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**The Politics of Deindustrialisation in  
France (1974-1984):  
The Case of the Textiles & Clothing, Steel and  
Automobile Industries**

**by  
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## **ABBREVIATIONS**

BF	Billion Franc
CAPA	Caisse d'Amortissement Pour l'Acier.
CAPI	Credits d'Actions de Politique Industrielle
CC	Cognitive Capitalism
CDC	Caisse de Depots et Consignations
CDPTH	Comité de Développement et de Promotion du textile et de l'habillement
CE	Comités d'Entreprise
CEI	Contrat Emploi-Investissement
CFDT	Confédération française démocratique du travail
CFTC	Confédération française des travailleurs chrétiens
CGP	commissariat général du Plan
CGPS Siderurgie	Convention Generale de Protection Sociale de la Siderurgie
CGT	Confédération générale du travail
CGT-FO	Confédération générale du travail - Force ouvrière
CIASI	Comité interministériel pour l'aménagement des structures industrielles
CIDISE	Comité Interministériel pour le Développement des Investissements et le Soutien de l'Emploi
CIRIT Textile	Comité Interprofessionnel de Rénovation de l'Industrie Textile
CIRITH	Comité Interprofessionnel de Rénovation de l'Industrie du Textile et de l'Habillement
CME	Coordinated Market Economies
CNI	Comité National de l'Industrie
CNPF	Conseil national du patronat français
CODIS	Comité d'Orientation pour les Industries Stratégiques
CSSF	Chambre Syndicale de la Siderurgie Française



DATAR	Délégation à l'Aménagement du Territoire et à l'Action Régionale
DIMME	Direction des Industries Métallurgiques Mécaniques et Électriques
EC	European Commission
ECSC	European Coal and Steel Community
EEC	European Economic Community
FDES	Fonds de Développement Economique et Social.
FNE	Fonds National de l'Emploi.
FSAI	Fonds Spécial d'Adaptation Industrielle
GATT	General Agreement on Tariffs and Trade
GIS	Groupement de l' Industrie Sidérurgique
INSEE	Institut National de la Statistique et des Etudes Economiques
IPE	International Political Economy
LME	Liberal Market Economies
MF	Million Franc
Mol	Ministry of Industry
NIC	Newly Industrialised Countries
NIDL	New International Division of Labour
NNIDL	New New International Division of Labour
OECD Development	Organisation for Economic Co-operation and
OM	Open Marxism
PCF	Parti Communiste Francais
PS	Parti Socialiste
PSA	Peugeot Société Anonyme
RPR	Rassemblement pour la République
RT	Regulation Theory
SFIO	Section Française de l'Internationale Ouvrière

T&C	Textiles & Clothing
UIT	Union des Industries Textile
UT	Universal Train
VoC	Varieties of Capitalism

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## **DECLARATION**

I hereby declare that this thesis is entirely my own work and has not been submitted for a degree at another university. Parts from Chapter 2 and Chapter 4 draw significantly from 'The politics of deindustrialisation: the experience of the textiles and clothing sector (1974–1984)' an article published in *French Politics*.

## **NOTE ON REFERENCING**

This thesis use a Harvard referencing style that identifies the author, year of publication and page number in parenthesis in the text. Archival sources are provided in footnotes and are referenced from the general to the specific: Box number, document title, date of issue.

## **ABSTRACT**

This thesis proposes an original understanding of deindustrialisation which it defines as a double-sided phenomenon that involves both industrial modernisation and contraction and as a process that is actively shaped by the state. The thesis' central argument is that deindustrialisation can be understood as a form of industrial statecraft whereby state managers endorse a selective disengagement from certain manufacturing activities in order to rationalise the country's industry and enhance its overall commercial performance. Drawing from an Open Marxist perspective this thesis contends that states, as the political form of capitalist social relations, are an integral instant of the process of capital valorisation and as a result are constrained by the necessity to guarantee the conditions for profitable accumulation within their borders and the national economy's competitive insertion within the global market. To substantiate these claims, this thesis offers empirical evidence from the French national archives which traces the process of industrial policy-making between 1974 and 1984 towards three sectors: textiles & clothing, steel and automobiles. In France, faced with a global crisis of overaccumulation that domestically translated into a growing trade deficit, the consecutive governments of the decade under examination sought to selectively devalue the superfluous industrial capital that impeded the competitiveness of domestic industry on the world stage. In each of these sectors, government officials were faced with a policy quandary as the planned closures and ensuing unemployment that accompanied selective disengagement threatened to ignite widespread labour contestation. Thus, selective disengagement was carried out through diverse strategies that involved to different degrees the politicisation and/or depoliticisation of industrial policy. Such strategies sought to palliate the consequences of deindustrialisation and/or transfer the responsibilities over industrial adjustment to non-state spheres in order to ensure the conformity of domestic class relations with the general objectives of selective disengagement.

# **INTRODUCTION**

## **THE SPECTRE OF DEINDUSTRIALISATION**

Since the 1970s the productive structures of advanced capitalist countries have been significantly transformed. Manufacturing industry has come to occupy an ever-decreasing share of both employment and GDP to the benefit of the service and financial sectors. The process of deindustrialisation has at the same time been said to be accompanied by an ostensible retrenchment of state interventionism in industrial matters. Indeed, it is often argued that neoliberal turn that swept policy-making in the 1980s led to the 'retreat from industrial policy' (Coates 2015: 52) as states progressively abstained from the formulation of activist industrial policies as in the past (Bianchi and Labory 2006: 16; Cowling and Tomlinson 2011: 834). The former centrality of the manufacturing sector for economic development was replaced by the perception that immaterial and knowledge-intensive activities were now the main engine of growth of a modern economy (World Bank 1998). Since the 1980s it seemed as though advanced capitalist countries gradually acquiesced to the deindustrialisation of their economies and states relinquished their former key role in spurring industrial development.

However, deindustrialisation looms over developed countries as a constant political and economic threat. Growing concerns over the surge of cheap imports from the developing world, the fear over the outsourcing of production processes, the persistent pauperisation of former iconic industrial basins and the constant questioning of the capacity of a financial or service-based economy to sustain long-term growth and employment are but a few manifestations of the distress experienced by modern deindustrialised economies. Thus, after decades of laissez-faire policies the recent economic turmoil following the 2008 financial crisis 'has brought industrial policy back into fashion' (Criscuolo et al. 2016: 1). On both sides

of the Atlantic, voices are stressing the importance of the manufacturing sector for long-term growth and employment pressing governments to re-embrace industrial policy as an antidote to stagnation (Tregenna 2011; Beffa 2012; Tomlinson and Cowling 2013; National Economic Council 2016; Blachier 2017). Recent political developments have also testified its rising importance for advanced economies including France's commitment since 2015 to create a 'New Industrial France' by supporting the development of 9 high technology sectors (Ministère de l'Economie, 2016), the UK's consecutive governments' pledge to since 2008 undertake a more engaged stance towards industrial policy (Berry 2016) and more recently Trump's election on a platform of reindustrialising America (Fukuyama 2016).

Deindustrialisation has been the subject of intense debates particularly in France with an array of public figures and economists raising the alarm over the country's decreasing industrial competitiveness and urging the government to urgently step in and redress industrial decline (Beffa 2012; Colletis 2012; Levet 2012; Giraud and Weil 2013; Cohen and Buigues 2014; Artus 2016). The anxiety over industrial decline has been a long-winded concern in the French political landscape and a leitmotiv adopted across the country's political spectrum. In 2012 the electoral campaign saw the confrontation of Sarkozy's 'Made in France' initiative directing efforts on encouraging the production of goods on French soil and Hollande's law to set to limit plants' closures by forcing firms to find a buyer before shutting down any industrial site. The 2017 electoral confrontation was equally typified by the prominence of the deindustrialisation theme as the state-led re-industrialisation of France figured as a policy priority of such diverse candidates as Le Pen and Mélenchon. Ultimately, the current Macron presidency proposed to resume the aforementioned 'Nouvelle France Industrielle' program previously launched by Macron himself as Minister of the Economy. Equally, stemming the tide of deindustrialisation and bolstering domestic industrial capacities is increasingly gaining a privileged position among the French public opinion's top policy concerns (Fourquet,



2011). One could argue with Cohen and Buigues (2014: 2) that deindustrialisation certainly constitutes a 'French obsession'.

At an academic level the creeping resurgence of industrial policy into everyday politics has been accompanied by what might be termed the 'Manufacturing Renaissance/New Industrial Policy binomial' (Mosconi, 2015: 193). Indeed, there has recently been a notable upsurge in debates focusing on the merits of stimulating the manufacturing sector to achieve economic growth and employment objectives and on the desirability of industrial policy in modern capitalist economies (Rodrik 2009; Naudé 2010; Aghion et al. 2011; Stollinger et al. 2013; Aiginger 2014). Underpinning the rise of the calls for a new industrial policy was to a great extent the 2008 financial crash as it arguably questioned the sustainability of the neoliberal model of growth resting on the unfettered operations of free markets and the retrenchment of the state's interventionist capacities (Coates 2015: 56). Moreover, the crisis challenged the economic 'hegemony of finance' and ignited aspirations to re-anchor economic growth in the so to speak real economy and in the productive potential of the industrial sector (Aiginger 2014: 4; Mosconi 2015: 1; Bullman et al. 2016: 182). To reinvigorate economic growth and remedy industrial decline, the contemporary literature on industrial policy argues that the latter should be systematically pursued and inscribed into a government's core policy priorities (Rodrik 2008; Naudé 2010: 23; Aghion et al. 2011: 8). In this vein, the calls for a 'new industrial policy' recognize the decisiveness of the state in mobilising the financial and material resources necessary to regenerate the economy's industrial development (Bianchi and Labory 2006: 24; Cohen 2006: 101-102; Beffa 2012; Levet et al. 2012; Mazzucato 2013). In essence, public authorities are increasingly being called to reverse the past decades' trend towards deindustrialisation and enact a process of 're-industrialisation' (Levinson 2012; Levet 2012; Pitelis 2014; Westkämper 2014).

Overall, the current developments in industrial policy theory and practice put the role of the state at the heart of efforts to rejuvenate the industrial sector.

Clearly any attempt to fathom the state's capacity to reverse the deindustrialisation tide necessitates an exploration of the relation between statecraft strategies and industrial development and an examination of the state's historical role within the process of deindustrialisation. Therefore, it is of the utmost importance to ask what makes the state and its industrial policies capable of reversing deindustrialisation if it was unable to prevent it in the past.

Indeed, if the state is currently considered as a key vehicle of reindustrialisation and industrial rejuvenation then it is necessary to explain why it allowed large segments of industry to disappear in the first place. How complicit were in fact nationally crafted industrial policies in the decline of certain industries? Similarly, this question resonates particularly in the French case: Why, despite the crucial role held by state-sponsored strategies in spurring post-war industrial development (Green 1986: 111; Dormois 1999: 75; Clift 2013: 110), was the French state unable to deploy its rich pallet of industrial policy tools to reverse deindustrialisation? To shed light to these issues, this thesis proposes to delve back into the origins of this phenomenon and analyse the influence exercised upon it by the state and its industrial policy-making strategies. By examining the French experience of deindustrialisation between 1974 and 1984, the thesis seeks to examine the extent and ways through which the state participated in the deindustrialisation phenomenon. Understanding the historical role of the state within the process of industrial contraction can provide valuable insights regarding the capabilities and limitations of state-led industrial policies in spurring manufacturing growth. In fact, as the rest of the thesis demonstrates the state wasn't unable to prevent deindustrialisation but in fact facilitated it.

## **RESEARCH CONTRIBUTIONS**

By delving into the relation between the French state and deindustrialisation during 1974-1984 this thesis seeks to intervene in contemporary debates on deindustrialisation by offering a fresh understanding of

deindustrialisation as a *state-endorsed strategy of selective disengagement from specific manufacturing activities that takes place within and across sectors*. Equally, the thesis seeks to inform debates within International Political Economy (IPE) on the nature of the relation between states and markets by arguing that the latter should not be understood as externally related institutions or even antagonistic social spheres but as institutional forms assumed by capitalist social relations and necessary moments in the process of capital valorisation.

### *REDEFINING DEINDUSTRIALISATION*

The topic of deindustrialisation has been the subject of various sociological, historical and urban studies which aim to evaluate and measure the effects of deindustrialisation on various regions and sociological groups. Often these approaches' analysis is confined to appreciating the ways through which distinct communities have resisted or responded to deindustrialisation and on how they have been socially, economically or even psychologically transformed following the erosion of their industrial capacities and the disappearance of traditional blue-collar jobs (see *inter alia* Milkman 1997; Wilson 1997; Dublin and Licht 2005; Walkerdine and Jimenez 2012; Sugrue 2014). In fact, this literature tends to present an historical iteration of the 'body count' of deindustrialisation (Cowie and Heathcott 2003: 5) whereby the object of research becomes 'the number of job losses, shifts in the rates of unemployment, changes in employment within the various sectors of the economy and the spatial distribution of industry and its loss' (Strangleman and Rhodes 2014: 413). As noted by Koistinen (2013: 1) the relation of deindustrialisation to policy-making is quasi-absent from such discussions. What lacks from the existing sociological or historical analyses is thus a *political economy approach* to deindustrialisation.

To provide such a perspective this thesis will draw from the insights of the economic literature on deindustrialisation. While the latter's understanding of deindustrialisation will be subsequently shown to be partial, its analysis

of the causes of deindustrialisation establish a clearer, though limited, link between the state and deindustrialisation than in the aforementioned sociological accounts. The aim of a political economy analysis is thus to bridge the methodological gap and disciplinary boundaries that characterises contemporary perspectives on deindustrialisation and show the complementarity of the political, economic and social aspects of deindustrialisation.

To a great extent, research on deindustrialisation has been captured by the discipline of economics. In general, the existing literature has often been classified between those analyses that consider factors proper to the domestic economy as the primary determinants of deindustrialisation and those that attribute the latter to changes in the global economy (Iversen and Cusack 2000: 339-340; Kang and Lee 2011). Thus, the debates on deindustrialisation have largely been centred around identifying the extent to which shrinking manufacturing employment in the North can be mainly accounted by the demand- and supply-side mechanisms of the domestic market such as productivity growth and shifts in consumption norms (Baumol et al. 1985, 1989; Krugman and Lawrence 1994; Rowthorn and Ramaswamy 1997, 1998; Rowthorn and Coutts 2004) or whether at the root of this process are external factors relating to increasing economic internationalisation such as FDI growth and outsourcing of production (Frank and Freeman 1978; Harrison and Bluestone 1982; Beenstock 1984) or trade with developing countries (Sachs and Schatz 1994; Wood 1994; Saeger 1997; Kucera and Milberg 2003). In short, the mainstream literature on deindustrialisation has largely been dominated by the endeavour to quantify the statistical weight of different economic processes and variables on manufacturing employment.

At the same time the attempt to grasp deindustrialisation in quantitative terms has given rise to two distinct political appreciations of this phenomenon. One 'optimist' appreciation, which this thesis terms as the naturalist approach (Lawrence 1983; McKenzie 1984; Rowthorn and

Ramaswamy 1999), views it as a natural mechanism of a free-market economy that reveals the growing productivity of industry which progressively renders industrial labour redundant. Equally, deindustrialisation manifests the natural adaptation of developed economies to global market conditions which allows them to occupy the higher-end segments of the manufacturing chain within the International Division of Labour (IDL). It thus follows that for such an approach the role of the state is not to prevent or reverse deindustrialisation but to allow the smooth transition of the domestic economy to new market-imposed conditions.

On the other hand, the more 'pessimistic' approach defines deindustrialisation as an instance of economic decline that indicates the national economy's worsening manufacturing performance in the world market (Bluestone and Harrison 1982; Cohen and Zysman 1987). This approach, termed here as 'industrialocratic' given its understanding of manufacturing as the economy's engine of growth (Kaldor 1966), sees the state as having 'fallen out of love for its industry' (Blanchet 2014: 170) as industrial decline is linked to the state's lack of ambitious industrial strategies fostering the industrial rejuvenation of the domestic economy (Cohen 1989).

The thesis' aim is to intervene in this debate not by providing support for one or the other interpretations of deindustrialisation but by arguing that deindustrialisation can constitute both a downturn in industrial performance as well as an instance of growing productivity. Rather than a one-sided process of economic progress or a downhill trajectory of decline, deindustrialisation constitutes a contradictory process which involves both sides of the coin. The contradictory and double-sided nature of deindustrialisation is illustrated by the fact that French manufacturing employment, from 1980 to 2007, right before the financial crisis, had lost 36% of its workforce (Demmou 2010). In addition, the growth of manufacturing imports has grown 3.2% faster than domestic production

since 1970 (Rignols 2016: 3) contributing to the country's continuously negative balance of trade. Even further, Louis Gallois' (2012) report to the Prime Minister raised the alarm about the country's declining industrial competitiveness as France's share of manufacturing value added to GDP was one of the lowest in the Euro Area (15<sup>th</sup> out of 17). These observations suggest that the country's manufacturing performance has been on a steady path of decline. Yet, at the same time since the 1970s French industrial production has not ceased to grow! In 2014 manufacturing value-added was 8.6 times higher than in 1970 (Rignols 2016: 1). Based on this observation one could hardly speak of deindustrialisation as the constantly augmenting volume of value added suggests dramatic improvements in the productivity of domestic industry. France's industrial history since the 1970s has not been one of industrial decline as it is often suggested, but has contradictorily been a tale of both economic progress and regress.

Another issue with the existing literature is that by viewing deindustrialisation solely in statistical/economic terms, it understands the role of the state within this process solely in functional terms. For the naturalists the role of the state is limited to its capacity to provide the adequate framework for easing the economy's transition to a deindustrialised economy or for the industrialists in its capacity to prevent or rectify industrial decline using appropriate and ambitious industrial policies. The state appears at the downstream or upstream moments of deindustrialisation while its role within the process itself is obfuscated. Therefore, a political economy analysis of deindustrialisation requires to consider both the double-sided character of this process as well as the role of the state in mediating it.

To do so, this thesis proposes a fresh definition of deindustrialisation by arguing that the latter can be understood as *a state-endorsed strategy of selective disengagement from specific manufacturing activities across and within industrial sectors*. As an industrial policy, selective disengagement aims at rationalising the industrial sector by selectively eliminating the

production units that inhibit effective competition in world markets and by concurrently fostering the development of the commercially most promising ones. It follows that selective disengagement consists of a dual process involving the promotion of modernisation and the management of industrial decline. Thus, the definition of deindustrialisation as an industrial strategy of selective disengagement remedies the shortcomings of the existing literature firstly by acknowledging that rather than a solely economic process, deindustrialisation is a political/statecraft practice that takes place in and through the state by way of the latter's industrial policies and secondly, by conceptualising it as a phenomenon that involves both the strategic strengthening of certain industrial activities as well as the weakening of others.

#### *IMPLICATIONS FOR IPE*

In their endeavour to refine the understanding of deindustrialisation, the thesis' findings also aim at reinforcing the claims of Open Marxism (OM) that view the state and the market as institutional forms of appearance of the underlying capitalist social relations as opposed to autonomous and distinct domains of social activity (Clarke 1988; Bonefeld 1992; Holloway 1994). It has been often argued that mainstream debates both within and outside international political economy proper, have arbitrarily conceptualised the relationship between the state and the market as one between two independent social realms each operating according to their own mechanisms and logics (Block and Evans 2005: 506; Watson 2005: 19-20). For such views the global economy is thus understood as an arena of struggle in which governments and markets strive to dominate and discipline one another (Clift 2014: 32).

Such ontological assumptions are clearly illustrated in IPE studies of the evolution of the global economy in the era following the dismantlement of Bretton Woods, the post-war economic order based on a system of fixed exchange rates. Bretton Woods was predicated upon the principles of 'embedded liberalism' which involved a compromise between free trade

principles in the international realm and state interventionism in the domestic economy (Ruggie 1982). Mainstream perspectives in IPE often associate the breakup of the Bretton Woods system in 1973 with the world markets' increasing capacity to exercise authority in the global economy. Indeed, the switch from a system of fixed to floating exchange rates, the deregulation of financial markets and the overall rise in the velocity and mobility of global capital have said to pose significant limitations on the spectrum of policy tools available to national policy-makers (Kurzer 1993; Moses 1994; Ruggie, 1994; Strange 1994, 1996; Held 1995; Rhodes 1996). While other perspectives within IPE, including neo-polanyian and constructivist ones, have criticised the dichotomous understanding of states and markets for failing to see the mutual dependency and complementarity that underpins their relation (Underhill 2000; Block and Evans 2005; Watson 2005; Krippner 2007; Clift 2014), the OM endeavour not only rejects it but also grounds the apparent separation of states and markets in the capitalist form of social relations (Bonefeld 1992).

Indeed, as Wood (1981, 2002) argues the separation of society into a political and economic sphere is a distinct particularity of capitalist class relations that has its origins in the separation of the mass of society from the means of subsistence. The appropriation of the labouring class' product does not occur with coercive political means, as was the case in feudal societies, but by workers' participation in capitalist exchange and the sale of their labour power, while political domination becomes the exclusive realm of the state (Wood 1981). As such the state upholds the order of the market by reproducing the legal framework that guarantees the formally free and contractual exchange of commodities while at the same time reinstating the separation of labour from the means of production (Bonefeld 1992: 116; Holloway 1996a: 121). States and markets are institutionally differentiated forms of the same underlying social relation.

Deciphering the social constitution of capitalist institutions is essential for understanding 'where does power lie' in the contemporary global economy,



one of the core questions of IPE's research agenda (Underhill 2000: 801). Capitalist social relations acquire a particular historical character since power is not ascribed to any particular institution or class of individuals. Instead these relations 'produce an alien social power standing above them, produce their mutual interaction as a process and power independent of them' (Marx 1973: 197). This alien force dominating individuals is expressed in the unceasing compulsion to accumulate value. Value refers to the form that wealth acquires in capitalist society which is measured by the social productivity of labour and is materially expressed in the form of money (Marx 1973: 250-270). Value is thus realised within the process of market exchange whereby productive producers are rewarded with profits and less competitive ones are penalised with financially ruinous sales. Within the confines of the world market, the acquisition of capitalist wealth depends on the capacity of distinct national territories and individual capitals to constantly raise their productivity levels and profitably sell in a context of cutthroat competition.

At the same time the incessant drive to increase productive capacities encounters the finite limits of the market raising the risk of liquidation for less competitive individual capitals and the unemployment of their corresponding labour forces. Overaccumulation and the growing prospects of ruinous sales are translated into a state crisis that is experienced in the form of financial downgrading, trade deficits, capital flight or even a in the form of a legitimisation crisis spurred by the discontented segments of civil society. Surmounting the crisis looming over the state requires the re-establishment of the conditions for the effective accumulation of capitalist wealth and profitable performance in international exchange. Thus, the locus of power does not lie within the market or the state. Rather, power is in a sense exercised upon both economic agents and policy-makers by the impersonal and invisible dictate of capitalist exchange to accumulate value. Although, capital accumulation is sustained 'in and through' the actions of individual social subjects (including policymakers and market actors), it at

the same time *appears* as an externally-imposed imperative as the agents' own reproduction depends on their capacity to secure their share of wealth within the antagonistic conditions of the global market (Bonefeld 2014: 102, 153).

Such analysis has important ramifications for analysing the governing dilemmas that underpin policy-making. States are not inherently geared towards functionally adapting policy-making to the requirements of international markets as is often implicitly purported within IPE (Holloway 1996a: 120; Bonefeld 2000: 32). Similarly to the dichotomous understanding of state-market relations, certain contributions to IPE have argued that the process of economic globalisation has brought about a transformation and redefinition of state policy-making capacities (Cerny 1994; Vogel 1996; Majone 1997). This is evident in the arguments surrounding the emergence of the 'competition state' according to which globalisation has entailed a restructuring of state capacities away from interventionist, welfare-enhancing policies and towards market-enabling measures aimed at strengthening international competitiveness (Cerny 1995; Evans and Cerny 2003; Cerny et al 2005). Although such 'transformationalist' accounts accord a central role to the state in facilitating globalisation processes, the state simultaneously sheds its previously held interventionist powers (Cerny 1997: 269) as policy-making becomes increasingly subject to 'external forces' (Amin 1997: 129).

Instead, for OM, it is not external pressures that drive policy-making but the state's intrinsic burden to reproduce domestic class relations in a manner compatible with capitalist development (Clarke 1988: 136; Burnham and Elger 2001: 249). To reproduce themselves, states must guarantee their territory's competitive presence within the international market and also endeavour to insure their political survival and legitimacy by channelling the democratic and material aspirations of labour within the confines of profitable accumulation. Economic policy in general and industrial policy in particular is guided not by the disciplinary powers of the market, nor by the

government's autonomous volitions but by the necessity to neutralise the social tensions that disrupt domestically operating capital's capacity to profitably accumulate in a globally competitive system of exchange. Sustaining accumulation is not simply a market-imposed constraint, but the condition of the state's reproduction as a form of capitalist relations. In their pursuit of economic growth state managers themselves put limits on the policies that they are willing to deploy.

The conceptualisation of nation-states as essential moments in capital's relentless efforts to appropriate a share of globally produced wealth is key for understanding the political economy of deindustrialisation. Indeed, in response to the overaccumulation tendencies of capital, the state is called to channel efforts to the promotion of the capital that is most able to redress the country's performance in the international scene and allow the profitable resumption of accumulation. At the same time, the restoration of competitiveness requires the withdrawal of support for declining activities as their conservation constitutes an important drain on state resources and can neither sustainably guarantee competitiveness nor employment. This process is accompanied by the contestation of disadvantaged groups which can pressure the state to compromise its industrial policy preferences. Thus, the state is called to devise strategies to attenuate or circumvent the escalation of social tensions without disrupting industrial restructuring.

In concrete policy terms such governing dilemmas can translate into different degrees of politicisation and/or depoliticisation of industrial policy-making (Burnham 2011). Governments might attempt to quell social tensions by overtly assuming the political responsibility over certain palliative industrial measures that soften the socially painful adjustment to deindustrialisation. Alternatively, they might attempt to strengthen their autonomy from civil society's pressures and 'place at one remove the political character of decision-making' by for instance formally delegating certain aspects of industrial policy-making to institutional bodies lying beyond the state sphere while retaining behind-the-scenes control over the

formulation of policy (Burnham 2001). Equally, depoliticisation can be pursued by strengthening supranational bodies such as the European Commission whose legal pressures can offer an external impetus to implement unpopular policy reforms. Thus the state can endorse the process of deindustrialisation using various (de)politicising strategies to selectively channel policy efforts to the promotion of key activities and facilitate the decline of uncompetitive ones.

Through this analytical lens, deindustrialisation is not portrayed as a market-led process occurring independently of the state but, is understood as a phenomenon endorsed and managed by the state itself. This is aptly captured by for instance the case of the Textiles and Clothing industry (T&C). As Heron (2012: 4) explains, within the IPE literature, the migration of the great bulk of this industry from developed economies to developing ones has often been portrayed as the natural concomitant of the structural emergence of an International Division of Labour in which T&C production constitutes the 'natural' comparative advantage of areas rich in cheap labour. However, as Chapter 4 demonstrates, the deindustrialisation of this industry in the case of France was facilitated by state managers as a great share of this industry had ceased being competitive in global markets and productive in terms of capitalist wealth. Part of this industry obstructed the country's effective competition in global markets and as a result the consecutive governments during the 1970s and 1980s endorsed its liquidation in order to foster their policy efforts in supporting the sector's fewer but more competitive units through for instance the allocation of public resources to high-technology T&C clusters. Such an analysis confirms the understanding of states and markets as co-constitutive forms of capitalist social relations which render the reproduction of the state depended on the realisation of capitalist wealth in the market and vice versa. Indeed, deindustrialisation is not a phenomenon pertaining solely to the market sphere. It is in fact a process inescapably mediated by the state in its strife

to eliminate obsolete and uncompetitive manufacturing units and improve its competitiveness within the global market.

## **CASE STUDIES AND METHODOLOGY**

In order to substantiate the aforementioned theoretical contentions this thesis will undertake a detailed empirical investigation of the French state's role in the deindustrialisation of three politically and economically crucial sectors, namely the Textiles & Clothing, Steel and Automobile industries. It will do so through an archival investigation of the records of the consecutive governments in office during the 1974- 1984 period.

### *TEXTILES & CLOTHING, STEEL, AUTOMOBILES*

The contemporary anxiety over deindustrialisation reigning in French politics is in itself an incentive to study the modalities through which deindustrialisation unfolded in this country. At the same time the historical inquiry of the French state's management of deindustrialisation is underscored by another rationale which directly addresses the thesis' puzzle. Indeed, the industrial development of France is intrinsically and historically associated with the constant supervision and control of the state (Woronoff 1998: Ch. 1). The French state's philosophy during the country's post-war development, and until the mid-1980s, was characterised by what Cohen (1989, 1992, 2007) has termed 'high-Tech Colbertism'. Through the control exercised on the financial system, the formulation of sectoral plans and the launch of grand technological programs, high-tech Colbertism allowed the French state to play a fundamental role in the development of the country's industrial capacities. The failure of such an industrially active and interventionist state to prevent deindustrialisation then entails important theoretical consequences for the contemporary claims that the state constitutes the adequate vehicle to reverse this process. Such insights could not have been extrapolated from the study of countries' less familiar with such degrees of state interventionism in the economy.

The chronological framework set by this thesis spans from 1974 to 1984. Arguably this decade constituted the first wave of deindustrialisation to hit France and is rich in dramatic cases of industrial decline (Cohen 1989; Woronoff 1998: 623; Lamard and Stoskopf 2009; Thibault 2012: 58;). In order to capture the significance of the state's management of deindustrialisation during this decade this thesis examines three different sectors all illustrating the ways through which state managers endorsed a strategy of selective disengagement. These are the T&C, Steel and Automobiles Industries. The basis of selection of the case studies does not rest on arbitrary criteria but stem from a threefold set of criteria which take into account the socio-regional importance, the technical characteristics and commercial performance of each industry.

Firstly, in terms of social importance all sectors had a considerable impact on domestic employment structures. T&C and Automobiles absorbed a considerable share of France's manufacturing employment since they occupied 11.6% and 7.5% of industrial workers accordingly. Steel's industrial employment share on the other hand stood at around 1.8%. While the steel industry itself was less populous, it was traditionally implanted in North and North Eastern regional departments of France thereby acquiring a crucial role in the economic and social development of provincial regions. The T&C industry also constituted a crucial employment bastion for such provincial areas as Lorraine or Nord-Pas-de-Calais, while the automobile industry concentrated a great share of its plants in the ile-de-France Area around Paris.

Secondly, in terms of their technical characteristics each industry belonged to a different category of sectors as each featured significant divergence in their structures and market outlets. For the *Fresque Historique du Systeme Productif Français*, an analysis of the French production apparatus elaborated in 1975 by the INSEE, the French National Institute of Statistical and Economic Analysis, each sector belonged to one of three grand industrial groupings of this nomenclature. T&C were part of consumption

industries, steel was classified in intermediary industries while automobiles were catalogued in equipment industries (INSEE 1975a: 14). More precisely, T&C belonged to a family of industries with low capital intensity, heavy dependency on manual labour, low levels of industrial concentration and whose products were majoritarily destined for mass consumption. On the other, hand steel figured among the heavily capital intensive and highly concentrated industries. Its products were primarily utilised as the processing material of other industries as opposed to mass consumed. Finally, the automobile industry produced both intermediary and mass consumption goods while it was both dependent on an abundant labour-force and sophisticated machinery.

Thirdly, the sectors diverged in terms of the commercial performance since the onset of the first oil shock in 1973. While the balance of trade for T&C was traditionally in surplus during the post-war period, as of 1973 T&C trade became deificitary both with regards to France's advanced commercial partners as well as with developing countries. As such in T&C, France held a comparative disadvantage both in relation to low-wage areas as well as more advanced economies. In Steel, France found itself in an intermediate position as the sector's balance of trade witnessed a degradation of its commercial performance mostly with regards to its European Economic Community partners as it managed to maintain an overall surplus thanks to its relatively greater aptitude to capture non-OECD markets. The situation was different in automobiles as this industry constituted one of France's truly comparative advantages with its domestic producers (Peugeot and Renault) consistently featuring in the world's ten greatest automobile producers even during the crisis. As such the crisis manifested itself mostly as an increasing pressure on the country's ability to maintain its world leading positions in automobiles.

Overall, bringing together these sectors allows the empirical section of the thesis to acquire a fuller image of France's industry as each sector demonstrated different structural and socioeconomic characteristics. Given

these divergences, it follows that the industrial policies pursued by the state in each sector confronted different domestic as well as world market pressures while the peculiar structural characteristics of each sector required different modernising strategies. By examining the state's management of these sectors' crises this thesis aims to illustrate the wider rationale behind the French state's implementation of a selective disengagement strategy in the manufacturing sector during this period of intense deindustrialisation.

### *ARCHIVES*

In order to advance a robust claim regarding the motivations behind French state manager's implementation of a selective disengagement strategy in the aforementioned sectors, this thesis will be based on an investigation of the consecutive governments' archives from the 1974-1984 period. Arguably, any attempt to provide an evidenced understanding of historical events from the perspective of political/social sciences can greatly benefit from the use of the same methodologies used by historians such as archival analysis (Hill 1993: 4; Vitalis 2006: 5). While the consultation of secondary sources such as published government papers and reports or tertiary sources such as newspapers, academic journal articles or biographies and memoirs of key actors can provide a useful way to contextualise specific political events, they can hardly on their own cover the whole spectrum of knowledge surrounding them especially with regards to the details of the policy-making process. Instead, the dissemination of primary resources such as the internal notes circulated within a specific institution, permits a deeper investigation of the state of mind and operative logic of key state actors which cannot be easily captured solely through the recourse to official publications or the secondary literature. As Burnham, et al. (2004: 200) note, archival research gives 'researchers the opportunity to make good gaps in knowledge and information that will inevitably arise from the analysis of other sources'.



With regards to the study of policy-making, archival research constitutes a particularly pertinent methodology since there might often be a discordance between the public proclamations of political parties or elected politicians and the actual content of their policies. In other words, discourse and the policy-making process might not always coincide. The intentions of policy-makers are not sufficient to determine the form and outcome of specific policies elaborated within the state (Lowe 1997: 242) Indeed, the state apparatus is not only composed of elected parties and politicians but also of appointed expert civil servants whose judgements can alter the initial intentions of the elected personnel (Jobert and Muller 1987: 157). Archival research thus allows to investigate the role of the entourage of elected officials who operate in the shadow as it were, but whose role is crucial in informing and shaping the policy-making process. As Lowe (1997: 242) notes 'it is at this level that policy is implemented and therefore it is in these records that decisions by the 'core executive' are explicitly acknowledged, discussed, and refined'. As such, the methodology adopted in this thesis allows us to delve into the centre of the policy-making process and examine as 'from within' the issues, pressures and motivations underpinning the formulation of specific industrial policies.

More precisely, the thesis proposes an incursion into the archives of the Ministry of Industry and the Prime Minister's cabinet which can be found in the French National Archives' repository located in Pierrefitte-sur-Seine. Under French law, archives pertaining to industrial and commercial matters are released to the public twenty-five years after the issue of the document. The primary documents found in the *Archives Nationales* included memos, reports, internal correspondence, strategy plans, detailed records on the financial situation of each industry and notes from inter-ministerial meetings. The latter are of particular importance as in the French political system inter-ministerial committees, which are presided by the Prime Minister or members of its cabinet and attended by members of the concerned ministries, constitute a key arena in which consensus between different

government agencies over policy-making is found (Jobber and Muller, 1987: 212).

It should be noted that the archives investigated were not solely produced by civil servants working within the MoI as they also contained correspondence between other relevant Ministries such as the Ministry of Labour or the Ministry of the Economy and Finances as well as other governmental institutions (e.g. the DATAR, the Plan Committee, the Economic and Social Council). Trade union or business documents and correspondences were also present in the material investigated. The rich material contained in the MoI's archives allows the thesis' empirical investigation to appreciate the position of other members of the governments examined regarding certain industrial strategies as well as the influence and pressures exercised upon policy-makers by various segments of civil society. Such an exercise strengthens the thesis' endeavour to provide a detailed analysis of the policy-making process and the motivations behind the consecutive governments' attempt to manage the country's deindustrialisation.

## **CHAPTER STRUCTURE**

Chapter One provides a literature review that critically engages with the mainstream theories and accounts explaining the mechanisms of deindustrialisation. In order to do so it undertakes two important tasks. Firstly, it examines the genesis of the idea of a deindustrialised economy by delving into the works of post-industrial theorists who since the 1930s had been prophesying the inevitable advent of a post-industrial society. Post-industrial theory argues that the increasing wealth generated by the industrial sector tendentially liberates labour from industrial work which is then absorbed by the growing service sector. However, this linear conception of economic growth neglects the crisis-ridden nature of capitalist development and fails to explain how periods of massive wealth creation can be succeeded by periods of wealth destruction as in the 1970s when deindustrialisation hit developed countries. Secondly, this chapter engages

with the modern accounts of deindustrialisation which it divides in two camps: the naturalist approach which sees deindustrialisation as the natural outcome of the increasing productivity of industry and its adaptation to the new international division of labour and the industriocratic approach which defines deindustrialisation as a form of economic decline. While the insights of these approaches have their merits, both accounts fail to acknowledge their mutual inclusiveness and adequately conceptualise the role of the state in coordinating the process of deindustrialisation. Pointing to the limitations of this debate, the chapter argues that deindustrialisation is both a process of industrial decline and a sign of strong manufacturing performance that the state is called to coordinate.

Chapter Two firstly offers a critique of existing critical and Marxian approaches to industrial transformation (i.e. Regulation Theory, New New International Division of Labour, and Cognitive Capitalism). It is argued that these approaches fail to tie together capital accumulation, state policy and class struggle in a theoretically consistent manner. In contrast, this chapter defends the Open Marxist argument that the state is the political form of capitalist social relations and of their crisis-ridden development. As such the state is called to manage the reproduction of capital accumulation and offset its latent overproduction tendencies. This conceptualisation of the state allows the chapter to define deindustrialisation as a strategy of selective disengagement from specific manufacturing activities pursued in response to the overaccumulation tendencies of global capital. Selective disengagement takes the form of a devaluation of the uncompetitive and superfluous industrial capital that cannot be profitably inserted within capital's valorisation cycle and inhibits the competitive insertion of the domestic economy into the world market. Thus, this chapter argues that deindustrialisation is a process managed and facilitated by the state. At the same time, given the regional and employment consequences of such a strategy, policy-makers often have recourse to discursive and policy strategies that aim at circumventing contestation from labour and firms

operating in sectors threatened with decline. The urgency to bypass domestic pressures and rationalise industry, can lead to the depoliticisation of aspects of industrial policymaking in order to facilitate selective disengagement. In this respect, delegation of industrial policy-making responsibilities to supranational bodies such as the European Commission can further entrench the industrial restructuring strategies of national governments and give rise to a process of transnational depoliticisation.

Chapter Three examines the ways in which capital's global overaccumulation tendencies manifested themselves in France in the 1970s. It analyses the historical trajectory of post-war industrial development in France and argues that the roots of the crisis in which industry found itself in the wake of the first oil shock can be traced back to the inflationary pattern of growth adopted by the French economy during the period of the so-called 'Trentes Glorieuses'. More precisely, it is argued that the tensions between industry's modernisation needs and the difficulties in managing labour's redistributive interests gave a birth to an inflationary economy which inhibited the optimal modernisation of manufacturing. Instead, its competitiveness was enhanced 'artificially' through the inflationary redistribution of wealth towards heavy industry, currency devaluations and cheap credit. At the same time the growing difficulties to manage labour relations led to the institutionalisation of labour dissent following the May 1968 revolt through new labour legislation which further boosted cost-push inflation. As a result, the progressive opening-up of the French economy revealed its competitive disadvantage vis-à-vis OECD economies and its weaker ability to withstand the overaccumulation crisis of the 1970s which domestically translated into a growing trade deficit in industrial goods, the indebtedness of industry and a growing inability to pay the country's energy bill. The vulnerable competitive position in which France found itself and the existence of a plethora of uncompetitive capitals within its industry set the background to the state's endorsement of a drastic

strategy of selective disengagement while the growing power of labour after 1968 presaged the difficulties posed to the legitimization of such a strategy.

Chapter Four, Five and Six consist of the thesis' case studies and examines the modalities through which the strategy of selective disengagement unfolded in the textiles and clothing, the steel and automobile industries accordingly. Each chapter sketches the post-war development of each sector until their crises in the 1970s before examining the forms of crisis management adopted during Valery Giscard d'Estaing's centre-right and Mitterrand's socialist presidency between 1974 and 1984. It is shown that in all sectors the government endorsed a process of targeted deindustrialisation aiming at eliminating obsolete industrial units in order to focus production around the commercially most viable ones. As examined in Chapter Four between 1974 and 1979 the T&C sector benefitted from very limited state assistance since the government's aim was to eliminate the uncompetitive firms by depriving them of the necessary funds to modernise and to foster production only around certain key units. After this 5-year period Barre's government politicised policy towards T&C by inscribing it within the CODIS scheme, a program of industrial aids granted to industries considered as strategic. However, despite the rhetoric surrounding the program, only a few firms were eligible for public assistance as public loans were selectively channelled to certain technologically developed segments of the industry. Similarly, under Mitterrand, the state initially deployed a politicised management of the sector's crisis. It implemented a comparatively open and indiscriminating system of subsidisation until 1983 before adopting a more austere strategy consisting of eliminating uncompetitive firms by way of exposure to international competition with the state restricting itself to a selective export promotion of performant T&C firms.

The situation was different in the steel industry as Chapter Five shows. Despite the close ties between the steel industry and the state during the post-war era, the severity of the crisis and the high mobilisation of workers

prompted the consecutive governments to depoliticise industrial policy towards the sector. In 1978 after rescuing the sector's two main firms from bankruptcy the government decided to delegate the formal responsibility for the devaluation of obsolete units to the firms' shareholders and resigned itself to financially compensating laid off workers. However, the plan proved insufficient to harness opposition to the devaluation plan in light of the 1978-1979 Longwy riots. As a result, both Barre's government and later the socialist governments consistently pursued the further depoliticisation of steel policy by advocating the handing over of steel restructuring to the European Commission (EC). By securing the implementation of a European-wide plan to cut down excess production capacities across member states, the French state was striving to achieve the unbridled realisation of its selective disengagement plans. Equally, it sought to shield itself from domestic repercussions by delegating the formal responsibilities over rationalisation measures to the supranational authority of the EC.

Similarly, in Chapter Six it is shown that French officials never assumed overt political responsibility for the strategy of selective disengagement but nevertheless retained arms-length control of this process. To increase the competitiveness of French cars, the state encouraged the selective disengagement of car production from its traditional location in the Parisian area and its transfer to smaller and more automated units in Northern and Eastern provinces by giving Peugeot and Renault financial incentives to undertake new investments in these areas. Until 1981, the government discursively justified the phenomenon as a result of market forces and legitimated its role within this process by framing its regional development premiums to constructors as a national solidarity effort to create jobs in the provinces. After the socialists' election, the continuation of this strategy was however complicated by two factors. Firstly, Peugeot's threat to decelerate its investment rate in contrast to the government's wishes and secondly, the mobilisation of Parisian car workers whose strikes threatened the disruption of restructuring. Against the growing politicisation of car policy, the socialist

government opted to push for a rule-based car policy by commissioning an expert group to neutrally outline the measures necessary to maintain French cars' competitiveness in the international market. The expertise and ostensible objectiveness of the commission's proposal constituted the discursive framework through which the state disciplined both workers and constructors and enforced its preference for a targeted disinvestment of Parisian automobile capital.

# **CHAPTER 1**

## **APPROACHES TO DEINDUSTRIALISATION: POST-INDUSTRIALISTS, NATURALISTS AND INDUSTRIOCRATS**

### **INTRODUCTION**

Almost 70 years have passed since Fourastié (1949) announced that the great hope of the 20<sup>th</sup> century lay in the new civilisational era that awaited mankind at the historical endpoint of industrial society. According to him, the technical progress yielded by industrial modernisation would transfer the bulk of the workforce into the tertiary sector and ultimately liberate labour from strenuous industrial work and allow the development of its intellectual faculties. However, a glance at the heated debates that have taken place over the future of manufacturing since the 1970s and the contemporary resurgence of interest in industrial policy across the developed world (see Introduction) shows that the shrinking size of manufacturing has been accompanied by uncertainty over the economic future of deindustrialised countries rather than by the hope initially envisioned by Fourastié. This uncertainty stems from the existing disagreement between an optimistic stance that welcomes the (de-)industrial reconfiguration of economic activities in the West and a more sceptical one which is apprehensive of its injurious economic effects (Hatem 2004; Daniel and Pico 2012: 51; Rowthorn and Coutts 2013: 4-5). Moreover, central to past and contemporary debates regarding the future of manufacturing is the capacity of the state to halt manufacturing decline through the formulation of active industrial policy strategies instead of



relinquishing its industrial policy autonomy and acquiescing to the reality of a deindustrialised economy.

This industrial anxiety resonates and is reproduced within the existing literature on the subject as it is divided between approaches that view deindustrialisation as a positive and natural process of economic development and others that see it as a major sign of economic decline. This chapter identifies three main approaches to understanding deindustrialisation: the *post-industrial prophecy* (Fischer 1933; Clark 1940; Fourastié 1949; Bell 1973), the *naturalist* (Krugman 1996: 3; Lawrence 1983b; Rowthorn and Ramaswamy 1997) and the *industriocratic strand* (Bluestone and Harrison 1982; Cohen and Zysman 1987; Cohen and Buigues 2014). For the first one, which was initially developed in the 1930s, the emergence of a deindustrialised society is a political project aiming at remedying the social ills characterising pre-World War II industrial capitalism. While this theory portrays the advent of deindustrialisation as a natural concomitant of the economic maturation of advanced capitalist societies which tendentially shift the bulk of their productive resources towards the service sector, it becomes clear that the state has a great role in directing the movement of economic activity from the industrial to the service sector. At the same time, its understanding of industrial development as a linear process of technical progress rendered it unable to presage the crisis-ridden unfolding of deindustrialisation in the 1970s and 1980s. While the claims of post-industrial theory, are not sufficient to explain the deindustrialisation of advanced economies, its insights are important in understanding the fundamental role of state policy in managing the inter-sectoral allocation of resources within the domestic economy.

Since the 1970s the debate over the root causes of deindustrialisation has been dominated by the naturalist and industriocratic approaches. For naturalists deindustrialisation constitutes a structural and inevitable phenomenon experienced by all developed economies. Unlike post-industrialists, naturalists interpret deindustrialisation, not as a state project

but, as a natural market phenomenon. Deindustrialisation stems from the increasing productivity of the industrial sector and its adjustment to the new conditions of the international division of labour by shifting its resources towards high-technology and capital-intensive industries. Within this context, the state cannot reverse deindustrialisation but only functionally adapt its policies to the demands of a service-based economy through for example appropriate human capital formation policies. In contrast, industriocratic approaches view manufacturing as the engine of growth of the national economy and thus understand deindustrialisation as a process of economic decline which involves the erosion of domestic manufacturing capacities and the deterioration of a country's international competitiveness. Core to the industriocratic contentions is that the deindustrialisation phenomenon is associated with the state's failure to halt the course of industrial decline by implementing strategic industrial policies.

Both approaches lopsidedly focus either on the economically progressive traits of deindustrialisation or on its regressive character. However, as it will be argued deindustrialisation constitutes a double-edged phenomenon which involves both the modernisation and erosion of domestic industrial capacities. In addition, while in essence both approaches ultimately see deindustrialisation as a process whereby winning and losing sectors are culled, they fail to account for the crucial role of the state and its industrial policy priorities in actively determining this selection process. Indeed, while for both approaches the state is functionally important in either adapting the domestic economy to its deindustrialised setting or preventing industrial decline altogether, the state is absent within the deindustrialisation process itself which ends up occurring behind its back.

### **THE POST-INDUSTRIAL 'PROPHECY'**

This section examines the birth of the idea of a transition to a service-based or post-industrial society. The first works tackling the future deindustrialisation of industrial nations and their immanent transition to a service-based economy stretch as far as back as the 1930s and their

arguments still figure as prominent explanations in contemporary debates over the causes of this phenomenon. Therefore, it is important to critically scrutinise the claims of post-industrial theorists in order to examine whether or not the deindustrialisation of advanced nations is indeed a structurally inevitable industrial evolution which could have plausibly been predicted already in the 1930s.

#### *FROM THE INDUSTRIAL TO THE SERVICE ECONOMY*

Within the broader context of the Great Depression which generated a long-lasting unprecedented economic shock and unleashed previously accumulated social tensions that threatened the very foundations of capitalism's reproduction (Holloway 1996), there was an ambient sentiment that advanced economies were witnessing a 'crisis of progress' (see Kumar 1978; Castoriadis 1985). However, Clark (1940) and Fisher (1935) contented that progress was not a defunct idea since the conditions for its realisation were materialising in the growing economic importance of the service sector. In Clark's words: 'The most important concomitant of economic progress' is 'the movement of labour from agriculture to manufacture and from manufacture to commerce and services' (Clark 1940: 176). In the aftermath the World War II which necessitated an exhausting mobilisation of forces for the national reconstruction effort, Fourastié (1949) saw 'the great hope of the twentieth century' in the conditions made possible by technical progress for the transition to a 'tertiary civilisation'. The uncertain historical context and these authors' optimism regarding the possibilities of a transition to a service dominated society is of crucial importance for understanding post-industrialism since it underpins their one-sided and crisis-free understanding of capitalist production.

The theoretical foundation of the possible transition of advanced societies from an industrial phase to an age dominated by service sector activities is grounded in Fisher's (1939) and Clark's (1940) original -and later confirmed by Fourastié- tripartite periodisation of economic history. According to it, societies transition from the primary to the secondary and finally tertiary age

by shifting the mass of their productive resources from the agricultural, manufacturing and service sector respectively. Economic history thus begins with the emergence of sluggish traditional societies whose subsistence is reliant on agricultural production and where scopes for productivity and output increases are limited by the relatively low accumulation of technical knowledge (Fisher 1933: 380; Fisher 1935: 8; Fourastié 1949: 41). The progress in scientific discoveries and production methods permitted the supersession of the agricultural phase by modern industrial societies who, having satisfied their basic social needs for food consumption, shifted the great bulk of their productive forces towards more sophisticated manufactured goods (Fisher 1935: 9; Fourastié 1949: 88-90). Finally, the maturation of industrial societies paves the way for an ultimate and final transition towards a tertiary society where economic progress enables the growth of more luxurious consumption and the concentration of economic resources around the production of services. The three-sector model of growth, supported a linear view of economic evolution and refuted the doubts cast upon evolutionary understandings of historical change during the so-called 'crisis of progress' (Kumar 1978: 167-170).

Both demand- and supply side-explanations have been put forward by service sector economists to account for the gradual progression of societies to the tertiary stage. On the demand side, a modern reformulation of Engel's law is advanced to explain the shrinking size of the manufacturing sector. According to Engel's statistical observation of European households' consumer habits in 1857, as incomes increased the share of food in income expenditures tended to lessen. The reorientation of demand towards more sophisticated manufactured products rendered obsolete further employment and investment in the primary sector and consequently set the basis for the economy's first transition from primary to secondary production (Fisher 1935: 9). Similarly, the reformulation of Engel's law within an advanced industrial setting purported that increases in real incomes led to a recomposition of demand around the more luxurious category of services

which satisfy 'higher' needs such as entertainment, education or health (Fisher 1934: 164-165; Bell 1973: 128). The law implies that demand for manufactures is thus deemed to relatively saturate in light of the changes in consumer preferences which naturally accompany rising incomes (Fourastié 1949: 88-92).

