Hancké, Bob

Working Paper

Revisiting the French model: coordination and restructuring in French industry in the 1980s

WZB Discussion Paper, No. FS I 99-301

Provided in Cooperation with:
WZB Berlin Social Science Center

Suggested Citation: Hancké, Bob (1999) : Revisiting the French model: coordination and restructuring in French industry in the 1980s, WZB Discussion Paper, No. FS I 99-301, Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin

This Version is available at:
https://hdl.handle.net/10419/44101

discussion paper

FS I 99 - 301

Revisiting the French Model
Coordination and restructuring in
French industry in the 1980s

Bob Hancké

January 1999 ISSN Nr.
1011-9523

e-mail: Hancké@medea.wz-berlin.de

Thanks go to Peter Hall, Horst Kern, David Soskice, Eric Verdier, the participants in the workshop where this chapter was first presented and workshops at GATE-CNRS (Lyon) and LEST-CNRS (Aix-en-Provence) for their comments on earlier versions. If, despite all this help, mistakes remain, they are entirely my responsibility.

Bob Hancké

Revisiting the French Model.
Coordination and restructuring in French industry in the 1980s

Discussion Paper FS I 99 -301 Wissenschaftszentrum Berlin für Sozialforschung 1999

Forschungsschwerpunkt:
Arbeitsmarkt und Beschäftigung

Research Area:
Labour Market and Employment

Abteilung:
Wirtschaftswandel und Beschäftigung

Research Unit:
Economic Change and Employment

Wissenschaftszentrum Berlin für Sozialforschung
Reichpietschufer 50
D-10785 Berlin e-mail:
wzb@wz-berlin.de Internet:
http://www.wz-berlin.de

Abstract

According to the contemporary political economy literature on France, the country appears caught in the worst of all possible worlds: it fails to create the conditions for economic growth and employment by deregulating labour markets as the UK has done, and it lacks the institutional infrastructure that makes the German economy an export success. This paper, which analyses the adjustment of the French economy in the 1980s and into the 1990s, argues that this image of France is wrong. This literature misunderstands the relative position of French industry and misinterprets how firms managed to successfully make the transition from conventional mass production to flexible quality production. The particular French mode of co-ordination, revolving around the state-centered elite political-economic structure, was at the basis of this adjustment path. The paper analyses how this mode of co-ordination interacted with the crisis of the French production regime in the early 1980s, and with the changes in the ownership structures of large firms in response to that crisis. The resulting corporate governance structure increased the autonomy of top management from the state as well as capital markets, and led to a situation whereby far-reaching organisational changes in the large companies could be pursued.

Zusammenfassung

Der gegenwärtigen Fachliteratur zufolge befindet sich die französische Volkswirtschaft in einer äußerst problematischen Lage: Versuche, die Bedingungen für Wirtschaftswachstum und neue Arbeitsplätze durch Deregulierung nach britischem Vorbild zu schaffen, schlagen fehl. Die institutionelle Infrastruktur, auf welcher die deutsche Exportstärke beruht, ist aber ebensowenig gegeben.

Das vorliegende Papier, in dem die Anpassung der französischen Wirtschaft in den achtziger und bis in die neunziger Jahre hinein analysiert wird, argumentiert, daß dieses Frankreichbild falsch ist. Es beruht auf einer Fehlinterpretation der Art und Weise, in der es Firmen gelungen ist, den Übergang von herkömmlicher Massenproduktion zu flexiblen, qualitätsorientierten Herstellungsverfahren zu schaffen. Die besondere französische Art der Koordination, die auf einer staatszentrierten, elitegeprägten wirtschaftspolitischen Struktur basiert, bildete die Grundlage dieses Anpassungspfades.

Das Papier untersucht, welchen Einfluß diese Art der Koordination auf die Krise des französischen Produktionsregimes zu Beginn der achtziger Jahre sowie auf die daraus resultierenden Veränderungen in der Eigentumsstruktur großer Unternehmen hatte. Die Corporate Governance Struktur, die das Ergebnis dieses Prozesses war, erhöhte die Unabhängigkeit von Spitzenmanagern gegenüber Staat und Kapitalmärkten und schuf damit die Möglichkeit zu weitreichenden organisatorischen Veränderungen innerhalb der großen Unternehmen.

Contents

1. Introduction: Francosclerosis?

To many it has become a well-known refrain: France is the problem case in the European Union. Whereas German industry makes the country an economic powerhouse, the flexibility of the Third Italy has secured the survival of technologically less sophisticated companies, and the labour market deregulation in the UK under the Thatcher regime created the preconditions for economic growth and employment successes, the French economy seems to be caught in the worst of all worlds, and utterly incapable of doing anything about it. Companies remain organised in a top-down manner at a time that flatter hierarchies are presented as recipes for success; many small companies who are the engines of growth in other countries, are financially weak and technologically underdeveloped; the main corporate strategy is price-based competition; and the few attempts to deregulate the labour market seem to have given way not to less, but more unemployment. Reform attempts inevitably lead to large-scale conflicts, organised by small groups who refuse to give up their privileges. And in the background of all this looms the heavy shadow of the French state, at a time when governments in other OECD-countries are rapidly withdrawing from the economy.

This image of France is wrong. That is the basic message of this chapter. While the above picture may describe a world that was, in the last two decades, the French political economy has gone through dramatic changes, that have fundamentally changed the internal operations of businesses, their market positioning and relations with the French state. The endemic conflict in the workplace has, despite occasional and highly publicised outbursts of protest, all but disappeared: French strike figures are currently among the lowest in the OECD, and workers' skills are put to good use by many companies. With the support of their large customers, small firms have been able to upgrade their operations substantially. Cost competitiveness remains important to French industry, but most firms now combine that with quality and flexibility. And, despite the strong presence of the state, its role is considerably smaller today than it was in the past.

The most remarkable thing about these changes is not that they have taken place - after all, the entire postwar history of France consists of profound change (Boltho 1996; Fourastié 1979; Kindleberger 1963; Sicsic and Wyplosz 1996) - but that the state has not been the main actor in the process. Even today, analysing industrial modernisation in France means understanding how the state pulls or pushes society out of its deadlock. Yet the adjustment process alluded to above took place at a time when the state attempted an orchestrated retreated from the economic scene (Boyer 1997). After a nationalisation spree in the early years of the first Mitterand presidency, many banks and companies have been (re-)privatised, the

credit system has been liberalised and the central planning apparatus was devolved into a more decentralised support system for local companies. In short, whereas before the state was the central player in the French political economy, it is very hard to keep on seeing it as such today.

This chapter argues that the changes in the French political economy are best understood as a reorganisation of the basic configuration of the French political economy, not a fundamental shift to another production regime on a Germano-Japanese or Anglo-Saxon footing. For most of the postwar period, the French state was indeed the central actor, who used the large firms to assure that modernisation took place according to its plans. The state set technological goals for them, provided them with credit and organised their labour market for them. As a result, during the postwar period, the large firms were in fact the state's instruments in these policies. Today, this situation is reversed. The large firms have gained autonomy from the state and instead of being instruments of state policies, they are increasingly exploiting those policies for their own strategies.

This outcome was the result of the particular French mode of coordination, and how this fed into the corporate adjustment path in France. Methodologically, therefore, the chapter develops an understanding of the French production regime using the analytical tools in this comparative volume. Despite persistent claims of exceptionalism, France too can be studied as a capitalist economy organised according to a particular mode of coordination, and as in other countries as well, this mode of coordination has been the organisational framework for the adjustment of French industry since the second oil shock.

The remainder of this chapter starts with a short systematic review of the most important changes in the French production regime between the mid-1970s and today, a discussion of how the contemporary literature on the French political economy has understood this and what an approach based on coordination can offer in addition to those analyses. Section 3 will present the story in full: how the crisis of the French production regime challenged the basic parameters of the French model, how the state and the elite reacted, and how these reactions led to a new organisation of the French production regime. Section 4 concludes by summarising the main points and by asking questions about the viability of the new French model.

2. Explaining Adjustment in France

Comparing stylised pictures of French industry in 1975 and in 1995 gives an idea of the degree of change in the French political economy. In the mid-1970s, workplaces were highly taylorised, where low-skilled workers performed extremely narrow tasks (Crozier 1964). As late as 1982, almost 60% of all workers in France were semi- and

unskilled (d'Iribarne 1989). In comparative perspective, France not only had a much higher supervisors to workers ratio (Maurice, Sellier and Silvestre 1988; Maurice, Sellier and Sylvestre 1986), but also employed, controlling for all the usual variables, simply more people (Lane 1989). Labour relations were highly conflictual, and unions were important obstacles to organisational change. Suppliers were small firms, more interested in their own survival than in the conquest of new markets and therefore perennially underfinanced and technologically backward. The large firms treated them as extended workshops rather than fully independent firms. The corporate governance system, finally, was a mixture of direct state-control via ownership, indirect state-control via the credit system and the planning apparatus, all run by a small group of meritocratic elites (Shonfield 1965; Zysman 1983).

The picture in 1995 is fundamentally different. Workplaces still have a strong Taylorist flavour, but instead of isolated jobs performed by unskilled workers, the shopfloor in many companies is made up of teams of polyvalent workers (Dublin Foundation 1998; (Duval 1996; Duval 1998). Labour unions have by all accounts become irrelevant in the contemporary French political economy. Only some 9% of the workforce is organised today, and in the private sector alone, the organisation rate has dropped to 5%. Despite their monopoly in works councils sections, labour unions have lost the works councils to independent lists (Daley 1996b). In comparative perspective, France has become a low-strike country: between 1980 and 1990, strike rates were converging on the low German one, distancing from the much higher rates in Italy and the UK (Boltho 1996). Small firms and their relationships with large firms have changed as well. Most importantly, small firms, more than half of which make a substantial share of their turnover as suppliers, are much stronger technologically and organisationally: almost without exception suppliers are certified according to the prevailing international ISO 9000 quality management standard and *as* a result, they now are an active partner to their customers among the large firms while counting many international companies among their customers (Hancké and Casper 1996). The corporate governance system too has changed in character: between 1986 and 1993, many formerly state-owned companies have been privatised, the system for industrial credit has been transformed around the stock market, and as a result of its increased autonomy, management is considerably more immune to state intrusion.

How should we understand these changes? Both the literature on economic change in advanced capitalism and the more narrow debate on the recent evolution in France in particular, have produced two broad perspectives to understand the transition reflected in these data. The first interpretation, which has a long pedigree in studies of France, argues that change as such is nothing new in France. Postwar economic development, captured in the phrase of the *trente glorieuses,* primarily was change orchestrated by the state. Through the industrial policy apparatus, the planning mechanism and ownership of strategic sectors of the economy, the French state succeeded in creating the conditions for a profound transformation of the French economy from a largely agricultural society to a modern industrial power (Berger 1972; Estrin and Holmes 1983; Hall 1986). This same policy-making

apparatus, slightly modified to meet the challenges of the new situation, was also at the basis of recent developments. The state conceived policies that the main economic actors had to follow, and then used the industrial policy and economic planning apparatus as well as the broader legislative process to induce the latter to do so.

