



Antoine Pinay

Premier Pinay And the Men of Vichy

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francs in February to 3,990 in May.

These achievements may not prove lasting. It is not impossible that the Gaullists could again become a unified political force; it is quite possible that inflation could soon start undermining the franc again. But, whatever the future, something has been changed in France: The entire line-up of political forces has been altered irrevocably.

A Gap and Three Bridges

France's economic position is well known: It must rebuild what the war and the German occupation destroyed; it must renew and modernize industry so that France can compete in the international markets; under the terms of the Atlantic program, it must furnish a powerful army—and meanwhile it must fight an increasingly difficult war in Indo-China. The gap between income and expenditure, in a budget of 3,500 billion francs, is about 460 billion francs—about \$1.3 billion. From March, 1951, to March, 1952, prices had risen thirty-five per cent.

There are three methods by which the gap between income and spending can be bridged. The first, of course, is to cut down on spending. Up till now no one openly advocated cutting the credits for reconstruction or for industrial re-equipment. Such a policy would bring unemployment and prolong the housing crisis, and would be as dangerous to the nation's morale as it would be to the future of the country's industrial health. Also, since no Government dares to withdraw from Indo-China or interfere with rearmament, economy as a solution to the financial problem has been considered impractical.

A second method of bridging the gap is equally simple: You increase income by increasing taxes. M. Pleven

and after him M. Faure tried to do this—and parliament threw them out. Parliament refused to vote new taxes on the ground that the country would not pay them unless some crisis showed that they were unavoidable. As Jean Monnet reminded Americans in April, the Frenchman is about the most heavily burdened taxpayer in the free world.

There remains a third method. You persuade part of the population to spend less and lend its savings to the state. For political reasons, no Government in France's recent past has even dreamed of this method as a practical possibility. The only citizens capable of saving from income without cutting into their budget for the bare necessities of life belong to the upper and middle classes. But those citizens will not make sacrifices or take risks unless they trust the Government that asks for their money. Because French Governments ever since the Liberation have been Governments of the Left—with the Socialists supporting them when not actually participating in them—the upper and middle classes have never trusted them. Only a Government of the Right, drawing its strength from conservative forces, could have recourse to the classic "liberal" method of state borrowing. With the Gaullists in parliament voting as a solid bloc in opposition, there was no majority of the Right on which any such Government could be based. No one thought a Government of the Right could be formed. Antoine Pinay made the attempt. To everyone's surprise he succeeded in splitting the Gaullist party wide open: Twenty-seven Gaullist Deputies supported him; eighty-eight remained in the Opposition. Now, for the first time since Vichy, France has a Government of the Right. That

PARIS
ANTOINE PINAY has been Premier of France for little more than three months, and already the man Pinay is being replaced by Pinay the symbol—the personification of common sense, honesty, and simplicity. These virtues are thought to be governing France. It is as if the Mr. Smith of the film had gone to Paris instead of Washington. Not only M. Pinay's political supporters but a large part of the French public see in him a sort of reincarnation of Raymond Poincaré, who, a quarter century ago, roused the nation to a new effort, restored public confidence in government, and saved the franc for the time being.

The same happy view of M. Pinay prevails widely abroad. Swiss and Belgians applaud him in the newsreels; in the United States he is presented as a plain businessman managing French affairs with the old-fashioned directness with which, as a plain businessman, he managed his factory in central France. The theory is that France needed only such leadership to regain both economic prosperity and political stability. What is the truth behind this legend?

The "Pinay experiment" has two indisputable achievements to its credit. For the first time, de Gaulle's party has split on voting. A third of it is now supporting M. Pinay. And the Premier has brought down the free-market price of the twenty-franc gold piece—the black-market's standard of measurement for the franc—from 5,040

Administration has a single aim: to win middle-class support.

M. Pinay's Bet

M. Pinay's program is simple. First, economize on reconstruction and industrial re-equipment—especially in nationalized industry. This policy is violently opposed by the trade unions.

Second, bring down prices. M. Pinay has asked his friends the manufacturers and producers to join in preventing any rise in prices so that the nation will regain confidence in the purchasing power of the franc, a confidence essential to M. Pinay's plan for a government loan. He has been at least partially successful. During the last two months, prices have not risen; they have even decreased. But price stabilization is bitterly opposed by agricultural and peasant interests.

