THE SCOPE OF CONTROL

The items enumerated in the first draft were of three classes—foods and beverages, fuel and power, and manufactured goods. Foods and beverages covered by the law were meats and fish, milk, butter, cheese, eggs, vegetables, fruits, flour, edible paste, tapioca, rice, oils, sugar, cocoa, chocolate, coffee, chicory, salt, canned goods, jams, wine, beer, and cider. Of the fuels and sources of power, coal, oil, gas, and electricity were specifically covered by the law. The manufactured articles subjected to price control included household furnishings—furniture, bedding, glassware, and kitchen utensils—clothing, shoes, linens, soap, shoe wax, drugs, silver polish, and cleansing materials. Building trade

¹⁹ Speech by M. Andre Philip, *Débats, Chambre*, June 12, 1936.

²⁰ This was brought out in the parliamentary discussion prior to enactment. M. Nicoud, a Communist, who reported the drafted law, declared it would enable the Popular Front government to strengthen the new social reforms by conducting a vigilant and merciless fight against any unjustified attempt to increase the cost of living.

materials were brought within the price control mechanism in the following November.

Limited to necessities at first, the scope of control was later extended.

Restricting the coverage of the first law to necessities was entirely logical. The Blum government's primary concern was with the rise in the cost of living. As luxuries were not purchased by workers and did not affect cost of living indexes, prices of these goods were of little interest to those in authority. Moreover, an attempt to control all prices at the outset would have greatly complicated the problem of administration.

Following the devaluation of the franc late in June 1937, the price control law was completely revised, effective July 1, 1937. In contrast with the original law, the revised law (second draft) applied to the wholesale and retail prices of all commodities and services not specifically exempted or made subject to special provisions. Prices were blocked at the levels of June 28. Exceptions were made, however, for fruits, vegetables, meats, and other perishable farm products. Price increases for these articles could be justified after they were made, and if the justification was accepted, the provisions of the law were not regarded as violated.

Almost immediately special relief was granted to certain businesses. Importers were permitted to take into account any price increases resulting from fluctuations in rates of exchange. Industrial concerns and wholesalers were allowed to adjust their prices in accordance with changes in major transportation costs and to take into account the increase in the rate for the production tax from 6 to 8 per cent. Retailers were not accorded special consideration of any kind.

By decree of July 29, 1937, various commodities were exempted from the rigid controls that had become effective on July 1. These included most agricultural products, medicinal plants, plants used in making perfumes, hemp, cotton and flax fibers, beverages, colonial spices, coffee, cocoa, and common woods. For these commodities only justification after the fact—that is, after prices had been increased—could be requested. For all other commodities and services, price increases had to be authorized in advance and in no event could they exceed increases in costs of production and operating expenses.

The third and last draft prior to the outbreak of the war became effective on November 13, 1938. It stabilized retail prices at current levels, but any price could later be increased by the exact amount of an authorized increase in the wholesale price. In addition, the National Committee (the principal administrative agency) was authorized to consider claims resulting from difficult situations and changes in conditions at the retail level. Under the first two drafts, retailers' margins were continued unchanged, even though transportation, tax, and other costs were increasing. Under this draft shifting of increased overhead costs to consumers became possible.

Control over wholesale prices in general remained on an "after-the-fact" basis. There were two important exceptions: (1) when commodities were sold through cartels or pools, or by industries that were members of international combinations—that is, in markets that were relatively monopolistic; and (2) when production was protected by import quotas, and permissible imports were less than 10 per cent of total French sales. Included in these two categories were construction ma-

terials, iron ore, steel products, aluminum, mineral fuels, oil, white spirit lubricants, fertilizers, sulphate of copper, drugs, glassware, jute and rayon textiles, and newsprint.

As with the previous drafts, a rise in agricultural prices was not considered a violation. Supervisory agencies, however, were required to review any price increase that seemed to be unfair. Because of their preferred position in most things political, the farmers had little difficulty in retaining a favorable status under the price control law.

ADMINISTRATION

The original law effective in August 1936 provided for the creation of the National Price Supervision Committee and Departmental Price Supervision Committees. The National Committee consisted of 21 members, of whom 11 represented various governmental agencies, 4 the producers, 3 the trade unions, associations of public employees, and intellectual workers, and one each represented the retailers, the cooperative movement, and the municipalities. In practice the 4 representatives of the producers represented only the farmers, industries making or processing food and dairy products, and the chemical industry.²¹

Each Departmental Committee consisted of 15 members, of whom seven were public employees. The other eight represented industry, commerce, agriculture, consumers, and veterans. The Departmental Committees

²¹ At first the National Committee was affiliated with the Ministry of National Economy. Lacking both power and prestige, this ministry was eliminated in June 1937. The National Committee then became a branch of the Treasury and later it was assigned to the Prime Minister's special offices (Présidence du Conseil).

were directed by the National Committee. Two other committees were of minor importance. A Tariff Commission of Control over Prices and a Commission of Price Control for Public Contracts were established in October 1936.

The tasks and responsibilities of the National Price Supervision Committee varied with the changes in the price control law. Under the original law the National Committee was merely a research and investigative agency. Its major function was to determine normal retail prices. These prices in turn were sent to the Departmental Committees, which compared them with actual prices and requested justifications when retail prices seemed to be excessive. If the prices were considered unjustified, retailers had to comply with the Committee's decisions. This procedure is the essence of simplicity. The tasks of the National Committee, however, were by no means simple.

Determining normal prices was an extremely difficult task.

The National Committee had to determine the normal price for each enumerated commodity. But what were "normal prices"? Presumably they covered costs of production, transportation costs, overhead expenses, and taxes, and also permitted a "fair profit." Determining normal retail prices meant that costs and prices of manufacturers or producers, as well as those of wholesalers, had to be examined. Problems that are at best troublesome were made more difficult by reason of the complete absence of statutory standards for determining and allocating overhead costs. In the absence of both standards and adequate precedents, the Committee was compelled to proceed along empirical lines. Un-

der these circumstances, considerable friction was inevitable.²²

Later, as we have seen, price control was extended to the whole range of industrial products. It also became somewhat stricter. For these reasons the work of the National Committee was greatly increased. In all cases where price increases had to be approved before they could become effective, the procedure followed was generally comparable to that originally established. That is, the National Committee did the investigative work and determined authorized increases, while the Departmental Committees continued as purely executive agencies. When price increases could legally precede approval, chiefly in the case of agricultural products, supervision was exercised by the Departmental Committees.

The effectiveness of the original law suffered not only from the fact that the actual control mechanism was on an "after-the-fact" basis, but also because of light penalties. Offenders were taken to court only if they assumed an attitude of defiance and refused to reduce excessive prices. They were then subject to fines of 100 to 5,000 francs or imprisonment from six days to one month, or both. For second offenses in the same year the fines ranged from 1,000 to 10,000 francs and the term of imprisonment from six months to one year. Under the third draft, wholesalers were subject to fines of 100 to 10,000 francs or imprisonment from one to six months, while retailers were subject to fines of 16 to 500 francs.

²² When representatives of the heavy industries appeared before the Committee late in 1936 and early in 1937, the hearings were far from objective. Their position was comparable to that of criminals before a tribunal. Because of bad feeling, it proved impossible to agree on even a few simple accounting rules.

TRENDS AND RESULTS

In the period covered in this section the major price trends in France were affected by the Blum social measures, currency devaluations, and the several price control laws. Although the effects of price control cannot be determined precisely, it seems desirable to review the principal trends and to consider the probable effects of the price control laws.

