

COMMANDING HEIGHTS

Jean Monnet

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(1888-1979)

A French economist who initiated comprehensive economic planning in Western Europe after World War II, Jean Monnet is credited with helping rebuild and modernize France's devastated economy.

Excerpt from *The Commanding Heights* by Daniel Yergin and Joseph Stanislaw, 1998 ed., pp. 29-32.

[For France] the response to the challenge of reconstruction [after World War II] was also to be found in another form of expansion of the state's power over the economy—through "planification," the implementation of a national economic plan that became France's postwar trademark. This process—focusing, prioritizing, and pointing the way—was dubbed indicative planning, to differentiate it from the Soviet system, with its highly directive and rigid central planning. It was very much intended to be a middle way between free markets and socialism.

How appropriate that this plan for a middle way would be developed by a capitalist banker who voted socialist. His name was Jean Monnet, and although he never held high office, he was one of the most influential figures of the entire postwar era. He is best remembered as the "Father of Europe"—the creator and instigator of what is now the European Union. But first he fathered the plan that shook the French economy out of its stalemate and propelled it into the modern age.

Monnet was a citizen of the world who could, when needed, behave like an obstinate French peasant buying or selling a cow. He was driven by drink, so to speak, to his internationalism. Born into a brandy family from Cognac, he left school at 16 to travel the world selling the liquor—from isolated farms on the prairies of Western Canada to villages along the Nile in Egypt. It is said that he ended up, along the way, with a bigger vocabulary in English than in French. On one of his Canadian trips, having traveled from Medicine Hat to Moose Jaw, he found himself in Calgary, looking for a horse and buggy. He asked a stranger for the nearest stable. "Take my horse," the stranger replied. "When you're through just hitch it up here." That, Monnet later said, was his first introduction to the international pooling of resources. During World War I, he played a key role in organizing the Allied supply effort. He also began building up an extraordinary network of friendships on both sides of the Atlantic, which would

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serve him well in later years. At the Versailles conference, for instance, he met John Foster Dulles (later U.S. secretary of state). Monnet went out of his way to maintain that relationship thereafter, since, he explained, "nothing important is done in the United States without lawyers." In 1919, at age 31, he was appointed deputy secretary general of the new League of Nations. After two frustrating years, he quit, returned to the family business, fixed its troubled finances, and then gave up cognac altogether in favor of international banking. So extensive and far-flung were Monnet's connections, and so hard did he work them to such productive purpose, that he probably should also be remembered, in today's parlance, as the father of networking.

But it was an urgent matter of the heart that truly demonstrated his unique combination of wits, willpower, persistence, connections, and creativity. In 1929, Monnet fell hopelessly in love with an Italian woman, a painter named Silvia di Bondini. She was not only a devout Catholic but was also already married and had a daughter. Divorce—with child custody—was frustrated at every turn. Even Reno, Nevada, could not meet their needs. It took Monnet five years to find the solution. In 1934, he was traveling aboard the trans-Siberian railway on his way back from a banking mission in China. Monnet disembarked in Moscow. His beloved was there to meet him. Using his connections, Monnet had her made a Soviet citizen in a matter of days and she was immediately divorced. Wasting no time, they married right there in Moscow. Monnet quickly caught a train to Paris, where he deposited his new wife, moved on to New York—and then back to Shanghai to resume his work reorganizing the Chinese railways. He was certainly not a man to stand still. But the marriage lasted 45 years.

During World War II, Monnet once again operated at the highest levels, serving as supply and reconstruction coordinator for the French government in exile as well as economic liaison to the United States. He organized the flow of urgently needed supplies and finance and facilitated overall economic policy among the Allies. He had easy access to Roosevelt's inner circle. (Forever after, de Gaulle suspected him of being an American agent.) He came up with the phrase that the United States should become the "arsenal of democracy," for which Roosevelt's advisers heartily thanked him. They also promptly told him never to use it again so that FDR could reserve the historic phrase for himself.

Monnet, perhaps more clearly than any other Frenchman, grasped the magnitude of the war's destruction and the overwhelming requirements of reconstruction that would confront France afterward. The country was burdened with an industrial engine that had been sputtering for decades even before the war, and France's immediate postwar economic agenda would be dominated both by a huge balance-of-payments crisis and the fundamental need to modernize. The government would have to deal with the first, and the private sector could not be depended upon for the second. Out of these necessities emerged the Monnet Plan.

The more immediate origin of this plan was a conversation Monnet had with de Gaulle in Washington, D.C., in August 1945, a few weeks after the end of the war. "You speak of greatness," Monnet said, "but today the French are small. There will only be greatness when the French are of a stature to warrant it.... For this purpose, they must modernize—because at the moment they are not modern. Materially, the country needs to be transformed."

