Halting Inflation in Italy and France After World War II

Alessandra Casella & Barry Eichengreen

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In the aftermath of World War II, Italy and France experienced high inflation. The two countries enacted remarkably similar economic policy measures, but stabilization came at different times: for Italy at the end of 1947, for France a year later. Traditional explanations for the regained price stability cannot account for the difference in timing. In this paper, we use the international comparison to shed light on the nature of the inflationary process and on the cause of its decline. We conclude that inflation was symptomatic of an unresolved distributional conflict, and carne to an end when one political group, in both countries the Left, accepted its defeat. The Marshall plan helped to bring the stabilization about by reducing the costs to the group offering concessions. We argue that the French delay in stabilizing can be imputed to differences in the political climate and to the ambitious program of public investment.

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Monetary Regimes in Transition Michael Bordo and Forrest Capie eds., Cambridge University Press: Cambridge , 1992

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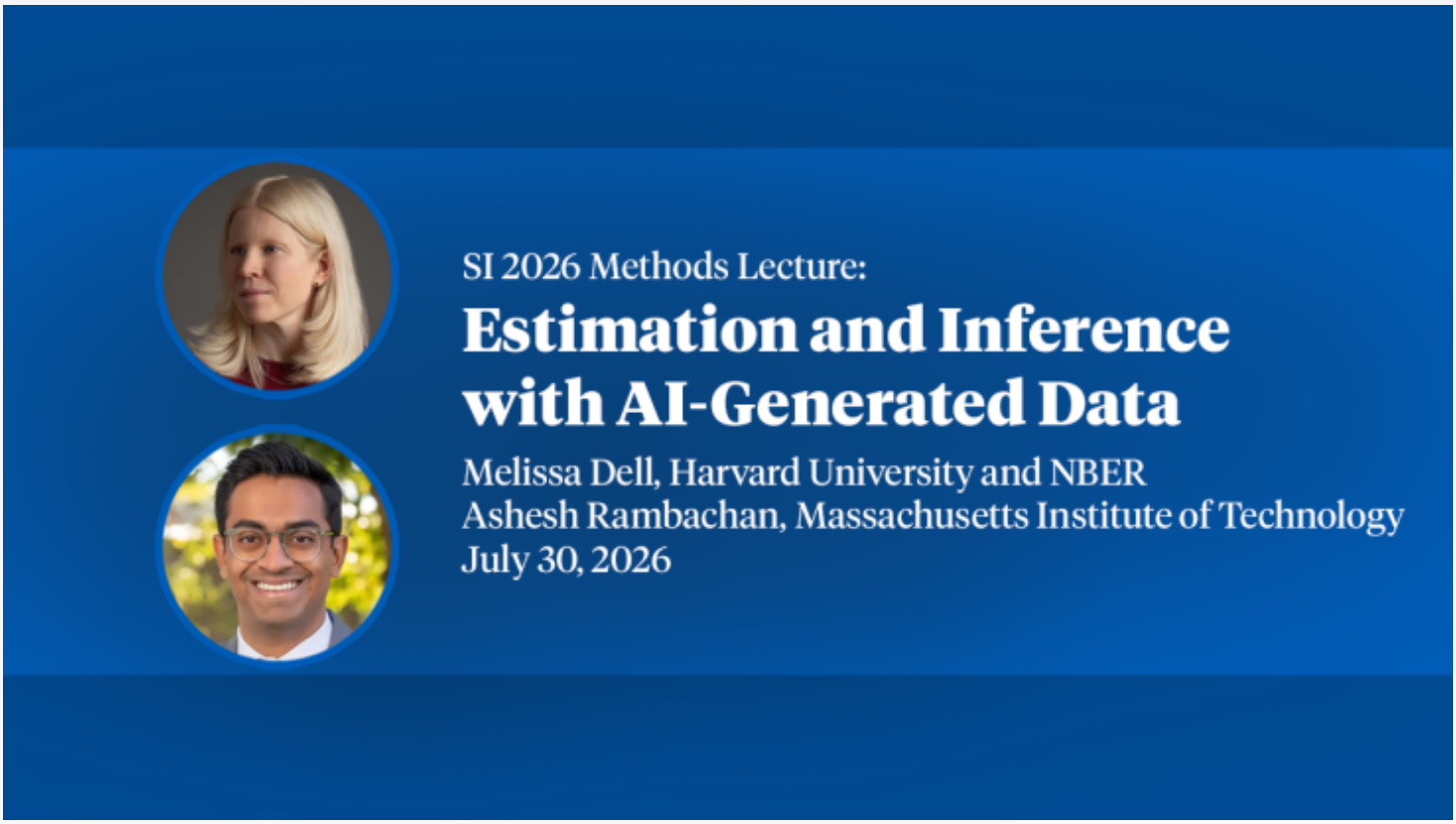


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Contact Us
1050 Massachusetts Avenue
Cambridge, MA 02138

617-868-3900
info@nber.org
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