This interpretation explains how, as a result of direct state intervention, the French car industry rebounded after a profound crisis that led the two national car producers into virtual bankruptcy (Hart 1992). It understands the reorganisation of the French steel industry after its own succession of crises since the late 1970s as a result of state policies that helped companies restructure and corporate and labour union interests converge on a new industrial plan for the industry (Daley 1996a). This argument is also at the basis of an account of the process of privatisation in France after 1986 and how it contributed to a profound restructuring in many industries, and led to a substantial difference in management styles and orientations (Schmidt 1996).

However, these accounts do not tell the whole story. The equally dramatic failures of some of the state policies in other industries, for example in the computer and machine-tool industries (Ziegler 1997; Zysman 1977) should raise questions about the *omniscient* and *omnipotent* French state. Precisely at the moment, for instance, that the machine-tool industry required higher skills and more flexible forms of work organisation in order for companies to position themselves in more quality-oriented and less cost-sensitive markets, the French state attempted to modernise the industry by imposing policies copied from the large firms that competed in mas markets (Ziegler 1997).

The state-centered argument also ignores an even more important policy development of the 1980s. What probably characterised French economic and industrial policy most during that period, were the attempts by the state to retreat from direct economic and industrial policy-making. After a nationalisation wave in 1981, governments have put considerable energy into privatising the state-owned companies. Labour relations we reorganised in such a way that the state played a smaller role, and unions and employers were presented with the possibility of negotiating change on their own. And in a dramatic attempt to reorganise the state apparatus, a series of decentralisation laws was passed that aimed at creating new regional and local partnerships for economic development. All these policies were informed by what has become known as *"Toquevillian liberalism,"* which implied a simultaneous reduction of central state involvement in policy-making, and a devolution of power to local and regional societal actors - in short, the opposite of a state-centered, *dirigiste* policy.[1]

[1] These government initiatives ultimately failed: neither the labour unions nor employers were strong enough to carry through the reforms, and the régionalisation hit very poor soil in the regions, where no local actors could be found (or created) to provide an underpinning for the policies. Whether they failed or not, however, is not important for the purposes of this argument. What

An alternative interpretation builds on the reduced state role in contemporary France. What explains the transition in this view, was that firms were subjected to new forms of competition, a process in which the state actively participated. By deregulating the environment of companies - in capital markets with the financial deregulation of 1984, and in labour markets since the mid-1980s - competition in these areas was intensified, and economic actors, i.e. banks, companies and workers, were forced to cope with this new situation. This interpretation has strong adherence in France itself, mainly among progressive Gaullist and left-wing observers (Comm. Général du Plan 1997; Bourdieu,), who deplore the grip of international capital markets on the French economy and how globalisation jeopardises the traditional, mainly state-organised bonds of solidarity (Hoang-Ngoc 1998; Lipietz 1998; Todd 1998).

Without denying that economic adjustment in France has had disruptive social consequences, it is hard to see how this could have been a direct effect of deregulation and increased competition. By all accounts, industrial concentration has increased in France during this period: in response to the crisis that the large exporting industrial companies faced in the first half of the 1980s, the restructuring of industrial sectors frequently entailed a further reduction of the number of large firms in these sectors. In the automobile industry, for example, two firms, *Renault* and *Peugeot,* who are roughly equal in size (in terms of turnover and employment) dominate the sector. The steel industry, which was made up of a few large and many small producers before, was consolidated into one gigantic steel conglomerate in the mid-1980s. And the government used its ownership of the chemical industry to restructure the industry into a few complementary rather than competing firms. Overall, in most industries, one or very few large companies accounted for over 50% of turnover in 1994 (INSEE 1996).

Most importantly, perhaps, the abrupt and far-reaching deregulation of the financial sector - one of the main instances of the explicit introduction of a policy that aimed at increasing competition - did not result in a competitive capital market characterised by a high merger and take-over activity, but in a highly orchestrated system of hard-core cross-shareholdings, which were formed precisely in an attempt to prevent rampant competition (Bauer 1988; Maclean 1995; Morin 1995). In short, none of the outcomes conventionally associated with a market-led adjustment process can be found in France.

Understanding adjustment in the France over the last two decades requires going beyond the state-market opposition that is central in political economy, and bring in firms - in the case of France the large exporting companies in particular - as the key actors. The modernisation of the French economy over the last two decades was not a state- or market-led process, but a firm-led one, whereby firms used public

matters is that they were attempts by the state to disengage itself from these different fields of economic policy-making. See (Levy 1994) for full details of these policies and their failures.

resources on their own terms and for their own adjustment, and then induced other actors, through power, competition and co-operation, to act in a congruent manner.

Anybody familiar with the postwar French economy will hardly be surprised by the central role of large firms in the adjustment process. The entire Gaullist modernisation program was constructed around them as the engines of economic development, and after the arrival of the Left in office in 1981, the nationalisations of the same year announced themselves as the logical continuation of the Gaullist strategy. In this situation, however, the large firms were - with only a slight sense of exaggeration - instruments for broader social, economic, techological and regional development goals pursued by the state. In exchange, the state provided them with an institutional infrastructure in labour relations, regional development agencies and technology transfer systems that allowed them to grow in a stable manner. Yet what distinguishes the current from the former setup, is that the large firms now have considerably more autonomy in designing their goals while relying considerably less upon state initiatives in their implementation. Instead of being objects of state policies, the large firms had become the agents of a profound modernisation process.

The organisational basis for this shift toward a large firm-led adjustment model was the mode of coordination in France, which is based on a particular configuration, different from both the German associational model and the Anglo-Saxon market model of economic coordination discussed in other essays in this volume. It entails a system whereby the state, banks and large firms are intertwined through a complex elite network. In the course of their education, the *„best and the brightest"* of a cohort are selected through a series of difficult exams, after which they go on to study at the *grandes écoles,* and from where they are recruited into the top of the state administration. After a career in the state apparatus, these people then move into other areas as top managers in large companies or banks, and almost invariably start, with several years intervals, moving between these three spheres (Birnbaum 1994; Bourdieu 1989; Suleiman 1979; Suleiman and Mendras 1995). In the 1980s as much as in the 1960s and 70s, most CEOs in France have, in fact, followed this typical career path over the *grandes écoles* into the state apparatus and the government and then into finance or business (and back, when duty called) (Bauer and Bertin-Mourot 1995).

This mode of coordination relies upon several mechanisms. The first is the meritocratic selection mechanism, which imbues all participants with an elitist ethos, producing a relative autonomy, on the basis of educational credentials, of management: different studies in different eras demonstrated that the social distance between top management and the rest of the company (who have not followed this elite education trajectory) is vast in France (Crozier 1964; Hofstede 1980). The meritocracy also socialises the members of the elite into one basic world view. Empirical studies of the financial elite in France, one of the pillars of the system, show, for example, that the educational background in the *grandes écoles,* more

than political convictions and similar experience, provides the social cement for interaction among this group (Kadushin 1995). The final element deals, after this initial period of socialisation, with the monitoring and sanctioning mechanisms within the elite. As a result of the relatively small size of the group, the track record of individual members who pursue a career is in principle knowledge shared by all in the elite, and forms the basis for further career advances. The individual reputation in this elite network, with its roots in the state, therefore is the currency used among the financial, economic and bureaucratic elites in France.

In the early 1980s, a profound crisis hit the French production regime, and this elite coordination structure became the organisational framework for the subsequent adjustment. It filtered the effects of both the financial deregulation of 1984 and the privatisations of 1986 and thus allowed a reorganisation of the corporate governance system. Deregulation and privatisation could - and were designed to - impose a regime of intense competition upon CEOs, which included detailed scrutiny by investors. In fact, however, the elite coordination mechanism led to the opposite situation: it allowed for a large sphere of autonomy for top management, by shielding the CEOs of large firms from outside influences - both the state and capital markets - during the process of internal corporate reorganisation. Because of this relative insulation, CEOs were now able to pursue their conception of competitiveness and profitability with considerably more vigour than under the state's *aegis.*

However, as the literature on the inertia of the French model predicted, firms could not simply move out of the old situation by CEO *fiat.* In order to pursue their internal adjustment, the companies heavily relied on public resources. The firms used the *panoply* of regional government agencies, technology institutes and training centers, as well as the different laws and administrative instruments that dealt with the labour market, as instruments to fill the holes in their own adjustment capacities. By doing so, they also ended up inducing the other relevant actors - small firms, labour unions and workers - to act in a manner congruent with the path they took.

Posing the issue this way, raises a crucial question: If the French adjustment path was indeed a firm-led one, then why did different companies in France, despite variations in ownership, technology and economic sector adopt this trajectory? Again, the answer to this puzzle is in large measure provided by the co-ordination mechanism. First of all, all companies were - and were also perceived to be - in a similar structural situation. Typical of the French growth model, they had combined low profitability with soft budget constraints in a highly inflationary environment, which had led to a situation where corporate debt was high in all companies (Hall 1986; Taddéi and Coriat 1993; Zysman 1983). As a result of that, the pressures for structural adjustment, which entailed profound cost-cutting measures, during the crisis was the same everywhere. In fact, the socialist government under Fabius, an *ENA* graduate who became Minister of Industry after Chevènement and succeeded prime minister Mauroy in 1984, formally imposed profitability criteria upon all the

state-owned companies and made subsidies contingent upon the production of a convincing business plan. For both structural and political reasons, therefore, the dominant definition of the crisis of French industry within the elite, was a cost crisis.

Secondly, as discussed in more detail in section 3.3 below, the core feature of the privatisation processes was that company shares were sold off to so-called hard cores *(noyaux durs* in French) of stable long-term investors. While such a privatisation strategy was initially seen as a way to assure that French industry would remain in French hands (Schmidt 1996), this governance structure also provided firms with long-term capital that did not pass through the *Trésor* or the Ministry of Finance; simultaneously, therefore, the state's direct impact upon firm strategy was reduced while the short-termness of the stock market was neutralised. Since the privatisation of the large firms always entailed the construction of a "hard core" of investors, the result was that roughly similar corporate governance mechanisms were installed in different companies (Goldstein 1996). Furthermore, since the capital structure was one of mutual cross-shareholdings, all members of the elite network in fact controlled each other, and thus indirectly themselves.

Three related mechanisms explain how information about possible adjustment paths flowed between the members of the elite and thus led not only to a convergence in the definition of the problems, but in fact contributed to a common search for solutions as well. The first crucial element was their initial socialisation into and their reputation in the elite network. The French elite have not only been trained to see problems in similar ways; they also have a hard sanctioning mechanism that precludes structural dissidence. This is related to the second large element: in contrast to, for example, American, Japanese or German CEOs, French managers have not adopted a corporate culture that originated within a particular company - simply because they have not spent a long time in one particular company (Schmidt 1996). As a result, their corporate culture is an elite ethos, which results from their circulation across companies and from membership in a small number of clubs of like-minded people and friends (Kadushin). Finally, the cross-shareholdings assured that the information between the members of the elite could easily be discussed and transferred. Mutual control in company boards implied mutual understandings about adjustment problems and solutions (Morin 1989).

