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JOINT COMMITTEE PRINT

RECENT DEVELOPMENTS IN FRENCH  
PLANNING: SOME LESSONS FOR THE  
UNITED STATES

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A STUDY

PREPARED FOR THE USE OF THE  
SUBCOMMITTEE ON ECONOMIC GROWTH  
AND STABILIZATION  
OF THE  
JOINT ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES



DECEMBER 16, 1977

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## LETTERS OF TRANSMITTAL

DECEMBER 13, 1977.

*To the Members of the Joint Economic Committee:*

Transmitted herewith is a study entitled "Recent Developments in French Planning: Some Lessons for the United States" by Associate Professor of Planning Stephen S. Cohen of the University of California at Berkeley.

The study is a valuable addition to a number of other papers published by the Joint Economic Committee on national planning systems around the world. As with earlier papers, this one concentrates upon a country with many similarities—socially, economically, and politically—to the United States. Therefore, Professor Cohen's thoughtful conclusions from the French experience as it pertains to incipient American planning should be considered carefully.

Professor Cohen's views are his own, and do not necessarily reflect those of the members or staff of the committee.

RICHARD BOLLING,  
*Chairman, Joint Economic Committee.*

DECEMBER 9, 1977.

HON. RICHARD BOLLING,  
*Chairman, Joint Economic Committee, Congress of the United States,  
Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a study entitled "Recent Developments in French Planning: Some Lessons for the United States" by Associate Professor of Planning Stephen S. Cohen of the University of California at Berkeley.

Professor Cohen reviews the most significant developments in the evolution of French national planning and suggests several conclusions for planning in the United States: (1) U.S. planning should be modest compared to French planning which has struggled under the weight of its grand and ambitious purposes; (2) U.S. planning should be restricted to fundamental questions of economic development, rather than the intricate general equilibrium approach of setting total demand equal to total supply, by sector; and (3) Primary benefits would include focusing debate on basic issues in Congress and better coordination among the cabinet departments, other agencies of government, and among Federal, State, and local governments.

Clearly, Professor Cohen's work is a valuable contribution toward designing a system of national planning in the United States, a step I believe must sooner or later be taken. His views, are his own, however, and do not necessarily represent those of committee members or staff.

HUBERT H. HUMPHREY,  
*Cochairman, Subcommittee on Economic Growth and Stabilization.*

DECEMBER 6, 1977.

HON. HUBERT H. HUMPHREY,  
*CoChairman, Subcommittee on Economic Growth and Stabilization,  
 Joint Economic Committee, Congress of the United States,  
 Washington, D.C.*

DEAR MR. COCHAIRMAN: Transmitted herewith is a study entitled "Recent Developments in French Planning: Some Lessons for the United States" by Associate Professor of Planning Stephen S. Cohen of the University of California at Berkeley.

Professor Cohen reviews the stages through which French national planning has passed in the last several decades and draws conclusions important to the design of a responsive planning structure in the United States.

The most successful aspect of French planning, in his analysis, has been to provide the political system a forum to facilitate consensus on narrowly defined economic issues, primarily those involving long-term sectoral production. The process, however, focuses upon big business and the executive branch of government to the exclusion of other political factors including trade unions, Parliament, and small business. This bias has encouraged cartelization of the French economy, though it also has helped to coordinate the policies and objectives of the cabinet line ministries.

The specific production goals of the various plans frequently have faltered because short-term demand policy was determined by broad participation politics and thus conflicted with the long-term targets of the corporate-government planning nucleus, according to Professor Cohen.

A second component of French planning entails general resource allocation based upon input-output techniques. Because such planning is comprehensive, and all parts depend on all others for achievement, the exercise requires agreement of all major political forces through democratic consultation. In practice, Professor Cohen contends, the bargaining needed to reach such agreement has broken down and government policies have been too unstable to make this type of planning effective.

The last two 5-year plans have failed due to ill-considered experimentation with incomes policies, lack of consensus, uncoordinated government credit and fiscal policies, and unanticipated external events, Professor Cohen found.

To meet particular socioeconomic deficiencies, planning has concentrated in the past 10 years upon public facilities and rationalization of public services including health care, transportation, education, and social security. The Fifth National Plan (1966-70), during the Pompidou period, gradually became synonymous with the program of the Government and was less the consequence of national debate than earlier plans. But the need for public facilities and services articulated in the Sixth Plan (1970-75), implying increased taxing and sacrifice, ran against the drift of public policies as they developed at that time; namely, more rapid industrialization to keep France competitive within the European Economic Community. This basic contradiction relegated that effort to the role of cataloging and ordering needed public service expansions for implementation when affordable and performing academic analyses of alternative economic courses.

While French planning will continue, it is likely to become more limited in scope and to shift more toward qualitative goals, thus remaining less influential than its founders hoped, Professor Cohen suggests.

Professor Cohen concludes that U.S. planning would do well to avoid futile attempts to match supply with demand in each sector. Instead, U.S. planning could successfully tackle a limited number of specific and fundamental options. Such an approach should also enhance coordination within the Federal Government, and among Federal, State, and local governments. Congress would have to confront and resolve major alternative directions for development, such as energy production and conservation, service sector reorganization, and job creation.

The study was prepared under contract with the Joint Economic Committee. Of course, Professor Cohen's views are his own, and do not necessarily reflect those of the members or staff of the committee.

JOHN R. STARK,

*Executive Director, Joint Economic Committee.*

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# RECENT DEVELOPMENTS IN FRENCH PLANNING: SOME LESSONS FOR THE UNITED STATES

By STEPHEN S. COHEN\*

Americans thinking about economic planning for the United States could learn much from the experiences of other Western countries that have experimented with planning since World War II. This paper is about France's long and complex experience in planning within a mixed economy. It analyzes French planning as an evolving political-economic process, not as an economists' technical tool. A first short section summarizes some important lessons that can be drawn from the French experience for a potential experiment with national planning in the United States.

## CONCLUSIONS FOR PLANNING IN THE UNITED STATES

The best plans focus on specific and fundamental policy choices. The technical methods of the planning process are inseparable from the substantive contents of the plans; one shapes the other and either they fit together or the whole operation just does not work. There are no all-purpose planning methods. The way you plan depends overwhelmingly on what you are trying to achieve. If, for instance, the goal is to design and implement a specific energy policy, one kind of technical and organizational approach will be called for. If the goal is to reorganize the public services, a different planning methodology will impose itself.

The targets of a U.S. plan should be few and clear, the macro-balances straight and simple and presented so as to be understandable by noneconomists. Selective strategic targets—on the supply side—rather than a quest for illusory detailed comprehensiveness on the demand side should define the basic approach and constitute the guts of the plan. Too many quantitative targets (indicative or otherwise) for too many industries and activities, held together by too much econometric mortar will cause the plan to fail. A supply-side oriented United States ought to concentrate on a small number of critical structural reforms—perhaps five or six major areas. Energy conservation, the development of new energy sources, the reorganization of much of the service sector and the development of new and useful jobs are all major structural problems that will dominate the U.S. political economy over the next several years. They provide a solid core of priority concerns from which the targets of a plan can be developed.

The plan should be designed in the realistic expectation that short-term demand management will *not* serve as a principal instru-

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ment to guide the economy along a "balanced growth path" as defined in the plan. Despite all sincere pronouncements and formal commitments to the contrary, demand policy inevitably will be conducted with little reference to the plan's medium-term (4 to 6 years) horizon. For the United States, a strong middle-term, supply-side orientation will prove preferable to a plan that tries to match demand and supply within many sectors and to sum many partial equilibria to general equilibrium. The latter type of plan is too ambitious and too vulnerable. The success of the plan should not rest on its ability to direct or to forecast "coherent" or "balanced" growth, nor on the likelihood of realizing without distortion a planned pattern of growth for the entire economy. Distortion will occur, if only for the simple reason that realization of the plans' targets will not be the dominant concern of day-to-day economic play.

The most important impact of a plan in an economy such as ours is not its direct impact on private output and investment decisions, but its impact on public policy. The plan can play a very useful coordinating role among different levels of government (Federal, State, and local) and also among different agencies of each level (highways, agriculture, commerce, etc.). This is true even when the targets of the plan are not binding on the Government agencies, let alone on governmental fiscal or monetary decisions or on the private sector. The French have found this to be so even in their much more centralized political and administrative system.

At present there is no forum in Congress for regular debate on the overall shape of development, although the new Congressional Budget Office is an important step in that direction. Congressional debate and action is still piecemeal: An increased appropriation here, a tax-break or other legislative change there. A plan will permit, and if taken seriously—no sure thing—it will force the Congress to confront choices as to the overall direction of development. This is one area of economic policy—and potentially the most important area—where the congressional generalist is not at a disadvantage when confronted by administrative specialists and experts. A well-prepared plan despite its traditional image of opaque technicality, should be easy to understand. This is especially true if the plan is prepared with this important educational function as a highest priority. It is the steady ooze of seemingly unrelated problems and policies that makes the whole business of economic policy so obscure and suspect.