In the *Conditions of Economic Progress*, Clark provided ample statistical data from across the (developed and developing) world to empirically support for the modern reformulation of Engel's law. He showed that a high average of income per capita was regularly associated with a high proportion of employment engaged in the tertiary sector while the opposite held true for countries with a low average of income per capita (Clark 1940: 7-12). This demand-side explanation emphasises the role of income elasticities of demand in determining the sectoral composition of the economy. Indeed, the relatively low income elasticity of demand for manufactures implies that increasing incomes do not translate themselves into a proportionate increase in the demand for these goods, in contrast to demand for service products. The crucial role of productivity increases and technological developments is not neglected by such an approach given that the capacity to increase the rate of production of industrial goods is necessary in order to achieve a state of saturation of demand for manufactures. However, it is the a priori changing patterns of demand themselves that leads the adaptation and reorientation of production and employment around services. (Fisher 1933: 381-382; Fourastié 1949: 92-94).

The demand-side explanation put forward by Fisher and his successors came under the critical scrutiny of later service-sector economists who refuted the claim that changing expenditure patterns and income elasticities of demand were the primary cause of employment shifts towards the service sector (Stigler 1956; Kuznets 1957; Fuchs 1965, 1980; Singelmann 1978; Katouzian 1980). Instead, emphasis was laid upon the supply-side mechanisms of the market. Baumol (1967), in his classic paper

*Macroeconomics of Unbalanced Growth*, divided the economy into technologically progressive and stagnant activities, broadly represented by the manufacturing and service sectors respectively, and stressed the role of productivity differentials between the two activities in propelling the sectoral shift of employment towards services.

Similarly, Fuchs argues that Engel's law is more appropriate for understanding the industrial transition of societies but remains of little conceptual utility for understanding their latter transition towards their tertiary stage given that, empirically speaking, the differences in income elasticities of demand for manufactures and services are too small to account for the whole sectoral shift of employment (Fuchs 1968: 3, 41-45). Instead, he finds support for Baumol's 'productivity differential' argument stating that the faster growth of output per worker in the agricultural and industrial sectors and the relatively slow growth in the service sector has been the major reason for the constantly increasing share of employment of the latter (Fuchs 1968: 4). The supply-side explanation thus stresses the inherent tendency of the manufacturing sector to generate higher productivity increases given its propensity towards mechanisation. Indeed, industrial labour, unlike service labour, is just one among various inputs of production and can naturally be replaced by technological innovations (Baumol 1967: 416). In this case, rather than a saturation of demand, it is a saturation of demand for manufacturing labour that explains the growth of the service sector.

Today, the works of Fisher, Clark, Fourastié, Fuchs and Baumol and their arguments centred on the 'growing affluence of consumers' and 'unbalanced productivity growth' are considered as the pioneering steps towards an understanding of the economic mechanisms behind the post-1970s deindustrialisation of developed countries (Kollmeyer 2009). However, a more detailed reading of these authors reveals that the emergence of a post-industrial/deindustrialised economy is not merely the inevitable outcome of the free play of markets but presupposes the capacity

of the state to coordinate this transition and allow the effective transfer of resources from industry to services.

### *THE POST-INDUSTRIAL SOCIETY AS A STATE PROJECT*

Initially, Fisher and Clark's novel conceptualisation of services as a key economic sector was politically directed against the 'updated physiocratic' perception of their contemporaries who, in the vein of Adam Smith, viewed services as a parasitic and unproductive sector, and considered material production as the only source of wealth (Fisher 1935: 63; Clark 1984: 69). Instead, post-industrialists regarded the tertiary sector as a reasonable outlet for investment and ultimately as an unemployment cushion absorbing labour made redundant by overinvestment in the primary and secondary sectors (Fisher 1939b: 30, 35-36; Clark 1949: 114). During the Depression era, the idea stimulating commonly assumed unproductive labour to combat the emerging mass unemployment phenomenon was already being implicit in economic policy-making (Delaunay and Gadrey 1992: 75-76). Hence Clark's recommendation for public investment in tertiary activities as a way to recover from the Depression (Clark 1933: 330-332) and Fisher's (1939: 34) support for the unemployment relief policies of Roosevelt's new deal that went in the same direction. The expansion of the service sector was not viewed simply as an automatic market evolution but as a state-backed process aiming to dampen rising unemployment.

Furthermore, the liberating effects of 'machine-made' abundance (Faunce 1968: 72) made possible by increasingly automated industry was a hallmark theme of post-industrial theory (Riesman 1958; Faunce 1968; Lasch 1972). Indeed, the demand- and supply-side mechanisms behind tertiarisation, were not merely economic in character but instead, entailed a qualitative transformation of life (Bell 1973: 127): tertiary society brings about the transition to a new *genre de vie* (life genre) (Fourastié 1949: 269-271). For instance, the change of direction in consumer's expenditures is not simply portrayed as an objective economic development but as a fundamental shift in consumption norms; a shift towards 'the vast number of miscellaneous

things, goods and intangible or personal services, pictures and music, science and philosophy, and literature, facilities for education and travel and amusement, the things, in fact, upon which real civilisation depends' (Fisher 1935: 9). Increasing incomes work in conjunction with productivity gains to achieve a stage in human civilisation whereby, having satisfied basic needs for food and manufactures, the emanation of abundance surmounts the problems of distribution that were inherent in the management of economic resources during the industrial era (Fisher 1935: 7; Fourastié 1949: 218).

Similarly, the sectoral shift of employment is not considered as a mere reflection of the changing occupational structure of society but a transformation of the nature of work itself. At the heart of the post-industrial view of progress lies the idea of a progressive liberation of labour from the misfortunes of industrial work. Indeed, Clark (1940: 1) defines economic progress as the increase in the leisure time available to society and the decrease in the efforts necessary to produce an ever-increasing output of goods and services. As manufacturing employment shares shrink, workers are progressively liberated from strenuous and servile industrial and their intellectual capacities are freed (Fourastié 1949: 277-280). This tendency is materialised in the tremendous increase in white-collar jobs in the post-World War II era and the growing importance of knowledge workers. Such developments in occupational structures encourage workers to engage in more creative and fulfilling activities. The alienation of labour associated with assembly-line work ostensibly withers away as the boundaries between work per se and leisure become blurred (Fuchs 1965: 360). The expansion of the service sector entails thus a humanisation of work given that the prime material with which service workers interact is the human himself/herself rather than the impersonal and alienating machine of the industrial plant (Bell 1973: 163).

Despite the seemingly structural and natural emergence of such social advances, servicisation does not come about on its own according to post-industrial theorists but requires political action (Fourastié 1949). Fisher



(1934: 150) observed a reluctance from investors to direct their capital in tertiary production given the lower returns yielded. Thus, 'the ordinary machinery of capital provision requires somewhat violent adaptation' (Fisher 1934: 164) to provide the community with the services for which material progress has now paved the way. As in the case of 'unproductive labour' stimulation, this 'violent adaptation', which requires the subordination of private firm strategies to wider social objectives, is carried out through non-market channels such as state planning and the public provision of social services (Bell 1973: 167-198). The servicisation evoked by post-industrialists is in a way a description of welfare state services as they developed between the 1930s and the 1960s in the developed world. Bell's description of the post-industrial society clearly illustrates the tight association between the service economy and the welfare state:

A post-industrial society...is increasingly a communal society wherein public mechanisms rather than the market become the allocators of goods, and public choice, rather than individual demand, becomes the arbiter of services...The demand for higher education and better health necessarily expands greatly the role of government as funder and setter of standards. The needs for amenities, the cry for a better quality of life, brings government into the arena of environment, recreation, and culture (Bell, 1973: 159).

Thus, post-industrial theory's contentions are influenced and distorted by the observable reality of Keynesian capitalism and the debates surrounding its reproduction. Post-industrial theory, rather than prophesying the future of developed countries, restricts itself to the depiction of the Keynesian era's social trends and projects them into the future as an ideal model of social organisation that can be boundlessly replicated (Kumar 1978: 191). The object of theorisation of post-industrial thought is not the autonomous economic movement leading societies from their agricultural to their tertiary age but a historically particular kind of state-led reallocation of economic resources which was itself the product of the changing balance of class

forces that underpinned the rise of the Keynesian welfare state (Holloway 1996).

Ultimately, the prism adopted by post-industrial theorists is limited by its own historical environment. In sum, post-industrial theory is a normative project and a discourse of political transformation (Brick 1992: 349) which is rooted in the principles of Keynesian-like economic management and the institutions that supported it since the 1930s. As a political project the deindustrialisation of economies requires the intervention of the state in order to expand tertiary production and enhance social welfare.

#### *LIMITS OF THE POST-INDUSTRIAL PROPHECY*

For post-industrialists, the tertiary age is the embodiment of the true nature of economic progress and abolishes the sources of class conflict embedded in industrial society. Indeed, post-industrial society is one said to resolve once and for all the 'labour issue' (Bell 1973: 160-164) as it remedies the issues raised by the struggles of the labour movement regarding the growing 'poverty amidst plenty', alienation at work or the length of working time. In this vein, the contradictions and crises of industrial society are just transient conditions towards the final adaptation of society to its true, socially progressive, potential (Fourastié 1949: 93-94). If the persistence of the material conditions that gave birth to Marxism constitute it as the unsurpassable 'philosophy of our time' (Sartre, 1960: 29), post-industrialism negates the continuous relevance of these conditions and most importantly the condition of proletarian immiseration since the tertiary age brings about a significant improvement in the material circumstances of labour (Ferkiss 1979: 91-92). Indeed, in a service-based society the 'economic' ceases being the gear of social reproduction and is replaced by knowledge as society's primary productive resource thereby eliminating economic class conflicts (Bell 1973: 212-265). As a consequence, labour-capital antagonism is eradicated along with the traditional working class (Fourastié 1949, 1965; Nisbet 1958; Touraine 1971; Bell 1973; Clark and Lipset 1991; Waters and Pakulski 1996) and even the bourgeoisie (Lichtheim 1965).

At the same, the negation of the antagonisms associated with industrial capitalism reveals the idealistic nature of post-industrial theory and its theoretical limitations. Its normative character lies in the fact that 'it only describes the need for a change' towards a new social order in which class conflict, poverty, strenuous labour and unemployment are eliminated but at the same time disregards the capitalist dynamics that inhibit such a transition (Postone 1999: 12). In fact, the contradiction-free picturing of capitalist society is the source of the post-industrial prophecy's inability to explain the deindustrialisation phenomenon since the 1970s. Capitalist production is examined only in its technical dimension and its capacity to increase material wealth through productivity growth while disregarding the contradictory social form that production assumes in capitalist society which is centred on the accumulation of value and profit as opposed to material wealth (Postone 1993: 299). It is thus unable to explain how periods of growth and increased prosperity can be superseded by periods of liquidation of productive capacities on an expanded scale (Marx and Engels 1976: 490). As such the widely documented plant closures, failures of major industrial groups, the ensuing unemployment and consequent pauperisation of mono-industrial regions that swept advanced capitalist economies (see for the US case Bluestone and Harrison 1982; see Martin and Rowthorn 1986 for the case of Britain; see Cohen 1989; Lamard and Stoskopf 2009 for the French case) do not fit within the scheme advanced by post-industrialists. The contrast between post-industrial theory and the empirical reality of deindustrialisation suggests that industrial development should not be understood as a linear movement but as a crisis-ridden process which reflects both the growing productive potential as well as the economic destitution that accompanies capitalism's restless development (Postone 1993: 35).

In addition, post-industrial structures do not spread evenly within countries as this process is often accompanied by an 'inter-regional polarisation' whereby high-skilled service jobs co-exist with regional pockets of

unemployment and unskilled workforces within the same national territory (Lipietz 1980). While, Lyon or Paris could broadly correspond to the post-industrial city described by Bell and his predecessors, the Hauts-de-France and the Grand Est which experience higher than the national average levels of unskilled industrial and service sector workers unemployment could not. As Ferkiss (1979: 79) argues 'pre-industrial, industrial and post-industrial' regions can exist side-by-side within the same nation state. In other words, deindustrialisation rather than a one-sided phenomenon revealing the increasing productivity of the manufacturing sector, can simultaneously constitute a sign of strong industrial performance as well as a sign of industrial decline.

While post-industrial theory's prophecy fails to account for the crisis-ridden and uneven way in which deindustrialisation unfolded in advanced capitalist economies during the 1970s and 1980s, its vision of post-industrial society as a state project raises crucial insights as to the organisation and distribution of productive resources within capitalism. Indeed, the reading proposed here suggests that for post-industrial theory the allocation of resources among different sectoral and economic activities does not ultimately occur automatically by the supply or demand side mechanisms of the market. Instead, the allocation of productive resources is organised in line with developments in social relations and the political form of management of capitalist production. According to this reading, it turns out that the state plays a crucial role in the inter-sectoral flow of productive resources.

Building on this insight the rest of the thesis will indeed demonstrate the crucial involvement of the state in channelling and withdrawing resources from different industrial sectors and in this vein endorsing a targeted process of deindustrialisation. However, in contrast to post-industrial theorists this 'deindustrialisation' strategy was not adopted as a way to enhance welfare but to remedy a capitalist crisis of overproduction by selectively allocating resources towards the commercially most crucial

sectors and facilitating the decline of others. Before, however, the remainder of this chapter will examine the more recent debates on deindustrialisation and examine the role held by the state in these approaches.

## **NATURALISTS VS INDUSTRIOCRATS**

Since the 1970s various attempts have been made to locate the causes of deindustrialisation in advanced capitalist economies. Such endeavours have been characterised by their propensity to identify positive correlations between specific variables and the shrinking size of manufacturing employment in the West. For instance, Rowthorn and Coutts (2004, 2013) in their summary of the literature put forward five mechanisms explaining the deindustrialisation phenomenon. These are: the domestic outsourcing of activities to service providers by manufacturing firms, the decline in the relative prices of manufactures due to increasing productivity and cheaper imports from the developing world, the increasing productivity of manufacturing relative to the service sector and the former's decreasing need for labour, international trade and falling investment rates in industry.

Notwithstanding the usefulness of a quantitative determination of deindustrialisation's causes, such an approach leaves little room to analyse the social, political and institutional context which permitted such processes to become operational and indeed contribute to the hollowing out of manufacturing activities. Nevertheless, behind the repeated and contrasting attempts to econometrically locate the primary sources of this phenomenon, within the literature one is able to discern two main political interpretations of deindustrialisation. To schematise them, we hereby propose an original classification of the contemporary literature which we divide into two main camps: the *naturalist* and the *industrialocratic* approach. On the one hand, the *naturalist* approach contends that deindustrialisation is a natural, market-led, phenomenon stemming from the workings of the supply and demand side mechanisms of the market. On the other, the *industrialocratic* approach, just like physiocratic thought considered agricultural activities as the source of a nation's productive power, conceives of the industrial sector

as the main engine of growth of a national economy and thus any deterioration of its position is seen as an economically damaging phenomenon. To use Rowthorn and Wells' (1987) terminology the former approach view deindustrialisation as a 'positive' process whereas the latter views it as a 'negative' one. This classification of the French and global literature ought not to be understood as an identification of two coherent and all-encompassing theoretical frameworks but rather as a categorisation that stresses the two main methodological approaches used to understand deindustrialisation and the role of the state in this process.

### *THE NATURALIST APPROACH*

The point of departure of the naturalist approach is that deindustrialisation can be adequately explained by the in-built supply and demand side dynamics of the market (Rowthorn and Ramaswamy 1998: 22). As manufacturing achieves higher productivity levels its labour need is reduced and as a result workers are absorbed by tertiary activities (Demmou 2010: 8; Landier and Thesmar 2013: 32-33). On the demand-side, changing patterns of consumption also help explain the relative demise of manufacturing. Productivity-led decreases in manufactures' prices as well as the general improvement in the population's living standards have permitted a transformation of demand patterns that is marked by their shift towards more luxurious service products and a relative saturation of needs for traditional manufactures (Fontagné and Lorenzi 2005: 43; Demmou 2010: 14; Landier and Thesmar, 2013: 21; CEPII 2014: 1). According to this explanation, the declining trajectory of industrial employment since the 1970s is in its greatest part explained by technical progress and the mutation of demand at the domestic level (Daudin and Levasseur 2005: 157; Fontagné and Lorenzi 2005: 43; Debande, 2006: 74). For instance, Rowthorn and Ramaswamy (1998) found that on average over 80% of deindustrialisation in advanced industrial countries can be attributed to a combination of domestic factors such as changes in consumer expenditures or even more importantly the growth in the productivity gains of the

manufacturing sector. As such, the popular association of globalisation and deindustrialisation is refuted by the observed propensity of all developed economies to naturally deindustrialise (Gazaniol 2012: 5, 34-35).

Additionally, there are other domestic factors that inflate manufacturing employment losses such as the recourse to domestic outsourcing and the reliance of manufacturing firms on temporary employment (Daudin and Levasseur 2005: 139; Demmou 2010: 9). Bhagwati (1984) refers to the former as the 'splintering effect' whereby due to increased economies of scale and technical evolutions, the production of certain services becomes autonomised from the production of physical goods. More precisely, activities previously performed in-house by manufacturing firms, ranging from marketing and conception to logistics and catering, have increasingly been outsourced to specialist service providers (Beeson and Bryan 1986: 2; DATAR 2004: 8). Similarly, manufacturing firms have since the mid-1990s tendentially increased their share of personnel employed through temping agencies, meaning that jobs actually performed within a manufacturing setting are actually classified under the service sector (Daudin and Levasseur 2005: 139). These developments have in fact led to a statistical transfer of industry's contribution to GDP and total national employment to the service sector (Le Blanc 2005: 9).

The naturalist approach does not overlook the contribution of external factors on deindustrialisation, such as competition from developing countries. Their interpretation suggests however that the latter ought to be understood as reinforcing the deindustrialising tendencies that are already present at home (Fontagne and Lorenzi 2005: 33). As the national economy opens up to international trade, price-led competitive pressures only accentuate the efforts of domestic industrialists to modernise and increase their productivity gains. Trade openness does not deviate the national industry's course from its pre-existing tendency towards higher productivity and lower prices but further stimulates it. Ultimately, foreign trade bears only a negligible direct effect on industrial employment and reproduces the

consumer and efficiency gains that in any way deindustrialisation brings about domestically (Fontagné and Lorenzi 2005: 14; Rowthorn and Ramaswamy 2008: 22).

At the same time, in accordance with neoclassical trade theory, efficiency-seeking leads to a specialisation of domestic industry towards the highest value-added segments of the manufacturing chain of production whose capital-intensive nature further decreases the need for industrial labour (Fontagné and Lorenzi 2005: 44-46). Domestic industry's conversion to technologically- and skill-demanding activities further incentivises the increasing productivity of the sector as it is the development of the most efficient sectors within manufacturing that is prioritised by the international division of labour. As it is argued, the demise of a particular sector (e.g. textiles) is not always 'bad news' (Daudin and Levasseur 2005: 157). In fact, within the IDL developed economies tend to naturally retain the 'factory-less' stages of manufacturing production (sales, marketing, design) that nevertheless absorb the lion's share of value added (Baldwin 2017).

Once deindustrialisation is understood as a natural market-driven phenomenon, it becomes possible to contest the notion of deindustrialisation itself (Lawrence 1984: Ch.3). Often, naturalist approaches replace the term 'deindustrialisation' by less alarmingly sounding characterisations such as 'industrial mutation' or 'economic transformation' in order to more aptly capture the transformation of the advanced nations' economic landscape (Cheshire 1995: 1048; DATAR 2004: 16-17; Roustan 2004: 11-23; Nesta 2010: 300). Given that improvements in productivity and declining prices have only led to a relative demise of industry's employment and GDP contributions, deindustrialisation could be seen as a mere 'optical illusion' which in fact is owed to a vigorous industrial performance (Roustan 2004: p.47; Fontagné and Lorenzi 2005: 21; Chatillon 2011: 51). For naturalists then, rather than a real distressing economic phenomenon that justifies a generalised anxiety over the future, deindustrialisation is at best an unfounded 'myth' and at worst a skewed



dogma that encourages the adoption of regressive protectionist and interventionist policies (Lawrence 1983b; McKenzie 1990; Krugman 1996: 3).

Undoubtedly, the deindustrialisation of advanced economies has not been as smooth as depicted in the naturalist scheme, with the pauperisation of old industrial basins in the Nord in France, the American Rust Belt or Northern England paving the way for more alarmist discourses on industrial decline. However, as Roustan puts it for the French case, from a naturalist lens, domestic distortions accompanying deindustrialisation stem from the inner deficiencies of French society itself (Roustan 2004: 15). More precisely, regional and social dislocations betray the failure of public policy to follow and adapt to the modernising movement of this industrial mutation. Macroeconomic policy choices or labor market regulations have a far wider impact on the domestic state of employment than economic globalisation according to this view (Fontagné and Lorenzi 2005: 19).

Regional pockets of unemployment could, for instance, be understood as manifestations of the failure of current labour training procedures or of inflexibilities within the labour market that prevent the formation of a labour force adapted to the transformed needs of the industrial sector such as the higher demand for skilled labour (Roustan 2004: 9; Fontagné and Lorenzi 2005: 19). With regards to the British case, Crafts (1996) argues that much of the social costs that accompanied deindustrialisation in the 1970s and 1980s owed to the relatively low attention paid by governments to the importance of human capital formation. Thus, the smooth adjustment of a country to its new productive structure depends on the capacity of public authorities to remove the rigidities existing within its labour market institutions and help the adaptation of workers to the demands for a well-trained labour force rather than obstruct the ongoing industrial transition and employment mutations (Beeson and Bran 1986: 6; Eisner 1990; McKenzie 1990; Debande 2006: 79-80).

In sum, the naturalist perspective suggests that the shrinking size of the manufacturing sector is a natural and benign phenomenon that manifests its healthy overall performance (Debande 2006: 79). On the other hand, the adverse social effects that have accompanied it are state-led as they manifest the failure of macroeconomic policies to adapt to new market requirements. Political authorities cannot halt the deindustrialising tendency of the domestic economy but their capacity to deploy a set of policies capable of adjusting social structures to a mutated industrial setting is of crucial importance.

### *THE INDUSTRIOCRATIC APPROACH*

The foundational assumption of the industriocratic approach is that, as Palma (2014: 21) sums it up, growth is *sector-specific*. In other words, industry is the fundamental source of a nation's wealth (Le Tellier and Torres 1993: 11). It is the peculiar properties of the manufacturing sector that permit it to become a national economy's engine of growth on whose performance the health of remaining economic activities rely (Singh 1977: 123; Dertouzos et al.1989: 40; Thirlwall 2002: 51; Smil 2011: 22; Andreoni and Gregory 2013: 29). As contended by Artus and Virard (2011: 19) manufacturing is a 'structuring' activity that stirs innovation and fuels commerce. Manufacturing is not a mere auxiliary activity which can be disposed off by national economies but instead, constitutes the backbone of the economy itself and the lifeblood of its productive base (Colletis 2012: 13).

The view of manufacturing as an engine of growth finds support in Kaldor's (1966,1967) laws which are based on three propositions: firstly, that the aggregate rate of growth of GDP depends on the rate of growth in the manufacturing sector, secondly, due to the static as well as dynamic increasing returns to scale of manufacturing, there is in this sector a causal relationship between the growth of manufacturing output and the growth of productivity- this is also known as Verdoorn's Law-, finally, the growth of output in the manufacturing sector is positively related to the employment

growth of this sector at the expense of employment growth in the non-manufacturing sector. In short, the manufacturing sector is characterised by its endogenous growth-inducing properties which in contrast to services can provide for the long-term growth, full employment and high wages of the domestic economy.

Not only industry is inherently more productive than services (McCausland and Theodossiou, 2012) but also the rise of sophisticated tertiary activities, such as R&D or designing, is organically dependent on it as the latter form the downstream and upstream segments of the manufacturing process itself (Cohen and Zysman 1987: 19-27; Bazen and Thirlwall 1989: 9; Kitson and Michie 1996: 198; Colletis 2012: 16-17; Cohen and Buigues 2014: 56). Thus, the rise of a post-industrial or service-based economy is considered as a misleading concept which disregards the irreplaceable role of industry in the domestic economy (Cohen and Zysman, 1987; Pisano and Shih 2012: 43; Smil, 2013: 1). Instead, in their definition, deindustrialisation constitutes a crisis-signalling evolution. The interpretation of deindustrialisation as decline is succinctly summarised by Johnson (2002: 7) who argues that the term refers to 'the decline of modern, factory industry and generally in relation to the limits in the West of mass production as competition from elsewhere and plant relocation overwhelmed superannuated, high-wage industries and specific sites'.

In this vein, the magnitude of this crisis becomes manifest in a country's comparative performance within the international market (Jacquemin 1979: 995). In contrast to the naturalist approach which views global competition as a factor that positively reinforces domestically ongoing industrial mutations, industrialists maintain that the international performance in world markets is the tell-tale sign of the industrial sector's crisis (Singh 1977: 134; Levet 1989: 3-6; Mishel 1989; Artus and Virard 2011: 19-20). For instance, Cohen and Buigues (2014: 30,35) while admitting that there is a statistical trickery at play that conceals industry's actual economic contribution to GDP, contend that the data capturing France's international

conduct in manufactures trade unassailably betrays its weak industrial performance vis-à-vis its trading partners. Similarly, another argument raised against the naturalist contention that the decline of industry is only relative, rests on the fact that while productivity and output measured in absolute terms might still grow in a deindustrialised economy, official measurements often overlook that these are accounted for by the increasing share of imported inputs into the production process as opposed to an authentic improvement of domestic manufacturing firms' performance (Perelman 2002: 173; Atkinson, et al. 2012: 32). Overall, for industrialists declining market shares in manufacturing products, growing deficits in a country's trade balance and the falling contribution of exports in goods to GDP are considered as the prime indicators of deindustrialisation.

The opening up of the economy and the emergence of industrial competitors from the developing world do not necessarily translate into an ordered and harmonious process of trade specialisation among the participating countries as the neoclassical model would have it (Singh 1977: 133; Le Franc 1983: 88, 92; Artus and Virard 2011: 77-79). The fragmentation and geographical relocation of the manufacturing process towards late industrialisers dismantles the coherence of the domestic productive base as this process simultaneously eliminates all the high-skilled tertiary activities associated with manufacturing and disturbs domestic supplier-purchaser relations (Colletis 2012: 17; Cohen and Buigues 2014: 55). Ultimately, the distribution of manufacturing activities across the world is not determined by the impersonal workings of the international division of labour but by the confrontation of different nationally defined industrial strategies on the world market. Indeed, the competitive success of certain countries at the expense of other advanced deindustrialised economies is attributed to their states' adherence to coherent long-term industrial strategies (Cowling and Sugden 1993; Kitson and Michie 1996).

In contrast to the transition from an agricultural to an industrial economy, deindustrialisation does not reflect a mere productivity-driven transition of

the workforce from one sector to another but, more fundamentally a loss of mastering of certain manufacturing activities which ultimately end up being performed elsewhere (Cohen and Zysman 1987: 7). At the same time, this transfer of competences encourages developing countries to mimic the know-how and technological practices of developed economies threatening to displace the industrial/technological edge held by the latter (Cohen and Zysman 1987: 7; Giraud and Weil 2013: 106; Cohen and Buigues 2014: 56). It is often argued that this phenomenon has been exacerbated by increased capital mobility which led to the demise of industrial firm's territorial identity and allowed Multinational Corporations to pursue delocalisation strategies that stand opposed to the economic interests of the domestic community (Bluestone and Harrison, 1982: 17-23; Cowling and Sugden 1999: 363; Colletis 2012: 47; Smil 2013: 223).

Industriocratic views are ultimately sceptical of the capacity of a preponderantly service-based economy to sustain the economic tissue of, for instance France or the US, given the limited capacity of the service sector to compensate for its commercial deficit in manufactures and energy (Le Franc 1983: 27; Artus and Virard 2011: 79; Pisano and Shih 2012: 5; Giraud and Weil 2013: 51; Smil 2013: 182). Given the comparatively weak export-vocation of services (Cohen and Buigues 2014: 43; Giraud and Weil, 2013: 52, 92-94; Atkinson et al. 2012: 66), the accumulated commercial deficits of industry yield important consequences on a country's national debt (Legarda and Blazquez 2013: 2). For instance, the 'structural deficit' which has characterised the French trade balance since the early 2000s manifests according to industriocrats the credit-sustained consumption of goods of French society which if reproduced indefinitely could have grave repercussions on the sustainability of its public debt (Artus and Virard 2011: 80-81; Giraud and Weil 2013: 48-49; Cohen and Buigues 2014: 49-54). Thus, deindustrialisation induces a chain reaction whose negative effects extend well beyond industrial commerce and into the wider economy (Atkinson et al 2012: 26).

Explanations over the precise roots of industrial decline and suggestions for its eventual overcoming might differ among industriocratic authors, but nevertheless one can notice a recurrent stress of states' failure to redress their industrial bases in the face of the growing competitive pressures accompanying globalisation (Newton and Porter 1988: 198; Kitson and Michie 1996, 2014; Perelman 2002: 4). The state's failure to halt deindustrialisation is attributed to the lack of an overarching long-term industrial strategy guiding industrial and macroeconomic policy (Cowling and Sugden 1993).

For instance, certain commentators have pointed out that US governments have attempted to remedy the decline of certain industries by providing them with subsidised financial assistance and protection from imports rather than encouraging their competitive adjustment to the new dimensions of international competition (Thurow 1980: 5; Cohen and Zysman 1987: 255). In the British case, it is often argued that under the influence of the City of London's financial interests, the successive British governments since the mid-1960s demonstrated an excessive preoccupation over stabilising the balance of payments and defending the value of the pound which marginalised industry's interests to the benefit of finance (Nairn 1979; Coates 1983). Especially during Thatcher's monetarist experiment, British authorities are said to have demonstrated a 'contempt for production' as the pursuit of high exchange and interest rates deprived industry of the funds necessary to expand and decreased demand for domestic manufactures (Pollard 1981; Kaldor 1983).

Within the French industriocratic tradition, the failure of the state to boost the competitive potential of domestic industry has also been frequently emphasised. Indeed, it is often stressed that with the onset of France's industrial crisis in the mid-1970s industrial policy was compromised by policymakers' concern to mitigate social contestation and avoid the necessary drastic restructuring required to strengthen the competitiveness of domestic industry (Le Franc 1983: 181; Levet 1989: 34).

Characteristically, Cohen (1989) in his masterful *L'Etat Brancardier* (The Stretcher-Bearer State) argues that from 1974 to 1984 the state restricted itself to a socio-political management of industrial decline. French governments sought to prevent the escalation of conflict by spreading in time the redundancies or plant closures of firms experiencing economic difficulties without treating the deep deficiencies of French industry.

Ultimately, it is observed that with the end of the *Trentes Glorieuses*, the state progressively relinquished its industrial ambition and the strategic role it had in spurring industrial development (Thibault 2008: 62-70; Colletis 2012: 90). The abandonment of a strategic industrial policy was followed by a discordance between the macroeconomic policies endorsed by governments since the 1970s and the contemporary prerequisites for a developed economy's competitive industrial base- as is the shift from price-competitiveness to quality-based competition (Colletis 2012: 88; Cohen and Buigues 2014: 340). Contemporary French industrial policy is marked by its reluctance to redeploy the industrial sector's strengths by promoting the execution of grand industrial programs (Cohen 2007: 225). For industrialists, deindustrialisation is thus associated with the failure of the state to redress industrial decline. The state is often seen as either overly neglecting the needs of manufacturing or applying the wrong remedies. Either way, the state plays a significant role in industrial degradation by failing to deploy the adequate macroeconomic and industrial policies and thus pursue coherent economic priorities that are conducive to economic growth.

To summarise, for the industrialist tradition deindustrialisation is a metonym for industrial decline. It is an economically unsettling but reversible condition that manifests the dismantlement of a country's productive base. In this vein, the state has the potential to engage in a more active industrial policy which could potentially propel a reindustrialisation of the country and reverse the deindustrialisation trend.

#### *LIMITS OF THE DEBATE*

Undoubtedly, the disagreements between naturalist and industriocratic approaches stems to a great extent from a definitional mismatch in their respective understandings of deindustrialisation. Indeed, the existing literature is divided along definitional lines as different degrees of importance are given to deindustrialisation depending on whether the main indicators of this phenomenon are falling world trade shares, growing trade deficits, absolute or relative declines in employment/output and contributions to GDP (Cairncross 1979; Lever 1991: 983-984; Bazen and Thirlwall 1992: 2-6; Tregenna 2016: 98-99).

Nevertheless the review of the literature reveals that for both approaches deindustrialisation consists of a process of selection of the industries that will persist in an era of increasingly globalised industrial competition. From the naturalist point of view this selectivity operates automatically through the concurrent effects of domestic market-led developments and the materialisation of the trade specialisation thesis. In other words, an automatic rationalisation process is at play whereby old unproductive industrial activities are freshly replaced by more modern and efficient ones. In contrast, from an industriocratic perspective this selection process operates in a more unpredictable manner and depends upon the competency of different nations to formulate industrial strategies capable of surmounting international competition. It is the outcome of the competitive struggle between the various nationally formulated industrial strategies that determines the distribution of industrial activities across the world.

However, as this thesis contends both approaches overlook the extent to which industrial or macroeconomic policy can actively participate in designing this selection process and encourage deindustrialisation in a strategic manner (Hudson 1986a, 1986b; Martin 1986:284-285). Indeed, these views convey that deindustrialisation has been determined by evolutions that have escaped the state's control. In the naturalist perspective, the state can only play a supporting role whereby macroeconomic policies are adapted to the economy's new (de)industrial



landscape (e.g. through adopting the appropriate labour training systems) or a distorting one (e.g. by maintain labour market rigidities) that disturbs the natural occurrence of deindustrialisation. In the industriocratic view the state is conspicuous by its absence and has failed to prevent industrial decline. It follows that the deindustrialising trajectory of France has been traced heteronomously as the political sphere passively complied with the country's industrial decline or at best failed to adequately address it. While for both naturalists and industriocrats state policies are functionally essential in facilitating or preventing industrial shrinkage, the state appears only at the downstream and upstream phases of deindustrialisation and remains absent throughout the process itself. Clearly, a more consistent examination of the role of the state in determining deindustrialisation is required in order to shed light to the ways through which industrial policy can guide and mould the economy's disengagement from certain manufacturing activities.

Furthermore, in this thesis' view, the competing theses are neither inherently incorrect nor mutually exclusive. In fact, positive and negative deindustrialisation or productivity-led deindustrialisation and deindustrialisation resulting from declining performance can in fact coexist within a national territory and contribute simultaneously to deindustrialisation (Alderson 1999: 706). Deindustrialisation simultaneously involves a process of 'moving up' the technological ladder as well as 'moving out' of certain manufacturing activities and both contribute to manufacturing hollowing out (Lever 1991: 984). As mentioned earlier, deindustrialisation can simultaneously be indicative of an enhanced manufacturing performance as well as of a deterioration of certain manufacturing activities. The thesis' claim however, is that state incentives can play a crucial role in strategically promoting these two forms of deindustrialisation across and within sectors.

For instance, the naturalist observation that increasing productivity and the decreasing income elasticity for manufactures contribute to decreasing manufacturing employment constitutes an economic reality that has been

championed by economists since at least the 1930s as it has been alluded to above. However, this statement runs the risk of constituting a mere statistical observation of correlations between different economic processes (Fuchs 1980: 1; Cohen and Buigues 2014: 35) as opposed to a theoretically-grounded analysis of deindustrialisation. There is a circularity in the naturalist exposition whereby 'demand is explained by supply and supply by demand' (Bonefeld 2014: 57). The institutional and socio-political context which allows these market mechanisms to operate is effectively neglected. More precisely, a productivity-led decrease of industrial labour presupposes the investing capacity of firms to undertake such a technological leap. Yet, this is precisely what a great part of the French industrial sector was lacking from the mid-1970s to the early 1980s, during the most intense period of deindustrialisation. In fact, the general slowdown in the rate of return brought a downward pressure in the self-financing capacity of firms and a consequent drop in investment (OECD 1984: 46-49). During this investment drought, state-led initiatives of a varying nature (e.g. regional premiums, nationalisations, subsidised loans, tax breaks, rescue packages, sectoral plans) played a crucial role in allowing firms to liberate the necessary funds to introduce labour-saving technologies.

On the industriocratic side, certain authors are right to point out that at times industrial competitiveness concerns have been sidestepped to the benefit of more socially oriented issues. Indeed, at the end of the *trentes glorieuses* the French state was characterised by its inclination to bailout lame ducks so as to avert the escalation of unemployment and social conflict instead of encouraging the necessary and socially painful restructuring of sectors (Clift 2003: 176; Hau 2009: 35; Levy 2013: 340). However, mitigating the social repercussions of drastic restructuring measures is only one side of the coin of the pressures faced by governmental authorities when devising industrial strategies. At the same time, increasing internationalisation forces governments to endorse rationalisation measures in order to refurbish industrial structures and increase their competitive potential. Block (1987:

127) describes the twofold nature of pressures exercised upon state managers in the following way:

The first pressure is created by increased international competition both in traditional industrial goods and in high-technology products. Increased competition makes it imperative that the nation's industrial plant be modernized, and such modernization will entail the elimination of manufacturing jobs in older industrial sectors. The second pressure is to respond to the needs of industrial workers displaced by imports and modernization, as well as the millions of others in the economy who are unemployed or underemployed.

In a roundtable organised by *Journées d'Histoire Industrielle* on the 1974-1984 deindustrialisation of France, two important actors of the time's industrial policy-making illustrate well the public authorities' conflicting pursuit of both social appeasement and industrial rationalisation. Guitton, director of the CIASI<sup>1</sup> from 1978 to 1980, emphasised that during the 1970s' industrial policy was conditioned by policymakers' permanent fear of a new social upheaval reminiscent of May 1968. On the other hand, Chevènement, Minister of Industry between 1982 and 1983, puts the stress on the growing pressures of global competition to undertake a rationalisation effort which dissuaded policy-makers from repeating the patterns of industrial intervention described by Guitton (Lamard and Stoskopf 2009: 92-99). In short, social appeasement and the pursuit of economic competitiveness are two inescapable constraints that industrial policy makers must deal with.

By virtue of its aforementioned double-sided character, deindustrialisation involves at the same time a public management of the social suffering accompanying industrial decline as well as a state-enabled promotion of modernisation. As our empirical section demonstrates the French state became both a 'stretcher-bearer' (Cohen 1989) trying to allay the social

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<sup>1</sup> CIASI was an inter-ministerial committee set up to provide financial and technical help to industrial firms in economic difficulty.

costs of deindustrialisation (Levy 2000: 322; Clift 2016: 518) as well as a surgeon seeking to remove the stale elements from France's industrial body via deindustrialisation. The state, juggling with both domestic social pressures and international competitiveness ones, can play a crucial role in orienting the 'shifting out' and 'shifting into' certain selected manufacturing activities and areas (Cohen 1982).

Overall, a political economy analysis of deindustrialisation must take seriously the role of the state as a key actor in the deindustrialisation process. Indeed, the concerns over international competitiveness and the reproduction of the domestic social order can play a detrimental role in shaping the state's industrial preferences and promote positive and negative deindustrialisation across and within various sectors and regions. As the rest of the thesis will demonstrate, deindustrialisation should not be viewed merely as a description or a trend of the domestic economy but as an industrial policy option in its own right.

## **CONCLUSION**

This chapter provided a review of three existing approaches to deindustrialisation. Within this literature three key strands were identified including the post-industrial prophecy as well as the more recent naturalist and industriocratic approaches. The post-industrial prophecy characterises a category of authors that emerged in the 1930s and who argued that deindustrialisation, or the emergence of a service-based economy, was the natural outcome of economic progress' forward march. At the same time it was argued that for these theorists, deindustrialisation was not merely the outcome of a predetermined historical development but a political project requiring a state-endorsed flow of productive resources from the industrial to the service sector. While this prophecy failed to presage the crisis-ridden and uneven pattern of deindustrialisation experienced by advanced economies since the 1970s, its emphasis on the role of the state in guiding intra-sectoral resource shifts is a crucial as it sheds light on the political underpinnings of seemingly structural phenomena.

Since the 1970s questions over deindustrialisation and its causes were monopolised by the debates between what this chapter has termed the naturalist and industriocratic approaches. While the former understands deindustrialisation as a structural and benign phenomenon characteristic of all developed economies, the latter interprets deindustrialisation as evidence of a radical erosion of a nation's productive apparatus.

These approaches suffer from two main limitations. Firstly, their lopsided focus on either the 'positive' or 'negative' facet of deindustrialisation prevents them from appreciating their mutual inclusiveness. Indeed, as it was repeatedly argued, deindustrialisation entails both the contraction of certain industrial capacities as well as the development and modernisation of others. In addition, despite the emphasis posed by both approaches on the role of the state either in adapting domestic social structures to the deindustrialisation movement or in counteracting industrial decline, the role of industrial policy in promoting deindustrialisation in a strategic manner is left untouched. Indeed, for naturalists the domestic configuration of industrial activities is determined by the free play of domestic and international market forces whereas for industriocrats the state has relinquished its strategic industrial role and failed to prevent industrial decline by creating an environment conducive to higher manufacturing competitiveness. In both cases deindustrialisation has been seemingly traced by exogenous dynamics and the capacity of state managers to shape this process through industrial policy relegated to a secondary role.

The next chapter will endeavour to forge new ways of understanding deindustrialisation by providing a conceptual framework which considers the double-sided nature of deindustrialisation, as both industrial contraction and modernisation, and takes into account the role of the state, as an integral moment of capital valorisation, in strategically promoting both positive and negative deindustrialisation.

## **CHAPTER 2**

### **DEINDUSTRIALISATION AND THE STATE**

#### **INTRODUCTION**

The previous chapter identified the key issues surrounding the mainstream debates on deindustrialisation and the limits of the naturalist and industriocratic approaches in conceptualising the state's role within the deindustrialisation process. It was argued that both approaches overlooked the double-sided nature of deindustrialisation as both a sign of economic progress and regress and greatly downplayed the extent to which deindustrialisation can constitute an industrial policy-preference of state managers. Instead, based on the intuition of post-industrial authors identified in the previous chapter, this chapter will make the case that the state can play a great role in managing the allocation of productive resources across sectors and in so doing contribute to the deindustrialisation of the economy. More precisely, it will be argued that deindustrialisation can effectively be conceived as a state-sponsored strategy of selective disengagement from specific manufacturing activities aiming to remedy a crisis of overaccumulation. Selective disengagement takes the form of a targeted devaluation of the uncompetitive and superfluous industrial capital that inhibits the competitive insertion of the domestic economy into the world market. This original conceptualisation of deindustrialisation allows to remedy the shortcomings of existing debates. Firstly, by acknowledging that industrial decline and rejuvenation are the two sides of deindustrialisation as increased industrial competitiveness necessitates the elimination of non-performing manufacturing capacities. Secondly, by contending that deindustrialisation rather than a mere market-

phenomenon is a statecraft practice that materialises in and through the state's industrial policies.

In the first half, this chapter will critically scrutinise certain key Critical and Marxian approaches to industrial transformation whose conceptual lenses can be used to analyse the deindustrialisation of advanced capitalist economies. The examined approaches are: the Regulation Theory (RT), the *New New International Division of Labour* (NNIDL) and the Cognitive Capitalism (CC) approach. For the first, deindustrialisation can be understood as a defining feature of the advanced economies' transition from a Fordist towards a post-Fordist regime of accumulation. The second approach, while not focusing exclusively on the industrial structures of advanced economies, argue that current International division of labour reflects the changing conditions of global accumulation. According to the NNIDL it is the uneven evolution of capital accumulation that determines the industrial specialisation of different national territories while state authorities are unable to influence or reverse their country's position within the International Division of Labour. Finally, for CC proponents contemporary capitalism has witnessed a transition towards a knowledge-based regime of accumulation whereby cognitive resources have become the main source of wealth as opposed to industrial labour. As such disinvestment from industrial activities and the growth of immaterial forms of production reflect capital's capture of these new sources of profitability.

However, it will be argued that these approaches do not provide a satisfactory scheme for understanding industrial transformations and the role of the state in such processes. RT provides an empirically rich description of modern capitalism which however remains at a descriptive level since changes in state behaviour and accumulation patterns are understood as the result of contingent empirical developments rather than as epiphenomenal manifestations of the underlying labour-capital relations. The NNIDL on the other hand conflates the abstract capital imperatives to accumulate value weighing upon the state and the concrete strategies

undertaken by policymakers in order to ensure the continuous valorisation of capital. As a result, NNIDL produces a determinist framework for understanding industrial change which fails to grasp the motivations underpinning the formulation of economic and industrial policy. Conversely, CC sees capitalist accumulation patterns and wealth as being determined by the concrete character of labour expenditure rather than on the social form assumed by the latter which in fact allows capital wealth to expand on the basis of abstract labour expenditure which is devoid of any concrete characteristics. As such recent changes in developed countries' industrial structures are arbitrarily attributed to the emergence of a non-industrial form of wealth rather than to the logical unfolding of capital accumulation's tendencies which permit industrial capital to valorise itself on the basis of an ever-shrinking workforce.

Alternatively, the second half of this chapter sketches the foundations of an Open Marxist (OM) framework that brings together Marx's value theory, class struggle and state policy in a theoretically consistent manner. It first outlines OM's understanding of capitalist society's institutions (e.g. the state, the market) as rigidified forms taken by the antagonistic labour-capital relation. Even further, capitalist social relations take on a fetish-character which is experienced by both market and state actors as an alien economic compulsion to reproduce and accumulate capitalist wealth (i.e. value). It will be argued that this alien compulsion is at the same time the source of capitalism's recurrent overaccumulation crises. Such crises beget the devaluation of uncompetitive and superfluous capital which in the 1970s and 1980s took the form of the massive liquidation of industrial assets. Lastly, the section explains that the process of liquidation is mediated by the state which undertakes the task of formulating a strategy of selective disengagement in order to concentrate devaluation in the commercially least crucial industrial activities. At the same time, given the labour market crisis that follows this process, state managers are prone to devise discursive and policy strategies to attenuate contestation from labour and



threatened industries. Such statecraft strategies might involve to different degrees the politicisation and/or depoliticisation of aspects of industrial policy as the state attempts to palliate the consequences of deindustrialisation and/or ostensibly transfer the responsibility over industrial adjustment to non-state spheres.

## **CRITICAL AND MARXIST APPROACHES TO DEINDUSTRIALISATION**

This section provides an overview of certain critical and Marxist-inspired approaches to industrial transformation. It does not aim to provide an exhaustive review of the critical literature on the topic but instead it aims at presenting the main categorical lenses that have been used to understand the wider framework of capitalism's industrial restructuring since the end of the post-war boom. These categorical lenses are: the *regime of accumulation/modes of regulation* typology advanced by the RT, the *cognitive stage* attained by capitalism according to CC proponents and the *international division of labour* as typified by the NNIDL. The section will focus its review on the implications of the RT, CC and the NNIDL approach for the study of the deindustrialisation process and industrial policy-making.<sup>2</sup>

### *THE REGULATION THEORY*

Although the Regulation school is not a homogeneous body of literature and can be divided into various distinct strands (Jessop 1988, 1990; Mavroudeas 2012: 7), its proponents nevertheless hold in common the contention that the 1970s and 1980s can be conceptualised as a period of deep structural changes in the prevailing Fordist form of capital accumulation. The crisis of the 1970s put a strain on the institutional arrangement sustaining Fordism and paved the way for a new growth regime. This section will draw more heavily on the French strand of RT and

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<sup>2</sup> For a more extensive critique of the Regulation approach see the debates in Bonefeld and Holloway (1991), Gambino (2007), Grollios (2017: Ch. 8); For a critique of cognitive capitalism approaches see Jeon (2010), Caffentzis (2013: 95-125), Pitts (2018a: 139-259), Pitts (2018b).

Jessop's conceptualisation of the post-Fordist state and model of accumulation.

The RT's periodisation method contends that distinct cycles of capitalist production appear when accumulation regimes meet their appropriate *modes of regulation* at a specific historical juncture to form a cohesive developmental model. More specifically, the regime of accumulation refers to a historical era within capitalism in which a steady articulation of both the production process and demand trends can be observed over time, concurring in the formation of a relatively stable economic historical bloc that defers the crisis-prone tendencies of capital accumulation (Lipietz 1987: 32; Boyer 1990: 35-36). On the other hand, the mode of regulation consists of a definite configuration of the network of social institutions, such as the state or the monetary system, that enforces the principles of a particular regime on social actors (Lipietz 1987: p.33). The cohabitation of a regime of accumulation and a mode of regulation enters into a structural crisis as soon as the possibilities to rejuvenate the conditions for profitability within this regime are exhausted (Boyer and Saillard 2002: 43). As a result, the growing inability of established institutional practices to maintain the prospects for vigorous economic growth, leaves the door open to potential successor *modes of development*.

After a prolonged structural crisis that started with the Great Depression and a series of class and political conflicts, the post-war years witnessed the emergence of the Fordist mode of development. Its distinct quality lied in the radical altering of labour's consumption norms, which took the form of mass consumption and constituted a steady outlet for the outputs of consumer industries. Thanks to the emergence of mass consumption, Fordism was able to rely on the complementary development of the main departments of production: capital equipment industries furnished the necessary means of production for the growing needs of consumer goods industries whose increasing productivity rises were met by an equivalent

increase in effective demand (Aglietta 1979: 161; Mazier et al. 1984: 66-69; Boyer 1987b: 56; Lipietz 1987: 36-37).

The changes at the production level were accompanied by the rise of the Keynesian Welfare State (KWS) which undertook the task of balancing out demand and supply by sustaining mass consumption and guaranteeing full employment (Jessop 1996: 167-168). Indeed, the newfound stability between production and consumption patterns was guaranteed by a 'monopolistic' or 'administered' mode of regulation whose institutional mechanisms supported a regular rise of wages while reducing their vulnerability to the destabilising effects of market fluctuations (Mazier et al. 1984: 29). The evolutions in macroeconomic policies and industrial relations, including the increasing socialisation of wage costs through welfare state expenditures, the imposition of minimum wages, the indexation of wages to prices or the spread of collective bargaining practices permitted consumer demand to keep the pace with the productivity gains of industry (Benassy et al. 1979: 402-403). These developments formed the basis of the virtuous cycle of growth of Fordism allowing for a harmonious symbiosis between rising incomes and profits.

Deindustrialisation in advanced economies took place within the context of the structural crisis of the Fordist growth model and the transition towards a new economic regime (Coriat and Petit 1991). The constant push to revolutionise the production process by introducing new machinery incurred increases the cost of investment which were not matched by productivity gains and subsequently led to a steep fall in profitability (Mazier et al. 1984: 110-111; Lipietz 1987: 41-44; Vidal 2002: 335). Additionally, the erosion of profitability was underpinned by workers' struggles over the distribution of the social product which, strengthened by the predominant institutional mechanisms of the KWS, accentuated the growth of the wage share at the expense of profits (Bertrand 1983: 341; Boyer and Mistral 1978: 132, 136-138; Boyer 1987b: 29).

The dismantling of the Fordist compromise was sealed by the shift of national economies towards an outward-orientated strategy aimed at bypassing the limits encountered within the domestic market. The progressive internationalisation of the market reversed the tendency of Fordist economies to structure their demand and supply complexes within the perimeters of the domestic market, as the generalisation of competitive pressures coming from abroad transformed wage growth from an asset guaranteeing the absorption of domestic output to a burden inhibiting the competitiveness of firms at the international level (Bertrand 1983: 340; Bertrand et al. 1982: 267; Mazier et al. 1984: 128). Unsurprisingly, the monopolistic mode of regulation was ill-adapted to remedy the profitability crisis and restore the conditions for effective accumulation through its habitual wage-growth inducing mechanisms.