In sum, elite coordination provided large firms with the institutional prerequisites for a profound reorganisation of the companies, by shielding management from external influences, and by offering a framework for jointly developing assessments of the crisis as well as incentives for solutions. The remainder of this chapter will develop this argument, first by showing how exactly top management increased its autonomy, and then by detailing how companies restructured internally by reorganising their ties with workers and suppliers.

3. The French political economy in the 1980s.

The reorganisation of the French production regime followed a profound crisis in the early 1980s. The key ingredients of such a reorganisation were the restructuring of the firms' internal operations, i.e. workplace reorganisation and suppliers links. However, such restructuring had traditionally proven to be very difficult because of the endemic inertia in the French model (Crozier 1964; Crozier 1970). Given the crucial role of the state in French industry, a reorganisation of the corporate governance system was a necessary condition, so that top management was allowed autonomy from the state and labour unions. This section is built around that logical sequence. It starts with an analysis of the crisis of the early 1980s, then moves on to the reorganisation of the corporate governance system and how precisely it created the conditions for CEO autonomy. The final two sub-sections then discuss the substantive changes in workplace and how the links between large firms and their suppliers were reorganised.

3.1. The crisis of the French production regime

Between 1980 and 1985, the French production regime experienced two separate but mutually reinforcing crises. The first was an internal crisis of the large firms in the first half of the 1980s; the second a crisis of the supporting macro-economic policy regime. Despite the mass production strategies based on economies of scale - which themselves were relatively successful, since many large firms became leaders in European markets in the early 1980s - the companies posted dramatically low profits in this period: aggregate profitability in France was among the lowest in the G7 (Glyn 1997). Moreover, as a result of the implicit soft budget constraints for many among them that resulted from the state's willingness to finance their growth, their expansion had led to a situation were they found themselves with an extremely high debt burden, the highest in the OECD (Hall 1986). Third, labour productivity was low by European standards. Detailed comparative assessments of car production, for example, demonstrated that the French automobile industry, at that moment a market leader in Europe, was less productive even than FIAT: *Peugeot* calculated that it produced 8.3 cars per worker per year in 1983 (down from 9 in 1979), FIAT almost 12 (up from 10) cars and Ford-Europe 13.2 (up from 10.4) (Loubet 1998). Finally, massive social conflicts in those sectors that spearheaded the French economy exacerbated the internal problems: semi-skilled workers refused the organisation of work and the concurrent lack of career perspectives that came with it . Combined, these four elements led to a profitability crisis of gigantic proportions in French industry. Table 1 presents a picture of French industry in the early 1980s.

Table 1: Financial results of large firms, 1981-85
(in billions of francs)

Accumulated results 1981-85	
Sacilor	-25.30
Usinor	-25.00
Renault	-27.40
CDF-Chimie	-6.50
Péchiney[a]	3.90
Bull	-2.80
CGCT	-2.30
Thomson[b]	1.90
EMC	-0.60
SNECMA	-0.02
Matra	+0.40
Aérospatiale	+0.80
Dassault	+1.90
Saint-Gobain	+2.50
CGE	+2.60
Rhône-Poulenc	+3.00

source: V. Schmidt, *From State to Market?* p.108

[a] excluding capital grant to PCUK (3 billion francs) excluding capital grant to Thomson-Telecom (1 .1 billion francs)

A profound crisis of "external" conditions accompanied this internal crisis. The expansionary policies pursued by the Left government after May 1981, rapidly gave way to serious problems. International capital markets began to speculate against the *franc,* and the government was increasingly running into budgetary problems as a result of the macro-economic expansion and the nationalisations (which cost over FF 130 Billion). In March 1983, the government therefore decided, after serious debate (Cameron 1996; Halimi 1992), to leave the "socialism in one country" policy and adopt a more restrictive stance (Hall 1986). The political decision to stay within the ERM, and thus reorient French economic policy in order to strengthen the *franc* by fighting inflation, provided the broad macro-economic background for the crisis of the French production regime.

The macro-economic policy adopted after 1983, which carried the euphemistic name of "competitive disinflation," had two goals. The first and most important one was to create the domestic economic conditions for a stabilisation of the *franc* after the devaluations of 1982-3. The instrument was straightforward wage restraint by imposing inflation targets on wage negotiations. As a result, France became, after

Portugal and Greece, the country with the lowest real wage growth in the EU after 1985 (Taddéi and Coriat 1993). The second goal followed from the first and was an attempt to emulate the hard currency environment that had been so beneficial to German industry: unable to rely on competitive devaluations for export success, the argument went (Albert 1991), German industry was forced to search for competitiveness in quality rather than price.

These macro-economic policies radically changed the broader environment of companies. In the short run, the *franc fort* policy raised French interest rates to the highest level in the OECD, while, more structurally, the adherence to the ERM (later EMS) also implied an acceptance of the broader framework of competition rules regarding subsidies for ailing companies within the EU. The high interest rates hit the companies at the worst possible moment: not only did they raise the price of productive investments, the highly indebted companies were severely punished by this situation: for some of them debt servicing reached over 15% of annual turnover! Finally, budgetary constraints and adoption of EU competition rules, moreover, led to a structurally new situation: the well-known option of having the state finance the losses until the business cycle picked up again was increasingly becoming impossible as a viable option.

3.2. State-led corporate survival

Despite the restrictions on state involvement, the government in fact played a crucial role in the first phase of the adjustment process. Having assumed ownership of many large firms after the advent to power of a Left government, the government could now shelter the large companies from bankruptcy and foreign take-overs.[2] While nationalising the industry and the credit sector in the first year of the Mitterand presidency were primarily couched in anti-capitalist terms, broader strategic objectives, evoking the Gaullist program of maintaining a strong national industrial basis as a precondition for political *grandeur,* were never far away. Mitterand expressed this idea powerfully when he presented the nationalisations to the public in September 1991, and explained that if nationalisations did not take place, "these companies would rapidly be internationalised" (quoted in (Cohen 1996): 227).

By the time they were hit by the crisis, many of the large companies were therefore state-owned, which allowed them to become recipients of massive state aid: combined the companies listed in Table 1 received over FF 64 Billion in subsidies, three quarters of which went to the steel companies *Usinor* and *Sacilor* (subsequently nationalised, merged and restructured) and *Renault* alone ((Schmidt 1996): 108). Importantly, however, in all cases, the subsidies were accompanied by the negotiation of a detailed business plan.

[2] Even though failures happened. See (Cohen 1989) for details.

The goal of the business plans in the different industries was invariably a rapid restructuring in order to redress the dramatic financial situation by means of a massive cost-cutting program. The first effort in this regard was the negotiation of a series of social plans to rapidly reduce the workforce in the companies. Between 1984 and 1987, *Renault* thus reduced its total workforce by almost 30.000, or 20% (Freyssenet 1998). The *Peugeot* group did the same: between 1980 and 1987, 57.000 workers were laid off (23% of the workforce) (Loubet 1998). The steel industry, where the crisis had set in a few years earlier, reduced employment in the sector by 45% between 1980 and 1987 (Daley 1996a). Overall, the large companies shed 20% of their jobs in the 1980s (Berger 1995; INSEE 1993; SESSI 1997).

Since hard lay-offs were (and are) very difficult in France - in contrast to the Anglo-Saxon economies - the large firms were forced to search for other ways to reduce employment. These were found in the wide array of state programs that were made available to workers in early retirement and the measures that were associated with more restrictive immigration policies (Guillemard 1991). More than half of the workforce reductions in the car industry were financed by these measures (and for the remaining ones, the companies relied upon other state programs for industrial conversion), the massive workforce reductions in the steel industry were almost entirely state-financed through the early retirement system (Daley 1996a), and even the *SNCF* managed its workforce restructuring through reliance upon the state (Cauchon 1997).

The second big cost-cutting move by the large firms was a rapid extension of sub-contracting by means of outsourcing production and services. Between 1979 and 1985, for example, the vertical integration rate of *Renault and PSA* fell from 26% to 19% for the first and from 35% to 26% for the second. *Electricité de France,* the large state-owned utility company, did the same: instead of hiring new workers, the company hired subcontractors for the maintenance of its nuclear plants and network, and for local customer service. *EDF* workers that were hired, furthermore, were hired with regular labour contracts, not any longer on the civil servant statute typical of *EDF* workers.

These sub-contracting operations had the advantage of rapidly clearing the balance sheets, since many of the supporting activities associated with the subcontracted tasks were eliminated as well: product development, process engineering, training, quality control, etc. And in assembly industries subcontracting also implied just-in-time delivery of parts upon demand, which had the additional financial advantage of reducing capital tied up in the inventory of parts to a minimum. Between 1984 and 1987, for example, *Renault used* these plans to reduce its stock of cars that were made but not yet sold by 55%, and despite the increase in outsourcing, reduced its purchasing/turnover ratio by 8 percentage points between 1984 and 1988, due to the renegotiation of prices with suppliers (Freyssenet 1998).

Through a reorganisation of the production and service chain, and as a result of dramatic cuts in their workforce, the large firms in France thus managed a serious reduction of their immediate production costs. The most remarkable example of such a turnaround is probably *Renault,* whereas the company lost over FF 11 Billion per year in 1984 and 1985, from 1987 onwards, *Renault* posted high profits (and continued to do so for the following ten years). The same happened in other large companies. After the crisis of the early 1980s, for example, the French steel industry, now concentrated in *Usinor-Sacilor,* became one of the most profitable on the continent (Smith 1998), EDF managed to turn structural operating deficits into an operating surplus despite the government's claims on its revenue. In short, by 1987, and as a result of the cost-cutting measures, the large firms had secured their financial survival.

3.3. Elite coordination and corporate adjustment

While these restructuring plans solved the short-term cost problems and thus helped stabilise the French political economy in the short run, they created a series of entirely new challenges for the large firms. Sustained profitability, which had become the main goal by the mid-1980s, was only possible through a series of organisational innovations that increased productivity. Two areas were, given the existing weaknesses of French organisations, of crucial importance: workforce skills and the organisation of work, on the one hand, and subcontractors and suppliers, on the other. The post-mass production era required broadly trained teams of workers instead of unskilled workers as well as sophisticated suppliers to address the volatility of demand (Piore and Sabel 1984).

Yet these were precisely the type of reorganisations that had traditionally proven to be difficult in France. Despite the "presidentialism" of French management and the relative weakness of labour unions, corporate reorganisations were difficult, because of a number of reasons: the state kept a close watch on the social policies of large firms, French workers were insufficiently trained for them to be deployed flexibly, structures for workers' participation on the shopfloor did not exist, while unions managed to mobilise possible sources of discontent in shopfloor reorganisation and thus thwart shopfloor adjustment strategies. Moreover, increased outsourcing was certain to raise union resistance, because of the job losses they implied. In short, a reorganisation of work could succeed only if management proved able to neutralise both the state and the labour unions.

Suppliers, on the other hand, had traditionally been treated as simple executors of large firm orders, were technologically unsophisticated without proper innovation capacities as a result, and therefore simply incapable of dealing with any new demands from large firms. Since any reorganisation of the supplier networks of large firms would entail a dramatic restructuring of the small firm sector, which included dropping some altogether and reorganising the others through technology programs

and mergers. Governments would be hard put to accept the social consequences of such a reorganisation. Again, a strategy based on technologically well-equipped small firms could only succeed if management had a free hand in restructuring its supplier base.