A plan will not only help to raise the level of congressional debate on economic policy, it will also play a powerful role in raising the level of popular interest and information in overall economic policy. This should provide another impetus for better political discussion about economic policy.

The possibility of a counter plan should be considered in the design of the initial planning process. In a system like ours, with a strong Congress and a strong two-party system, it should be encouraged. The preparation and presentation of a solid counter plan by a responsible political institution such as the minority party in Congress, or perhaps by the Congress as a whole to clarify its differences with the Executive's plan, would play a powerful and positive role in helping the plan to achieve its most important potential: To force discussion of the overall shape of development. For planning is not necessarily



about efficiency, and it is certainly not about moving toward the Left or toward the Right. In an important way, it is not about "economics." Rather, it is an instrument of political discussion. Its biggest impact, especially if there is a well-prepared counter plan, is on the quality (and content and form) of political debate and decisionmaking.

The administrative setup of a U.S. national plan ought not to mirror the traditionally conceived economic plan that includes all major economic decisions and activities and is logically situated at the top of the economic decisionmaking hierarchy. The U.S. Planning Commission will not be the top of the administrative pyramid. Efforts to create some kind of super-department of economic affairs and to make the other departments report to it will fail disastrously. The French experience of a National Ministry of the Economy, the first postwar attempt at planning under the direction of Mendès-France, makes this very clear. The British also had such a failure. A small planning body, like the Council of Economic Advisers, protected by either the Congress or the President, comprising no direct threat to the autonomy of the main departments and agencies, will prove to be the kind of planning organization best suited for effectiveness and survival in the U.S. environment.

### DISCUSSING PLANNING

Since the debate on national planning is just beginning in the United States it is best to explore some of the basic questions raised in the French planning experience. We can begin with the most basic question: How to talk seriously and sensibly about planning. As former Secretary of Labor John Dunlop remarked, "it is hard to discuss planning because almost no one knows what it means."<sup>1</sup> Americans are not very good at discussing planning, for several obvious reasons. First, we have not, as a nation, accumulated much experience with national economic planning, and like others, have not learned much from experiences abroad. Second, the academic and intellectual communities, especially the economics and political science branches, have not provided us with a set of analytic tools appropriate for discussing planning. As a result, we have no structured way to address the question: What kind of planning? Because these structures are so blatantly absent, discussion does not develop; it just grows bigger with everyone talking about something else. For some, planning is just research, an exercise in pure data collection, analysis and presentation designed to help spot future bottlenecks by improving available information. For others, it means replacing a market system with massive Federal bureaucracies that will destroy both personal liberty and economic efficiency. For still others, it is a device to rescue a paralyzed economic system where a profusion of organizations, both public and private, control different pieces of the economy—essentially an effort to nationalize a feudal system. Others have more concrete visions of the purpose of planning such as an employment program, or a national investment bank. Some see it as a tool of big business, while others see it as a weapon against big business. Each of these private visions may or may not be perfectly reasonable.

<sup>1</sup> New York Times, May 13, 1975.

The point is that together they do not add up to a discussion. Prof. Aaron Wildavsky entitled a provocative essay on economic planning. "If Planning Is Everything, Maybe It's Nothing."<sup>2</sup> If we are to get anywhere in the politically, as well as intellectually, important task of talking publicly and seriously about planning, his epigram must be changed: "If Planning Is Everything, Maybe It's Time To Make Some Distinctions."

Two bedrock distinctions must be made at the outset. First, a discussion of "whether or not to plan?" is just nonsense in the context of an economy such as ours. The only serious question, both intellectually and policically, is what kind of planning? For what ends? Through what means? By whom? Whether or not we ever had a self-regulating market economy, we do not now. The structures of our economy simply preclude leaving it all to the market, and it would take a real revolution to change them. A retreat from discussion about the reality of planning in its various forms and locations to talk about restoring an automatic system through deregulation and dismantling is, at best, romantic. And romantic reactions, whether they call for free markets and invisible hands, self-sufficient rural communes or Gemutlich old neighborhoods, lead to political disasters.

Second, apolitical planning is a fiction. Planning is either political or it is decorative. Planning can never be purely technical or politically neutral. Planning means changing the political process; it means changing who decides what about the evolution of the economy and how the choices are made. The kind of change in the political process defines the kind of planning. The "one best way" approach that dominated American city planning for decades behind the slogan "Keep Planning Out of Politics" was political planning; it kept planning out of one kind of politics and confined it to another. It is the same with economic planning at the national level. There is no descriptive meaning—but there is a good deal of political obfuscation—in any reified notion of "planning" that has no specific substance and content. There are only particular kinds of planning—particular changes in particular political-economic contexts.

#### FRENCH PLANNING AS A RELEVANT MODEL

The best way to begin talking about planning is to examine how a changed planning process interacts with an evolving political-economy. This paper attempts to do just that—to develop a structured approach to studying planning by analyzing the almost 30-year history of French planning. It treats French planning as a prototype, because the French experience is particularly rich in near classic formulations of the logic and the workings of different kinds of planning in a context analogous, in many respects to our own. Planning theorists are not the only ones to regard French planning as a prototype. Various participants in the current American debate about establishing national economic planning in the United States cite French planning to illustrate all kinds of divergent points. Though they show solid agreement that French planning constitutes a relevant model for the United States, there is nothing but confusion when it comes down to what it is and what it does, let alone how well it does it.

<sup>2</sup>Policy Sciences, No. 4, 1973.

## FRENCH PLANNING

The French planning process is not a streamlined design of smoothly fitting parts. Its formal structure tells little about its functional structure. Its explicit targets do not define its operational role. The plan is a collection of activities which have never been integrated into a single, coherent process. That is why there has been so much confusion about the way it operates; it operates in several ways at once.

The French plan has two principal components. The first is the complicated institutional mechanism for daily, practical intervention of the Government in the operation of major industries. The second, the general resource allocation plan, is a formal set of coherent output targets. Each is a complex system possessing a powerful logic of its own. Each is based on a different planning model and each model implies a radically different conception of the political function of planning. Each pulls the plan in a different direction.

### A TWO-COMPONENT MODEL OF THE FRENCH PLANNING PROCESS

#### *Part I. The Économie Concertée*

The first component of the planning process (direct intervention) operates within the *économie concertée*: A close, informal, partnership between big business and the state to manage the rapid, but orderly, modernization and expansion of the industrial core of the economy. It is effective. The *économie concertée* has been an important force in stimulating and steering the postwar development of the French economy. It works primarily through long-term actions on the supply side, where it seeks to change the directing attitudes and methods, as well as the structures and outputs of the principal industries.

The workings of the *économie concertée* are most visible in the modernization commissions of the plan, where businessmen, bankers, civil servants, planners and experts assemble to prepare investment and restructuring programs for the industry. The initial appearance is one of the quiet conflict. The civil servants have both objectives and power. The objectives are concrete: Investment programs, output targets, and, often, specific reforms such as a radical restructuring of an industry or a major export drive. Their powers match their objectives. They are discriminatory stimulants—selective subsidies to make a project desired by the state profitable to the firm. The businessmen expect to negotiate with the planners and civil servants; they do not expect to take orders. First, the giant firms and powerful trade associations that participate in the planning have their own direct influence at all levels of state and these represent a powerful counterforce to the intervening civil servants and planners when rare direct conflicts arise.

Second, the fact that a large percentage of the relevant group of civil servants will, before too long in their careers, switch into more lucrative employment with those same firms does a lot to obviate conflict. But business' most important bargaining card is the very nature of the planning activity. It is essentially a promotional program; negative control is weak. The planners and civil servants have the power to prod business to undertake projects. They do not have

the same kind of discretionary power to impede a firm's expansion. Incentives run one-way in dealings with large firms. Only with small firms can the withholding of subsidies act as a strong negative control. Furthermore, because big firms are the most actively involved, and the big firms almost always have one or two projects on the drawing boards that fit well with the objectives of the plan, most of the conflict reduces to shadow boxing about the forms and extent of the incentives. In the process, these lose much of their promotional character and become simply rewards for good behavior.

#### COOPERATION—NO CONFLICT

The conflict model is fundamentally misleading. The essential *modus operandi* as well as the goal of the system is precisely the substitution of cooperation for conflict and competition. The *économie concertée* acts through and aims at cooperation instead of conflict between big business and the state—cooperation instead of competition among the firms in an industry and cooperation and coherence instead of confusion and uncertainty among interdependent industries. The French system of cooperative planning whereby detailed industry-by-industry modernization and expansion programs are prepared implies the further step of planning by each industry for the partition of that growth and development among its constituent firms.