From the perspective of the Regulationist approach deindustrialisation appears as the natural concomitant of the exhaustion of the industrial paradigm associated with Fordism. Indeed, Fordism constituted the peak point of industrialisation since the 'discovery' of mass markets permitted the unprecedented development of both producer and consumer goods industries (Vidal 2001: 16). However, the crisis of Fordism and emergence of a post-Fordist era, ultimately, reversed these trends. Deteriorating conditions of production -manifested by lower levels of industrial investment- combined with the relative saturation of households' demand for consumer durables dissolved the Fordist model of industrial production based on the capacity of mass consumer demand to propel the development of consumer goods industries (Mazier et al. 1984: 121; Vidal 2001: 16). The effects of the international conjuncture further aggravated the industrial decline already at work at the domestic level since the reorientation of domestic production towards export markets could not effectively succeed domestic mass consumption as a source of increasing productivity and employment (Boyer and Petit 1981: 1142, 1146).

The deindustrialisation and concurrent tertiarisation of advanced economies are the constitutive sources of the slow growth and stagnation characterising post-Fordist economies given that, compared to manufacturing, the service sector is less able to establish a stable relation between expanding market outlets and productivity growth, to and thus unable, on its own, to set the basis for a virtuous growth regime like Fordism (Petit 1988a, 1988b). Put simply, for the RT, sectoral changes and the industrial recomposition of economies must be explained in relation to the demise of a regime of accumulation (Petit 1988a: 173). In this vein, the 'vanguard role' played by certain key industries (e.g. household equipment) during the Fordist era is progressively being degraded in the transition to a post-Fordist model of growth (DeVroey 1984: 56). Deindustrialisation appears as a liaison in the transition from Fordism to post-Fordism which along with the internationalisation of markets and the emergence of new information technologies constitutes one of the major structural traits of post-Fordist economies (Petit 1998: 175). In this context, 'the development of the service sector involves a sector-based specificity that invites the introduction of new institutional regulations' (Du Tertre 2002: 206). Indeed, the role of the state is to stabilise the emerging form of accumulation through the development of the appropriate regulatory mechanisms.

While a successor to Fordism has not been clearly delineated nor has its demise led to the imposition of uniform economic reforms across countries (Lipietz 1997; Pettit 1999: 240), the post-fordist era has been characterised by the growing flexibilisation of the labour market and the production process (Pettit 1999: 247; Bertrand 2002: 85). Given the dissolution of the complementarity between wage and productivity growth, firms' profitability came less to depend on the growing absorptive capacity of the domestic market and more in their capacity to capture innovative methods of production. As such firms have to take advantage of flexible factors of production in order to constantly adapt to fluctuations and differences in

world consumption patterns, accrued international competition and the changing technological environment (Jessop 1996: 168-169).

In this context, Jessop argues that the Schumpeterian Workfare State (SWS) replacing the KWS, focuses its interventionist capacities on maintaining the flexibility of labour and promoting innovation and technological change (e.g. through R&D funding) within industry in order to enhance the competitive potential of firms (Jessop 1993: 12-13). As a result, 'states must shift industrial support away from efforts to maintain declining sectors and towards promoting new sectors' (Jessop 1994: 25). In this vein the state accompanies the economy's move towards a post-Fordist era and tailors its (industrial) policy to the benefit of the activities more apt to address post-Fordist challenges (e.g. innovation, flexibility) (Jessop 2000).

While Regulationists are often at pain to stress the crucial role of class struggle and their demarcation from the structuralism of Orthodox Marxism (Lipietz 1987: 15; Jessop 1988), they have been indicted of replacing it with a sort of functionalist understanding of the state's relationship to the economy. As Clarke (1991: 128) argues, in the regulationist view the evolution of political institutions is ultimately 'determined by the functional imperatives of the regime of accumulation'. Consequently, the state and the economic sphere are arbitrarily understood as opposing entities whose cohabitation might be harmonious or under stress depending on the structural evolutions in accumulation (Bonefeld 1993: 9). Moreover, according to Open Marxists<sup>3</sup> this methodological approach is revealing of the RT's tendency to analytically prioritise the structural tendencies of capital over social practice and class struggle. Instead, the aim of critical theory is to prioritise neither structure nor struggle, but rather to disseminate the reasons why social relations are reproduced in such a way as to seemingly subordinate themselves to intransigent structural laws (Grollios 2017: 244).

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<sup>3</sup> For a fuller discussion of the debates between Open Marxists and Regulationists see Bonefeld and Holloway (1991)

Even Jessop's (1990) RT-informed attempt to reformulate the role of the state through his strategic-relational prism is said to ultimately replicate this dichotomy (Clarke 1991: 45). Despite Jessop's insistence that 'structure and struggle' or 'states and markets' are not simply opposing poles but 'structurally coupled' and dialectically interacting spheres (Jessop, 1990: 328), they are still ultimately treated as technically distinct domains of capitalist society. As Bonefeld (1994) notes Jessop's approach 'takes for granted the fragmented character of social existence'. For Jessop (1990: 206) the 'particularisation of the state' from the circuit of capital which allows it to 'stand outside and above the market' is an essential feature of capitalist society. This claim, while in appearance correct, prevents him from going beyond its merely descriptive character and disseminate the underlying social essence, namely the capitalist social relations, that give unity to seemingly distinct social phenomena and institutions (Psychopedis 1991: 184-185; Bonefeld 1993: 11). Unlike the regulationists' contention that the state can stabilise and regulate the economy 'as from the outside' the process of capital accumulation, according to the Open Marxist perspective the state must be seen as a moment of the accumulation process and as an institutional form in and through which capital accumulation and its crises are reproduced (Clarke 1991: 45).

The significance of this critique rests on the fact that the main deficiency of RT is not in its empirical inadequacy but on the fact that its theoretical concepts often fail to go beyond a merely descriptive character. In fact, concrete developments in the capitalist economy are elevated into conceptual categories (e.g. SWS) rendering theory circular and self-validating since such categories are tested against the empirical reality from which they directly derive (Bonefeld 1993: 44). For instance, the analytical category of post-Fordism is used to explain the decline of certain industries and the switch in the state's industrial and macroeconomic policies while at the same time it is precisely these developments that signal the transition towards a post-Fordist regime. Empirical circularity obfuscates the less

perceptible processes that underline social development and which cannot be grasped/measured merely by way of empirical observation (Adorno 1976: 24).

Thus, for the OM framework advanced here, empirically observable changes in accumulation, such as deindustrialisation, ought to be grasped as epiphenomenal manifestations of the unfolding contradictions of the labour capital relation: as concrete demonstrations of capital's dependence upon the exploitation of labour for profit and its simultaneous struggle to minimise necessary labour time by conforming to the increases in the productivity of social labour (Holloway 1988: 101).

#### *THE 'NEW' NEW INTERNATIONAL DIVISION OF LABOUR*

The contributors of the NNIDL endeavour to provide an upgraded and refined version of the New International Division of Labour (NIDL) advanced by Fröbel et al. in the late 1970s, firmly grounded in Marx's critique of political economy. Fröbel et al. (1980) argued that world production patterns were undergoing fundamental qualitative shifts as an important number of industrial activities progressively sprung in previously raw-material furnishing countries. Indeed, thanks to improvements in transport and communication technologies as well as the availability of a large pool of labour in the so-called Third World, Multinational Corporations driven by their stern urge to maximise profitability were able to disengage from certain industrial activities performed in advanced countries and install plants in locations characterised by their cheap and disciplined workforces. As such the NIDL and the global re-allocation of industrial resources is conceived as the outcome of capital's structural adaptation to changing techno-economic circumstances. In this vein, nation states in the advanced world have been unable to resist deindustrialisation and instead were impelled to conform their policies to these new conditions (Fröbel et al. 1980: 46).

Drawing from Fröbel et al.'s initial insights as well as from the Open Marxist tradition, NNIDL proponents discard the 'methodological nationalism' that



permeates other approaches to the IDL (e.g. World Systems) and argue that the global capitalist economy in fact operates as a unitary whole which takes the form of distinct national processes of accumulation (Grinberg and Starosta 2014: 240). Diverse national breeds of capitalism are but territorial expressions of the contradictory and uneven development of surplus value extraction that occurs at the global level (Fitzsimons and Starosta 2018: 111). A country's position within the international division of labour is thus structurally determined by processes that escape the reach of political subjects. In fact, NNIDL proponents concur, that class struggle and policy-making are the vehicles through which the unfolding of the law of value manifests itself in territorially differentiated spaces of accumulation (Charnock and Starosta 2016: 6; Fitzsimons and Starosta 2018: 118). Caligaris (2016: 59) puts this straightforwardly: 'political relations can be grasped as what they actually are, namely, concrete forms of the realisation of economic relations'. Thus, the uneven conditions of global capital accumulation lock-in countries in a specific position within the IDL from which national political movements cannot break from but only adapt to (Carrera 2016: 38).

While, the empirical focus of these authors is not the deindustrialisation of advanced capitalist centres but the industrial evolutions in developing areas (especially Latin America), the implications of their framework indicate that the roots of this process cannot be sought in the behaviour of domestic capital or state elites but in the changing conditions of the exploitation of the global working class. More precisely, the growth and demise of certain industrial activities within national territories is determined by technological evolutions in the production process as well as the subjective and technical characteristics of national working classes (Grinberg 2011: 35; Charnock and Starosta 2016: 9). In its search for higher profitability, global capital allocates different production processes in distinct geographical locations depending on the cost, discipline and skilfulness of their respective workforces (Starosta 2016: 82, 91). As such the deindustrialisation of

advanced countries and the relocation of certain manufacturing activities from the North to parts of the global South merely reflects the more attractive productive qualities of the regimented, say, East Asian workforce and the technical changes in the global process of production. According to the framework of the NNIDL, the industrial preferences of political authorities in advanced economies can only acquiesce to the position that was structurally bequeathed to them within the international division of labour.

While this thesis' theoretical framework is sympathetic to the claim advanced by the proponents of the NNIDL that, in line with Marx himself (see Pradella 2015), national forms of accumulation cannot be conceived of as independent from the world market but only as its constitutive elements, it also at times finds distressing certain of their implications for the study of the state and industrial policy. Their attempt to derive the position of different nation-states within the IDL straight from Marx's law of value suggests that class struggle and political processes do not affect but merely acquiesce to industrial transformations (Starosta 2010). Indeed, it is the 'capital-determined international division of labour' which ultimately allows the emergence of qualitatively distinct national forms of capital accumulation (Fitzsimons and Starosta 2018: 119). However, as Bonefeld (2006b: 50) puts it: 'Marx's account does not focus on inter-national comparative advantages but, rather, on the equalization of the rate of profit on a global scale.' In other words, Marx focuses on the value relations that underpin the world market as opposed to the phenomenal characteristics and attributes of distinct national economies. As such the NNIDL approach moves arbitrarily from higher levels of abstraction to more concrete and empirical appreciations of capitalist accumulation without making explicit the relation between the two. However, as it has been pointed out within OM the abstract theorisation of capital's accumulation dynamics serves to illustrate the economic problems facing social agents without deterministically anticipating the strategies or policies that they will adopt to confront them (Burnham 2006: 80-81; Donmez and Sutton 2016: 696-697). On the other

hand, for the NNIDL the concrete responses to these economic problems is already presupposed in their abstract analysis as state policies are bound to reproduce their capital-determined position within the global division of labour.

Rather, the level of development and ultimately the position of a country within the global division of labour is determined by the concrete development of class struggle and the evolution of capitalist social relations within a given territory rather than the a priori logic of the IDL (Brenner 1977; Milios 1989: 166). Global value relations compel states to guarantee the competitiveness of their domestic economy vis-à-vis foreign competition but cannot in themselves determine the concrete character of the international division of labour. Indeed, while remaining captive to the need to reproduce conditions for profitable capital accumulation, states can mould 'the character of their integration into the world economy' (Burnham, 2000: 18). Thus, a fundamental shortcoming of the NNIDL stems from their attempt to deterministically deduce the concrete character of the IDL from the abstract laws of motion of capital accumulation. Instead, the law of value only pressures states to maintain the productivity of labour at world average or higher levels regardless of the concrete nature of productive activities with which they are engaged (Bonefeld 2000: 38).

To return to our case study, while deindustrialisation can be retrospectively explained with reference to value's crisis-ridden self-expansion, value's motion does not contain the concept of deindustrialisation in its inception. In order to understand a country's peculiar position within the IDL one must examine the domestic industrial responses to global economic challenges. In other words, one needs to examine the practical and concrete ways through which state managers attempt to improve domestic conditions of accumulation and improve their position within a globally competitive system of exchange (Burnham, 1994: 104-105).

### *COGNITIVE CAPITALISM*

Drawing from both the Regulation School and the post-operaist<sup>4</sup> strand of Marxism in the likes of Hardt and Negri (2000, 2004), the CC current examines the qualitative transformation that capitalism underwent since the 1970s and tracks its transition to a distinguishable form of economic regime whose main gear has become the increasingly immaterial and cognitive activities of society. This strand of thought is furthermore part of a wider theoretical endeavour that emerged in the 1990s aiming at decrypting the so-called informational age of contemporary capitalism and which finds expression in the works of Hardt and Negri (2000), Rifkin (1995, 2014), Castells (2000) or even Mason (2016). Despite the differences existing between these authors, their work is characterised by a common ambition to stress the wealth-producing functions acquired by social knowledge, to elucidate the cognitive form adopted by capitalist social relations and the potential limits that such developments impose on the reproduction of capitalism itself.

For Hardt and Negri (1994, 2000, 2005) the new civilisational stage of capitalism is better captured by the notion of Empire by which, the authors suggest, that capital has secured an all-pervading presence across geographical territories and aspects of social life that renders superfluous the previous nation state-based political order. A striking feature of capitalism's new morphology is the 'informatisation' or 'post-modernisation' of production whereby immaterial forms of labour, engaged in cognitive, informational and affective activities, surpass the industrial sector in their capacity to shape social life. Empire expresses capital's adaptation to the new productive powers of the Multitude, that is the contemporary

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<sup>4</sup> Operaismo or Workerism refers to a strand of Marxism developed in Italy in the 1960s and 1970s (see: Bologna, 1973; Tronti, 1979; Wright, 2002). Unlike more orthodox Marxist currents of the Soviet type, Operaismo places its analytical focus on the role of workers' resistance and struggles in shaping the developmental course of capitalism. Changes in production structures reflect capital's attempt to undermine working class strength in order to re-establish its command over the labour process. Post-operaismo, as developed by Hardt and Negri retains the theoretical insights of workerisms but places them within the new context of capitalism in which immaterial labour as opposed to the manual working class becomes the main social protagonist.

revolutionary entity of Empire's era. It constitutes capital's effort to appropriate the means of wealth creation which now reside in the subjective and creative activities of the Multitude itself.

Similarly, CC proponents argue that contemporary capitalism has witnessed a fundamental shift from an industry-dominated economy to a cognitive one. In fact, the post-1970s stage of capitalism constitutes a third distinct capitalist era which was preceded by mercantilist and industrial capitalism (Moulier-Boutang 2011: 9). The Fordist labour process, based on the ascription of repetitive manual tasks, is replaced by a division of labour centred around the increasing intellectuality and versatility of labour (Vercellone 2008: 80; Monnier and Vercellone 2014: 5). As a result of this fundamental qualitative transition, the categories of cognitive capitalism cannot be grasped through the analytical tools peculiar to industrial capitalism and, as such, its proponents deem the post-Fordist thesis advanced by the Regulation School and the tenets of traditional political economy, including a great segment of Marxism, as anachronistic (Corsani et al. 2001: 16; Dieuaide et al. 2003: 3-4).

More precisely, under Cognitive Capitalism, a regime centred on the accumulation of knowledge 'by means of knowledge' (Corsani et al. 2001: 3; Corsani 2003: 57; Moulier-Boutang 2011: 57), the pertinence of various (Marxist or not) economic categories such as value, labour time, productivity or profit, dissolves. Indeed, the increasing immateriality of the production process renders immeasurable the actual output contribution of labour performed within a specific time slot (Vercellone 2008: 14). Knowledge existing independently of production sites themselves, the distinction between work and non-work, between productive and non-productive labour, tends to blur since wealth-creating processes increasingly occur outside the strict confines of the market sphere. They reside instead in the intellectual faculties and cooperative interactions of social actors (Corsani et al. 2001: 15-16, 24; Moulier-Boutang 2011: 20-30). The presence of such externalities has a strategic role in the development of new knowledge that,

as a result, forces firms to centre their strategies around seizing socially produced knowledge and its integrating it into their valorisation process in order to secure their economic viability (Corsani et al. 2001: 10).

In other words, capital's profit does not depend, anymore, upon the extraction of surplus value within the productive process but rather on the monopolisation of intellectual innovations through the imposition of intellectual property rights over the circulation and use of knowledge (Vercellone 2008: 13). Thus, industrial capital's capacity to generate profit through its endogenous mechanisms of productivity maximisation has given way to cognitive capital's rentier attitude (Negri and Vercellone 2008: 47). In this emerging capitalist era the production of wealth is not anymore defined in industrial terms, that is as the increasing exploitation of labour in the factory (Lazzarato 2004: 200; Fumagalli and Lucarelli 2010: 12) but as the appropriation of the social body's subjective and knowledge producing activities.

Within, the cognitive framework of contemporary production it is not hard to see that for CC proponents the deindustrialisation of advanced economies simply mirrors the shift towards a knowledge-based pattern of accumulation. It reveals the changing localisation strategies of capitalist firms which essentially consist in capturing areas rich in cognitive resources and where the existence of multiple positive externalities can sustain an expanded accumulation of knowledge. Indeed, the exhaustion of profitability channels within an industrial setting based on the accumulation of physical capital, forces firms to reorient their strategies towards the appropriation of commonly held knowledge resources through for instance, the privatisation of previously state-provided services or the endorsement of patent rights on socially produced knowledge. As such the effective insertion in the Cognitive IDL is increasingly determined by a national economy's capacity to sustain an adequate pool of scientific/technical assets and a highly qualified human capital (Mouhoud 2003). Deindustrialisation is a by-product of the new cognitive IDL whereby capital's need to secure a competent

*cognitariat* (i.e. knowledge workers) and a steady supply of knowledge-intensive resources surpasses its need for the maintenance of an ever-expanding infrastructure of physical capital operated by a mass industrial proletariat (Mouhoud, 2003; Vercellone, 2002: 15).

The CC's understanding of wealth in capitalism is contestable. Its main pitfall lies in the distinction between an industrial form of wealth and a cognitive one rendered possible by the growing preponderance of knowledge-producing activities. In fact, it can even be argued that the degree of novelty presented by cognitive forms of labour in advanced capitalist centres is overstated as the application of knowledge has always been essential to the production process. While the rise of immaterial working practices noticed by CC is a, broadly speaking, fair characterisation of the path followed by certain developed economies,<sup>5</sup> as Caffentzis (2013: 100) aptly notes it is impossible to draw a clear line between the knowledge-content embodied in say an automobile and a software program. In fact, the rise of 'cognitive' activities is an insufficient phenomenon to claim that the form of wealth in capitalist society has been transformed since capital does not discriminate against the different characteristics of concrete labouring activities, whether manual or intellectual.

Instead, capital's valorisation rests on its capacity to commodify the products of such labours (Caffentzis 2013: 108; Moraitis and Copley 2017). In themselves, cognitive activities do not bear greater wealth than 'material' ones given that it is the abstract, devoid of any concrete characteristics, capacity to labour in general that is the source of value for capital. Thus, Pitts (2018: 208) argues that 'labour has always been in some way immaterial' since the production of capitalist wealth cannot be grasped in terms of the material attributes of different working practices. In contrast, for CC proponents it is the concrete (industrial or immaterial) division of labour

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<sup>5</sup> It is important to stress however that the knowledge intensity of immaterial labour activities is at the same time greatly overstated as the spread of immaterial labour has often been accompanied by a decrease in the skill-intensity of such jobs. For the relationship between skills, education and the knowledge economy in the UK see Lloyd and Paine (2002).

that determines the value-bearing character of labour. However, ‘the real existence of value logically... precedes more complex phenomena such as the division of labour’ (Jeon 2010: 102). It is the expenditure of abstract labour time that homogenises commodities and allows their commensurability in the marketplace while rendering their external attributes insignificant (Marx 1904: 26-28; see also: Bonefeld 2010).

As such, the shrinking size of manufacturing in the West does not demonstrate the progressive obsolescence of the categories of industrial capitalism. Rather the growing superfluity of the industrial labour force is revealing of capital’s inherent contradiction between expelling labour from the process of production through technological developments while at the same time posing labour time as the constitutive source of wealth and the basis of its profitability (Marx 1973: 705-706; Postone 2008: 133-134). Concrete changes in the form of the (global) division of labour are not able by themselves to give rise to or lead to the demise of the value-form of capitalist wealth. In our case, deindustrialisation cannot be merely viewed as the consequence of the progressive obsolescence of industrial logics of production. Instead, as the subsequent section will demonstrate, deindustrialisation can itself be explained in terms of the persistent validity of the value-form of wealth and that in fact it can retrospectively be explained by capital’s incessant dependence upon the exploitation of labour within the process of production.

## **TOWARDS AN OPEN MARXIST APPROACH TO DEINDUSTRIALISATION**

This section will now introduce the OM theoretical framework through which the phenomenon of deindustrialisation will be tackled. In this thesis’ view, OM does not refer to a finished theoretical system or a strictly delineated intellectual current but to an ongoing project of reconstitution and reinterpretation of Marx’s critique of political economy. In its attempt to elucidate the social constitution of capitalist society and the immanent laws of motion of capital accumulation, Marx aside, this approach draws its



influence from Rubin's (1973) early social form approach to Marx's theory of value, the critical thought of the Frankfurt school (e.g. Horkheimer 1972; Adorno, 2003), the value-form approach advanced by the so-called New Reading of Marx (e.g. Sohn-Rethel 1978; Postone 1993; Heinrich 2012) as well as the contributions to social-form analysis (e.g. Clarke 1988; Bonefeld, et al. 1992; Burnham 1994).

The first section will expound the epistemological foundations of OM. For OM, capitalist society's political and economic institutions are forms of the underlying antagonistic labour-capital relations. However, these relations acquire a reified character which is experienced in the form of an independent compulsion to accumulate value, the particular form that wealth acquires under capitalism. The subsequent sub-sections will move to a more concrete level of analysis and explain how the value-form analysis can shed light to deindustrialisation and the role of industrial policy in mediating it. More precisely, the second sub-section argues that deindustrialisation can be understood as the concrete manifestation of capital's immanent tendency towards over-accumulation crises which beget the devaluation of uncompetitive capital. The last section postulates that the state is the political form of capital's overaccumulation tendencies and as such capital's crises necessarily manifest themselves in and through the state. It is in this way that this chapter supports the argument that deindustrialisation can be understood as a state-endorsed strategy aiming at eliminating the superfluous capital that inhibits the country's commercial performance.

### *VALUE, CLASS STRUGGLE AND THE STATE*

Both traditional and orthodox Marxist theorising has been dominated by the tendency to conceptualise theory as an intellectual activity extrinsically related to society, treating the latter as an objective and reified form rendered intelligible by the analytical categories externally imposed on it by theory (Gunn 1994: 53-54). Society, in this instance, is conceived as an objectively structured set of rules and norms supplying an endless pool of

evidence and facts for theory to bring to the fore. Against this 'idolisation' of observable reality (Adorno 1976: 81), the dialectical endeavour proposed by Marx, and espoused by Open Marxists, situates its theoretical focus on the hidden human practice that sustains the capitalist social edifice as a whole (Gunn 1992: 9). It is in this sense that Marx (1976b: 4) posits that 'all mysteries which lead theory to mysticism find their rational solution in human practice and in the comprehension of this practice.' For indeed, capitalist society is permeated by the paradox of social interactions being presided over by immutable economic categories (e.g. money, commodities, prices, capital), while at the same time being the constitutive source of these apparently alien forms (Marx 1976a: 165). Thus, the 'ad hominem critique' that Bonefeld (2014: 62) credits to Marx's critique of Political Economy amounts to a deciphering of the socially and historically definite ways in which human society organises its production and exchange relations. In other words, the Open Marxist project aims at unravelling the ways through which everyday social practice reproduces and reinstates society's submission to capitalism's seemingly necessary and 'natural forms of social life' (Marx 1976a: 168).

The peculiar alienating nature of capitalist relations owes to the fact that capitalist social relations subsist 'through and by the value-form' (Pitts 2018: 109). Value is the peculiar form that wealth acquires in capitalist society and in contrast to real or material wealth (i.e. use-values) its magnitude is measured in labour time units as opposed to the volume and qualitative characteristics of produced goods (Postone 1993: 193). More precisely, value, whose concrete embodiment or 'universal material representative' is money (Marx 1973: 216), refers to the capacity to appropriate a share of the total social product; to command and lay claim on the labour of other individuals. As a result, value knows no quantitative limits as it must be constantly reproduced anew in order to maintain its holder's entitlement to society's labour. As Marx (1973: 270) explains: 'Fixed as wealth...as value which counts as value, it is therefore the constant drive to go beyond its

quantitative limit: an endless process'. Therefore, the accumulation of value appears as an alien, exogenously imposed, compulsion upon the individual producers of bourgeois society. The object of capitalist production becomes the accumulation of not only money but essentially *more money*: 'the immediate aim of the capitalist...is rather the unceasing movement of profit-making' (Marx 1976a: 254).

Despite the seemingly objective and structural coercion to accumulate capitalist wealth, that is 'money as more money' (Bonefeld, 2014: 40), Marx insists that value is a social relation albeit one 'concealed beneath a material shell' (Marx, 1976a: fn167). Even more, the reproduction of capitalist wealth is founded on an antagonistic relationship between labour and capital. Its antagonistic character lies in the separation of the labouring masses from the means of production and the conversion of labour into a commodified factor of production for the creation of privately appropriated wealth. Indeed, as Marx's analysis conveys, the profit realised in the market has its origins in the 'hidden abode of production' where the exploitation of labour takes place (Marx 1976a: 279). This process is depicted in his formula of the circuit of capital:  $M-C <^{LP} M_p \dots P \dots C'-M'$ . Within this scheme, an initial sum of money (M) is invested for the purchase of the commodities (C) necessary for kick-starting the production process (P), namely means of production (Mp), including machinery and raw material, and labour power (lp). After production is completed, the newly produced commodity (C') now yields a higher value (M') than the money initially supplied for its manufacture.<sup>6</sup> According to Marx the surplus value that appears at the end of the process consists in the appropriation of the unpaid labour time that workers dedicate to production beyond the labour time that corresponds to the value of their labour power (i.e. their wage). Consequently, the surplus labour obtained by capital 'free of charge' is the point of supply of profit and the foundation of capital's continual valorisation (Marx 1976a: 672, 1973: 365).

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<sup>6</sup> For a more in-depth analysis of the circuit of capital, see Marx (1978: Ch.1-4)

Surplus labour extraction and the resistance to it constitutes the antagonistic basis upon which capitalist class society rests (De Ste. Croix 1981: 44). While the conditions of production render capital's profitability and workers' reproduction depended on the exploitation of the latter's labour-power, at the same time capital secularly tends to expel labour from the process of valorisation (Postone 2015: 20). As capital attempts to compress the part of the working day pertaining to necessary labour time and increase surplus labour time through increases in productivity, it simultaneously renders superfluous a great share of the working population since less labour expenditure is required to produce an increased sum of material wealth (Marx 1976a: 798). Social antagonism in capitalist society takes the form of labour's daily struggle for subsistence and capital's strive to diminish its dependence upon human labour. Value, or capitalist wealth, constitutes the terrain in and through which this struggle is fought out.

The state is not extrinsic to the class struggle but is itself a form of the antagonistic social relations that sustain capitalist society (Holloway and Picciotto 1991: 58). In short, if 'the purpose of capital is to accumulate extracted surplus value' then 'the state is the political form of that purpose' (Bonefeld 2014: 168). The state reproduces the conditions for labour's exploitation by establishing the legal framework that constitutionalises capitalist property relations and guarantees the individuals' right to engage in the contractual exchange of their commodities (including their labour power). By extension, it guarantees the employability/exploitability of labour and strengthens its reproduction's dependence on the market. The state does not reproduce capitalist relations by taking a position within the class struggle as it were, but by governing neutrally citizens' formal equality as market actors and freedom as property owners (Gerstenberger 1977; Heinrich 2012: 203-204). In essence, the state preserves capitalist class relations while concurrently appearing to pursue the general interest (i.e. capitalist wealth) by governing under the impartial confines of the rule of law. Its pursuit of capitalist wealth is neutral inasmuch as the latter constitutes

‘the only common welfare possible under capitalist social relations’ on which wage-labour and capital alike depend (Heinrich 2012: 213).

The OM understanding of the state stands in opposition to much debates in IPE that view the global economy as an arena of power competition between states and markets in which each sphere tries to impose its authority over the other.<sup>7</sup> Mainstream IPE accounts are criticised for conceptualising the state and the market as institutions that are related in a purely external way with states having to conform and adapt their policy ambitions to the changing exigencies of globalised markets (Burnham 1999). Instead, Open Marxists argue that states and markets are not opposed entities but instead organically tied institutions that represent different facets of capitalist relations of production (Burnham 1994: 227; 2001: 104).

Open Marxists are equally opposed to Neo-Gramscian accounts of the state’s role in the global economy which while avoiding a strict ‘states versus markets’ dichotomy, emphasise the role of hegemonic ideational factors or dominant fractions within the capitalist class in determining economic statecraft (see van der Pijl 1989; Gill 2003; Robinson 2004; for a critique see Burnham 1991, 2006; Bonefeld 2006a). Instead of a conceptualisation of the state as a structure susceptible to the influence of prevailing ideologies or dominant economic elites, Open Marxists argue that state policy is determined by the pragmatic necessity to reproduce favourable conditions for capital accumulation and as such ‘the interests of capital-in-general’ (Burnham 1991: 84). States reproduce the conditions for the effective accumulation of capitalist wealth within their territory because their own material reproduction depends on it (e.g. profitable accumulation translates into higher state revenues or higher debt sustainability) (Heinrich 2012: 212; Clarke 1991: 173; Burnham 1995: 105).

Nation-states thus constitute the political facet of capital valorisation. The autonomised force of value imprints itself upon the state as a necessity to

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<sup>7</sup> For an overview of the debates on the relationships between states and markets within IPE see Clift (2014: Ch.2, 8)

guarantee its territory's competitive presence within the international market. Indeed, states are interlocked in a competitive interstate system in which territorially fixed units compete to capture globally mobile capital and 'retain within their territory a share of global surplus value produced' (Holloway 1995: 127). Domestic conditions of exploitation are constantly compared to those of competing states through exchange in the world market and as a result states must ensure that the surplus value yielded domestically matches or supersedes that of their competitors (Holloway 1996: 127; Bonefeld 2006: 51). It is in this sense that Burnham argues that states are ultimately 'nodes' or 'moments in the global flow of capital' (2001: 107) since national policies, in their pursuit of economic growth, inadvertently preserve the global reach of capitalist relations.

Hence, as opposed to inimical social spheres the state and the market are in fact different instants in the continuum of capitalist surplus extraction and the accumulation of value. States do not struggle against markets, but against the unproductiveness of labour; their burden consists in competitively inserting domestic labour within the global race for surplus value. Even further, the state and the market are not tangible artefacts or object-like institutions capable of independent existence, rather, they figure as historically specific mediations of a social relation of an antagonistic kind. To speak with Marx, they are mere abstractions, 'nothing more than the theoretical expression of those material relations which are their lord and master' (Marx 1973: 164). Conversely, the same social relations can only exist through the form of the state, the market etc. (Clarke 1978: 42; Burnham 2001: 105). Entrapped as they are in the historically specific imperative to accumulate capitalist wealth, both market participants and state actors unknowingly reproduce through their own actions the conditions for the global exploitation of labour.

It follows that contrary to pre-capitalist societies the peculiar and alienating nature of capitalist social relations makes it that power is not directly exercised from one class to another - nor by the state or the market- but

instead operates in an indirect manner through the seemingly exogenous imperative to accumulate surplus value. Postone (1993) makes this case explicitly as he argues that capitalist society is better understood as ruled by an abstract form of domination whereby bourgeois subjects are indirectly compelled to labour productively given their own reproduction's dependence on the creation of capitalist wealth.

Indeed, while the exploited subject of pre-capitalist formations, be it the serf or the slave, was inescapably tied to a particular master or lord by means of 'personal dependence' (Marx 1973: 163; Holloway 1995: 139-140), the worker of the capitalist era is freed from this attachment. Having been deprived of the means of production, the worker in capitalist society acquires a double freedom: firstly, a formal freedom to present his/her labour power on the labour market and dispose of it as he/she pleases by agreeing to a selling contract with a potential employer, and secondly, a 'freedom' from the means of subsistence as labour power becomes the worker's only property and whose exchange is a necessary precondition for his/her physical reproduction (Marx 1976a: 71-72). On the other hand, neither is capital tied to a particular labour force, as the source of wealth now resides in the homogenised ability of labour to generate value. Nevertheless, the capitalist is also constrained in his/her options as the expansion of his/her capital by means of increased exploitation is the sole way to avoid expulsion from market competition (Bonefeld 2014: 155). Both capitalists and workers are subject to the same 'human self-estrangement' (Marx and Engels 1975: 36) as they are both entangled in the socially constituted necessity to accumulate capitalist wealth. As explained by Son-Rethel (1978: 25), in capitalism, 'social power has lost [its] personal character and in its place is an anonymous necessity which forces itself upon every individual commodity owner.' The international political economy is dominated not by markets nor by states, but by the invisible, though socially constituted necessity, to constantly accrue value.

As it will be shown in the next two sections, the foregoing abstract presentation of the compelling and impersonal force of value that capitalist social relations give rise to is key to understanding both capital's tendency towards overaccumulation crises (of whom deindustrialisation is a concrete manifestation) and the inclination of the state to formulate counteracting strategies in order to restore conditions for profitable accumulation (such as the strategy of selective disengagement/devaluation).

### *OVERACCUMULATION, DEVALUATION AND DEINDUSTRIALISATION*

As mentioned earlier the measure of value is labour time. However, it is not the labour time directly expended on a commodity that constitutes the source of value but rather the established socially necessary labour time which is determined by the average productivity levels required to produce a given commodity at any stage of the development of productive forces (Marx 1976a: 129, 202). Competing capitals strive to match or supersede average productivity levels as 'socially necessary labour time... asserts itself as a regulative law of nature' (Marx 1976a: 168). Bonefeld (1999: 20) succinctly explains this process:

The determination, then, of value through socially necessary labour-time is decisive. Those capitalists who exploit 'their' labour-force less effectively than others will gain a rate of profit lower than the average. Thus competition...distributes the value to the individual capitalists according to their effectiveness in exploiting labour within the limits of socially necessary labour-time on a global scale.

Thus, the market acts as neutral judge and ultimate arbitrator of the production process (Pitts 2018: 49), as higher-than-average productivity capitals are rewarded with higher profits (i.e. surplus profits) while those producing below the social average are penalised with lower returns.

For individual capitals the compulsion to accumulate value concretises in world market competition (Marx 1976a: 205). Indeed, the competitive pressures that rival capitals exercise upon each other appears as an



external compulsion to realise their inherent vocation to valorise themselves (Marx 1973: 651, 1976a: 739). The race for profits within a context of limited market shares forces individual capitals to constantly enhance their competitive potential 'as a means of self-preservation and under penalty of ruin' (Marx 1981: 353). Competitive pressures act as a constant incentive for individual capitals to increase their productivity by accentuating the exploitation of labour, increase the surplus labour contained in their commodities and ultimately the profits realised in exchange. Competition thus ceaselessly stimulates the deployment of an array of cost reduction strategies, technological innovations and rationalisation measures by firms that endeavour to secure their share of global surplus value by reducing the necessary labour time devoted to the production of commodities (Lohoff and Trenkle 2014: 34).

At the same time, the compulsion exercised on individual firms by competition is revealing of capitalism's latent economic instability. As put by Bologna (1993: 39): 'it is the selfsame increase in labour productivity in order to offset the rigidity of necessary labour, which results in the "crisis of overproduction"'. More precisely, the uneven development between and within branches of production, that is the co-existence of advanced and backwards firms, constitutes a fundamental condition for the development of crises (Clarke 1989: 144). Indeed, the existence of pockets of surplus profit across and within sectors, encourages the adoption of innovative methods of production by all competing capitals as the productivity increases of advanced capitals manifest themselves as an overflow of commodities in the market that threaten to appropriate a greater share of available profits. Given that the inundation of the market by an amassed sum of commodities decreases their market price, only those capitals that bring production costs below the newly established market price are able to remain on a profitable course and secure a share of surplus value large enough to reproduce themselves. Therefore, capitalist competition calls for an increase in productivity-enhancing investments which in turn leads to an

additional wave of extra commodities in the market. At the heart of capitalist development thus lies the tendency of accumulation to grow independently of the confines of the market (Marx 1968: 535; Clarke 1990: 454; Heinrich 2013: 26). In other words, there is a fundamental disjunction between the development of productive capacities at the supply side and the absorptive capacity of the market on the demand side. The recurrent imbalances in supply and demand rest on the 'discrepancy between material and value production' and capital's exclusive concern with accumulation of surplus value as opposed to merely meeting consumers' demand for material goods (Mattick 1969: 69).

As a result, overaccumulation crises can often manifest themselves as an overabundance of commodities in different industrial sectors. Fundamentally however, a crisis of overaccumulation reveals that too much capital has been globally invested in relation to the mass of surplus value that could be realised for the totality of capital to remain profitable. At last, the limitless need to realise surplus value in exchange encounters the finite nature of the market while the imperative to increase profitability is limited by still insufficient levels of exploitation reached by capital (Marx 1981: 364).

In essence, overaccumulation denotes the contradictory and antagonistic character of capitalist social relations (Clarke 1990: 457; Pitts 2018: 133). It is in fact the clash between capital's incessant necessity to intensify the exploitation of labour and the 'antagonistic conditions of distribution' in which the labouring class is bound to consume less than it produces in value terms, that constitutes the source of capitalism's tendency towards overproduction (Marx 1981: 352). While capital's profitability depends on the realisation of its products' value in the market, the very existence of exploitation makes it so that the actual value of workers' wages prevents the constitution of a market large enough to realise the potential value contained in capital's total product (Kettell 2006: 26; Heinrich 2012: 172-173).

On the other side of the coin of overaccumulation thus, lies devaluation. Given the existence of a plethora of capital, the liquidation of excess capital becomes necessary to bring back the volume of capital invested in production to a level compatible with an increasing global rate of profit. The threat of devaluation that hangs over the superfluous capitals initially takes the form of 'sale at ruinous prices' (Mattick 1934: 13) as inefficient capitals producing above the socially necessary labour time cannot profitably sell their products at current market prices. There next ensues a process of devaluation of excess capital and labour, that leads to the inactivity and idleness of the means of production and workforces that cease 'to function and operate as capital', that is as means to the further accumulation of profit (Marx 1981: 362).

In the 1970s, once the course of the post-war boom came to a halt, the global economy witnessed such a typical crisis of overaccumulation (Clarke 2001: 86; Kettell 2006: 35; Lohoff and Trenkle 2014: 59). Overproduction in the market for certain industrial goods (e.g. coal, leather, shipbuilding, machine tools) was a result of both the growing competition among advanced capitalist states, such as the USA, European economies and Japan, as well as the growth of exports from newly industrialised economies in manufactured goods (Williams 2015: Ch.5). In fact, all three sectors examined in this thesis experienced an excess of productive capacities at a global level by the 1970s. The development of productivity in Western textile, steel and car industries in addition to the rise of South-East Asian textile producers or Japanese car and steel exports resulted in a global market glut whereby too many competitors were coping to make profits in sluggish markets. Devaluation took the form of the destitution of industry-dependent regions, the bankruptcy of industrial groups, the shutdown of factories, the dismantlement of obsolete and ageing equipment alongside a growing mass of unemployed industrial workers. In short deindustrialisation was the

concrete form taken by the devaluation process brought about by the in-built propensity of capital to overaccumulate.<sup>8</sup>

However, as explained in the previous chapter deindustrialisation is not only a 'negative' process leading to the dismantlement of a country's industrial infrastructure. In fact, it also contains a 'positive' moment whereby the loss of various industrial facilities is accompanied by the increasing productivity of others. Overaccumulation crises, are in Grossman's (1992: 99) words a 'healing process' or a necessary instance of 'purification' as the capital surviving the wave of liquidation now operates profitably at a lower level of socially necessary labour time. Indeed, the crisis-ridden motion of capital accumulation

lead[s] to explosions, crises, in which momentary suspension of all labour and annihilation of a great part of the capital violently lead it back to the point where it is enabled to go on fully employing its productive powers without committing suicide (Marx 1973: 750).

Capital devaluation and its concrete expression as deindustrialisation while entailing the elimination of a portion of existing productive forces, also beget the overall enhancement of capital's productive power. The contraction of certain industrial capacities thus stems not from their failure to produce large quantities of material wealth but from their incapacity to be productive in value-terms and match the globally established necessary labour time. Industrial production 'that is not completed within time is wasted, valueless, regardless of the usefulness of the material wealth that it has created' and is exposed to the threat of liquidation (Bonefeld 2010: 269).

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<sup>8</sup> Within the Open Marxist literature, it has often been stressed that since the 1970s large segments of capital have found refuge from the industrial sector's unprofitable conditions of accumulation and the spectre of devaluation into the world's financial markets (Bonefeld and Holloway 1996a: 1; 1996b: 213). While this is of course one of the routes taken by 'idle' or 'unemployed' capital (Marx 1981: 572), the thesis' focus lies on the form and repercussion of capital devaluation within the national framework of the so to speak 'real' economy.

To cope with the threat of liquidation, individual capitals have recourse to various rationalisation (e.g. wage cuts) or modernisation (e.g. introduction of labour saving technologies) measures, the spatial reallocation of their industrial units or they altogether migrate in new high-rewarding spheres of production. Deindustrialisation manifests capital's disinvestment from regions and obsolete production units that cannot be profitably integrated into its valorisation cycle. Production is thus restructured across sectoral as well as intraregional lines (Dunford 1979; Massey 1984). These processes can find different sectors and regions industrially strengthened and others severely weakened. For instance, as chapter 6 demonstrates, the automobile industry witnessed the substantial retreat of its productive activities from the Paris area to the benefit of more modern industrial units in provincial areas. As Komninos (1989: 352) explains the restructuring of industrial production that follows overaccumulation crises consists of a complex process involving simultaneously 'de-industrialisation, re-industrialisation, high-tech clustering and decentralisation'.

At the risk of caricature, this process is, in its simplest form, exemplified by the eminent decline of Rust Belt's traditional industries in the USA and the contemporary concertation of the country's most important industrial resources in the high-technology sunrise belt. The liquidation process can also occur through the elimination of specific activities or units operating within a given sector. To return to the aforementioned example, the US steel industry, long considered as a declining, sunset, activity, has increased its productivity from 10.1 hours per ton of steel in 1980 to 1.5 hours in 2018 (AP News: 2018). The decline of US steel has thus concerned plants and units of production that failed to raise their productivity levels. Deindustrialisation is a phenomenon that occurs both within sectors (e.g. elimination of specific steel units) and across sectors through the weakening of whole sectors (e.g. iron mining in the UK).

To sum up, deindustrialisation consists of a process of devaluation of capital and labour which empirically translates into individual firms' migration from

the material infrastructure, geographical localities and workforces that cannot serve the profitable operation of their business. It follows that deindustrialisation is a double-sided phenomenon that contradictorily involves both the erosion of certain industrial capacities as well as the modernisation of others that are able to operate profitably at higher productivity levels. The next section demonstrates how this fundamental contradiction manifests itself in the political form of the state and is concretely translated in (industrial) policy terms.

### *INDUSTRIAL STATECRAFT AND SELECTIVE DISENGAGEMENT*

If as mentioned earlier the state is the political form of capital valorisation, then it follows that it also constitutes the political form of its crisis. Indeed, the state experiences capitalist crises in various state-specific forms such as ‘pressures on the exchange rate, the accumulation of balance of payments deficits and drains on national reserves’ (Bonefeld 2000: 38). Firms’ loss of market shares and the ‘sale at ruinous prices’ experienced by unproductive capitals in situations of overproduction is for instance endured by the state in the form of growing trade deficits. Furthermore, the balance of trade is affected differently depending on the specific industries mostly hit by overproduction and their relative importance in the economic life of the country. It is no surprise then that, as Chapter 6 shows, the French state desperately attempted to finance Peugeot’s modernisation, against the volition of the firm’s ownership who wished to reduce its industrial activity, given the tremendous importance of car exports for France’s balance of trade. Thus, rather than overaccumulation being merely resolved by the ‘competitive struggle’ among individual capitals (Marx 1981: 362), its unfolding is in fact mediated and managed by the state.

In effect, the state is not blessed with the luxury of passively observing the unfolding of devaluation from a safe position since its own reproduction depends on the latter’s outcome. Put crudely, ‘when capitalists go bankrupt so too does the state’ (Grollios 2017: 254). It is in the state’s interest to encourage national capital to produce at lower levels of necessary labour

time and thereby strengthen the exporting capacity of the country and improve its trade balance vis-à-vis its international competitors. It must struggle to ensure that the devaluation process will hinder as little as possible its world market performance and thereby be directed towards the commercially least critical industrial spheres. Indeed, the state might direct policy and financial efforts at promoting industries which play a critical role in improving the country's balance of payments while authorising the decline of less efficient ones (Dunford, Geddes and Perrons 1981: 400; Hudson 1986a; Martin 1986:284-285). In short, against the threat of calamitous devaluation, states strive to ensure that the deindustrialisation process will be of a 'positive' kind and that falling manufacturing employment, factory closures etc. will be in fact translated into higher productivity gains.

In times of overaccumulation the state can play a crucial role in the redistribution surplus value among competing capitals by for example discriminately allocating subsidies or low interest loans to selected industrial firms in order to reproduce the overall smooth resumption of accumulation at the national level (Holloway and Piccioto 1991: 122-123). States are increasingly called to adjust policy-making to the benefit of firms that can spearhead the effort to produce at a lower necessary labour time and thereby enhance the value-producing capacity of the economy. It is in this sense that this thesis argues that deindustrialisation consists of a political/statecraft practice. It is defined as a state-sponsored strategy of selective disengagement from certain manufacturing activities, across and within sectors, intending to remedy a crisis of overproduction by rationalising the country's industrial apparatus and rendering it apt to confront international competition.

In addition to securing its strictly speaking economic reproduction, the state must also endeavour to insure its political survival. In other words, when formulating industrial strategies state managers not only have to consider industry's competitiveness in the world market but also the domestic expectations of the demos. These two dimensions in which policy-makers

are enmeshed can be conceptualised in terms of the *accumulation* and *legitimation imperatives* that weigh upon contemporary capitalist states (Offe 1975; Rogers 2013). More precisely, policy-makers must safeguard the undisturbed reproduction of the domestic economy and its successful insertion within the global market while simultaneously securing political backing and minimising contestation at the domestic level (Elger and Burnham 2001: 250; Kettell 2004: 24; Rogers 2013: 6). Still, the wedding of these objectives is a conflicting process which presents itself as a policy quandary for state managers as achieving a dynamic presence in international markets might necessitate the implementation of popularly abhorred policies (Rogers 2009: 973). As a result, economic policy in general, and industrial policy in particular, constantly navigates between two governing objectives, namely adapting domestic economic structures to the conditions of global competition and averting a major political crisis directed at the governing elites. As put even more pragmatically by Bulpitt (1986: 21-22), the mission of elected state officials is to recapture electoral success and achieve 'some necessary degree of governing competence'. Industrial policy becomes a conflictual process which requires of state managers to both reproduce domestic social compromises as well as maintain domestic industry's competitive international performance.

In the case of deindustrialisation and selective disengagement, this governing impasse acquires a particular form. On the one hand, devaluation is necessary step towards the (temporary) 'resolution' of the crisis (Marx 1981: 362) and the resumption of economic growth and on the other a socially and regionally painful process. Consequently, governments contrive policy tools and discursive strategies that demonstrate the necessity of selective devaluation and legitimate the hardship that accompanies it. This process is further complicated by the fact that industrial policy is by its nature selective and directed at the promotion of deliberately chosen sectors and firms (Chang 1994: 61; Landesmann 1992; Pack and Saggi 2006). As Chang (2011: 90) argues: 'In a world with scarce resources,



every [industrial] policy choice you make, however “general” the policy may look, has discriminatory effects that amount to targeting’. Inversely then, industrial policy is not solely confined to ‘picking winners’ but also to ‘designating losers’. Even so-called horizontal industrial policies, that is policies that are not targeted to specific sectors or firms but more generally establish a framework that facilitate the competitiveness of all participants firms, entail a selective bias as different firms and sectors respond asymmetrically to similar policy environments (Rodrik 2008: 6).

State involvement in the process industrial conversion necessarily draws contestation over the allocation of resources back on to itself (Evans 1995: 6). The way out of the dilemma with which policy-makers are faced over the allocation of policy resources (Offe 1975: 128-129) in order to promote certain sectors and encourage disinvestment in others necessarily entails a process of 'hierarchisation of sectoral policies' (Jobert and Muller 1987: 222) which ultimately deeply implicates statecraft in the strengthening or weakening of certain sectors. Selective disengagement as a statecraft strategy reflects the double-sided aspect of capital devaluation as it simultaneously involves the pursuit of a stronger, more productive manufacturing sector and the management or endorsement of industrial decline in certain areas. Ultimately, the dilemmas inherent in industrial policy-making over the distribution of resources stem directly from capitalist form of wealth. Policies and resources must be mobilised to favour activities that generate value and avoid the spread of unproductive activities. After all, the perpetual preservation of lame duck industries worsens the country's commercial position and incurs a considerable drain on state revenues without setting the basis for the future resumption of accumulation (Offe 1984: 124).

However, as previously mentioned, the state reproduces capitalist relations by way of the neutrality of its rule vis-à-vis commodity owners. In fact, the state derives its legitimacy 'by appealing to symbols and sources of support that conceal its nature as a capitalist state' (Offe 1975: 127). In other words,

rather than succumbing to the pressures and influence of society's conflicting and fragmented interests, the state struggles to assert the primacy of the nation's general interest (i.e. the production of capitalist wealth) and subdue the particularised interests that impede its pursuit (Marx and Engels 1976a: 41). The discriminatory character of industrial policy and selective disengagement threatens the neutrality of the state as the crisis of accumulation increasingly calls for the application of policies involving a certain degree of 'arbitrariness and imbalance in the way that the state ensures the reproduction of capital' (Holloway and Picciotto 1991: 123; see also Burnham 2011b). As a result of its deepened involvement in economic affairs, the state can fall subject to intense pressures from social groups (e.g. trade unions, professional associations) that seek to further their material interests and benefit from certain economic/industrial measures. The state is thus faced with the challenge of shielding itself from the influence of 'politicised social interests' (Bonefeld 2017: 60) while maintaining the overall conditions for the uninterrupted creation of value at the national level.

Deindustrialisation is, thus, not only a market phenomenon. It fundamentally entails a delicate political process of selective disengagement according to which the state's efforts to maintain its competitiveness in the world market significantly impact the distribution of losses and gains among domestically operating industries. The state's struggle is to manage the tension of enacting discriminatory industrial policies while upholding its legitimacy. In other words, the state is faced with the task of gearing policy to the benefit of targetted competitive sectors and at the expense of lame duck ones all while appearing to reconcile the diverging interests of domestic social actors.

#### THE DEPOLITICISATION OF SELECTIVE DISENGAGEMENT

One way for state managers to facilitate the implementation of discriminatory or socially sensitive but economically vital industrial choices is by depoliticising industrial policy, that is by relegating the latter's political responsibility outside the state sphere proper (Burnham, 2001: 128-129).