COST OF LIVING AND OTHER INDEXES, SELECTED MONTHS,
JUNE 1936-JULY 1939
(June 1936=100)

Month	Index of the Dollar Rate of Exchange in French Francs	Cost of Living (All de- partments except Paris)	Retail Prices (34 items in Paris)	Wholesale Prices (126 items)
September 1936 ^a	100	113	107	110
October 1936 ^b	141	113	112	124
January 1937.....	141	120	123	141
July 1937 ^c	173	129	130	153
October 1937.....	193	137	143	165
January 1938.....	198	141	150	167
July 1938 ^d	238	146	150	171
October 1938 ^e	250	150	164	180
April 1939.....	250	152	165	178
July 1939 ^f	249	153	166	178

- First month following the first draft.
- ^b Blum devaluation.
- Second draft, Bonnet devaluation.
- ^d Daladier devaluation.
- Third draft.
- ^f About one month before the war broke out.

Trends in the cost of living, retail prices, and wholesale prices are shown in the table above. In each case the index is based on June 1936, the month in which the Popular Front experience started. In general, price control was most stringent under the second draft of the law. During this period the position of the re-

tailers was anything but favorable. The margin between wages and the cost of living, however, tended to widen.

PRICE CHANGES FOR LEADING COMMODITIES, 1935-38
(1930=100)

Commodity	1935	1936	1937	1938	Percentage Increase 1935-38
Utilities					
Electricity.....	95	88	92	105	11
Gas.....	98	96	114	139	42
Protected commodities					
Coal.....	88	85	113	134	52
Oil.....	82	76	95	125	52
Sulphate of soda.....	74	73	81	101	36
Aluminum.....	80	86	102	113	41
Sugar.....	80	84	122	136	70
Unprotected commodities					
Agricultural products.....	62	80	107	121	95
Textiles.....	56	67	100	103	84
Hides and leather.....	55	64	109	109	98
Wood.....	41	48	74	84	105
Pig iron*	58	62	99	125	116
Paper*	67	67	89	117	75

* Production controlled by cartels beginning about 1936.

Numerous disparities remained in the domestic price structure.

Disregarding pig iron and paper, which were subject to cartel influences after 1935, the price increases from 1935 to 1938 were much larger for unprotected commodities than for those in the protected group. As the decreases from 1930 to 1935 were extremely sharp for the unprotected group, however, they did not regain parity with the other groups in 1938. Price changes for a number of important commodities are shown in the table on this page.

The purchasing policy of the state affected the processes of price control. Beginning with 1938, the Na-

tional Price Supervision Committee and the administrative courts followed the policy of shifting a large part of price increases to the producers. In fact, price increases were then considered a kind of risk—more or less comparable to a fire, a wreck, or a strike.²³ A principal result of this dubious practice was that it induced producers to overestimate their initial prices.

Were the full advantages of the social legislation preserved for the workers?

As stated at the beginning of this section, it was desired to keep the cost of living as low as possible in order that the advantages of the 40-hour week and other social measures might accrue to the workers. During the entire period the wages index was well above the cost of living index. It would appear, therefore, that labor gained to some extent and that price control was a factor in maintaining the gains. Because of the unsettled conditions that prevailed, however, the role that price control played cannot be determined accurately. In at least part of the period, whatever advantages wage earners gained had as their counterpart pressures on other groups, especially the retailers.

V. Wartime Price Control

Wartime price control in France was governed by the price control legislation in effect prior to the war, by a special decree law promulgated in the first week

²³ When in the process of fulfillment of public contracts, prices had to be revised on account of wage increases, devaluations, and so forth, administrative courts discussed first the legitimate rise. If the rise was less than 6 per cent of the initial price no increase was permitted, as it was strangely assumed that producers always included such a margin to cover their risk. When the rise was more than 6 per cent, industrial concerns were entitled to 90 per cent of the difference between the admitted rise and 6 per cent.

of the war, and by the wartime organization law approved in July 1938. Under the 1938 law the basic control of the economic structure in wartime was vested in the Responsible Ministries (*Ministères Responsables*). A given Ministry was charged with administering the supply of particular commodities or resources for which it possessed considerable information through peacetime experience. When war broke out, each Ministry was charged with the duty of supplying other government departments with required quantities of the resources it administered.

The Responsible Ministries were authorized to issue regulations concerning importation, exportation, distribution, utilization, storing, and the sale of the commodities they administered. They were given power to fix prices, to ration consumption, and to determine the allotments or quotas to which other departments were entitled. In this work the Ministries were assisted by producers' and consumers' associations which collected and distributed specific commodities under the supervision of the state.

The decree law of September 9, 1939 stabilized prices at the level of September 1.

Theoretically prices were stabilized at the level of September 1. There were two important exceptions: (1) the law did not apply to agricultural products; and (2) it did not apply to the wholesale prices of raw materials and semi-finished and finished articles, when their production and importation were supervised by specific Responsible Ministries. As most non-agricultural commodities were in the second category, the work of the National Committee and Departmental Price Supervision Committees established by the prewar law was

restricted largely to control of prices at the retail level.

In the early weeks of the war, the Responsible Ministries had to supervise wholesale prices of raw materials, semifinished and finished industrial products, the Ministry of Agriculture was charged with supervision of agricultural prices, and the old National Committee administered retail prices of manufactured articles and a few agricultural commodities. In order to provide some degree of co-ordination, a new inter-ministerial committee was established by the decree of September 30, 1939. M. Daniel Serruys, High Commissioner of National Economy, was appointed chairman. Other members included representatives of the Ministries of Finance, Agriculture and Food Supply, Commerce, Public Works, War, and Armaments, and the chairman of the National Price Supervision Committee. No changes in prices controlled by the Responsible Ministries could become effective without first receiving the approval of this committee.

THE SCOPE OF CONTROL

In wartime the price control mechanism became a part of the war machinery. Its role was no longer restricted to controlling the cost of living and ensuring to the workers the full advantages of social legislation. As the state now became the most important consumer, price control measures were of first importance in determining the money cost of the war and the funds the government would be required to raise.

Purchases by the government were made either by requisition or by normal public contract. Purchases through requisitions were made only during the first weeks of the war. Farm products so obtained were paid for at the average market prices for the preceding

five years.²⁴ Industrial products bought through requisition were paid for at the average price for the six months preceding general mobilization.

Prices paid under public contracts were determined largely by costs of production. In order that the large number of medium-sized and small manufacturers engaged in production for war purposes might approximate their costs in advance, it was desirable that they should know quite accurately the prices at which raw materials and semifinished products would be available. From the standpoint of origin, these materials fell into at least four categories: (1) imported only from foreign countries, for example, copper; (2) imported both from foreign countries and from the French colonies, as in the case of nickel; (3) imported from foreign countries and also produced in France, for example, lead and zinc; and (4) produced in France and not generally imported, for example, steel and iron.

A one-price policy was developed and adopted by the Responsible Ministries.

The objective of the one-price policy was a unified system of prices for the entire nation. Offices (*offices de compensation et peréquation*) charged with determining a single quotation for raw materials such as coal, coke, and iron ore were established throughout France. In arriving at the final figure, the several domestic prices and import prices, if any, were averaged after proper weighting. In practice these offices operated as sole purchasing and sales agencies for most raw materials. Under this system, subsidies were paid to importers, who were obliged to sell at prices below those obtainable in foreign markets. On the other hand, do-

²⁴ Law of July 13, 1938, Art. 21.

mestic producers who obtained returns in excess of standard costs were required to make appropriate reimbursements to the offices. A leading advantage of this system was that prices could be fixed at levels well below those prevailing in international markets.

Retail prices were more rigidly controlled than wholesale prices.

