

cisions are a recognition that the sterling area cannot go it alone—at least not without a system of controls that would render Britain almost indistinguishable from Tito's Yugoslavia, controls which the participating nations would never tolerate.

If controls don't work—and even those maintained under gentlemen's agreements in the sterling area these seven years past haven't worked—there is only one alternative for the Commonwealth: a system in which

most controls can ultimately be abandoned. That is precisely what both Butler and the Tory Government have been doing in domestic affairs. It is not mere chance that the same sort of program is now being blueprinted for the Commonwealth and sterling area.

**T**HUS the Americans who receive and talk with Butler and his associates bear a new and heavy responsibility in the realm of world affairs. They should know that Dame Ru-

mor—a lying jade—has cast Mr. Churchill for a well-timed retirement from the political scene soon after the Coronation, Anthony Eden for a fresh appeal to the country toward the end of 1953, perhaps even in late summer. With Labour in moral and intellectual disarray, the success of Butler's economic programs and policies will play the most important part in the next British elections. Americans and their new business-oriented Administration would do well to ponder that.

# Pinay to Mayer to Whom?

## 'Plus Ça Change' in Action

THEODORE H. WHITE

**I**N FRANCE the turn of the year is a season of many traditions—of Noël, of Reveillon, of wild boar and good hunting. Under the Fourth Republic, a new tradition has been added—that of the breaking and making of Governments as successive platoons of politicians are immolated in the year-end rite of figuring France's annual budget.

Thus it came as no surprise to any of France's citizens to wake two days before Christmas and read that the very conservative Antoine Pinay, the nineteenth Premier of France since the war, had fallen to the seasonal restlessness of the National Assembly as it came to grips with the bookkeeping of the community. Nor was it any surprise that his successor, René Mayer, should be drawn from the upper echelons of France's business and banking aristocracy. In the past year France, with most of the other western democracies, has been carried over the imaginary center line that separates Left from Right. Pinay and Mayer are both men of the Right.

There are, of course, shades and gradations of the French Right, as there are of the Left, and a substantial difference of philosophy

separates the Pinays from the Mayers. Pinay, a short, trail man whose balding head, sharp pointed nose, and little mustache make him look like a French version of John Q. Public, represents the domestic-minded, protectionist, Taftian country purists, who are forever suspicious of the city slickers. Mayer, dark of skin, deep of eye, sharp of tongue, a smooth and sophisticated Parisian, bred in the most powerful circles of French finance, belongs to what can be called the Dewey-Dulles-Aldrich school of the French Right. What binds the two groups together is that both have resolutely turned their backs on the vast drama of postwar social experiment that once kindled all France. They are also alike in that neither professes to have any solution for the great mystery that makes France the bewildering problem child of the Atlantic alliance.

### Poverty Amid Riches

The mystery of France, most simply put, is why the one nation of western Europe best endowed by nature to be strong and rich should offer its citizens so bleak a future of squalor and poverty and its Allies so

frustrating a spectacle of impotence and confusion.

France, in size halfway between California and Texas, sprawls in green and fertile beauty over the richest farmland of the Continent. Alone among the west European states France can feed itself and produce a surplus for export. Its great internal resources of iron ore, impressive hydroelectric-power potential, and deposits of bauxite, potassium, and other ores more than make up for the necessities France must import.

France's workers are diligent, its people educated, its science brilliant. Yet all these lush resources and ingenious people add up to a nation in which the average working wage is between fifteen and twenty dollars a week, while a pound of meat costs ninety cents, a pair of baby shoes runs to four dollars, and a black-market apartment rents for \$150 a month. It is a country where an estimated one-third of all young couples who are so minded must postpone marriage simply because they cannot find roof-and-bed space.

France is a country which in the seven years since 1945 has lagged behind defeated Germany in the con-

struction of new homes. It is a country whose Alpine and Norman cattle gush milk, yet in which butter costs twice as much as in Britain, which must import ninety-eight per cent of its butter.

This spectacle of the French nation's misery amid wealth is not new. For twenty years between the wars France let itself decay to the point where it had to be eliminated from the roster of modern industrial powers.

What is new, and what adds the final twist of mystery, is what has happened since the war.

**T**HE LIBERATION, which brought new freedom, offered the French an opportunity to revise the old system which had failed them so dreadfully in the years between the wars. The old system of privately owned industry had failed to give France one new steel mill in all that twenty-year period; it had let French electric-power production dawdle along with a forty per cent increase in the same years in which the British were increasing their power production by four hundred per cent.