In brief, the component of the planning process located within the *économie concertée* is a system of cartels. But they are cartels with a difference. The goals are expansion and modernization, not restriction and protectionism. And the state is an active, initiating partner, not a distant policeman. Its role is to create the structures of cooperation and through them to guide the economy toward expansion and modernization.

Cooperation is possible because it is based on substance—on a fundamental harmony of interest between big business and the state. Economic growth and modernization are the civil servants' highest priorities, and they are easily reconciled with the goals of the major corporations. The civil servants have no objections to high profits, provided they are part of a process of high investment for expanding production and increasing productivity. Developing the complex patterns of partnership took ingenuity, effort, and time, but it did not represent a radical departure from French tradition. There was never much enthusiasm for the practice or even the rhetoric of competition among French businessmen and only disdain for the noninterventionist role of the *laissez-faire* state among the civil servants. The state had always "intervened" in the economy, and firms had always cooperated in ententes and cartels. The important and innovative development was the conversion of the protective cartel system into a modernizing, expansionist system. A broad complex of historical forces—too broad and complex to sketch in this brief note—was responsible for the development of the *économie concertée* mentality of cooperative modernization among businessmen and civil servants, which has been a critical factor in the success of the postwar French economy.

## THE PLAN AS ONE KIND OF POLITICS

Participation in the *économie concertée* is as limited as the goals. Because its efforts are directed at strengthening the industrial core of large firms, there is no need to obtain the active cooperation of a wide range of groups—trade unions, consumer groups, small business groups, peasant organizations and Parliament remain outside the system. They are not needed, either to choose objectives or to carry out programs. As the managers of the state and the big corporations see it, broad representation would bring in peasant and shopkeeper groups nostalgic for an irrational past, trade unionists desiring an irresponsible future, and politicians all too eager to serve those groups. It would complicate matters, perhaps even destroy the system. As the range of concerns broadens to include a new industrial sector, the management of its firms—whether they be private or public firms—can be brought in. And places can be kept at the conference tables for the “responsible” trade unionists the planned industrial evolution is supposed to produce. When they arrive, they can make positive contributions to the smooth management of the economy.

The *économie concertée* is based on a simple political ideology and defines a simple political role for planning. The state needs a high performance economy. This has come to mean a fundamental commitment by the state to the expansion and modernization of the big business sector. Big business needs the active cooperation of the state. It needs the state to maintain a high level of effective demand and to socialize many of its costs. It also needs the aid of the state in the management of its own affairs. The overarching organization provided by the state helps the industry to regulate competitive forces. In brief, big business finds that it needs the cooperative economy and it needs the state to organize that cooperation. Most modern capitalist nations are developing some variant of the state-big business partnership model, but nowhere with such clarity and enthusiasm as France. The clarity is a noble French tradition; it needs no explanation. The enthusiasm is easy to understand.

From the perspective of big business, the *économie concertée* is the most satisfactory reconciliation of its potentially conflicting wants. It wants the active involvement of the state in the management of the economy, but it fears opening economic decisionmaking to popular participation. Hence, the *économie concertée* makes planning a device for providing big business the active participation and support of the state while keeping broad participation politics away.

Under the slogan of keeping politics out of planning, the *économie concertée* component of the planning process confines the plan to the special politics of economic administration by the managers of big business and an elite corps of civil servants. Within that role, the plan is effective. But the range of its effectiveness is limited essentially to those areas of economic decisionmaking that can be incorporated into that special political subsystem—essentially to the long-term modernization of the supply side.

## THE LIMITS TO A POLITICAL SUB-SYSTEM

The agricultural programs of the first plans illustrate this political situation perfectly. The postwar “agricultural problem” of marginal

producers and medieval land tenure kept alive in a hothouse of subsidies and protectionism was a burning temptation for economic planners. But a direct assault on the structures of the agricultural sector—on land tenure and on the subsidy system—was beyond the capabilities of the political subsystem that defined the plan. Recognizing this, the plan chose not to attack agricultural problems directly. Instead, the early plans after devoting pages and pages to the complexities of the agricultural problem, limited their agricultural programs to investments in tractor factories and fertilizer plants. They let the tractors fight the peasants. There are other possible explanations for the plan's approach to rationalizing agriculture. None, however, highlights so clearly the basic political fact that the power to build a tractor factory is different from that needed to change subsidy systems.

Through its reshaping of the structures of industry, the *économie concertée* also reshaped the economic, social and political landscape of France. Almost no aspect of French life managed to escape improvement at its hands. GNP grew at an average rate of about 5 percent. But this growth entailed profound and traumatic transformations such as sectoral shifts away from agriculture (from 36 percent in agriculture in 1946 to under 13 percent in 1968), and away from small, family owned and operated shops and businesses to giant corporations and supermarket chains. These economic changes led to shifts in lifestyles. The Paris region in 1946 had a population of about 6 million; it now counts about 10 million, of which about 7¼ million are in the suburbs.<sup>3</sup>

But important areas of economic policy and activity lie beyond the boundaries of the political subsystem of the *économie concertée*, and therefore beyond the *direct* influence of the plan.

Short term economic policy is the most important of these. The exercise of short term economic policy is the focal point of a very different politics of broad participation and conflicting interests. The persistent failure of every plan to coordinate the use of short-term demand policy with longer term supply oriented programs of the plan was the principal reason the specific output targets of successive plans were not achieved. Many reasons have been offered to explain the disparities between the targets of the successive plans and actual results: Econometric errors and the youth of that rapidly developing science; the impossibility of planning several years ahead in a market-based economy; a series of unique, exogenous forces which intervened, and so forth. There is some merit to each of these explanations, but the partial insights they each offer come at a high price: they lead away from an understanding of the plan as a political process. The simplest answer takes one closest to the heart of the matter. The main reason the plan's targets were not in fact realized is that the achievement of those targets were never a principal objective of short-term policy. The two were never coordinated. Successive governments inflated, deflated, increased or held back on pensions, subsidies, public works and defense expenditures, and manipulated interest rates with a general disregard for the targets of the plan. Government policy was neither too unsophisticated to appreciate the complex tool that was the

<sup>3</sup> Schéma Directeur de la Région Parisienne, 1975.

plan, nor particularly at odds with its long-range objectives. But the plan was the product of a rather narrow political subsystem, whereas the exercise of short-term economic policy was the focus of a much broader and more immediate political process. The incongruence of these two political subsystems is the primary reason for the complete failure to coordinate short-term economic policy with the longer term programs of the plan, and therefore for the "failure" to realize the plan's quantitative output targets.

Until the 1960's the planners were content to sacrifice major influence on short-term economic policy to avoid the profound political changes in the planning process that an attempt to gain such an influence would necessitate. They saw their essential task as the promotion of long-term, supply-side modernization and found the limited policies of the *économie concertée* appropriate to that task.

#### BEYOND THE ÉCONOMIE CONCERTÉE

But a powerful set of forces began to push the plan beyond the comfortable confines of the *économie concertée*. The two most important of those forces were: (1) The dynamic of its own success in helping to create the structures and attitudes for self-sustaining modernization within the big business core of the economy. This left the plan with a much diminished role to play in that ongoing process. (2) The central economic problem was becoming less that of developing a modern industrial core than one of general system efficiency to meet price and quality competition in the Common Market. The opening of the Common Market ended the basic strategy of the early plans: Heavy investment plus inflation control. It forced the plan to deal with relative prices (and therefore incomes) and with the general pattern of resource allocation.

To take on these new kinds of problems the plan would have to change fundamentally. The plan had been functioning in a political role, according to a logic defined by the political system we have called the *économie concertée*. Its activities can only be understood in terms of the politics of the *économie concertée*. But these politics could not accommodate the new range of concerns and the new kinds of problems that the plan was being forced to confront. It had to go beyond the limits of the *économie concertée* toward a new political role. That new role is implicit in the second, and less effective component of the plan: General resource allocation. The substantive political content of that role is the principal reason the general resource allocation component has remained ineffective.

#### *Part II. The General Resource Allocation Plan*

The second component of the planning process is the general resource allocation plan. Its technical basis is familiar to economists: An input-output table; a set of input coefficients; a set of estimates for final demand; and a set of primary supply constraints. The problems associated with this approach to planning are also well known. These include the accuracy of input coefficients under conditions of changing prices and technologies, the appropriateness of levels of aggregation, the reliability of demand estimates, and so on. Its

political logic, however, and its implicit political role are less thoroughly understood. It is our purpose to examine that logic here. For implicit in the general resource allocation approach is a role for planning that represents an important innovation in the political process.

#### THE POLITICAL MEANING OF PLANNING TECHNIQUES

The general resource allocation plan pushes planning toward the center of broad participation, competing-interest politics, toward precisely those forces that the *économie concertée* avoids. The thrust is generated by the basic characteristics of the formal information system that constitutes the "technical" basis of a general resource allocation plan: Consistency and comprehensiveness.

