

the Henry George News

PUBLISHED BY HENRY GEORGE SCHOOL OF SOCIAL SCIENCE • MARCH, 1959

The New French Experiment

*Will It Solve France's
Economic Problems?*

by EDGAR L. TRIER



AT THE end of December 1958 a number of facts forced the French Government to take a series of economic steps: the prolongation of the costly Algerian war, the beginning of the Common Market, an unbalanced budget and a weak franc. The monetary measures consisted in a devaluation of the francs of another 17 per cent, the easing of the convertibility of the francs into other currencies and the promise of "heavy" francs in the near future (one heavy franc for each 100 of the present francs).

The entering of the Common Market meant the lowering of the existing tariffs.

The French Government tried to reduce its expenses by eliminating its

subsidies for the following items: bread, milk, chocolate, bus and subway fares, railroad tickets, coal, gas and electricity. That means that the price of all these articles will increase, the increase replacing the former amount of the subsidy. Further economies were provided by making the health service—very much depended upon in France, self-supporting. Veteran's pensions, with the exception of those paid to invalids and veterans in need, were eliminated. The financing of government controlled enterprises was canceled, but government investments for development of resources and construction were increased by 25 per cent.

New income was sought by adding
(Continued on page 16)

(Continued from page 1)

new taxes on wine, alcohol and tobacco, and increasing the income tax in the higher brackets as well as the corporation tax. Also a postal rate increase of 25 per cent was indicated.

To counter the increase in prices a four per cent increase of salaries for the government employees was foreseen. The minimum wage was increased and social security payments were augmented. A fund should be created by the employers and the unions to make payments to the unemployed in order that payments to the unemployed would at least be as high as the minimum wages. If we look at the innumerable economic steps taken by the French Government, we must say as Georgists that a great number of them are very reasonable. The easing of the convertibility of the francs and the lowering of the tariffs within the Common Market is a big step forward toward free trade. The large economic areas of the United States, the British Commonwealth and the Russian bloc have forced Europe to seek similar strength, but the ultimate goal for everybody should be a free world trade.

The elimination of a great number of subsidies, as described above, is certainly a welcome measure since prices should not be fixed by government interference. It is interesting to observe that subsidies for farm products in the U.S.A. lead to the maintenance of artificially high prices, while in France this resulted in the maintenance of artificially low prices. Also the suppression of the financing of government controlled enterprises seems to be a step in the right direction. On the

other hand the increase of government investments in the developing of new resources and construction is a debatable question. This interference in the private economy could only be justified if the projects were so gigantic that they could not be developed by private capital alone (as perhaps, the T.W.A. in the United States, or the St. Lawrence river project).

The increase of the minimum wages and the creation of a fund to guarantee higher unemployment payments shows an uneasiness in government circles and a fear that not everybody may get a salary which would protect him from starvation. At a first glance the government seems to be trying to do justice to all classes of the people. We find, however, that one class has not been touched at all—the landlords. No tax on land values has been considered and that means that the speculation on land will continue. Land will be held out of production and salaries which are already very low in France will go down further. Meanwhile the wealthy landlords will get still wealthier, the poor classes will be protected from starvation through artificial government measures like minimum wages and higher unemployment and social security payments, but the salaries and the wages of the middle classes will be forced down to a minimum in favor of the land holders. The French Government which had hoped to stabilize the French economy without stifling production will probably find out that her measures are not sufficient because the distribution of wealth is so unequal as to favor the landowners and force wages and salaries down to a minimum.