# Re-Educating European Management: The Marshall Plan's Campaign Against Restrictive Business Practices in France, 1949-1953

**Kai R. Pedersen**

"When the French Mission of the European Recovery Program totted up its results at the end of the first year of operation," David Landes noted in an essay he wrote for the Economic Cooperation Administration (ECA), it discovered that "the contribution of so many new machines plus so many tons of coal and raw materials had not added up to the sum of products anticipated." The reason for this, Landes suggested, was that French businessmen favored stability and security to competition and growth, and preferred to "limit production and spread profits" [30e, 8, 23, 26]. Landes's theory of entrepreneurial failure strengthened the American Marshall planners' conviction that restrictive business practices were the principal reason for what they considered the ineffective use of U.S. aid in France [30c, 7, 9/1951]. As American officials used the term, "restrictive practices" referred to all the traditional economic behavior and social attitudes that limited competition and impeded growth, ranging from oligopolistic practices such as price fixing and production quotas to foreign trade controls. Landes's analysis suggested that a virtually monolithic business class, bound together by its "pre-capitalist ethos," was the main barrier to the introduction of genuine competition in France.

This essay addresses two facets of the American campaign to promote competition in France: its support for domestic French antitrust legislation and its attempt to persuade industrialists to disband their cartels – topics that have received scant attention from scholars, with the notable exception of Matthias Kipping's recent work [18]. Like Kipping I argue that *national* efforts to curb the cartels' power in France largely failed, although our depictions of the American role differ, partly because our concerns are somewhat different. This paper argues that whereas American policy-makers treaded rather cautiously in the public French debates over cartel legislation, they were anything but prudent and restrained in their direct dealings with French industrialists. Indeed, the dogmatism and the missionary zeal many Americans displayed in that educational campaign, fed in part by Landes's theory of entrepreneurial failure, was one important reason why success in reforming French business practices proved elusive.

ECA officials had warned ever since the aid program's inception that restrictive practices might act as a brake on European economic recovery. In fact, they had anticipated a resurgence of producers' arrangements as Europe's economies revived and as its markets grew more competitive [30a, 4, 8/9/1948]. Yet restrictive practices were not a major concern in the ECA, at least not until the fall of 1949. Before then, Washington tended to assume that the Marshall Plan's trade

---

*BUSINESS AND ECONOMIC HISTORY,* Volume twenty-five, no. 1, Fall 1996.
 ISSN 0849-6825.

(and payments) liberalization and the Productivity Drive, by promoting "healthy competition" and enlightened management practices, would sweep away the myriad regulations, whether private or public, internal or external, that had restrained production and hamstrung commerce in Europe since the interwar period [14, 15]. In France and other participating countries, however, business and government leaders responded to trade liberalization by raising tariffs and resurrecting the prewar cartels, thus largely nullifying the program's competitive effects [30b, 2, 8/13/49; 30h, 68, 1/9/1950; 30a, 2, 10/17/1948; 30d, 47, 5/19/1950; 3, 7/23/1949; 11, pp. 392-94, 398-401; 25, p. 312; 33, pp. 38, 185; 19]. By the same token, the lack of whole-hearted support from France's government and trade associations meant that the American sponsored productivity program had little immediate impact on how businessmen conducted their affairs [20; 21, ch. 4; 22].

Early calls for the ECA to assist participating countries in conducting studies of monopolistic practices, much as the Temporary National Economic Committee had done in the United States, met therefore with little response [30a, 4, 8/9/1948; 13]. It was not until September-October 1949 that ECA Washington and the Office of the Special Representative to Europe (OSR) asked the local missions to collect information and begin investigations of restrictive practices [30a, 4, 9/24/1949, 10/14/1949]. Marshall Plan Administrator Paul G. Hoffman and other American leaders had grown particularly alarmed at reports that documented the collusion between European producers and their governments in reviving international cartels [30a, 4, 11/21/1949].