Consistency is primary. Its technical meaning is simple. When each target is a function of all other targets, each target makes sense only in terms of the planned pattern. It follows that the rationality of the particular quantitative value attached to each target rests on the assumption that the entire pattern of planned targets will be realized without major distortion. The political meaning of consistency is quite as simple: In both its preparation and its implementation, the plan is a package deal.

It is a very big package. The planned pattern must be comprehensive as well as consistent. All economic activities must be accounted for so that the partial equilibria represented by each of the targets add up to the aggregate balances for manpower, foreign exchange, investment and savings that define general equilibrium. This does not, of course, mean that the plan must contain explicit numerical targets for each and every identifiable economic activity. All it must do is account, directly or indirectly, for all activities. Fixing numerical output targets for such products as sweaters, sunglasses, or tennis shoes is neither necessary, desirable, nor possible. Instead, broad product groupings can be established and targets assigned to cover the aggregate impact of those activities. Just how resources are allocated within the category is not important as long as the totals balance. Similarly, certain questions which stand as the logical center of the plan can often be treated indirectly. For example, until the Fifth Plan (1966-70), French plans made no direct statements about income distribution. But detailed assumptions about income distribution are necessarily incorporated into the projected pattern of final demands from which the rest of the plan is derived. In brief, comprehensiveness does not mean exhaustive enumeration; it means all-inclusiveness at some level of aggregation and some degree of directness.

Because the plan must incorporate, directly or indirectly, targets for all major economic activities, it becomes a framework for political decisions. It cannot simply ignore the impact of military expenditures, or farm policies, or foreign aid, or automobile production, or highway construction, or tax incidence. But broad participation and conflicting interest politics focus on precisely these decisions. And once the planned pattern, incorporating the major decisions on resource allocation is established, it must be implemented *in toto*. Technically, distortion would destroy the rationality of the output targets. Politically,



distortion would mean that the bargaining that went into the preparation of the pattern of targets was a sham.

In order for the planned pattern to be realized, all the major collective decisions embodied in its targets must be carried through. The word "decisions" is used to distinguish the independent from the dependent variables, the initiating from the responding forces. Only if the key "decisions" are carried through as planned will "market forces" steer the rest of the economy to the planned target. The most important of these decisions concern the public sector.

The Government must commit itself in a detailed fashion for a long time. During the planned period it cannot launch major unanticipated military projects, or space probes, or welfare programs, or tax reforms without destroying the plan's coherence. Crucially, it must coordinate its use of short-term economic controls with the middle-term objectives of the plan. The commitment to planning, therefore, cannot come from the Government alone but must come from the major social forces. Either the various political elements including big business, the trade unions, small business, agriculture, the military, and the permanent bureaucracy will believe that they can gain satisfaction through the plan and begin to focus their efforts on the choice and execution of its objectives, or they will refuse the politics of planning and continue to concentrate their energies on influencing the exercise of short-term policies and on initiating pragmatic programs. The latter course would result in continuing the traditional piecemeal compromise method of policy formulation and execution—i.e., politics as usual. Whatever decisions had been previously written into the plan would not be carried out, at least not without the kind of modification that would distort the plan. The third alternative, general resource allocation plans formulated and efficiently implemented without political participation is, of course, tyranny. Given the necessarily comprehensive nature of the plan, totalitarianism is perhaps a better word. In order to be rational and effective, the plan has to be comprehensive and consistent in both its preparation and implementation. For that to happen in a democratic society the plan must become a principal framework for political discussion and the planning process must become a principal political arena.

The basic characteristics of a general resource allocation plan push it into the center of the broad participation, conflicting-interest politics which the *économie concertée* carefully avoids. They also indicate the likely effect of planning upon politics.

#### THE POLITICS OF A GENERAL RESOURCE ALLOCATION PLAN

The politics of a general resource allocation plan are comprehensive, simultaneous and explicit. The plan centralizes both political space and time. It pulls a vast range of decisions into a single framework and requires that they be faced simultaneously. The politics of frequent, individual, and partial decisions become those of simultaneous, interrelated, and long-term decisions. The traditional interplay of issues must adapt to a new politics of social design. For the various political groups this means abandoning the traditional politics of frequent incremental gains and losses for that of single, long-term package deals.

Of the three characteristics of the politics of general resource allocation planning—comprehensiveness, simultaneity, and explicitness—explicitness is the most important. The fundamental output of a plan is explicitness. The plan makes explicit the implications of choices among alternatives: The greater the range of implications anticipated (one can just as easily say planned), the more sophisticated the planning. Explicitness is what is essential to general resource allocation planning. Efficiency is not; it is a use to which the explicitness of planning can be put. And it is not the only use.

The explicitness of a general resource allocation plan constitutes a new information system. It provides totally new kinds of economic information, which are necessarily distributed differently from the way economic information is distributed without a plan. It offers the public-at-large a comprehensive and rather detailed picture of the direction of economic development.

A clear picture of the pattern of future development is simply not available under the present system. By providing such a picture the plan makes possible—and even forces—political discussion about the shape of development. Such a shift in political discussion from disjointed, partial questions and projects to alternative social designs constitutes a major innovation in the political process.

The shaping of development changes from an unintended outcome of many separate acts taken without attention to the shape of the whole to a process of deliberate, centralized decisionmaking about the shape of the whole. The shift in process implies a major shift in substance. Different methods of formulating and choosing objectives generally yield substantively different results. As the purposeful decision process of planning overcomes the unintended causation process as the principal mechanism for translating social wants into effective demands, the range of choice changes. Important social objectives, such as the preservation or transformation of particular social structures, which had difficulty finding direct expression through market mechanisms, may become more immediate and more effective forces in allocating resources. The substantive content of development will change. There will be shifts in the distribution of rewards and, crucially, major shifts in the distribution of economic power.

More concretely, if the general resource allocation plan becomes an instrument to force a centralized political decision on the overall shape of development the plan will tend to become more normative; i.e., the pattern of economic activity called for in such a plan will differ in important ways, from the drift course—from what would have occurred under the causation process. Once normative, such a plan will become more imperative. Without instruments strong enough to change the economic forces that produce the drift course, a normative plan is meaningless. So once democratic, a general resource allocation plan will become both normative and imperative—or else, decorative.

Because this change in process—from the *économie concertée* to the general resource allocation plan—implies such profound changes in substance, it is not likely to happen without an enabling shift in substance, without a major change in political power. No such change has yet occurred in France.

## THE RECENT EVOLUTION OF FRENCH PLANNING

The last few years of the plan's history—the period since the “events of May 1968”—are well understood as the slow working out of the political logic of our model. The plan persistently sought to go beyond its original role of spearheading a movement to modernize the industrial core of the economy. It tried one direction, then another, and then still another. Each time, it failed.

The first effort was in the direction of what we have been calling general resource allocation planning. The second was planning for public facilities, a new key sector to replace, or at least supplement, the basic industries and define a new role and a new clientele for the plan. This effort led to the third direction, planning for the development and the rationalization of public services. Programming the construction of schools, roads and hospitals leads planners to questions about education, transportation and health systems.<sup>4</sup>

These efforts overlapped in historical time. They took root during the Fourth Plan (1962–65), reached their maturity during the period of the Fifth Plan and the preparation of the Sixth (1966–70), and rotted on the vine during the life of the Sixth Plan (1970–75).

The attempt at general resource allocation planning was, by far, the most important: It represented not just a new role for the plan, but a whole new political-economy. As the broad outlines of this historical development follow very closely the theoretical presentation of the same ideas in our simple model of the planning process, there is no need to repeat that material here. The effort implied radical changes of a specific nature, in both the methods of the planning process and in its political form and role. At the technical level, it meant a move from “back of the envelope” reckoning to elaborate interindustry analysis in physical terms and from there to very sophisticated, but more aggregated econometric models in value terms (prices, incomes, financing, etc.). At the political level it meant a change from informal and very limited participation (the *économique concertée* to broad participation politics).

While the recent technical evolution of the plan, especially its physical-financial (FIFI) model has been profusely chronicled,<sup>5</sup> the political evolution has not. And nowhere in the literature is it shown how they are really two sides of the same coin.

### *Participation*

The political counterpart of the general resource allocation approach adopted in the Fifth Plan was participation by the trade unions in incomes policy, and participation by the Government in the automatic adjustment of short-term economic measures to the plan (the “clig-

<sup>4</sup> A fourth effort was in the direction of regional planning. As the institutional history and substantive contents of French regional planning are very different from the material discussed in this paper. I have chosen to leave it out of this account of the recent evolution of the National Economic Plan. The subject is discussed in George W. Ross and Stephen S. Cohen, “The Politics of French Regional Planning,” in Alonso & Friedmann, eds., “Regional Policy,” MIT Press, 1975.