The autonomy of top management from both the state and the stock market thus became a necessary condition to pursue internal reorganisations. Autonomy from the first was necessary to be able to drop a broad social and political dimension from management decisions and concentrate solely or at least primarily on profitability; fortunately, that was also the Fabius government's message to CEOs in the midst of the crisis of corporate France in the early 1980s. Yet being shielded from the immediate impact of the stock market was equally important, since corporate reorganisations announced themselves as a relatively long-term process, which required patient capital: without protection from the short-termness of the stock market, many companies would have been unable to survive the financial pressures they were exposed to under an open capital market.

The elite-based co-ordination mechanism, which tied the large firms to the state, provided the conditions for management autonomy from both the state and the stock market. As discussed before, the set-up was one in which top management was sealed off from the rest of the company, but tightly linked to the administrative apparatus. The privatisations of the 1980s and 1990s, grafted themselves upon this system, but led to a profound change in the way it operated. Because of how the privatisations took place, they created a protective circle of core shareholders, giving the CEO more autonomy from the state while protecting the company against take-overs. If the state was able to directly influence decision-making in large companies before, the changes in ownership structure made that much harder in the future. The hard core of investors that grew out of the privatisation process simultaneously became the central point of reference for management action, and offered protection against invasive initiatives by the state.

Understanding how this happened, requires going back to the end of the 1970s and early 1980s, before the reforms dealing with finance were implemented. The core of the relationship between industry and the banks in France was the vital importance of long-term debt for the financing needs of large firms. As late as 1980, French firms were the most highly indebted companies in the OECD, which put the banks in a position of serious influence over the affairs of industry; and because most of the debt was medium to long term, these banks generally took an active interest in the production and marketing strategies of the firms they supported in order to safeguard their investment (Cohen, Galbraith and Zysman 1985: 47; Hall 1985).

Most of these credit institutions were specialised banks who, combined, collected and disposed of two-thirds of all deposits in the French banking system. Beside these, there was a set of public investment funds, administering several

billions of *francs,* that were used for joint projects with private banks and as a discount fund for their loans (Hall 1986; Zysman 1983).

The main problem in the system was that, by discounting the loans, the government in fact ended up assuming the risk and as a result, banks were, despite the close relationship between finance and industry, especially poor at long-term monitoring (Goyer 1998). In order to deal with this issue, the government's aim was to reorganise the financial system in two ways. The first was to dismantle the sectoral credit monopolies by allowing most banks to become universal banks, thus installing competition for loans and deposits between them. The second to liberalise the system of industrial credit through a series of fiscal regulations that made investing in stocks more appealing to households. As a result of these reforms, households had a variety of ways to save, and companies a variety of ways to obtain (a variety of) money: they could rely on long-term bank financing, issue shares to investors, and rely on retained earnings for investment.

The financial reform of 1984 was followed by the privatisations (under the Right government after 1986) of many of the companies brought under the state's control only a few years before. The formal goals of this reform were simple: selling off the nationalised large firms using the new tools that had become available after the financial reform and thus create a popular capitalism of the Anglo-Saxon kind (Goyer 1998; Schmidt 1996).

However, the privatisations took place in a profoundly different way. Instead of being sold to a wide collection of potential owners, the companies were sold to five categories of investors only: the first was a hard core of stable share holders, the so-called *noyau dur,* the second the workforce, the third, quantitatively most important part, to the public at large (i.e. using the financial instruments that were born out of the financial reform), and the fourth and fifth to French and foreign institutional investors (Cohen 1996: 237-8). The privatisations were designed so that employees were given a preferred shareholder status by reserving up to 10% of shares for employees and giving them discounts on the purchase (Schmidt 1996: 156-57). Furthermore, in many cases the government limited the maximum number of shares that individuals could buy, thereby assuring that ownership was not concentrated. And in order to avoid speculative bursts and unwanted swaps, shares that were not sold for a longer period (up to 18 months) were rewarded with an extra share or tax advantages. These hard cores consisted of groups of banks, insurance companies and industrial companies that acted as long-term institutional investors and were supposed to help govern the company and protect it from takeovers (Schmidt 1996: 157-163).

As a result of this gigantic financial engineering operation two stable groups of cross-shareholdings emerged, each one constructed around a giant utility company, a holding, a major bank, and a large insurance company. The first one had the *Lyonnaise des Eaux,* the holding *Suez,* the *Banque Nationale de Paris* and the *Union*

des Assurances de Paris at its core, the other the *Générale des Eaux, PARIBAS,* the *Crédit Lyonnais,* the *Société Générale* and the insurance company *Assurance Générales de France* (Morin 1995). Together, these financial cores had direct and indirect controlling stakes in each other and almost all publicly quoted large companies. For example, the UAP-BNP core held 8.8% in Air France, over 15% in Saint-Gobain, 9.2% in Elf, and 7.5% in Péchiney. The AGF-Paribas group held 20% in Aérospatiale, 20% in *Usinor-Sacilor,* 14% in Rhône-Poulenc, and 7.2% in the oil company Total.

Because of the particular corporate governance structure in France, where small shareholders are neither directly nor indirectly represented (something the proxy voting system in Germany allows), this particular mode of privatisation should have amounted to an extraordinary control over industry by these hard core investors (Morin 1995). Yet the opposite was the case. Shareholders did get a better look at the inside of the companies - a result of the publication and accounting requirements following the opening up of the capital market - but that did not imply more control over management. Instead of reducing management autonomy, the reorganisation of the corporate governance system opened the way for the management of large firms to construct a broad sphere of independence from outside influences.

The privatisation package included a set of rules on the selection of members of the board of directors, which gave the CEO the right to appoint most of the board members and of the hard core of investors more generally him- or herself. Since the companies that these people represented were frequently entangled in complex cross ownership arrangements with each other and with the company on whose board they sat, control was, if it took place at all, far from tough. Secondly, more management autonomy also implied more financial freedom. As a last and extremely effective safeguard against unwelcome surprises, many CEOs thus created or took control of subsidiaries that allowed them to buy back their floated shares. Even if the representatives of those companies on the board took their job seriously, they were, needless to say, more than careful in pressing too hard for control. Their career depended, after all, on the CEO that they formally controlled (see Schmidt 1996, pp.374-377 for full ownership details). François Morin, one of the most prominent observers of the restructuring of French capital, aptly calls this set-up „self-management by management"(Morin 1995).

Large firms used their own privatisation to construct a situation in which they were able to pursue internal reorganisations without being burdened by the traditional social policy, regional development and other non-financial considerations. Thus, this situation sheltered firms from hostile take-overs during the crisis years, while it assured the companies of the capital needed for the necessary restructuring. Secondly, this holding structure also created a situation of autonomy in relation to the state and the labour unions (who often depended on the state): it allowed firms to be reorganised through massive layoffs if this proved necessary, since the state was no longer the only (socially conscious) owner. In other words, the

large companies were able to pursue more relentless workforce reduction policies, and increase sub-contracting and outsourcing as a way to cut direct production costs. It also allowed, where necessary, international corporate alliances, as in the case of *GEC-Alsthom* or the planned merger between *Renault* and *Volvo.* In sum, the internal reforms - which frequently entailed a brutal externalisation of costs onto workers and small firms - could be pursued without state intrusion and against the will of the labour unions.

The following two sections detail two critical areas of internal reform: the labour relations system writ large, and the supplier system. Both areas were at the heart of the initial restructuring to stop the crisis in the early years: massive lay-offs and rapid externalisation of immediate production costs. A thorough redefinition of the French production regime, however, required more than a simple reorganisation to cut costs. Without the organisational prerequisites for a move into more flexible mass markets (combining high volume with high quality and product differentiation), the crisis of the French model was bound to repeat itself, probably no later than during the next downturn in the business cycle.

In itself, this was not a novel idea: in fact, many of the government policies right before and after the Mitterand election in 1981 started precisely from the premise that pure price-based competition was unlikely to yield a stable outcome (Albert 1991; Hart 1992; Levy 1994; Ziegler 1997; Zysman 1977), a view shared by an important group of political economists (Boyer and Durand 1993; du Tertre 1989; Méhaut 1986; Salais and Storper 1993). The same idea was debated in the companies: the car producers *Renault* and *Peugeot,* the quasi-bankrupt steel industry, and public firms such as the railroad and electricity companies all realised that a corporate strategy simply based on high volume with low profit margins was increasingly untenable (Daley 1996a; Freyssenet 1998; Loubet 1998; Smith 1998). The search for new markets, however, so much was equally clear to all as well, implied a profound overhaul of the companies.

Eventually new products were developed and new markets found. *Renault* managed to position itself in segments of the car market where it combined the cost advantages of mass production with innovative design, and thus create a series of relatively protected niches in different market segments (with the small mini-van-like Twingo, the medium-size van-like Mégane, the minivan Espace, and recently the utility vehicle Kangoo). *Peugeot* SA increasingly adopted a platform strategy to increase economies of scale while trying to keep the distinct identities of its two brands *Citroën* and *Peugeot.* The steel industry changed from a large collection of small autonomous mass producers into a highly integrated conglomerate of large volume and small speciality producers. *EDF,* which had fully exploited the mass production strategy with its large-scale nuclear energy program, succeeded in constructing new domestic, export and large-client market segments in order to avoid being stuck with an unaffordable electricity production surplus of over 10% (Wieviorka and Trinh 1989). And in response to the slowdown in passenger traffic,

the *SNCF* developed and commercialised the high-speed train TGV: from one third of turnover in the mid-1980s, passenger traffic today accounts for two-thirds of turnover (Cauchon 1997).

Given the necessity to restructure workplaces and company organisation, how did the large firms succeed in doing this, despite the well-documented difficulties of French firms to move out of their predicament on their own account? Workplaces, for example, were highly tayloristic, which lowered mutual trust between workers and management, thus increasing the sources of industrial conflict, which fed into highly non-cooperative labour union politics. Suppliers were underfinanced and technologically unsophisticated and were therefore treated as cheap external workshops by the large firms; as a result profitability in the small firms remained low, which implied that they were unable to move out of their dependent situation. For the large firms, breaking through this kind of self-reinforcing disasters required independence from the state - which was provided by the corporate governance system - but at the same time also developing the capacity to deploy state resources in a way that supported large firm restructuring where necessary.

3.4. Restructuring the labour relations system

A redefinition of the French production regime critically hinged on shopfloor restructuring, and that, in turn, required a reorganisation of the broader labour relations system. Such a reorganisation implied solving two types of (different) problems. The first was related to the basic configuration of work organisation and skills. French firms were traditionally highly Taylorised, as a result organisational structures were inefficient (in large measure because they employed too many people), and they incorporated a wide array of obstacles to change. Repositioning in new market segments implied a profound overhaul of the work organisation system. The second, related, issue is union politics. French unions are radical, and mirroring the workplace relationships based on distrust, they are unwilling, and most likely unable, to take reform proposals, even by progressive management, seriously. However, because of their *de facto* capacity to block changes, a reorganisation of the workplaces depended either upon the labour unions' goodwill (which was not forthcoming), or upon a strategy that sidelined them.