Third, to get the money from those who have it, M. Pinay hit on the idea of a "fiscal amnesty," by which those who have been hoarding gold illegally in France, who have hidden capital abroad, or who have cheated on income taxes will be forgiven past trickery if they bring their funds out of hiding and lend them to the state.

M. Pinay cannot be sure that the new confidence will bring sufficient results. If he fails, French finances will be in a worse state than before his experiment. The deficit will have increased during the whole period of the experiment and the fiscal amnesty and retrenchment on industrial re-equipment will weigh heavily on the future. Finally, the fact that the loan is based on the free-market price of gold rather than on the official conversion rate may prove to be, in Paul Reynaud's metaphor, "a stab in the back of the franc." For should inflation continue, the state will have to pay out on a sliding scale. And if private contracts follow the state's example and are made on the free-market gold standard, the threat to the currency will be great. Not before the end of summer, probably, shall we know whether or not Antoine Pinay has won his bet. It is also possible that politics may prevent the experiment from being carried to a conclusion.

What are the political forces behind the Pinay experiment? Broadly speaking, it may be said that M. Pinay's brain trust and that part of the nation which supports his Government are the

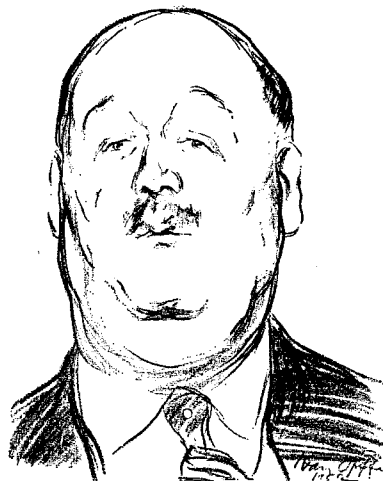
same that brain-trusted and supported the Vichy Government during its first two years, from 1940 to 1942.

Before it degenerated into being merely an instrument of Nazism, Marshal Pétain's Government drew its strength from the support of the French middle classes—small businessmen, shopkeepers, artisans, small manufacturers—but its policies were directed, ably enough, by a group of "managers" who represented big business.

Among these "managers" the best known were Jean Bichelonne, Pierre Pucheu, Yves Bouthilier, François Lehideux, and Jacques Leroy-Ladurie—all of whom were in the Pétain Government. The first two were dead when France was freed; the three others today are Antoine Pinay's close advisers. The Government's present financial projects were prepared by Bouthilier; Leroy-Ladurie is one of the parliamentary leaders in the Government coalition; and Lehideux—manager of the French Ford Company—is a member of the big-business brain trust now supporting the Pinay experiment.

The Importance of Flandin

These men are relatively unknown to the general public. On the other hand, the emergence of Pierre-Etienne Flandin as intimate private adviser to the new Premier startled many Frenchmen. The relationship between Pinay and Flandin is so close that many French newspapers are now alluding to the "experiment" as Flandin's. When the Premier took his vacation in early May, he spent it on the Riviera with Flandin, and the press printed



Pierre-Etienne Flandin

photographs of the two men conferring.

And who is Flandin? He was one of the best-known political leaders of the Third Republic. Minister of Finance in 1931-1932 and Premier in 1934-1935, he represented the capitalist middle classes—and had direct and profitable financial dealings with them. He founded a political party, the Democratic Alliance, which represented the classical Right. But fame came to him only on the day in August, 1938, when he sent a personal telegram to Hitler congratulating him on Munich. He was the first politician to think that Munich should be considered not simply as a means of gaining time to rearm—many who justified Munich did so on these grounds—but actually as a first step toward active collaboration with Nazi Germany. Flandin's attitude forecast the policy Pétain was to adopt after France's defeat—it was endorsed by a large section of the French middle classes. Hitler wired back: GRATEFUL FOR YOUR ACTIVE EFFORTS TOWARD BROAD COLLABORATION BETWEEN FRANCE AND GERMANY.

When France fell, Flandin became Pétain's Minister of Foreign Affairs. He proclaimed: "A new European order is being born; were we not to take our place in it, the mistake would be unforgivable."

Later, the French Provisional Government had him arrested and tried. But because Flandin, at a very early stage, had stopped yielding to German demands as these became more and more precise and humiliating, he was not condemned to jail. He was, however, deprived of his "civic rights" and made ineligible for public office.