<sup>5</sup> See Raymond Courbis, “the FIFI model used in the preparation of the French plan,” “Economics of Planning,” vol. 12, No. 1-2, 1972; La Documentation Française, 1971, *Le Modèle Physico-financier dans la préparation du VI<sup>e</sup> Plan*; Courbis et Aglietta, “Un Outil pour Le Plan: Le Modèle FIFI,” *Economie et Statistique*, mai 1969; P. Pascallon, *La Planification de l'Économie Française*, Paris, 1975, pp. 49-61; Y. Ullmo, *La Planification en France*, Cours fait à l'Institut d'Études Politiques de Paris, fascicule II; C. Seibel, “L'Utilisation du Modèle FIFI dans la préparation du VI<sup>e</sup> Plan,” in *Le Modèle FIFI, Tome I*, Collections INSEE c/22/1973.

notant" or early warning system), and in the programing of public investments. Both forms of participation failed dramatically. The events of May 1968 were not indicators of a successful consensual incomes policy. The devaluation, the frenzy of short-term economic measures, and the near freeze on public investment that followed in the wake of May were not the smooth whirring of the automatic adjustment system and the carefully programed calendar of public investments. May destroyed the Fifth Plan.

After May, the plan was simply forgotten. It was forgotten by the Government which ran the economy without the aid of the plan; forgotten by the general public which stopped talking about a plan, and even forgotten by the planners who, after May, prepared a limp memo significantly entitled "Report on the Problems of Adapting the Fifth Plan," and turned to the job of preparing a Sixth Plan.

The Sixth Plan was unmistakably the offspring of the Fifth. It had the same basic structure: An effort at general resource allocation planning through a financial balances approach, and it met the same fate as the Fifth Plan. It was shattered by a spectacular "external event," the international economic crisis of the early 1970's.

The spectacular and exogenous quality of the events that brought down the Fifth and Sixth Plans obscured the fact that their basic thrust—the effort at comprehensive planning—was quite dead well before the external events hit. Participation, on which the financial balances approach depended, had not worked. The trade unions had refused to cooperate in the incomes policy, and the Government had refused to regulate its use of short-term economic policy by the automatic signal system of the plan.

### *Participation I. Incomes Policy*

The failure of the incomes policy was, in part, a short term, or circumstantial failure. The substantive contents of the plan's incomes policy was a squeeze on wages in favor of corporate profits. The trade unions refused these terms and withdrew from participation in the machinery of incomes policy which had been launched with such great fanfare. But the failure was more than just a short-run refusal by the unions to accept what they saw as a bad deal. Incomes policy has its own political logic, which is, in many essential ways, quite similar to that of general resource allocation planning.

Balanced growth economists, planners and international organizations such as the OECD are forever proposing an incomes policy as the way to combat inflation while avoiding the pitfalls of stop-go, deflation-inflation. Almost every Western country has, over the past 10 to 15 years tried an incomes policy approach. Each time it has been abandoned after a short while, often to be tried again, at a later date, and then to be again abandoned. The pattern is held together by logic, not coincidence. Incomes policy is not just another short-term counter-cyclical device, a technical alternative to higher interest rates or reduced government spending. It has a simple, but powerful political meaning. Incomes policy means centralizing and politicizing the distribution of income. That is one thing the present system avoids at all costs. Under the present system decisions on income distribution are not decided at one time, in one place, through a political process.

A centralized, politicized, package decision on "who gets what" represents a system change. That is why incomes policy "has not succeeded" in France, or elsewhere. Nobody wants it to work: Not business, not the middle classes, not the unions, and not the Government. Barring any compelling need—something that would make incomes policy worth its very high price to the present system, or a major political change—the only way it will be used is the way it has been used. In France, no such political change has occurred, and no such need was felt during the Fifth and Sixth Plans.

### *Participation II. Automatic Coordination*

The failure of the Government to participate in the effort at comprehensive planning and to let the automatic system guide the exercise of short-term economic policy along the paths laid out in the plan was also not due to circumstantial or superficial difficulties. Greedy pressure groups, undereducated politicians, recalcitrant finance ministers and violent short-term economic disturbances all played their parts. So did the awkward mechanics of the system, at first over, then under sophisticated.<sup>6</sup> But the main, and insurmountable reason, was the fundamental difference between the political forces that converge upon the exercise of short-term policy and those that had stakes in the plan. The same political logic and forces that prevented such coordination during the first four plans carried on through the Fifth and Sixth Plans. The difference was that the first plans simply discounted any serious possibility of success in that direction. Just because the Fifth and Sixth Plans adopted a comprehensive approach that depended on tight coordination of short-term policy with the middle-term plan is no reason to assume that the political forces that made such coordination impossible in the past would conveniently vanish. They didn't. The elaborate machinery set out in the Fifth Plan to guide the Government's hand and make it participate in the plan was, of course, not respected. Nor was the more stripped down version of that same machinery in the Sixth Plan.

The Government restricted credit and cut spending at the moment and to the extent it felt it had to: It did not consult the plan. The budget, in the last analysis the operational planning document, actively disregarded the plan.<sup>7</sup> This reflected the fundamental political realities of the budgetary process as well as the personal attitudes of the Finance Minister, Valéry Giscard d'Estaing.<sup>8</sup> During the dog days of the Sixth Plan, the Planning Commission issued a report on the implementation of the Fifth Plan which demonstrated that despite the series of economic dislocations triggered by May 1968, the Fifth Plan came out pretty much on target. Even if one reworks the calculations, using slightly different methods and referents than those used by the planners, many industries do come out surprisingly on target—a result that raises many interesting questions as to the nature of such targets. Some, however, do not. Public investment came out at 83 percent of target. When compared with the 140

<sup>6</sup> See *Economie et Statistique*, September 1974; *Le Monde*, Oct. 29, 1974; *Economie et Statistique*, September 1971, "Les indicateurs associés au VI<sup>e</sup> Plan"; Pascallon, op. cit., pp. 107-110.

<sup>7</sup> Cf. Conseil Economique et Social, *J.O., Avis et Rapports*, Sept. 21, 1974, p. 1262.

<sup>8</sup> For an excellent example see, X, "Lettre à Un Ami Anglais—II, Sur Le Plan" in *Review Administrative*, 1971.

percent of target result for private investment, the disparity takes on significance.

Structural political obstacles blocked the plan's big push toward comprehensive, financial balances planning. Politics—at a less structural level—also thwarted the plan's second big effort to create a new role for itself, the planning of public facilities.

### *Public Facilities Planning*

The reason for the plan's efforts in this direction are straightforward. France needed massive investments in hospitals, housing, sewer and water facilities, schools and roads to balance the effects of the industrial growth and transformation. The millions of cars needed highways: In 1968 France counted a total of only 700 miles of highway. The new white collar industries needed telephones: There was one telephone (of infamous quality) for every seven people compared with one phone for every two people in the United States. The newly urbanized population desperately needed more and better housing. Forty-five percent of Paris housing units had no toilets and the new and desolate suburbs needed everything. No hospitals had been built in the Paris suburbs for over 30 years, but about 4 million people had moved in.<sup>9</sup>

Properly planned, these massive investments could play a developmental, and not just a compensatory role. The plan could help make spending on public facilities into investment in "smart" infrastructure. Good analysis, planning and programming would produce economy, relevance and energy. The steady erosion of the plan's role in industrial development, and with it, the support of its traditional clientel—big business and the economic administration—made this new role, and the new clientel it would generate—urban administration and the construction complex—very attractive to the planners. The expectation that facilities planning would lead to planning for the activities those facilities served—school buildings to school systems, hospitals to health systems—made that attraction irresistible.

The effort misfired however. The Ministry of Finance simply ignored the plan when it determined the amount and the timing of the funds to release for public facilities. And the Ministries carried out their own ideas, and not those of the plan, as to the composition, character, location and timing of investment projects.

The reasons for the plan's failure to play a decisive role in public investment are as straightforward as those that first prompted its decision to try to diversify in that direction. First, the structural conflict between the politics of short-term economic policy and those of the plan blocked the planning 5 years in advance, of the amount and timing of government spending on new construction. The Government, especially the Finance Ministry, could not tie its hands when it came to day-to-day regulation of the economy. Government spending may be vast and varied, but only small bits and pieces of it are discretionary. Salaries cannot be cut, nor can transfers. Civil servants cannot be fired. Ongoing investment projects cannot be suddenly

<sup>9</sup> Data from *Statistiques et Indicateurs des Régions Françaises*, INSEE, col. R, No. 15; hospital data from *Schema Directeur de la Région Parisienne*, 1975, p. 15.

stopped, at least not without major embarrassment, and operating budgets cannot be cut without major political battles. If the Government is going to vary its own spending to fine tune the economy, spending on new construction is one of the very few items in its budget that it can cut. It is the classic discretionary item, one of the few that is not prespent.<sup>10</sup> New construction projects also absorb the impact of the other principal instrument of short-term policy, interest rate manipulation. The structural difficulties that prevent the tight coordination of short-term economic policy with the middle-term path of the plan focus precisely on public investment which is one of the few levers the Government can actually manipulate, and the Ministry of Finance had no intention whatever of abandoning its hold on that lever.