Already under the old system, the line between government in business and business in government had blurred to confusion. Some industries (like tobacco and communications) had been government-owned for generations; others were part nationalized and part privately owned; some were government spoils of the First World War; some that seemed to be privately owned willingly invited socialism by insisting that the government cover their gross deficits.

Post-liberation leaders set out to change this system by socializing it from the ground up and under the ground. Between January, 1945, and the spring of 1946, they nationalized the mines, the gasworks, and the electric-power system; they nationalized most of the banking system, the twelve leading insurance companies, the collaborationists' printing presses, the largest automobile works, and a hundred smaller plants. At the same time, they overhauled the old system of social security, guaranteeing the nation free medical care and baby subsidies. Simultaneously they committed France to a vast six-year national plan—the Monnet Plan—to

overtake the lead of other great nations.

By the time the postwar revolution was added to the prewar system, the leaders of France had greater control of the daily life of their citizens than any other democratic government in the world. Through its power over



*Mayer*

all communications, all forms of energy, all forms of transport, and above all by its control of the credit and banking system, the government of France had every means to carry out a brilliant plan for putting the resources of the land together to make happiness for the French people.

### *La Peste*

But by the beginning of 1952, apparently, the plan had failed. The resources of France plus the purpose of socialist welfare plus the most elaborate agencies of control still left the average Frenchman poor.

This failure showed its face in inflation—the biggest single emotional and kinetic force in French politics.

Inflation in France has quite a different meaning from inflation in America. In America, our money still remains money and the entire pattern of habit that rests on money as a solid measure of value still persists despite the recurrent fever in our prices since the war.

But when inflation comes as it has in France, crawling over almost four decades, it is more like a pestilence—an evil, pervasive condition which year by year erodes morality, planning, and hope. Why save to build a house when savings lose half their value in five years? Why buy government bonds or life insurance when in ten years bonds and policies will be worthless paper?

Since the first rule of life in inflation is to get paper money out of pocket immediately into something hard that can be consumed or hoarded, the productive pattern of industry is warped by warped demand. Thus postwar France saw an appalling and wasteful spurt in automobile production and consumption beyond any reason or usefulness—because an automobile is the favorite form of investment of every French middle-class family that cannot save any other way. Thus the staggering growth of hotel, resort, and vacation-nook buildings in a country desperate for everyday housing—because French families blow their annual surplus in one enjoy-it-now vacation since it is useless to hold the surplus against a rainy day.

Inflation warps decency and citizenship even more than it warps production. Sharp, sly, foxlike men leap ahead; not those who produce goods but those who traffic in them get rich. The sober, sturdy, ordinary people who continue, out of anachronistic habit, to plan for the future and to pay bills and taxes when they come due fall behind. Morality becomes stupidity. Inflation, when pushed as long and as far as it has been pushed in France, is not a disease of economics alone but becomes a disease of the spirit.

Technically, of course, the causes of this inflation are easily found. History has thrust certain extraordinary burdens upon the French government. First comes the cost of wars. The French must pay for rebuilding the last war's devastation, all the

while paying for the present war in Indo-China (which has eaten up twice what the Marshall Plan has given in aid) and simultaneously paying for defense as packed into France's huge NATO effort. In addition to these three burdens, the French government must also subsidize the new social-security system when there is a deficit. And finally, most important of all, as a result of the failure of private French capital to invest in the interwar years, the French government must find the investment funds to modernize, reconstruct, or create anew the sinews of industrial strength.

### Two Bad Guesses

The basic assumption of the liberation leadership was that its new social system would produce such a magnificent rise in output that all the new burdens, external and internal, could be easily carried.

Two things went wrong with this assumption. First the liberation Governments found, as did all Socialists in Europe, that the new machinery of socialism did not work by itself. They built a new kind of engine but did not know how to drive it. Technologically, the nationalized industries (particularly the railways, the electricity net, and the coal-mining administration) were remarkably successful, bringing about impressive increases in productivity.

But socially (and particularly in the control of the credit and banking system) the liberation Governments lacked the know-how to make their new system work. They saw with wonder—and without any solution—that the chief beneficiaries of nationalization were the private industrial clients who bought or traded with the nationalized plants. They saw, but could not prevent, the private trucking firms rolling to unprecedented prosperity through their political influence in the Assembly that controlled the truckmen's great competitor, the national railways.

They found that the classical economic rules of pricing and distribution did not work in nationalized industries—but they had no new rules to go by.