As in prewar years, retail price changes were restricted more narrowly than wholesale price changes. At the outbreak of the war, prices of existing stocks could not be adjusted upwards on the basis of higher replacement costs. Only the actual amount of authorized wholesale price increases could be taken into account in arriving at retail prices. Moreover, previous profit margins in terms of francs were continued. With prices rising rapidly, percentage markups were, in effect, arbitrarily reduced. In the wholesale price field, on the other hand, increased costs of production of almost any kind could be considered in determining prices.

Though a moderate policy was followed with respect to agriculture, the farmers were not fully satisfied.

Seasonal and other factors peculiar to agriculture were considered by the supervisory authorities. Purchase and Allocation Boards for foodstuffs, established by decree of October 27, 1939, were authorized to adjust prices to take account of higher overhead costs, commercial risks, and suitable returns on investment.

The rural population, however, was not convinced that it was treated fairly. One reason was that in August

the price for the 1939 wheat crop had been fixed at a figure slightly below that for the 1938 crop. But the farmers' main objection to the price policies of the government related to the requisitioning system, under which producers of agricultural products were paid on the basis of average prices for five years and producers of other products on the basis of average prices for the six months preceding the war. The farmers pointed out that in the first part of 1939 the price index of industrial products was about 700 (1913 = 100), but that the index for farm food products was only 520. On the basis of this disparity, the farmers concluded that the policy of the government encouraged existing maladjustments in a period of large purchases of their products.

After the outbreak of the war more stringent penalties were added to those in effect prior to September 1939.²⁵ Prefects were authorized to close for one or two months any enterprise or business violating the price law or rulings of the authorities. In addition, the courts were empowered to direct offenders to close their businesses. In those instances in which restraining orders extended for more than two years, the courts could order the sale of the business at public auction. Offers, allowances, deductions, agreements, and contracts to sell which either explicitly or implicitly would mean prices higher than those authorized were made illegal by the decree of February 29, 1940. Those involved were made liable to prosecution. A decree issued on April 9, 1940 requested the assistance of the citizens in enforcing price controls. All individuals were specifi-

²⁵ See p. 19.

cally requested to report any infringements of which they were aware.

WARTIME PRICE TRENDS

Before considering the major price trends during the war period, brief reference to wage policy seems essential. With the beginning of hostilities the 40-hour week no longer prevailed. In numerous instances the workers were required to work 48 hours, while in a few cases the hours of actual work were in the range of 60 to 72. Although every hour above 40 was considered overtime, wages for the extra hours were reduced by 40 per cent below the regular scale.²⁸ Under these circumstances, wages tended to represent a lower percentage of the cost of production. Moreover, since industrial production was at a higher level than in peacetime, overhead costs per unit of output tended to decline.

Increased delivered prices of imported raw materials affected the prices of manufactured goods.

Rising delivered prices for imported materials were a major reason for higher prices for finished products. French prices were affected not only by rising raw material prices in the international markets. Transportation costs—freight and insurance—were also increasing under the stress of wartime conditions. In addition, the exchange value of the franc declined in terms of other currencies except the British. The average decline from August to December 1939 was about 16 per cent.

In April 1940 each of the 17 commodities included in the table on page 29 sold at a figure at least 10 per cent above the August 1939 price. As the above analysis

²⁸ This practice had a political origin. Political leaders of the rural sections accepted the contention of the farmers that peasants had to fight in the army while workers in factories were making good earnings.

suggests, imported commodities and those for which the supply depends in considerable degree on imports showed the largest increases.

WHOLESALE COMMODITY PRICES, AUGUST 1939 AND APRIL 1940*

Commodity	Unit	Prices in French Francs		Percentage Increase August 1939– April 1940
		August 1939	April 1940	
Coal.....	Ton	185	213	15
Steel merchant bars	Ton	1,800	2,030	13
Plate and sheets...	Ton	1,900	2,210	16
Pig iron.....	Ton	679	788	16
Copper.....	Ton	10,460	15,530	48
Tin.....	Ton	47,760	57,290	20
Lead.....	Ton	3,690	5,600	52
Zinc.....	Ton	3,570	5,910	66
Cotton.....	50 kilograms	412	743	80
Linen.....	100 kilograms	1,262	1,400	11
Wool.....	Kilogram	35	67.4	93
Silk.....	Kilogram	245	370	51
Leather.....	50 kilograms	500	550	10
Gasoline.....	Hectolitre	265	302	14
Rubber.....	Kilogram	14.5	20.3	40
Wood (pine).....	Meter	10.1	14.5	44
Paper pulp.....	100 kilograms	95	300	216

* Librairie Technique et Economique, *Economie Française* (April 1940). In the absence of official published statistics we have used data in this reliable secondary source.

Wide disparities developed in agricultural prices during the war period. •

The data in the table on page 30 indicate that within the cereal group price trends were not uniform. As the wheat policy for the year had been fixed in August, the possibilities of larger returns to the farmers from this crop were rather limited. At the beginning of the war, however, large purchases were made by the Army quartermasters through requisitions which automatically placed the price at the average for the preceding five

years. Later, purchases through normal public contracts approved by the Foodstuff Offices²⁷ were made at prices much higher than the price established by the Office of Wheat. Although the farmers were not satisfied with the situation with respect to wheat prices, they were inclined to regard the high returns from other cereals—oats, rye, barley, and corn—as an offset for the “too low wheat price.”

CHANGES IN AGRICULTURAL PRICES TO APRIL 1940^a

Commodity	Unit	Price in Francs			Percentage Increase August 1939–April 1940 ^b
		Average 1934–38	August 1939	April 1940	
Wheat and related products					
Wheat.....	Quintal	...	222	219	-1
Straw.....	Quintal	...	240	310	29
Flour.....	Quintal	...	321	318	-1
Secondary cereals					
Oats.....	Quintal	86	56.75	105	85
Rye.....	Quintal	91	85	145	71
Barley.....	Quintal	100	74	122	65
Corn.....	Quintal	94	94	175	86
Potatoes.....	Quintal	65	51	133	161
Meats					
Beef, first quality	Kilogram	8	11.80	15	27
Veal.....	Kilogram	11	15.80	17.50	11
Mutton.....	Kilogram	15.2	20	21	5
Pork.....	Kilogram	6.4	14.30	17.70	24
Sugar.....	Quintal	...	325	312	-4
Cheese.....	Kilogram	9.50	9.50	18.52	95
Eggs.....	Hundred	...	668	682	2
Milk.....	Litres	1.30	1.65	1.90	15
Wine.....	Hectolitre	120	140	205	46

^a *Economie Française*, April 1940 and *Annuaire Statistique* (1938).

^b A minus sign indicates a decrease.

In general, agricultural prices in April 1940 were much higher than the average for the preceding five years. The complaints of the farmers were scarcely

²⁷ These offices were established in the departments by the Ministry of Agriculture and Food Supply to supervise prices and consumption.

justified. They were doubtless exaggerated by politicians who normally depend on rural votes. In at least one instance—wine—the price was favorably affected by action taken by a member of Parliament. As a result of the efforts of M. Barthe, the traditional defender in Parliament of the wine producers, supplementary wine rations were given to the soldiers during the unusually cold winter of 1939-40. A sharp rise in price followed.

LESSONS OF WARTIME PRICE CONTROL

In considering the principal lessons to be learned from French wartime price control, it is well to keep in mind that the several ministries did not have a uniform interest in price control. The Ministry of Finance desired to prevent inflation or at least hold it to a minimum, while the Prime Minister wished to protect the standard of living of the average consumer. Thus, both of them were primarily concerned with maintaining a relatively stable price level. On the other hand, the basic concern of ministries such as Armaments, Agriculture, and Food Supply was increased production. Their policies did not necessarily favor price increases, but they were certainly not completely opposed to them. Every meeting of the various committees resulted in ardent discussion between representatives of the two points of view. In the case of leading commodities such as coal, steel, and oil, discussions continued for weeks and affected adversely the output required for the war effort.