The second reason for the failure concerns the nature of a 5-year public investment plan. The plan must publish a high target for schools, hospitals, housing, telephones, and so forth or else publically explain why not. But year after year, plan after plan, realization falls short of target. Each time this happens it provides ammunition to the Government's critics. Just as the plan was beginning to move into this area, starting with the Fourth Plan, and accelerating into the Fifth and Sixth Plans, the Government began to consider moving out.

Under President Pompidou, the plan was becoming more and more identified as a plan du Government and less and less a plan of national consensus as expressed by the technocrats. A government existed, along with a governing party. Both would be around to take criticism at the end of the plan. Why, therefore, should the Government set itself up for trouble? As far as public facilities went, a "low profile" strategy was best for the Government, if not for the Planning Commission.

The technical ministries—public works, health, education—did not want the plan treading on their established turfs either. To overcome, or even to dent their resistance, would require a powerful and sustained push from the Government. It was not forthcoming. Furthermore, even on a technical basis, the Ministries had a good case. Though the plan played an important role in initiating a process of interagency planning for public facilities—especially at the urban and regional levels—the plan had little to offer in the way of superior techniques or methods. The plan was treating public facilities in very conventional terms: So many schools for so many children; catchment areas defined by aged rules of thumb. Once they got started, the Ministries learned they could plan for public facilities quite as well as the plan, if not better. Finally, now that De Gaulle was gone, the Gaullists were trying to build a political organization. Public facilities spending is a time-honored approach to such a construction, but not when it is planned by a politically insulated Planning Commission.

While the plan played a positive and important role in vitalizing public facilities planning throughout France, readily illustrating the usefulness of the exercise to the entire system, the effort was a setback for institutional planning in two ways. First, the plan had failed to create a new and important role for itself in the area of public facilities

<sup>10</sup> The Conseil Economique estimates that over 80 percent of the budget is prespent. *J.O., Avis et Rapports du CES*, Dec. 19, 1967, and Sept. 21, 1974, p. 1262.

planning, a new role it badly needed. And second, it was a detour on the path toward the planning of public services, a bigger and more important role than public facilities planning.

### *Rationalizing and Reorganizing Public Services*

May 1968 raised, for some of the planners, the question of the quality, or substantive content of French economic development. Shortly after May, a small group of "social technocrats"—as they came to be called to distinguish them from their more steely-eyed colleagues—found a sympathetic ear in Prime Minister Chaban-Delmas, and began to push for an expanded program of social services. Their objective was to balance the one dimensionality of recent French economic growth. Universities, they found, were too few and too feudal; so were hospitals. Social security transfers had to be made available to the victims of economic development, the wiped-out peasants and shopkeepers, before they stopped the growth machine, and the massive social security system had to be rationalized. Urban transportation was getting worse and worse; average commuting time in Paris had surpassed that of Los Angeles. And in the vast new suburbs new kinds of social services had to be created to help those commuters adapt to the newness, the brutality and the imbecility of their surroundings.

More facilities were needed as were more services; crucially something different than mere more was the goal. Services had to be made relevant to political needs and sensitive to costs. For the sorry state of public services was not just creating social malaise, it was also creating budgetary hypertension. The social security budget—health insurance, family allowances and old age pensions—had grown by 345 percent between 1959 and 1969, with health expenditures leading the way. In the early 1970's the social security budget surpassed the rest of the Government budget and became the biggest thing in France. Extrapolations read as though they were taken from pop-ecology articles: By 1986, social security would absorb all of the GNP.<sup>11</sup> And the education budget was keeping pace. During 12 years of rapid industrial growth (1954–68, the two census years) the health sector added more jobs than all of industry combined, and education added more employees than health.<sup>12</sup> The fearful growth of service expenditures compounding away upon their awesome size lay behind the plan's hope to make an important role for itself by spearheading the rationalization and reorganization of services—just as it had earlier led the rationalization and reorganization of industry.

During the Fifth Plan, before May 1968, attempts at rationalization had been made in two different areas: One produced a mess, and the other, a disaster.

The mess was the result of attempts to rationalize social security transfers. At the first official rumor that this time the annual social security budget crises was not to be *just* patched over but would be

<sup>11</sup> The extrapolation is by President Pompidou himself in his press conference of Sept. 22, 1969. Data from Stephen S. Cohen and Charles Goldfinger, "From Permacrisis to Real Crisis in French Social Security: An Essay on the Limits to Normal Politics," in Lindberg, Alford, eds., *Stress and Contradiction in Modern Capitalism*: Lexington, Mass. 1975.

<sup>12</sup> *Annuaire Statistique*, 1963, p. 88; *ibid*, 1969, p. 79.



used by the Government to begin a restructuring of the system, all the traditional political interests took to the streets. The dreaded family lobby, the fierce peasants, the terrible shopkeepers, the Communists, and the formidable white collar unions all opposed tampering with the delicate balance of social security transfers. Rationalization was postponed; the fundamental reforms were quickly withdrawn and replaced with stopgap measures.<sup>13</sup> An end run by the technocrats, backed by a squeamish bluff by the Government, would not do. Reorganization of the big services meant massive conflict in the central political arena.

The second attempt, the expansion and rationalization of the French university system, has become world famous. The plan sought to bring the higher education system into line with the demands of the newly modernized economy. Furthermore, 20th century enrollments had already destroyed whatever value remained in the 19th century university. The system was overripe for reorganization. New facilities were constructed in a hurry, and a beginning was made at defeudalization. Geographic decentralization—the new campuses were located in the suburbs—to serve what had become a largely suburban student population and to reap the political tranquility that suburban campuses were supposed to yield, was to be a first step toward administrative decentralization. The first concrete achievement of the program was Nanterre, the prototype suburban campus. And the first concrete achievement of Nanterre, or so the students like to boast, was the student revolt that triggered the events of May 1968.

At least one lesson was waiting to be drawn from the two initial attempts at service rationalization. It could not be done quickly. It could not be done easily. It could not be done invisibly. It would be a massive and dangerous political struggle. For many years it would occupy the central place in the political-economic agenda of France, quite the way the reorganization of industrial and agricultural production had dominated public policy since the early 1950's. This complex lesson, including the necessity of reorganizing the service sector, as well as the scale and difficulty of that transformation, has yet to be fully appreciated. At the time, however, it was obscured by a more spectacular event, May 1968, which had its own lessons. These, everyone learned. But everyone, it seems, learned something different.

The social technocrats found in May 1968 an expression of dissatisfaction with the one dimensional (or at least lopsided) character of French economic development and, therefore, a confirmation and a powerful impetus for their efforts to offset unbalanced industrialization with more and better services.

De Gaulle seems to have heard a demand for "participation." He seized that theme right after May, and through the final moments of his reign he stressed the need for participation and proposed new forms: Participation by the workers in the enterprise, and participation by the citizen in a more decentralized government.

The Pompidou government never explained what it felt to be the questions raised by May, but it made its answer to those questions very clear: "*L'Impératif Industriel.*"<sup>14</sup>

<sup>13</sup> Cf., Cohen-Goldfinger, *op. cit. passim*.

<sup>14</sup> Title of a 1969 book by L. Stoleru, a close adviser to Valéry Giscard d'Estaing.

*The Industrial Imperative*

The 1969 devaluation was followed by a redoubling of the all-out effort to increase the scale and efficiency of French industrial production in order to meet the struggle of international competition in the Common Market and in the world market. There was nothing particularly new in all this. It was essentially a continuation of the pre-May policies, but with renewed determination and pride.

The economy steamed through the last 2 years of the Fifth Plan, 1969 and 1970, in a vigorous, "but very unplanned way." GNP grew at 5.7 percent per year, just slightly ahead of the plan's target.<sup>15</sup> But within that overall, close-to-target figure, private investment ran 140 percent and public facilities 83 percent of target.<sup>16</sup> During the first 3 years of the Sixth Plan, 1971-73, the pace accelerated. Industrial production grew by 7 percent per year—much faster than the 4.5 percent per year rate in West Germany. Industrial investment piled up a 7.8 percent per year rate of growth. GNP grew at 5.6 percent in 1971, 6.6 percent in 1972, and 6.1 percent in 1973 and productivity grew at 5.8 percent per year.<sup>17</sup>

The drive for industrial growth and economic rationalization found expression in all domains, and the Government celebrated those expressions. The modernization of Paris was unflinchingly pursued. Its monuments—the Montparnasse skyscraper, the massive office complex at La DeFense, and the expressway along the right bank of the Seine—were criticized by some as expressions of the last days of the bourgeoisie felt confident and had a "project," and by others as monuments of the last technocrats who knew what "modern" meant. But everyone understood them to be monuments, or statements, and not merely buildings and roads. President Pompidou himself proudly defended them against their critics as the expression of modern, dynamic France, and big business and the technocrats shared his enthusiasm. France doubled and doubled again her supply of supermarkets, and the plan proudly reported that the French supermarket/population ratio had passed that of England and become comparable with West Germany.<sup>18</sup>

Stoleru concocted his industrial imperative doctrine out of a curious mixture of ingredients, some domestic and some imported. But the imported elements were so Frenchified as to be almost unrecognizable—rather like le drugstore. One part was a super version of traditional French mercantilism: It's France versus the world, this time in an all out industrial competition. But the other part was a most un-French notion: "The primary mission of the Government," Stoleru writes, "is to recreate the market when it can exist."<sup>19</sup>

Fears that "they" were going to dismantle the state ran through French society, from the extreme right to the extreme left and especially at the center. Finance Minister Valéry Giscard d'Estaing's public flirtations with neoliberalism did nothing to allay those fears. But fortunately, the way to achieve competitive markets, it turned

<sup>15</sup> Conseil Economique, op. cit., report of Sept. 24, 1974, p. 1260. No dissenting opinions were recorded on that point.