## The Battle for Antitrust Legislation

Barry Bingham, head of the ECA Mission to France, agreed with his superiors on the need for a "coordinated attack" on French restrictive practices "along a broad front." Yet he cautioned against expecting rapid results since the French political and social climate "militate[d] against the concept of competition." French reformers had traditionally sought to curb monopoly by nationalization rather than by antitrust legislation and neither labor nor the public was likely to back a campaign to promote free enterprise and free competition in France. As for vested business interests, they could be counted upon to resist tooth and nail any attempt to introduce real competition. The best bet, Bingham concluded, lay in locating and supporting government officials who shared the American commitment to competition and antitrust [30a, 4, 10/6/1949].

The Americans' strongest ally in France was Jean Monnet and his Planning Commission, who had long been concerned with the detrimental effects of cartels on the French economy. American Marshall planners worked closely with Monnet's staff on the cartel issue (as they did on many other issues), providing technical assistance and moral support. The problem, as ECA officials had pointed out already in 1948, was that Monnet's denunciations of the trusts were not representative of the French government's views [30a, 2, 10/17/1948, 1/26/1950; 30a, 4, 3/27/1947]. And American support was not sufficient to overcome the entrenched opposition to decartelization in both the French administration and the business community. Hence, it was not surprising that the Monnet bill, modeled after U.S. antitrust legislation, had, as the ECA put it, simply "died from neglect" [24, 3/22/1950; 30a, 2, 7/18/1950, 2/26/1953, 10/17/1948, 1/26/1950, 1/27/1947].

The failure of the Monnet bill notwithstanding, the ECA continued to closely monitor and support French legislative efforts to ensure "fair competition." Subsequent bills, such as the one the Bidault government introduced on May 12, 1950, were much weaker, as most sought merely to "control" rather than suppress the cartels, upholding the traditional French distinction between "good" and "bad" ententes. Perhaps most frustrating of all to the Americans was that, as these measures appeared destined to failure, there was seemingly little the ECA could do to affect the outcome [30a, 2, 6/12/1950, 6/28/1950]. True, in order to generate greater popular interest in, and parliamentary support for, effective antitrust laws, the State Department and the ECA wanted a team of French experts to visit the United States to study American antitrust legislation and enforcement [30h, 58, 4/5/1950; 30a, 2, 4/13/1950, 4/15/1950]. But even extending such an invitation was politically risky in postwar France, because it was likely to be perceived as evidence of American interference, which, Bingham warned, would be the "kiss of death" to the antitrust bill [30a, 2, 4/13/1950; 33]. Monnet reportedly favored a stronger public stance by Washington in the French legislative battles over the cartels; in that case he had clearly misread how sensitive French public opinion was toward any form of American political pressure [18, p. 439].

Any hopes the ECA had entertained that French legislation would eliminate monopolistic business practices had all but vanished by mid-1950. The agency noted in June that support for a vigorous antitrust policy remained "slight and confined to special groups in [the] French Government" [30d, 17, 6/20/1950; 30a, 4, 10/14/1949; 30a, 2, 6/27/1949]. As noted, support for American views was quite weak even within the administration in Paris, allegedly because many officials in the economic ministries lacked proper economics training and aspired to future careers with the trade associations and the cartels [30i, 2, 1/17/1952]. Furthermore, the Bilateral Agreement between the United States and France, which Washington had initially viewed as a tool in the campaign against the French ententes, was proving virtually useless. Thus Secretary of State Dean Acheson conceded in July 1950 that the bilateral accord was not accomplishing even Washington's "minimum" decartelization objectives, in part because it did not apply to domestic restrictive arrangements [30h, 68, 7/25/1950, 10/6/1949; 30f, 1, 2/6/1950].

When the French unveiled the Schuman Plan on May 9, 1950, American decartelizers shifted much of their attention toward securing acceptable anti-cartel statutes in the European Coal and Steel Community. The impact of these antitrust statutes on French business practices, which remains a matter of controversy, falls outside the scope of this essay [12, pp. 289, 299-310, 325, 328-39; 28; 8, pp. 793-794; 29, 2, 10/22/1953; 29, 5, 11/29/1954]. Yet American Marshall planners did not abandon their support for domestic anti-cartel measures in France.