Largely because of these divergent views, it has often been said that French wartime price control was not properly co-ordinated. This assertion is not sound. Ample co-ordination existed from the beginning of the war. Actual administration was in the hands of 8 or 10

men who met every day.²⁸ These officials worked closely together and their efforts were perfectly co-ordinated. What was lacking was a superior authority with the power to make decisions when differences of opinion developed and to overcome immediately whatever difficulties arose.

Civilian consumption was not sufficiently curtailed.

Three methods of curtailing civilian consumption were available: (1) rationing consumer goods; (2) restricting output by priorities; and (3) increasing prices in those cases where there was a reasonable expectation of reduced consumption. The third method was never used, although it would have produced results in the case of a commodity such as gasoline. Far more important, rationing and priorities were used only in a temporizing and reluctant manner.

The use of meats was somewhat restricted by the decrees of October 13 and December 23, 1939. Butcher shops were forbidden to sell beef, veal, mutton, pork, and horse on Mondays, Tuesday, and Fridays. Restaurants were forbidden to list these meats in their menus on those days and to serve more than one meat dish per meal. At the beginning of April coal was rationed and central heating and hot water in private apartments were restricted. Yet, in general, rationing had no effect on the French price structure during the war months. A more comprehensive rationing system was to have be-

²⁸ M. Serruys for the Office of the Prime Minister, Million for the National Committee of Prices Supervision, Guillaume for the Armaments Ministry, Blum-Picard and Pagezy for Public Works, Pineau for oil and fuel, Boissard for the Treasury, Bernard for the Army Quartermasters, Preau and Brasart for Agriculture.

come effective at the end of May, but the collapse of France occurred before that time.

As price control did not extend to exports, they were arbitrarily encouraged.

Neither export prices nor profits derived from the export trade were controlled. The law of July 29, 1939 had practically limited to 4 per cent of the turnover the profits which could be earned by industries working for national defense. Step by step this limitation was extended to other enterprises, even to those producing only for civilian consumption. But profits resulting from exports were never brought within the scope of this legislation.

Obviously, there was a great inducement to work for exports. As the Treasury was responsible for the gold reserves and foreign assets, it favored exports whenever they tended to increase the gold and foreign assets of France.²⁹ As an illustration of the pressure to export, in the first few months of the war French industries and banks—with the assistance of the Anglo-French blockade—rushed forth to conquer markets previously held by Germany. In South America, in the Balkans, in the Near and Middle East, and in China, French concerns offered their wares, chiefly chemicals, dyes, drugs, electrical equipment, and the construction of railways and public works, including harbors, arsenals, dockyards, and piers.

Here, again, the lack of central executive direction

²⁹ In every program concerning imports of raw materials, a clear-cut line was drawn between raw materials necessary to domestic consumption and war preparation and those which were to be re-exported in finished products. The Treasury always granted liberally the gold or the dollars necessary to pay for the latter.

was the cause of the difficulty. Watching its gold reserves, the Treasury greatly preferred the theory of a long war, as it justified delay in using the reserves. Accepting this theory, banning imports and favoring exports was a perfectly logical course. The Army and the Ministry of Armaments, however, had to consider the possibility of a short war. The Prime Minister was the one person in position to choose, but no choice was made before the German invasion.

VI. Vichy Price Control

Feeding the population of France has been the first concern of the Vichy government. With the exchange of goods between the occupied and unoccupied sections severely restricted by German authorities, and with the economic system more or less completely disorganized, the task at best would have been a difficult one. The problem has been complicated by the loss of large supplies of foodstuffs and rolling stock through German requisitions. Moreover, local purchases by the army of occupation are constantly reducing the supplies that otherwise would be available for the native population.³⁰ Under these circumstances, it is entirely logical that stimulation of agricultural output should become a major objective of price control.

Wide disparities between prices of raw materials and semifinished products developed in the industrial field. In some instances, ersatz products replaced natural or real commodities, especially in the case of textiles and fuels. Other commodities, formerly imported from the British Empire or America, were now frequently ob-

³⁰ Each German soldier in France receives 2 reichsmarks, or 40 francs, a day, and he is required to spend his pay. Germans in France are, of course, not subject to French price controls.

tained from Germany and Central and Southern Europe at prices much higher than those prevailing in France.³¹ For this reason the one-price policy described in the preceding section had to be extended to new areas.

THE SYSTEM OF CONTROL

Immediately after the outbreak of the war, it will be recalled, industrial prices and wholesale and retail margins had been theoretically frozen at the levels of September 1, 1939. Actually, numerous price increases were authorized during the war, and the changed prices were officially accepted as components of the price structure. In order to establish a more effective basis for control, a general code covering the entire subject of price control was approved on October 21, 1940.³² The code applies to both the occupied and unoccupied sections of France.³³

Under the new law, commodities are classified into three groups. The first includes the most important industrial products (hides and leather, textiles, fibers, fuels, mineral ores, metals, chemicals, rubber, cellulose paste, paper, cord, and scrap), fish, agricultural products sold directly by the producers, and foodstuffs imported from the colonies. Transportation rates not supervised by the National Railroad Corporation were also placed in this classification. Prices of all items in this group

³¹ The large disparity between German and French prices prevailing in June 1940 is illustrated by the fact that when the Germans re-annexed Alsace-Lorraine they immediately increased wages by 80 per cent. See Olivier Moreau-Neret, *Le Contrôle des Prix en France* (1941), p. 365.

³² *Journal Officiel*, Nov. 10, 1940. The 35 separate laws and decrees relating to price control that had been enacted since Aug. 19, 1936 were abolished.

³³ Laws enacted by the Vichy government apply to occupied France only when they have been approved by the German authorities, but no French laws apply to German soldiers. German approval of the price control code preceded its publication.

are fixed jointly by the Ministry of Finance and the Responsible Ministries. The Ministry of Industrial Production was made responsible for industrial products which, during the war period, had been administered by the Ministry of Armaments. The second included all other goods and services with a national market. Prices for this classification are determined by the Ministry of Finance. The third consists of agricultural commodities sold within the limits of any department, or on local markets. Prices for this group are fixed by the prefects.

The National Committee of Prices acts in an advisory capacity in the promulgation of ministerial decisions. This committee consists of ten members, seven of whom are public employees and three represent consumers, agriculture and industry, and business. For every investigation pertaining to price fixing, a report is prepared by a qualified expert. If the National Committee has not passed on the question or formed a judgment on the report within ten days, it is presumed to have endorsed the conclusions reached therein. Departmental committees of seven members act in an advisory capacity in the preparation of prefectural decisions.

A large part of the new law deals with violations and penalties. Violations specifically mentioned include: (1) selling at a price above the fixed price; (2) refusal to sell when ample stocks are available; (3) any sale that is conditioned by joint sales; and (4) refusal to sell at certain normal hours. Offenders guilty of any of these transgressions may be imprisoned from two months to two years and fined from 16 to 100,000 francs. Refusal to sell at advertised prices is punishable by one to six months' imprisonment and fines of 16 to 1,000 francs. Salesmen, who do not comply with the regulation that all their bills and documents shall be

made available to the supervisors and police agents, may be imprisoned from one month to three years and fined from 16 to 1,000 francs.

PRICE FIXING TECHNIQUES

Vichy price-fixing methods may best be explained by considering separately the procedures followed in determining producers' prices for industrial and agricultural commodities, and the techniques employed in fixing wholesale and retail margins.