The reorganisation of the internal labour market followed very rapidly after the first measures that secured the survival of the companies. Since the early 1980s, the goal of official government policy has been to assure that by the mid-1990s, four out of five young people had a certificate of finished secondary studies - until the age of 18 or 19, the so-called „Baccalauréat" or Bac. In effect, by 1995, around 75% of the age cohort passed the Bac exam, up from some 40% in 1984 (Courtois 1995). As a direct result, higher education also increased tremendously: almost half the students of the 1975 cohort (aged 18 in 1993) went on to some form of higher education: 22%

to university, 8.5% to the écoles supérieurs, and 16% to short-term higher education (the so-called Bac +2, a technical-commercial degree) (Courtois 1995).

Alongside this quantitative increase in education, the contents of the vocational and technical training programs were reorganised as well, with France attempting to emulate the German dual training system (see Wood and Culpepper in this volume for details). As was to be expected, this attempt fell considerably short of its stated ambitions, since - as the French discovered along the way (Möbus and Verdier 1997) - many of the institutional preconditions that made the German training system work, such as strong unions and employers associations, were simply not present in the French context. Moreover, the ideology of the schooling system, which regards itself primarily as a place where responsible citizens are produced, not workers, precluded most attempts to orient the educational system toward company needs.

However, in its implementation, the reform of the vocational and technical curricula echoed the needs of large firms. The school inspectors in Paris who are responsible for the elaboration of training programs, obtain most of their information from the needs of the technologically most advanced sectors in industry, and these are the large firms. On occasions, large firms even managed to have a new technical diploma „created" just for them. Curriculum reforms frequently are organised in order to provide large firms with the skills that they (say they) need (Verdier 1997).

While it was an important step, the revision of the vocational and technical training programs did not solve the workplace reorganisation problem. The educational system may have been producing skills that were considerably more attuned to the needs of the large firms, many of the older workers who were relatively ill-equipped for the new forms of work organisation, remained in the factories. In response, most large firms accelerated their existing workforce reduction programs - this time, importantly, not to cut costs, but to qualitatively adjust their workforce to the new product market strategies they were adopting. Thus, as elsewhere in Europe as well (Kohli et al. 1991), the French government funded these lay-offs by including many of the older workers in early retirement programs, the so-called Fonds *Nationale de l'Emploi* (FNE) and the Fonds *Industriels de Modernisation* (FIM). They kept their income but disappeared from the factories without showing up in the unemployment statistics (Guillemard 1991). Most importantly, it allowed the large firms to replace relatively old, relatively underskilled workers with younger, better-trained workers (Beret 1992; Midler and Charue 1993).

In the car industry, in the state-owned public service companies and in the steel industry, workforce restructuring followed precisely this path. In 1984, a report commissioned by the French parliament (the so-called "rapport Dalle) concluded that, in order to reach an acceptable level of international competitiveness, roughly 40,000 jobs had to be cut in the car industry. By the late 1980s, the actual number of cuts had been almost 100,000, more than half of which were financed through the early retirement system and other similar government programs for "soft" lay-offs

such as reconversion funds and return premiums for immigrant workers. New workers, in turn, were hired with educational qualifications far above the previous ones and by the early 1990s the old unskilled workforce had almost entirely been replaced by younger workers with much higher educational credentials. Needless to say, since labour productivity in this latter group was higher as a result of their skills, considerably less were hired than laid off. In the steel industry, over 50,000 jobs were cut between 1980 and 1985 with the use of the early retirement system and, as in the car industry, younger technicians were hired instead (Daley 1996a; Smith 1998). Finally, in the public sector companies *EDF, SNCF* and France Télécom, where lay-offs were impossible, workers were retrained while new hires were better-trained than the previous generation (Cauchon 1997; Duclos and Mauchamp 1994; Wieviorka and Trinh 1989).

Thus, the basic parameters in the human resources policies of the large firms were fundamentally changed. The evolution of the educational system raised and customised the skill basis of the young workers, creating a large skills reservoir. These skills were not - and cannot be, given the initial situation - of the „deep" technological kind that the German system produces (Soskice 1997), but involved general skills such as mathematics, languages and their application in industrial and commercial activities, software and computer knowledge, and a large set of "social" skills, enabling the exchange of information between workers, production units inside the company and the company and suppliers. In other words, they included a wide variety of skills peripheral to most production processes - administrative skills for low-level personnel and inventory management, as well as the skills required for quality control and interaction between different units inside the company - but that were essential to the large firms, since they allowed a restructuring of tasks and a reorganisation of work. The early retirement packages, then, made sure that these younger workers could replace the older ones. Relying on the institutional resources provided by the government measures, large firms thus were able to integrate a series of tasks that had been outside the purview of production workers into their jobs, which allowed them to pursue entirely novel, more sophisticated product market strategies, away from classical mass production (Salais 1988; Salais 1992).

It is important not to misunderstand this outcome. French workplaces are still highly Taylorist (Linhart 1991). In fact, a survey of workplace practices (Duval 1996) emphasises that between 1984 and 1990, the central period in workplace restructuring, the number of workers in the French engineering sector who said they performed repetitive work, where the working rhythms were imposed by machines (typical characteristics of Taylorist mass production), increased by almost a third. Yet that was exactly the point of the new education programs and the way they articulated with the new workplaces: they left the core contents of the job largely untouched, but provided employers with skills for the administrative tasks *surrounding* the actual work. Since historically these had been exactly the types of jobs -control, administration, supervision and maintenance (Lane 1989; Maurice, Sellier and Silvestre 1988) - of which French companies had disproportionately many more than companies in other countries, reorganising those tasks offered

serious potential productivity increases, while the possibility to engage broader skills bases allowed for an increase in product and process complexity.

Copying practices that already existed abroad, large firms thus reorganised the production process in such a way that small groups of workers re-appropriated many of the peripheral tasks: such teams of workers now perform primary maintenance tasks, low-level personnel administration (e.g. job rotation, holidays, etc.), quality control, inventory management and sometimes on-line contacts with suppliers. It may still be Taylorism, but it has a different form.

Workplace reorganisation was intimately tied up with the labour relations system, because of the capacity by the labour unions to block far-reaching changes. Thus, restructuring workplaces also required installing forms of workplace communications that circumvented the unions. To create those, firms redeployed a series of institutional innovations in the labour relations system proposed by the Left governments of the early 1980s to their own advantage.

In 1981 and 82, the government proposed a series of laws, the Auroux laws, which introduced new methods of direct workers' participation on the shopfloor that were not any longer monopolised by the labour unions. While usually the unions viewed government initiatives with a mixture of defiance and suspicion, for these reforms, both the Communist CGT and the Left-socialist CFDT, the two main unions at that moment, dropped their radical rhetoric and attempted to make the reforms work. The local union people, however, who were meant to implement the reforms, were incapable of playing this novel role. Since unions had been highly centralised prior to the reforms, the local union sections had in fact little or no experience with the type of "social-democratic" workplace union activities that the Auroux laws had carved out for them (Eyraud and Tchobanian 1985). Thus the fundamental discrepancy between local union capacities and the new requirements of the situation, made the unions (almost) collapse under the weight of the new situation.

Employers' positions developed in a parallel way. The Auroux reforms initially appeared as the Fifth Column to them, and it came therefore as no surprise that the employers' association CNPF and most managers resisted their introduction (Weber 1990). Gradually, however, employers began to see the advantages of the new institutions for shopfloor workers' participation that the laws created (Morville 1985). This was related to the structure of the Auroux reform project itself, which in fact consisted of two very different reform projects, one hidden underneath the other, almost like Russian dolls: the first project was a blend of "German-style" social-democracy and self-management ideas carried over form the 1960s, while the second was "Japan-style" workers' integration (Howell 1992a; Howell 1992b). With the unions, the necessary ingredient for the first project to succeed, helplessly standing by the side, the second scenario, the flexible workplace, revealed itself. As soon as the boom of expression groups was tapering off, French industry thus witnessed an explosion of management-led quality programs and shopfloor teams:

from roughly 500 in 1981, the year of the Auroux reform, to over 10.000 in the summer of 1984 (Weber 1990: 446). In their search for an internal reorganisation, large firms thus simply picked from the labour relations policies those elements that allowed them to neutralise the labour unions. In other words, what was initially a worker-oriented reform package, became a management tool that helped defuse the conflict-ridden formal industrial relations institutions and allowed for a participative management model that integrated workers' skills into the production system without integrating unions in the corporate decision-making structure.

Again, *Renault* provides one of the most graphic example of how the effects of these policies were used to create a new organisational model. Workforce reductions in the company during the 1980s were concentrated in the two plants in and near Paris - Billancourt and Flins - that had always had the most militant labour unions. In 1976 these two plants employed over half of the *Renault* assembly workers; in 1992, after the closure of the mother plant in Billancourt, only about a quarter of the total *Renault* assembly workforce in France was employed in the remaining Flins plant, with early retirement plans and normal retirement accounting for over half of these soft lay-offs. As a result, the militant unions were seriously weakened, and management had a relatively free hand in the reorganisation of workplaces. In 1989, the unions (without the CGT) signed a new type of more qualitatively oriented agreement, which individualised careers, decentralised training and installed shop-floor teams. This decentralised management model weakened the highly centralised unions even further, leaving management increasingly more freedom to pursue further reorganisations. Since new hires involved higher skills - *Renault* currently employs more technicians and engineers than direct assembly line workers - the old class-based appeal of the radical "ouvriériste" unions was seriously diminished. In short, combining all the available resources, *Renault* managed to circumvent the unions in order to reorganise the shop floor (Hancké 1998). The end result was a doubling of labour productivity between 1984 and 1994, without an increase in capacity - a feat unknown in the world car industry (Williams et al. 1994)!

In sum, in their search for competitiveness, the large firms had simply deployed the existing policies that dealt with the labour market and labour relations in such a way that the measures ended up serving *their* needs, almost regardless of their initial intentions. The changes in the educational system redefined the available skills; the early retirement packages and similar labour market programs allowed the firms to restructure their workforce by hiring younger workers; and the Auroux legacy neutralised the unions while providing institutional channels for the integration of workers into the company. In this process, the large firms changed the structure of their internal labour markets and of labour relations and then constructed a situation where workers and unions started acting on their terms, aligned with the strategic objectives of the large firms.

A similar outcome can be found in the second crucial area of firm restructuring, supplier relations. Here as well, an initially deadlocked situation ended up being

changed as a result of how large firms reorganised their objectives and developed new strategies to pursue these. And, since such reorganisations were extremely difficult to pursue with their own internal resources, large firms again relied on government measures in related areas as a source of innovation.