Depoliticisation, as a governmental strategy (Wood and Flinders 2014) is the concrete expression of the state's struggle to maintain a capitalist order and gain governing autonomy from 'politicised' groups. Outsourcing the responsibility for the formulation of certain industrial policies to extra-governmental spheres, allows to 'reduce the culpability of state officials' (Kettell, 2008: 631) over certain harsh social conditions that might accompany them such as, in our case, growing unemployment, subsidy reduction and regional dislocations. Depoliticisation is thus pursued by state managers in order to insulate themselves from domestic pressures (coming both from workers' groups and disadvantaged firms) and safeguard their legitimacy in the eyes of the electorate (Rogers 2009: 637; Sutton 2017: 214; Copley 2017: 696). Depoliticising policy devices, rather than decreasing the authority of the state permit state manager to in fact gain newfound leeway to implement certain unpopular policy-preferences (Rogers 2013: 7; Burnham 2014: 195).

There is an array of depoliticising strategies that policy-makers have at their disposal such as preference-shaping (i.e. invocation of discourses aiming to persuade the polity that certain issues lie beyond governmental control), rule-based (i.e. inscription of definite rules into the policy-making process such as inflation targets) and institutional (i.e. delegation of responsibilities to specialised non-elected bodies) (Flinders and Buller 2006). Such strategies can equally be exported to the international arena giving rise to what might be termed 'transnational depoliticisation' (Chalmers 2005: 649). This a process allows the channelling of political powers over certain sensible issues to international organisations with weak democratic and public accountability (Majone 1999: 3; Mair 2005: 4; Hay 2007: 85). Empowering non-majoritarian institutions operating at a transnational level, such as the EC, with executive and legal powers can allow national governments to enhance the credibility of their policy-making commitments and the efficiency of their implementation while simultaneously shifting the responsibility over their potentially negative economic or social

consequences away from elected authorities (Tallberg 2004: 22-24). Indeed, membership in certain supranational organisations can legally constrain the industrial policy choices of member states. Such is the case of, for instance, the World Trade Organisation (WTO) whose legal provisions are said to erode the industrial policy autonomy of states (Bora, et al. 2000: 557; Haque 2007: 5). For example, the Agreement on Subsidies and Countervailing Measures (ASCMs) restrict the ability of governments to distribute subsidies that distort trade by offering unfair advantage to domestic producers over foreign exporters. In the case of the EU, its prohibitive rules on state aids that distort competition within the single market can also restrict certain industrial policy choices of member states (Clift and Woll 2013: 106). Articles 87-88 of the EC treaty give the Commission leverage to reject member states' proposals for subsidised assistance to domestic industry. Overall, the European Union's rules formally prohibit the discriminatory and favoured treatment of specific domestic firms and sectors (Kassim and Menon 1996: 7).

However, as mentioned above industrial policy is, to different degrees, always selective and contains discriminatory elements (Chang 1994, 2002). For instance, the Commission's state aid rules do not prohibit aids destined to R&D which traditionally tend to benefit more modern and high-tech firms. In fact, the EU's state aid rules primarily serve to divert resources from declining industrial activities and prioritise the development of more efficient industries (Rumford 2000: 161). More generally, the external constraints that tie state managers' hands (e.g. EU state aid rules) have allowed states to abandon industrially debilitating policies to the benefit of competitiveness-inducing ones.

In this way, by transferring certain policy-making responsibilities to supranational bodies states can enhance their efforts to maintain conditions for profitable accumulation. In fact, the obligations of member states towards supranational organisations can effectively be used as compelling sources of legitimation for the implementation of contingent policy

preferences (Kallestrup 2002). Rather than a mere constrain on domestic policy-making capabilities, European-level disciplinary mechanisms can serve as anchors for the pursuit of unpopular policy reforms domestically (Masi 1996; Buller 2000; Thatcher 2004). The EC's 'sector-neutral' rules on subsidies distribution and fair competition allows member states to circumvent pressures for favourable treatment stemming from declining industries while offering legal justification for their incapacity to assist them. Transnational depoliticisation strategies seek to obscure the sources of industrial policy change all while limiting the possibilities for alternative forms of industrial management.

The depoliticisation, and transnational depoliticisation, of certain features of decision-making can indeed be particularly tantalising for state managers in the area of industrial policy. Indeed, intense international competition and technological change gives rise to a peculiar political dilemma as high-technology sectors and traditional industries benefit from different sets of policies. Governments are torn between adjusting policy-making or the allocation of public resources to the benefit of lame duck sectors and promoting the rise of high technology industries (Block 1987: 127; Gilpin 1987: 99; Moraitis 2018: 47). This selective bias and the progressive substitution of lagging industrial activities by cutthroat ones is underpinned by the political contestation of workers and businesses within displaced sectors. More concretely, workers and firms operating in declining sectors are in quest of greater import protection and state aid distribution. On the other hand, expanding sectors might benefit from more horizontal measures such as increasing internationalisation and greater public funding in R&D. In other words, the state is increasingly called to manage the sectoral allocation of resources and the disengagement from certain industrial activities. The clash between the accumulation imperatives to replace obsolete industrial capacities by modern and labour-saving ones and the legitimisation pressures to safeguard threatened jobs and activities are at the source of the depoliticising tendencies in industrial policy-making. In this

vein, governments can ground their preference for industrial measures that involve the retreat from certain sectoral activities in national or supranational economic rules for which they cannot be held directly accountable. In so doing, they attempt to insulate the process of industrial restructuring from excessive democratic deliberation.

In particular, the 1980s witnessed the growing assertiveness of the EC in the management of competition regulation and the control of state aids within the common market (Warlouzet 2018: Ch.5). Indeed, traditional sectors such as textiles, steel and shipbuilding were characterised by significant overcapacities and in need of sweeping rationalisation. At the same time, the intensification of global manufacturing competition overburdened states with demands for financial assistance and protection. Faced with increasing demands for subsidies Western European states were increasingly inclined to enhance the competencies of the European Commission in industrial matters in order to manage the crisis hitting their traditional manufacturing activities (Buch-Hansen and Wigger 2011: 78; Warlouzet 2018: 117). Frans Andriessen, European Commissioner for Competition (1981-1985), famous for his critique of state interventions that distorted the principles of competition, clearly expressed the rationale behind installing a stricter control of state aids:

In our lethargic Europe...we should do much more to promote the creative restructuring and retooling of our industry. The Japanese challenge will remain unanswered if we would simply keep on subsidising dying industries with short term objectives in mind.' (Andriessen 1981: 8)

In this view, the control of state aids exerted by the EC liberates the state from the temptation to aimlessly distribute handouts to obsolete industries in order to assuage social tensions or win political support. Equally, it allows the phasing out of such industries and the flourishing of more competitive ones that are better placed to confront international competition. Indeed, the artificial maintenance of declining activities by way of subsidisation thwarts

the efforts of more competitive firms with longer term viability to expand their markets shares and enhance their productivity (European Commission 1983: 114). It follows that the monitoring of state aids actually facilitated the selective disengagement strategies of countries like France. By limiting state support for ailing sectors, state aid control imposed a stricter market discipline on domestic industry that progressively permitted the national economies' disengagement from unviable activities. Indeed, the process of transnational depoliticisation insulates industrial restructuring from domestic political pressures as it renders the state institutionally unable to meet civil society's divergent sectoral interests through the use of protectionist measures or subsidised assistance.<sup>9</sup> As such it minimises the risk of compromising competitiveness objectives.

Looking at French industrial policy through the prism of depoliticisation is of particular interest given the crucial role of held by the state in spurring post-war industrial development through a dirigiste and politicised industrial policy (Zysman 1983; Hall 1986; Dormois 1999: 75; Clift 2003: 176). Nevertheless, the dirigiste management of social relations in the postwar era led to the adoption of policies towards industry that progressively undermined the competitiveness of the sector and placed it in a particularly vulnerable position once the crisis of the 1970s erupted (Chapter Three). As such state managers sought to gradually distance themselves from traditional interventionist methods (Levy 2008: 427) through, for instance the (transnational) depoliticisation of industrial policy.

Indeed, industrial policy towards the sectors studied in this thesis witnessed a significant degree of depoliticisation. In textiles (Chapter Four), the EC's legal provisions on state aids reinforced the Minister of the Economy's advocacy for a strict and unassisted market-led adjustment of the sector to the conditions of global competition. In steel (Chapter Five), the responsibility for selective disengagement was voluntarily transferred by

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<sup>9</sup> The analysis of the European monitoring of industrial policy draws many of its in from Bonefeld's (2005) analysis of European monetary policy.

both Giscard d'Estaing's and Mitterrand's governments to the European Commission which became responsible for enforcing a pan-European plan to cut-down steel production capacities across member states. In automobiles (Chapter Six), in 1984 industrial policy was subject to a rule-based form of depoliticisation. Indeed, in 1984 the Socialist government recruited a technocratic committee charged with evaluating the productivity gains, and by consequence the employment losses, necessary for the preservation of the industry's competitive presence in world markets.

However, the management of deindustrialisation also acquired at times an overtly politicised character. With the explicit aim to strengthen electoral support both Barre's and later Mauroy's government through various systems of public subsidies, upgrading textiles into the ranks of high priority sector or implementing stricter import controls explicitly took political responsibility over the management of the sector's crisis without however abandoning their overall rationalisation plans. In automobiles and steel, the depoliticisation of selective disengagement became a costly exercise as the demanning of plants was accompanied by the granting of expensive compensation packages to laid off workers, such as the CGPS scheme for steelworkers and the FNE for autoworkers. Such palliative measures were frequently employed by French state managers in the 1980s. Indeed, the radical industrial restructuring policies pursued during that period were accompanied by massive welfare compensation such as generous early retirement schemes in order to placate resistance to downsizing (Levy 2008). When the free operation of the markets alone fails to bring about the social order necessary to smoothly reproduce capitalist wealth, politicisation and the government's assumption of certain palliative measures can be crucial in obtaining social peace without surrendering the overall aim for industrial reform. As such, the (transnational) depoliticisation of French industrial policy was thus not a frictionless process but came at the cost of increased state responsibilities in the realm of welfare distribution (Levy 2000: 309; Vail 2010: 4). (Transnational) depoliticisation does not eradicate



the tensions stemming from the divergence of sectional interests but in fact generates new tensions that might necessitate politicised forms of intervention in order to ensure the cohesion of the domestic social order (Burnham 2017: 365-366).

The tensions inherent in policy-making might thus lead to the co-existence of depoliticised and politicised forms of economic management to effectively reproduce class relations (Burnham 2011a; Burnham 2014: 198). Overt government intervention in certain areas might allow for a better monitoring of (industrial) reforms by channelling workers' and sectoral grievances into institutional forms that do not challenge its liberal mission. Ultimately both politicising and depoliticising governing strategies seek to avert the 'politicisation of social relations' and the escalation of conflict by maintaining political power at one remove from civil society, whether firmly in the hands of elected officials or non-state actors (Burnham 2014; Bonefeld 2017; Dönmez and Zemandl 2018; Dönmez 2019). Depending on the balance of class forces and economic pressures that characterise different spheres of economic activity selective disengagement can be carried out through diverse strategies which involve to different degrees the politicisation and/or depoliticisation of industrial policy.

By way of conclusion, our theoretical exploration of the links between capital accumulation and the state suggests that selective devaluation, that is the selective disengagement from chosen manufacturing activities, constitutes in times of crisis a necessary strategy for the resumption of profitable accumulation and for the state's own reproduction in an internationally competitive system of exchange. The necessity of such a strategy indicates nor the form nor the degree of its success. Rather, it points out that devaluation occurs in and through the state and is inevitably mediated by it. Deindustrialisation is not a mere market phenomenon but also a political practice. Ultimately, its degree of success is conditioned by the evolution of the class struggle and the effectiveness of nationally formulated strategies

in enhancing the exploitation of labour domestically to levels compatible with the average productivity of capital at an international level.

## **CONCLUSION**

This chapter first reviewed existing critical and Marxist-inspired approaches to contemporary global industrial transformations whose insights could be used to understand the deindustrialisation of advanced economies such as France. It was argued that the RT conceptually reproduces an arbitrary opposition of the state and the economy as two distinct social spheres. As such its analysis of post-Fordist industrial developments fails to disseminate the underlying social praxis that reproduces capital accumulation and gives rise to certain industrial transformations on the empirical level. On the other hand, the NNIDL provides a deterministic conception of the formation of domestic industrial structures. Industrial policy is allegedly a priori moulded by the abstract motion of capital accumulation, which renders the NNIDL unable to account for the room for manoeuvre that states have in their efforts to competitively integrate their economies in the world market and shape national industrial trajectories. Finally, CC's erroneous association of value and industrial production leads it to the conclusion that the current productive structures of advanced countries stem from the waning importance of material production as a source of wealth rather than as a realisation of capital's necessity to restore profitability by constantly decreasing the socially necessary labour time spent on industrial production.

As an alternative to these approaches this chapter has proposed an OM theoretical framework which accords epistemological priority to the social praxis that constitutes and reproduces capitalist society. It was argued that while the political and economic institutions of capitalist society are modes of existence of the antagonistic labour-capital relation, their day-to-day activities seem to be presided over by the dictates of immutable economic structures. Indeed, bourgeois subjects appear to be entrapped in the economic necessity to accumulate capitalist wealth (i.e. value). This socially constituted compulsion leads to a relentless competition among individual

capitals which in their race to realise value and capture higher profits generate a disjuncture between the growth of productive capacities on the supply side and the limited absorptive capacity of the market on the demand side. This overaccumulation of capital signals the limits to profitability and is followed by an expanded devaluation of uncompetitive industrial facilities that fail to withstand the intensification of competition. At the same time, the liquidation of uncompetitive capital constitutes a precondition for the resumption of profitable accumulation at higher productivity levels. Thus, deindustrialisation constitutes a concrete manifestation of capital's immanent overaccumulation tendencies and their accompanying capital devaluations. It is ultimately a contradictory phenomenon that involves both the erosion of certain existing industrial capacities as well as the development and modernisation of others.

It was furthermore argued that within the context of overaccumulation crises the state does not remain a passive observer but plays a central role in coordinating the devaluation process. In fact, the state engages in a strategy of selective disengagement from specific manufacturing activities both within and across sectors in order to concentrate the liquidation process towards the commercially least crucial sectors and ultimately enhance the country's competitive position in the world market. By defining deindustrialisation as a strategy of selective disengagement it is possible to conceptually encompass both the double-sided nature of deindustrialisation, as modernisation and decline, as well as the pivotal role of the state in promoting industrial contraction and development across sectors and regions.

Concurrently, the devaluation of capital is accompanied by a labour market and regional crisis which threaten the legitimacy of the government. In order to cope with domestic contestation and depending on the urgency of a sector's rationalisation, government officials might be prone to depoliticise industrial policy by outsourcing the responsibilities for the socially painful measures to non-governmental bodies and in doing so safeguarding their

own legitimacy. Equally, aspects of the management of deindustrialisation might also acquire a politicised character as state elites assume the political responsibility over the industrial development of a sector. Selective disengagement, as a statecraft strategy, thus reflects the double-sidedness of deindustrialisation, as it both promotes the modernisation of industry and manages the economic and social aspects of decline such as regional underdevelopment and unemployment.

The task of thesis' three case studies will be to expound the precise modalities through which the state formulated and implemented a strategy of selective disengagement in the textiles and clothing, steel and automobile industries in order to demonstrate that the state, juggling with both legitimation and accumulation imperatives, can orient the liquidation or development certain selected manufacturing activities and areas. Before however, the next chapter will outline the social and political conditions that underpinned France's road to deindustrialisation by examining its postwar industrial development and the ways it led to the country's competitively vulnerable position within the international industrial market once capital's overaccumulation crisis erupted in the 1970s.

## **CHAPTER 3**

# **THE ROAD TO DEINDUSTRIALISATION: LABOUR, CAPITAL AND THE STATE IN POST-WAR FRANCE**

### **INTRODUCTION**

The previous chapter argued that deindustrialisation can effectively be conceptualised as a state-sponsored strategy of selective disengagement from designated manufacturing activities across and within sectors deployed to offset the global overaccumulation tendencies of capital. Before examining how this strategy was implemented in practice within the different industries investigated in this thesis, this chapter charts the historical background to the industrial crisis that hit France in 1974. It argues that its seeds were firmly planted in the country's post-war pattern of accumulation. In other words, this chapter analyses the development of the competitive weaknesses of French post-war capitalism that ultimately rendered necessary a drastic strategy of selective devaluation from 1974 to 1984. France's post-war development is examined as a steady march towards a major industrial crisis. Instead of focusing on the continuities and dynamism of French post-war growth (for such analyses see Carré et al. 1972; Fourastié 1979), this chapter stresses the tensions and crisis-ridden tendencies that underpinned the so-called *Trentes Glorieuses*. The core argument of this chapter is that the industrial crisis in which France found itself in the 1970s and 1980s can be traced back to the major tension that characterised its post-war growth between its backward industrial apparatus in need of modernisation and the difficulties in incorporating the dissenting power of labour within institutional apparatuses. This tension gave rise to

an inflationary pattern of growth that constantly undermined the competitiveness of French manufactures in foreign markets.

The first section of this chapter paints France's postwar economic and political landscape and analyses how the tension between the modernisation needs of industry and the failure to institutionalise labour dissent gave birth to a conflictual form of industrial relations that exacerbated inflationary tendencies as price increases reflected both workers' wildcat struggles for higher wages and firms' search for profits. The second section argues that the French dirigiste state attempted to reconcile the tension between labour indiscipline and industrial modernisation by mobilising its interventionist apparatus and excluding labour representation from the policy-making process. The state endeavoured to remove the barriers to modernisation by smoothing the transfer of resources (i.e. labour, capital, credit) towards heavy industry. At the same time, it attempted to rectify the conflictual model of industrial relations by sporadically enacting price-stabilisation measures to regiment income formation. However, the revolt of May 1968 demonstrated the strains on the management of labour relations in the context of industrial modernisation and was followed by an increased institutionalisation of labour's redistributive interests which further exacerbated inflation. Section three argues that state managers also sought to discipline domestic industry's inflationary propensities by exposing it to the competitive pressures of the Common Market. While France's industrial trade performance did grow impressively, most domestic industry failed to reach the competitiveness levels of other OECD countries. As the crises of the 1970s unfolded, France's manufacturing sector became increasingly unable to correct its growing balance of trade deficit. France was entrapped between the higher competitiveness of OECD manufactures and the growing export potential of newly industrialising economies as the inflationary spillovers of labour management had rendered French manufactures relatively uncompetitive in world markets.

While the post-war era witnessed a remarkable growth and restructuring of French industry, the latter was achieved by the redistribution of wealth to industry through inflation, currency devaluations and cheap credit. In other words, the post-war development of French industry rested on artificial means rather than the substantial enhancing of its competitiveness vis-à-vis its advanced commercial partners which ultimately put it in a particularly vulnerable position once the global overaccumulation crisis erupted. The existence of a plethora of uncompetitive capitals paved the way towards a drastic strategy of selective disengagement in the face of the coming overproduction crisis while the newfound power of French labour after 1968 foreshadowed the social complications that could follow such a strategy.

### **THE CRISIS IN LABOUR-CAPITAL RELATIONS**

At the end of the war, France's economy faced two fundamental challenges. On the one hand the slow growth of the 1930s and the ravages of war left a backwards economy, substantially lagging behind those of other industrialised countries and on the other the key role of Communists in the Resistance and the concurrent Nazi collaboration of many industrialists during the occupation created the conditions for the emergence of a radicalised working class. As such, early after the Liberation, France's economic development was marked by a fundamental tension between the substantial transfers of resources necessitated to modernise industry and the disruptive presence of a labour movement seeking to enhance its material conditions. This tension crystallised into a distorted system of industrial relations whereby worker's militancy became the main means to wage growth while capital responded with price increases in order to re-establish profitability. French post-war growth became thus inflationary since within the prevailing conditions of class struggle, inflation constituted the most effective way to secure the much-needed transfer of resources towards industry.

### ***FRANCE AFTER THE LIBERATION***

In the aftermath of the Second World War, France was far from achieving Fourastié's prophecy of a Tertiary Age. With one third of the active population working in farming, France was still a predominantly agricultural country compared to its Western European counterparts. Despite France's perceived economic strength stemming from its status as a colonial power, the country was domestically marked by its economic and industrial backwardness. At the dawn of Liberation, its economic landscape was characterised by a low-productivity agricultural sector dominated, especially in the South and West, by poor farmers holding small sized lands, detached from the rest of the economy and often producing for subsistence (Zysman 1977: 52; Postel-Vinay 1991: 84; Lynch 1997: 132; Maclean 2002: 91; Boinon 2011: 24). Indeed, throughout the 1930s and until the Liberation, the proportion of farm holdings under 10 hectares exceeded 50% of existing of total farm holdings (Carré, et al. 1972: 106; Lynch 1997: 132). Until, 1949 around 5.5 million people worked in agriculture and constituted around 29% of France's total employed labour force (INSEE 1981: 26).

France's industry too featured traits of a backwards sector with a particularly low pace of modernisation. Especially the 1930s were characterised by a general economic immobility as industry suffered from chronic underinvestment which negatively influenced its level of technical development. As Villa (1993: 165) observes, the low investment rate of the 1930s increased the average age of capital equipment to almost 11 years from its average 8 year lifespan during the 1920s, while the rates of hourly labour and capital productivity growth were both negative throughout the decade at -0.4% and -1.4% accordingly. As a result, Sicsic and Wyplosz, (2002: 217) stress that the major challenge of France's post-war reconstruction was not so much recovery from war-induced damage, but the plethora of obsolete capital passed on by the stagnation of the 1930s. Felix Ponteil (1971), paints the picture in sociological terms and attributes the standstill of the French economy to the bourgeoisies' conservatism and hostility towards modernisation. Employers, having the ability to make



profits through inflation and to safeguard their market shares in a protectionist environment, were disincentivised from expanding their horizons beyond the confines of the domestic market (Ponteil 1971:368-372).

Another illustrative aspect of France's industrial backwardness was the predominance of handicraft production and the notably low levels of concentration in its industrial structures. In 1936, 17% of industrial establishments were run by independent artisans that did not employ any personnel, while overall, around 40% of workers in the industrial sector were employed by firms employing fewer than 10 people (Carré et al. 109). In addition, the industrial sector was also supplied by a weak labour market with only 50% of the active population being waged and a great share of workers being involved in non-waged activities that ultimately limited their subsistence's dependence upon the selling of their labour-power (Whiteside and Salais 1998: 141).

Furthermore, having gone through a process of deindustrialisation under the Vichy Regime as part of the wider Nazi strategy of economic resources (i.e. labour and capital) transfer from the occupied territory to Germany, the industrial potential of France was further weakened. During the last months of 1944, industrial output levels reached around 55% of their 1938 levels which in turn were 25% inferior to their 1929 levels (INSEE 1958: 69-70). Overall, the 1930s bequeathed to post-war France an economy in need of a generous transfer of productive resources from labour, farmers and handicraft towards heavy industry (Herberg 1981: 513-514) for the country to join the ranks of advanced industrial powers. After the Liberation in 1944, France's economic agenda featured not only the task of reconstruction but more importantly, the task of substantial modernisation (Adams 2014: 73).

At the same time, the end of the war unleashed the prospects not only for economic modernisation but for a more inclusive political management of French society. The restoration of representative democracy and the

reinstatement of free trade union activity marked a break with the authoritarian rule of the Vichy era and its hostility towards labour unions.<sup>10</sup> In fact, the immediate post-Liberation period witnessed an impressive political shift in the balance of power between workers and employers that took an insurrectionary tone. Indeed, the 1944 general strike proclaimed by the country's two major trade unions, the *Confédération Général du Travail* (CGT) and the *Confédération française des travailleurs chrétiens* (CFTC) was accompanied by a violent purge that targeted members of the Vichy administration and the employers who collaborated with the occupier. At the firm level there was a spread in absenteeism and a high frequency of work stoppages, while various *comités de gestion* were set up by communist forces and trade unions to manage the production process in firms which capitalists had abandoned in order to escape the repercussions of the purge. All these events reinforced the image of the Liberation as a 'social movement' rather than a mere military episode (Pigenet 2014a).

Concurrently, trade unions and leftist political forces experienced a broadening of their social base and popularity. In 1945, the more radical CGT witnessed an important hike in its membership managing to enlist 3.8 million members and almost matched its 1937 membership rates when the socialist Popular Front was in government (Prost 1994). At the electoral level, the Communists of the *Parti Communiste Français* (PCF) and the socialists of the *Section Française de l'Internationale Ouvrière* (SFIO)

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<sup>10</sup> During the occupation economic and industrial relations were governed by a form of state-directed corporatism which discarded existing associations representing labour or employers' interests and replaced them by state-surveilled ones that operated in the name of the 'national interest'. Thus, the state set up the *Comités d'Organisation* as well as the *Office Central de Répartition des Produits Industriels*, which became the primary organs for the coordination of industrial production and distribution. Both figures from the big business elite and ministerial personnel were appointed in these institutions and in fact, the preponderance of business managers made it often difficult to distinguish between the old employers' associations and the new Committees (Kuisel 1981: 138). In addition, prevailing labour relations were replaced by the 1941 Labour Charter which forbid strike action and mandatorily ascribed members of different occupational categories (from workers to employers) into professional families each representing a specific sector of economic activity. The intended purpose of the new industrial relations system and the elimination of workers' unions was to shift labour interests around their profession so as to eliminate political polarisation and class-based conflict (Kuisel 1981: 146).

together gathered close to 50% of total votes during the first post-war elections in October 1945, with the PCF reaching the first position absorbing 26.2% of votes, or 5 million voters.

With the political composition of France's social body being fundamentally altered, one could expect the emergence of an alternative, labour-inclusive, system of economic and industrial management. Rising social dissent, signalled that France's successful modernisation dependent upon securing labour's productive cooperation and integration into the post-Liberation political system. Thus initially, both representatives of the CGT and the PCF accessed positions in the state apparatus and other institutional bodies. From the first legislative elections in 1945 until 1947, the communists, counting CGT representatives too, had secured more than five ministerial positions within the successive provisory post-Liberation governments including the key ministries of Industrial Production and Labour. More generally, through their participation in the *Conseil National de la Resistance*,<sup>11</sup> trade unions as well as the PCF were able to influence the broad political and economic goals of post-liberation France. They moulded some of the most notable features of French post-war economic policy such as the setting up of the Planning Committee, Social Security and the nationalisations program.

Similarly, trade union representatives occupied positions across various governmental bodies responsible for the country's socioeconomic management. For instance, during the First Industrial Plan (the Monnet plan), the CGT and the CFTC together held 20% of positions within the 18 *Commissions de Modernisations* (Mioche 1984: 213), the latter consisting of the Plan Committee's subgroups responsible for the exchange of information between technocratic experts, state officials, employers and unions at a sectoral level. Equally, trade unionists were present in the

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<sup>11</sup> The Conseil National de la Resistance was the organisation for the coordination of the resistance against the occupying forces. It was composed of representatives from various political currents and trade unions and in 1944 it formulated a policy program listing the social and economic reforms to be implemented after France's liberation.

tripartite (state-labour-consumers) administrative boards of nationalised industries, often holding a majority of the seats such as in the nationalised coal industry. In 1946, the IVth Republic's constitution gave birth to the *Conseil Economique et Social* which debated law proposals between the representatives of all economic groups (from workers and farmers to employers and artisans) and ostensibly permitted a direct dialogue between labour and capital. There, trade unions were the largest group holding 27% of the Council's 164 seats. In addition, the successive laws of the 22nd February 1945 and 16th of May 1946 institutionalised the role of labour representatives in the firm by making mandatory the presence of works councils, or *Comités d'Entreprise* (CE) in companies employing at least 50 people.

As it is argued below, these initial attempts to institutionalise the presence of labour within the post-war management of the economy failed to eliminate the fundamental tension between the modernisation needs of industry and the redistributive interests of a radicalised working class and soon met their limits.

#### *A CONFLICTUAL SYSTEM OF INDUSTRIAL RELATIONS*

Labour's increasing representation in the workplace and official institutional bodies failed to create the conditions for a stable system of industrial relations that could guarantee a long-lasting tripartite cooperation between trade unions, employers and the state. In the early post-Liberation era, trade union officials and the representatives of the parties of the left subordinated the pursuit of further reforms in labour relations to the objectives of economic modernisation (Pigenet 2014b; Kuisel 1981: 217; Steinhouse 2001). *La bataille de la production* (i.e. the battle for production) became the watchword of the CGT and the PCF, while Maurice Thorez's (1945) contention that 'production constitutes the highest form of class duty' summed up the strategy of the radical left at the time: the restoration of France's productive capacity was prioritised over the improvement of the working class's material conditions.

For instance, within the CE the CGT officially aligned itself with the employers' pursuit of price increases without equivalent increases in wages (Le Crom 2003: 66). As a result, while in April 1947 hourly wages had more than quadrupled since 1938 and augmented by 120% since October 1944, rampant inflation undermined any wage gains that had been made since the liberation. During 1947, in Paris alone, purchasing power was still 40% weaker than in 1938 (INSEE 1958: 117-118). In the meanwhile, in 1947 the index of production had reached again its 1938 levels. Along with the strategy of moderating working class demands, the CGT and the PCF threw themselves in the battle of production by disciplining labour through the discouraging and stigmatisation of industrial action which was famously condemned as 'the weapon of trusts'. As a result, in 1946 only 386,000 days were lost due to strike action compared to the yearly average of 1.6 million days from 1931-1935, prior to the unprecedented 1936 strike wave that followed the Popular front's electoral victory (INSEE 1952: 102).

The unions' cooperation with management and their prioritisation of the production effort was also indispensable in achieving labour time increases. Thus, despite the reestablishment of the 1936 legislation on the 40-hour workweek, in early 1946 average weekly working hours were constantly higher than the 40-hour limit and in the manufacturing sector increased from 43.6 hours a week in 1946 to 44.8 hours in 1947 and from 44 hours a week to 45 in the whole economy (INSEE 1958: 59). During the early post-Liberation years the radical left was charged with the task of disciplining the workforce. The CGT constituted a 'crucial link between labour and management' (Holter 1982: 42) since it was ostensibly in a better position to exercise effective control on workers than the discredited employers' class (Le Crom 2003: 59).

The social consensus based on the CGT's managerial role within the CE was quickly disrupted by the long-lasting strike wave that started in a wildcat fashion on the 25th of April of 1947 at the Renault-Billancourt car plant and spread to various industries both in the public and private sector (i.e. mining,

steel, construction, education, transportation, merchant marine). After a failed attempt to halt the growing mobilisation of labour, the CGT and the PCF were promptly forced to condone the movement given the wide support that it received. Overall, 2.285 different strikes took place that year with 22 million and half days being lost to industrial action, a record in France's 20th century history only topped by the 1936 strike wave (INSEE 1952: 102). Some violent strikes continued during the autumn-winter of 1948, such as the miners' 8-weeks-long strike or those in metallurgy and the aeronautical industry, that amounted to a total of 1,425 strikes and 13 million idle days. The insurrectionary character of both strike waves was matched by the state's authoritarian intervention and recourse to the armed forces to reinstate order. French labour's upheaval turned into a political crisis which resulted in the expulsion of the communist Ministers from Rammadier's government. More importantly, the rupture of 1947-1948 marked the onset of a multifaceted crisis in French industrial relations which rendered obsolete the system of labour control based on labour's increasing representation with the firm and the state.

Three major and interlinked processes underpinned the crisis in French industrial relations. Firstly, the link between trade unions and their base of support was significantly weakened. Indeed, the trade unions' reluctance to advocate labour demands in times of inflation-led income degradation severed their ties with the working class. Only in 1948, the CGT lost 1.5 million of its members (Dreyfus 1995: 238), while the unionisation rate in France was subject to a steady drop between 1949 and 1958 as it fell from 40% to 20% and stabilised itself at around 20-25% until the late 1970s (Labbé 1995: 28). In addition, the relative dissociation between the working class and the unions greatly affected the patterns of labour mobilisation. Indeed, in contrast to other developed Western economies, industrial action took place quite independently of trade unions and often took the character of wildcat strikes with unions intervening to mediate workplace issues only a posteriori (Reynaud 1982: 40; Birnbaum 1988: 125; Borrel 1996: 75;

Howell 2005; Parsons 2005: 155). Unions themselves lost the capacity to discipline their own basis and mediate their grievances through institutional channels (Jobert and Muller 1987: 200). Given its spontaneous and undisciplined character, the pattern of strike action in France thwarted prospects for a cooperative negotiation between labour representatives and capital. Instead, it contributed to the lack of 'as in the Anglo-Saxon mode, an institutional and almost automatic relation between the strike and negotiation, between negotiation and agreement, between agreement and social peace' (Adam and Reynaud quoted in Birnbaum 1988: 497). Ultimately, the relative autonomy of workers from trade unions also stimulated the radicalisation of the latter as they too began to reject cooperation with capital or the state in order to gain the approval of their constituency (Hayward 1986: 61).

Secondly, the fractures and discordance within the trade union movement itself further undermined the possibility for an effective labour-capital cooperation (Clift 2005a: 59). Indeed, French trade unionism was characteristically fragmented by diverging ideological and political positions (Delamotte 1982: 328; Hayward 1986: 58-59). Since 1919, the trade union scene was dominated mainly by the CGT and the CFTC, but the political crisis of 1947 was followed by a split in the CGT. A long-standing rivalry between the *unitaires*, which were politically aligned to the PCF, and the *confédérés*, who advocated a politically independent form of unionism, resulted in the creation of the CGT-Force Ouvriere (CGT-FO) in 1948 by the latter. At the same time, the *Fédération de l'Education Nationale* (FEN), until then a branch of the CGT representing the personnel of French national education, also parted ways with the CGT. At the time of the scission, the CGT-FO and the FEN stripped 340,000 and 150,000 of CGT's members accordingly and reached 460,000 and 540,000 members in the mid-1970s (Labbe 1995: 76).

Further divisions ensued in the trade union movement in 1964 when a 70% majority of the CFTC voted to secularise the union, renaming it CFDT

(Confederation Française Démocratique du Travail) while a minority centred around Joseph Sauty decided to reform the 'old' CFTC in 1965 and keep Christian social ethics as its main ideological point of reference, an endeavour which was joined by 25,000 members. Until the mid-1970s and with its membership fluctuating from 500,000 to 750,000, the CFDT remained the main antagonist of the CGT, which managed to take a hold of 50% of unionised workers throughout the period (Labbé 1995). Scissions in the trade union movement rendered impossible the articulation of a single voice in employers-unions negotiation or of a unified strategy of labour mobilisation.<sup>12</sup>

Finally, and as a result of the two previous processes, the channels of dialogue between labour and capital over income distribution broke down. It has often been pointed out that the lack of a growing, or even stable, unionised membership, the political rivalries among unions as well their insufficient economic and technical resources were at the source of the structural weaknesses that characterised the French labour movement within France's post-war political setting (Herberg 1981: 513; Jobert and Muller 1987: 191, 200; Birnbaum 1988: 125; Howell, 2005;). If trade unions are charged with the task of incorporating the aspirations of the working class within the system of wage labour and the profitable reproduction of capital (Clarke 1988: 137-140), the noted frailty of French trade unionism betrayed its inability to embody working class demands within the framework of French post war capital's necessity for extensive modernisation. Trade unions failed to fill the role of the middleman between the workforce and employers as they did not assert effective control over the social body that they ostensibly represented. This in turn reinforced employers' view of unions as unreliable interlocutors (Parsons 2005: 33).

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<sup>12</sup> Only on rare occasions was the rivalry between the CGT and the CFDT interrupted such as in 1966 and 1970 when they agreed on a common program of action for improvements in employment security, lowering the retirement age. Their cooperation was progressively discontinued due to both diverging political stances with regards to the Programme Commun concluded between the PCF and the Socialist Party as well as tactical disagreements regarding forms of action on the ground (Ross 1975: 532-535).

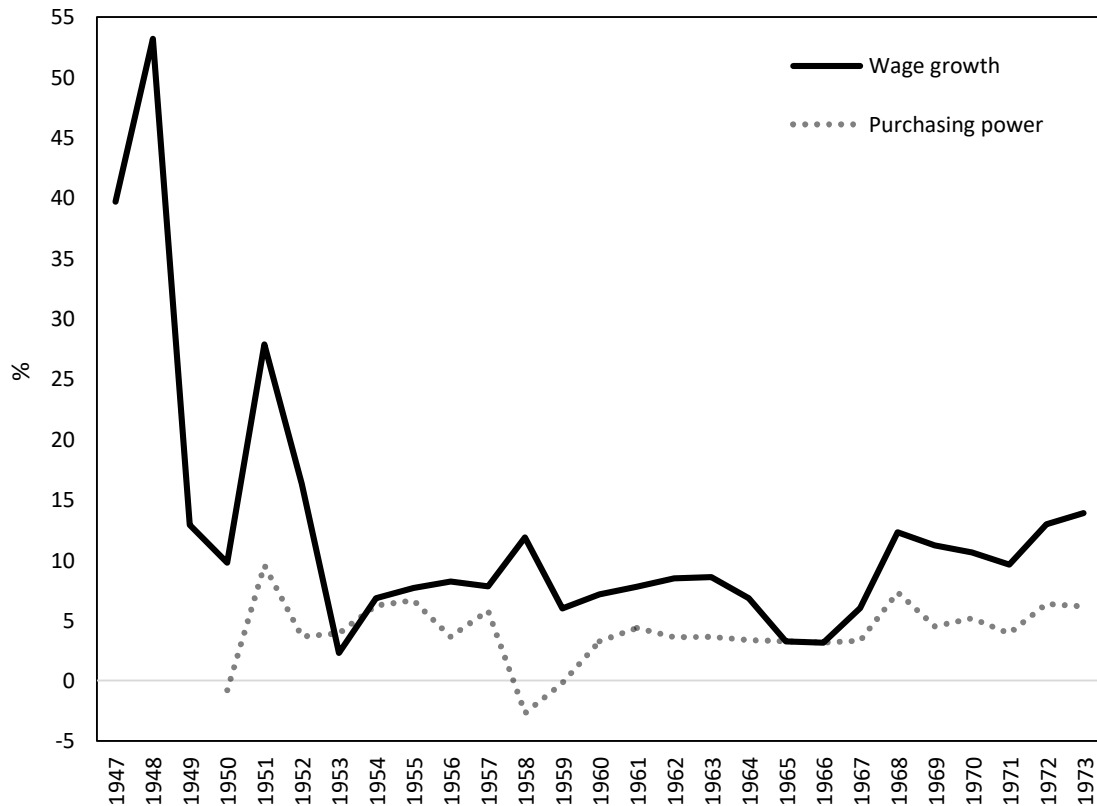


As an example, since 1948 the role of the CE was greatly undermined. By 1962 the number of existing CEs was halved to 4,691, and their role was largely reserved to the management of the social affairs of the labour force, such as leisure time and catering, instead of being informed and consulted about crucial economic issues (Le Crom 2003: Ch.3). Consequently, France lacked the kind of institutional arrangement or negotiating process that would guarantee the adjustment of wages to productivity increases a la Fordism (Wall 1996: 116-117). Instead, the strike, rather than collective bargaining, constituted the primary mean through which workers were able to enhance their incomes (Kesselman 1980: 98; Herberg 1981: 513; Howell 2005: 57-59; Parsons 2005: 34).<sup>13</sup>

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<sup>13</sup> The relation between wildcat strike action and wage concessions was in fact apprehended by the business elite early after the Liberation. Indeed, irregular wage growth due to strike actions was a constant threat to capital's profitability according to the *Conseil National du Patronat Francais* (CNPF) itself, the employers' national association, which between 1946 and 1947 repeatedly urged its members to resist such pressures in order to avoid the contagious spread of rising incomes (Vinen 1995: 66).

Figure 1: Yearly rate of growth of hourly remuneration and purchasing power for industrial workers



Source: own calculations based on INSEE (1990) *Annuaire Rétrospectif de la France: 1948-1988*

The dependence of wage growth on workers' militancy explains the irregularity of the former over the years (Figure 1). One can notice the yearly discrepancies in wage increases especially during the IVth Republic (1946-1958): while on average the hourly remuneration of industrial workers increased by 11.5% yearly from 1949 to 1956, in reality its yearly increase featured many divergences from year to year with, for example, hourly wages rising by 27.8% in 1951, 2.3% in 1953 and 7.7% in 1955. During the Vth Republic these discrepancies were diminished, but again the average 8.4% by which hourly remunerations augmented from 1958 to 1972, betrays

some irregularities from year to year such as the 5.7% increase in 1967 and the 12% increase in 1968.

On the other hand, the lack of an automatic procedure securing a stably growing income share for workers permitted employers to undermine wage growth through price hikes. Indeed, as noted by the OECD's 1963 survey of the country, the employers' transfer of increasing costs onto consumers to shield profitability was a major contributory factor in France's persistent inflation (OECD 1963: 35). Thus, nominal wage increases were not always followed up by increases in purchasing power (Figure 1). For instance, while between 1949 and 1953 wages augmented on average by 14%, purchasing power augmented only by an average 3.6%. The unstable evolution of purchasing power, which increased on average by 5.6% between 1953 and 1957, 2.5% between 1957 and 1967 (it was even null and even negative between 1957 and 1959) and 5% between 1967 and 1972 accordingly, confirms the lack of a social compromise that would automatically distribute the gains of modernisation among social actors. Indeed, the irregular developments in wage growth contrasted with the systematic and consistent intensification of work and productivity. In 1957, the average weekly duration of work had risen to 46 hours and stabilised itself at around 45 hours until the 1970s, while hourly labor productivity growth during the 1960s rose at an average 4.8% in the whole economy and 7.2% in manufacturing (INSEE 1981: 32, 82). The developments at the supply side permitted the doubling of industrial production levels in ten years from 1947 to 1957 and their augmentation by 360% until 1972 (INSEE 1990: 399-400). As Howell (2005: 56) notes French modernisation consisted of a one-way transfer of resources towards the industrial's sector profit shares.

These developments contributed to the proliferation of an exceptional and distorted pattern of industrial relations which was based upon the unpredictability of labour militancy and the inability to establish institutional mechanisms to channel working class discontent. This posed a problem of uncertainty and irregularity. Given the seemingly turbulent evolution of

industrial relations, periods of stability could be succeeded by periods of violent confrontations. Thus, the conflicts of 1947-1948 were revived in 1953 when a month-long general strike spreading from the mining sector to the public services marked the end of a cycle of intense industrial confrontation (1947-1953) which saw a yearly average of 10 million days lost to strike activity. From 1953 until 1962, industrial peace was relatively restored as the yearly average of days lost to strike fell to around 2 million. Furthermore, there was a decrease in the intensity of industrial action with the average duration of strike per worker being 1.9 days compared to 4.4 days between 1947 and 1953. The legendary month-long national strike of the coal miners in 1963 reinvigorated a period of working class militancy which saw a 75% increase in the volume of strikers until 1967, which ultimately culminated in the events of May 1968 (INSEE: various years).

*Table 1: Inflation in France (1947-1973)*

	<b>1947</b>	<b>1948</b>	<b>1949</b>	<b>1950</b>	<b>1951</b>	<b>1952</b>	<b>1953</b>	<b>1954</b>	<b>1955</b>
<b>Growth in CPI' (%)</b>	59.7	58.42	2.8	11.1	16.9	11.8	-1.2	-0.4	1.2
	<b>1956</b>	<b>1957</b>	<b>1958</b>	<b>1959</b>	<b>1960</b>	<b>1961</b>	<b>1962</b>	<b>1963</b>	<b>1964</b>
<b>Growth in CPI (%)</b>	2	2.7	15.04	6.21	3.7	3.26	4.74	4.8	3.4
	<b>1965</b>	<b>1966</b>	<b>1967</b>	<b>1968</b>	<b>1969</b>	<b>1970</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>
<b>Growth in CPI (%)</b>	2.5	2.7	2.6	4.5	6.5	5.15	5.5	6.16	7.3

(1) Consumer price index

Source: INSEE (1990), *Annuaire rétrospectif de la France 1948-1988*, p. 286

In essence, the conflictual unfolding of industrial relations in France since 1947 was the epiphenomenon of a wider tension between the need for a rapid modernisation of an arguably backwards capitalist economy and the limited room for substantial social reform to accommodate labour's material aspirations. This fundamental opposition gave rise to an inflation-prone economy (Table 1) which, as the next section shows, called for substantial state interventionism to regulate the seemingly anarchic determination of

wages and prices and alleviate the obstacles to France's industrial modernisation. Inflationary growth was a response to labour's disruptiveness and threat to capital's profitability as it permitted the smooth one-way transfer of resources towards heavy industry. The state, as the political form of the rising labour-capital tension, played a key role in disciplining labour and enhancing domestic industry's productive potential in order to effectively insert it within global industrial competition.

### **THE DIRIGISTE MANAGEMENT OF POST-WAR CAPITAL**

The post-war state found itself in the position of having to both guarantee the effective refurbishing of industrial structures and manage the erratic growth of incomes and prices. It is within this context that the emergence of the so-called Dirigiste character of the French state ought to be analysed. The dirigiste state sought to remove the social barriers to modernisation through the exclusion of labour representatives from positions of influence within the state apparatus, the implementation of price policies aiming at disciplining workers' grievances and an activist industrial policy securing the smooth transition of resources to the heavy manufacturing sector. However, dirigisme failed to sustainably curb the disquieting inflationary tendencies of the economy. The conflictual development of industrial relations culminated in the labour upheaval of May 1968 forcing the state to buy social peace by introducing legislations that bolstered the negotiating power of workers. The post-1968 management of labour however threatened to re-ignite an inflationary spiral that could significantly undermine the competitiveness of French manufactures in foreign markets.

### ***THE DIRIGISTE FORM OF THE STATE***

The French post-war state has often been perceived as an exceptional one that greatly demarcates it from state models common in Europe and elsewhere in the advanced capitalist world. Its consistently interventionist role in economic management has led authors to argue that French capitalism itself acquired a qualitatively distinctive character. For the

*Varieties of Capitalism* (VoC) approach, the French variant of capitalism could not be categorised within the dominant models of capitalism, namely Liberal Market Economies (LME) in which competitive market mechanisms constitute the primary coordinators of economic activity and industrial relations, and Coordinated Market Economies (CME), in which non-market institutions and practices play a great role in regulating relations among different economic actors (Hall and Sockice 2001). Instead, France was categorised within the 'Mediterranean' type of capitalism in which the extensive role of the state enables the appearance of CME features in terms of firm financing alongside LME features in industrial relations (Hall and Sockice 2001: 21).

Schmidt (2002; 2003) took the VoC approach a step further and proposed a novel categorisation of post-war capitalist models in accordance with the economic role of the state in them. She distinguishes the Liberal and Enabling state that characterise British Market Capitalism and German Coordinated Capitalism accordingly and opposes them to the French Interventionist state. The interventionist state undertakes the role of formulating industrial strategies, coordinating firm activity in accordance with nationally formulated goals and mediating collective bargaining. Schmidt (1996; 2003) thus describes the French economy as a 'state capitalist' one as the state coordinates many of the activities that in other models are mediated by the market or non-state networks.

Even further, Loriaux (1999) argues that France's model can be more adequately captured by the Developmental State paradigm, which has traditionally been associated with East-Asian late industrialisers. According to him, just as in late industrialisers, the state, strengthened by its control over credit allocation, nationalised industries and industrial planning, actively promoted a specific kind of national development aiming at modernising France and liberating it from its economic vulnerabilities vis-a-vis the rest of the developed world.

Thus, 'French exceptionalism' is often attributed to the peculiarly Dirigiste character of the French state. Dirigisme sums up the state's capacity to subordinate firms' activities to its own developmental strategy through its discretion to exert control over financial resources and to selectively allocate credit destined to industrial investment in accordance with its own policy priorities (Zysman 1983: Ch.3; Hall 1986; 153; Clift 2003: 174). The dirigiste state is thus characterised by its intense industrial activism and its capacity to mobilise macroeconomic policy tools to influence firms' investment decisions, both in the public and private sectors (Levy 1999: 18, 2008: 419; Clift 2008: 391-392).

At times, dirigisme appears as an inherent and natural quality of the French state, or even an 'instinctive preference' of the French (Maclean 2002: 107). The literature often identifies a deep-seated cultural quality to dirigisme. Dirigisme rests upon the state's centralised power and its capacity to superimpose its will over diverging pluralist interests, which itself constitutes the outcome of a long-lasting political culture that stretches back to the Jacobinist tradition inherited from the Revolution (Schmidt 1999: 142-143; Le Galès 2006: 199) or even the economic policies of Louis XIV's finance minister Colbert in the 17<sup>th</sup> century (Clift 2005b: 106; Knapp and Wright 2006: 18).

The strong statist culture of French politics should not analytically overestimate the post-war state's capacity of taking the upper hand and subjugating the market to its own strategic objectives nor should its dirigiste traits overshadow its liberal intents. In fact, early after the liberation, the dirigiste economic reforms were undertaken to firmly consolidate a market order within France. For instance, the *épuration* (i.e. the purge following the Liberation) pursued by the first De Gaulle provisional government, was restricted to the expropriation and nationalisation of the Renault and Berliet car manufactures and the confiscation of some profits acquired by other collaborationist employers while it permitted most employers to 'remain in positions of power' after the war (Maclean 2002: 54; see also Rousso 1992).

The limited extent and the 'symbolic' character of the *épuration* demonstrated the state's dependency on the market and the private sector to resume post-war growth. Similarly, the programs of nationalisation that followed the Liberation did not intend to simply strengthen state control of the economy but to stimulate competition in the private sector and increase the efficiency of market mechanisms (Sheahan 1963: 208-209). Many of the post-war policy innovations, such as planning, did not intend to shake the organisational foundations of the economy, but instead to increase the efficiency of private industry itself (Mioche 1981: 428). Just like French employers depended on state action regarding the determination of wages (Vinen 1995: 69) the state's reproduction depended as much on the smooth functioning of the market.

Rather than the perpetuation of a long-standing cultural tradition or merely a reflection of a state-dominated economy, the dirigiste form of the state is here traced back to the wider context of the post-war crisis in labour capital relations and conceptualised as the political form of this crisis. Following Nizard (1972, 1975) a useful starting point for analysing the dirigiste role of the state is to situate its emergence within the precise historical conditions of post-war capitalism and the barriers to its reproduction. More precisely, dirigisme can be conceptualised as a form of economic management appropriate to the postwar conditions characterised by the tension between the backwardness of the economy and the growing disruptive presence of labour. In this vein, to secure the modernisation of heavy industry and discipline labour, the institutional practices of the state emulated, at the political level, the 'unobtainable labour democracy' in the workplace (Le Crom 2003) by resisting labour's political influence in policy-making.

Industrial planning, one of the main features of French exceptionalism, aptly echoes the above contention. The Commissariat Général du Plan (CGP) was the institution responsible for setting the broad economic and industrial objectives of the country. While trade unions were present in the modernisation commissions of the CGP- with the exception of the CGT that



boycotted it after the first 5-year plan- and occupied 9% and 11% of seats during the third and fourth plan (Cohen 1969: 194), their role was essentially that of 'active bystanders' who were solely informed on the state of the economy rather than consulted on key issues as equivalent participants (Gruson 1968: 324). Indeed, trade unions were ill adapted both resource- and expertise-wise to effectively accustom themselves to the bureaucratic and technical nature of the planning process (Cohen 1969: 195-197). Despite the characterisation of French economic planning as a 'concerted economy' founded on the permanent exchange between the representatives of different social and economic groups (Bloch-Lainé 1964), the Plan Committee was in fact a platform of exclusive dialogue between the representatives of big industrial groups and state officials (Cohen 1969: 169; Hayward 1986: 27). Employers held the majority of seats in the modernisation commissions and along with state officials seized 342 out of 612 seats during the second plan and 639 out of 1006 during the third plan, the rest being predominantly distributed to technical experts (Cohen 1969: 193-194).

In fact, the structure of the Plan emulated a wider idiosyncrasy of the French political establishment which consisted in the exclusion of labour from positions of influence within the decision-making process and the constitution of privileged channels of dialogue between employers and the state (Kuisel 1983: 37). The French configuration of policy making structures based on the marginalisation of trade unions reflected the wider incompatibility between the extensive modernisation of industrial structures and a regularised and institutionalised improvement of workers' incomes. In essence, planning sought to eliminate the uncertainties stemming from the conflictual form of industrial relations. Its indicative nature which was based on the forecasting of key economic indicators was the practical solution to Keynesian uncertainty (Armstrong et al. 1984: 203; Cohen 1969: 9) as it aimed at providing the business community with the adequate knowledge

over the trends of demand and supply and indulge confidence over the future profitability of investments.