<sup>16</sup> Ibid, p. 1260.

<sup>17</sup> *Rapport d'Execution du VIe Plan, Anneze au Project de Loi de Finances Pour, 1975*, p. 25.

<sup>18</sup> Ibid, p. 36.

<sup>19</sup> *L'Imperatif Industriel*, 1969, p. 213.

out, was through the direct action of the administrative state. The bureaucracy would set up the markets, define their limits, control their conflicts and (working closely with industry) select the winner of the competitive struggle in advance. As a result, the industrial imperative became less a practice of competition within industry, than a way for the state to strengthen the private sector by turning over important areas of economic activity to the strongest elements of the private sector.

The state sector had grown steadily since the war in both size and importance. Over 39 percent of national income passed through the state, and Giscard d'Estaing contended that, "beyond 40 percent, it's Socialism"<sup>20</sup> Now, when things were going well, when the private sector was strong and confident, and when a strong and stable government was in power was the time to pull the state back, before it was too late.

The private sector needed financial strengthening. First, the steadily rising tax burden—what Giscard called "pression fiscale" to include all transfers from the private to the public purse—was to rise no more! Holding the line on taxes became a major preoccupation of the Government, and a major element of the political identity of its Finance Minister. In part it was achieved through real transfers of funds from the public sector to the private. In part it was achieved through very creative bookkeeping and frequent "debudgetization" and remained largely symbolic.<sup>21</sup> But symbolic acts are necessary parts of an industrial imperative policy, both to create a climate in which real transfers become possible, and also to compensate with promises for failures to achieve substantial real results. Second, too high a percentage of savings flowed through the state. As a result, private financial circuits remained underdeveloped. The capacity of firms to self-finance out of retained earnings had to be increased, and so did the strength of the banking system. The Government set out to divert some of the savings stream into private financing circuits. In this way, it would strengthen the private sector vis-a-vis the state, and it would also develop the Paris financial industry which had failed miserably to compete with London as a world financial center.<sup>22</sup>

Given that international competition was the principal challenge, and the giant, multinational corporation its principal form, the French response followed logically. The state set out to create its own giant, multinational corporations. Super mergers were promoted in industry after industry to construct a series of national champions which would carry the French flag into battle against the foreign giants. The industrial policy approach of the early plans had now become the dominant, national policy and the Government, the Ministries, and the business groups had learned the basic lessons about industrial restructuring so well that they no longer needed the plan. In most of the restructurings to produce national champions, including the major ones such as steel and computers, the plan played only a minor role.<sup>23</sup>

<sup>20</sup> From interview in *Expansion*, May 1971.

<sup>21</sup> See principal options of the Sixth Plan, where reducing fiscal pressure and increasing the share of private financing is presented as an absolutely top priority; also, Cohen-Goldfinger, *op. cit.*, chapter on "Undue Charges."

<sup>22</sup> In addition to the options of the Sixth Plan, *op. cit.*, see parodi, "L'Economie et la Société Française, 1971, pp. 53-60; on the role of Paris see DATAR, *Paris, Ville Internationale*, and the various reports on the projected Cité Financière for central Paris, published in 1973-74.

<sup>23</sup> See the excellent study by John Zysman on the role of the state in the reorganization of the French steel and computer industries, U.C. Press (forthcoming).

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The service reorganization strategy was not completely abandoned. Efforts at rationalization persisted, but at a smaller scale and within the framework of an effort to hold down short-term cost increases. It was tinkering, not restructuring, and most of it took place within the Ministries; the plan was more a cheerleader than a quarterback.

For the university system, where major structural reforms had been implemented before May 1968 and where a second round of major reforms had grown directly out of May, policy turned defensive and short run. The aim was to sit on the lid, politically and financially. A succession of Ministers each added a few more reforms made necessary by previous reforms and, in turn, necessitating subsequent reforms. While administrative rationalization was slowly pursued through its various phases of program budgeting, task definition and output evaluation, the budget shrank in real terms.<sup>24</sup> The role of the *Grandes Ecoles* grew even greater as the prestige—and the substantive quality—of the university sank.

Structural reforms of the social security system were not undertaken. If they implied adding or expanding programs, major changes would be too costly in budgetary terms. If they aimed at serious restructuring they would be too risky in political terms. Instead persistent, but minor rationalization efforts were added to a general effort to hold down spending increases. The doctrine of the industrial imperative, that sacrifices must be made in order for France to meet the grueling demands of international competition, was invoked at every occasion. The text of the Sixth Plan provides some of the most eloquent statements of this theme, often at the expense of the plan's ambitions and best analysis.

The social action report of the Sixth Plan ran to 200 pages (plus reams of annexed materials) and presented all the good ideas for more and better social services. This broad presentation included aid to new born babies and their mothers; programs for the lame, the blind, the bored; day-care centers; at home services for the old; electronic aids to add comfort to troubled lives; new professions to absorb the new professionals the last plan's educational reform was beginning to produce. The social technocrats had done their homework, and scores of representatives from dozens of interested groups had participated and contributed their ideas. The report of the Plan's Finance Committee took the Social Action Report and reduced it to a manageable seven pages. The Finance Committee even found time in their busy lives, and space in their crowded pages, to acknowledge that the Social Action Report was a splendid document, and represented a fine piece of work, and that its many authors ought to be congratulated. Then, after the congratulatory paragraphs and the inspirational opening, the Finance Committee breaks the news—under the heading *Les Limites de la Solidarité*:

The drive for international competitiveness brings things into question . . . there is a new imperative. The opening of the economy necessitates that the burdens on the French economy not be heavier than those of its principal trading partners, especially in the Common Market. . . . Doubtless the burden of salaries

<sup>24</sup> See *Le Monde*, Nov. 4, 1974, p. 11, for a politically dramatic presentation of this information.

and social charges is not heavier in France than in other Common Market countries. . . . But it is reaching one of the highest rates. It is true that following a similar line of reasoning, each of the member states could only be apprehensive at the prospect of granting new social benefits. Hence the idea of the Plan's Finance Committee: No real progress can be made in this direction by individual states. It is only by concerted action, going beyond the idea of mere harmonisation which in practice is very limited that the European Countries can begin to give a new dynamism to their social policy (p. 41).

The plan then goes on to proclaim the new social policy: "To enhance the capacity of each individual to increase his personal gain" (p. 42). What is really and truly in the interest of each and all is to increase productivity. The principal and overwhelmingly most important social policy for both development and redistribution is to better "develop the earning ability of each person" (p. 42).

### *Toward Limbo*

The causes of economic growth are hard to establish,<sup>25</sup> and when the economy keeps booming there is a tendency toward generous interpretation. Every plausible claimant is entitled to some identification with the success and to some share of the credit.

On the surface at least, things never looked better for the plan than they did midway through the Sixth Plan. The economy was breezing along, faster than ever, and right on target, at 6 percent per year. As long as that performance would continue, nothing too bad could be said of the plan. After all, who had a better claim to credit for the sustained growth than the plan? And whose claim costs less to honor? Less in terms of money; less in terms of political threat; and less in terms of fear that the cause of growth was controlled by some external power or that it would go away. The Fourth and Fifth Plans had solidified the identification of planning with economic growth. By the middle of the Sixth Plan, after 20 years of steady growth, the nagging French fear that the boom was all too fragile was, on the surface at least, giving way to a general celebration of growth and prosperity. The notion of prolonged boom was yielding to the theories about the structural nature of sustained economic growth: The plan of course was one of the most modern, most estimable and most French of those structures. The Sixth Plan fit this role well. It looked competent and successful, modern but experienced, and very much in control. It was the biggest plan in scope (and in bulk).<sup>26</sup> Basically a comprehensive plan in one way or another, it covered almost every aspect of French life from aluminum to culture, from corporate cash flow to open space. Participation in the plan's preparation was as massive as its scope. Nearly 3,000 people directly participated in the "modernization commissions" of the Sixth Plan as compared with 700 for the Third Plan.<sup>27</sup> Thousands of civil servants prepared 5-year investment programs for every government agency, except defense, for "inclusion in the plan." Parliament discussed and approved the preliminary options of the plan and then, a year later, debated and approved the final version. So did the Economic and Social Council.