American hopes temporarily rose when the French agreed to send a Technical Assistance team to study American antitrust legislation in 1951. The anticipated results, however, never materialized. Upon its return, the team, headed by MRP deputy Germaine Poinso-Chapuis, concluded that France's different economic and legal conditions "precluded easy transplantation of US laws to the French scene" [30e, 8, 2/26/1953]. Nevertheless, Poinso-Chapuis introduced a measure in late December 1951, which formed the basis of a bill passed by the Assembly the following July. The bill, however, ran into massive resistance in the Economic and Social Council before the Senate rejected it in February 1953 [30e, 8, 2/26/1953; 30h, 3/16/1953; 7, pp. 315-16].

Other measures, such as the Pinay Law of 1952 and the Laniel decree law of 1953, were regarded largely as failures, as well, because they contained too many loopholes and lacked effective enforcement machinery. Frustrated by their inability to affect the outcome [30a, 2, 4/13/1950], American policy-makers singled out organized business as the group primarily responsible for defeating the drive for effective antitrust legislation in France [30h, 68, 1/31/1950, 11/12/1951, 5/2/1952; 30h, 204, 3/16/1953, 10/20/1953, 10/24/1953; 30a, 2, 5/26/1950, 6/27/1950, 7/18/1950; 11, pp. 382-83, 386-91; 7, pp. 310-12].

**"Re-Educating" French Industrialists**

The Marshall Plan's promotion of competition did not rely exclusively on its push for antitrust legislation in the recipient countries. In fact, the ECA had explained that even if more effective laws had been passed, they were likely to be "paper victories" unless they had widespread backing, especially from the nations' business organizations. In another line of attack, therefore, the ECA Mission to France set out to persuade the country's industrialists of "their self-interest" in reforming restrictive business practices, and was instructed to "avoid doctrinaire approach" [30f, 1, 2/6/1950; 30g, 3, 6/19/1951].

At first the ECA relied primarily on the trans-Atlantic study trips, organized under the auspices of the Marshall Plan's Technical Assistance Program, to change the views of conservative French industrialists. The idea was that French manufacturers would get to see first-hand what wonders competition had worked in the United States and return to France as advocates of American-style capitalism. Although these technical assistance missions attracted large numbers of French businessmen, most of them represented middle management who lacked the clout to effect major changes [6, ch. 2; 27]. By contrast, the big captains of French industry, who controlled the powerful trade associations and the cartels, were much more resistant to change and shunned the technical assistance missions [30g, 5, 12/27/1950; 2, 7/1951]. Hence, that strategy was not working, and the Mission concluded in late 1950 that the productivity program in France "has had little if any influence on the cartel problem" [30e, 5, 11/30/1950].

Such failures underscored the need for the ECA to engage directly the heavyweights in the French industrial community on the issue of restrictive business practices. From mid-1950 through 1951, the Mission was awash with new ideas for persuading French businessmen of the virtues of American-style competitive capitalism. Thus Milton Katz, the Special Representative's deputy in Paris, admonished the Mission to expand its contacts with the business community so it would reach "all important industrial groups," including the manufacturing associations and the chambers of commerce [30f, 1, 6/28/1950]. Some urged the recruitment of independent American executives to work with their European counterparts, while others favored special seminars to teach French industrialists better business practices. This ambitious agenda, if implemented, would have amounted to what one official called an "extensive program of re-education" [30e, 3, 6/19/1951].

Widespread French opposition rendered ineffective the strategy which the ECA pursued toward the French business community after the summer of 1951. The ECA's demand for direct negotiations with French industrialists and its plans to send teams of American management experts to France to teach enlightened business practices sparked a public outcry in France. The Communists predictably denounced it as yet another manifestation of American imperialism, while the government had tired of American meddling in France's internal affairs. Nor did the industry traditionalists the ECA was seeking to convert – and I use the term "convert" deliberately – welcome the idea [30e, 7, 8/20/1951].

Thus, it was generally left to Mission personnel to make the American case against restrictive practices. In private meetings with French industrialists they explained how cartels and other market-sharing arrangements limited production, raised prices, and hampered productivity; as a result, French producers were allegedly frozen into a "static" mold that left them at a significant disadvantage vis-à-vis their international competitors. While there may have been some justification for cartels in the past, the Mission told French industry, after World War II they were "out of date, useless, [and] dangerous" [30a, 4, 5/9/1950].