The French state sought to ostracise labour from positions of influence within the post-war political system in order to smooth out industrial modernisation without succumbing to the worker's costly material aspirations. Indeed, the institutions of the IVth and Vth Republic have been characterised as a coalition between big employers and high-ranking state officials (Shonfield 1965: 28; Zysman 1983: 107). Labour representatives consistently figured as this 'policy community's outsiders' (Hayward 1986: Ch.4). In such crucial issues as the country's industrial restructuring, 'broader participation could only endanger things' (Cohen and Goldfinger quoted in Zysman, 1977: 198). The essence of dirigisme consisted of an attempt to discipline an 'aggressive and unruly working class' (Crozier quoted in Hayward, 1986: 61) and allow the effective liberation of resources needed to modernise domestic industry. Thus, the state equally pursued its autonomy with regards to the interests of smaller and backwards firms. Instead, it sought to forge political and economic channels of cooperation with the industrial conglomerates most apt to assist modernisation and sustain accumulation (Levy 1999: 32-33). Rather than the French state being inherently 'exceptional' it is the socioeconomic conditions, which involved a high degree of class conflict and economic backwardness, that were exceptional and called for the activation of the authoritarian reflexes of the state.<sup>14</sup>

In short, rather, than the autonomous formulation of industrial objectives, dirigisme consisted in the political and economic mechanisms adopted by the state in order to reproduce and enhance capital accumulation within the

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<sup>14</sup> The exclusion of labour interests from the political system did not mean that the state relinquished its formal neutrality vis-à-vis civil society and social classes as discussed in Chapter Two. Instead, the authoritarian reflexes of the state were triggered by the increasing incompatibility of the French working class's particularised interests with the general capitalist interest (i.e. the creation of capitalist wealth). Wage-earners' redistributive interests increasingly clashed with the modernisation of the heavy industrial apparatus which constituted the key to sustained accumulation in post-war France.

prevailing conditions of class struggle. The dirigiste character of the state directly stemmed from the pragmatic necessity to modernise the country's industrial apparatus in a context of labour indiscipline. As shown below, the successive post-war governments pursued two main objectives: firstly, to create favourable conditions for an upsurge in private investment by eliminating barriers to accumulation and secondly, to 'fill in' the gap in industrial relations dialogue and manage its inflationary spillovers through the manipulation of price policy.

### *MANAGING MODERNISATION AND UNRULY LABOUR*

Faced with an unproductive agricultural sector, a weak labour market and the overall immobility of French economic structures, the state undertook measures to accelerate the transition of France to an advanced industrial economy. In agriculture, the 1946 laws on land renting and *métayage* effectively decreased the price of land and gave extensive rights to tenant farmers to renew tenancy. These laws were designed to give incentives to farmers to invest more thoroughly in their production techniques by receiving a higher portion of gains generated by productivity increases and at the same time, limit the amount of resources being redistributed to the proprietor (Boinon 2011). Thanks to the high productivity gains that followed, from 1949 to 1962 the active population employed in agriculture had shrunk by one third while the sector's share of total employment decreased from 30% to 20%. During the Gaullist era, in light of the Common Agricultural Policy of the EEC ratified in 1962, the state further accelerated the pace of agricultural concentration and modernisation. The two *loi d'orientation agricole* of 1960 and 1962 aimed at reorganising the structures of farm holding: subsidies to farms failing to meet the minimum size criteria imposed by the *Surface Minimum d'Installation* were waived and institutions such as the *Fond d'action social pour l' aménagement des structures agricoles* were set up to facilitate the retirement of farmers or their transition into non-agricultural employment. By 1974 agricultural employment

absorbed only 10% of the active population liberating in the process the productive resources, especially labour, necessitated by heavy industry.

In terms of the domestic labour market, the state sought to respond to the modernisation needs of industry by developing an available labour force rendered completely dependent upon the market (Salais and Whiteside 1998: 142). Indeed, as Salais and Whiteside (1998) argue in their comparison of French and British welfare policies, in France welfare policies were designed so as to attract and maintain labour within the market sphere in exchange of guaranteed social protection rather than to redistribute wealth as in Britain. Introduced in 1945, the *Sécurité Sociale* was financed by workers' and employers' contributions unlike the Beveridgean welfare provision which is financed by a universal tax. Thus, while British welfare policies were largely centred on the protection of those unable to participate in the labour market, in the French case there was a tighter link between employment and social insurance (Bonoli 2003). Ultimately, the French social security system enhanced the dependency of the population on the labour market as it is the wage-labour condition that gave privileged access to security against social and natural risks (e.g. old age, sickness, unemployment) to the class of dispossessed labourers (Castel 1995: 274). These measures created the conditions for the emergence of a readily exploitable industrial labour force.

The state-engineered rural exodus and the consolidation of a stable labour market were the first steps taken to liberate the (labour) resources necessary to restore and modernise French industry. Between 1945 and 1946, in an attempt to remedy the stagnancy and sluggish growth of investment in the industrial sector, the state proceeded to an extensive program of nationalisations of key companies in the energy, transport and financial sectors. Within the freshly expanded public sector now figured the coal industry (Charbonnages de France), electricity (Electricité de France) and gas (Gaz de France) production, along with five main national banks (Banque de France, Société Générale, Comptoir National d'Escompte de

Paris, Credit Lyonnais, Banque Nationale de l'industrie et du commerce) and 34 insurance companies. These nationalisations allowed the state to provide industry with the necessary resources (i.e. energy and credit) to favour reconstruction and the resumption of accumulation.

The first five-year industrial plan (the Monnet plan), onset in 1947, put these resources to use by undertaking a massive reconstruction investment plan that targeted the recovery of key upstream activities in both the public (railways, electricity, gas) and the private (steel, iron, construction material) sector. Indeed, from 1947 to 1952 the share of capital investment in relation to total state expenditures remained, on average, at 30%, reaching even 40% in 1949, before retrenching back to 20% in 1956 once private investment began to rise (INSEE 1958: 201). Throughout the post-war era, state control and funding of nationalised upstream sectors was a key component of industrial modernisation since it alleviated the production costs of private capital by supplying it with under-priced products and services (Margairaz 1998: 42-43). Indeed, despite the inflationary context of the French economy, the prices of state-provided goods fell by 20% compared to the prices in the whole economy between 1959 and 1974 while energy prices alone fell by 30% (Loriaux 1999: 244).

While state control of certain sectors permitted the relief of capital's production costs, the lack of an institutionalised compromise between labour and capital rendered much more difficult the control of another component of production costs, namely wages.

Throughout the thirty glorious inflation is quasi-constant (Table 1) and traditionally higher than in its European counterparts (Zysman 1985: 154; Dirlam 1975: 103). While, external conjectural factors have played their contributing part in periodically intensifying inflation,<sup>15</sup> there was nevertheless, a deep-rooted and definite political element in the unfolding

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<sup>15</sup> Such factors were the increase of the price of primary materials between 1950 and 1952 following the Korean War, the hike in oil prices following the Suez crisis in 1956 and the bad harvest of the same year.

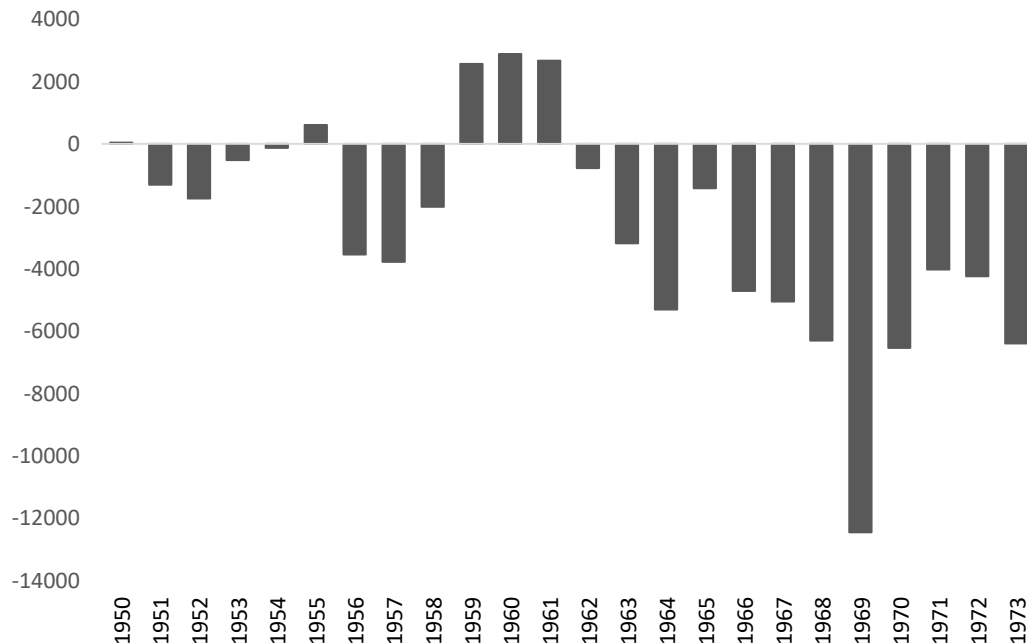
of inflationary tendencies in the French post-war economy. French inflation constituted the theatre of confrontation between different social groups trying to seize a greater part of domestically produced wealth (Parodi 1971: 74; Zysman 1983: 139). Arguably, rising inflation was even permitted by state managers who sought to avoid an overt social confrontation over the redistribution of national income (Parodi 1971: 74; Carré et al. 1973: 206; Dirlam 1975: 109; Zysman 1983: 139): wages grew to attenuate workers' grievances while firms restored their profitability by compensating increasing production costs with higher prices in the sphere of circulation. The fresh recollection of the 1947 insurrectionary strikes made governments reluctant to implement deflationary measures that would erode nominal wages by fear of triggering social upheaval (Betrand 1993: 113). Cohen (1989: 297) has described this settlement as an 'inflationary social compromise' whereby inflationary growth was politically allowed given the mutual refusal of the state, capital and labour to cooperate and assert control over wage and price formation. Ultimately, by allowing the effective redistribution of profits through circulation the inflationary compromise allowed 'the executive to pursue two contradictory purposes in growth and social order' (Zysman 1983: 144).

The historical foundations of the state's reluctance to curb inflationary growth stretch back to the early years of the reconstruction period and De Gaulle's first provisional government. By fear of social backlash, De Gaulle opted in 1944 for his Finance Minister's, Pleven, credit-based expansionist recovery program, rejecting Mendes-France's, the National Economy Minister, austerity program based on a generous price and wage freeze. Mendes-France's austerity program included a vast taxation of capital and wages as well as a freezing of bank accounts aimed at resisting inflation by reducing the money supply. However, Pleven's looser reflationary policy would be more welcomed by France's war-torn and fractured populace. De Gaulle's 'original sin' set the basis for the inflationary spiral that would characterise French economic growth throughout the Glorious Thirty

(Bertrand 1993: 55). Nonetheless, it should be noted that the post-war inflationary prone arrangement was not so much actively pursued as tolerated as the adverse side-effect of an impaired social dialogue. The national 'inflationary social compromise' was erected on the absence of compromise at the workplace level.

Furthermore, this inflationary settlement was tolerated as long as it did not significantly inhibit France's competitive position with its partners. In this case the dirigiste mechanisms of the state would take over with a set of macroeconomic policies aiming at containing inflation and restoring price parity with its advanced trade partners. An example of such emergency counter-inflationary measures was Pinay's 1952 plan. Following an important degradation in France's trade balance which went from practically neutral in 1950 to an average 1530 million francs in deficit between 1951 and 1952 (Figure 2), Prime Minister Pinay adopted an austerity program involving a price and wage freeze as well as severe budgetary restraint. In addition, within its deflationary ambitions, Pinay's plan imposed an indexation of wages to prices in order to shield the economy from a wage-push inflationary wave. The plan successfully halted the ongoing march of inflation until 1956 with the evolution in the retail prices' index ranging from -1.1% to 1.1% while it also achieved an equilibrium in the balance of trade even rendering it positive in 1955.

Figure 2: Balance of Trade in France from 1950 to 1973



Source : INSEE (various years) *Annuaire Statistique de la France*

However, without tackling the fundamental social sources of inflation, such plans were destined to be ill-fated and their deflationary effects were only temporary (Bertrand 1993: 112). Indeed, the wage concessions obtained within certain industrial sectors following the 1955 strikes of Saint-Nazaire's and Nantes' metalworkers as well as the left's return to power in 1956 which saw the implementation of a series of demand-enhancing policies, including increases in pensions, the minimum wage and social services provision, were enough to set the economy back on its inflationary course. The index of wholesale prices augmented by 11.5% from 1957 to 1958, while the balance of trade relapsed into deficit.

Similar limitations were encountered by the Pinay-Rueff plan in 1958-1959. With the demise of the IVth republic and after De Gaulle's return to power, the latter's government sought to strike a final blow to the inflationary spiral (Du Boff 1968: 102). In addition to a 17% devaluation of the Franc, the 1958 plan deployed an arsenal of liberal measures involving most notably the liberalisation of exchanges with the European Economic Community (EEC)



to force employers to align their prices with those of their foreign competitors (Lynch 2000: 133) as well as the suppression of any form of wages' indexation to prices. These measures were motivated by an attempt to flexibilise the process of wage formation, remodel existing labour relations and render them compatible with France's ongoing industrialisation (Fayolle and Zachman 1987: 119). While the plan managed to moderate the growth of inflation - the index of wholesale prices until 1962 at around 2.3%- and to achieve a surplus in the balance of trade between 1959 and 1961, it failed to place wage growth under control in the long term.

In 1962 and 1963 wage growth even outstripped productivity gains plunging the private sector into a profitability crisis. In the industrial sector, the hourly productivity of labour augmented by 6.7% and 4.8% in 1961-1962 and 1962-1963 accordingly while nominal hourly wage increases reached 8.5% during these same periods. These developments greatly affected French firms which experienced an acute fall in their profit shares. From 1960 to 1963 profit shares in the whole economy fell from 24% to 21.9% and from 23.9% to 19.8% in the manufacturing sector (Armstrong et al. 1984: 286). Thus, the lack of an institutionalised social dialogue and a regularised control of wage growth continued to haunt French industry.

In fact, it was largely acknowledged that a socially negotiated 'incomes policy' was indispensable for harnessing the cost-push pressure on prices (OECD 1964: 36). As prime Minister Pompidou (1964: 96) conceded:

If individuals' incomes, wages and profits, rise faster there can only be either an increase in prices or a decrease in firms' profit margins large enough to dry up investment... It is therefore desirable...to harmonise and to discipline the progress of wages, and not only of wages, but of the totality of individual incomes, including profits.

Indeed, the failure to discipline wages, and to restrain the urge of firms to increase their profits through prices hikes, would necessarily inhibit the

country's commercial performance with foreign partners. Pierre Massé, leading commissioner of the plan committee, stressed:

Only a conscious action at the level of income formation can permit the realisation of rapid and equilibrated expansion...in an outward-oriented economy whereby competitiveness is henceforth our law (quoted in Brochier 1964: fn870)

In the absence of strict price discipline firms were able to effectively transfer rising wage-costs on prices instead of improving their material infrastructures thereby delaying their catching-up with European producers.

The necessity to impose strict regulations on the evolution of incomes became all the more evident after the onset of the new cycle of labour struggles that begun with the miner's 1963 strike and put the French economy under additional stress. Initially, the persistence of inflation and trade imbalances forced the state to return to deflationary policies with Giscard d'Estaing's stabilisation plan in 1963 which re-imposed price controls until 1965. However, within the context of the new-found working-class militancy there was a concurrent realisation of the need to systematise the monitoring of wage growth rather than contingently respond to their erratic growth with deflationary plans (Bertrand 1993: 156).

To this end various steps were taken with limited effects. In 1964, in the public sector the application of the 'Procédure Toutée' allowed technocratic commissions to observe the evolution of wages and purchasing power in certain enterprises based on which the government would determine price increases for the following year. In the private sector, the state allowed a partial liberalisation of price-setting at the end of the 1963 stabilisation plan. The 1965 *contrats de stabilité* involved periodic consultations between industrialists and the government in order to negotiate the variation of certain products' prices. More importantly, the government compelled firms to align their wage levels in accordance with productivity gains since under these contracts, price increases could not account for wage increases but

only for the increasing cost of other inputs (Westphal 1968: 39-40). Similarly, the *contrats de programme* in 1966 allowed signatory firms to freely set their prices as long as they complied with the targets set by the fifth industrial plan over export prospects, productivity gains, and wage growth, while the government always retained the right to veto eventual price increases (Coffey 1973: 89).

Despite its efforts, price policy had ultimately little effect on the monitoring of wages given the existing absence of consensus between workers and management within firms themselves (Fayolle and Zachman 1987: 122). As Table 2 suggests throughout the period following the stabilisation plan, wage growth consistently exceeded productivity gains across sectors putting additional stress on firms' profitability and by extension their investment-capacity (Coffey 1973: 82).

*Table 2: Annual Growth of wages and productivity (1965-1972)*

	1965	1966	1967	1968	1969	1970	1971	1972
<b>Hourly wage growth (%)<sup>1</sup></b>	6	5.9	5.8	11.9	10.7	10.1	10.8	11.2
<b>Hourly labour productivity growth (%)<sup>2</sup></b>	4.4	5	4.3	7.5	3.5	4.9	5.4	6.3

Sources: (1) INSEE (1981) *Le mouvement économique en France 1949-1979*; (2) INSEE (1969, 1970, 1973a) *Rapport sur les comptes de la Nation*.

Eventually, the recurrent attempts to target and monitor wage growth failed to curb labour's grievances which culminated in the social explosion of May 1968. The month-long upheaval saw the participation of 10 million workers in strike movements and the loss of more than a hundred million days due to work stoppages. While the turmoil of 1968 was a global and multifaceted phenomenon that requires a more detailed examination than can be provided for here, in its French guise it demonstrated the limitations of the post-war settlement. The 'unregulated rule by the street' (Weber 1994: 125)

that characterised May-June 1968 illustrated the difficulties of a political system based on the exclusion of labour from every level of policy-making and of its authoritarian state bureaucracy in dealing with class conflict (Maclean 2002: 106-107). It equally manifested the obstacles in the pursuit of intense economic modernisation without institutionalising labour dissent by establishing regulatory mechanisms to negotiate workers' redistributive or otherwise workplace interests (Howell 2005: 66-67).

The revolt was halted with the signature of the Grenelle agreements between the representatives of all unions, the employers' association and the government and marked the beginning of important attempts to reform industrial relations. The agreements themselves included a 10% increase in wages, a 35% increase in the minimum wage and the pledge for a greater involvement of unions in industrial affairs which was actualised by the laws of the 27th of December 1968. These laws permitted the creation of the *Section Syndicale D'Entreprise*, that is sections run by an acknowledged trade union within firms that facilitate the transmission of labour grievances to employers, and the institutionalisation of the *Délégué Syndical*, an elected trade-union representative charged with the task of negotiating collective agreements with a firm's managers. Unlike the previously weak role reserved to the CEs, the trade unions' presence within firms was bolstered as a result of the 1968 social outburst (Bridgford 1989: 116). This was also manifest in the resurgence of collective bargaining with interprofessional agreements augmenting from 385 in 1968 to 885 in 1974 (Willard 1995: 54). The fear of the revolutionary *grand soir*, or the 'spectre of 1968' (Howell 2005: 111) was institutionally crystallised in the creation of multiple channels of expression for trade unions set to mitigate the legitimisation crisis that constantly hanged over the state since the May revolt (Levy 1999: 236). More importantly in the post-1968 era state elites and employers became more susceptible to workers' pressures for economic security and higher incomes as the 'psychological scars' of 1968 rendered

them increasingly 'risk-averse' and reluctant to deploy radical measures undermining labour interests (Levy 2008: 420).

However, with retail prices indexes' rising by an average 5.8% per year between 1969 and 1972 and wages growing at double the rate of productivity during the same period, the post-1968 arrangement bought social peace but reduced the effectiveness of containing inflation. Even further, Fayolle and Zachmann (1987: 122) argue that since 1968 government policy gave up attempts to control the inflationary cycle but instead acquiesced to it and restricted its policies to a conjectural management of its short-term effects. The inflation-inducing concessions of 1968 were made possible by the existence of accumulated foreign reserves that lessened their burden on the government's balance of payments (Mitchel 1972: 327). However, the secured and permanent presence of trade unions in wage negotiations revitalised wage-growth-led inflation at a time where France's economy became increasingly export-oriented and where the rapidly internationalising economic environment made France's price parity with its EEC partners an even more important indicator of competitiveness.

As the aforementioned contentions of Pompidou and Massé hint at, in times of increasing international competition -and eventually overproduction- France's industrial firms would be the primary candidates for a massive capital devaluation. The pressure of wages on profitability would lessen firms' capacity to increase investment for modernisation and hence decrease their competitive potential in world markets. Productivity gains were not rising fast enough to accommodate the increasing value of labour power. The 'rising cost of exploiting labour' (Bonefeld 1995: 44) prevented certain firms from producing at the socially necessary labour time as their profits dependent on inflationary redistribution as opposed to productivity breakthroughs. Clearly, the dirigiste state had failed to induce the desired discipline on wage growth and price formation.

## **FRANCE IN THE WORLD MARKET**

In the decade following the Monnet Plan, France's colonial market outlets held an important place in its external trade as they allowed the realisation of surpluses that relatively assuaged its trade deficit with the rest of the world. At the same time colonial trade disencitivated French industry from increasing its productive potential and instead perpetuated the domestic inflationary cycle. Since the colonies steadily became a handicap to industrial competitiveness, the state's effort to curb excess demand was backed up by a reorientation of France's trade relations towards the countries of the EEC by signing the Treaty of Rome in 1957. In an effort to manage the inflationary cycle, the state opted for an increased exposure of French manufactures to European imports in order to further deter domestic capital's propensity to raise its prices higher than its advanced counterparts. While, this strategy did, in effect, improve France's export performance within the common market, it ultimately failed to raise its competitiveness to levels comparable to other advanced industrial economies. The opening up to the European market was not enough to discipline domestic capital as the persistence of inflationary tendencies allowed the preservation of uncompetitive industrial units and delayed the rationalisation of the sector. Facing on the one hand a relative backwardness with regards to OECD industries and on the other a mounting pressure from newly industrialising countries, France met important difficulties in competitively inserting its industry in the world market. As the growth of international competitiveness exacerbated the overaccumulation tendencies of global capital, French industry became increasingly susceptible to a substantial devaluation of its industrial capital.

### *FROM THE COLONIES TO THE COMMON MARKET*

In the decade following Liberation, the state, facing the pressures of reconstruction and of an unfavourable commercial position, opted for a trade strategy of extended trade relations with the colonies. Indeed, in 1948 French exports could only cover 65% of imports. In energy and raw

materials this ratio stood at 19.6% and 57.3% respectively (INSEE 1990: 603), revealing France's great dependency upon the importation of the resources necessary for reconstruction. In this economic conjuncture, increasing openness with the advanced world would only exacerbate France's commercial deficit given the more productive nature of the US and European industries.<sup>16</sup> Protectionism and preferential trade relations with the colonies served as a means to alleviate the deficit in France's trade balance (Fitzgerald 1988: 377).<sup>17</sup>

The colonies held a privileged position as French industry's export outlets. Between 1949 and 1956 the Zone Franc absorbed on average 37% of France's total exports, double the value of the colonies' exports (INSEE 1958: 239; INSEE 1981: 177). Well into the first decade of the Trentes Glorieuses, France's pattern of trade with its empire was still 'a typical imperial one' whereby the metropolis exported manufactures and imported from the colonies the inputs necessary for their production (Kresl and Gallais, 2002: 86). In fact, most imports from the colonies consisted of agricultural products (e.g. vegetables/fruits, oleaginous products, coffee/tea/cocoa) and raw materials (rubber and textile raw materials) while exports to these territories consisted of finished or semi-finished products mainly from the metallurgical, textile and smelting industries. During the initial stages of reconstruction, expanded colonial trade even allowed a significant degree of self-sufficiency in industrial products as France managed to achieve on average a trade coverage of 147% in industrial products between 1949 and 1955 (INSEE 1981: 163). In fact, expanded

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<sup>16</sup> This was testified during the short-lived attempt to liberalise trade between countries of the Organisation for European Economic Cooperation and remove a number of quantitative barriers to imports between 1949-1951. The immediate deterioration of the country's balance of payments forced the government to undertake a turnaround in its trade policy and re-introduce trade barriers by 1952 (Lynch 1997: 110-116).

<sup>17</sup> The only exception to the protectionist rule was the exposure of coal and steel to European competition after the ratification of the Treaty of Paris in 1951 which founded the European Coal and Steel Community (ECSC). The pivotal role of these upstream sectors both for the reconstruction effort and the supply of a large range of consumer goods industries made it necessary to increase their productivity at a higher pace than other sectors and thus induce their modernisation through their exposure to intra-ECSC competition (Kresl and Gallais 2002: 88).

preferential trade with the Zone Franc compensated to an extent France's chronic deficit with advanced industrial countries (Woronoff 1998: 522).

However, the benefits of colonial trade came with their own contradictions as the insulated environment that colonial trade provided to French industry was also a barrier to its optimal modernisation. The fragile state of labour-capital relations at home and the inflationary environment that they gave birth to played an important role in shaping the extended trade partnership with the colonies since the latter provided a profitable and protected outlet for French commodities that were overpriced and uncompetitive in the world market (Fitzgerald 1988: 381). In a sense, the colonial path was politically and socially convenient for the state as it did not require drastic measures against wage growth as a prerequisite for the effective sale of French products. Within this context, the lack of competitive pressures exercised upon domestic industry (Kresl and Gallais 2002: 87) further exacerbated the inflationary tendencies of the domestic economy. The penalty for failing to curb inflationary excesses and bring prices in line with those of advanced competitors was a frequent recourse to currency devaluations – 8 between 1944 and 1958! – to compensate the lack of price competitiveness by artificially cheapening imports (Maclean 2002: 61).

Profit redistribution through inflation and intensive exchange with the non-industrialised colonies drastically reduced firms' incentives to invest in productivity-enhancing innovations (Fitzgerald 1988: 380-381). Colonial trade became problematic for France's industrial structures and its ability to effectively compete in the European market in light of the future prospects of joining the EEC. Given the tenuous competition faced by metropolitan France colonial trade did not contribute to the development of high-technology sectors and permitted the survival and reproduction of activities with a low value-added contribution to GDP (Marseille 1985: 135). This posed a significant barrier in raising French industry's technological potential to the level of its future competitors in the EEC. As De Gaulle himself later argued, the economic security that protectionism offered was



coupled with a definite mediocrity in terms of industrial performance (De Gaulle quoted in Bertrand 1993: 117).

Thus, towards the end of the IVth republic, Mollet's government opted for a progressive opening up of the economy towards its European partners by signing up the Treaty of Rome in 1957.<sup>18</sup> Indeed, by the mid-1950s French state elites realised that the colonies had ceased being an asset and turned into a strain on the metropolis' resources (Marseille 1985: 134; Fitzgerald 1988: 382-383). On the one hand, France risked losing its exports' privileged access to the Zone Franc as the latter would be accessed by other EEC members while at the same time bearing the burden of financially supporting the colonies alone. On the other, in a less protected environment, the colonies' negative trade performance with the rest of the world would only aggravate the Empire's total trade deficit (Fitzgerald 1988: 384).

Opening up to the EEC was a strategic manoeuvre to master inflation by disciplining domestic capital's pricing practices. Exposing the latter to the EEC's competitive pressures would in theory induce a more responsible behaviour on the part of firms which would restrain their urge to constantly increase prices and instead seek greater productivity gains (Bertrand 1993: 69, 101). By abandoning traditional protectionist instruments such as export subsidies and quotas, the state allowed the free flow of imports from the common market to automatically force a downwards readjustment of prices 'in case one sector or another should get out of kilter' (Pinay 1959: 596).

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<sup>18</sup> The decision to abandon the preferential trade partnership with the colonies and reorganise trade relations around the EEC was at first politically opposed by domestic producers and their representatives in the national employers' association (CNPF) who, anxious about the preponderant place taken by wages in their production costs, urged the adoption of policies aiming at the harmonisation of social policies, regarding wages, social contributions paid holidays and the length of the working-week at the EEC-level (Balassa 1979: 947-948; Balassa 1981: 208). French employers' initial reluctance to integrate the EEC was revealing of the existing competitive disparities between French and Western European industry.

The advent of Vth Republic in 1958 consolidated the state's new approach to intra-European trade and initiated the break up of protectionist temptations: international competition was not considered anymore as a 'constraint' but as an opportunity to galvanise domestic industrial production (Balassa 1979: 941-942). Early on, however, the weak price competitiveness of French exports led to the 1958 devaluation of the Franc. The 'overdevaluation' of the latter (Balassa 1979: 954) was devised to give domestic industry an ultimate push in order to temporarily enhance its competitiveness and grant it a period of transition before standing on its feet to face the European challenge (Fayolle and Zachman 1987: 120). At the heart of the Vth Republic's policy preference for internationalisation lies an attempt to depoliticise price policy by assuaging the burden that price and wage determination added to the state. Given the difficulty of the IVth Republic's government to master inflation, De Gaulle installed a permanent market-driven disciplinary mechanism over domestic capital since firm competitiveness was to be evaluated at a supranational level. Unlike the protectionist era, during which inflationary waves affected equally all firms and therefore, did not threaten their competitive position within the domestic market, the exposure of French products to European competition forced employers to bypass pressures for wage increases in order maintain their market shares in the European market.

Though prior to its accession to the common market France is considered to be one of the most protectionist European economy (Maclean 2002: 68; Lynch 1997: 110), the post-1957 era did not initiate a qualitatively different state-(world) market relation. Rather protectionism and colonial trade were different modes of France's integration in the international arena. Regardless of the content of its trade policies, 'the framework of the present-day national state...is itself in its turn economically within the framework of the world market' (Marx 1989: 90). In a sense, colonial trade and post-1957 trade openness were different strategies followed by the state to manage

the domestic class relation within a globally competitive system of exchange.

Ultimately, the liberalisation of exchange failed to achieve these objectives too. As it will be shown below, while this strategy allowed for an expansion of France's external commerce, French industry failed to catch up with its European rivals thus steadily building up its competitively vulnerable commercial position in the wake of the first oil shock.

### *THE FRAILTY OF FRENCH INDUSTRY*

The progressive opening up of the domestic market and the implementation of the EEC's import quotas restrictions, was accompanied by a reorientation of industrial policy and planning objectives. Admittedly, the first (1947-1952) and second (1954-1957) industrial plans largely aspired to domestically-oriented goals such as the reconstruction of the economy and the quantitative expansion of upstream and consumer goods industries. From the third plan (1958-1961) on, industrial planning became increasingly concerned with the country's competitive insertion in foreign markets (Green 1978: 62). Indeed, for the CGP it was necessary to reorient the goals of industrial policy towards rectifying the disequilibrium of France's external commerce that was caused by the persistence of an 'excess demand' at home (CGP 1959: 8).

Similarly, the fourth plan (1962-1965) did not prioritise the growth of specific industries as the previous ones but the increased productivity and 'price discipline' that was required to equilibrate the country's balance of payments (CGP 1962: 20, 45). The subsequent plans further consolidated the state's stance over the deeper integration of French capital in external markets. Indeed, the fifth (1966-1970) and sixth plans (1971-1975) adopted stricter evaluation criteria of French industry's competitiveness. Trade equilibrium and price parity between French and EEC products were monitored with the aid of *clignotants* or *indicateurs* which, based on certain economic indicators (e.g. prices, import penetration, growth of industrial production), measured

the comparative evolution of different French sectors. Any deviation of these indicators from the expected or tolerated disparities between France and its competitors could call for a correctional set of measures and a corresponding adaptation of macroeconomic policy (INSEE 1971).

To surmount the 'European Challenge' industrial policy under de Gaulle and Pompidou also favoured the adaptation of the French productive apparatus to competition by favouring the creation of national champions and adopting a policy of industrial concentration in both the public and private sector (Maclean 2002: 84). Throughout the fourth and fifth plans, an array of fiscal and tax incentives were proposed to firms willing to merge, such as the provision of cheap loans and tax exemptions, in order to promote the emergence of economies of scale and of large rationalised manufacturing groups. Indeed, public financial incentives were crucial in 'curbing firms' 'natural resistance to change' and in encouraging the 'artificial', state-backed, creation of mergers (Stoffaes 1989: 111, 123). During the 1960s and early 1970s this process resulted in some remarkable fusions that gave birth to national champions across key industrial sectors: in petrochemicals the fusion of three different companies (RAP, SNPA and BRP) gave birth to Elf-Aquitaine, the electronics industry in 1967 witnessed the merge of Thomson-Brandt and CSF creating Thomson-CSF, in the steel industry de Wendel merged with Sidélor in 1968, in construction materials Saint-Gobain fused with Pont-a-Mousson a year later, while in aluminium Pechiney absorbed the Etablissements Kuhlmann. Similarly, the state sought to enhance the technological specialisation of France by coordinating and participating in the execution of large investment projects in diverse high technology sectors such as aviation (Airbus), nuclear energy (Framatome) and spatial exploration (Ariane project). Overall, by 1975 18.8% of workers were employed in firms employing more than 200 employees and 35.6% in firms employing more than 500 workers (INSE 1990: 69). In the context of new competitive pressures, the renewed industrial activism of the state thus

sought to bridge the 'technology gap' between France and its trade partners (Aujac 1986: 14).

However, despite the execution of state-engineered grand programs, the state progressively found it hard to sustain the competitiveness of manufacturing as evidenced by the uneven development of industrial structures. Indeed, the inflationary configuration of labour-capital relations affected domestic industry on yet another level. Through its control over credit allocation mechanisms, the post-war state allowed the expansion of the money supply by easing firms' access to credit. This allowed industrial policy to target the development of key modern companies as well as to diffuse social contestation by preserving more traditional industries that were less able to resist market pressures (Zysman 1983: 134-144). Firms' recourse to credit was even accentuated after 1968 when money supply grew to accommodate the increasing cost of wages and social contributions (Patat and Lutfala 1990: 202). Amply available cheap credit offered protection to vulnerable and uncompetitive firms thereby significantly retarding the rationalisation of industry and the overall transition to a highly modernised economy (Lange, Ross and Vannicelli 1982: 38; Loriaux 1991: 177). French industry became characterised by an important degree of uneven development or dualism as both laggard (e.g. textiles) and modernised sectors (e.g. cars) coexisted side by side (Lieberman 1977: 193; Berger 1980). Lifting protectionist barriers was not enough to induce the desired price discipline and full modernisation of domestic capital as the domestic inflationary environment allowed the factitious survival of firms that would not be able to repay their debts in times of crisis and heightened international competition (Patat and Lutfala 1990: 174, 206).

The difficulties in developing a highly competitive industry were reflected in the evolution of France's export structure since 1957. Indeed, the results of France's trade performance in the Vth Republic are mitigated. On the one hand, the value of French manufacturing exports, in constant prices augmented by more than 305% from 1959 to 1974 (INSEE 1981: 178).

France's export performance even allowed to raise her in the fourth rank of the world's top exporters in 1973. At the same time, however the country was subject to greater import penetration. This was especially the case in manufactures as the foreign trade coverage ratio was constantly falling during the Vth Republic and was quasi-halved from 204% in 1959 to 107% in 1974 (Table 3). In addition, France's remarkable export performance obscure the fact that its industrial products had not reached the competitiveness levels of other advanced industrial countries. In fact, its performance with the latter significantly deteriorated over the years. For instance, while until 1962 France still held a trade surplus vis-a-vis the countries of the EEC, thereafter she witnessed a constant trade deficit which began to worryingly grow after 1966, the year that marked the full liberalisation of exchanges with the EEC (Figure 3). Even further, as Table 4 suggests, during the early 1970s France found itself consistently in deficit with regards to both the EEC and the rest of the OECD revealing its persistent competitiveness gap with the advanced capitalist world.

In fact, just like during the era of colonial trade France's export performance owed much to its trade with less developed countries (Boyer 1987: 43). Indeed, it is only with developing countries (except for oil-exporting ones) that France was able to achieve a commercial surplus (Table 4). As Boyer (1998: 13) observes, the pattern of French trade consisted in the importation of sophisticated industrial material from OECD countries and the exportation of similar products to less developed countries where the competitiveness criteria were less strict than in the OECD area and thus constituted an adequate market outlet for French manufactures. Just like during the era prior to the integration of the common market, France heavily relied on the markets of developing economies to avoid a further degradation of its trade balance.

This trade pattern revealed an even more fundamental disequilibrium in terms of the technological content of French manufactures. Except for a few categories of products (e.g. automobiles, aviation, armament, nuclear

energy) where France held a definite advantage, most of its exports consisted of medium-technology products as opposed to the high-technology manufactures of countries like Germany (Bellon and Chevalier 1983: 25, 40). In fact, rather than effectively achieving the level of advanced industrialised countries, France was ‘an intermediate country with respect both to sales by product and to sales by country’ (Soulage 1985: 169). France found itself in a deadlock as on the one hand she had failed to achieve the industrial maturity of certain of its OECD partners while on the other, newly industrialising countries were threatening the market shares of its technologically less advanced industries such as textiles (Stoffaes 1978: 195, 225, 235-6). On both, fronts French industries found themselves in vulnerable position.

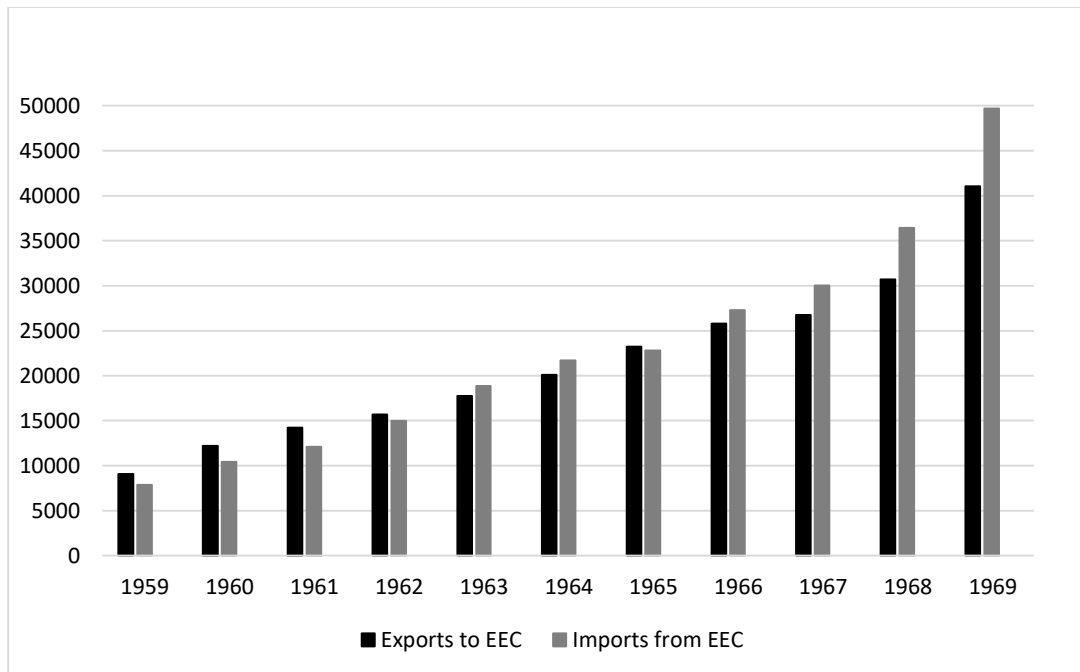
*Table 3: Trade Coverage in Industrial Products (1959-1974)*

	<b>1959</b>	<b>1960</b>	<b>1961</b>	<b>1962</b>	<b>1963</b>	<b>1964</b>	<b>1965</b>	<b>1966</b>
<b><i>Exports/Imports (%)</i></b>	204	184	168	149	134	122	131	117
	<b>1967</b>	<b>1968</b>	<b>1969</b>	<b>1970</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>
<b><i>Exports/Imports (%)</i></b>	116	109	98	109	111	107	107	107

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Sources: INSEE (1981) *Le mouvement économique en France 1949-1979*, p.165.

*Figure 3: France's trade with the EEC (1959-1969) in million current Francs*



Sources: INSEE (1981) *Le mouvement économique en France 1949-1979*.

The weak competitiveness of French industry increasingly questioned the commercial viability of many firms as growing competition ignited the threat of devaluation. Indeed, the failure to curb inflation in a regular manner during the IVth and Vth Republics meant that industries where wage held a preponderant part in production costs -especially in the traditional sector in which small, labour-intensive firms operated (Howell 2005: 108)- would find it difficult to profitably sell in the domestic or European market. Such was the case of the (state-owned) coal industry where in 1960 the Minister of Industry, Jean-Marcel Jeanneney, organised the shutting down of various mines, mainly located in the Centre-Midi region, whose weak productive potential could not compensate the drain on the state budget. Indeed, in light of the competition incurred by the rise of alternative energy sources, and the relatively high cost of labour (wages absorbed 65% of the price cost of coal), Jeanneney decided to cut down excess capacities and centre national coal production on the most efficient sites. In this vein, the increasing wages of the minors could be compensated by a more efficient



production instead of having recourse to the arguably more socially costly strategy of reversing wage trends (Kocher-Marboeuf, 2003: Ch.2). Jeanneney's plan constituted an early case of selective disengagement and demonstrates how the accumulation and legitimation imperatives weighing upon the state can shape the implementation of such a strategy.

*Table 4: France's balance of trade with OECD and non-OECD countries (in current millions Francs)*

	<b>1970</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>
<b>OECD countries</b>	-6,941	-4,985	-2,297	-3,923	-6,668
<b>Non-OECD countries<sup>1</sup></b>	3,234	6,445	4,901	6,451	4,868

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(1) Excluding OPEC countries

Sources: INSEE, *Annuaire rétrospectif de la France 1948-1988*, p.605.

Overall, the failure to achieve a competitiveness level comparable to those of other OECD countries was a result of the inflationary cycle perpetuated by the crisis-ridden state of industrial relations. The compromise achieved in Grenelle after the events of May 1968 further exacerbated the competitive weakness of French industry and its price disparities with its advanced commercial partners. Indeed, the form of regulation of the labour market and wages had lost its 'disciplinary power' (Howell 2005: 119). The institutionalisation of the dissenting power of labour after 1968 allowed wages to grow independently of the economic conjuncture (Stoffaes 1978: 210) forcing the state to adopt measures that artificially enhanced the competitiveness of manufactures such as the 1969 devaluation of the Franc. The post-1968 labour settlement further delayed the competitive adaptation of domestic capital and greatly penalised it in the wake of the 1973 oil shock. As Howell (2005: 129) observes 'alone among OECD countries, the costs of the oil shock did not fall first on labour but on capital (through rigid wages and increased social security contributions)'.

While the inflationary social compromise was relatively benign as long as France held a protectionist stance, it became an ineludible burden once it opened its markets (Boyer 1998: 15). Equally, the consequences of the inflationary growth of credit on industrial competitiveness was delayed by the Bretton Woods system of fixed but adjustable exchange rates which allowed for periodic devaluations without risking speculative attacks on the currency (Loriaux 1991). The post-war inflationary compromise guaranteed firms' profitability, their easy access to credit and by extension the increasing expansion of industrial capacities. At the same time, the quantitative growth of French productive capacities and exports masked its insufficient efforts to reach the competitiveness levels of most OECD countries and in fact led to the creation of substantial overcapacities that could hardly survive cutthroat international competition (Stoffaes 1989: 122). In a sense, the state's support to exports through currency devaluations, the reluctance to curb inflation and recurrent public financial assistance temporarily extended the survival of financially unsolvable firms. Both before and after EEC accession the maintenance of competitiveness and price parity depended on the adoption of ad hoc correctional measures such as currency devaluations (Levy 2005: 105; Clift 2016: 518). As Hancké (2002: 18) writes: 'the state relied on competitive devaluations as a substitute for a weak and fragmented labour movement that could provide neither rank-and-file discipline nor wage restraint'. Indeed, the general political management of post-war growth merely 'served to delay considerably the adjustment process and the reduction of uncompetitive overcapacities' in various sectors (Stoffaes 1989: 123).

As such, in the 1970s' context of persistent domestic inflation and rising global competition the threat of capital devaluation became increasingly palpable for French firms. In this way, the bases for a generalisation of selective disengagement strategies, such as the one implemented in the coal sector in 1960, to alleviate the erratic spread of devaluation and concentrate it on the most uncompetitive industrial units were set.

## CONCLUSION

As this chapter has argued, the competitively vulnerable position in which French industry found itself in the 1970s can be attributed to the persistent tension between the modernising needs of domestic industry and the redistributive interests of labour. This tension gave rise to an inflationary economy in which workers' wildcat struggles for higher wages were compensated by higher commodity prices which in turn undermined industry's competitiveness in world markets. Until 1968, the dirigiste state attempted to rectify the shortcomings of French capitalism by excluding labour interests from institutional apparatuses, ensuring the transfer of resources to heavy industry and enacting sporadic deflationary plans. However, by failing to address the foundational sources of inflation, dirigisme was unable to monitor the erratic growth of wages and prices. Instead, after the May revolt, the mounting dissenting power of labour was tackled through new legislation that bolstered its bargaining power in the workplace and further fuelled inflationary tendencies. Ultimately, the modernisation and competitiveness of domestic industry was supported artificially, through cheap credit, currency devaluations and the realisation of profits through inflation. Even the efforts to discipline price formation through the exposure of domestic industry to the Common Market did not manage to raise French industry's competitiveness to levels similar to its OECD competitors (except in certain high-technology branches). The weak ability to effectively compete on OECD markets and the growing competition faced by developing countries was the double-edged plight endured by French industry once the 1973 crisis began.

While as the previous chapter argued the industrial crisis that formally began with the 1973 oil shock ought to be understood as the concrete unfolding of capital's global overaccumulation tendencies, the particular form in which this global crisis manifested itself in France can be traced back to its post-war pattern of development and the instability of its crisis-ridden industrial relations system. The building up of the French industrial crisis, in

fact manifested the wider contradiction between the political management of the class relation at home and the imperatives of global competition. More precisely, the limits of the dirigiste management of post-war capital led to two important developments: the institutionalisation of labour's dissenting power after May 1968 and the creation of substantial industrial overcapacities. The increasing difficulty to resist labour pressures and the need for a sweeping rationalisation of industry constituted the two ends of the tightrope on which post-1974 governments had to walk.

As growing competition exacerbated capital's global overaccumulation tendencies, French industries figured as prime candidates for devaluation given their weak competitiveness. To avoid an unchecked devaluation of French manufacturing capital, the formulation of selective disengagement strategies became necessary. Well into the 1970s, the state found itself in the position of having to orient the devaluation of capital towards the least competitive and commercially least essential activities just like Jeanneney's plan in the early 1960s. The three next chapters will demonstrate the concrete ways through which such strategies were formulated and implemented in the textiles & clothing, steel and automobile industries.

## **CHAPTER 4**

# **TEXTILES & CLOTHING: FROM THE BACKBURNER TO THE MARKET**

### **INTRODUCTION**

The previous chapter argued that French industry found itself in a competitively weak position by the early 1970s due to the inflationary tendencies of the economy which allowed for the redistribution of profits through price hikes rather than the productivity breakthroughs necessary to offset the rising cost of labour. The inflationary settlement reached its limits around the time of the first oil shock which revealed the deadlock in which French industry was caught. Its technological discrepancies vis-à-vis OECD countries and the mounting competition from NICs put severe pressures on its capacity to profitably sell in domestic and world markets. The T&C industry's weak competitiveness on both fronts threatened the sector with extended devaluation. In a sense, the T&C industry was one of the first 'victims' of France's inflationary social compromise given its sensibility on wage costs. In order to prevent an anarchic devaluation of the sector's capital the French state stepped in in order to formulate strategies for a selective devaluation of T&C capital or a selective disengagement from the sector's activities.

This chapter proposes an archival examination of the French state's management of the sector's deindustrialisation between 1974 and 1984. The analysis of the archive-based evidence shows that in response to a global crisis of overproduction that put France in particularly vulnerable position in the international T&C market, the consecutive governments in office during that decade were consistently inclined towards a selective

devaluation of the sector's activities in order to offset the growing trade deficit and foster domestic production around certain key industrial units within the sector. Selective devaluation was, thus, the strategy through which the privileged beneficiaries of industrial assistance and the excluded production units were designated. This strategy was certainly not uniform nor without its contradictions as the devaluation process within the sector created an array of unemployed and partially-employed workers and led to the economic decline of formerly T&C-dependent regions. In fact, this strategy entailed an increased politicisation of the sector's situation as both towards the end of Giscard d'Estaing's presidency and at the beginning of Mitterrand's the state assumed the responsibility of the sector's recovery from the crisis. Fearing a grassroots or electoral backlash, the consecutive state managers had to increasingly take into account the 'collateral damage' of deindustrialisation and devise intervention methods that could allow them to maintain a degree of legitimacy in the eyes of the electoral body and incorporate such concerns within their 'targeted deindustrialisation' strategy. Thus, the main argument advanced here is that while deindustrialisation, as in the massive devaluation of industrial assets, was to some extent an inevitable outcome of the crisis of the 1970s, the *form* that it took in practice was largely due to deliberately devised statecraft strategies.

The chapter begins by drawing the particular traits of the French T&C sector's post-war development that, ultimately, contributed to its acute crisis during the 1970s and 1980s. While the T&C crisis was global, French producers experienced it in a particularly harsh way as a result of operating for decades within the context of a protected domestic market, a privileged access to colonial market outlets and a lack of incentives to modernise. French T&C had failed to technologically catch up its advanced partners and was unable to compete with NIC articles in wage terms. Next, the sector's historical experience is divided into three distinct periods which highlight the governments' broader dilemma between the pursuit of political

legitimacy and industrial rationalisation. From 1974 to 1978, the state relegated the financial responsibility for restructuring to an inter-professional body consisting principally of the representatives from the sector's industrialists and funded by a parafiscal levy perceived on the industry's revenues. The limited resources held by this committee was the principal way through which selectivity in aids attribution operated. The early 1980s witnessed a sudden change of attitude from the part of the government and an increased politicisation of the sector's restructuring. In the wake of the coming elections the government declared T&C as a key industrial priority. In fact, the Mol discreetly devised a policy of industrial targeting aiming at identifying the key clusters of the sector to which industrial aids should be channelled in priority. Following Mitterrand's election, the socialist T&C strategy essentially consisted in temporarily slowing down the deindustrialisation strategy through a comparatively open and indiscriminating system of deduction in firms' social contributions destined to a significant part of the sector's firms. This strategy served as a means to temporarily slow down downsizing and palliate the labour market crisis before adopting a stricter stance and allow market competition to become the primary determinant of the devaluation process.

### **A FORESEEABLE CRISIS**

If following Ponteil's (1971: 368-372) remark the French post-war industrial class was marked by its aversion to modernisation and its contentment for growth within the context of a protected domestic market, then the T&C sector's industrialists embodied the archetypal adherents to this pattern of industrial strategy. The sector's industrial structures were dominated by traditional, small and often family-owned firms alongside few internationally-oriented large companies (Underhill 1990: 194). Its uneven structure quadrated with the sector's 'archaic' character, its antiquated managerial methods and its reluctance to expose itself to the international market (Benzoni 1983: 106-107). In addition, the privileged access of French firms to colonial markets, the relative insulation of the domestic market from

imports as well as recurrent public subsidies were, according to Mytelka (1982), the main factors behind the textile's industry's weak incentives to accelerate its modernisation (Mytelka 1982: 130-136). It follows, that the post-war trajectory of the textile-clothing sector in France has been marked by its slow pace of modernisation and its persistent crisis-prone tendencies (Underhil 1988: 496).

