Review of *Controlling Credit: Central Banking and the Planned Economy in Postwar France, 1945-1973*

Emmanuel Mourlon-Druol, University of Glasgow

In *Controlling Credit* Eric Monnet provides a detailed analysis of the Banque de France's role in the French postwar economy that runs against common wisdom. Traditionally, during the golden age of European growth, central banks were considered to be passive. Further to this, it is often taught in economics that the tools at the disposal of central banks concern the setting of the interest rate, and the discussion focuses then on what are the channels through which action on the interest rate may influence the economy. The study of Eric Monnet turns around these views by showing how active the Banque de France has been in the postwar period, in particular in prioritising direct lending to the French economy; and how the Banque de France actually did have a monetary policy, but without using interest rates. Monnet shows that between 1945 and the 1973 oil shock, namely, during the so-called *trente glorieuses*, monetary policy and credit controls were going hand in hand, and the Banque de France was pursuing some economic and social objectives. The Banque de France's policies actively, rather than passively, contributed to French postwar economic growth.

Monnet's argument is based most obviously on a very thorough research in the archives of the Banque de France. He added to this several complementary sources when necessary such as for chapter 7 in particular, in which he looks at credit policies in other European countries as well as at the making of European Economic and Monetary Union (EMU). The book is divided in two parts, the first being mostly chronological, while the second is thematic. Part I analyses the historical evolution of credit policy in France, from the 1930s to the 1970s, each chapter (1, 2 and 3) covering a specific period. Part II delves into specific themes, that were already apparent in the first Part but deserve a standalone analysis: the Banque de France's instruments to fight inflation (chapter 4), the Banque de France's financing of the Treasury (chapter 5), and credit policy and the rates of capital accumulation in the postwar era (chapter 6).

Eric Monnet's findings have obviously implications beyond the French case, and invite to look at how other countries and central banks really tried to influence their economies after the end of the Second World War. This is the focus of the last chapter of Part II (chapter 7), in which Monnet also discusses the relationship between the evolution of credit policies and control in Europe with the process of European monetary cooperation and integration. Indeed, just as credit policies declined in France and more broadly in Europe, EMU started rising on the agenda. The question is not just as to whether this is a coincidence; but also how the two processes, clearly linked theoretically, were articulated by policymakers (and central bankers in particular) at the time. In order to provide some first elements of an answer, Monnet scrutinised the records of the Committee of Central Bank Governors of the European Economic Community (EEC), and found that credit policies were surprisingly rather absent from the debates. This is indeed surprising as creating an EMU at a time when credit policies were still active would have created a wealth of coordination and harmonisation issues among participating member states.

Monnet's findings are convincing, and contribute to further highlight the paradox that while credit policies were important in the 1960 and early 1970s, their importance was not always obvious to policymakers themselves. In support to Monnet's thesis, it can further be added that in other EEC settings, in particular those related to banking issues (the Working Group on the Coordination of Banking Legislation and the Banking Advisory Committee) the extreme diversity of national systems in Europe regularly came up in the discussions. And when coming up in the discussions, this was to highlight that the regulation and supervision of banking was often part and parcel of national monetary policies. As a consequence, coordinating the former would lead to harmonising the latter. Whether this was desirable or not is another debate; the point is that the two were clearly articulated. This mirrors Monnet's conclusion that the decline of national credit policies, by removing the obstacle of a possible difficult coordination given the different national practices described in *Controlling Credit*, contributed to the convergence of national policies and hence the making of EMU.

This book is therefore of major interest for anyone interested not only in the workings of postwar French financial and economic policy, but also the role of central banks in the economy of other countries during the same period, and more broadly in the making of EMU.