Just as important as their lack of technical know-how was the political confusion of the post-liberation



*Pleven*

Governments after their break with the Communists. The democratic parties of the Left that dominated the Assembly had believed in the beginning that since a majority of all Frenchmen wanted some form of socialism, they would have firm political working control in the National Assembly. But this majority included Communists, who wanted socialism only if they could peddle it to the country on Moscow's terms.

When, in 1947-1948, the Communists went into opposition (trying on one occasion physically to wreck the nationalized coal mines) the parties of the democratic Left were forced to seek support from other democratic but non-socialist groups in the Assembly. They bought this support politically by giving each vested interest what it demanded—immunity from taxation for the farmers, immunity from policing for private industry, subsidies to winegrowers, exporters, and other groups.

Production increased in France under these coalition Governments. The optimists point out that it is now forty per cent higher than in 1938; pessimists point out that it is only about two or three per cent higher than in 1929. But the burdens imposed on France grew even faster than production. Not knowing how to run their new socialized economy or politically how to select and distribute the burdens of the nation, the Left-Center Governments faltered. So the bills of the state were presented to the nation in stealth by the monstrous device of monetary inflation. The French franc today has only a hundredth of its value in 1914; it fell from 50 to 350 to the

dollar in the seven years between the liberation and the advent last March of Premier Antoine Pinay.

The struggle with inflation is the thread on which the politics of France has been suspended since the return of the Right to control of the Assembly. When Pinay took the helm in March, 1952, the French people had just passed through the sharpest spasm of inflation since the war. At home, prices had jumped by thirty per cent in less than a year; abroad, French currency reserves could meet the trade deficits for only a few more weeks. On the open market, the flight of French capital had driven the franc from its official value of 350 to the dollar down to 500. Following two years of near stability guaranteed France by the Marshall Plan, this violent resumption of a decades-old trend seemed to many Frenchmen to prove that France was deeply, incurably ill.

### 'Lucky Pinay'

At this juncture President Auriol called on Pinay to form a Cabinet. By the rules of French politics it was time to call a man of the Right to try his hand at governing. Although Pinay, as a wartime Deputy, had voted for Pétain, he had been rehabilitated as a member of the respectable Right and was considered inoffensive enough to be given his chance to direct the Fourth Republic.

Antoine Pinay, a Deputy of the very conservative peasant Independent Group and mayor of the little town of St.-Chamond, presented himself before the French Assembly late one gray March afternoon on a single-plank program so clear that no one in France could misunderstand it. He was against inflation. He was going to stop it. Earnestly, he assured the Assembly that the way to stop prices from rising was not to raise them.

The dominantly left French Assembly did not like Pinay. But it could not vote down a man who promised to keep the gas bill from rising. With the abstention of the Socialists and most of the Gaullists, Pinay squeaked through. That evening, at the journalists' bar of the Assembly, the odds were even that

Pinay would not last a week. He lasted for ten months—and prices stopped going up.

Those who dislike Pinay insist it was all luck, and therefore nickname him *Pinay-la-Chance*, “Lucky Pinay.” The story of Pinay’s luck was indeed prodigious. The very month that Pinay took office, world commodity prices started on a long, steady slump.

**T**HEN, within a few weeks of Pinay’s assumption of office, the flow of spring fruits and vegetables from southern France began arriving in Paris markets to bring down seasonal food prices. A few months later, a disastrous epidemic of hoof-and-mouth disease swept France, causing thousands of farmers to butcher their cattle and glut the market with meat before the disease should catch their livestock. Simultaneously, American credits and emergency aid negotiated by Pinay’s predecessors at the Lisbon Conference of NATO became available.

Simultaneously, too, Pinay was favored by politics to an extent that only a God-fearing man such as he could expect: The Gaullist opposition on the far Right splintered, and a large faction of Gaullist delegates deserted the General to support the new conservative Premier. More important, the French labor movement arrived at its nadir of internal division, dissension, and helplessness. Each of the three great labor confederations in France—the Catholic, the Socialist, and the Communist—was riven last summer and fall by stormy feuds. Divided against each other as they always have been, they are now also divided within, and the Communist CGT is the most divided and worst paralyzed of all. In a country which counted over six million union members seven years ago, there are now fewer than two million.

### The Element of Courage

The partisans of M. Pinay—principally the big French commercial newspapers and periodicals—insisted that not luck but courage and determination won the day. There is much truth in this, too. Starting by saying “No” to a rise in the gas bill, Pinay said “No,” courageously and successfully, to pressures from which

most other French politicians had flinched.