Within the context of the state-backed strategy of industrial concentration of the IVth and Vth industrial plans, the T&C sector was one of the last sectors to undergo such a process. To enliven the potential in the sector the state encouraged the reorganisation of its industrial structures and pushed for the creation of economies of scale. To this aim, in 1966, the *Comité Interprofessionnel de Renovation des Structure Industriels et Commerciales de L'Industrie Textile* (CIRIT), an agency financed through a parafiscal levy set at 0.44% of the revenues of textile industries, was founded with the aim of providing grants to firms willing to merge or absorb smaller ones. The composition of the CIRIT consisted of eleven members appointed by the Ministry of Industry (Mol) and the Ministry of the Economy (MoE), six of which were employers of the textile sector, one from the clothing industry while the rest were representatives of (para-)public financial institutions such as the IDI, the Crédit National and the Caisse Nationale des Marchés de l'Etat.

Despite the efforts to induce concentration within the textile industry, the sector retained its dualistic and uneven nature. The generally protectionist environment permitted the 'artificial' survival of smaller firms competing with textile giants such as Dollfus-Mieg et Compagnie or Bousac. While the number of textile firms with more than 5 employees was halved from 1958 to 1969 bringing their number down to 4,300, firms with more than 500 employees merely represented 3.5% of total firms (INSEE 1972: 151; INSEE 1973b: 147). In contrast firms with fewer than 20 employees represented almost half of total firms (INSEE 1973b: 148). The disparate state of industrial structures was even more pronounced in clothing where



only 1.9% of firms employed more than 500 employees while most firms (73.2%) employed less than 50 (INSEE 1973b: 158). Due to the structure of the French T&C industry the sector was inclined towards a persistent state of overproduction. Mytelka (1982: 140) describes the situation in textiles as follows:

As the process of concentration proceeded during the 1960s, the very existence of a large number of less modernised firms, their ability to 'dump' textiles onto the domestic market, and the mounting pressure from international competition brought a downward pressure upon profits.

The gradual increase of developing T&C imports in the 1970s, although monitored by the consecutive Multi-Fiber Arrangements (MFA), brought to the fore in a radical manner the chronic excess production capacity of the French T&C sector.

In the 1970s the French T&C sector experienced the general crisis of overproduction in the form of a continuous degradation of its export-import ratio (Table 5) and a global stagnation of demand for T&C products (Table 6). Jointly, these processes put severe competitive pressures upon its capacity to secure its world market shares as the sector's export-import ratio worsened with regards to both France's EEC partners and developing countries. Between 1973 and 1976 for intra-EEC trade this ratio fell from 116% to 90% while it fell from 213% to 86.2% for trade with developing countries.<sup>19</sup> T&C manufactures faced the same predicament as the rest of France's industry, described in the previous chapter: they became caught up between the competitive pressures of the cheaper products of newly industrialised countries (NIC) and their own technological backwardness vis-à-vis their more advanced partners. More precisely, the textile industries of countries like Germany and Italy had managed to broaden their product range and upgrade the technological level of their production processes

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<sup>19</sup> AN 19840416/34, Dossier du Ministère de l'Industrie, 5 November 1980.

while South-East Asian textiles had taken advantage of their lower labour costs (Stoffaes 1978: 81-87).

Overall, the French trade balance in T&C manufactures fell from 3,250 million francs in 1973 to 191 million francs in 1976, and by 1979 it plunged down to a -1,600 million Francs deficit. The weakening of France's trade performance in T&C articles was a manifestation of , not only, a continual flooding of foreign imports but also a, comparatively, slower progression of French exports. Indeed, while the value of imports augmented by 202% from 1973 to 1980, the total value of exports augmented only by 93%.<sup>20</sup> Lacking the low-wage advantage of newly industrialised areas and the modernisation levels of advanced ones, French T&C articles lost their capacity to effectively compete in domestic and foreign markets.

*Table 5: France's trade in T&C*

	<b>1973</b>	<b>1976</b>	<b>1979</b>
<b><i>Balance of Trade (in current millions Franc)</i></b>	3277	191	-1604
<b><i>Coverage Ratio (Exports/Imports)</i></b>	137%	101%	93%

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Source: INSEE, *Annuaire Statistique de La France*, various years.

The net degradation of French export competitiveness was aggravated by the evolutions in global demand as the post-1974 period was marked by a radical 'rupture' of consumption patterns in T&C products (Mytelka 1987) and the transition towards a state of slow demand growth. Indeed, in the industrialised world, consumer expenditure on clothing followed a similar trend to expenditures for all other products and fell from an annual average growth rate in volume of 4.5% during 1963-1973 to 2.5% in 1973-1983 (Table 6). The slump was even more pronounced in the EEC, the largest

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<sup>20</sup> AN 19890448/13, Soutien à la Productique, 27 January 1983

market for French exports, with the growth of expenditure falling from 4% in 1963-1973 to 1% in 1973-1983.

The slow pace of demand growth was significant in so far as it signalled that increasing production could not be fully absorbed by the market, 'thereby, increasing the difficulty of making room for new producers' (GATT 1984: 5). In other words, the increasing competition of late industrialisers which added up to the already competitive trade relations between developed countries revealed an excessive presence of capital within the global T&C sector. The overabundance of T&C producers created a hostile environment for French exports. As a result, the share of French products in the EEC market dropped significantly. Between 1973 and 1978 the share of French clothing dropped from 11.4% to 7.8%, while for textiles it dropped from 11.4% to 10% during the same years (GATT 1984: 49). Thus, the relative saturation of demand for T&C products, while a crucial factor was not the cause of the crisis in itself. In fact, the crisis of the global T&C sector must be viewed within the inherent tendency of capital to produce limitlessly and independently of the market's consuming capacity.

*Table 6: Annual growth of total consumer expenditure and expenditure on clothing in the EEC and the Industrialised World*

	<b>Industrialised World<sup>1</sup></b>		<b>EEC</b>	
	<i>Total</i>	<i>Clothing</i>	<i>Total</i>	<i>Clothing</i>
<b>1963-1973</b>	5%	4.5%	4.5%	4%
<b>1973-1983</b>	2.5%	2.5%	2%	1%

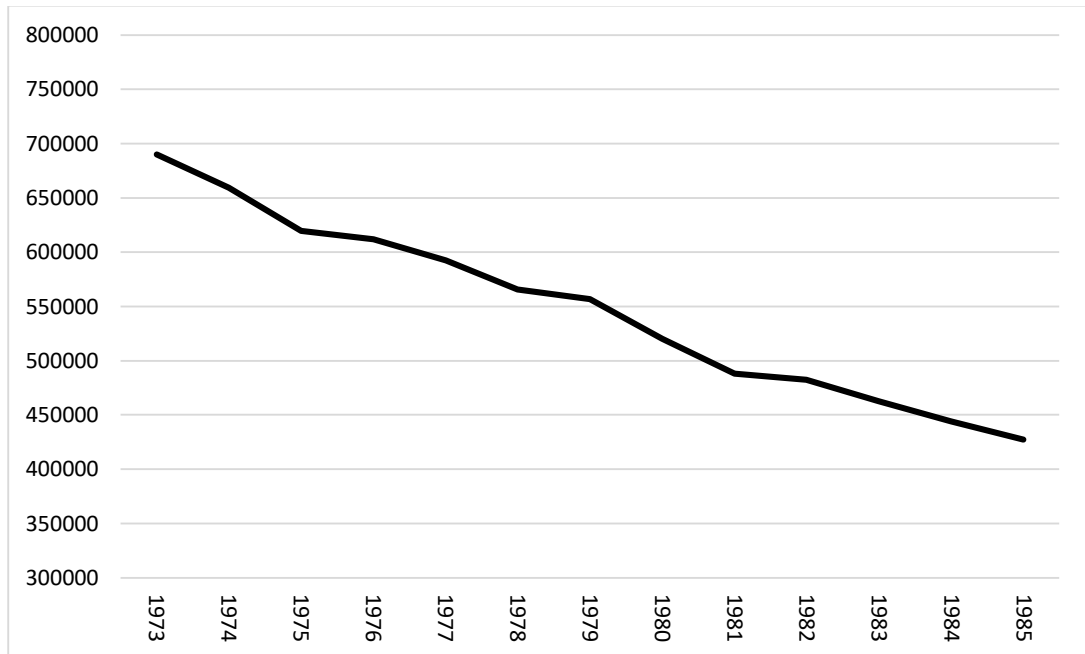
(1) The industrialised world includes: the United states, Canada, the EEC, Austria, Finland, Norway, Sweden and Switzerland.

Source: GATT (1984) *Textiles and Clothing in the World Economy*.

At the domestic level, the competitive struggle over the conquest of the T&C market had dramatic consequences on the sector's employment and financial structures. Indeed, the combined pressures of a stagnant market and increased competition reduced the profit margins of French producers

with profitability falling from 7.5% in 1973 to around 5% in the late 1970s, after a marked fall to 1.5% in 1975 (Poncelet 1981: 254). The decrease in the rate of return put severe pressures upon firm's financial structures. Debt-to-equity ratio for 25% of T&C firms was around 110% in 1978, while in average the ratio augmented from 32% in 1972 to 66% in 1979, even reaching 72% in 1978 (Poncelet 1981: 254). This is not extraordinarily high compared to for instance the steel sector's indebtedness levels at the time (see Chapter 5), however it meant that firms' operations became increasingly financed by debt at a time when returns were falling thereby increasing the risk of bankruptcy within the sector. Indeed, firms' capacity to settle their debts was slowing down as the share of internal cash flows to value added decreased from an average 19% between 1973 and 1974 to a modest 9.35% during the last two years of the 1970s (Poncelet 1981: 256). Limited profit prospects and shrinking financial resources led to a drastic 40% fall of investment between 1973 and 1978 (Poncelet 1981: 256). Falling investment rates further aggravated the competitive potential of the sector as in its majority it was already burdened with obsolete equipment dating from before the 1950s (Stoffaes 1978: 87). By not investing in new machinery, the sector was failing to circumvent the cost-advantage of NICs and imitate the technological advances of its developed counterparts. The repercussions on the sector's employment were heavy since from 1973 to 1979 jobs were shed at a rate of 27,000 per year leading to the disappearance of almost 25% of its initial workforce (Figure 4).

Figure 4: Employment in the T&C industry



Source: INSEE, *Annuaire Statistique de la France*, various years.

In retrospective, the crisis experienced by the T&C sector was heavy in consequences but not unforeseeable. The inclination towards overproduction was an inherent attribute of the sector stemming from its uneven development and the profoundly dualistic nature of its industrial structures. In the 1970s, the flooding of foreign imports exacerbated the crisis-breeding tendencies already present domestically, accelerating the degradation of France's trade performance. In fact, it is the mediocre progresses in modernisation and insufficient internationalisation efforts made by most of the sector that put French firms in a particularly vulnerable position within the spiral of overproduction in the global T&C industry leaving behind an array of empty factories and unemployed workers. Manifestly, a radical rationalisation of the sector was needed to eliminate the superfluous industrial capital weighing on the sector's performance.

The remainder of this chapter will outline the main ways through which the governments in power sought to implement a selective disengagement strategy in order to rationalise the sector and foster production around the

strategically most crucial T&C units. The different selective disengagement strategies followed throughout the decade are summarised in Table 7.

Table 7: Selective disengagement strategies between 1974 and 1984:

	1974-1979	1980-1981	1981-1983	1984-
<b>Government in office</b>	First, Second and Third Barre government under the presidency of Valéry Giscard d'Estaing.	Third Raymond Barre government under the presidency of Valéry Giscard d'Estaing.	First, Second and Third Mauroy government under the presidency of François Mitterrand.	Fabius government under the presidency of François Mitterrand.
<b>Industrial strategy</b>	The textile industry is endowed with a limited amount of funds which forces the institution in charge of financially assisting firms to be sparing in its allocation of funds and prioritise the most productive ones.	Specific clusters within the sector are strategically selected and prioritised in the distribution of industrial subsidies while other clusters are allowed to decline in terms of commercial performance.	A relatively open system of reductions in firms' social charges is instituted. The best performing firms are still prioritised, but a large amount of the sector's firms is also able to benefit from this scheme.	Uncompetitive firms are eliminated by way of exposure to market competition while the commercially best performing ones benefit from export promotion initiatives.
<b>Principal implementing institution</b>	CIRIT, later CIRITH (Interprofessional committee regrouping representatives from the profession and from public financial institutions).	CODIS (public institution charged with channelling funds to the most strategic industrial sectors).	CEI (contracts whereby firms eligible for a reduction in their social contributions commit to achieving specific investment and employment targets).	- market competition - CDPTH (CIRITH's successor). This professional committee is responsible among others for promoting French exports into foreign markets).

## SEEKING 'PROFESSIONAL' HELP

Throughout, the 1970s, the CIRIT remained the main organ through which aids were provided to the T&C sector to confront the grave crisis it was undergoing. This was a result of the limited support that the sector received from other established channels of industrial aids distribution (Poncelet 1981: 305-315). By primarily relying on the CIRIT for the industry's restructuring, Barre's government was able to shift the financial weight of assistance to the profession itself while the general scarcity of resources imposed on the sector allowed the government to induce a prioritisation of the most competitive firms as the CIRIT was forced to be sparing and selective in its attribution of aids.

As mentioned earlier, in the 1960s, the effort to restructure the textile sector through the CIRIT was centred around a policy of industrial concentration. This strategy was by its nature very selective as it entailed the promotion of large conglomerates and the exclusion of marginal firms 'unable to contemplate mergers or takeovers' from state assistance (Underhill 1988: 499). At the same time, the Committee assisted smaller, marginal, firms in their liquidation by providing funds for the compensation of the laid off personnel. In a sense the action of the CIRIT endorsed the conduction of an orderly devaluation of uncompetitive textile capital and the simultaneous promotion of bigger firms capable of facing the threat of foreign competition.

Similarly, in the early 1970s the initial handling of intervention procedures by the CIRIT was based on equally restrictive criteria. From the 1st of July 1971 to the 30th of June 1974, the CIRIT obtained government authorisation to implement a program of assistance to modernisation. This assistance was directed towards investments that were deemed 'exceptional'; aids were granted insofar as the investments in question were significantly higher than the average volume of investment within the sector. The 'period of so-called exceptional modernisation'<sup>21</sup> was a strategy that de facto

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<sup>21</sup> AN 19830427/24, CIRIT Meeting, 14 January 1977.



excluded smaller or family-owned concerns from monetary help given that the plan already presupposed the financial capacity of firms to undertake large enough investments to modernise their productive structures. Selective disengagement was carried out by discriminating against smaller and uncompetitive firms in the provision of financial assistance. The end of the program coincided with the climax of the sector's crisis and the acknowledgement of the increasingly threatening spectre of unemployment by business and government cycles.

The importance of T&C employment for the stability of France's social tissue rested not only on the fact that it occupied a considerable share of the country's manufacturing jobs but also on its regional concentration. Indeed, in 1973 textiles occupied 390,000 and the clothing 300,000 wage earners, absorbing together, 11.5% of total manufacturing workers. Furthermore, these jobs tended to play a significant role in the employment structures of the Northern and North-Eastern regions of France: in the North, 31% of the manufacturing workforce of the Nord region was employed in the T&C sector while this number stood at 18% for the North-Eastern Region of Lorraine (INSEE 1975b: 57-58).

In addition, even though the structure of the T&C sector based on the overwhelming presence of small firms acted as a natural barrier to the unionisation of labour (Berger 1980: 101), the social turmoil at the Lip watch plant in 1973 had shown that even so-called traditional sectors were not immune to social implosions (Zukin 1985: 357). At Lip, the plans of management to cease certain activities of the Besancon plant and layoff around 500 workers were met by a wildcat strike and an occupation of the plant along with massive regional support for the workers. Regional mobilisation constituted an important bastion against industrial restructuring and employment decline. The 'Affaire Lip' invigorated the necessity of containing and pacifying social conflicts. Necessarily, industrial policy had to also manage cases where the economic stakes were limited but where the social repercussions were higher (Cohen 1989: 270).

A strike at the Bouly tights and stockings plant in the city of Fourmies in the North occurring only weeks after the onset of the Lip strike, spread fears over the creation of a 'new Lip' (L'Unité 21 March 1974). The CIRIT and the Mol had renounced to provide financial assistance to the firm forcing it to bankruptcy as they deemed it economically inefficient.<sup>22</sup> In order to mitigate the tense social climate local authorities and the professional association of the hosiery industry went to the rescue of part of the 500 laid off workers by assisting them in professional reconversion programs. The limited assistance received by governmental authorities in the Bouly case raised the alarm about the intransigency of intervention procedures in the sector and the regional implosions that such a stance could inadvertently engender.

In a project submitted to the CIRIT in February 1974, the Union des Industries Textile (UIT), the employer's association of the textile industry, was forced to admit that current procedures were ill-equipped to deal with cases 'where operating difficulties experienced by firms run the risk of leading to the disappearance of jobs under conditions that are dangerous from a social perspective'.<sup>23</sup> Indeed, the UIT observed that during the Bouly case the CIRIT's lack of responsiveness became manifest and noted the incompatibility of its belated interventions with the rapid mediation required in contexts of growing social tensions.<sup>24</sup> To remedy this situation, the UIT's project stressed the necessity to institutionalise a preventive mechanism capable of automatically inciting emergency measures to prevent the escalation of conflict in situations where the financial decline of firms could significantly increase unemployment. The members of CIRIT shared similar concerns regarding the lessons drawn from the Bouly affair and reinstated the necessity to deploy a set of social measures on a case by case basis to

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<sup>22</sup> Assemblée Nationale, 2<sup>e</sup> séance du Vendredi 7 Décembre 1973.

<sup>23</sup> AN 19830427/24, Projet soumis au CIRIT, 15 February 1974.

<sup>24</sup> *ibid.*

handle the situation of struggling firms depending on their employment situation and their geographical location.<sup>25</sup>

The aggravation of the crisis and the concertation of the CIRIT with the professional associations of the sector led to the temporary adoption of a softer approach to grants distribution. Indeed, the CIRIT informed its members that its post-1974 intervention procedures, in addition to facilitating the structural adaptation of firms and their export performance, would also be motivated by social criteria such as the employment creation/maintenance capacity of firms which was expected to be further destabilised by the surge of imports following the conclusion of the MFA.<sup>26</sup> As a result, in its 9<sup>th</sup> annual report, the committee explained that while the initial restructuring aims of the CIRIT still persisted, the severe crisis that the sector's firms were undergoing forced an adaptation of its procedures which in 1975 became guided by three essential preoccupations: the preservation of employment, the reinforcement of firms' financial structures and the strengthening of their export capacity.

Employment concerns became such a central feature of the CIRIT's policy that in the same report, the committee explained that while its past policies towards marginal firms focused on facilitating their shut down, in 1975 it had to take into account the grave repercussions on employment and thus selectively provided support to firms on the basis of the efforts made to re-employ the laid-off personnel.<sup>27</sup> Similarly, the 10<sup>th</sup> annual report explained that in 1976, 'the committee decided that it could not, given the prevailing employment conditions, incite the closing down of firms even if that would have been reasonable from a purely economic standpoint.'<sup>28</sup> CIRIT's intervention procedures were, thus, subject to some degree of flexibilisation which was further manifest in its increasing opening up towards smaller and medium firms. Out of the 160 cases that benefitted from interventions in

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<sup>25</sup> AN 19830427/24, R. Delerive, Note, 29/08/1974.

<sup>26</sup> AN 19830427/24, Note d'Information, 3 March 1975.

<sup>27</sup> AN 19830427/24, 9<sup>th</sup> annual Report of the CIRIT, 1975.

<sup>28</sup> AN 19830427/24, 10<sup>th</sup> annual Report of the CIRIT, 1976.

1976, 101 of them consisted of small and medium firms which implied an almost five-fold increase compared to the 1975 exercise.<sup>29</sup> Evidently, the selective disengagement from less competitive units was slowed down by the tense social climate created by the rise of unemployment.

For 1977, the government envisaged an increase in the responsibilities and tasks to be carried out by the CIRIT. On the 29<sup>th</sup> of December 1976 an interministerial committee allowed the CIRIT to engage in a new program aiming at increasing the competitiveness of the textile industry. This new round of assistance to the sector's firms applied less strict criteria than its 1971-1974 predecessor. It did not only consider *exceptional* investments but investments that were deemed *interesting* in terms of increasing the firm's competitiveness rendering the conditions for CIRIT's participation in a firm's investment program less restrictive. The apparently semantic difference between the aims of the two programs rested on the fact that the CIRIT's contribution to investment plans did not depend solely upon the extent to which proposed investments exceeded the average in the sector, as during the 1971-1974 period, but on a great set of conditions such as the market situation for the products affected by the investment program, the probability for the program to be successful, the perspectives on the export performance of a firm or the intensity of foreign competition in the firm's field.<sup>30</sup>

At the same time, the CIRIT was instructed to become increasingly involved in cases pertaining to the clothing sector. The directives given by the interministerial committee thus, allowed the CIRIT to enlarge its field of action<sup>31</sup> and undertake a more comprehensive role in restoring the competitiveness of the sector which demarcated it from its initial aim of simply stimulating concentration to the benefit of larger firms. Additionally, one of the most

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<sup>29</sup> *ibid.*

<sup>30</sup> AN 19830427/24, Note for Mr Pivot, 11 March 1977; AN 19830427/24, 10<sup>th</sup> annual Report of the CIRIT, 1976.

<sup>31</sup> AN 19830427/24, 10<sup>th</sup> annual Report of the CIRIT, 1976.

significant aspects of the post-1977 assistance to the sector was the introduction of the *Plans Professionels*, a set of sub-sectoral plans addressed to sectors hardly hit by intensified foreign competition and 'whose critical situation brought along localised problems in terms of employment'.<sup>32</sup> These 'emergency' plans were worked out jointly by the concerned professional associations, the CIRIT and the Mol with the latter two providing around 25% of the necessary funds for the investment of firms belonging to the said sector. Such plans were executed in 1978 in the cotton industry, the texturisation and filament-throwing industry and the combed wool spinning industry.

However, the attempt to broaden the criteria for CIRIT's intervention and the adoption of emergency measures to rescue firms hardly hit by the crisis, was severely limited by two factors. Firstly, the concern over employment maintenance was undermined by the rational economic planning needed to confront the harsh conditions imposed by global T&C competition. For instance, the safeguard of production units despite the lack of viable economic motives run contrary to the overproduction tendencies of the sector. As an example, in May 1977 the president of the French Cotton Industry Federation transmitted to the CIRIT his dissatisfaction with the latter's promotion of modernisation investments within the household textiles industry as it disregarded the already overwhelming overcapacities of the sector and the limited capacity of the market to absorb excess products.<sup>33</sup> The prevalent overproduction tendencies in many subsectors of the textile industry therefore became a central concern of the CIRIT since early 1977,<sup>34</sup> forcing it to officially include a clause on the discouragement of further investment in sectors known for their overcapacities in France or in the European Community, in April of the same year.<sup>35</sup> Ultimately, the

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<sup>32</sup> AN 19830427/24, CIRIT meeting, 3 March 1978; AN 19830427/24, Rufenacht's address to the Minister of Industry, 16 February 1978

<sup>33</sup> AN 19830427/24, Sauvegrain to Precigout, 4 May 1977

<sup>34</sup> AN 19830427/24, Reunion du CIRIT, 14 January 1977

<sup>35</sup> AN 19830427/24, Instructions a l' Attention de M. les Rapporteurs, October 1977.

emergency sub-sectoral plans of 1978 were implemented with a clear intention to cut down production levels and adjust them to the limits of the market rather than to maintain current employment levels (Underhill 1986: 278-284).

Secondly, the availability of financial resources within the CIRIT's budget rested entirely on the sums collected from the parafiscal tax on the industry's revenues. Its interventions were thus limited by budgetary considerations. In fact, given the aggravated economic climate, the CIRIT's expenditures significantly exceeded its incomes by 35% in 1976, 45% in 1977 and 15% in 1978, but was able to finance its programmes through the reserves it had accumulated during the previous years. In its own words the situation was as follows:

For two years the sum of [CIRIT's] interventions has exceeded the sum of the proceeds from the levy for the same period. This was permitted by the existence of reserves while awaiting for an increase in resources to come from, on the one hand, an extension of the tax base to the clothing industries, and on the other, from certain allotments expected from the CAPI [Credits d'Actions de Politique Industrielle].<sup>36</sup> Neither of these measures has intervened so far.<sup>37</sup>

Thus, by the end of 1978, the CIRIT regretfully observed that its interventions had not been supplemented by state-financed industrial subsidies. Instead, the Mol's preferred solution to remedy the budgetary imbalances of the CIRIT was, on the one hand, to incite the CIRIT to 'decrease its expenses by applying a greater selectivity in the choice of subsidised projects' and on the other, to augment its resources through a fusion of the textile and clothing parafiscal tax which would augment its total resources by 20%.<sup>38</sup> The increasing cost of intervention was to be transferred once again to the profession itself. Because of these financial

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<sup>36</sup> Subsidised loans distributed to selected sectors by the Mol for the purpose of industrial restructuring.

<sup>37</sup> AN 19830427/24, Orientations du CIRIT, 29 November 1978.

<sup>38</sup> AN 19830427/25, Note for the Cabinet of the Prime Minister, 9 May 1978.

limitations and its reliance on its own funds, the CIRIT was forced to restrict its field of action and concentrate its participation to investments which could significantly enhance the productivity of firms.<sup>39</sup> After 1978 the intervention procedures of the CIRIT became increasingly reminiscent of its pre-1974 patterns of intervention as they privileged the most competitive firms whose proposed investment programs demarcated them from their domestic competitors.

The first years of the textile crisis were marked by the absence of direct state involvement in the manner that other sectors, such as the shipbuilding or steel industry, had witnessed. Comfortably disengaged from the great crisis of the sector, the state confined itself to providing general guidelines for intervention while transferring the responsibility for the great bulk of the restructuring effort and the social costs associated with it to the CIRIT in which the representatives of the profession held a preponderant role. Along with the political responsibility for the management of the crisis, public authorities passed too to the professional associations the financial costs of intervention which was financed by the taxes collected from the concerned industries. The need for a selective disinvestment in the sector thus operated through the scarcity of funds imposed upon the CIRIT. By delegating the financial responsibility for the sector's rationalisation to the professions themselves, the state put a limit to the CIRIT's temptation to yield to social pressures to secure employment. Within a context of limited funds, increased selectivity became the main mechanism available for the attribution of aids. However, the failure of this strategy to redress the T&C crisis, which carried on rampantly in the late 1970s, showed the incapacity of an inter-professional body to on its own formulate an overall strategy for exiting the sector's crisis.

### **FROM BURDEN TO STRATEGIC SECTOR? (1980-1981)**

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<sup>39</sup> AN 19830427/24, Orientations du CIRIT, 29 November 1978.

The main shortcoming of the CIRIT-led strategy of industrial adjustment was the public impression that the government put the sector's situation on the backburner as industrial policy prioritised the recovery of other sectors such as steel or shipbuilding which had benefitted from emergency plans in 1977 and 1978 accordingly. In addition, since 1979 six sectors were granted the 'strategic sector' status by the CODIS, an inter-ministerial Committee responsible for identifying the economically most promising industrial activities and coordinating the diffusion of existing subsidies towards these sectors (i.e. office equipment, consumer electronics, robotics, biotechnology, underwater and energy-reducing activities). Conversely, until then the fate of the T&C sector was clearly relegated to a secondary role. In 1980 however, the inscription of T&C into the CODIS scheme led to an ostensibly increased involvement of the state into the sector's affairs. The government's intervention was devised in a way that allowed it to discursively show its determination to remedy the sector's economic and social crisis while at the same time discreetly implementing an industrial strategy focused on promoting the development of strategic T&C clusters and endorsing the selective disengagement from the sector's least lucrative activities.

As the sector did not witness any significant improvement of its crisis-ridden situation by the early 1980s, Valéry Giscard d'Estaing's presidency lost the convenience of bypassing direct state involvement in the sector's affairs by using the CIRIT as the sole medium for financial assistance. Indeed, with unemployment and partial employment in the T&C workforce growing in the wake of the 1981 presidential elections, the sector's crisis acquired a fresh political significance. The political stakes of the T&C crisis were well captured by the senator of the Nord region and Vice-President of the Senate, Maurice Schumann, who in a letter to Valéry Giscard d'Estaing dating from September 1980 explained that in order to vanquish the 'textile anguish' that proliferated in regions such as Alsace or Nord it was necessary



to formulate a comprehensive plan rather than to contingently implement a scattered set of measures.<sup>40</sup> Even further, he argued that:

The best course of action and one whose moral impact will be considerable is, of course, to apply on textiles the CODIS procedures. If it becomes the seventh prioritised sector, the 600,000 textile and clothing workers will cease to, worryingly, lend an ear to those who tell them that public authorities are resigned to the demise of their livelihood and focus the totality of their efforts on cutting-edge technologies.<sup>41</sup>

On the 5<sup>th</sup> of November 1980, five months prior to the electoral confrontation with the socialists, the Mol announced the integration of T&C into the CODIS scheme and their official consolidation as a key sector for the reinforcement of France's industrial tissue. As put by Bobe (1983: 19) later in a World Bank working paper: 'On the eve of the last elections, in a somewhat unusual move, textiles were added to... [the] high priority sectors. Clearly, political necessity makes its own laws'. By elevating textiles to the status of strategic industry the government *de facto* politicised the management of T&C as the modernisation and recovery was inscribed into the state's industrial priorities.

The integration of textiles in the CODIS procedures was part of a wider plan in favour of T&C announced in 1980. This plan also included a relaxation of the rules of eligibility to obtain loans from the CIDISE, yet another inter-ministerial committee charged with attributing participatory loans to medium-sized firms with weakened financial structures but strong export potential. In addition, the new plan entailed the substitution of the CIRIT by the CIRITH which operated according to the same principles as the former only with greater resources as it now benefitted from the parafiscal taxes on

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<sup>40</sup> AN 19890448/12, Schuman to Giscard d'Estaing, 29 September 1980.

<sup>41</sup> *ibid.*

both textile and clothing articles which altogether reached a yearly 150 million francs.<sup>42</sup>

Underpinning the design of the plan was the observation that the state should be the key formulator of the strategic aims necessary for increasing the international competitiveness of the sector.<sup>43</sup> Indeed, among the weaknesses of T&C listed by the Mol featured the inability of the sector's industrialists to formulate sound long-term strategies in the absence of a firmly protectionist environment.<sup>44</sup> Without a decisive public intervention, the T&C industrialists would adopt a defensive strategy and retreat from the international scene.<sup>45</sup> The necessity to concede the delineation of the sector's blueprint to the state was a concern shared not only among public figures but within T&C industrialists as well.<sup>46</sup> In break with the policy of the first years of the crisis, the government was, now, forced to assume the political and financial responsibilities of the sector's recovery from the crisis.

However, the government's changing attitude towards T&C did not entail an at all costs attempt to save the totality of the sector. This idea had been explicitly dismissed in a CODIS reunion in July 1980.<sup>47</sup> Rather, it consisted of a targeted deindustrialisation effort underpinned by an increasing selectivity with regards to the choice of destination of public aids. While, previously selective disengagement operated through the scarcity of CIRIT's funds, it was now achieved by way of prioritising the funding of specific segments of the industry and leaving the rest to the fate of international competition. Thus, the Mol was resigned to 'accept a limited trade deficit with developing countries', while 'aiming to stabilise or even

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<sup>42</sup> AN 19840416/34, Présentation des principales mesures financières décidées par les Pouvoirs Publics en faveur des entreprises du Textile et de l'Habillement, 30 December 1980.

<sup>43</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980.

<sup>44</sup> *ibid.*

<sup>45</sup> *ibid.*

<sup>46</sup> AN 19890448/12, Quelques Interrogations des Chefs d'Entreprises du Textile et de l'Habillement, January 1981.

<sup>47</sup> AN 19890448/12, Propositions pour l'intervention du CODIS, 16 September 1980.

achieve a surplus in the trade balance with the country's developed counterparts.<sup>48</sup>

More precisely, as suggested by the Mol's forecasting agency, the desirable objectives to be sought were, the stabilisation of the deficit in hosiery garments and apparels, a slight surplus in chemical textiles and strong surplus in upstream T&C activities.<sup>49</sup> Overall, this 'ordered deindustrialisation' strategy was guided by a double aim: firstly, to contain the degradation of France's trade balance in T&C products by limiting the deficit at 20,000 million francs regardless of the employers' call for greater protectionism<sup>50</sup> and secondly, to slow down the shedding of jobs and instead of the projected 40,000-50,000 yearly job losses to bring this rate down to the more 'acceptable proportions' of around 15,000-20,000 yearly job losses.<sup>51</sup> As described by the Mol France's T&C policy was one of 'selective protectionism'<sup>52</sup> aiming at maintaining the core of the sector's potential while allowing the fading away of its superfluous elements. Since, under the prevailing conditions a complete 'disengagement' from the sector 'was socially as well as economically impermissible',<sup>53</sup> the state intended to implement a strategy permitting a temporary political palliation of the undergoing social disruptions while limiting its intervention to the commercially most strategic sub-sectors.

As an 'expert' in identifying and promoting the strategic elements of France's industrial body, the CODIS was charged with implementing the government's intended selective devaluation strategy. Indeed, the CODIS's intervention in T&C was designed to concern a very limited number of firms pertaining to the sector. When designing the principles of the CODIS's interventions the Mol determined the main attributes and assets that should characterise the candidate firms such as their capacity to innovate, their

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<sup>48</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980.

<sup>49</sup> AN 19890448/12, Elements de stratégie industrielle textile, 30 December 1980.

<sup>50</sup> AN 19890448/12, Habillement et Mode, 29 November 1980.

<sup>51</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980.

<sup>52</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980.

<sup>53</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980.

international renown and their internationally oriented commercial strategies.<sup>54</sup> It was argued that out of the 500 firms of the sector employing more than 200 workers only a meagre 20% could satisfactorily correspond to the profile sought, with ultimately only 20 to 30 firms being potentially retained and granted aids through the CODIS.<sup>55</sup> Its rigorous selection criteria entailed a promotion of firms able to adopt international dimensions and competitiveness levels.<sup>56</sup> Selective liquidation concerned small-scale firms since the presence of a vast number of small and medium-sized firms, particularly vulnerable to international pressures, contributed to the sector's lack of overall strategy.<sup>57</sup>

Based on a study by the PEAT MARWICK MITHCELL and Co consultant agency, which was charged with providing a list of the T&C markets in which French firms could develop a stronger presence, the MoI sought to identify the main T&C clusters that should be prioritised through the CODIS's actions. Ultimately, these were reduced down to nine in September 1980 and included: women's leisure trousers, sports clothing, dyeing and finishing of fabrics, textile printing, textiles for the automobile industry, textiles for medical usage, geo-textiles and other textiles destined for technical and industrial use.<sup>58</sup> The industrial choices of French authorities were thus, motivated by an intention to circumvent the saturated markets of T&C in which production in developing countries had taken the upper hand and to orient the domestic industry's productive potential towards new markets growing faster than average<sup>59</sup> that were, relatively, left untouched by the global overproduction of T&C articles. With this strategy of specialisation aiming at capturing "virgin" markets, the government hoped to reconcile the

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<sup>54</sup> AN 1989448/12, Note, September 1980.

<sup>55</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980 ; AN 1989448/12, Approche proposée pour l'intervention du CODIS, 1981.

<sup>56</sup> AN 19840416/34 Note pour Messieurs les Directeurs interdépartementaux de l'Industrie, 14 January 1981.

<sup>57</sup> AN 19840416/34, Propositions en vue de l'intervention du CODIS, 22 May 1980

<sup>58</sup> AN 19840416/34, CODIS, Textile-Habillement, 26 January 1981.

<sup>59</sup> AN 1989448/12, Propositions pour l'intervention du CODIS, 18 September 1981.

aim of stabilising the trade deficit and preserving certain jobs within the French territory.

The rationally planned intervention of the CODIS stood in direct contrast with the political discourse attached to it which initially indicated the government's intention to level up the totality of the T&C sector. Indeed, the Mol intended to discursively frame the plan as an attempt to indiscriminately aid the sector despite its strict selectivity criteria:

with regards to the publicity of the CODIS' decisions, it is not appropriate to publicly announce which clusters were retained; it should be simply announced that the CODIS is ready to examine the plans proposed by firms implementing innovations of a strategic character.<sup>60</sup>

Thus, originally, the CODIS concealed its sub-sectoral selectivity from the public, the media and the industrialists by fear of being imputed of applying an arbitrary selection process and instead preferred to publicise its aids as being more generally available to all firms undertaking strategic and innovative investments.<sup>61</sup>

The government was well aware of the limited scope of its industrial plans and its inaptitude to appease the growing social dissatisfaction over the proliferation of firms' closures and most importantly the rapid progression of imports, popularly considered as 'the source of all evils'.<sup>62</sup> However, in the eve of the presidential elections and within the context of mounting dissatisfaction at the grassroots level and political pressures from the government's main political antagonists, the Socialist Party (PS) and the Rally for the Republic (RPR), the cabinet of the Mol realised in the nick of time the necessity to adopt a new set of trade-related measures in order to show the government's determination and prevent a social outburst.<sup>63</sup> As

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<sup>60</sup> AN 19890448/12, Propositions pour l'intervention du CODIS, 18 September 1980.

<sup>61</sup> AN 19890448/12, Note, 26 September 1980.

<sup>62</sup> AN 19890448/12, Note pour le Ministre, 16 February 1981.

<sup>63</sup> AN 19890448/12, Note pour le Ministre, 16 February 1981.

Eric André from the Mol cabinet put it: ‘Under these conditions it is expedient that measures with political and psychological scopes are implemented forthwith rather than in response to such an interpellation.’<sup>64</sup> Ultimately, these considerations culminated in the adoption of the March 1981 governmental measures regarding the reinforcement of import controls. These measures promised a more stringent supervision of imports (e.g. measures against fraud, exact respect of import quotas) and a stricter application of the GATT’s safeguard provisions – such as the article XIX or “escape clause”- permitting to hamper the rate of imports in sectors where domestic industry is highly vulnerable to soaring imports.

Overall, within a politically and socially charged climate the government decided to adopt a more interventionist stance in T&C and politicise its affairs during the last year of VGE’s rule. However, with the trade deficit having further aggravated in 1980 plunging down to 3,400 million francs and the workforce having lost some 37,000 workers in only one year, labour failed to reap any benefits from the government’s measures. The government’s attempted strategy to orderly deindustrialise the sector through the selective promotion of key T&C clusters while simultaneously sending workers reassuring signals of a comprehensive plan failed to yield the expected political results. Combined with the wider distress and crisis prevailing in French industry, the way was paved for a shift in the country’s political landscape and a change in its elected representatives. The last-minute efforts of the Mol to adopt a stricter stance towards imports failed to boost the morale of the regions and workers depended on the T&C sector and to ultimately halt Mitterrand’s march towards the presidency. The responsibility of industrial policy was now handed over to Mitterrand’s first socialist government of the Vth Republic.

### **DEINDUSTRIALISATION DELAYED (1981-1984)**

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<sup>64</sup> Ibid.

With Mitterrand at the head of the Vth Republic, Pierre Mauroy's socialist government, which also featured four ministers from the French Communist Party (PCF), was committed to a radically demarcated economic policy to tackling the crisis. To remedy unemployment, which exceeded 1.5 million, the government proceeded to reducing working time by decreasing the official duration of the working week from 40 to 39 hours, granting a fifth week of paid leave and decreasing the retiring age from 65 to 60. These laws aimed at liberating enough working time in the economy so as to effectively permit the absorption of the excess workforce. Also, in a Keynesian-inspired vein, the government's economic policy sought to boost domestic demand to fuel domestic production. Thus, the SMIC- the minimum interprofessional wage- was augmented by 10% as were other welfare payments such as family allowances and pensions.

On the industrial side of things, the government promulgated its ambition to 'reconquer the domestic market' by limiting import penetration and stimulating the substitution of imports by domestic production. To this end, the government launched a wave of nationalisations of both the major private banking institutions and some large industrial firms in electronics (Thomson-Brandt), chemicals (Rhone Poulenc), aluminium (PUK), construction material (Saint-Gobain), steel (Sacilor, Usinor). These policies allowed the state to take control of the restructuring agenda and dispose of the financial means necessary to implement it. The government also crafted a list of comprehensive sectoral plans in which the T&C featured prominently along with machine-tools, chemistry, electronics, furniture, toys and, the chronically ill, steel industry. In the case of T&C, Mauroy's government initially endorsed a politicised management of the sector's crisis consisting of a financial relief accorded to a great share of the sector's firms. The plan sought to strengthen the popularity of the newly elected government and continue the strategy of selective disengagement although with a significantly milder intensity. In 1983, once the increased

politicisation of the sector clashed with the economic viability of this sectoral plan, the government switched to a market-led adjustment of the sector by putting the elimination of uncompetitive firms in the hands of international competition while providing state support only to the commercially most successful companies.

According to Mitterrand, there were no condemned sectors, not even the so-called traditional sectors such as T&C, only sectors in need of modernisation; industrial policy was to be determined publicly rather than succumbing to the prerogatives of the international division of labour (Mitterrand, 1982). The objective to recover domestic industry by recapturing the domestic market gave a heavily politicised flavour to industrial policy and consequently raised the tension between the economic imperatives of restructuring and the social responsibilities of the recently elected government towards its electorate. Once again, the necessity for a politicised and top-down handling of T&C was the underlying trait of the of the socialists' program for T&C. Indeed, the weakening financial situation of firms and the radical decrease of their internal cash flows along with the increase in interest rates on the market were affecting the totality of the sector from the smallest to the largest firms making public financial contributions an indispensable prerequisite for the resumption of investment.<sup>65</sup> Selectivity in the distribution of aids still permeated the socialists' stance towards textiles but was significantly watered down compared to the CODIS procedures which were dismantled in 1982.

Announced in November 1981, the principal novelty of the socialists' Textile Plan was the introduction of a clause on the relief in firms' social contributions. The latter, which was officially termed *Contrats Emploi-Investissement* (CEI) and launched in March 1982, instituted a system of social contributions reduction of 12%, 10% and 8% with the aim of helping firms to liberate enough funds to finance their investments in new

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<sup>65</sup> AN 19890448/12, Soutien à l'Investissement pour les industries du Textile et de l'habillement, 25 June 1981.



technologies. The attribution of rates of relief obeyed to a hierarchical logic whereby the best-performing firms would be eligible for a 12% relief while those in a less healthy situation, but better than those not signing a contract at all, would receive the 10% rate.<sup>66</sup> Attached to the CEIs were two conditions: firstly, firms seeking to obtain a 12% or 10% deduction were to undertake investments reaching 1.5% of their revenues for textile and 1.4% for clothing firms and secondly, all participant firms were asked to seek the re-conversion of laid off workers. Finally, the 8% deduction was an exceptional clause as it was introduced mostly for struggling firms residing in regions which would have been acutely destabilised in social and economic terms if these firms were to shut down.<sup>67</sup> As open and far-reaching the plan was, the best performing firms and those less affected by the crisis constituted the fulcrum of the government's T&C policy.<sup>68</sup> Retrospectively, the subsidised assistance of the textile plan served a double purpose: to delay the lay-offs in more marginal firms by temporarily enhancing their financial accounts and to simultaneously guarantee the modernisation of more dynamic and export-oriented conglomerates that had received the 12% discount.

Nevertheless, the first year, of the CEI's application was rather indiscriminating as around 3,000 firms, or around 66% of the sector's firms, were able to sign such contracts. When it did discriminate it did so towards smaller firms while making sure that all big textile firms participated in the plan.<sup>69</sup> However, its effects were more mitigated. As explained by the Mol in a letter to the Prime Minister: 'The first results of a year-long application of this procedure were socially very satisfying but economically absolutely insufficient.'<sup>70</sup> While from a 'social perspective' the CEIs managed to spectacularly refrain the surge of layoffs limiting them to 6,500 in 1982, the economic effects were much less

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<sup>66</sup> AN 19890448/13, Groupe de Travail "Bilan du Plan Textile", 26 October 1984.

<sup>67</sup> *ibid.*

<sup>68</sup> *ibid.*

<sup>69</sup> *ibid.*; AN 19890448/13, Bilan Préliminaire du Plan Textile, 1986.

<sup>70</sup> AN 19890448/12, Letter to the Prime Minister, 14 February 1983.

pronounced. Investment did increase by 25%, but the sector's trade performance proved to be rather poor as the trade deficit doubled from 4,000 million francs to 8,000 million francs the following year. Nevertheless, Mol congratulated itself on the plan given 'its unanimous endorsement by elected representatives, the employers and trade unions' and noted the net political gains for the government.<sup>71</sup>

Despite the mediocre benefits of the CEIs on France's external commerce the Mol decided to push for a renewal of the contracts as was originally planned. Its insistence rested mainly on political/social considerations. Indeed, as 1983 was going to predictably be a harsh year for the sector, in the absence of CEIs, an increase in laying offs would have been blamed on the lack of government initiative<sup>72</sup> given that the regional concentration of employment put industrial policy 'in the public eye'.<sup>73</sup> Given the little economic benefits of the CEIs, the government was, to speak with Streeck (2014), buying time- political time- by postponing the coming massive devaluation and extracting political support in the meanwhile.

At the same time rampant inflation and the speculative pressures on the Franc which had been devalued twice since 1981 rendered budgetary rigour all the more pressing in order to restore credibility within international financial markets (Lordon 1998: 101). Thus, the Ministry of the Economy and the Ministry of the Budget disapproved the renewal of the CEIs defending a position of less assistance to the sector to consolidate budgetary restraint.<sup>74</sup> Similar concerns were expressed by state administrators working within the Commissariat Général du Plan. For instance, Jean Cheval had argued that the sectoral plan was setting 'a dangerous precedent' as the political motivations underpinning the plan

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<sup>71</sup> AN 19890448/12 , Note sure le renouvellement des CEIs, 24 January 1983.

<sup>72</sup> AN 19890448/12, Conseil des Ministres, 23 February 1983.

<sup>73</sup> AN 19890448/12, Contraintes et Planning du renouvellement des contrats emploi-formation textile, February 1983.

<sup>74</sup> AN 19860476/25, Compte rendu, 21 February 1983 ; AN 19860476/25, Plan Textile, 15 April 1983.

were privileging employment objectives over industrial ones.<sup>75</sup> However, as noted by Mitterrand's industrial advisor, Alain Boulbil, in essence the government's plan was concerned with slowing down the rate of employment decrease as opposed to halt its overall decline: 'In textiles, the government's objective can only be to lower the ongoing decrease in the workforce; in no case should it be to maintain the current workforce.'<sup>76</sup> In short, intra-state conflicts over the textile plan were mainly centred around its financial cost and the pace of implementation of selective disengagement as opposed to the latter's necessity. Ultimately, following the inter-ministerial councils of February 1983 the Prime Minister's cabinet sided in favour of the Mol's proposal to resume the CEIs.<sup>77</sup>

This debate was however exported to the supranational level as the renewal of the CEIs was met with a juridical dispute between France and the EEC on the plan's compliance with article 92 of the Treaty of Rome that forbids the implementation of state aids that distort competition in the common market. The European Commission (EC) too argued for an increased selectivity in the attribution of aids especially in sectors already known for their overcapacities at the European level such as wool.<sup>78</sup> For the Commission 'there [were] too many people in the EEC's textile for a few places in the sun'<sup>79</sup>.

To abide by the accumulation imperatives echoed by the EEC while simultaneously reaping the domestic political benefits of the CEIs, the latter were reinvigorated in early 1983 but operated with greater selectivity. Thus, the conditions attached to CEIs became stricter. On the one hand, the exigencies on the re-employment of laid off workers were flexibilised as the government demanded from firms to simply avoid having recourse to brutal

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<sup>75</sup> AN 19890617/380, Note pour le Directeur du cabinet du Ministre, February 1982.

<sup>76</sup> AN 19890617/380, Note, 28 January 1982.

<sup>77</sup> AN 19860476/25, Compte Rendu, 21 February 1983.

<sup>78</sup> AN 19860476/25, Note sur la position de la CEE, 28 April 1983.

<sup>79</sup> AN 19860476/25, Compte-rendu de la réunion avec la Commission de la C.E.E sur le Plan Textile Français, 19 October 1983.

layoffs without however compromising their competitiveness.<sup>80</sup> On the other, the minimum investments necessary for CEI eligibility increased by 70% for textiles and by 40% for clothing with the UIT lamenting that a great number of firms that signed a contract in 1982 would not be able to do so in 1983.<sup>81</sup> Overall, during the second year of the CEIs' application, a somewhat greater degree of selectivity was applied but nevertheless the contracts englobed 2,500 firms or 50% of the sector.

A few years later, a report of the Mol's statistical board presented in 1986 showed that whatever beneficial effects might have been delivered by the plan in terms of investment growth and employment conservation during the first two years of its application, were cancelled out by 1984.<sup>82</sup> Even more strikingly, the report argued that during the whole period covered by CEIs signatory firms witnessed very little, if any, gains in terms of market share increases, investment growth and employment conservation compared to non-signatory ones.<sup>83</sup> Well aware of the palliative nature of the plan, the Mol was at the time expecting a doubling of the rate of job losses from -2.8% in 1982 to -6% in 1985 since many firms had to maintain an excess workforce in order to abide by the CEIs' conditions on employment.<sup>84</sup> The MoE went as far as to argue that up to 8,000 jobs were maintained artificially and would not be viable in the future.<sup>85</sup>

In addition, the Mol had argued that both the protectionist stance against developing countries imports defended by French authorities in the EEC as well as the textile plan itself were of a transitory nature. Indeed, the protection of domestic producers through the concluded Multi Fibre Agreements were serving only as a breathing room for firms to modernise

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<sup>80</sup> AN 19860476/25, Exposé des Motifs, 1983.

<sup>81</sup> AN 19890448/12, Note sur le Taux minimum Textile/Maille des contrats emploi-investissement, 18 March 1983.

<sup>82</sup> AN 19890448/13, Test sur l'efficacité du Plan Textile, 26 February 1986.

<sup>83</sup> AN 19890448/13, A test on the efficiency of the Textile Plan, 26 February 1986.

<sup>84</sup> AN 19890448/13, Perspectives de l'évolution de l'emploi dans industries du Textiles et de l'Habillement, 4 July 1984.

<sup>85</sup> AN 19890448/13, Compte Rendu, 14 December 1984.

and adapt to global market conditions.<sup>86</sup> Similarly, in the Mol's view, if the CEIs continued indefinitely firms 'would never become competitive on their own'.<sup>87</sup> Both the ending of the textile plan and the lifting of imports were considered by the socialist government as a precondition for the resumption of competitiveness by the sector's firms. The underlying preference for a stricter adjustment of industry to market conditions was also testified by the government's decision to remain in the European Monetary System in 1983. By doing so it relinquished its right to use devaluation to enhance competitiveness thereby enforcing a tighter market discipline on individual producers to maintain their price parities with competitors (Clift 2003: 182). Therefore, the essential aim of the CEIs and the strict monitoring of imports was to temporarily refrain the urge of firms to proceed to mass layoffs in order to delay the negative political impact of an inevitable growth in unemployment. As Hayward (1986: 235) puts it, Mitterrand was simply delaying 'the day of reckoning'.

In 1984, amidst strident discontent from the UIT which was particularly attached to the CEIs,<sup>88</sup> the government decided not to renew them and instead sought to accelerate the strategy of selective disengagement. The successor plan was already being devised in early 1983<sup>89</sup> and sought to obtain more tangible results in the competitiveness of firms than CEIs. Using an annual budget amounting to a yearly 150 million francs collected from the parafiscal T&C tax, the Committee for the Promotion of Textile and Clothing Products (CDPTH) - as the CIRITH's successor was named in March 1983- was charged with subsidising loans for a limited number of firms planning investment in new technologies. In fact, the CDPTH procedure would constitute a mixture between the CIRITH-era intervention and the CODIS's logic of strategic targeting: the resources for aids to the

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<sup>86</sup> AN 19890448/12, Fabius to Desbriere, 14 June 1984.