For a time he dropped out of sight and attended to private business matters. But a couple of years ago Flandin reorganized his extraparliamentary political party, the Democratic Alliance. Among the Members of parliament who joined it was a little-known Deputy named Antoine Pinay.

Echoes of Vichy

It is clear that the "Pinay experiment," in its present form and with its present program, represents a prudently camouflaged first step in the bid the men of Vichy are making to govern France according to their views. These men—Flandin, Bouthilier, and the rest—represent the great French industrial

system, big business, and not the shopkeepers, small businessmen, and middle classes whose interests Pinay embodies. Their long-range program, therefore, differs from that of the Premier.

These men know that French industry cannot compete in the international market so long as French costs are at least twenty per cent higher than British, German, or Japanese costs. What they want is efficiency, and that means providing industry with modern equipment, abolishing costly distribution through middlemen, and closing down factories too small for mass production. This is a coherent and rational program from a certain political point of view. The trouble is that it is clearly not in the interests of the middle classes, whose economic existence depends precisely on that very margin of inefficiency which encumbers the French economy. And it is these middle classes on whom M. Pinay depends for political support.

For the time being, Flandin and the representatives of big business cannot do without this middle-class support, for their immediate aim is to keep the Pinay Government in power. Gradually, however, after they have placed the right men in the key positions, they hope to bring the "Pinay experiment" more and more in line with their program. The operation will take time. In French politics, time is a most hazardous element to count on.

Coalition Paralysis

Whether the present French Government stands or falls, French political life has been suddenly and deeply changed. Until Pinay, one politician after another built his Government on the same majority. He had no alternative. Unavoidably, he had to have the support of the Radicals, the Christian Democrats (M.R.P.), and the Socialists. With both Communists and Gaullists in opposition, the only working majority was a constant combination of Left and Center. But any Government depending on that majority was forced to conciliate so many divergent views (from those of the independents on the Right to those of left-wing Socialists) that it could only hope to stay in power by acting as little as possible. One Government after another found itself paralyzed—imprisoned in a coalition formula in which agreement on any positive program was impossible.



Marshal Pétain

All this was changed after twenty-seven right-wing members of the Gaullist party decided to support Pinay, who was thus freed from dependence on the usual Center-left-of-Center coalition formula and could govern with a new majority of the Right.

As long as the Gaullists remain split, M. Pinay or a successor can continue to govern with a rightist majority. The new alternative to this new majority may well be the formation of a wholly different majority of the Left.

Bolt from de Gaulle

What happened to the Gaullists? From the beginning, de Gaulle's adherents have been an ill-assorted lot. On his central committee are men of the prewar extreme Right—such as Edmond Barrachin, who belonged to Colonel de la Roque's Fascist Legion—together with men from the Left—such as Jacques Soustelle and Louis Vallon, former Socialists.

In 1947, these people gathered around General de Gaulle because of their conviction that France was headed for a catastrophe and that there should be a strong, disciplined party ready to take over.

For five years things have been going badly enough for France—in Europe, in Indo-China, and financially—but the awaited catastrophe has not materialized. Gradually the group around de Gaulle has grown tired of waiting. Some of its members have been impatient with their negative role of voting, like the Communists, always in opposition. It is probable that some of the Gaullist constituents urged their Depu-

ties to get something done. It was the Gaullist right wing, composed of former Vichyites, that bolted to Pinay.

On May 1, de Gaulle reacted to the situation by appealing to the left wings of the Radical and Christian Democratic parties as well as to the Socialists. He promised to fight economic "liberalism" and the men of Vichy who back it. He sought to return to the social-reform enthusiasm of the first two years after Liberation, when the men of the resistance movement were in power and were busy with plans for nationalizing French industries. He called for a coalition to take over after the Pinay experiment failed.

It is improbable that de Gaulle's appeal will be heeded. It is quite possible that the forces of the Left one day will unite in a new front, but their leader will not be the General. Many observers feel that de Gaulle has now resigned himself to playing the role of elder statesman.

Christian Democrats and Socialists

The Pinay experiment has created unrest in the ranks of the Christian Democrats. Most of that party's leaders—former Premier Georges Bidault, Foreign Minister Robert Schuman, and others—decided to support Pinay, and several of them are members of the Pinay Cabinet. But the Government's rightist policy has greatly distressed and is increasingly distressing the party's rank and file, particularly the membership of the Catholic Trade Unions.