<sup>25</sup> See, for example, E. F. Denison, *Accounting for United States Economic Growth*, Brookings, 1974, or E. Malinvaud et al., *La Croissance Française*, Seuil, 1972.

<sup>26</sup> The Sixth Plan published about 70 volumes of reports. They are available at Le Documentation Française (31 Quai Voltaire, Paris VII).

<sup>27</sup> Pascallon, op. cit., p. 63.

The Sixth Plan was also the most sophisticated plan. Much had been learned since the preparation of the Fifth Plan about the techniques of econometric modeling, and the Sixth Plan had the biggest (1,600 equations) and the most sophisticated model yet. It was not just technically sophisticated, it was insightful. Due to experience, emphasis had shifted. During the Fifth Plan the planners had acquired a new appreciation for the uncertainties of an open economy. The model for the Sixth Plan (FIFI) was conceived not as a model of control, as in a traditional comprehensive plan, but as a model to inform strategic choice and speedy response. It emphasized basic structures (or relationships) such as that between prices and investment financing, rather than particular quantities of selected products.<sup>28</sup> The plan supplemented this basic financial balances approach with a "softer" methodology. For many sectors it provided not just simple numerical targets but comprehensive reports that analyzed the state of the sector, its role in the economy, the challenges confronting it, and strategic actions to improve its performance. It was also the proudest plan. The main volume of the Sixth Plan, and of course, the presentation of the FIFI model, were published in English translation.

But beneath the surface it was rather hollow. The plan drifted further and further away from an innovative role at the cutting edge of the economy and towards a legitimating role back among the ranks. Pushed to the center of the political stage by its comprehensive form, the plan was ignored by the political process when it came to substance—like the budget. And its comprehensive form was turning into a straightjacket. While participation in the preparation of the plan was quantitatively massive, the participation process had become somewhat ceremonial. The proliferation and enlargement of consultative commissions did not necessarily mean more actual participation. It was instead a sign—and partly a cause—of a weakening of the direct function of participation: Propagating new attitudes and ideas, exchanging information, ironing-out conflicts and brokering agreements. The new participants were *notables*. As their numbers rose they began to set the tone, prompting the people who counted to pull out and seek serious discussion elsewhere. Most important, the unions walked out. The two big trade union confederations, the CFDT and the DGT refused to participate in the Sixth Plan thereby shattering the main purpose of the exercise—the mystique of consensus. It was now, unmistakably, the Government's plan and not the Nation's plan, even if the Government chose not to follow it.

Each of the plan's efforts to create a new and important role for itself had failed. It was not the comprehensive plan for the French economy, and it was less and less the plan for the industrial sector. It was not, nor was it any longer likely to become, the plan (or the planning model) for Europe. It was not the plan for government spending, or even the plan for public facilities. And it was not the plan for reorganizing public services. While things were still going well on the surface, by the midpoint of the Sixth Plan, the plan was lost. Then serious trouble first hit. It hit with a one-two punch: The international economic crisis, mercilessly followed by the election of Valéry Giscard d'Estaing. The crisis killed the Sixth Plan; then Giscard put the planning institution into limbo, where it now sits, waiting.

<sup>28</sup> Seibel, *op. cit.*, or Courbis, *op. cit.*, or Ullmo, *op. cit.*, pt. II.

*Limbo*

There is no need to compare the Sixth Plan's targets with the actual economic situation at its terminal date, 1975. By the end of the planned period, growth had turned negative, unemployment had passed 1 million, and prices had climbed by about 60 percent.

Right after the "Oil crisis" hit, President Pompidou asked the planners to prepare an interim plan. The report, which purportedly outlined a 4 percent per year growth rate for 1974 and 1975, was never made public.<sup>29</sup> Then Pompidou died. The oil crisis grew into the economic crisis, and Giscard d'Estaing took the presidency with a 50.7 percent to 49.3 percent victory over the Left Coalition.

From his new perspective, Giscard was able to add new reasons for mistrusting the plan to his long-held and well-advertised opinion that planning was largely claptrap. The first and foremost was failure: The plan had not foreseen the crisis, so what good was it? The second was a suspicion that the planners had become divided into two equally untrustworthy groups. On the one hand there was a group of social technocrats who, especially after the defeat of Chaban-Delmas, supported the Left Coalition. On the other hand there was a group of model builders and macro economists who remained enthralled with their own techniques. They were harmless, but useless.

When the time came to start work on a Seventh Plan, no directives were forthcoming from the Government. When the Planning Commissioner, Montjoie, resigned, no replacement was named. The President missed no occasion to proclaim his commitment to seat of the pants flying. He announced repeatedly his intention to pursue a pragmatic, short-term course as distinct from a planning approach, and he emphasized that the stormy seas of international crisis made such an approach not only desirable, but necessary. With no director, and no instructions to begin a Seventh Plan, and an icy wind blasting down from the Elysee, some of the plan's best people began to leave. In October 1974, *Le Monde* reported that "the plan has been completely paralyzed. Its team is demobilized and beginning to break up; it is unsure about whether or not it will simply be allowed to whither away." Similar concerns and observations began to appear all over the political system and the press.<sup>30</sup> The future of the plan had become an open question.

The question of the plan's continued official existence was resolved, at least for the short term, late in the fall of 1974. There would be a Seventh Plan. Over the years the plan had achieved institutional status and great popularity. Eliminating it implied risk, just letting it "whither away" did not. Furthermore, it could prove handy some day, even to Giscard.

Prime Minister Chirac instructed the planners to prepare a Seventh Plan, but to stick to a smaller number of qualitative objectives. Uncertainty, he felt, was too great to permit quantitative long-term, or even middle-term objectives. Comprehensiveness was out of the question. A new Planning Commissioner, Jacques Ripert, was named.

<sup>29</sup> Cf. *Le Monde*, Oct. 30, 1974.

<sup>30</sup> Quotation from *Le Monde* Oct. 30, 1974; see also, *ibid.*, Nov. 14, 1974, Oct. 10, 1974, "it looks as though those who believe in the inevitable disappearance of the plan are not wrong"; Jan. 9, 1974; *Picaro*, 2 juin 1974; *l'Express*, "la paralysie du plan inquiet meme les finances," Dec. 31, 1973 et Jan. 6, 1974; *Entreprise* "Faut-il tuer le Plan," Mar. 15, 1974.

Only a few things about the Seventh Plan are clear. It will not be a comprehensive plan, nor will it be a highly aggregated macro economic plan. Participation will be dramatically reduced, and so will its political centrality.

Less sure, but still quite probable, is that the plan will find itself returning to something akin to the approach of the First Plan (the Monnet Plan), but on a bigger scale. A list of critical sectors and critical actions, along with suggestions for improving performance in these areas will constitute its essential contents. But it is highly unlikely to have the clout the Monnet Plan exercised to back its schemes for improving performance. The macro, financial balances approach will give way to a macro economic sketch, a kind of general, but not serious, intellectual framework for the plan's studies and advice. Numbers, let alone well-defined partial equilibria that are to sum to general equilibrium, will be downplayed. They might even disappear. The virtues of no growth and quality of life, along with the imperatives of international competition will constitute its thematic message. And no one knows what relation the plan's contents will bear to economic activity and political decisions.

The longer term future of the plan, like so much else in the current "caretaker" environment of French political-economic life, is even more uncertain. A new, positive role for planning cannot be defined until the economy itself takes on a new and more clearly defined direction. Despite the current President's personal views, France remains committed to the idea of planning, in part out of a persistent national tendency to express things logically and neatly, even if the expression remains divorced from the reality. That is something planning can always be made to do. More important, France remains committed to planning out of a general and complex judgment that because its 30-year experience with planning has, on the whole, been positive, the plan helps:

(1) To elevate discussion and formulation of political-economic policy;

(2) To bring some coordination and some sense of direction to the multifarious activities of the State itself—for even in France, the State is not one and indivisible;

(3) To increase the rate of economic growth and to improve the direction of that growth; and

(4) To play a real, though modest role in bringing order and thus greater efficiency to private sector activities.

But the commitment is not without reservations. Planning may have helped growth, but growth has proved to be ironic: Possession of its fruit has not fulfilled its promise. Sometimes it has been outright destructive of the traditional French environment and of important social values and relations. Furthermore the particular form of planning practiced thus far in France has not helped to bring democracy to French political-economic life.

We began with the U.S. debate on planning and then turned to the French experience of planning as a way to inform that debate. But France is now rapidly returning to the point where it must start a new and equally fundamental debate on planning of its own. It will continue to have planning but it must, once again, decide what kind of planning.