3.5. Reorganising supplier networks

The changes in the supplier relationships of the large firms have to be understood in light of the dramatic financial problems they faced in the early 1980s. Gigantic losses, high debt and high interest rates put serious cost pressures on the large firms and, in order to clear the balance sheets, large firms attempted to externalise as many of the costs as possible. The most convenient way to resolve the financial problem was to drastically reduce in-house inventory, because it eliminated the capital costs required to carry the inventory while imposing a new mode of production which assured that these costs never reappeared. The answer was therefore the forced introduction of just-in-time delivery systems in French industry.[3]

Very soon, however, large firms realised that their suppliers were unable to meet the kind of demands that these new, considerably more fragile systems imposed. JIT delivery requires suppliers to be able to deliver parts on time, i.e. either they carry the inventory, or they upgrade their internal operations and the links to the assembler in order to deliver parts on time. Additionally, it also meant that they had to be able to deliver zero defect quality, since the principle of JIT is precisely that parts be delivered when needed, which makes entry checks impossible. Thus, for the suppliers the rapid externalisation of production by the large firms through the introduction of JIT delivery systems, required more immediate attention to technology and quality, while the new links between the large firms and their sub-contractors gradually shifted the burden to the tatter's long-term capabilities. Initially, such a shift was impossible to cope with for the suppliers.

The causes of these adjustment problems are historical: the upshot of the Gaullist-inspired large firm-led development model in France (Kuisel 1981) was that small industrial firms were neglected in the modernisation plans, if not downright eliminated (Ganne 1992). Despite lip service to the small firms, industrial policies were, in fact, almost exclusively oriented toward the large firms.[4] The small and medium-sized industrial firms that had been the backbone of France's economy before WW II - but were therefore also regarded as contributing to the economic

[3] The first mention of KanBan delivery systems in the car industry is 1982-83 (Labbé 1992); other industries followed suit rapidly and by the end of the 1980s, JIT was generalised in France (Gorgeu and Mathieu 1993).

[4] The French state was careful, of course, to further small artisanal firms because of their role as a political reservoir for the Right, and the numerical flexibility they provided for the mass-producing large firms (Berger and Piore 1980), but not with targeted industrial policies.

stagnation under the Third Republic (Ganne 1992) - were simply ignored in the economic development strategies of the state.

As soon as this large-firm centered development model was implemented, however, the large firms at its core ran into severe problems that endangered their growth. Many large firm plants were located in areas where physical expansion was impossible, the local labour market was becoming unpleasantly tight for them and they therefore started searching, with the help of the first wave of decentralisation policies for production sites outside the industrial north-east (Caro 1993; Gorgeu and Mathieu 1995; Loubet 1995). While locating away from the industrial heartland had many advantages for the companies, such as space and a large additional workforce, it also had its drawbacks. The most important was that there were no or very few other industries there that could supply these large firms with parts; in response, the large firms negotiated with suppliers to locate in the area.

As a result of this process of industrial relocation, a series of „proto-regionalised" production networks in greenfield areas emerged, which were constructed like cartwheels with the large firm at its center, and where an abundant, docile and cheap workforce as well as dedicated suppliers existed. Many of these new regional production structures were furthered by the state policies of that period, which subsidised a decentralisation of production into underdeveloped areas. However, the suppliers were merely treated as extended workshops that diligently followed the instructions of the large firms. It was against this configuration that the reorganisation of supplier policies in the 1980s has to be understood.

When the large firms were forced to reorganise their internal operations in the 1980s, their intentions hit the limits of the French development model. For, in contrast to, for example, Baden-Württemberg and Emilia-Romagna, French industry was left without a vibrant small-firm sector. The relations between large and small firms in a sub-contracting relationship were exactly the opposite of what was needed for the reorganisation: the engineers of the large firms detailed the specifications, delivery times and work processes, and the SMEs diligently carried out the orders. In principle, at no point in the design and production process did the supplier make a contribution beyond simple execution (Rochard 1987; Veltz 1996: 24-29)).

When, as a result of their own internal reorganisation, the large firms imposed new complex organisational arrangements nonetheless, the suppliers suddenly faced high costs for the externalisation of inventory associated with JIT parts delivery. Technologically, they were incapable of delivering high-quality goods, and they were not equipped to become sophisticated system suppliers. Ironically, the large-firm dominated development model had created serious obstacles to its own adjustment.

Again, the large firms appealed to existing policies to fill the gaps in their own capabilities. The goal economic decentralisation policies passed by the first Left

government was to create a vibrant tissue of small and medium-sized firms in the regions. While this reform failed miserably in that goal (Levy 1994), it had the inadvertent effect of providing the large firms with a wide array of regional institutional resources that they could tap into in order to modernise their suppliers networks.

These reforms were geared at regions which had, as a result of the regional development program of the 1960s, in fact become industrial monocultures: even today, in almost all of the 21 regions outside Ile-de-France, one large firm dominates the region in terms of output and (direct and indirect) employment (see the data per region in (Quélennec 1997)). As a result of their weight in those regions, the large companies were easily able to use the institutions created by the decentralisation programs of the 1980s to their own advantage: they were, in fact, the organisational interface between the regional institutions created or mobilised by the government, and the small firms that the policies were meant to address.

In the late 1980s, for example, *Peugeot PSA* used the local engineering school in the Franche-Comté region, in the east of the country, to help its steel suppliers upgrade their technologies and products to meet the new corrosion standards that the car manufacturer was adopting in its next generation of cars (Levy 1994: 295-317). *PSA* commissioned a study to evaluate the capabilities of its suppliers and then worked together with the local engineering university to develop a training and investment program for these companies. In a very short period, PSA's suppliers were able to supply the company with the high-quality steel it needed and, because they had been forced to meet the international ISO 9000 quality management standards, were able to keep on doing so on a permanent basis. It is noteworthy that almost none of the other local SMEs, who did not supply *PSA* with steel but for whom steel treatment was part of a broader in-house program, or who made high-speciality steel, were involved in the program. And equally importantly, the total cost for *PSA* was very small: the car manufacturer contributed FF 200000 to the program; the local authorities over FF 1 Million. *PSA* was able to play this central role because it was by far the most important employer in the area, and because many small industrial firms were integrated into its production network.

A similar rearrangement of regional resources took place in the Marseille area, where the steel company *Sollac,* again the largest local company, drew on the regional training funds to adapt the skills of its workforce to the technological turn that the company was taking (Hildebrandt 1996). In cooperation with the central Ministry of Education and a local training institution, the company first created two new industry-specific technical diplomas and then used its own training center to organise the courses - inanced by the public authorities. The same center was also used to retrain the suppliers' workforce, again mainly funded by the regional authorities.

Aérospatiale in Toulouse, *Citroën* in Bretagne, and chemical companies around Lyon have adopted a similar strategy of appropriating public resources for their own adjustment: local schools and training programs, regional technical universities, and the battery of local employment agencies, regional offices of the ministries of industry and regional development as well as the Foreign Trade Office were used to help the small firms upgrade organisationally and technologically and then to open up new markets for them. In all these cases, the end result was that the large companies were now able to redefine their product lines and that they could rely on sophisticated, technologically well-equipped suppliers. Almost all their suppliers today meet the ISO 9000 standards as a result of the reorganisation of the links between them and their large firm customers.[5]

Importantly, however, all this attention to suppliers has not led to an increase of their power in the relationship with the large firms. Despite their technological capabilities, they rarely are closely involved in product development. Product design remains heavily centralised in the large firms' product development departments, who design new products as a collection of discrete, standardised, and in principle independent modules (Ulrich 1995). The gains of this product development method for the large firms are obvious: they offer the benefits of advanced design and flexibility without losing control over the process as a whole. Despite the increased sophistication of the suppliers, the situation remains structurally biased in favour of the customers (Hancké 1998).

The new supplier policies of the large firms, and the increased reliance of the large firms upon their suppliers for system development and JIT logistics for production, thus eventually ended up reorganising French industry into a series of regional production networks, constructed around one large firm, dominating the region in every aspect: employment, output, regional investment.[6] Increasingly, France began to resemble a collection of quasi-autarchic regional economies, in which the SMEs subordinated themselves to the exigencies of the large firms' local plants, by being integrated technologically and organisationally. The regional network that thus emerged was, in turn, subordinate to the strategies conceived and developed in headquarters, usually located in the Paris area. In embryonic form, this multiple-layered hierarchical structure had always existed, but after the crisis of the early 1980s, it became a building block for the large firms in their reorganisation.

In addition to this far-reaching technical and organisational integration, large firms frequently also support SMEs in obtaining finance -indirectly through sub-contracting arrangements and ISO 9000 certification, which signal the *sérieux* of the suppliers to outsiders, and directly through their broader networks involving banks or their own financial involvement (Cieply 1995).

For a graphic representation, see the map of the geography of France in (Quélennec 1997) p.19. Relevant data are found in that volume, and in (SESSI 1997).

4. Conclusion: The new political economy of France

French industry went through a dramatic adjustment phase after a crisis of tremendous proportions in the early 1980s. At the end of this process, French firms - derided as "lame ducks" only ten years before - had become among the most profitable in the OECD, able to survive even the tough 1992 recession (ref.; Glyn 1995). During the first years of the 1980s, large firms in France were forced to search for rapid measures to re-balance the books and then set out to reorganise their internal structures to secure competitiveness. This internal reorganisation was conditional upon increased management autonomy, especially from the state, which was provided by the privatisation of many large firms, and the way this interacted with the existing elite network. The internal reorganisation that followed, allowed French firms to pursue new human resources policies, introduce new methods of supplier integration and generally position themselves in new markets.

The areas of internal reorganisation are particularly interesting, because they suggest a core element of the new French model of industrial organisation - and a major continuity with the pre-1980 set-up. Both in the workplaces and in supplier management, performance assessment and improvement instruments which were imposed by large firm management were crucial. France has among the highest and most rapidly rising ISO 9000 certification rates in the OECD, and among the highest adoption rates of quality-circle type workplace team arrangements (ref.). At the same time, workers' autonomy on the job, as well as small firm autonomy in product development, remains low. ISO 9000 and quality circles both are efficient instruments for reorganising workplace and inter-firm relations but without endangering managerial hierarchies; increased job autonomy and product development competence, on the other hand, will lead to a situation where managerial authority might be undermined. As in the earlier period, therefore, the "presidentialism" of French management, in large measure a result of the social distance between management elites and the rest of the company (or, more broadly, the supplier network), remains a core element of the French model.

Different from the past, however, is the wider context of management. Under the old regime, large firms were policy instruments for the state; precisely that configuration is fundamentally different today. Instead of a state-led path, the French adjustment trajectory was a firm-led one. Despite some *dirigiste* attempts in the 1980s, the French state today plays a considerably smaller role in the economy than before, and has lost much of its capacities to direct industrial and economic adjustment. However, and equally important, the gap that emerged was not filled by the market, but by a mode of coordination which included elites in the state apparatus, large firms and *haute finance,* who assured that large firms were able to construct a novel institutional environment for their own adjustment and then induce other relevant actors - the state, labour unions, the workforce, other companies, and the financial world - to act according to their preferences.

