

concerns the malthusian little. As Landes beautifully summarizes the attitude, "why take risks and make money faster, when you can follow at a safe distance, earn less to be sure, but still be there when the front runners have long since faded?"⁸

The ease with which the large corporation can maintain its superiority in the family firm league liberates it from the tiresome necessity of adapting to world efficiency. Accordingly, it is lulled into inertia with regard to technical change. Thus, as Bettelheim despairs:

The spontaneous expansion of production and natural resources which is the natural outcome of a state of competition where producers are continually obliged to improve their productive capacity lest they be eliminated from the market, has increasingly given place to the stagnation of production and resource development due to economic malthusianism which . . . has limited production and investment to the immediate absorptive capacity of the market.⁹

The large corporation which appears efficient by domestic standards is actually inefficient by world standards. It, too, becomes dependent on the protective effect of the cartel. It, too, would be eliminated from a rational market.

The businessmen themselves were aware of this inefficiency. But the malthusians among them were unconcerned. Two examples of their attitude are as sufficient as they are startling. First—

At the turn of the century, Paul-Boncour spoke about the hostility of the trade associations toward modernization. The president of the pre-war CGPF constantly praised the "prudence" of the French industrialist in matters of rationalization. Not to have adapted suddenly to measures of standardization or mass production was considered by him a virtue, worthy of a country which has always honored the *juste milieu*, but also a tribute to nature, for *natura saltus non fecit*. The high level of French prices was to be regarded as the "ransom" for the meritorious modesty of modernization efforts.¹⁰

Second in 1933,

M. Duchemin in one of his yearly addresses to the CGPF had almost proudly declared that production of costs in France would always be higher than in other industrial countries since in matters of modernization and competition Frenchmen would always show "that modernization which corresponds to the genius of the race."¹¹

Just as they were prepared to sacrifice profit maximization, so they were prepared to sacrifice technical efficiency to their goals of security and stability. Disciplined by the cartel instead of the world market, they were easily able to do so.

In the early 1950's the Commission on National Accounts reported that "the sclerosis of competition goes far beyond the framework of these open or closed cartel agreements among some power groups. It results from a complex of practices which themselves are the product of a general mentality."¹² That mentality is economic malthusianism. It seeks economic survival through stability and security. That is why the malthusian is more a Weberian than a Schumpeterian entrepreneur. He specializes in careful calculation rather than in spontaneous creation and innovation.

II. THE HEAVY HAND OF THE STATE

If the effects of economic malthusianism on efficiency were so perverse, why didn't the French state, anxious to promote economic growth and development, attempt to eradicate it? The answer is simple. The malthusian businessmen were able to convince the government that they needed time to adapt to the exigencies of the world market. Insulate us today that we might modernize tomorrow and compete the next day, ran their argument. Obliging, the government not only sanctioned the cartels but protected them from foreign competition by instituting a comprehensive system of trade controls and prohibitions. Unfortunately it did not realize that "such a monopoly of the home market has never promoted progress in industry."¹³ The protection it extended had precisely the opposite effect from the one it had intended: it led to the retardation rather than the modernization of the French economy.

Let me illustrate in detail, beginning with the agricultural sector. The Revolution of 1789 atomized French agriculture. Hence, few nineteenth century landholdings could guarantee subsistence, much less permit efficient production for

See footnotes at end of Appendix.