<sup>87</sup> AN 19860476/25, Levy to Bouhin, 4 December 1984.

<sup>88</sup> AN 19890448/13, Note pour M. le Directeur, 10 December 1984; AN 19890448/13, Boit to Cresson, 9 November 1984.

<sup>89</sup> AN 19890448/13, Soutien à la Productique, 23 January 1983 ; AN 19890448/13, Propositions pour le lancement d'un plan productique dans le textile-habillement, 27 January 1983.

sector would be collected from the firms themselves while the Mol would give the guidelines for the selection of recipient firms. In contrast to the CODIS procedure, this strategic targeting was not based on the selection of specific clusters within T&C but mostly on the types of technological investment proposed by firms such as in computer assisted processes, robotisation of spinning, automatization of knitting and weaving etc.<sup>90</sup>

Another indispensable feature of the CDPTH's plan of action consisted in the promotion of French products in domestic and foreign markets with fashion products gaining a newfound prominence in the Mol's plans.<sup>91</sup> Again, the targeted promotion of the sector's exports would not be indiscriminately accessible to all applicant firms but would involve a strict top-down selection process of the firms that are more susceptible to implant themselves in foreign markets.<sup>92</sup> As it was understandably asked by an agency attached to the Mol and responsible for external commerce:

Is it...desirable to continue subsidising firms...that after several years of marketing have never been able to penetrate the market and would, in all likelihood, never have any chance of success[?]<sup>93</sup>

Thus, selective disengagement was to be carried out also by way of a selective promotion of T&C exports while allowing uncompetitive firms to fade away by way of unassisted exposure to foreign competition.

However, the adoption of yet another aid package for the sector was met with resistance within the government. Indeed, the Ministry of the Economy, Finances and the Budget had consistently argued against the continuation of parafiscal methods of subsidisation as it believed that it would constitute an economically 'dangerous choice'.<sup>94</sup> Pierre Bérégovoy,

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<sup>90</sup> AN 19890448/13, Projet, 2 April 1985.

<sup>91</sup> AN 19890448/13, Intervention de Madame Cresson, 19 September 1984.

<sup>92</sup> AN 19890448/13, Reunion informelle, 3 October 1984.

<sup>93</sup> Ibid.

<sup>94</sup> AN 19890448/13, Bérégovoy to Cresson, 19 February 1985; AN 19890448/13, Regnier to Cligman, 26 December 1984; AN 19890448/13, Procès-Verbal de la cinquième séance du conseil d'administration du CDPTH, 11 April 1985.

Minister of the Economy, explained to Edith Cresson, the minister of Industry, that his Ministry's opposition to the subsidisation of T&C loans stood on a two-fold reasoning. Firstly, parafiscal methods of financing constituted an intrinsically inflationary factor and the continuous recourse to such methods could create a path-dependency that would encourage an ever increasing number of sectors across the economy to adopt them rendering the reduction of parafiscality impossible. Secondly, the proliferation of subsidised loans could only hinder the natural competition between industrial networks.<sup>95</sup> The Ministry of the Economy, thus, stood for a stricter market-led adjustment of the textile industry and the abolition of the system of aids by fear that it would merely perpetuate financial assistance without any visible results in performance.

Ultimately, the government chose to launch the CDPTH procedure in 1985 but after a prolonged juridical dispute with the EEC, the program of subsidised loans through the CDPTH was rejected by the European Court in 1987 as it was found to infringe article 92. At last, the French government adopted the initial prescriptions of the Ministry of the Economy and abandoned the idea of a comprehensive plan of financial assistance to T&C. Instead, the CDPTH's actions were restricted to the second component of its project namely the targeted promotion of French T&C products. Industrial policy towards textiles became thus limited to a "state-backed marketing" of firms with the highest aptitude to capture foreign markets while the less successful firms were destined to decline. The latter was a core component of the government's newfound attitude towards selective disengagement since the Mol itself ultimately became reluctant to distribute funds to uncompetitive firms only to avoid a degradation of employment levels.<sup>96</sup> At last the Mol's Textile directorate became convinced that 'the attribution of financial aids to maintain firms artificially alive should be proscribed'.<sup>97</sup>

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<sup>95</sup>AN 19890448/13, Bérégovoy to Cresson, 19 February 1985.

<sup>96</sup> AN 19890448/13, Perspectives de l'évolution de l'emploi dans les industries du Textile et de l'Habillement, 4 July 1984.

<sup>97</sup> Ibid.

Under the socialists, the selective disengagement strategy of the previous governments was mitigated by their concern to build political backing within the sector's agents. The strategy of selective disengagement did not disappear under their rule but was watered down for the first two years of Mitterrand's presidency, before adopting the MoE's proposal for a more brutal adaptation of the sector to foreign competition. While the legal constraints imposed by the EEC were a fundamental barrier to the continuation of a publicly financed modernisation of the sector, the abandonment of the aid package was at the same time a policy preference expressed by civil servants operating within the MoE and other agencies. Thus, the pressure to end textile assistance did not come solely from the pressures of the EEC or the exigencies of the International Division of Labour to abandon specialisation in labour-intensive activities but was endogenous to the state itself.

Market competition was to determine the pace and intensity of disengagement from uncompetitive T&C activities. The industry's superfluous elements would fade away by way of exposure to foreign competition, while firms performing the best in foreign markets would benefit from the export promotion actions of the CDPTH. The market-led adjustment method preconised by the MoE entailed a more brutal and unmediated adjustment of textiles to global market conditions. Unlike the previous attempt to 'humanise' industrial restructuring (i.e. the CEIs) and undergo the sector through a 'slow euthanasia' in order to defuse social contestation, the government adopted a 'surgical' approach by exposing the sector to international competition without state arbitration and support (Hau 2007: 35). As Cohen (1982: 25) had anticipated, market-led adjustments in lagging sectors were in fact state-controlled processes in which 'laissez-faire' discourses acted as a legitimation device for their unbridled realisation.

## **CONCLUSION**



This chapter has argued that deindustrialisation in the T&C sector was a state-managed affair. In other words, the form that deindustrialisation took within the sector was shaped by the successive governments' industrial preferences. The key aspect of these consecutive industrial policies was the selectivity applied to the distribution of aids which in essence entailed a top-down selection of the production units that would survive the crisis and constitute the hard core of domestic T&C production and a consequent marginalisation of firms less apt to figure in the sector's nucleus.

Although the modalities of application of selective disengagement underwent through four distinct phases it was a consistent policy-preference of the successive governments, including the Socialists. Despite the latter's attempt to mitigate the decline of certain T&C industries through the CEIs, industrial policy progressively embraced a stricter selective disengagement strategy by abandoning marginal firms to the fate of international competition. The early socialist promulgation that instead of condemned sectors there were only sectors in need of modernisation was not really abandoned, but after the economically poor results of the CEIs it was realised that this modernisation could not take place without important regional and social sacrifices. Enhancing the competitiveness within domestic industry could only be supported by a more selective industrial policy rather than an uncompromised support of commercially unviable firms (Bernard 2015: 123).

While often considered as a typical example of a natural case of deindustrialisation given NICs comparative advantage in T&C production within the contemporary IDL, this chapter demonstrated that deindustrialisation of T&C cannot be conceptualised as the unfolding of structural market forces. The liquidation of segments of the industry was a policy pursued by the consecutive governments themselves in their effort to maintain the competitiveness of domestic production and enhance its commercial performance.

The chapter also shed light on the relationship between the French state and the EEC. While the successive legal disputes between French authorities and the EEC might at first sight betray a divergence of interests and ultimately the EC's powers to subdue domestic policy by forbidding the implementation of domestic plans, such as the CDPTH, at the same time the EC's proscriptions did not fundamentally alter the aims of the government. For the government, the CEIs were only an exceptional and temporary form of assistance as they served to merely delay the rate of employment decline rather than avoid it. Similarly, the plan to subsidise investments through the CDPTH was contested by civil servants within the government, especially the MoE, not only the EC. In fact, both intra-state conflicts and disagreements with the EEC concerned the pace of implementation of selective disengagement, not its necessity. As the state was finding it difficult to discipline itself in light of the regional implications of T&C decline, the EC thanks to its unaccountability articulated in an uninhibited way, freed from democratic considerations, the rationalisation aims of the government. Without succumbing to regional or labour interests, the EC was able to reinforce the French state's capitalist purpose.

## **CHAPTER 5**

### **STEEL: BY WAY OF BRUSSELS**

#### **INTRODUCTION**

In many respects, the steel industry held a heavier political weight in France's economic life than T&C. Firstly, the capital-intensive nature of steel production and the high cost of investments, rendered it particularly vulnerable in times of crisis as a great share of the industry could all at once become idle (Daley 1996: 121). Secondly, given the large-scale character of its manufacturing infrastructure the steel industry tended to be heavily regionally concentrated (Smith 1998: 154). Thirdly, the great levels of concentration and the very existence of large plants allowed for a better organisation of labour and a stronger capacity for mobilisation which in times of crisis gives labour the opportunity to make its presence stronger in the political scene (Daley 1996: 122). The high economic and social stakes of the steel industry came to the fore during the 1970s crisis. Indeed, the global crisis of overproduction in which French steel was caught necessitated a drastic disengagement from the sector's unprofitable activities which entailed grave repercussions on employment and the economic development of mono-industrial regions. Selective disengagement in steel took the form of a policy of disinvestment from Lorraine's blast furnaces and long product activities and the promotion of electric steelmaking and the more noble flat products. Thus, the tension that underpinned the crisis of steel during the decade under examination was one between state manager's policy preference for an extensive rationalisation of the sector and the social implosion that such measures bred. This chapter shows that the high political visibility of the sector motivated the French state to transfer the responsibilities for the job cuts and

plant shutdowns that ensued the selective disengagement strategy to institutional bodies ostensibly lying beyond the reach of governmental authorities while retaining arm's length control over the restructuring process. In particular, by transferring the responsibility for certain industrial measures to the European Commission's supranational confines, the consecutive French governments were able to conceal their own predilections for an extended disengagement from the industry's unprofitable activities and find a new source of legitimacy for its implementation.

The chapter begins by tracing the historical development of the sector during the Glorious Thirty. Throughout the post-war era, the steel industry benefitted from extensive state assistance without however having recourse to the rationalisation and technological improvements necessary to achieve the competitiveness levels of its advanced commercial partners. Thus, once the worldwide rise of steel exports and the saturation of demand for steel resulted in a global overproduction crisis, French steel found itself on the brink of bankruptcy as its lagging technological development prevented it from profitably selling on steel markets. Next, the chapter examines Barre's government first attempt at a depoliticised approach to selective disengagement. Despite the massive public funds injected into the two main steel firms (Usinor and Sacilor), in 1978 the government sought to publicly distance itself from the formulation of the rationalisation plans necessary to restore profitability and instead transferred the plans' responsibility to the firms' shareholders and directing boards. However, as the following section shows the sector witnessed a deep social crisis as its workers began to fiercely revolt against the government's plans. To further shield the state from popular backlash, French policymakers opted to deepen the depoliticisation of steel policy by advocating for a pan-European management of the steel crisis managed by the European Commission. The recourse to the latter's disciplinary means (i.e. price orientations, production quotas, supervision of public aids) gave the government more leeway to

implement its own policy preference for a selective liquidation of the sector's excess capacities. Finally, the advent of the Socialists did not dramatically alter the management of the steel crisis despite the nationalisation of Usinor and Sacilor. Indeed, while in 1982 the socialists implemented a more restrained form of selective disengagement by consciously relying on an inflated projection of the future growth of the steel market which limited the number of establishments that had to be shut down, by 1983 they decided to accelerate the industry's rationalisation. Once again, the French state's support for the Commission's management of the crisis allowed the state to pursue its socially costly industrial strategies while at the same time presenting them as a necessary concomitant of the country's obligations towards Brussels.

### **A STATE-SPONSORED BOOM WITHOUT RATIONALISATION**

Like other French industries, steel was relatively backwards compared to its European partners in the wake of the Liberation. In terms of structures, French steel was dominated by family-controlled firms which had been reluctant to proceed to mergers that would have induced concentration within the industry (Stoffaes and Gaddoneix 1980: 411). In performance terms, the acquisition of iron-rich Loraine after WWI allowed France to raise itself to the 4<sup>th</sup> rank of world steel producers before WWII (Freyssenet 1979: 13; Mioche 1999: 404). However, the impressive magnitude of French steel's productive resources masked the relatively undeveloped character of its technological capacities and its low productivity levels (Mioche 1999: 404). In other words, the strength of French steel lied in its abundant production volumes rather than its high productivity levels. In times of overproduction crises and falling world steel prices, its strength run the risk of turning to a weakness as lagging productivity would prevent French producers from selling profitably their tonnage in current market prices. While during the Trentes Glorieuses the state ensured the continuous flow of funds towards the sector and backed the undertaking of many important investments, the initial productivity gap between France and other advanced

industrial partners was never closed due to the insufficient rationalisation of the sector which weakened the competitive potential of French steel in the wake of the 1973 crisis.

The privileged position occupied by steel in French industrial policy can be traced back to Monnet's 5-year plan for the reconstruction of the country after the war. As steel products constitute the primary material worked upon by other key sectors such as the automobile, naval, construction, machine-tool or armament industries, the revitalisation of the sector in the immediate post-war period was necessary for the revival of a great share of the country's industrial activities. In 1946 crude steel production had fallen down to half its 1930 levels of production (Table 8) which justified the rapid action taken in order to put steel industry back into motion. The period of reconstruction witnessed an impressive channelling of funds towards steel, the 'keystone of the modernisation plan' (CGP 1946: 146). For instance, from 1950 to 1953 public funds along with the funds of the Marshal aid represented 40% of the sector's total financing (Mioche 1999: 407). In addition, the government sought to accelerate its productivity by exposing it to the competitive pressures of the European steel industry after the ratification of the Treaty of Paris that instituted the European Coal and Steel Community (ECSC) (Stoffaes and Gadonneix 1980: 411).

The state's post-war efforts to revitalise the steel industry bore fruits both in terms of the sector's production capacities and its industrial structures. Indeed, by 1955 French crude steel production had reached the highest levels of its history, almost tripling its 1946 levels. Furthermore, at the end of the Monnet Plan and after a series of important mergers, most of steel production was now undertaken by four big groups: the region of Lorraine was dominated by Lorraine-Escout, De Wendel and Sidélor while Usinor was the leading producer in Nord.

*Table 8: Crude and Rolled Steel Production in France from 1930 to 1977  
(in millions of tons)*

	1930	1946	1952	1955	1958	1961	1964	1967	1970	1974
<b>Crude Steel</b>	9.4	4.4	10.9	12.6	14.6	17.6	19.8	19.7	23.8	27
<b>Rolled Steel</b>	6.6	3	7.8	9.1	10.7	13.5	14.6	16.2	18	21

Sources: Insee, *Annuaire Statistique de la France*, various years.

The special attention given to steel under the framework of the Monnet Plan, rather than an exceptional set of measures necessitated by the immediate post-war conjuncture, was in fact the precursor of a wider pattern of state-steel relations that characterised this industry's development until the mid-1970s. During the Trentes Glorieuses the state guaranteed the continuous flow of funds towards the industry and closely oversaw the expansion of its production structures (Hayward 1986: 71-75). To this end, the state and the *Chambre Syndicale de la Siderurgie Française* (CSSF), the steel trade association, joint hands in 1946 to create the *Groupement de l'Industrie Sidérurgique* (GIS), the organisation responsible for the distribution of loans among steel firms (Daley 1996: 64). In addition to borrowing in the private market on behalf of all its members at low interest rates, the GIS also acted as a guarantor for low-interest public loans issued by the *Credit National* or the *Fond de Développement Economique et Social* (FDES).<sup>98</sup> The direct effect of this 'business-state collaboration' (Daley 1996: 64) was a significant lowering of the financial costs of investment and a consequent uninterrupted flow of money into the sector. Additionally, it allowed the state to enhance its supervising authority and influence over the direction of

<sup>98</sup> The *Fond de Développement Economique et Social* was a public fund that distributed loans at lower-than-market interest rates to firms based on their social and regional development goals of their investments.

investment as it held significant power to sanction firms' investment decisions (McArthur and Scott 1969: 198-201; Hayward 1986: 74-75; Daley 1996: 65).

The propitious environment created by the state-steel partnership permitted the realisation of important projects in Northern and Eastern France. In the former, Usinor installed the first French strip mill in the commune of Montataire in 1950 and five years later the group's productive capacities benefitted from a second strip mill in the city of Denain. Lorraine also acquired a strip mill in 1953 constructed at Sérémaigne by Sollac, a steel cooperative with De Wendel as its most important shareholder. Undoubtedly, the most important investment of the period was the construction of a coastal steel mill in Dunkirk in 1963 by Usinor.<sup>99</sup> Overall, the intensification of investment in the 1950s permitted crude steel production to reach close to an annual 20 Million tonnes (Mt) in 1964, five times its 1946 tonnage. Similarly, the volume of finished rolled steel products almost doubled from 1952 to 1964 (Table 8).

However, the euphoric growth of investment came at the cost of increasing indebtedness. In the early 1960s, the European steel industry experienced the first signs of its latent overcapacity tendencies. Indeed, the rise of steel exports from third countries, especially Eastern Europe and most importantly Japan whose shares of world exports increased by 56% and 380% between 1957 and 1963 accordingly (Table 9), was accompanied in 1963 by a negative growth of steel consumption in the ECSC that forced an important fall in prices threatening the bankruptcy of inefficient producers. For French steel, the crisis translated into a piling up of its financial burden. Its inability to sell above production costs made the cost of past investments weigh heavily on firms' financial accounts. As a result, the debt to revenue

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<sup>99</sup> The rationale behind the setting up of steel complexes in littoral areas – a common practice in the 20th century world steel industry- was twofold. Firstly, littoral plants benefitted from the importation of ore from developing countries which had a higher density of iron than Lorraine's ore deposits. Additionally, they entailed considerable productivity gains as the reception and processing of raw material as well as the shipping of finished products all took place on the same site.



ratio of the industry augmented from 46% in 1960 to 66% in 1962, while it remained at a yearly average of 72% until the end of the decade (INSEE 1967: 341; INSEE 1972: 248). This meant that firms could not count on their revenues alone to undertake the investments necessary to increase their competitiveness (Freyssenet 1979: 60).

*Table 9: Share of World Exports in the EEC, Eastern Europe and Japan<sup>1</sup>*

	1957	1963	1967	1973	1977
<b>EEC<sup>2</sup></b>	60.3	46.6	45.8	34.7	31.1
<b>Eastern Europe and USSR<sup>3</sup></b>	6.8	10.6	12	9.5	7
<b>Japan</b>	4	19.2	20.9	32.5	37.3

(1) Excluding intraregional trade (i.e. Intra-EEC and intra COMECON).

(2) The EEC includes the 9 member states that composed the community in 1973 (i.e. Belgium, France, West Germany, Italy, Luxembourg, Netherlands, Denmark, Ireland, United Kingdom).

(3) Eastern Europe includes Bulgaria, Czechoslovakia, The German Democratic Republic, Hungary, Poland and Romania.

Source: International Iron and Steel Institute (1978) *A Handbook of World Steel Statistics*, Brussels.

The importance of state support to the healthy performance of the sector was attested once again. Indeed, firms found themselves in a situation where while the investment effort was necessary to overcome growing competitive pressures, they could not make it without formal state support (Woronoff 1998: 559). To remedy the growing indebtedness of the sector, the state negotiated with the CSSF an injection of 2,7 Billion Francs (BF) in the form of FDES low interest-rate loans into the GIS's fund in exchange for an extensive rationalisation and modernisation of the industry. The 'State-Steel Convention', as the plan was called, was signed in 1966 and entailed a process of industrial concentration whose most characteristic mergers were the fusion of Usinor and Lorraine-Escout to form Usinor in 1966 and the consolidation of a unique group named Wendel-Sidélor by the Lorraine-based groups in 1968. These mergers were significant inasmuch as Usinor

and Wendel-Sidelor (renamed Sacilor in 1973) would constitute the two major poles of French steel production until the mid-1980s. Furthermore, the liberation of funds permitted the resumption of investment which, among others, culminated in the doubling of the productive capacities of Dunkirk's complex and the construction of a new steel mill at Gandrange by Wendel-Sidelor in 1969. More impressively, in 1971 Wendel-Sidelor joined hands with Usinor to create Solmer, France's second coastal plant located in the southern region of Fos-sur-Mer. The agreement was made under the auspices of the government which designated the new plant's location on political and regional development grounds (Hayward 1986: 75-77) and financed the project at 25%.

The state's aid package came in exchange for plans that firms would formulate themselves in order to rationalise production. Thus, the 1966 convention required the shutting down of dilapidated units and the suppression of 15,000 jobs. Nevertheless, this early attempt at a selective disengagement from steel's less productive units was not carried out to its full extent. Despite the decisions to invest in modern coastal complexes, firms remained reluctant to eliminate the more obsolete facilities and proceeded to shutting down only a very limited number of units (Stoffaes 1978: 494; Levy 1986: 66). Similarly, job cuts were implemented at an insufficient pace (Pouille 1978: 7; Stoffaes and Gaddoneix 1980: 412). By 1970 the industry had decreased its workforce by only 8,000 (Figure 5), half than the objective set by the 1966 convention. Because of its insufficient rationalisation efforts, French steel continued to lag in productivity terms behind its European counterparts. Despite having made a 5.2 hour decrease in hours-per-tone productivity between 1965 and 1970—a higher rate than Germany, Belgium, Netherlands or Italy - its productivity levels remained at levels significantly lower than the average ECSC levels (Table 10). In light of another overproduction crisis French producers would be the primary European candidates for extensive capital devaluation as their

lower-than-average productivity levels would render them unable to profitably sell at market prices.

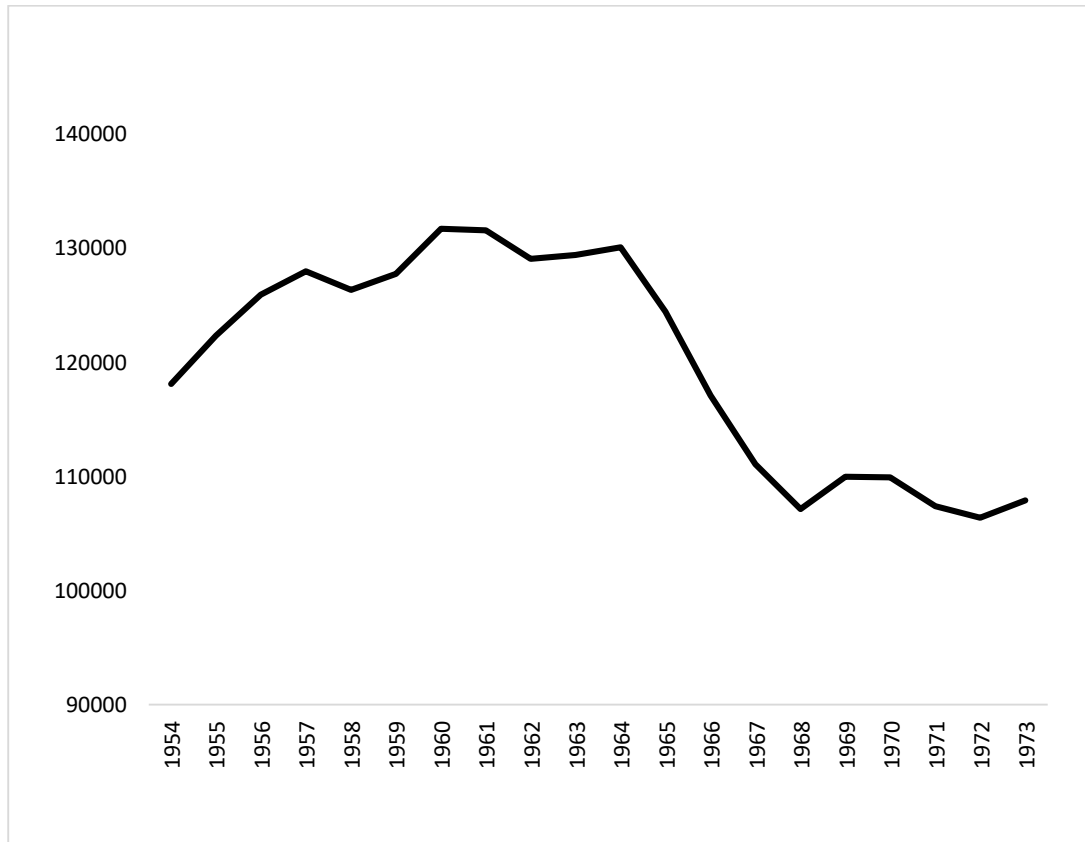
*Table 10: Productivity in the ECSC Steel Industry (hours per tonne)*

	<b>France</b>	<b>W.Germany</b>	<b>Belgium</b>	<b>Netherlands</b>	<b>Italy</b>
<b>1965</b>	17.7	13.1	13.5	11	10.1
<b>1970</b>	12.5	9.9	9.5	7.7	8.1

Source: AN 19910818/16, Ministère de l'industrie, 1978. Le plan Professionnel de 1966.

It can be argued that the moderate rate of rationalisation in steel was a direct result of the inflationary social compromise that characterised French labour-capital relations in the post-war era. Indeed, the post-1968 inflationary wave was accompanied by an upsurge in demand for steel products. As such the main preoccupation of firms became the expansion of production volumes to meet demand as opposed to rationalisation and productivity enhancement (Levy 1986: 67). As Freyssenet (1979: 87) observes, it all appeared as if the endeavour to proceed to employment reductions was cancelled out to now face rising demand. The post-1968 inflationary expansion along with generous state aids allowed the steel industry to buoy obsolete units and postpone the necessary rationalisation measures (Alter and Steinberg 2007: 7). Regardless of the limited scope of the rationalisation measures, the contraction of the sector's employment in the 1960s (Graph 5) was the consequential manifestation of a first attempt at a selective devaluation. Selective disengagement targeted the units that could not confront the ongoing price competition in order to align the industry's profit margins to the level of its European competitors (Freyssenet 1979: 132).

Figure 5: Manufacturing employment in the steel industry from 1954 to 1973



Source: Eurostat, 1983. *Iron and Steel 1952-1982*, Luxemburg.

While certain restructuring efforts had been undertaken within the sector, the screening and elimination of unproductive units had not been fully implemented (Daley 1996: 122; Woronoff 1998: 560). Furthermore, despite the presence of certain impressive coastal plants, French steel suffered from a persistent technological disadvantage to its competitors as it was slower to adopt the most modern production techniques (Woronoff 1998: 561). Indeed, France's crude steel production relied heavily on plants producing with mid-19<sup>th</sup> century techniques, namely Thomas and Open-Hearth processes. On the other hand, oxygen steelmaking processes, which were developed in the 1950s and are characterised by the high velocity of their operations, penetrated French production units at an insufficient pace. In the 1970s, 60% of crude steel production was done with Thomas and Open-Hearth processes while only 29% was carried out by

oxygen steelmaking processes (Table 11). Despite the attempt to catch up on the technological delay vis-à-vis its European partners, in the wake of the 1974 steel crisis, the share of Thomas and Open-Hearth production to total crude steel production was still higher than the EC average and 10% higher than Western Germany's share. Continuous casting, an automatable technique that reduces by four the number of steps necessary to convert molten metal into solid material, was equally slow to conquer French production. As Table 12 shows, throughout the early 1970s the share of continuous casting production to total crude steel production was consistently lower than its main EEC competitors as well as the Western World's average. The technological gap between France and its competitors became a great handicap for Steel once the 1970s crisis erupted.

*Table 11: Share of different steel making processes in total steel production (in %)*

	FRANCE		W. GERMANY		EEC	
	<i>Thomas and O-H<sup>1</sup></i>	<i>Oxygen</i>	<i>Thomas and O-H</i>	<i>Oxygen</i>	<i>Thomas and O-H</i>	<i>Oxygen</i>
<b>1960</b>	91	>1	91	3	87	2
<b>1970</b>	60	29	34	56	40	46
<b>1974</b>	30	59	20	69	22	64

(1) Open-Hearth

Source: Eurostat, 1983. *Iron and Steel 1952-1982*, Luxemburg.

Table 12: Continuous Casting as a share of total crude steel production

	1971	1972	1973	1974
<b>France</b>	1.9	3.4	7.3	10.2
<b>Italy</b>	6.7	12.7	18.1	21.7
<b>W. Germany</b>	10.2	13.9	16.3	19.4
<b>Japan</b>	11.2	17	20.7	25.1
<b>World<sup>1</sup></b>	7	9.6	11.9	14.7

(1) Excluding communist countries

Source: International Iron and Steel Institute, 1978. *A Handbook of World Steel Statistics*, Brussels.

Mény and Wright (1987: 10-11) describe the crisis that hit Western steel between 1974 and 1984 as the unfolding of three simultaneous processes: the declining trend of global demand for steel, the geographical re-orientation of production towards Japan, Eastern Europe and other industrialising countries such as Brazil and India and finally, the general recession that followed the oil shock which hit the steel industry particularly hard given the dependence of its output on a wide variety of consuming goods sectors that were experiencing falling sales. Within a context of stagnating demand, the growing production capacities on a world scale contributed to the decoupling of supply and demand (Hudson and Sadler 1989; Alter and Steinberg 2007: 95). The Western steel industry became burdened with excess capacities as the failure to sell profitably led to a dramatic under-utilisation of existing plants (Mény and Wright 1987; Tsoukalis and Strauss 1987: 195). The overabundance of steel products in the context of a shrinking market brought a downwards pressure on prices, which only in 1975 fell by 40% to 50% (Freysenet 1979: 166), rendering French producers unable to cover the costs of past investments. In other words, the overabundance of producers in a shrinking market threatened to render idle a great share of France's production capacities given their lower technological efficiency and inability to sell profitably.

Nevertheless, France was able to maintain a positive balance of trade in steel products and cover its persistent deficit with the EEC thanks to its surplus in trade with third countries (Table 13). Rather, the crisis of overproduction hit French steel in the form of an increasing indebtedness stemming from the decline of selling prices as they could hardly cover the high production costs bequeathed by the firms' past investments. Indeed, French producers never recovered from their debt crisis of the 1960s: at the end of 1977 debt had reached 112% of revenues (Pouille 1978: 26). Unlike the case of the T&C sector the overproduction crisis in Steel did not translate into a growing trade deficit but a debt crisis that 'threatened the existence' of the sector itself (Mol 1979: 7).

Already in 1971, the VIth plan had warned that the excessive development of steel's productive capacities could lead to a severe crisis as the global steel industry had already shown in the past its tendencies towards the creation of excess capacities (CGP 1971: 212). Despite existing reserves, the strategy chosen by both the state and the sector was to induce 'further debt to ease indebtedness' (Freyssenet 1979: 72). The extensive rationalisation necessitated by the sector in order to confront international competition with its most productive units was postponed. The restructuring measures that accompanied the 1966 Convention were ultimately insufficient and gave birth to a dimorphic industrial landscape in which the impressive coastal units of Dunkirk and Fos-sur-Mer as well as the oxygen steel mill of Gandrange coexisted with the more archaic industries of Lorraine. As a 1979 report of the Ministry of Industry succinctly concluded:

Despite State aid the situation did not improve. There was not any real and sustainable lightening of the debt load. Nor was there a reduction of the workforce in accordance with the plan, as it was implemented during the deceitful recovery of 1968-1971. Thus, the simultaneous conservation of obsolete and modern facilities provoked French steel's net productivity lag behind its competitors (Mol 1979: 9)

The historical development of the steel industry until the onset of the 1973 oil crisis shows that the sector was not foreign to overproduction tendencies nor was it unfamiliar with state involvement in its affairs. Indeed, the pivotal role of the state consisted in prompting the development of the sector by securing the flow of funds towards the latter's trade association and stepping in more decisively in times of crisis in order to exchange aid packages for restructuring measures. Ultimately, this state-sponsored boom allowed the development and expansion of steel capacities, but the expected rationalisation never occurred to the levels necessary to render domestic steel sustainably profitable on global markets. State support temporarily shielded firms from bankruptcy and eliminated the pressure to undertake a drastic rationalisation of production. By 1974 however, disengagement from the sector's obsolete units to foster production around the most modern facilities became a precondition for the sector to get back on a profitable track and circumvent the peril of total liquidation.



Table 13: Volume of Trade in Steel Products in France from 1950 to 1977  
(In millions of tonnes)

	<i>Imports from EEC</i>	<i>Exports to EEC</i>	<i>Imports from third countries</i>	<i>Exports to third countries</i>
<b>1952</b>	72	435	34	2371
<b>1955</b>	777	1858	59	3498
<b>1960</b>	3034	2327	166	3381
<b>1965</b>	3778	2846	181	3809
<b>1970</b>	6421	3737	1140	3901
<b>1975</b>	6182	4142	815	4626
<b>1977</b>	7361	4597	1281	5720

Source: Eurostat, 1983. *Iron and Steel 1952-1982*, Luxembourg.

### **A NEW DIVISION OF LABOUR IN STEEL POLICY-MAKING (1975-1979)**

Hayward (1986: 504) came to characterise the post-war pattern of state-steel relations as a form of ‘public control without public ownership’ given the state’s close oversight of steel finances and its role in coordinating certain investments such as Fos. Nevertheless, the government never overtly participated in devising the firms’ restructuring plans of 1966 nor it assumed the responsibility for the ensuing job suppressions. This led the communist deputy Jacques Duclos to argue that, despite the looming unemployment that threatened Lorraine’s steelworkers following Wendel-Sideler’s restructuring plans, the government played the role of ‘Pontius Pilate’ given its disinclination to enter into negotiations with the unions regarding plant shutdowns.<sup>100</sup> Instead, Minister of Industry Francois Ortolli counterargued that the rationalisation plans were the firm’s responsibility and any interference in its affairs would compromise the firm’s own

<sup>100</sup> Sénat, séance du Samedi 4 Décembre 1971.

survival.<sup>101</sup> However, as the crisis progressed in the late 1970s the ‘strong arm of the state was needed’ more urgently to remedy the sector’s heavy indebtedness (Zysman 1983: 160). Essentially, the challenge faced by French policy makers throughout the period was the reconciliation of the need for an active state-induced liquidation of steel’s obsolete units and the government’s need to resist the workers opposition to selective disengagement. The Pontius Pilate role ascribed to the state by Duclos would in fact aptly characterise the form of state interventionism after 1978 as the state sought to depoliticise steel policy by ostensibly transferring the responsibilities for restructuring to the creditors of the two main steel companies (i.e. Usinor and Sacilor).

Initially, in the face of the deepening crisis of the mid-1970s, the response of the government reproduced the previous logic of injecting further funds into the sector in order to accrue investment without rationalising its production capacities. In 1975, Giscard d’Estaing launched the *Programme de développement de l’Economie*, an economic stimulus package aiming at enhancing domestic demand and providing fiscal aid to firms to allow the resumption of investment. Steel figured as one of the main beneficiaries of this program. Indeed, as part of the 1975 recovery program, the government planned to distribute 3BF in loans from the FDES of which 1.5 billion were destined to steel. In addition, in order to avoid potentially disastrous political consequences in the coming cantonal electoral confrontation with the left, the government dissuaded the sector’s employers from having recourse to mass layoffs and encouraged recipient firms to resume their planned investments (Freyssenet 1979: 182-184; Daley 1996: 124).

It is only in 1977 when firms’ debt levels skyrocketed that the government incited firms to undertake more important rationalisation measures. The 1977 *Plan Acier* granted steel firms a moratorium for existing loans as well as an additional FDES package of 1.3 billion Francs to redress their own funds. In addition, the plan included several shut downs of Thomas steel

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<sup>101</sup> Sénat, Questions remises à la présidence du Sénat, 8 February 1972.

mills which required the suppression of 16,200 jobs by 1980. Accompanying the plan was the Convention Generale de Protection Sociale de la Siderurgie (CGPS), a scheme funded by both the state and the firms to financially support the early retirements, job transfers from closed to active plants and compensations for dismissals made necessary by the restructuring process. However, once again the plan intervened too late. Within the context of dropping demand for steel products, the rationalisation measures did too little derail steel firms from their path towards bankruptcy (Mol 1979: 19). Indeed, as the Mol later acknowledged, the 1977 plan was too timid in its scope as it had underestimated the long-lasting nature of the crisis.<sup>102</sup>

In fact, France had accumulated a backlog of restructuring measures as it was much slower to react to the crisis than its competitors. As the Mol observed, the latter had ceased seeking the mere augmentation of their productive capacities and had instead chose to preserve units and investment programs that ameliorated their productivity.<sup>103</sup> For instance, between 1974 and 1977 Germany had had recourse to redundancies amounting to 10,000 jobs, while France had maintained a practically stable workforce.<sup>104</sup> Therefore, French steel had to emulate the practices of its competitors by engaging in a process of qualitative selection of its most efficient elements and centre the country's total production around them. The government had to initiate a strict selective disengagement strategy instead of encouraging firms to keep on relentlessly augmenting tonnage.

In 1978 the government demanded from CSSF to present a new plan which would prompt even higher capacity reductions than the 1977 plan. However, the propositions submitted by the CSSF on the 6<sup>th</sup> of April were judged too optimistic by the Mol given the breadth of the crisis. Instead, the Mol argued that increasing competitiveness should be the focal point of the restructuring

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<sup>102</sup> AN 19910818/15, Note pour le Ministre, 11 April 1978.

<sup>103</sup> AN 19910445/9, Note d'Information, 20 September 1978.

<sup>104</sup> AN 19910445/9, Note d'Information, 20 September 1978.

process. To operationalise the selective disengagement strategy, it set a productivity rate of 6 hours per ton as the industry's objective and proposed the elimination of units that could not reach this rate.<sup>105</sup> The sole drawback to this goal was the seeming unwillingness of employers to accelerate the reduction of existing capacities and assume its responsibilities.<sup>106</sup> As Prime Minister, Raymond Barre explained in an inter-ministerial committee:

our steel industry is largely oversized, and we cannot impose on the national community a burden which consists of propping up heavy weights with indulgence...We must face the problem and draw the consequences without succumbing to the pressures of the Ironmakers whose behaviour is deplorable. We must aim for a hard core that is useful and competitive.<sup>107</sup>

The government could not rely as in the past solely on the steelmakers' commitments to implement the desired rationalisation measures and raise their productivity levels. In effect, Pierre Gaddoneix from the Mol's Metallurgical directorate (DIMME) further observed that the Ironmakers were particularly vulnerable to workers' pressures. They would not be able to resist trade union demands for a reduction in working hours and wage increases in compensation for plant shutdowns which if conceded would ultimately undermine any effort to increase productivity.<sup>108</sup> Given the employers' unreliability, the government had to step in more decisively to reorient the objectives of the industry and propel the development of steel's most promising units while prompting the dismantlement of uncompetitive ones.

However, a deeper involvement of the state in steel's affairs run the risk of increasing the politicisation of the sector's situation and limiting the government's much needed 'political space for manoeuvre' (Daley 1996: 126). In the aforementioned inter-ministerial committee, Raymond Barre

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<sup>105</sup> AN 19910445/9, Note d'Information, 20 September 1978.

<sup>106</sup> AN 19910445/9, Note d'Information, 20 September 1978.

<sup>107</sup> AN 19910818/15, Note pour le Ministre, 13 April 1978.

<sup>108</sup> AN 19910818/18, Note pour le Ministre, 12 January 1978.

had dismissed the option to nationalise the sector 'not only for reasons of doctrine...but above all because nationalisation would prevent [the government] from implementing the necessary reforms.'<sup>109</sup> Indeed, the Minister of Industrial affairs' (André Giraud) technical advisor, Christian Stoffaes, noted that the public mining and transport companies in France or British Steel in the UK, had demonstrated the political difficulties met by a nationalised industry in laying off its personnel and shutting down obsolete units in times of crisis given the 'complex set of pressures received from both trade unions and the political world.'<sup>110</sup> In contrast to its initial aim, a nationalised company would become 'a shield against unemployment' and a growing burden on the state's budget.<sup>111</sup> Nevertheless, the urgency of action demanded by the near-bankruptcy situation of steel firms and the apparent inaction of the Ironmakers necessitated an adjustment of the managerial structures of the sector's firms without taking the form of overt public ownership. Thus, the government needed to find an intermediate solution that could simultaneously avert the two extreme scenarios of either nationalisation or the official insolvency of Usinor and Sacilor.

To come out of this impasse, the government devised the 1978/79 *Plan de Sauvetage*. The latter, while allowing the government to implement a more drastic strategy of selective disengagement would ostensibly transfer the responsibilities for plant shut downs and layoffs to firms themselves and their creditors. It unfolded in two stages. Firstly, it involved a reorganisation of the firms' financial structures and secondly, a change in the firms' managerial personnel.

In the spring of 1978, the government engaged in a series of consultations with steel's creditors from the private sector (Paris Bas, BNP), the nationalised banking sector (Crédit Lyonnais, Société Générale) as well as

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<sup>109</sup> AN 19910818/15, Note pour le Ministre, 13 April 1978.

<sup>110</sup> AN 19910818/18, Argumentaire à propos de la note de la Chambre Syndicale de la Sidérurgie Française: La vérité sur la sidérurgie, 19 September 1978.

<sup>111</sup> AN 19910818/18, Argumentaire à propos de la note de la Chambre Syndicale de la Sidérurgie Française: La vérité sur la sidérurgie, 19 September 1978.

parapublic financial institutions (Crédit National, Caisse de Depots et Consignations).<sup>112</sup> For the government the ultimate aim of these consultations was to reorganise the financial structures of Sacilor, Usinor and their subsidiaries by inciting banks to participate in the firms' capital. More precisely, this process entailed a conversion of the debts held by banks (and public financial institutions) into capital, a 600MF reduction of the firms' financial charges and consequently a recovery of firms' own funds.

Banks were however initially reluctant to take on a managerial role within the firms. Even more so, they were weary of carrying the financial weight of steel and allow a decrease in the interest rates perceived on steel loans.<sup>113</sup> As it was communicated to Giraud:

Given that all the other negotiating partners are obsessed with the State taking over the finances of French steel, we should avoid at all costs any deviation from our initial aim which is to put steel in the hands of its creditors, among which the Treasury is minority.<sup>114</sup>

The main struggle of the government thus consisted in refraining from exerting direct political control over the firms and instead render the latter accountable to their creditors rather than the state.

The state's insistence to transfer the managerial responsibilities over steel to its creditors culminated in an agreement between the two sides towards the end of the 1978 summer. Ratified on the 10<sup>th</sup> of October 1978, the final plan entailed the creation of two financial holding companies, *Société Financière Usinor-Chatillons* and *Société Financière Sacilor*, which took charge of around 55% of Usinor and Sacilor's capital accordingly. On average, the state through the medium of the Treasury acquired 15% of

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<sup>112</sup> Even though the state could influence the allocation of credit of both nationalised and parapublic financial establishments and exert control over them through various regulatory mechanisms, the latter were all *formally* independent from the state. For more on the links between the state, industry and finance in post-war France see Zysman (1983: Ch.3).

<sup>113</sup> AN 19910818/16, Note pour Monsieur le Ministre, 22 June 1978; AN 19910818/15, Note pour le Ministre, 3 July 1978.

<sup>114</sup> AN 19910818/16, Etat de la négociation relative à la restructuration financière de la sidérurgie, 30 June 1978.

each holding's shares, the GIS 15%, the Caisse de Depots et Consignations (CDC) 30%, the Crédit National 10% and the banks 28%. (A simplified illustration of the post-1978 financial structures of Usinor and Sacilor is presented in Figure 6). To assuage the banks' fears and guarantee the security of private savings, the 1978 plan entailed the creation of the CAPA, a fund through which the state would ensure the prompt servicing of debt when and if companies failed to do so.

Overall, this manoeuvre has been characterised as a virtual nationalisation given that the public sector became de facto the majority shareholder of steel (Dahmani 1983: 136; Hayward 1986: 522; Godelier 2006: 9). This 'mock-nationalisation' was not a mere technical financial procedure, but a political strategy allowing the state to discipline steel firms by making them accountable to their respective financial proprietors rather than directly to elected officials. Indeed, given the formal independence of public and parapublic financial institutions from the government, the latter managed to both ensure the solvency of firms while avoiding directly taking responsibility over the rationalisation process.

In addition to changing the financial ownership structures of firms the state demanded the replacement of Usinor's and Sacilor's current managerial boards. As part of the second act of the 1978 'Rescue Plan', the financial holdings would demand a restructuring proposal that would permit the firms' return to equilibrium in 5 years.<sup>115</sup> If however, the state was to assist the restructuring of steel from behind-the-scenes, the substitution of the current direction was inevitable. Indeed, the restructuring plans proposed by the firms' current managers in April 1978 had been judged insufficient by the government. According to the Mol the plans did not go far enough in terms of excess capacity reductions while their cost for the state was too excessive as they would not be able to yield the profits necessary to

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<sup>115</sup> AN 19910818/15, Note pour M. Cedelle, 19 May 1978.

reimburse their ongoing loans.<sup>116</sup> In the case that the current boards were maintained, the government would either have to accept an unviable plan or publicly justify why the plans proposed by the firms were expensive and ineffectual. In this latter case the state would be forced to step in more decisively and set itself the quantitative objectives of the plan.<sup>117</sup>

In other words, the change in the firms' managerial personnel was necessitated to both assure that the future plan would be more austere than the current one<sup>118</sup> and to avoid drawing contestation on the government by overtly participating in the delineation of the restructuring plans. In contradiction with its depoliticising aims, this choice did come with certain risks. By placing new personalities at the head of Usinor and Sacilor, (Etchegaray in the former and Mayoux in the latter), this move could be interpreted as the state nominating 'new managers in order to enforce a painful policy.'<sup>119</sup> Nevertheless, the government chose to prioritise the insertion of new managers. In fact, the substitution of the current board of directors would be presented not as a governmental preference 'nor as ad hominem choice but as the necessary consequence of the newly decided financial restructuring measures.'<sup>120</sup> The changes in the direction of Usinor and Sacilor reflected the central strategy of the government during the period of application of the 1978-1979 plan which essentially rested on transferring the ownership of the devaluation plans to firms themselves.

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<sup>116</sup> AN 19910818/15, Note pour M. Cedelle, 19 May 1978; AN 19910818/16, Etat de la négociation relative à la restructuration financière de la sidérurgie, 30 June 1978.

<sup>117</sup> AN 19910818/15, Note pour le Ministre, 19 May 1978.

<sup>118</sup> AN 19910818/15, Note pour le Ministre, 19 May 1978.

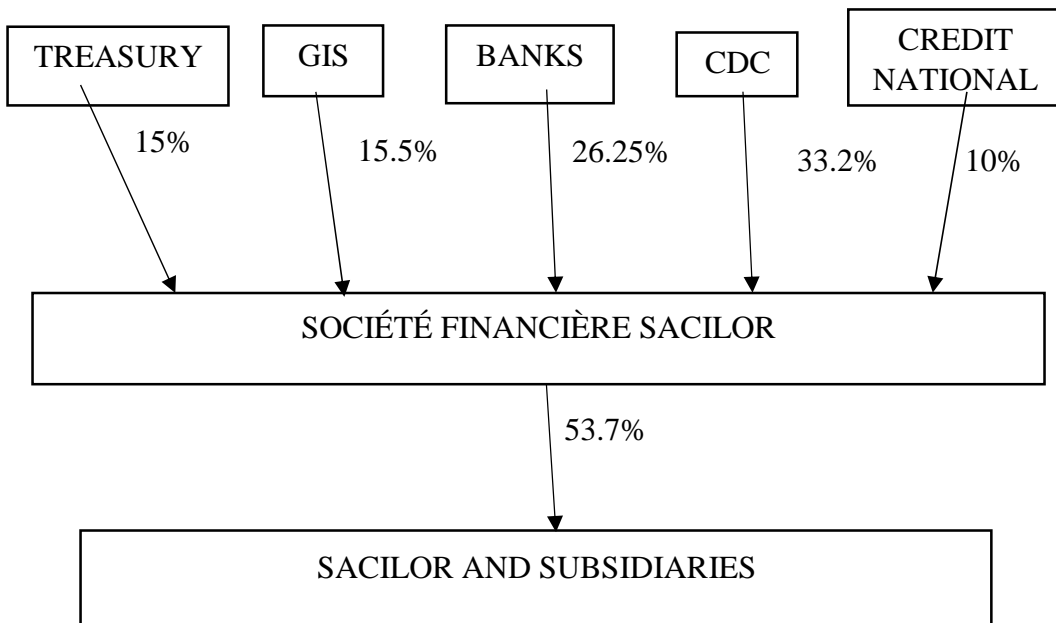
<sup>119</sup> AN 19910818/15, Note pour M. Cedelle, 19 May 1978.

<sup>120</sup> AN 19910818/15, Note pour le Ministre, 23 October 1978.

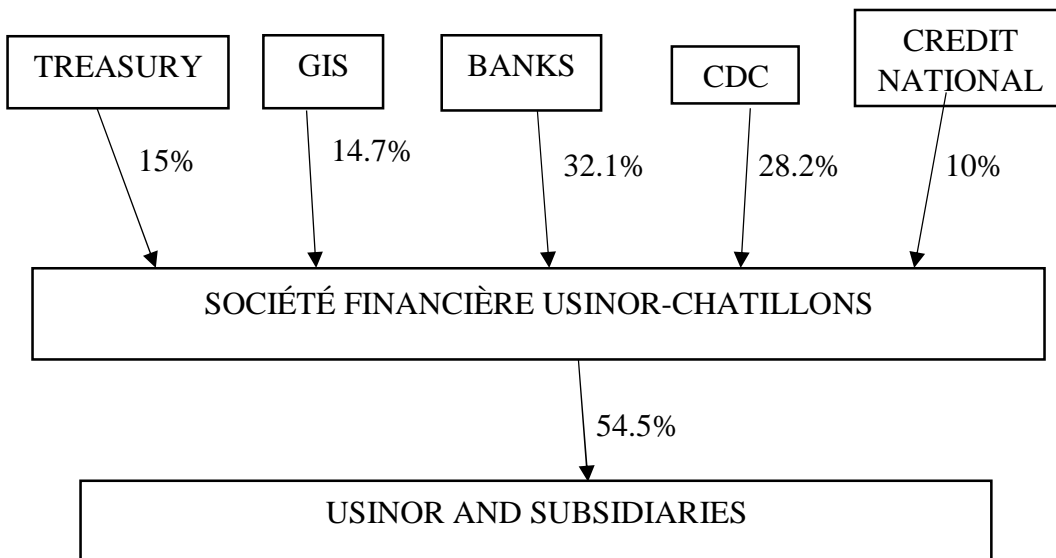


Figure 6: The 1978 Financial Restructuring

a. Financial Structure of SACILOR



b. Financial Structure of USINOR



In spite of the responsabilisation of firms, the state retained a significant say in industrial affairs. For instance, the plan announced by the new directors in December 1978 entailed some tough dilemmas regarding the choice of units that should be modernised and those that should be eliminated. Such

were for instance Usinor's choice between implanting a new oxygen steel mill in the region of Neuves-Maisons or Longwy or even the choice between keeping or dismantling the Denain mill as part of the program for capacity reductions. With regards to these industrial options the Mol had expressed its strong preference for implanting the new steel mill at Neuves-Maisons and the shutting down of the Denain rolling mill.<sup>121</sup> Both of the Mol's inclinations ended up being adopted. The Neuves-Maison investment had a higher impact on regional equilibrium and public opinion and its non-implementation would 'engender very vivid reactions in the region.'<sup>122</sup> Concerning the Denain mill, the Mol had already judged, in early 1978, that the site was made redundant by the more modern Dunkirk and Fos complexes<sup>123</sup> and thus constituted an unjustifiable cost on the state's budget.<sup>124</sup> While the government had opted for these options prior to the 1978 plan, Raymond Barre decided 'to let Mr. Etchegaray announce this decision under his responsibility'<sup>125</sup> in order to strengthen the association of the coming drastic measures with the decisions made by the new board of directors itself rather than the government. All in all, delegating the formal responsibility for the implementation of the plans to firms themselves did not prevent the preferences of state managers themselves from shaping the content of the selective disengagement program.