This novel perspective on France - firm-led instead of market-led adjustment - not only helps make sense of the developments since the early 1980s, it also sheds new light on an old theme in the study of France - the *société bloquée.* According to this perspective, reforms are difficult to implement in France, because they are conceived with strong societal actors in mind (in recent years because they were technocratically copied from the successful German experience), but the actors are too weak in fact to be able to become the social bearers of the policies. The result is policy failure - and a more general fundamental unreformability of the country's political economy. The financial deregulation, for example, led to elite-controlled cross-shareholdings instead of popular capitalism (Bauer 1988; Maclean 1995), because the banks were incapable of playing the new monitoring role designed for them (Goyer 1998). The Auroux workplace reform resulted in weaker instead of - as intended - stronger labour unions, because the unions were incapable of turning the institutional innovation into advantages for themselves (Howell 1992b). And the decentralisation of policy-making led to an increased dependence on Paris instead of the construction of new policy-making systems in the regions to support industrial development, because the regional associations were unable to provide the type of interface between the firms targeted and the regional institutes that were supposed to serve them (Levy 1994). Reforms turned into failures because the social actors that were critical to their implementation, were too weak.

Changing the perspective to the large firms as the central agents in the French political economy puts these apparent failures into a fundamentally different light. The large firms used the institutional resources provided by these policies and then deployed them on their own terms in their own strategic adjustment. The financial deregulation allowed large firm CEOs to construct a broad sphere of autonomy; the Auroux laws provided large firms with institutions to defuse the perennial workplace conflict; and the decentralisation policies offered the large firms instruments to upgrade their regional supplier base. In short, by shifting the perspective to strategic adjustment by the large firms, policy initiatives that are documented as dramatic failures, take the shape of institutional resources for the large firms - a very different idea indeed than what is offered by the *société bloquée.*

Finally, there are the questions that remain. The first, and at the heart of the research program on varieties of capitalism, is where to locate France in the comparative political economy debate in general, and in the "organised v. liberal market economy" categories in particular. While France most certainly has not become a liberal market economy - market mechanisms have not been at the basis of the adjustment - it has also become obvious from the discussion in this chapter that the earlier state-centered mode of coordination has lost a lot of its power. With this relative retreat by the state, France lost an important basis for its exceptionalism; yet at the same time, the mode of coordination, with roots in the state, survived by adapting to the new conditions, which in turn provided the basis for economic adjustment. As in other countries, the mode of coordination of capital in France suggests ways of exploring the French adjustment path in the 1980s and 1990s.

However, it is important to underscore the differences between France and other advanced market economies. France is not a German-style coordinated market economy, governed by associations which provide public goods and thus have the capacity to enforce compliance. Instead it relies on tight links between economic and administrative elites, and upon a series of mechanisms that assure information flows, and provide monitoring and sanctioning capacities within this elite network. Recruitment into this system passed via the state instead of private circles, and was critically dependent upon the state as the orchestrator of the system.

The gradual disengagement by the state and the concurrent changes in the mode of elite coordination therefore raise the question about how to understand the changes in the French model. One way of looking at it is to see it as a hybrid, which relies on the market as a means of coordination in some areas, and upon non-market mechanisms for others. Yet if it is indeed best seen as a hybrid, this has serious theoretical implications, for the constituent elements then are less coherent than the idea of institutional complementarities underlying the varieties of capitalism approach suggests. However, if the internal viability of the model is threatened precisely of its lack of internal congruence, does this mean that we are perhaps witnessing a transition in France from a primarily non-market mode of coordination to a market-based model? In short, studying the evolution of the French political economy in the future will remain a major contribution to the systemic approach adopted in this volume.

The final issue is the social and economic sustainability of the new French model. Assuming that the changes documented are here to stay, the question is how the core of this new model will survive changes in France's immediate competitors. The strong performance of French industry is almost entirely a result of competition on low unit labour costs. Yet such a competitive model is dependent upon the policies pursued in the main trading partner countries. As long as demand is high in the trading partners and relative unit labour costs less favourable - as is currently the case in Germany, France's main trading partner - French industry can easily find markets. Yet when German industry becomes more cost-competitive, probably as a result of the introduction of productivity-enhancing new organisational models, the competitive gap closes, and it is unclear how French industry will deal with that new challenge.

At least as important, French industry may be in a more favourable position now, but this has come at a large social cost.[7] A glance at the unemployment statistics and the current debate on social exclusion reveals that the adjustment process has created a new set of social problems. Unemployment is, of course, primarily a macro-economic problem, a result of the restrictive monetary policies imposed by the German central bank and the Maastricht Treaty on the rest of Europe (Carlin and Soskice 1997). Yet, given the level of unemployment in France, some elements are

[7] This is the subject of a large and growing literature on and in France at the moment. See (Lipietz 1998; Todd 1998) for repesentative references.

particular to the French situation. Since the adjustment path in France was primarily one of reducing costs, which entailed serious reductions in the workforce of the large firms, a relatively strong link may exist between the micro-economic adjustment model and its macro-economic effects. A large part of the 4 to 5 percentage point differential between the German unemployment rate, controlling for the increase due to the incorporation of the former GDR, and the French, can be attributed to the strategy based on wage costs and workforce reductions followed by French industry (Boltho1996).

A similar point can be made regarding social exclusion. Since entry into the internal labour markets of firms depends crucially on educational credentials - even for workers - those without official diplomas easily find themselves in a situation where they acquire no job experience, thus making themselves even less desired by potential employers. Around the large cities, the areas with low-income housing, where educational levels are also among the lowest in the country, have therefore slowly turned into US and UK ghetto equivalents - one of the most explosive social problems that the country currently faces.

Slowly, the effects of this adjustment model are making themselves felt in the political system as well. Despite the favourable competitive position of most exporting firms and France's stable trade surplus, the main culprit for the social problems is, in the French debate, the rise in international trade (Berger 1995). As a result of this preoccupation with the position of France in the international economy, a new cleavage seems to be emerging in French politics, orthogonal to the conventional Left-Right lines. The first grouping shares two basic ideas: less market (and therefore more state) and national preferences; the second is more liberal and pro-European. This new constellation leads to strange bed-fellows indeed. In the first camp, we find the Communist Party, nationalist factions in the Socialist Party (the MDC), and on the Right (Séguin), as well as the fascist Front National. In the second, we find most of the Parti Socialiste, and the liberal parts of the Right. How stable is this new fault line in French politics? Will it eventually lead to a realignment of the party system which supersedes the old Left-Right divisions?

As these questions suggest, the new France is far from stable. The relatively successful adjustment of the economy has created a series of shocks from which France has difficulty to recover and in the process, many of the basic parameters of the French political economy have been redefined. The state's role in the economy is smaller, European markets and politics more important, the social safety net smaller and social insecurity higher, and as a result of that, the political system is increasingly coming under pressure. Despite the *prima facie* continuities with the old regime, one is tempted to ask if this is in fact a silent transition to the Sixth Republic?

Bibliography

Albert, Michel. 1991. *Capitalisme contre capitalisme.* Paris: Le Seuil.

Bauer, Michel. 1988. "The Politics of State-Directed Privatisation: The Case of France. 1986-88." *West European Politics* 11, No 4: 49-60.

Bauer, Michel and Bénédicte Bertin-Mourot. 1995. L'Acces *au Sommet des Grandes Entreprises Françaises. 1985-1994.* Paris: C.N.R.S. Observatoire des Dirigeants and Boyden.

Béret, Pierre. 1992. "Salaires et marchés internes: quelques évolutions récents en France." *Economie Appliquée 45,* No 2: 5-22.

Berger, Suzanne. 1972. *Peasants against politics.* New York: Cambridge University Press.

Berger, Suzanne. 1995. "Trade and Identity. The coming protectionism?" in *Remaking the Hexagon. The new France in the new Europe,* ed. Gregory Flyn. Boulder: Westview Press.

Berger, Suzanne and Michael J. Piore. 1980. *Dualism and Discontinuity in Industrial Societies.* Cambridge, MA: Cambridge University Press.

Birnbaum, Pierre. 1994. *Les sommets de l'Etat. Essai sur l'élite du pouvoir en France.* Paris: Le Seuil.

Boltho, Andréa. 1996. "Has France converged on Germany?" in *National Diversity and Global Capitalism,* ed. Suzanne Berger and Ronald Dore. Ithaca NY: Cornell University Press.

Bourdieu, Pierre. 1989. *La Noblesse d'État. Grandes écoles et esprit de corps.* Paris: Éditions de Minuit.

Boyer, Robert. 1997. "French Statism at the Crossroads." in *Political Economy of Modem Capitalism.* ed. Colin Crouch and Wolfgang Streeck. London: Francis Pinter.

Boyer, Robert and Jean-Pierre Durand. 1993. *L'après-fordisme.* Paris: Syros.

Cameron, David R. 1996. "Exchange Rate Politics in France, 1981-1983: The Regime-Defining Choices of the Mitterrand Presidency." in *The Mitterrand Era. Policy Alternatives and Political Mobilization in France,* ed. Anthony Daley. London: MacMillan.

Carlin, Wendy and David Soskice. 1997. "Shocks to the system: the German political economy under stress." *National Institute Economic Review* 159, No 1/97: 57-76.

Caro, Philippe. 1993. Les *usines Citroën de Rennes. Origines, implantation et évolutions (1951 à 1974).* Ph.D. Thesis, EHESS.

Cauchon, Christophe. 1997. *La hiérarchie face aux reformes de la grande entreprise de service public en réseau et de son marché interne de travail: les cadres de la SNCF.* Ph.D. Thesis, University of Aix-Marseille.

Cohen, Elie. 1989. *L'état brancardier. Politiques du déclin industriel 1974-1984.* Paris: Calmann-Lévy.

Cohen, Elie. 1996. *La tentation hexagonale.* Paris: Fayard.

Cohen, Stephen, James Galbraith and John Zysman. 1985. "The Control of Financial Policy in France." in *The State in Capitalist Europe,* ed. Steven Bornstein, David Held, and Joel Krieger. London: Allen & Unwin.

Courtois, Gérard. 1995. "Education et Formation: Grandes Tendances." in *L'Etat de la France 95-96. .* Paris: La Découverte.

Crozier, Michel. 1964. *Le phénomène bureaucratique.* Paris: Le Seuil.

Crozier, Michel. 1970. *La société bloquée.* Paris: Le Seuil.

Daley, Anthony. 1996a. *Steel, State, and Labor: Mobilization and adjustment in France.* Pittsburgh: University of Pittsburgh Press.

d'Iribarne, Alain. 1989. *La compétitivité : Défi social, enjeu éducatif.* Paris: Presses du CNRS.

du Tertre, Christian. 1989. *Technologie, Flexibilité, Emploi. Une approche sectorielle du post-taylorisme.* Paris: Édition L'Harmattan.

Duclos, Laurent and Nelly Mauchamp. 1994. *Bilan-perspectives des relations sociales et professionnelles à EDF-GDF* Paris: GiP Mutations industrielles, Laboratoire de Sociologie du Changement des Institutions, CNRS.

Duval, Guillaume. 1996. "Les habits neufs du taylorisme." *Alternatives Economiques,* No 137: 30-39.

Duval, Guillaume. 1998. *L'entreprise efficace à l'heure de Swatch et McDonalds. La seconde vie du taylorisme.* Paris: Syros.