Most Frenchmen did not share such views. French industrialists challenged American claims that cartels stifled productivity and impeded economic growth [30i, 2, 1/17/1952]. The cartels did not set prices deliberately high in order to protect the least efficient producers, as the Americans charged; instead prices were supposedly aligned on the medium and more efficient producers [30h, 107, 11/6/1951]. Furthermore, France's postwar ententes, whatever their prewar shortcomings, ostensibly favored "higher specialization and higher productivity" [30j, 68, 2/21/1950]. Industry spokesmen also charged that the Americans were ignorant of France's particular economic circumstances; in view of the nation's industrial structure and narrow domestic market, they could not afford "the luxury of competition" and had to unite against foreign competition [30h, 107, 11/6/1951; 30i, 1/17/1952; 9, 11/1949, pp. 1-2]. At any rate, the French thought the United States greatly exaggerated the prevalence of cartels and other restrictionist arrangements in postwar France [30h, 113, 12/4/1951].

American officials reacted with disbelief when French industrialists insisted that their ententes facilitated trade liberalization and economic integration [30j, 7, 1/8/1951, 2/27/1951, 12/25/1950, 12/19/1950, 7/25/1951]. The ECA was particularly disappointed that even the progressive employers, which the United States courted in the early 1950s, clung to that position. Thus, the Mission to France was caught by surprise when René Perrin, head of the small liberal employer group ACADI (Association de Cadres Dirigeants de l'Industrie Pour le Progrès Social et Economique), contended that European economic integration was impossible without at least the temporary resurrection of cartels. Such claims were not necessarily insincere but they suggested that the French concept of economic integration was not the same as the ECA's; instead, as Charles Kindleberger wrote in an internal memo in 1950, Europeans defined economic integration as "a division of labor designed to balance trade on agreed lines" [30d, 33, 1/1950].

The chasm separating American and French views on cartels was clearly evident in the discussions that took place at the First International Congress of Manufacturers in New York City in December 1951 – a project that was an integral part of the ECA's re-education campaign in France. True, Georges Villiers and Pierre Ricard, President and Vice President, respectively, of the Conseil National du Patronat Français, sought to paper over the trans-Atlantic disagreement on restrictive practices by minimizing the prevalence of cartels in Europe and by professing their "enthusiastic and active faith" in a "dynamic system based on free competition between free enterprises" [30h, 113, 12/4/1951; 31, pp. 175-76]. American executives, however, were not as diplomatic as their European counterparts; in one session, the visitors from the Old World were told that "they were essentially Communistic if they felt they could fix prices and allocate markets" [30h, 107, 1/1952; 9, 4/1949, pp. 4-5]

Such intemperate attacks on French management, which had become commonplace by the second half of 1951, revealed that the tactics the Americans employed in their educational campaign left much to be desired [30h, 107, 8/10/1951]. This verbal assault also suggested that ECA officials had virtually given up on converting the existing leadership of French organized business to their own liberal economic ideology. Instead, the Marshall Plan agency was groping for a strategy that would bypass the old guard and empower the younger, more "progressive" industrialists in France.

The Moody amendment of 1952 reflected the shift in American policy [30e, 5, 11/30/1950]. It provided "conditional aid" to "pilot" plants that pledged to abolish restrictive practices and to share the benefits of increased productivity with workers and consumers. The pilot-plant approach thus aimed to undercut the power of the trade associations and the cartels. But the few maverick employers who participated in the program (many stayed away because they feared reprisals from the trade associations) never mounted an effective challenge to the cartels [30g, 4, 12/21/1950; 30g, 3, 7/10/1951; 30g, 5, 10/8/1952; 30c, 9/16/1952; 11, pp. 335-39; 10, p. xii]. Some policymakers contended that "more specific and dramatic" gains in restrictive practices would come only if the ECA imposed tougher preconditions for recipients of "Moody funds." Henry Labouisse, the new Mission chief, vetoed that proposal, however, pointing out that such arm twisting would surely backfire in France [30i, 2, 12/30/1952]. Overall, the Moody program's impact on restrictive practices in France was slight; on the other hand, it further antagonized business conservatives and contributed to the deterioration in Franco-American relations [1, 16025, 3/24/1953, 6/11/1953; 30h, 7, 3/4/1953; 11, pp. 338-39].