Three distinct methods have been used in determining prices of industrial and agricultural products.

The three methods used in determining prices of industrial and agricultural products are: (1) freezing at the level of September 1, 1939, with authorized average increases in percentages or absolute values; (2) unification or *peréquation*, the system used during the war period; and (3) price fixing without reference to any previous level.

Under the first method even approximate price uniformity is not necessarily attained. Increases in percentages or absolute amounts have been applied to the registered frozen prices. In all cases where differences in producers' prices existed at the time of freezing, they will continue to differ under this procedure. There is one major difficulty. In order to determine the percentage increase that is justified, both the former and the new costs of production must be determined for all producers—or at least for those accounting for the bulk of the production. This means that uniform accounting methods are necessary, if changes in costs are to be obtained on a comparable basis. To cope with this phase of the problem, Vichy established the Interministerial Commission for Accounting Planning on April 22,

1941. The commission is charged with the duty of laying down standard accounting rules and procedures, which will be compulsory for all industries.

At the present juncture probably no one would claim that this method is equitable in its operation. Indeed, M. Olivier Moreau-Neret³⁴—until recently the official in charge of the price-fixing machinery—admits frankly that part of the rise in prices must be absorbed by profits, which “will decrease, finally disappear, and then be replaced by losses.” Another possibility when costs impinge on profits is to curtail reserves for amortization, depreciation, and the like.³⁵

In determining the new cost of production, industrial concerns are not permitted to take into account replacement costs of inventories, machinery, and other investments. Newly acquired raw materials used immediately are entered at their current values, but when existing stocks are drawn on, old values must be used. Naturally, this leads to difficulties. The chief beneficiaries in a period of rising prices seem to be the middlemen, who buy old stocks at their former prices and dispose of them at the new ones.³⁶

The second method—unification or *peréquation* of prices—was described in Section V.³⁷ No new features have been added during the Vichy regime. This method has, however, been made applicable to additional commodities, particularly agricultural products such as potatoes, dried vegetables, rice, and seed oils. For each foodstuff covered, a single quotation has been established throughout France.

³⁴ M. Moreau-Neret held the position of General Secretary for Economic Questions in the French Treasury.

³⁵ Moreau-Neret, *Le Contrôle des Prix en France*, p. 153.

³⁶ The same, pp. 177-91.

³⁷ See p. 25.

The third method—price fixing without regard to any previous level—has been used for new commodities and for those whose production the government desired to stimulate. The new commodities covered consist largely of ersatz products. The policy of stimulation through remunerative prices has been restricted principally to agriculture. Additional reasons for using this method for agricultural products are the absence of accounting records and the fact that costs of production differ widely.³⁸ The Administration has tried to ensure a fair profit for farmers who are less fortunately situated, and this has meant an increased, if not exaggerated, profit for others.³⁹ In stressing stimulation of production, controlling the cost of living has been given only secondary consideration.

On February 9, 1941, Vichy embarked on a new policy. Large additional acreages were ordered placed under cultivation of potatoes, and later vegetables for drying. These acreages were allotted among the departments. Farmers who agreed to participate in the program were granted large production premiums over fixed normal prices. This development suggests that the high price policy alone did not produce the desired increases in important food crops.

Wholesale and retail margins have been rigidly controlled.

Average wholesale and retail margins have been fixed for nearly all commodities. Two comprehensive orders, published on May 20 and July 5, 1941, removed most of the uncertainties that existed. As a basis for con-

³⁸ In a few instances attempts have been made to fix prices on the basis of costs of production. Examples are charcoal (Dec. 5, 1940) and fish (Apr. 8, 1941).

³⁹ Moreau-Neret, *Le Contrôle des Prix en France*, pp. 354-58.

trol, the margins prevailing on September 1, 1939 have been registered. Whenever existing average margins exceeded those on September 1, 1939, the latter were made compulsory.

Wholesale and retail margins⁴⁰ vary with the social usefulness of the commodity. Margins are small for basic necessities, but much larger for luxuries. For example, wholesale margins have been fixed at 4 to 5 per cent for sugar and at 8 per cent for rice, coffee, and tea,⁴¹ while the margins for less important commodities range from 12 to 14 per cent. Retail margins for sugar are 5 to 7 per cent, as compared with average margins of 15 to 25 per cent for most commodities. Retail margins for standardized "national shoes"⁴² are 20 to 25 per cent, as compared with 33 per cent for luxury shoes.

For commodities classed as comforts, semi-luxuries, and luxuries, wholesale margins are ordinarily uniform, regardless of list price and quality. For example, a uniform wholesale margin for various leather goods—trunks, belts, leather bags, and the like—was established by decree of May 27, 1941. Similarly, the decrees of June 3 and 5, 1941 established a uniform margin for clothes and hats, regardless of quality. On the other hand, retail margins vary widely according to the price and quality of the article. Examples are presented in the table on page 41.

⁴⁰ Percentage margins are expressed differently for agricultural and industrial products. For agricultural products, percentage mark-ups based on cost are used, while for industrial products the margin is expressed as a percentage of the selling price asked a would-be purchaser. Thus a 10 per cent retail margin on an agricultural product for which a retailer pays 50 francs a unit would mean a retail price of 55 francs, but for an industrial product retailing at 55 francs, a 10 per cent margin would mean a wholesale price of 49.5 francs and a margin of 5.5 francs.

⁴¹ As of Mār. 6, 1941.

⁴² These shoes are of dubious quality, and in their manufacture little attention is given to style and appearance.

RETAIL MARGINS FOR SELECTED COMMODITIES, 1941

Commodity	Percentage of Retail Price	Effective Date
Shoes		
Luxury.....	40	May 27
Sabots.....	25	" "
Clothes		
Ladies'.....	37	June 3
Men's.....	35	" "
Workers'.....	30	" "
Chinaware		
Common.....	33.3	July 1
Fancy.....	38	" "
Luxury.....	45	" "
Textiles		
Cotton goods—retail price less than 25 francs per meter	33.3	July 8
Woolen goods—retail price less than 85 francs		
Expensive products.....	40	" "

Margins for agricultural commodities take the form either of a percentage of the purchase price or of an absolute value added to that price. They differ widely and lack geographical uniformity. Those for perishables are on a higher basis in order to compensate for the losses that inevitably occur. As an illustration, for the marketing of vegetables the departments are classed in three groups, designated A, B, and C. The percentage mark-ups that are permitted in each group follow:

	A	B	C
Artichokes, turnips, and carrots	6	11	10
Onions, tomatoes, and cauliflower	8	16	14
Peas, lettuce, and string beans	10	22	18

While retail prices have often been fixed for the entire nation, these have been ceiling prices. Local authorities have the power to place some retail prices in their communities at slightly lower figures. This applies to chocolate, jams, saccharine, candles, soap, peanut oil, na-

tional shoes, bicycles, and other articles. In other instances Vichy has attempted to fix separate retail prices for various regions, or for a large city such as Paris. Milk (Jan. 22, 1941) and oranges (Jan. 23, 1941) are examples of price fixing on a regional basis.

Margins for parts tend to be higher than for a complete unit. Packaging may also be a reason for an added margin. For example, the retail margin for salt in packages is 15 per cent, but when it is packaged by the retailer the margin is 17 per cent.

PRICE TRENDS

Since the Armistice French prices have been far from stable. With the economy in a state of disorganization, and taking into account the German requirements, even approximate stability was an unattainable goal.

