for us to understand what the French mean by economic malthusianism, and to examine the consequences it had for their economy. Accordingly, I shall examine: (1) the meaning of economic malthusianism, (2) the pernicious effects on the French economy of its embodiment in a system of protectionism, and (3) the beneficial effects on the French economy of its temporary abandonment in favor of moderately free trade.

I. THE CONCEPT OF ECONOMIC MALTHUSIANISM

Economic malthusianism stems from an obsessive fear of narrow markets.[1] The malthusian entrepreneur believes that narrow markets are inescapable. Nothing can be done to stretch them. He therefore resigns himself to the inelasticity of the demand for his own product, whatever the actual economic situation may be. Domestically, even when "confronted with an expanding economy, the French producer still does not go out to find or make new markets; he waits for them to come to him." [2] Abroad, he does not fight for markets that could permanently compensate him for allegedly inadequate domestic demand. The Pechiney company, for instance, "one of the most vigorous of France's large concerns" according to Ehrmann, once explained a sharp dip in its exports in terms of increased domestic demand. It apparently did not consider the possibility of satisfying both by expanding production.

Fear of narrow markets is reflected in the malthusian's concern over the ability of the market to absorb his output. He is consistently pessimistic in his estimate of what the fragile market is able to bear. Thus the National Institute of Statistics found in its periodical questionnaires that "when asked to make prognoses concerning business conditions in the period immediately ahead, most employers underestimate the possibilities of their firms, large or small, and the ability of the market to absorb their products." [3] Similarly, executors of the Monnet plan found that industry representatives on the several working committees "invariably would show concern whether there would be a sufficient market for the increased production called for by the plan;" [4] fearing overproduction, the Wendel steel group refused, when asked by the Commissariat, to install a continuous strip mill in the early 1950's.

Pessimistic about the possibility of stretching demand, the malthusian attempts to organize rather than to expand his market. The reason is simple: in a fixed market, market share is more important than market size. The chief desiderata under such circumstances become the stability of the market and the security of one's position in it. To the malthusian mentality, such stability and security are best achieved by formally organizing the market, for as Baum put it: "the emphasis on stability and security rather than profit maximization greatly facilitates the establishment of a *modus vivendi* between potentially competing firms." [5]

The organization of markets is, therefore, secured by the formation of *ententes*. Each producer agrees to market a specified volume at a specified price. In return, he is guaranteed his position in the market place, regardless of the economic justification for his presence. As a former minister of economic affairs once described the system, "he who has the greatest difficulties cries, 'Help me to protect myself.' He furnishes his cost elements and sees to it that the price fixed by the entente will at lease cover his costs." [6] Thus no one who abides by the rules is forced from the game, no matter how low the score to his credit.

As a result, the small family firm has been permitted to outlive its efficiency. French markets are still encrusted with a plethora of marginal firms surrounding the few larger corporations which account for the major share of economic activity. As late as 1957, fully 60 percent of all firms employed no salaried personnel and 95 percent employed fewer than five. Only 0.1 percent of all firms employed more than 100 persons.

The survival of the marginal firm has been made possible by the fact that the large, relatively efficient, corporation which could long since have compelled it to modernize its plant or retire from the market-place has chosen to organize production instead. The corporation has not done so out of charity. Spared the spur of competition, it is enabled to become "of the sleepy sort which does not strain after every gnat of profit, but prefers a quiet life." [7] With a uniform price set high enough to maintain the most marginal of producers, the relatively efficient corporation automatically enjoys a high profit *margin*, which, given inelastic demand, results in high profit *volume* as well. That his profits could be even larger

See footnotes at end of Appendix.