**The Reasons for Failure**

This essay is *not* suggesting that the United States had no major impact on business opinion or business practices in France in the early 1950s. Important steps were taken that eventually helped to open up the French market and undermine restrictionist ideas and practices. The American campaign also forced cartel members on the defensive, as French industrialists increasingly minimized the importance of cartels [30h, 107, 11/6/1951; 30i, 2, 2/6/1952]. However, the Marshall planners themselves thought that the campaign against monopolistic business practices had a very limited impact. Was that an inevitable outcome? Or, could different strategies have worked?

It is difficult to escape the conclusion that the campaign failed to some extent because it never received top priority in the ECA. While Washington called for a "coordinated attack" on restrictive business practices, it was reluctant to commit the resources and personnel necessary to execute an effective campaign. The *Journal of Commerce* had reported at the end of 1949 that the Marshall Plan's country missions were not equipped with experienced anti-trust observers who could track and uncover the activities of the cartels [17]. That did not fundamentally change over the next few years. Despite a growing consensus that something drastic needed to be done to deal with producers' agreements, the ECA rejected proposals to appoint what one policy-maker called "a czar" to handle restrictive practices [30a, 4, 4/14/1950, 4/17/1950]. The ECA did eventually set up a separate office in its Fiscal and Trade Policy Division, but never invested it with the power necessary to direct a successful campaign [30a, 4, 9/20/1949]. As a result, restrictive practices merely received, one critic lamented, "a great deal of attention spasmodically from a few people" [30a, 4, 7/17/1950].

In a 1958 study the International Cooperation Administration, a successor to the ECA, argued that the Marshall planners' critical error had been to sidestep and circumvent the trade associations and other existing management organizations. A more successful program, it concluded, would have enlisted "the support and contacts of the trade associations" by reorienting "their ideas and attitudes" [16, p. 17]. Of course, the United States had tried that approach but found it wanting. Perhaps, if the Americans had discarded what one expert called their "legal, puritan and smartalec attitude" toward monopolistic practices, and engaged cartel leaders "in a spirit of cooperation" rather than "investigation," such a strategy might have worked [30a, 4, 3/29/1950]. By viewing the issue simply as one of ethics or economic doctrine, they were unwilling to test industry leaders' claims that the policies of the postwar cartels differed markedly from those of the past. Furthermore, the Americans' penchant for politicizing their disputes with French business leaders was both unnecessary and counterproductive; their confrontational style certainly made it hard for "progressive" French entrepreneurs to openly cooperate with the ECA [5, chs. 2-3]. As Kipping's work suggests, American officials may also have gravely underestimated the vulnerability of the ententes once the French protective walls began to crumble [18, 19].

In any event, as ECA Washington had acknowledged in its policy statement on France in mid-1950, it was exceedingly difficult to reshape French policies in the absence of strong local support [30d, 17, 6/20/1950]. Such support was often lacking; the French business community did not as readily accept American economic and managerial concepts during the Marshall Plan, as some scholars have suggested [6, pp. 156-57; 32, pp. 202-03, 212, 266-67]. Washington's heavy-handed approach, which tended to alienate the groups it wanted to reach, produced a profound disenchantment with the American role in postwar France [33]. Washington's disappointment was also the result of its overly ambitious goals. As Paul Porter recognized, it had been unrealistic to assume that "habits, attitudes, fears, prejudices, and inertia rooted in practices that go back many generations can sensationally be changed in a few months or even a couple of years. We are still at the stage of planting seeds" [30j, 7, 9/5/1952]. By the late 1950s and 1960s, however, some of these seeds eventually bore fruit as the so-called "Managerial Revolution" transformed the French business world.