Unfortunately, complete statistical records that would permit accurate measurement of price changes since

PERCENTAGE INCREASES IN PRICES OF SELECTED INDUSTRIAL COMMODITIES

Commodity	Percentage Increase	Period in Which Increase Occurred	
		From	To
Rayon fiber.....	23	Sept. 1, 1939	Jan. 26, 1941
Painted wallpapers.....	40	" " "	Feb. 1, 1941
Lampshades.....	28	" " "	" " "
Brushes.....	17-60	" " "	" " "
Asbestos cement.....	23	" " "	Feb. 3, 1941
Toys.....	22	" " "	" " "
Cast pig iron.....	14-28	" " "	Mar. 3, 1941
Bed linen.....	60-66	" " "	" " "
Cotton goods.....	48	" " "	" " "
Linen cloth.....	70-92	" " "	May 1, 1941
Rubber tires.....	20	Mar. 1, 1940	Mar. 3, 1941
Household utensils.....	26.5	Sept. 1, 1939	Mar. 17, 1941
Agricultural tools.....	25	" " "	Apr. 12, 1941
Cork.....	26	" " "	" " "
Chemical dyes.....	13.5	" " "	" " "

June 1940 are not available. Price-fixing measures published in the *Journal Officiel*, however, enable one to piece together a fairly complete picture of major price trends. The published information relates in some cases to new production prices and newly authorized margins, in other instances to authorized increases over former production prices and margins, and in still others to approved percentage increases over prices and margins on September 1, 1939.

Percentage increases in the retail prices of various industrial products between September 1, 1939, and selected dates in 1941 are shown in the table on page 42. The average increase for the 15 commodities included was about 35 per cent. A comparison of foodstuff prices as of April 1939 and April 1941 was included

PERCENTAGE INCREASES IN PRICES OF SPECIFIED COMMODITIES
APRIL 1939-APRIL 1941^a

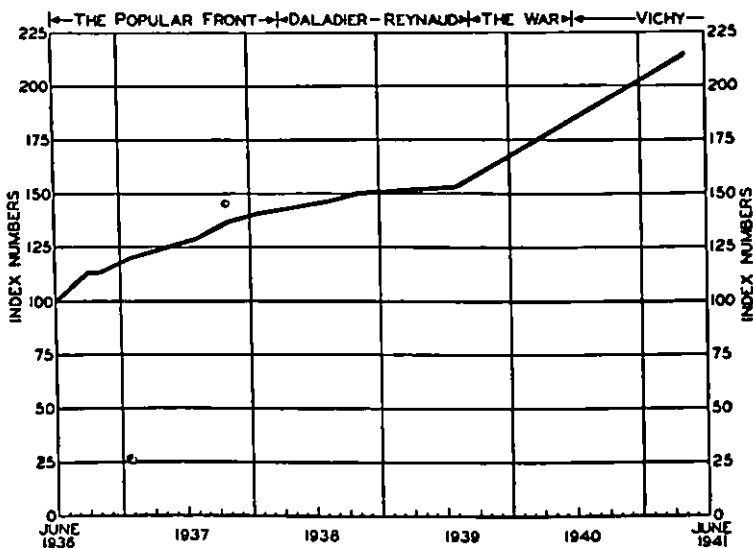
Commodity	Percentage Increase	Commodity	Percentage Increase
White bread.....	3	Beans.....	85
Wheat flour.....	7	Lentils.....	35
Beef, ordinary.....	54	Peas.....	107
Beef, sirloin.....	45	Edible pastes.....	18
Veal.....	12 to 15	Sugar.....	10
Mutton.....	50	Olive oil.....	85
Pork.....	52	Chocolate.....	40
Ham.....	51	Salt.....	26
Lard.....	73	Red wine.....	28
Pork fat.....	71	Beer.....	42
Stock fish.....	130	Charcoal.....	16
Butter.....	24	Gas.....	18
Swiss cheese.....	20	Electricity.....	6
Eggs.....	64	Soap.....	50
Milk.....	14	Tobacco.....	71
Potatoes.....	79	Newspapers.....	100
Rice.....	44		

^a Moreau-Neret, *Le Contrôle des Prix en France*, p. 373.

by M. Moreau-Neret in the work to which we have referred. The percentage increases which he computed are shown in the table on page 43. The increases in food prices obviously meant a sharp increase in the cost of living.

For the two years ended in April 1941, the increase in living costs for a married worker with two children amounted to more than 40 per cent. The composition of the index and the changes for particular items may be seen by referring to the table on page 45. It should be emphasized that only changes up to the spring of 1941 are taken into account. The upward trend in living costs persisted during 1941 and the first half of 1942. The increase since the spring of 1941 has probably been in the range of 20 to 25 per cent. The chart below shows the rise in the cost of living from June 1936 to April 1941.

COST OF LIVING JUNE 1936-APRIL 1941
(June 1936 = 100)



Any pronounced increase in the cost of living inevitably raises a question as to the trend in wages. From the outbreak of the war to March 1941, hourly wage rates remained unchanged. Effective late in March 1941, a monthly bonus was granted to married wage earners with children. For example, a worker support-

RISE IN COST OF LIVING INDEX 1939-41, BY COMPONENT ITEMS*
(Married Worker with Two Dependents)

Commodity or Service	April 1939	April 1941	Commodity or Service	April 1939	April 1941
Bread.....	9	9.27			
Flour, rice.....	2	3	Clothes		
Potatoes.....	2.5	4.5	Children's.....	2.4	
Beans, peas, etc...	2.5	4.2	Men's.....	2.8	
Meat.....	17	25	Women's.....	2.5	25 ^b
Poultry.....	1	3	Linen.....	4.1	
Fats, edible.....	6	9	Shoes.....	3.2	
Milk.....	3	3.42	Soap.....	2.8	4.2
Cheese.....	2.5	3	Haircutting.....	1.5	2.5
Eggs.....	2	3.28	Tobacco.....	1.2	2
Sugar.....	1.5	1.65	Newspapers.....	1	2
Coffee.....	2	3	Movies.....	1.2	2
Chocolate.....	1.5	2.1	Medical services...	1.5	2.5
Beer and wine....	7.5	9.75	Transportation...	0.8	1.2
Light and heat...	5	5.5	Index.....	100	141
Rent.....	10	10			

* Data for April 1939 from Moreau-Neret, *Le Contrôle des Prix en France*, p. 374; figures for April 1941 computed on basis of data in the table on p. 43, and estimates by the author.

^b Average index corresponding to an average increase of 65 per cent.

ing a child over five years old is granted a bonus equal to 10 per cent of "normal local wages." For one child less than five years the bonus is 20 per cent, for two children 25 per cent, and for three children 30 per cent.⁴³ In addition, on May 23, 1941, all wage earners—

⁴³ In Paris this meant additional income of 1,800 francs a year for one young child, 2,250 francs for two children and 2,700 francs for three children.

married and unmarried—receiving less than 30,000 francs a year were granted monthly bonuses ranging from 85 to 200 francs. Roughly speaking, a married worker with two children living in Paris now receives about 425 francs per month more than when the war broke out, provided he receives normal wages on a full-time basis.

As unemployment is widespread, the figure of 425 francs should not be construed to mean that the cost of living problem has been solved. Severe unemployment has resulted from drastic curtailment of raw materials. Many industries work only 25 to 30 per cent of normal capacity. Indeed, the situation became so acute that the government compelled industry to pay workers employed only part of the time a portion of the unearned wages. Workers in the urban centers were, of course, the principal victims of the sharp rise in the cost of living and slack employment.

CRITIQUE OF VICHY PRICE FIXING

When all or most prices are subject to state control, perfect adjustment to rapidly changing conditions is clearly impossible. In a nation as large as France some illegal transactions are unavoidable. Before considering the operation of the black markets, other important consequences of general price fixing will be discussed briefly.