"You are certainly right," replied de Gaulle. Impressed by the vitality and prosperity he saw around him in America, the general turned the problem back to Monnet: "Do you want to try?"

Monnet certainly did. He set up shop at first in Paris in a few rooms in the Bristol Hotel, putting a board across the bathtub to create extra office space, and then moved to a town house that had belonged to Cezanne's art dealer, close to the prime minister's office. There, with minimal staff and maximum behind-the-scenes maneuvering, he drew up the first plan aimed at restoring normal economic life to France.

Essentially, what the Monnet Plan did was prioritize, set investment targets, and allocate investment funds, with the focus on reconstruction, particularly in the basic industries—defined by Monnet as the nationalized electricity, coal, and rail transportation industries, and the non-nationalized steel, cement, and agricultural machinery industries. For Monnet, the importance of the targets lay not in reaching a scientifically optimal level of investment. Rather, establishing an optimistic, forward-looking plan was an end in itself. He wanted action that would generate more action. Initiating momentum would prevent the economy from falling back into its prewar risk-averse ways and again "crystallizing at a low level."

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The French also needed a plan as a prospectus for obtaining American aid. The U.S. undersecretary of state for economic affairs, Will Clayton, one of the authors of the Marshall Plan, made this point explicitly, privately exhorting French officials to be liberals or "dirigistes": Return to capitalism or head toward socialism.... But in either case the government must ... formulate a precise program, proving its desire to give France an economy that will permit it to reach international production costs calculated in man-hours. If it ... demonstrates to us the seriousness of its program, we shall help your country, for its prosperity is necessary to peace." Thus a feasible plan was essential to secure the aid that eventually flowed into France through the Marshall Plan. Monnet also succeeded in insulating the planning function from the vagaries of French politics. He carried out a brilliant administrative coup by establishing the planning board, the Commissariat General du Plan, as an independent commission reporting directly to the prime minister.

The formulation of the plan required all of Monnet's formidable skills—as planner, coordinator, financier, and networker. The result was a masterpiece: a plan on which France could hang its hopes, a basis on which the United States could provide aid, and a mechanism by which the French economy could receive the support and restructuring denied it for so many decades by its pessimistic capitalists. Yet the results were somewhat mixed. Some targets were made, others were missed. By 1950, only the coal mines had exceeded the original construction and modernization programs. France also missed its overall investment targets, the growth in its industrial output was well below that of its neighbors, and the aggressive investment program contributed to inflation. But what the plan did do, at a crucial period, was provide the discipline, direction, vision, confidence, and hope for a nation that otherwise might have remained in a deep and dangerous malaise. And it set France on the road to an economic miracle in the 1950s.

Monnet had developed a great love for balance sheets as a boy while poring over the accounts of the family brandy business with his father, and his plan was hailed at the time as "the first attempt in postwar Europe to draw up a balance sheet and overall program for the future." Yet Monnet was not necessarily enamored of central planning. As one future prime minister remarked, "The odd thing is he did not like plans." Monnet did not take a stand one way or the other on nationalization, and he may well have preferred markets, large, open markets to

grand plans. But he seized upon the state's monopoly, even if only temporary, over both capital and credit, because he saw no good alternative.

"Modernization or decadence"—that was the choice that Monnet, with his plan, posed for France. In seeking to ensure that the choice was modernization, he expanded the role of government in the national economy and created one of the most credible models for that role, and for planning. And by so doing, Monnet's biographer wrote, "he helped create a relative consensus behind ... the 'mixed economy'"—and not only for France, but for Europe."

In the years that lay ahead, Monnet would become one of the chief advocates of Europe's future economic unity. The European Coal and Steel Community, first proposed by French foreign minister Robert Schuman was largely conceived by Monnet. He envisioned the ECSC as a single economic market for these key sectors of the economy, exempt from national regulations, tariffs, or quotas. Together with Schuman and German chancellor Konrad Adenauer, Monnet saw the ECSC established in 1952 and took charge of it from 1953 to 1955. With the signing of the Treaty of Rome in 1957 the various institutions within the ECSC would become the core institutions of the nascent European Economic Community. For Monnet this was simply one further step in the gradual evolution of a federally integrated Europe, in which individual nations would begin to interrelate much as individual states within the United States of America do.

Progress towards European political union would remain blocked for the remainder of his life, but the movement towards economic unity which he helped foster would regain its momentum as the 20th century drew to a close, and his vision would continue to inspire successors in many parts of Europe as the next century opened.

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