Estrin, Saul and Peter Holmes. 1983. *French planning in theory and practice.* London ; Boston: Allen & Unwin.

Eyraud, François and Robert Tchobanian. 1985. "The Auroux Reforms and Company Level Industrial Relations in France." *British Journal of Industrial Relations 23,* No 2: 241-259.

Fourastié, Jean. 1979. *Les trente glorieuses, ou la révolution invisible de 1946 à 1975.* Paris: Fayard.

Freyssenet, Michel. 1998. "Renault: from diversified mass production to innovative flexible production." in *One Best Way? Trajectories and industrial models of the world's automobile producers,* ed. Michel Freyssenet, Andrew Mair, Koichi Shimizu, and Giuseppe Volpato. Oxford: Oxford University Press.

Ganne, Bernard. 1992. "Place et évolution des systèmes industriels locaux en France. Economie politique d'une transformation." in Les *régions qui gagnent. Districts et réseaux: les nouveaux paradigmes de la géographie économique,* ed. Georges Benko and Alain Lipietz. Paris: Presses Universitaires France.

Glyn, Andrew. 1997. "Does Aggregate Profitability *Really* Matter?" *Cambridge Journal of Economics* 21, No 5: 593-616.

Goldstein, Andrea. 1996. "Privatizations and Corporate Governance in France." *Banca Nazionale del Lavoro Quarterly Review* 44, No 199: 455-488.

Gorgeu, Armelle and René Mathieu. 1993. "Dix ans de relations de sous-traitance dans l'industrie française." *Travail,* No 28: 23-44.

Gorgeu, Armelle and René Mathieu. 1995. "Stratégies d'approvisionnement des grandes firmes et livraisons juste à temps: quel impact spatial?" *L'Espace géographique* 24, No 3: 245-259.

Goyer, Michel. 1998. *Governments, markets, and growth revisited: corporate governance in France and Japan, 1965-98", paper* presented to the American Political Science Association annual meeting, Boston:

Guillemard, Anne-Marie. 1991. "France: Massive Exit through Unemployment Compensation." in *Time for Retirement. Comparative Studies of Early Exit from the Labor Force,* ed. Martin Kohli, Martin Rein, Anne-Marie Guillemard, and Herman van Gunsteren. Cambridge/New York: Cambridge University Press.

Halimi, Serge. 1992. *Sisyphe est fatigué. Les échecs de la gauche au pouvoir.* Paris: Robert Laffont.

Hall, Peter A. 1985. "Patterns of Economic Policy among the European States: An Organizational Approach." in *The State in Capitalist Europe,* ed. Steven Bornstein, David Held, and Joel Krieger. London: Allen & Unwin.

Hall, Peter A. 1986. *Governing the Economy. The Politics of State Intervention in Britain and France.* Oxford: Oxford University Press.

Hancké, Bob. 1998. "Trust or Hierarchy? Changing relationships between large and small firms in France." *Small Business Economics* 11, No 3: 237-252.

Hancké, Bob and Steve Casper. 1996. *ISO 9000 in the French and German car industry. How international quality standards support varieties of capitalism,* WZB discussion paper FS I 96 - 313, Berlin: Wissenschaftszentrum Berlin für Sozialforschung.

Hart, Jeffrey A. 1992. *Rival Capitalists. International Competitiveness in the United States, Japan, and Western Europe.* Ithaca NY: Cornell University Press.

Hildebrandt, Swen. 1996. *Berufsausbildung in Frankreich zwischen Staat, Region und Unternehmen: Neuere Entwicklungen in der Region Provence-Alpes-Côte d'Azur,* WZB discussion paper FS I 96 -101, Berlin: Wissenschaftszentrum Berlin für Sozialforschung.

Hoang-Ngoc, Liêm. 1998. *La facture sociale: Sommes-nous condamnés au libéralisme?* Paris: Arléa.

Hofstede, G. 1980. *Culture's Consequences.* London: Sage.

Howell, Chris. 1992a. "The Dilemmas of Post-Fordism: Socialists, Flexibility, and Labor Market Deregulation in France." *Politics and Society* 20, No 1: 71-99.

Howell, Chris. 1992b. *Regulating Labour. The State and Industrial Relations in France.* Princeton: Princeton University Press.

INSEE. 1993. *Tableaux de l'économie française 1993-1994.* Paris: INSEE.

INSEE. 1996. *Tableaux de l'économie française 1996-1997.* Paris: INSEE.

Kadushin, Charles. 1995. "Friendship Among the French Financial Elite." *American Sociological Review* 60, No April: 202-221.

Kindleberger, Charles P. 1963. "The post-war resurgence of the French economy." in *In Search of France,* ed. Stanley Hoffmann, Charles P. Kindleberger, Laurence Wylie, Jesse R. Pitts, Jean-Baptiste Duroselle, and François Goguel. Cambridge MA: Harvard University Press.

Kohli, Martin, Martin Rein, Anne-Marie Guillemard and Herman van Gunsteren. 1991. *Time for Early Retirement. Comparative studies of early exit from the labor force.* Cambridge: Cambridge University Press.

Kuisel, Richard F. 1981. *Capitalism and the State in Modern France. Renovation and economic management in the twentieth century.* Cambridge: Cambridge University Press.

Labbé, Daniel. 1992. "Renault: les trois âges de la négociation." *Travail,* No 26: 73-96.

Lane, Christel. 1989. *Labour and Management in Europe. The Industrial Enterprise in Germany, Britain and France.* Aldershot: Edward Elgar.

Levy, Jonah. 1994. *Toqueville's Revenge. Dilemmas of institutional reform in post-dirigiste France.* Ph.D. Thesis, Department of Political Science, MIT.

Linhart, Daniele. 1991. *Le torticolis de l'autruche. L'éternelle modernisation des entreprises françaises.* Paris: Le Seuil.

Lipietz, Alain. 1998. *La société en sablier.* Paris: La Découverte.

Loubet, Jean-Louis. 1995. *Citroën, Peugeot, Renault et les autres. Soixante ans de stratégies.* Paris: Éditions Le Monde.

Loubet, Jean-Louis. 1998. "Peugeot meets Ford, Sloan, and Toyota." in *One Best Way? Trajectories and industrial models of the world's automobile producers,* ed. Michel Freyssenet, Andrew Mair, Koichi Shimizu, and Giuseppe Volpato. Oxford: Oxford University Press.

Maclean, Mairi. 1995. "Privatisation in France 1993-94: New Departures or a case of plus ça change?" *West European Politics* 18, No 2: 273-290.

Maurice, Marc, François Sellier and Jean-Jacques Silvestre. 1988. "The Search for a Societal Effect in the Production of Company Hierarchy: A Comparison of France and Germany." in *Internal Labour Markets,* ed. Paul Osterman. Cambridge MA: MIT-Press.

Maurice, Marc, François Sellier and Jean-Jaques Sylvestre. 1986. *The Social Foundations of Industrial Power.* Cambridge MA: MIT Press.

Méhaut, Philippe. 1986. "Production et gestion des formations post-initiales. Règles, instances, nouvelles implications du système productif." in *Le travail. Marchés, règles, conventions,* ed. Robert Salais and Laurent Thévenot. Paris: Economica.

Midler, Christopher and Florence Charue. 1993. "A French-style Sociotechnical Learning Process: The Robotization of Automobile Body Shops." in *Country Competitiveness. Technology and the Organizing of Work.* ed. Bruce Kogut. Oxford: Oxford University Press.

Morin, François. 1989. "Le nouveau pouvoir financier en France ou 'l'autogestion[1] du capital." *Revue d'Economie Industrielle* 47, No 1: 44-51.

Morin, François. 1995. "Les mutations au coeur financier et son rôle dans les privatisations." in *L'Etat de la France 1995-96..* Paris: La Découverte.

Morville, Pierre. 1985. *Les nouvelles politiques sociales du patronat.* Paris: La Découverte.

Piore, Michael J and Charles F. Sabel. 1984. *The Second Industrial Divide. Possibilities for Prosperity.* New York: Basic Books.

Quélennec, Michel. 1997. *L'industrie en France.* Paris: Nathan.

Rochard, M.B. 1987. *La sous-traîtance: entreprises et emplois. Le secteur de l'électronique professionelle* Paris: CEE-CEREQ-SESSI.

Salais, Robert. 1988. "Les stratégies de modernisation de 1983 à 1986." *Économie et statistique ,* No 213:51-74.

Salais, Robert. 1992. "Modernisation des entreprises et Fonds National de l'Emploi. Une analyse en terme de mondes de production." *Travail et Emploi*, No 51: 49-69.

Salais, Robert and Michael Storper. 1993. Les *mondes de production. Enquête sur l'identité économique de la France.* Paris: Éditions de l'École des Hautes Études en Science Sociales.

Schmidt, Vivien A. 1996. *From State to Market? The transformation of business in France.* Cambridge: Cambridge University Press.

SESSI. 1997. *L'industrie française.* Paris: Ministère de l'Economie, des Finances et de l'Industrie. Service des Statistiques Industrielles.

Shonfield, Andrew. 1965. *Modem Capitalism. The Changing Balance of Public and Private Power.* Oxford: Oxford University Press.

Sicsic, Pierre and Charles Wyplosz. 1996. "France, 1945-92." in *Economie Growth in Europe since 1945.* ed. Nicholas Crafts and Gianni Tonioli. Cambridge: Cambridge University Press.

Smith, W. Rand. 1998. *The Left's Dirty Job. The politics of industrial restructuring in France and Spain.* Pittsburgh/Toronto: University of Pittsburgh Press/ University of Toronto Press.

Soskice, David. 1997. "German Technology Policy, Innovation and National Institutional Frameworks." *Industry and Innovation* 4, No 1: 75-96.

Suleiman, Ezra. 1979. *Les Elites en France.* Paris: Le Seuil.

Taddéi, Dominique and Benjamin Coriat. 1993. *Made in France. L'industrie Française dans la compétition mondiale.* Paris: Librairie Générale Française.

Todd, Emmanuel. 1998. *L'illusion économique.* Paris: Gallimard.

Ulrich, Karl. 1995. "The role of product architecture in the manufacturing firm." *Research Policy ,* No 24:419-440.

Veltz, Pierre. 1996. *Mondialisation, villes et territoires. L'économie d'archipel.* Paris: Presses Universitaires de France.

Weber, Henri. 1990. *Le Parti des Patrons.* Paris: Le Seuil.

Wieviorka, Michel and Sylvaine Trinh. 1989. *Le Modèle EDF. Essai de sociologie des organisations.* Paris: la Découverte.

Williams, Karel, Colin Haslam, Sukhdev Johal and John Williams. 1994. *Cars: Analysis, History, Cases.* Providence, Oxford: Berghahn Books.

Ziegler, J. Nicholas. 1997. *Governing Ideas. Strategies for Innovation in France and Germany.* Ithaca NY: Cornell University Press.

Zysman, John. 1977. *Political Strategies for Industrial Order. State, Market and Industry in France.* Berkeley CA: University of California Press.

Zysman, John. 1983. *Governments, Markets, and Growth. Financial Systems and the Politics of Industrial Change.* Ithaca NY: Cornell University Press.