Scarcity—national or regional—of certain foodstuffs has been induced.

Stimulation of agricultural production has been a principal objective of price fixing. Yet the control mechanism has operated at times so as to produce artificial scarcities. For example, excessive prices for two other

products led to a curtailment of potato production at the very time it was desired to stimulate it. Because of the general scarcity of potatoes and other vegetables in the winter of 1940-41, the French people were compelled to eat Jerusalem artichokes and rutabagas, which in the prewar years were ordinarily used as feed for livestock. Normal prices of these commodities were 15 and 20 francs per quintal, respectively. With a heavy demand for use as food, their prices rose to a high level on the free market. To prevent further rises, prices were fixed at 75 and 100 francs per quintal. But this did not solve the problem. At these prices farmers found the two products more profitable than potatoes. Curtailment of the acreage allotted to potatoes followed. As a way out of the difficulty, prices of Jerusalem artichokes and rutabagas were reduced to 40 and 35 francs, respectively.

An interesting example of regional scarcity occurred in the case of oranges. Fixed prices were obtained by adding the c.i.f. Marseilles price⁴⁴ and freight charges from Marseilles to the various departments. The delivered prices in the departments ranged from 5.9 to 8.9 francs a dozen. But freight rates to Marseilles were quite often miscalculated. The reaction of the importers was immediate. Oranges were plentiful in the regions for which transportation rates had been put too high; in other regions they disappeared from the market.

Butter and cheese prices were fixed by local authorities without any central coordination. At times they differed widely in the same region. For example, in December 1940, the price of Swiss cheese was 27 francs a kilogram in Loiret, and 30 francs in the neighboring Sarthe. The price of butter was 32 francs a kilogram in

⁴⁴ Cost, insurance charges, and freight transportation to Marseilles.

the departments of Eure and Oise, but in Paris it was 36 francs. Naturally, scarcities developed in the low-price areas.

Imperfections in price fixing led to artificial distribution, lower quality, and producers' strikes.

An unusual example of scarcity induced by a price disparity is provided by milk used directly for food. There was an extreme scarcity of milk for every purpose. But milk for use as food practically disappeared from the market at times because the industrial milk price—or the price of that portion used for processing—was determined on the basis of the prices fixed for butter and cheese. This price has often been fixed at too high a level, with the result that almost the whole supply was allocated arbitrarily for processing.⁴⁵

In some instances the same national prices were established for commodities of different qualities. Obviously, whenever possible, merchants would sell the inferior grade at the fixed price. As the same price was charged for a relatively poor soap as for a better grade, the latter disappeared from the market.⁴⁶

A producers' strike occurred in the case of apricots. On April 28, 1941, the import prices of fresh Algerian apricots were fixed at a level Algerian farmers regarded as too low. They flatly refused to send the fresh product to France and canned the apricots France otherwise would have received. A comparable producers' strike involving French growers of fresh vegetables occurred in May, 1941.⁴⁷

⁴⁵ Moreau-Neret, *Le Contrôle des Prix en France*, pp. 349-58.

⁴⁶ The same.

⁴⁷ The same.

The black markets have become important institutions in France.

Obviously, no one knows what portion of the supply of any product reaches consumers through the black markets. For some foodstuffs the proportion is unquestionably very large, especially in areas in occupied France in which large numbers of German soldiers are domiciled. As a basis for our analysis of these markets, we present a summary of the status of the people engaged in the production and distribution of foodstuffs and the controls to which they are subject.

Farmers are free to produce whatever foodstuffs they choose, but their sale is rigidly restricted. For all important items—cereals, meats, dairy products, eggs, potatoes, and the like—there are two legal markets. The producers may sell to the Departmental Purchasing Boards or to wholesalers on public markets. Prices for the most important foodstuffs are fixed by the Ministry of Finance; for secondary foodstuffs—including vegetables, fruits, and most poultry—they are fixed by the prefects. Only for such luxury goods as pigeons, mushrooms, and raspberries were prices at the end of 1941 determined on a free-market basis. Farmers are strictly forbidden to sell directly to consumers, or to dispatch by truck or rail any part of their products to a point within or beyond the department.⁴⁸ For producers the market is on a purely local basis.

Wholesalers and purchasing boards sell to the retailers and to hotels and restaurants. These transactions take place at prices which have been fixed, with supervised

⁴⁸ People living in cities who have farms in the country are even forbidden to bring, send, or have sent any farm products to their city residences. They must be consumed or sold in the country.

margins.⁴⁹ The distinction between rationed and unrationed foodstuffs is important in the operation of the system of retail distribution. For all rationed foodstuffs other than bread, consumers are compelled to purchase their supplies from retailers with whom they are registered. Accordingly, the quantity to which each retailer is entitled is known in advance. In order to obtain rationed foodstuffs, hotels and restaurants must prove their average clientele. For unrationed foodstuffs, on the other hand, available quantities depend on the willingness of farmers and wholesalers to sell at the official normal prices. Prices are fixed, but retailers and consumers have no right to claim certain quantities, as in the case of rationed commodities.⁵⁰

Retail stores, hotels, and restaurants are required to buy from wholesalers. They are not permitted to make purchases outside the city in which they operate. The nationally supervised Departmental Purchasing Boards are the only agencies authorized to transport, import, and export foodstuffs. Final sales to consumers must be at prices fixed by the Ministry of Finance for the most important items and for all items in the larger cities such as Paris, Lyons, Marseilles, and Nice, and by the prefects for secondary items in the rural sections and smaller cities. Margins are always closely supervised.

The above analysis suggests various types of possible black market operations ranging from forgery of ration tickets to growing a few potatoes in the country and bringing them home to the city at night. Ticket forgeries seem to be fairly rare, probably because of heavy penalties. A few, however, have been discovered in the large

⁴⁹ Margins are discussed at p. 39 ff.

⁵⁰ Food available through ration tickets averages one-half of normal needs. The remainder must be found among unrationed foodstuffs, very frequently in the black markets.

cities, mainly Marseilles, which has always enjoyed a sort of monopoly of this type of operation. Ticket forgeries involve principally foodstuffs of large consumption which are available without previous registration. Bread and sugar are examples.

Most black market operations involve sales at prices higher than fixed prices.

Sales at prices in excess of those authorized might perhaps be called "pure" black market transactions. Certainly they are the basic type of operation. What bases for determining prices, if any, are there in these markets? Although a complete statement is impossible, this question can be answered in part.⁵¹

An idea as to what normal prices might be is frequently obtainable at public auctions.⁵² Strange to say, these auctions remain free of price restrictions. They at least indicate what some consumers are willing to pay to satisfy their needs. Foodstuffs and perishables are rarely sold at these auctions, but luxury wines, furniture, clothing, and bedding are offered quite frequently. At the end of 1941 prices averaged roughly three times official prices.

Current quotations for the French franc on the Swiss stock exchange provide one means of estimating the depreciation of the franc in free markets. It can also be approximated on the basis of black market prices for gold. At the end of 1941 the black market value of a

⁵¹ A comprehensive study of the economics of black markets with particular reference to the interplay of supply and demand factors would be an interesting undertaking. Though the approach could not be statistical, worthwhile results might be obtained. In this study we can consider these markets only as a phase of the price control problem.

⁵² Many of the public auctions take place after hotel and restaurant failures. Another example is auctions held prior to the division of property among a number of heirs.

gram of pure gold was about 225 francs. The value of the dollar ranged from 130 to 150 francs, or from 3 to 3.4 times the official exchange value of 43.9 francs. Jewels, precious stones, and furs, the prices of which are not supervised, also were at very high levels in terms of francs.