Early in May, the party's largest single federation, that of the Paris region, declared itself against official participation in the Pinay experiment. And the secretary-general of the Christian Trade Unions declared: "It is social reaction that is back of the Pinay experiment, as can be seen in the Government's attitude toward housing, industrial equipment, and the fiscal amnesty. We refuse any stabilization that is founded on social injustice."

Up till now the party has succeeded in avoiding a split, but the struggle between its left and right wings is acute. Already there have been occasions in parliament on which its left-wing leaders have refused to vote for the Government. There have been talks between Christian Democrats and Socialists.

As for the Socialists, for the first time since the war they are freed of the

necessity to compromise. They are openly and completely opposed to the Government. One of their leaders, Edouard Depreux, has stated their position: "It is clear that a reactionary majority is in power. . . . We are against a policy that has turned its back on the interests of the working classes."

Danger to Foreign Policy

The French political situation is clearer now than it has been for several years. The Right is in power; the Left is in process of uniting to oppose it. This new situation presents a very serious twofold danger. The public may be led to think that France's foreign policy—Atlantic alliance—is a rightist policy. The parties opposing the Government's domestic policies may be led to extend their opposition to the Government's foreign policy. There is a cer-

tain irresistible momentum that works on parties when they are in opposition. They start out by opposing the Government on specific and precise issues; little by little a sort of psychological and demagogic pressure leads them to oppose the Government on just about everything.

That is what happened in Germany. The Social Democrats started by opposing Dr. Adenauer on domestic issues; now they oppose his entire foreign policy. It is what has been happening in recent weeks in Britain, where trade unions and federations have gradually been accepting Aneurin Bevan's position against rearmament and United States policy.

The same phenomenon is observable in France. Certain leaders of the Left who three months ago were Cabinet members and thus shared in the Government's Atlantic and European poli-

cies are now advocating a reduction in military credits, objecting to the integration of German forces within a European army, and urging a four-power meeting with Russia.

If across all Europe the Atlantic alliance has to be imposed by Governments of the Right against the opposition of the parties of the Left and the working classes, the alliance will lose greatly both in prestige and strength.

Fortunately in Paris today there are leaders both of the Left and Right who foresee and dread this possibility. They are working to maintain bipartisan support for the essential lines of France's foreign policy. They can succeed only if the Right that is in power does not plunge completely into reactionary domestic action and if the Left, in opposition, refuses to yield to the great temptation of demagogic vote-getting.



Germany—the Allies' Great Gamble

THEODORE H. WHITE

IN MAY, 1945, Germany lay smoldering and paralyzed in defeat. Seven years later a German Government is quibbling over a peace treaty that gives their arms back to the Germans and makes them the allies of their conquerors. It is also haggling over—

Item: Whether Coca-Cola drunk by American troops in their regimental canteens should or should not be taxed by the German state.

Item: Whether the game and fish caught by U.S. troops should be weighed and counted, pound for pound.

Item: How much coffee and sugar American soldiers should be allowed to purchase at their post exchanges in Germany.

Such minutiae, coupled with questions of almost immeasurable portent, have gone into the negotiation of the general peace contract between the western Allies and the West German Republic.

No Pomp, No Circumstance

Seldom has the settlement of a great war taken place with less pomp and ceremony, less glitter and emotion. Neither the passions of the Versailles Conference nor the gaiety of the Congress of Vienna has attended the Peace of Bonn. The greatest of wars has come to an end in the dry, buzzing drone of tired technicians' voices. "You can't spin suspense over a fifteen-act play," said one of the negotiators, "and this

play's been going on for fifteen months. We didn't dance, we didn't entertain; the only time the Germans asked our group out for a weekend of hunting it rained both days and we sat in the lodge and got tight. There weren't any major clashes or ruptures. It's been mostly a series of headaches; aspirin, not champagne, kept it going. You negotiated all day, you drafted all night, you came in in the morning with your draft, matched it with the German draft, and started negotiating all over again. When we got a day off we went home and played with the kids. The drama all happened before we started—or maybe it'll start now. We just filled in the dotted lines."

The real story of this diplomatic revo-