The Pinay case would have been a perfect parable of the triumph of simple virtue over theory if France were the country town of St.-Chamond, and inflation merely a matter of manipulating price indexes. But France is not St.-Chamond, where one regulates one’s weekly purchases according to the number of francs in the purse, and inflation is more complex than the simple control of credit and currency.

France lives in a great world of rival giants. Its inflation, however mismanaged by the post-liberation Governments, reflected the effort of

a great people to pull themselves abreast of those giants, both in external strength and internal welfare. For all their faults, the pre-Pinay Governments had one virtue—they thought large.

Pinay took a completely contrary tack. He was against inflation. If the burdens of France caused inflation, they were to be stripped down to what the economy and Assembly politics would bear without inflation. If this meant that burdens forced on France by the need or will to become great and fruitful again had to go first, *tant pis*—too bad.

Deep beneath Pinay’s studied homespun manner was the conviction that by trimming, cutting, curbing the semi-socialized economy of France, he could lure into the open fresh French private capital, and instill in this private capital the spirit of enterprise.

### The Cartels

The weakness of Pinay’s program lay in the meaning of “free enterprise” in France. In France, free private enterprise as the classical economists knew it is as dead as Adam Smith. The zip went out of French business life sometime about the turn of the century, when the great structure of cartels and combinations gripped French life.

The government may exhort the farmers from spring to snow to use more fertilizer and get greater yield—but the farmers cannot buy fertilizer so long as the cartel keeps fertilizer at outrageously high costs determined by its most inefficient and obsolete members. The new government-owned enterprises are simply new collective groups added to old collective groups—and victimized by them. Though the French government owns the greatest automobile plant in Europe, the directors of Renault wail hopelessly at the high prices forced on them by the practices of small-parts and subassembly firms.

Apart from the oil industry (controlled by American, not French, private capital), what expansion has been forced on France since the war has come not from private enterprise but from the Marshall Plan and the Assembly’s legislative mandate.

Pinay, in his stewardship, tried



Pinay

to make the dead bones of French private enterprise come to life by stabilizing the currency and hoping that thrift would eventually come to fruit in investment. His technique was simply that of the deep-freeze and the stubborn "No" to any political assault on his monetary policy.

**B**UT NONE of the deeper long-range problems of France were even approached during Pinay's term of office: the need to drop some of the overseas burdens of empire; the initiation of new industrial investment for tomorrow's needs; the need to foster technological productivity; the need to shake out of the French system the horde of useless middlemen. (France has one retail outlet for every forty inhabitants, as against one for every eighty-eight in the United States.) Every intelligent man in France is aware of these needs, and so is the overwhelming majority of the French Assembly. But no one does anything about them.

Under Pinay's leadership, France got no worse. But France got no better, and that was Pinay's undoing.

The precise issue on which Pinay was repudiated by his own coalition—a technical detail of bookkeeping in the social-security accounts—was unimportant. What brought him low was simply the restlessness of a French Assembly condemned to live with the knowledge of France's stagnation.

The restlessness of last year-end's crisis had, as every French crisis has, its novel features. The restlessness reached all the way around the hemicycle of the Chamber, even to the followers of General de Gaulle, whose decision to support and—some of them hoped—to participate in the next Government of France made possible the Government of René Mayer. Like Antoine Pinay, René Mayer must stand and fight on the price line, for no conservative Government of France can be at once conservative and inflationary and yet survive. But unlike Pinay, Mayer plans to fight this battle not only on the domestic front but on the foreign front as well, and his Cabinet has become the first true



*De Gaulle*

"Foreign Affairs" Cabinet of post-war France.

In France as in America, the outward orientation of the new Mayer Government has led attention to be focused almost exclusively on the decision of Mayer to push the European Army Treaty through to conclusive ratification by the French Assembly. This decision is in part a reflection of Mayer's very sincere "European conviction." But in equal measure the commitment is necessary in order to retain continuing American support of the French economy and possibly to secure an increase in that support if, in the next few months, the French economy shows signs of blowing up once again.

#### **Mayer's Nest**

For what faces Mayer in the national bookkeeping is a slowly growing crisis, a direct legacy from the previous Pinay experiment. When Pinay put the French economy into a deep-freeze, he froze everything, including French prices. These French prices remain anywhere from fifteen to twenty-five per cent higher than world prices on all basic products that enter into international trade.