Black market prices for foodstuffs have ranged well above the fixed prices. With one possible exception, all of the following prices⁵³ at the end of 1941 were three or more times the established price.

Foodstuff	Black Market Price	Official Fixed Price
Egg (one)	8- 10 francs	2.25 francs
Chicken (one)	225 "	75 "
Honey (kilogram)	125-150 "	45 "
Sugar (kilogram)	80 "	9 "
Rabbit (one)	150 "	40 "
Turnips (2 lbs.)	29 "	8 "
Shallots (2 lbs.)	55 "	16 "

In the black market cigarettes were sold at 30 francs for 20, as compared with a fixed price of 6.6 francs. Prices of luxury foodstuffs such as pigeons and raspberries, as has been mentioned, are not fixed. Pigeons sold at an average of about 75 francs, while two pounds of raspberries were quoted at 12 francs.

The above list of prices implies that some information must be available as to sellers and buyers. Who supplies the goods sold on the black markets? What classes and groups buy in these markets? We shall conclude our discussion of the black markets by attempting to answer these questions.

On the supply side, the possible suppliers for the black market in foodstuffs include, in addition to thieves and smugglers, farmers, wholesalers, and the purchas-

⁵³ Based on personal observations by the author in November 1941.

ing boards. The fact of the matter is members of all these groups engage in black market operations. When it became generally known that many wholesalers and even members of governmental purchasing boards were profiting from illegal transactions, the farmers resented the wide margins between the prices they received and those paid by consumers. Black market sales to relatives and friends, as well as to distant hotels and restaurants⁵⁴ provided an outlet for their discontent. In restaurants menu prices are always normal—with an average of 18 to 25 francs for lunch or dinner. In most establishments, however, regular customers know they can get a “prewar meal” for 40 to 50 francs.

Black market operations have been encouraged by the fact that the farmers have been urged to produce foodstuffs of types that lend themselves to illegal transactions—that is, products of high value in relation to volume. Eggs, poultry, honey, and small fruits are examples. Larger acreages of wheat and corn have not meant sharp increases in breadstuffs but of more valuable foods such as poultry and eggs.⁵⁵

Except for the army of occupation, the customers are found mainly among the well-to-do and wealthy classes. The wage earner with a family is clearly not in position to buy many articles at prices from three to five times official fixed prices. Operations are mostly local and between people of some means and “friends” who are quite willing to accept additional income. While some

⁵⁴ Railroad agents know that certain large parcels containing “news-papers,” “books,” or “linen” are in fact filled with potatoes, but a bottle of wine or a few cigars will usually counteract any desire for specific information.

⁵⁵ An interesting sidelight of the black market operations is that barter between producers is fairly common. For example, a producer of honey will trade two pounds of honey for one and one-half dozen eggs.

products are shipped to distant hotels and restaurants, this class of transaction is probably not of major importance. In fact, lack of adequate transportation facilities would prevent the rapid growth of this type of black market transaction.

The German occupation has stimulated black market operations. In the occupied section of France, German soldiers receiving 40 francs a day are required to spend their income. They pay almost any price asked for eggs, wine, meat, and pastries. Farmers cannot refuse to sell to them. Why then should they refuse to sell to French people at the same prices? In the unoccupied zone there are no German soldiers except certain high officers, but in this area an even more difficult situation exists. The requisition commissioners, who obtain supplies, pay almost any price for the producer's complete output of such commodities as wine and eggs.⁶⁶

The black markets, combined with the continuous drain on foodstuffs by Germany and German troops, are a source of extreme demoralization to the French people. It is the low-paid city workers who are the principal victims of the situation. Despite the impossibility of adequate enforcement during the occupation, however, it is probable that the position of the urban wage earning groups would have been more unfavorable, if the effort to control prices had been discontinued after the fall of France.

VII. Conclusions

Perhaps the outstanding feature of French experience with price control is the absence of continuity in major

⁶⁶ The best restaurants in and near Lyons—of world-wide renown before the war—are now crowded by German high officers and experts. These restaurants serve luxury meals at 150, 200, or even 300 francs with what appears to be implicit governmental authorization.

objectives. To a large extent, this is attributable to the numerous political and economic changes that have occurred since 1935. Influenced by strong domestic trends and external factors, perfection of the price control mechanism through gradual evolutionary development was plainly impossible. For those charged with administration of the several price control laws, adaptation to constantly changing conditions—including political and economic domination by an invading foe—was an ever-present problem.

Thus, at the beginning of general price control, the objective was to curb the cost of living, thereby ensuring to the workers the advantages of the social legislation sponsored by the Popular Front. Soon this legislation and increasing financial difficulties necessitated successive devaluations of the franc. Smoothing the inflationary effects of devaluation then became a principal object of price control. With the outbreak of the war, increased production and the equitable allocation of the real income of the nation immediately became paramount considerations in the formulation of price policy. Since the fall of France, price control has been regarded by the Vichy regime largely as an aid in stimulating the production of foodstuffs.

At best no more than a modest success can be claimed for the French efforts to control prices. Rarely have the objectives been fully achieved and then only for brief periods. True, the cost of living was rigidly controlled at times, but generally at the expense of the retailers, who were compelled to absorb pressures which seemingly they could not avoid. During the war months production of war materials and food supplies was increased, but as a result of inconsistencies in policies and objectives exports were needlessly stimulated. Vichy has

succeeded in increasing the output of foodstuffs, though at times important commodities have virtually disappeared from the market because of the vagaries of price control. Insistent German demands have made adequate food supplies an unattainable goal.

By no means all the defects and inconsistencies that developed in the price control mechanism can be dismissed on the ground that the times were highly turbulent and that economic stability was completely lacking. A major portion of the difficulties must be charged to the fact that all too frequently price control problems were approached on the basis of group interests rather than the national interest. The farmers have generally enjoyed a preferred position. From 1933—when the first direct attempt was made to control wheat prices—to the present time, the actual and potential reactions of the agricultural interests have influenced the form and scope of price control. Prior to the Vichy regime the political importance of the rural vote was the basic factor, while since the fall of France the enormous foodstuff demands of both France and Germany have made it possible for the farmers to retain their relatively favorable position.

Although the urban wage earners were the designated beneficiaries of the first general price control law enacted in 1936, the advantages they enjoyed because of the interest of the Popular Front government completely disappeared in a little more than two years. In the first part of 1939 the wage earner no longer enjoyed a preferred position, while after the outbreak of the war his position declined. The fact that wage earners were compelled to accept only 60 per cent of regular hourly rates for overtime suggests the complete elimination of political favoritism, and a subordinate position in policy determination. Under Vichy the lot of the urban wage

earners is decidedly unfavorable. They cannot help being aware of large scale diversions to the black markets, in which purchases in even moderate amounts are dependent on incomes in a range wage earners do not enjoy. Shortages of foodstuffs and other necessities have affected the living standards of urban wage earners more than those of any other group.

Of the lessons to be learned from French price control experience, three stand out above all others. First, the problem of general price control cannot be approached on the basis of group interests. If any group is favored, price control will not be entirely successful. Indeed, if extreme inequalities are permitted, the system may fall under its own weight. Second, in a large country with highly diversified interests general price control is a most ambitious undertaking. Even under the most favorable circumstances, French price control probably would not have completely attained its objectives. On the administrative side, even moderate success presupposes a large and competent staff. Third, controlled prices combined with rationing do not necessarily ensure an equitable distribution of supplies of scarce commodities. In France the black markets have become important institutions. Complete control of the black market situation is impossible. As stated by a French high official, "You will never stop the black market when the whole nation is party to it."

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