## References

1. Archives Economiques et Financières, Paris.
2. Archives Nationales, Paris, 80AJ77.
3. Archives Nationales, F60 bis.
4. Archives Nationales, F60 ter.
5. David B. Audretsch, *The Market and the State* (New York, 1989).
6. Luc Boltanski, *Les Cadres: la formation d'un group social* (Paris, 1982).
7. Hubert Bonin, *Histoire économique de la IVe République* (Paris, 1987).
8. G. Bossuat, *La France, l'aide américaine et la construction européenne 1944-1954* (Paris, 1992).
9. *Bulletin du Conseil National du Patronat Français.*
10. Commissariat géneral à la productivité, *Objectifs et réalisations* (Paris, 1955).
11. Henry W. Ehrman, *Organized Business in France* (Princeton, 1957).

12. John Gillingham, *Coal, Steel, and the Rebirth of Europe* (Cambridge, 1991).
13. Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton, 1966).
14. Paul G. Hoffman, "An Expanding Economy Through Economic Integration: The Major Task of Western Europe," *Vital Speeches of the Day*, (November 15, 1949), 68-69.
15. Michael J. Hogan, *The Marshall Plan* (Cambridge, 1987).
16. International Cooperation Administration, *European Productivity and Technical Assistance Programs: A Summing Up (1948-1958)* (Paris, 1958).
17. *Journal of Commerce*, 29 December 1950.
18. Matthias Kipping, "Concurrence et compétivité, les origines de la législation anti-trust française après 1945," *Extrait de Études et documents*, 6 (1994), 430-55.
19. Matthias Kipping, "Les tôles avant les casseroles. La compétivité de l'industrie française et les origines de la construction européenne," *Entreprises et Histoire*, 5 (1994), 429-55.
20. Richard Kuisel, "'L'American Way of Life' et les missions françaises de productivité," *Vingtième siécle*, 17 (1988), 21-38.
21. Richard Kuisel, *Seducing the French* (Berkeley, CA, 1993).
22. Richard Kuisel, "The Marshall Plan in Action: Politics, Labor, Industry and the Program of Technical Assistance," in René Girault and Maurice Lévy-Leboyer, eds., *Le Plan Marshall et le relèvement de l'Europe* (Paris, 1993), 335-58.
23. David Landes, "French Business and the Businessman: A Social and Cultural Analysis," in Edward M. Earle, ed., *Modern France* (Princeton, 1951), 334-53.
24. *Le Monde.*
25. Philippe Mioche, "Le Plan Marshall et le sidérurgie française," in Girault and Lévy-Leboyer, eds., *Le Plan Marshall*, 303-17.
26. Kai R. Pedersen, "Breaking the 'Malthusian' Mentality: The Marshall Plan's Productivity Drive and French Business Resistance to European Economic Integration," paper presented to AHA Annual Meeting, Washington, DC, 1991.
27. Anthony Rowley, "Taylorisme et missions de productivité aux Etats-Unis au lendemain de la Seconde Guerre mondiale," in Maurice de Montmollin and Olivier Pastre, eds., *Le Taylorisme* (Paris, 1984), 141-48.
28. Dirk Spierenburg and Raymond Poidevin, *Histoire de la Haute Autorité de la Communauté Européenne du Charbon de l'Acier* (Brussels, 1993).
29. U.S. National Archives and Records Administration (NARA), Suitland, Md., RG 84, Records Pertaining to the European Coal and Steel Community.
30. NARA, RG 469 Foreign Economic Assistance
    a. ECA Washington (W), Financial Policy and Trade Development Division, Records Pertaining to Restrictive Business Practices.
    b. ECA/W, Office of the Administrator, country subject files.
    c. ECA/W, Productivity and Technical Assistance Division, country files.
    d. ECA/W, Assistant Administrator for Programs, subject files.
    e. Office of the Special Representative to Europe (OSR), Productivity and Technical Assistance Division, country files.
    f. OSR, Labor Information Division, Office of Economic Adviser, general subject files.
    g. OSR, Productivity and Technical Assitance Division, Labor Productivity Branch, country files.
    h. Mission to France, Office of the Director, general subject files.
    i. Mission to France, Office of the Director, Communications and Records Unit, Sensitive Records.
    j. Mission to France, Office Files of the Director.
31. Georges Villiers, *Témoignages* (Paris, 1978).
32. Richard Vinen, *The Politics of French Business 1936-1945* (Cambridge, 1991).
33. Irwin M. Wall, *The United States and the Making of Postwar France* (Cambridge, 1991).