Rich as France is, it must import from the outside world in order to live—it must import oil, cotton, wool, and much of its coal. If it cannot sell its products abroad, it

cannot buy abroad and its industries must stutter to a halt. In the first nine months of last year, France's dollar deficit was over 1 billion (as against a similar deficit of \$640 million the previous year). In December, France went into debt with its neighboring members of the European Payments Union to the tune of \$71 million—and its total official gold reserves are only in the neighborhood of \$500 million. It is this situation that makes Mayer now plan his calendar so that he may leave for England as quickly as possible to discuss exchange rates—a polite term for devaluation—with France's most important trading creditor. It is this that makes him so anxious to visit Washington to measure the good will of the new Administration.

Mayer would like to relax the restrictive measures within France which Pinay imposed to check inflation. He talks of "relaunching affairs," but he can do so only if he secures the necessary "adjustments" from his Allies.

**H**ISTORIANS will probably record that both Pinay and Mayer were shrewd, honest men who tried hard. If historians are compelled to write these two Premiers down as small men, the fault will probably not lie with the men themselves. It will be because France has ceased to act, talk, or think like a great nation. For over a year, no member of a French Government has suggested a program of regeneration and revival designed to bring order and greatness out of the magnificent human and material resources which lie strewn across their country. Pinay's solution was to sit still and make the best of a situation he could not cure; Mayer's is to seek the solution abroad.

Neither Premier offered, or wished, to marshal France at home in new formation for new achievement. France today is stuck, as it was stuck in 1938 and stuck in 1925—just stuck. Nor does anything on the present political horizon offer any hope that it will come unstuck to become a dynamic nation whose vigor and virility might guarantee the peace and security of the Atlantic basin and the New Europe.

# A New Strategy For Korea?

S. L. A. MARSHALL

ALTHOUGH Mao Tse-tung does not owe his power to his reputation as a military genius, in 1936 he wrote a textbook for the Red Army Academy which deserved a wider audience. *The Strategic Problem of China's Revolutionary Army* is not light reading for a weekend in the country. It is a mixture of abstractions and concrete ideas, tactical maxims and philosophical platitudes.

But there has not been a clearer definition of Chinese military intentions since the building of the Great Wall. Only, unlike the meaning of the Wall, which could be taken in at a glance, Mao's meaning was not understood by the outside world because his words were not read.

At one point Mao noted that a good way to achieve deception is to make sure that in the initial stages of war the opposing side captures exactly the right prisoners. If that was not precisely what the Chinese Communists did on entering the Korean War in 1950, then what happened must be dismissed as an ingenious coincidence.

Further along, Mao pays tribute to the Brest-Litovsk negotiations as a pilot model for obstructionism by a revolutionary government when time is a main need. Stall them and confound them! So the Chinese knew what they were doing when they first sat down at the Kaesong table, while our side, knowing Brest-Litovsk only as a spot on a map where once upon a time Russians and Germans parleyed, didn't.

THE MAIN theme of Mao's treatise on war is that revolutionary governments can always afford a protracted defense because the sacrifice

to strategic pressure from without is more than offset by consolidation of the political position within. As events have proved, this was not one of Mao's idle philosophical platitudes; it forewarned that Communist China would intervene in any foreign war where it might expect to outstay its opponent.

Whatever losses in territory are necessary, Mao said, are bargains when they become stepping stones to ultimate victory. The idea is hardly radical. Mao simply agrees with MacArthur that there is no substitute for being the winner at the final bell. Follow now his musings on that subject: "A fool refuses to sleep and has no energy for the next day. In



the market, a buyer must lose his cash to obtain his goods. If what we lose is territory and what we gain is victory over the enemy plus return and expansion of the territory, war is a profitable business."

Because this is a typical passage, it helps explain several things. On the face of it, this is such a silly way to write about war that no civilized staff college would have felt justified in taking Mao seriously. But the military meat is still present amid the metaphorical hash. His repeated emphasis on victory and the necessity therefor must inevitably raise some questions about our own ability to understand the problem in Korea and the attitude of our main enemy toward it.

"Main enemy" means Red China, not Russia. While it may have been good electioneering to say that the war is run by Moscow, it is simply not true. Red China is the great opponent as the struggle stands, and neither the weapons supplied by Russia nor the auxiliary fanatics from North Korea could keep the war going one month if China were to quit. There would be nothing to resist the U.N. coalition if the Chinese divisions backtracked to the Yalu.

And so it is to Red China's doctrine that we should pay heed if we are to distinguish between a detour and the main road.

## A Sound Proposition

Just as Mao's doctrine supplies the reasoning which, from Communist China's view, warranted the intervention and should have forewarned us of it, it hints at the terminal point: War is a "profitable business" only so long as it points toward eventual