At the same time the government was careful to keep its industrial leanings and orientations confidentially disclosed solely to managers<sup>126</sup> in order to sidestep the heavy pressures of steel's combative unions. Indeed, the delegation of responsibility towards the micro-level of the firms gave the

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<sup>121</sup> AN 19910818/18, Relevé de décisions de la reunion tenue le 30 novembre 1978 par le Premier Ministre et relative aux échéance sidérurgiques, 30 November 1978.

<sup>122</sup> AN 19910818/26, Note de synthèse, 26 November 1978; AN 19910818/18, Relevé de décisions de la reunion tenue le 30 novembre 1978 par le Premier Ministre et relative aux échéance sidérurgiques, 30 November 1978.

<sup>123</sup> AN 19910818/26, Evolution technique de l'usine de Denain, 21 March 1978.

<sup>124</sup> AN 19910818/27, Les éléments industriels et économiques fondant la decision d'arrêter l'aciérie de Denain, 12 January 1979.

<sup>125</sup> AN 19910818/18, Relevé de décisions de la reunion tenue le 30 novembre 1978 par le Premier Ministre et relative aux échéance sidérurgiques, 30 November 1978.

<sup>126</sup> AN 19910818/18, Note, 1st december 1978.

government enough leeway to continue the selective devaluation strategy while keeping unions ostracised from the negotiations table (Vigna 2009). The government refused to hold tripartite negotiations between its responsible ministries, firms and the unions on the grounds that it was not a 'CEO of firms.'<sup>127</sup> Given that the 1978 financial restructuring consisted of a quasi-nationalisation, trade unions like the CGT expected of the state to negotiate with them both the industrial and social aspects of the plan in order to mitigate its consequences on employment. In response, Pierre Gaddoneix countered that:

...the state did not become steel's boss. Its intervention can be considered as a sort of debt agreement since its participation in the financial holdings can be discontinued at a later stage if the circumstances permit it.<sup>128</sup>

Trade union demands for nation-wide negotiations over the new steel plans were thus dismissed by the Mol as it did not consider that industrial matters fell under its authority.<sup>129</sup> Instead, it held that concertation should take place exclusively within the firms, between unions and employers, as the restructuring plans were the latter's sole responsibility.<sup>130</sup>

Alternatively, the state ascribed to its own liabilities the management of the social and regional consequences that accompanied the plan to cut down excess capacities.<sup>131</sup> Thus, in 1979 the CGPS procedure was signed for the second time to attenuate the programmed 20,000 job cuts through early retirements, voluntary leaves and reconversions. In addition, the government announced a 3 Billion Francs loan package to encourage investment in the hardly hit Northern and North-Eastern regions. This

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<sup>127</sup> AN 19910818/18, Note, 15 February 1979.

<sup>128</sup> AN 19910818/18, Note pour le Directeur du Cabinet, 24 November 1978.

<sup>129</sup> AN 19910818/18, Note pour le Cabinet, 2 October 1978.

<sup>130</sup> AN 19910818/18, Note relative à la concertation entre le Ministre de l'Industrie et les Syndicats de la Métallurgie, 16 May 1979.

<sup>131</sup> AN 19910445/9, Débat sidérurgie au Sénat, September 1979.

financial assistance would be distributed by public funds such as the FSAI<sup>132</sup> and aimed at creating 12,000 jobs in hardly hit regions - largely by investments of the car industry (see Chapter 6). It was furthermore decided that the social and regional palliative measures would be announced only once the new heads of Usinor and Sacilor had officially announced their restructuring programs. <sup>133</sup> Strategically speaking, this could only consolidate the view that the government only acted in reaction to the firms' plans and did not participate in their formulation.

In sum, it is only in 1978 that the government decided to accelerate the selective disengagement from unproductive units in order to rescue steel from a state of near-bankruptcy. Indeed, the 1975 and 1977 plans to remedy the steel industry's ills proved to be insufficient in raising the firms' productivity and profitability. However, the government sought to publicly distance itself from the industrial affairs of steel as its deeper involvement in the conception of the restructuring plans would necessarily draw contestation back on to itself and delay the implementation of the much-needed rationalisation measures. Ultimately, the 1978-1979 Rescue Plan was devised by the government as a way to advocate a particular division of labour in industrial policy whereby financial firms would exercise pressure upon their industrial subsidiaries to increase their profitability, the latter would devise and implement the required restructuring plans and finally, the state would take care of the social and regional collateral damage that ensued. Minister of Industry André Giraud squarely described the new stance of the government to the unions in a meeting of the Economic and Social Council in the following words:

The rule that the government has instituted is thus, that the Government governs, that the ministers take their responsibilities, that the administrations undertake their supervisory tasks, but that the

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<sup>132</sup> The FSAI (Special Fund for Industrial Adaptation) was created in 1978 with the aim of providing financial assistance (e.g. subsidised loans) to firms planning investments creating long-term jobs especially in regions hardly hit by the industrial crisis.

<sup>133</sup> AN 19910818/16, Sidérurgie: Aspects sociaux, 12 October 1978.

personalities placed at the head of industrial firms by choice of the shareholders are rendered fully responsible for their industrial decisions once the prerequisites for financial stability are set.<sup>134</sup>

Through this straightforward allocation of responsibilities among different economic and political actors, the state successfully sidestepped trade union pressures for negotiations over the planned shutdowns and de-manning. In fact, the newly instituted division of tasks allowed the government to preserve control over the selective disengagement strategies of the steel industry while formally transferring the responsibilities for plant shutdowns and rising job cuts to the heads of the firms themselves.

### **ALL ROADS LEAD TO BRUSSELS**

With the implementation of the 1978/1979 plan, the government managed to successfully circumvent consultations with unions on the industrial component of the plan. Instead it restricted their bargaining functions to a negotiation over the plan's social aspects and the modalities of application of the CGPS (Vigna 2009: 160-161). However, this strategy did not translate into a legitimisation of the state within the process of industrial restructuring nor it prevented it from becoming the target of social contestation, forcing it to devise alternative strategies of depoliticising steel. Within this socially tense context, Barre's government sought recourse to the European Commission's disciplining powers in order to firmly consolidate the process of depoliticisation of steel policy and legitimate the coming plant shutdowns accompanying the process of selective disengagement.

Already in 1977, the Recovery Plan was met with localised resistance especially at the plant of Thionville in Lorraine, while the CGPS was boycotted by the CGT and the CFDT leaving FO as the only signatory union of the Convention (Freyssent 1979: 136). Workers' resistance peaked at the time of the 1978 Rescue plan when labour opposition to restructuring

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<sup>134</sup> AN 19910445/9, Conseil économique et social, Section de l'industrie et du commerce, Réunion de la section du Mardi 10 avril, 10 April 1979.

acquired national dimensions. During the 1978/1979 winter, in Longwy and Denain, two cities in Lorraine, more than 20,000 thousand workers gathered in protest to the plant shutdowns threatening their regions. Strikes, clandestine radio broadcasts, road blockades, violent confrontations with law enforcement and the pillage of administrative buildings became commonplace in Longwy and Denain while contestation also moved to Paris where a 100,000 strong CGT-led national protest in solidarity with Lorraine's steelworkers took place on the 23<sup>rd</sup> of March. A leaflet of the regional CFDT organisation of Longwy argued that the worker's strategy should 'confront the structure of the state which has resolved to destroy us' (quoted in Vigna 2004: 131) demonstrating the increasing attention drawn on the role of the state in steel restructuring. Despite its strategic intentions, the state was increasingly perceived as the originating source of worker's distress and became the locus of union contestation (Cohen 1989: 278; Daley 1996: 145).

Even further, the avowed independence of the state from the firm's industrial plans was increasingly questioned. For instance, in a meeting between Giraud and trade union delegates soon after the announcement of the plans, the CFDT had demanded further clarifications over the extent of the firms' alleged autonomy from the state, while, even more interestingly the CGC <sup>135</sup> (a union generally unhostile to the restructuring measures) pondered whether any 'hidden modalities of connection existed between governmental policy and the decisions adopted by the firms.'<sup>136</sup> Despite the renewal of the CGPS on the 24<sup>th</sup> of July 1979, from which only the CGT refrained, there was a clear rupture in labour-state relations. The growing frailty of the state-unions relationship betrayed a legitimacy deficit in the way the devaluation process was carried out and laid out the necessity for a

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<sup>135</sup> The Confédération Générale des Cadres was a trade union that represented exclusively the interests of white-collar workers and whose membership consisted of higher-ranking employees with supervisory or executive functions such as engineers or managers.

<sup>136</sup> AN 19910818/18, Compte-rendu des discussions entre M. Giraud et les Fédérations métallurgistes, 1<sup>st</sup> March 1979.

deeper depoliticisation of steel restructuring which would shield the government from labour's growing pressures.

In addition to the political crisis looming over the state, labour revolt also threatened the proper application of the plan in economic terms. In 1979 the regular recourse to strikes contributed to a drop-down of production of more than 1Mt, leading to the worsening of firms' financial results.<sup>137</sup> In addition, regional concerns from both unions and local politicians over the future of their regions' plants put a barrier to the industry's smooth disengagement from its less efficient mills. With regards to the future of the Denain site, Etchegaray responded to the pressures of RPR deputy Georges Tranchant to safeguard the site for local development purposes by arguing that: 'if the social situation in France evolved in such a manner that every production unit must be doubled, then it is the whole economy that would be condemned, and with it the future of France.'<sup>138</sup>

Concomitantly, the mounting social dissatisfaction coincided with the increasing involvement of the European commission in the management of member states' steel policy. Since the signature of the Treaty of Paris in 1951, the healthy functioning of the steel market featured among the regulatory priorities of the High Authority (the predecessor of the European Commission). While before 1974 its supervisory means were seldom needed, the onset of the crisis called for greater interventionism (Tsoukalis and Strauss 1985: 215; Bain 1992: 38-39). In December 1976, European Commissioner for Industrial affairs, Henri Simonet, introduced a plan to tackle the European steel crisis through a system of voluntary production quotas concluded between the Commission and the European firms and the introduction of recommended prices on steel products. After the succession of Simonet by Etienne Davignon, the Commission's management of the crisis gradually acquired a more interventionist character (Grunert 1987: 232-234) and implemented a system of mandatory minimum prices for

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<sup>137</sup> AN 19910445/9, Note pour Mr de Croisset, 15 October 1979.

<sup>138</sup> AN 19910818/18, Correspondence entre Echegaray et Tranchant, 12-13 July 1979.

certain products or fixed orientation prices for others. It is only in February 1980 that the Commission fully took advantage of its coercive powers as it installed a code of aids which allowed it to supervise domestic subsidy programs and reject them in case they distorted competition or if the recipient firms did not engage in extensive rationalisation plans. More importantly, in October of the same year, the Commission, by appealing to article 58 of the Paris Treaty, officially declared that the European steel industry was in a situation of 'manifest crisis' and enacted a system of mandatory production quotas on member state's firms. In turn, the quotas were distributed among European producers based on their average production shares between 1977 and 1980.

However, the French were initially reluctant about the prospects of transferring the responsibilities over steel policy to the supranational level. Indeed, Haberer, director of the Treasury, put the dilemma in the following way:

Should we accept this evolution, when the Government assumes all the political responsibility of the difficulties involved in front of the Parliament and public opinion? It is doubtful. Without denying the role that the Community could play in coordinating the future of sectors which are very often subject to capacity reductions, it is right to think that the government has every advantage in maintaining enough freedom of manoeuvre in managing the so delicate operations of restructuring and reconversion.<sup>139</sup>

Indeed, there was a fear in aligning French steel policy with the prerogatives of the Commission as it entailed the danger of compromising domestic industrial reform. For instance, Haberer explained that in accordance with the New Community Instrument,<sup>140</sup> the commission could approve the subsidisation of projects that the French government did not support. In this

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<sup>139</sup> AN 19910445/11, Note pour le Ministre, 9 February 1979.

<sup>140</sup> The NCI or Ortolli Facility was a Commission-managed fund introduced in 1977 which subsidised industrial investment programs of European firms that could effectively achieve certain objectives such as tackling unemployment and contributing to regional stability.



case the state 'being subject to the simultaneous pressure of the industrialists and the Commission, would find it difficult to resist the temptation to aid a project from the moment that the Community would be ready to do so.'<sup>141</sup> Put simply, one of the French authorities' concern was that the Commission could induce a milder approach to steel restructuring at a time where France was impelled to implement a drastic rationalisation program. Additionally, in the absence of a strict rule on subsidies it was feared that certain countries, such as Italy, would make an excessive use of public aids without undertaking the necessary cut-downs in production capacities thereby increasing their market shares at the expense of countries undergoing drastic capacity reductions, such as France.<sup>142</sup>

At the same time the Commission offered the government a politically secure route to carry out the implementation of its selective disengagement strategy. Given the fragile situation of state-labour relations, the transnational depoliticisation of steel policy could allow the government to politically distance itself from the restructuring measures. Indeed, the enactment of article 1958 and the attribution of production quotas to member states would give the French state an external impetus to disengage from unproductive units and in a way conceal its own preference for a drastic rationalisation of the sector. To wed both depoliticisation objectives and ensure the austerity of the Commission's approach, the government chose to side with the adoption of a pan-European plan for capacity reductions on the condition that the Commission installed a strict supervisory mechanism over member states' distribution of subsidies to their respective steel industries. This would allow 'to control more seriously all projects of capacity extension and to practically render them financially unrealisable.'<sup>143</sup>

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<sup>141</sup> AN 19910818/31, Note pour le Ministre, 9 February 1979.

<sup>142</sup> AN 19910445/11, Conseil des Communautés Européennes, 15 November 1979; AN 19910445/11, Note, 30 Novembre 1979.

<sup>143</sup> AN 19910818/32, Note pour le Ministre, December 1979.

Overall, there were three main economic aims that the government was thriving to achieve through the Davignon plan. Firstly, to secure price increases large enough to guarantee the profitability of Usinor and Sacilor, secondly to ensure that France was competing on an equal footing with its common market partners by sharing the cost of capacity reductions and finally to alleviate the budgetary burden induced by steel. Figure 7 provides a summary of the legitimation and accumulation objectives that inclined the French government to support the transnational depoliticisation of steel policy between 1979 and 1984.

*Figure 7: The accumulation and legitimation imperatives pursued by the state through the Davignon Plan, 1979-1984*

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***Accumulation Imperatives – Industrial objectives***

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- a) Secure price increases for steel products in order to restore profitability of French steel firms,
- b) Ensure that cut-downs in production capacities will be fairly shared among member states and that French steel would not lose its current market shares,
- c) Induce budgetary restraint through strict controls on public subsidies.

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***Legitimation Imperatives – Domestic politics objectives***

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- a) Gain tacit acceptance of the restructuring measures by trade unions as none contested France's membership,
  - b) Signal public opinion on the inevitability of plant shutdowns and layoffs as such measures were taken across the EEC,
  - c) Transfer the responsibility for the socially and regionally painful measures to the EEC,
  - d) Create an alliance with trade unions by fighting on a common front for a higher share of production quotas at the EEC level.
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As far as the first objective is concerned, the French government was well aware of its industry's competitive disadvantage to its ECSC partners. By

September 1980, it was acknowledged that French firms could not profitably sell their finished steel products: long products were sold below and flat products<sup>144</sup> at factory cost.<sup>145</sup> Thus, the Simonet plan had been judged too weak to impose a hard-lined discipline on the community's producers since within four months of its application average steel prices on the French market fell from 1,270 Francs per ton (F/t) in January 1977 to 1,220 F/t in April.<sup>146</sup> The Commission's approach towards price control was too diffident for the French.<sup>147</sup> In contrast, the plan Davignon initially permitted an elevation of prices to 1,370 F/t in August 1977, but similarly to the Simonet plan, its disciplinary mechanisms were soon exhausted as price increases were cancelled out by December.<sup>148</sup> It, too, proved powerless to adjust prices in the face of erratic market developments.<sup>149</sup> Thus, the system of orientation prices was considered deceptive as 'it seemed illusory to expect of producers to spontaneously respect these prices.'<sup>150</sup> Instead, the Mol argued that 'It belongs to the Commission to employ the means for a serious control of these prices.'<sup>151</sup> Recourse to article 58 and the official declaration of a 'manifest crisis' was thus for French authorities the best course of action. The imposition of mandatory production quotas would in theory bring about a supply and demand balance for steel products: prices would rise again enabling French firms to sell their products at profitable levels on European markets.

In fact, the pan-European adoption of downsizing plans was a precondition for the effective implementation of the French selective disengagement strategy as it would ensure that French producers would not suffer a

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<sup>144</sup> Long products refer to such steel products as bars, rods, rails or sheet piles whereas flat products have smoother surfaces and consist of mainly steel plates, sheet and strips.

<sup>145</sup> AN 19910446/1, Note pour Mr Bour, 18 September 1980.

<sup>146</sup> AN 19910445/9, Le plan Simonet et le plan Davignon, 1978

<sup>147</sup> AN 19910445/11, Note Provisoire: Préparation de la reunion du Conseil Européen des 25 et 26 Mars, 16 March 1977.

<sup>148</sup> AN 19910445/9, Le plan Simonet et le plan Davignon, 1978

<sup>149</sup> AN 19910445/11, Note pour le Ministre: Préparation du sommet franco-allemand, 27 September 1979.

<sup>150</sup> AN 19910446/1, Note pour le Ministre, 29 September 1980.

<sup>151</sup> AN 19910446/1, Note pour le Ministre, 29 September 1980.

disproportionate share of the total European capacity reduction. Such became the attachment of the French government to article 58 that in the case of rejection of the plan by member states, the Mol had prepared in advance an emergency protectionist disposition which included a unilateral imposition of import barriers for products from the members of the common market regardless of its legality vis-à-vis the Treaty of Paris.<sup>152</sup> Indeed, in case of rejection of article 58, the free flow of community products would seriously inhibit the capacity of French producers to supply the domestic market given that a drastic capacity reduction program was already on course at home.<sup>153</sup> In fact, the major concern of the Mol during the negotiations of the application of article 58 was that in the absence of a generalised Commission-imposed discipline on the European market, the internal plan would be compromised.<sup>154</sup> Manifestly, the success of the French domestic measures depended upon the implementation of homogeneous rules on production reductions across the ECSC market. This was confirmed by the council of the financial holding of Usinor which lamented to Monory, the Minister of Economic affairs, that despite the fruits borne by the 1978 Rescue plan, the latter's results were jeopardised by the 'fall in the selling price of steel stemming from the undisciplined competition in which certain European producers engage.'<sup>155</sup>

The third, financial, objective of an ECSC-led adjustment was to ensure budgetary discipline at home. In fact, the call for budgetary restraint constituted the rallying point around which the French government managed to coalesce the rest of member states. Indeed, during the negotiations in Brussels, the French representative approached other members by claiming that on this front all governments were in the same boat:

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<sup>152</sup> AN 19910446/1, Note pour le Ministre: mesures nationales en cas de rejet de l'art 58, 1 October 1980.

<sup>153</sup> AN 19910446/1, Note pour le Ministre: mesures nationales en cas de rejet de l'art 58, 1 October 1980.

<sup>154</sup> AN 19910446/1, Note pour le Ministre, 12 September 1980; AN 19910446/1, Giraud to Ortolí, 24 September 1980.

<sup>155</sup> AN 19910446/1, Société financière Usinor-Chatillon to Monory, 25 September 1980.

It would be illusory to believe that benefitting from the crisis certain producers could suffer less than others. From then on, at risk of seeing the governments of all member states confronted to demands for massive financial aids, a precautionary approach is needed. This is the reasons for which the Commission is duty-bound to act and France shares its point of view on the necessity of Article 58.<sup>156</sup>

More specifically, in its negotiations with Italy, which under domestic political pressures had used a substantial aid package to augment the productive capacities of the Bagnoli steel complex, the Mol attempted to convince its interlocutor on the necessity of further ECSC discipline by arguing that the solicitation of national governments for further industrial subsidies will continue indefinitely as the crisis worsened and thus further expenses would be incurred on their budget.<sup>157</sup> Common ground with Germany, which constituted the major opposition to the renewal of the Davignon plan as price controls did not constitute an equally high priority given their superior competitiveness,<sup>158</sup> was also found on the necessity to reduce state subsidies to the sector. Germany had traditionally been weary of the Commission's dirigisme and had proposed a return to 'free competition' in order to re-equilibrate the market as it feared that the imposition of production quotas would encourage German industries to seek further state aids.<sup>159</sup> However, an agreement between the member states during the council of the 25<sup>th</sup> October on the revision and stricter application of the code of aids helped to attenuate German fears.<sup>160</sup>

On the level of domestic politics, the European-wide harmonisation of restructuring measures was necessary to convince labour of the inevitability

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<sup>156</sup> AN 19910446/1, Note: les propositions de la Commission pour le Conseil de 7 Octobre, October 1980.

<sup>157</sup> AN 19910446/1, Note pour le Directeur, 17 September 1980.

<sup>158</sup> AN 19910445/11, Note pour le Ministre: Préparation du sommet franco-allemand, 27 September 1979.

<sup>159</sup> AN 19910446/1, Note, 19 September 1980.

<sup>160</sup> AN 19910446/1, Session du Conseil du 25 Octobre 1980 consacrée à la sidérurgie, 25 October 1980.

of job cuts. Referring to the Italian government's aid package to Bagnoli, Giraud in a letter to Davignon explained that:

in the dramatic context that characterises once again this vital sector for the economy and for employment, public opinion would not understand why the Community authorities favour by aids or other incitements the creation of new capacities and that the disciplines necessitated in periods of overproduction are not applied.<sup>161</sup>

Thus, the non-homogenisation of downsizing measures could domestically discredit the French plan as it would signal that drastic cuts in production capacities were not the sole alternative to the steel crisis. More precisely, it run the risk of implying that these measures were not exogenously imposed but constituted a conscious policy preference of French state elites. Hence, the urgent necessity of the French government to come to a rapid agreement with the European partners in order 'to dissipate the impression of grave divergences between the member states of the Community.'<sup>162</sup>

At a time when French authorities were domestically accused by trade unions of implementing stricter plans than other European countries,<sup>163</sup> the adoption of a common set of measures at the supranational level could help the government to secure a tacit, at least, acceptance of the necessity of restructuring at home. The government could in this way circumvent firms' pressures for further funds or trade union demands to reconsider the shutting down of plants, as the anathema of the measures would be brought upon the Commission. As Davignon succinctly explained, with the application of article 58:

the Commission knew that it would engage its authority and that of the community. Equally it knew that, in the eyes of the public, it would bear the responsibility on a social level of the measures it preconised. And

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<sup>161</sup> AN 19910446/1, Mol to Davignon, 24 September 1980.

<sup>162</sup> AN 19910446/1, La réduction de la production d'acier (art.58), 24 October 1980.

<sup>163</sup> AN 19910445/9, Reunion du conseil économique et social, 10 April 1979

which would foment lay-offs and possibly the shutdown of production units. It was ready to take its responsibilities...<sup>164</sup>

Given the supranational quality of its authority and its lack of democratic accountability, the Commission could comfortably assume the responsibilities of the coming social disaster in contrast to national governments.

To reiterate, in 1978 the 'division of labour' strategy to steel policy-making begun showing its first cracks as the state progressively became the primary target of labour contestation. Faced with a deepening crisis that put French producers in an unfavourable competitive position, the government's objectives to secure the profitability of French firms as well as to politically shield its commitment to production cut-downs from labour's costly material demands to safeguard Lorraine's capacities interweaved as grounds to engage in a process of transnational depoliticisation. By allowing the Commission's takeover of steel policy, the government sought to carry out its own preference for the liquidation of obsolete activities by appealing to the Commission's 'supranational economic rule of law' (Warlouzet and Witschke 2012) and in this way secure a tacit acceptance of capacity reductions by the sector's unions. However, these measures came at high social and political cost. Socially, employment in the steel industry decreased from 183,000 at the beginning of 1977 to 110,000 in 1980 with 44% of these losses concerning Lorraine (INSEE 1983: 23). As for the political backlash, it came in the electoral confrontation of May 1981 and Mitterrand's ascendancy to presidency.

### **THE PLAN JUDET (1981-1982)**

The steel crisis played a prominent role in the victory of the Socialists as their commitment to the nationalisation of Usinor and Sacilor allowed them to gain the support of the PCF and the CGT as well as to construct a rhetoric concerned with the defence of French production against the upsetting

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<sup>164</sup> AN 19910446/1, Telex: Problèmes sidérurgique, 1 October 1980.

forces of the international division of labour (Smith 1990: 77-80). However as argued here, both prior to and after its so-called U-turn from a Keynesian to a neoliberal-inspired economic policy in 1983 (Clift 2002: 327) the government had formulated like its predecessor a definite industrial preference for a targeted disengagement from steel's unproductive units.<sup>165</sup> Similarly, it early on demonstrated its commitment to a Commission-led management of the steel crisis.

Nevertheless, shortly after its victory Mitterrand was quick to re-assure the people of Longwy that they would not have to bear the hardships caused by a 'savage capitalism' as the nationalisation of steel would spearhead the socialists' endeavour to reconquer the domestic market and safeguard employment (Mitterrand 1981). Usinor and Sacilor were nationalised in October 1981 and the process involved a dissolution of the financial holdings of the industries and a transfer of firms' capital to the state, notably, by converting public loans into state-held capital.

Once in power however, the socialist government's reading of the crisis was not dissimilar to that of its predecessor. Despite the efforts of the 1977 and the 1978-9 plans, it was acknowledged that overcapacities persisted in French steel.<sup>166</sup> While the country had on average reached the productivity levels of Germany (at 7 hours per tonne of steel), there were great discrepancies between on the one hand the more competitive production of flat products in the modern coastal plants of Dunkirk and Fos and the insufficiently rationalised production of long products in Lorraine and Normandy.<sup>167</sup> Since it was widely recognised that French steel was overstaffed and suffered from an excess presence of antiquated production

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<sup>165</sup> It has been pointed out that certain fractions within the Socialist Party (SP) had already in the 1970s contemplated nationalisation as a way to further pursue the restructuring and rationalisation of specific firms (Holton 1986: 70). In the 1970s, the Parti Socialiste had gradually moved from an ideologically-driven and socially oriented interpretation of nationalisation towards one that saw it as a means to rectify the economic shortcomings of unassisted capitalism. However, it pre-electorally espoused the PCF's anti-capitalist rhetoric regarding nationalisation to secure the Left's electoral victory (Smith 1990: 79-80).

<sup>166</sup> AN 19910818/27, Note pour le Ministre, 1 June 1981.

<sup>167</sup> AN 19910818/27, Note pour le Ministre, 1 June 1981.



units, especially in Lorraine, Gaddoneix explained to the new minister of Industry, Dreyfus, that 'it would be illusory to reconstitute a competitive French steel industry on the basis of existing capacities, or even worse in a perspective of augmenting capacities'.<sup>168</sup> As early as June it was realised that rationalisation was essential for the survival of the firms as their financial situation had significantly degraded in the last months of 1980 with Usinor and Sacilor recording 1.23 BF (7% of revenue) and 1.95 BF (18% of revenue) in losses accordingly.<sup>169</sup> In spite of the necessary reductions in the workforce, the government had to resume the previous government's selective disengagement from the elements inhibiting French steel's profitable operations namely the least efficient long products facilities in continental France.<sup>170</sup> Nationalisation was forthwith considered as an instrumental element for the further rationalisation of the sector.

However, to minimise the political backlash that could emanate from the conflict between the government's decision to continue the devaluation effort and its pre-electoral commitments, the government decided to outsource the design of the grand orientations of the new plan to Pierre Judet an academic researcher at the Institut de Recherches Economiques et de Planification. Judet was asked to provide a report sketching the mid-term evolutions of the steel market. The report would then constitute the basis around which the national-level consultation with the industrial and social partners would take place.<sup>171</sup> Judet's report was submitted in January 1982 and provided three scenarios estimating the future volume of French steel production taking into account the evolution of different macroeconomic variables such as variations in demand, the growth of GDP and the evolution of France's external commerce. The 'optimistic' scenario predicted a production of 24 Mt of crude steel for 1986, a more reserved scenario predicted 21.8 Mt, while the 'pessimistic' scenario predicted 19 Mt.

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<sup>168</sup> AN 19910445/10, DIMME note, 8 July 1981.

<sup>169</sup> AN 19910818/27, Note pour le Ministre, 1 June 1981.

<sup>170</sup> AN 19910818/30, Note pour le Ministre, 5 June 1981.

<sup>171</sup> AN 19910445/10, Note pour Monsieur le Ministre, 25 November 1981.

Indicatively, French crude steel production stood at around 23.2 Mt in 1980 and 21 Mt in 1981.

The report's results were flexible enough to allow the state sufficient manoeuvrability to incorporate employment concerns within its new plans and loose the criteria for the dismantling of antiquated units. At the same time, in the face of inevitable union protests over the programmed job cutbacks, the government could claim that its hands were tied by the objective predictions of the report. In this way, as argued within the Ministry of Labour, the government could simultaneously show its determination to save steel as well as to

make trade unions accept (at least tacitly) certain principles that would allow...the justification of certain painful choices and the obtention a less hostile attitude on the part of the representatives of the firms' personnel.<sup>172</sup>

To mitigate contestation, the government opted to retain the optimistic hypothesis of Judet and as Smith (1998: 162) argues 'the politically driven nature of this decision becomes obvious when we consider that French steel production had never attained such high levels of growth except in 1972-1974.' In a sense the government hoped to temper the new plans' impact on employment as much as permitted by the predictions of the report.

Nevertheless, the plans presented in late March 1982 by the firms' directing boards on the basis of Judet's 24Mt thesis, necessitated the suppression of 12,000 jobs. Despite the optimistic choice of the government, the latter was aware that even the 24Mt scenario would entail serious employment reductions since part of the steel workforce would be rendered redundant by the productivity gains to be realised through the modernisation investments inscribed in the firms' plans.<sup>173</sup> Job shedding was to be accompanied by a renewal of the CGPS' generous social compensations

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<sup>172</sup> AN 19870344/2, Note pour Mr Mandil, 3 April 1982.

<sup>173</sup> AN 19870344/2, Note: Acier, 15 April 1982.

(i.e. early retirements, severance pays for voluntary redundancies) which were extended throughout the 1980s. In fact, the CGPS reflected a wider pattern of the French state's social management of deindustrialisation in the 1980s as it sought to temper workers' hostility to restructuring by offering generous welfare compensation in place of straight layoffs (Daley 1996: 179-183; Levy 1999: 251;).

At the same time, it had been agreed that the shutting down of all loss-generating activities was 'socially unacceptable.'<sup>174</sup> Therefore, in order not to further amplify employment losses it was decided to postpone certain modernisation investments whose deferral would not drastically affect the firms' financial result in the immediate future.<sup>175</sup> The modernisation investments that were adjourned as a result of the government's deliberations included for instance Usinor's and Sacilor's plan to implement an electric steel mill at Neuves-Maisons and Gandrange accordingly. Given that electric steelmaking process are supplied by scrap steel, both investments would have substantially decreased French steel's dependency on Lorraine's iron cast production.<sup>176</sup>

As it was later argued by the Mol, the 1982 plans constituted the 'best possible compromise considering the promises made, the outcomes of the social concertation and the possible rhythm of reconversion of steel regions.'<sup>177</sup> Thus, as in the textile sector, the government while in full knowledge of the extent of the capital devaluations necessary to restore the industry's profitability, chose to initially adopt a milder approach to selective disengagement in order to find a temporal balance between its legitimisation and accumulation imperatives. In other words, to appease the workers' and regions' concerns without compromising the overarching long-term objective to eliminate the uncompetitive elements of the steel industry.

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<sup>174</sup> AN 19910445/8, Note: Les plans industriels et leurs conséquences, 26 April 1982.

<sup>175</sup> AN 19910445/8, Note: Les plans industriels et leurs conséquences, 26 April 1982.

<sup>176</sup> AN 19870344/2, DIMME notes, 26 May 1982.

<sup>177</sup> AN 19910818/15, Note pour le Ministre, 14 March 1983.

It was precisely the elasticity allowed by the Judet Report that at the same time constituted the nemesis of the 1982 plan. By March 1983, less than a year into the plan, both the government and the firms recognised the steel market's incapacity to absorb France's projected 24Mt production. Usinor's new president, Raymond Levy, deplored that the government contradictorily claimed 'to build upon the strengths of our industry and at the same time save Lorraine...to settle the firms' financial situation without actually dealing with certain insoluble social issues.'<sup>178</sup> Indeed, while the different predictions of the Judet Report, ultimately, authorised a more cautionary policy, the government chose to defend certain 'costly industrial objectives whose inanity was concealed.'<sup>179</sup> As a result, USINOR continued finding itself overstaffed and carrying the weight of fragile units in a situation of ongoing overcapacities.<sup>180</sup>

The Mol too became aware of the burden that the plan brought upon firms. Indeed, at the end of 1982 the respective losses of Usinor and Sacilor combined reached 19% of their revenues and they were expected to, only, minorly decrease to 15.8% in 1983.<sup>181</sup> It equally became evident that the formulation of an umpteenth, more austere, devaluation plan amounting to up to 20,000 job cuts was unavoidable since Judet's hypothesis was replaced by a production goal of 17.6Mt for 1983. In its orientations for the new plans, the DIMME called for a complete substitution of steel production relying on (Lorraine's) iron ore and cast iron by the cheaper steel scrap-based production. Similarly, it demanded the elimination of existing overcapacities in all categories of steel products, especially in long products where oxygen steel mills needed to be replaced by electric ones.<sup>182</sup>

Arguably, the incompleteness of the 1982 plans was a consequence of the tension between the socialist's government decision to carry out

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<sup>178</sup> AN 19910818/27, Raymond Levy to Chevènement, 8 March 1983.

<sup>179</sup> AN 19910818/27, Raymond Levy to Chevènement, 8 March 1983.

<sup>180</sup> AN 19910818/27, Raymond Levy to Chevènement, 8 March 1983.

<sup>181</sup> AN 19910818/15, Dimme: L'évolution de la sidérurgie française, 10 March 1983.

<sup>182</sup> AN 19910818/15, Dimme: L'évolution de la sidérurgie française, 10 March 1983.

disengagement by nationalising/politicising steel and the political backlash that could be redirected at it given its newfound responsibilities towards this industry. This tension was to be dealt once again by way of the EC.

### **THE SOCIALISTS IN BRUSSELS (1982-1984)**

While France's commitment to the Davignon plan was bequeathed by Barre's government, its continuation was not the result of the Socialists' confrontation with a *fait accompli* but the outcome of a carefully weighted deliberation within the government. In fact, the transnational depoliticisation of steel policy gave the socialist government enough room for manoeuvre to carry out a more effective liquidation of excess capacities.

As early as July 1981, Mauroy's government acknowledged that the preservation of the European market's coordination through the ECSC was needed in order to pare the losses of Usinor and Sacilor.<sup>183</sup> In addition, despite France's deficit with the ECSC a protectionist fallback was inconceivable economically since half of France's exports went to the common market and such a solution would jeopardise the objective to conserve the country's global surplus in steel products.<sup>184</sup> The government thus did not show any opposition to the already existing powers given to the Commission and a Council of Ministers of summer 1981 gave its approval to the prolongation of the quota regime and a reinforcement of the code of aids.

By reinstating its commitment to a European-level management of the crisis, the government created a buffer against domestic political backlash once the unviability of the 1982 plans was realised. Indeed, while labour reactions to the 1982 plan were mostly regionally localised rather than nation-wide (Smith 1998: 162), a revision of the 1982 plan would arouse wider social discontent, and possibly 'engender violent reactions',<sup>185</sup> as it would intensify

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<sup>183</sup> AN 19910445/10, DIMME note, 8 July 1981.

<sup>184</sup> AN 19910445/8, Sidérurgie/questions communautaires, September 1982; AN 19910818/15 Dimme: L'évolution de la sidérurgie française, 10 March 1983.

<sup>185</sup> AN 19870344/14, Note pour le Ministre, 23 March 1983.

the austerity of the initial restructuring measures. As the director of the Mol's cabinet, Louis Gallois explained:

We are torn between the risk of trapping ourselves in the implementation of the rationalisation plan of September 1982 which would be overtaken by the evolution of the conjuncture, and the risk of calling into question, some months after their adoption – and only to amplify them- certain decisions that were already difficultly accepted by the social partners.<sup>186</sup>

There was thus a real political difficulty in revoking the 1982 plan for which the government had already very laboriously obtained consent from the unions.<sup>187</sup> Concurrently, the current plans would be disapproved by the Commission and other member states who would ask for further capacity reductions.<sup>188</sup> Therefore, the final arbitration over the domestic plans' soundness was transferred to Brussels. The renewal of the Commission code of aids posed the end of 1985 (later adjusted to 1987) as the limit after which the attribution of aids to the steel industry of member states would be forbid. As a result, in its consultations with the unions, the Mol was able to advance the urgency of the new plan's restructuring measures by invoking the time limit externally imposed to it by the Commission.<sup>189</sup>

The Davignon plan was indeed crucial to the politically unbridled realisation of the new plans. France's membership to the EEC was uncontested domestically seeing that none of the unions or the parties envisaged a withdrawal from the community. In a sense, the continuation of devaluation measures was understood as a binding condition of, or the price to pay for, France's undisputed participation in the common market. Consequently, the government was able to build a sort of a 'common front' with labour's representatives at the European level (see Figure 7). Indeed, the latter were

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<sup>186</sup> AN 19870344/14, Note pour le Ministre, 23 March 1983.

<sup>187</sup> AN 19870344/14, Note pour le Ministre, 23 March 1983.

<sup>188</sup> AN 19910818/15, Dimme: L'évolution de la sidérurgie française, 10 March 1983; AN 19910818/15, Note pour le Ministre, 14 March 1983.

<sup>189</sup> AN 19860204/1, Réunion sidérurgie: discours de Mr Fabius, 23 January 1984.

resolved to the maintenance of France in the EEC while urging the government to achieve a re-equilibration of quota distribution in France's favour<sup>190</sup> in order to avoid the shutting down of further units. Since the Commission-imposed quota regime, and by extension the necessity for a disengagement from certain production units, was not in itself challenged, French representatives were able to perform the role of the hard bargainer within the Ministerial Councils of the EEC.

For instance, the French delegation repeatedly expressed its reserves over the prolongation of article 58 on the grounds that its share of production in the Community did not represent the production share of French firms during the reference years used by the commission (i.e. 1977-1980).<sup>191</sup> By toughening its positions within the councils, the French government was trying to get the most out of the bargaining process and ensure a favourable quota distribution. Similarly, it was in the trade unions' interest to support the French delegation as a higher quota share for France would reduce the volume of capacity reductions and by extension total layoffs. The alignment of workers' representatives with the French delegation allowed the state to in a sense become the 'sovereign embodiment of the national interest' (Bonefeld, 2017: 125) without compromising its selective disengagement strategy.

Yet, despite their combative attitude at the EEC level, French policy-makers were conscious of the benefits of the current regime to the country. Its criticisms were deliberately limited to the quantitative aspects of the regime, and more specifically on its effects on the French production share of the more profitable flat products, while tactically avoiding any judgement on the Commission's management of the process.<sup>192</sup> In fact, the Davignon plan was crucial to the success of the new 1983 plans. As explained by the

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<sup>190</sup> AN 19860204/1, Note: Bilan de la première série de réunions de concertation avec les 5 organisations syndicales sur la sidérurgie, 10 February 1984.

<sup>191</sup> AN 19910446/13, Note: Quotas de production, 16 June 1983; AN 19910446/3, Rapport du Groupe des questions CECA, Report, 14 June 1983.

<sup>192</sup> AN 19910446/2, Note III, 22 April 1983; AN 19910446/2, Note d'orientation, 22 April 1983.

Ministry of the Economy, Finances and the Budget, Jacques Delors, at the time, France was actually,

protected by the community system of quotas and orientation prices. Once this protection disappeared, on principle in two years, our industry will not be able to resist its competitors if it fails to adapt and re-establish its competitiveness.<sup>193</sup>

Even further, it had been found that in fact France had not been especially penalised by the application of the quota regime. Its production of rolled products dropped by 18% from 1980 to 1982, just a little over the average EEC production drop which stood at around 16.74%, and had managed to maintain almost the entirety of its market shares, losing only 0.47% of them with respect to the reference years.<sup>194</sup>

The supranational authority of the Commission over steel matters was not a mere external constraint on French industrial policy-makers since modernisation and the replacement of obsolete capacities figured as a priority of French policy-makers regardless of the Commission's directives. Rather its interference in domestic steel affairs constituted the Trojan horse through which the government was able to implement its policy preference for a selective disengagement from Lorraine's iron ores and long product facilities while circumventing the burden of 'excessive democratic meddling' (Bonefeld 2017: 120).

The case of Gandrange's 'Universal Train' (UT), arguably the most singular episode of the steel crisis under the Socialists, clearly attests the smokescreen effects of the Davignon plan. As mentioned earlier, French steel's inefficiency largely stemmed from its long products sector which was responsible for 60% of the two nationalised firms' losses.<sup>195</sup> More strikingly, it was argued by the Mol that within the sector's structure certain units were maintained 'against any industrial logic' and some investments planned in

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<sup>193</sup> AN 19870344/14, Delors to Mauroy, 15 October 1983.

<sup>194</sup> AN 19910446/8, DIMME, Renegotiation de l'article 58, 5 April 1983.

<sup>195</sup> AN 19910818/17, Note pour Mr Schweitzer, 4 July 1983.



1982 had an 'essentially symbolic dimension.'<sup>196</sup> Indeed, certain of Lorraine's long product activities were maintained out of the political necessity to safeguard the siderurgical vocation of a mono-industrial region heavily depended upon iron ore extraction and casting and whose decline bred the danger of an imminent 'social implosion'.<sup>197</sup> However, in its orientations for the new plans the Mol aimed at breaking with this conservatism as they envisioned the shutting down of several of SACILOR's oxygen steel mills (e.g. Neuves-maisons, Longwy) and called for a complete substitution of steel production relying on Lorraine's iron ore and cast iron by electric steel-making processes<sup>198</sup> relying on steel scrap.<sup>199</sup>

However, the governmental blueprint clashed with the industrial proposal already made by Sacilor in 1982. The firm had proposed the construction of a universal rolling mill at the site of Gandrange which would essentially concentrate the fabrication of the major share of France's long products by fusing the long product activities of nearby cities (Villerupt, Hayange, Rombas). The UT project- which was approved by Chevénement in 1982- had obtained the support of all the metallurgical unions and the local population as it had given a glimpse of hope to a region torn by the deindustrialisation of its steel activities (Smith 1996b: 102). Ambitious as it was, the project was criticised on many fronts. For instance, the UT project increasingly took the form of a clash between USINOR and SACILOR as the former was weary of the UT's repercussions on its own long product activities (Smith 1996: 164). Likewise, the Mol's cabinet expressed its lack of enthusiasm for the UT as it had been judged financially unsound in the context of the new production goals set by the government while it was estimated to have null effects on the country's trade balance.<sup>200</sup> Finally, the

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<sup>196</sup> AN 19910818/17, Note pour Mr Schweitzer, 4 July 1983.

<sup>197</sup> AN 19870344/14, Note pour Mr Blanchard, 13 May 1983.

<sup>198</sup> Electric steelmaking is a modern process of steel production whose advantage lies in its high flexibility and energy-efficiency as steel is produced from recycled, scrap steel as opposed to iron ore

<sup>199</sup> AN 19910818/15, Dimme: L'évolution de la sidérurgie française, 10 March 1983.

<sup>200</sup> AN 19910818/17, Restructurations envisageables dans la sidérurgie, 24 February 1984; AN 19870344/14, Note: nouveau train lourd de Gandrange, 10 January 1984.

Brussels authorities had communicated an equally reserved position as the UT was inconsistent with the volume of capacity reductions imposed on the French state.<sup>201</sup> Although, the UT option was the socially more popular, it also run the risk of joining the category of ‘symbolic’ investments as it was too reliant on the casting of Lorraine’s iron ore thereby delaying the industry’s transition to electrical steel-making.

While the dicey nature of the UT was made clear, for the government the main problem was the capacity to politically assume this choice.<sup>202</sup> However, as Gallois had noted the reservations expressed in Brussels ‘could tactically speaking be used to put the Commission in a position of having to take the responsibility of questioning the investment at Gandrange.’<sup>203</sup> Indeed, confronted with the tough choice between undertaking a socially popular but industrially hazardous investment and abandoning it altogether, the Commission appeared *Deus ex Machina* to cut the Gordian knot. In a letter worth quoting in length, an (anonymous) member of the Mol’s cabinet dealing with the possible ways to handle the cancellation of Gandrange suggested that:

An argumentation centred on the lack of profitability of the project is not very convincing in light of the uncertainties and the social and regional stakes... I am wondering whether we could officially postpone Gandrange before we have a clear knowledge of the results of the negotiations between on the one hand the unions and the firms and on the other the negotiations between Usinor and Sacilor regarding the coordination of their long product plans. We could give solemnity to this decision. Gandrange should progressively weaken like a bird with lead in the wing after receiving the knockdown blows of the Commission.<sup>204</sup>

This stance allowed the government to open-mindedly keep the negotiations on Gandrange going while awaiting an unfavourable feedback

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<sup>201</sup> AN, 19870344/14, Note pour le Ministre, 30 December 1983.

<sup>202</sup> AN 19910818/17, Cabinet du Ministère de l’Industrie: Gandrange, 13 January 1984.

<sup>203</sup> AN 19870344/14, Note pour le Ministre, 30 December 1983.

<sup>204</sup> AN 19910818/17, Cabinet du Ministère de l’Industrie: Gandrange, 13 January 1984.

from Brussels. Indeed, Laurent Fabius had already warned the unions that the Commission was asking for a 0.6Mt reduction in long products.<sup>205</sup> The final cancellation of the UT was announced after a ministerial council on the 29<sup>th</sup> of March, and shortly after it Mitterrand explained that decisions taken in the council were constrained by their obligations towards the Commission.<sup>206</sup> While Fabius assumed the government's choice to abort the project in the French Senate, the depoliticising effects of the Commission proved more useful in the negotiations with the unions. During an Administrative council of Sacilor in which the unions were being consulted over the council's decisions and the 1984 plans, Pierre Gadonneix, explained that the 'most acute problem of steel policy lies in Brussels' and it is the Commission's dissatisfaction with Sacilor's overall plan for long products that had necessitated its revision<sup>207</sup> leading to the abandonment of the UT.

With the UT project being dismissed, the Mol found the breathing space to implement a more austere devaluation plan with regards to long products. The latter took the form of a new subsidiary of the two public firms, Unimetal, which assembled all their long product units. By creating Unimetal in 1984 the Mol intended to further discipline the long product sector and alleviate a great part of the social and regional concerns that had been inhibiting its modernisation. Simultaneously, it limited the necessity of state arbitration for socially tough industrial decisions.<sup>208</sup> Indeed, the traditional association of Usinor with the North and Sacilor with Lorraine being eliminated, regional concerns would cease to play a determinant role in (dis)investment decisions within the sector. As a result, along with the 20,000 redundancies (half of which in Lorraine) entailed by the 1984 plans the way was paved for the shutting down of the inefficient oxygen mills of Neuves-maisons, Pompey and Longwy in Lorraine. The prioritisation of industrial efficiency

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<sup>205</sup> AN 19860204/1, Réunion sidérurgie: discours de Mr Fabius, 23 January 1984.

<sup>206</sup> AN 19910818/18, Conférence de Presse, 4 April 1984.

<sup>207</sup> AN 19910818/32, Sacilor: Conseil administratif, 30 October 1984.

<sup>208</sup> AN 19910818/17, Note pour Mr Schweitzer, 4 July 1983.

over regional concerns ultimately facilitated the selective disengagement from the so-called 'symbolic' activities that had been a thorn in the side of French steel since the onset of the crisis.

Overall, the socialist management of the steel crisis did not significantly differ from the one pursued by its predecessor. Despite its relatively more reserved approach to steel restructuring in 1982 (which still required 12,000 job cuts), the government soon realised the extent of the rationalisation measures necessitated to set the industry back on a profitable track. In its attempt to entice a more austere plan for steel, the Commission played once again a crucial role in ostensibly tying the government's hands and forcing it to accelerate the elimination of its industry's excess capacities. Through the Commission's disciplinary mechanisms, the government was able to realise its own policy preference for a drastic disengagement from the sector's less profitable activities namely, Lorraine's casting and long product units. The nationalisation of Usinor and Sacilor was, ironically, followed by an increased reluctance of the government to assume the political responsibility of steel's much needed rationalisation. Instead, the state sought to gain the tacit acceptance of the measures by the unions by displaying its limited room for manoeuvre in the face of the Commission's mounting pressures for capacity reductions.

## **CONCLUSION**

The global overproduction crisis in the steel industry hit French firms in the form of a growing indebtedness stemming from their inability to profitably sell their products at current market prices given the comparatively low productivity levels achieved by the industry during its postwar development. To restore the viability of French steel, between 1978 and 1984 the state sought to eliminate the sector's excess capacities by inciting the shutting down of unprofitable units and their replacement by more modern ones. More precisely the strategy of selective disengagement pursued by the consecutive governments sought the progressive liquidation of Lorraine's

low-end long products and the concentration of national production around the most 'noble' flat steel in the country's coastal plants.

As a prime example of a sunset industry, the steel industry constituted fertile ground to examine the different strategies deployed by states to manage the retreat from declining activities and the promotion of expanding ones. The partiality inherent in the management of selective disengagement threatens the capitalist state's proclaimed neutrality. It can put it in the position of having to assume the discriminatory character of its industrial policies and become the target of contestation by the affected agents as happened in 1978 during the Longwy riots. Strategies to depoliticise industrial policy appear as tantalising options in such cases. The mock nationalisations of 1978, the recourse to the Judet report in 1982 and most importantly, the push for a Commission-led management of the crisis all illustrate the manners through which the successive governments sought pursue the strategy of selective disengagement by transferring its responsibility to non-state actors.

The French state's legal obligations towards the EC rules on capacity reductions and state aids served as a legitimisation device for the government's own preference for an extensive elimination of uncompetitive activities. Steel's case demonstrates that in an era of heightened globalisation, the diffused powers of transnational institutions such as the European Commission should not be associated with the demise of the state's economic sovereignty. Rather, such institutions can work in complementarity with nation states in the latter's effort to reproduce effective conditions for capital accumulation while removing the social obstacles to their realisation. The appeal to supranational institutions' 'sector-neutral' rules can provide governments with a powerful arsenal of measures to resist the pressures of displaced workers and firms for greater protection all while demonstrating the impartiality of their industrial policies. In this vein, governments can ground their preference for industrial measures that

involve the retreat from certain sectoral activities in a supranational economic rule of law.

On the other hand, neither was policy simply structurally determined by market forces. For instance, the socialist government had the possibility to carry on a different policy, but was equally aware that a failure to raise the profitability of steel by rationalising it would lead to a complete decline of the industry and along with it the totality of the jobs depended on it. Its retreat from the pre-electoral pledge to save the Lorraine industry stemmed from its own objective to modernise steel as a whole, a goal that could not be achieved by maintaining Lorraine's outmoded blast furnaces and expensive iron ore. As the political form of valorisation, the state's reproduction relies on the capitalist dynamics of industrial production according to which economic survival depends on increasing productivity rather than on the absorptive capacity of the market. Steel policy was shaped by the deliberations within the state and the consecutive governments' choice to secure the competitiveness and survival of steel in the long run by deindustrialising Lorraine.

## **CHAPTER 6**

# **AUTOMOBILES: THE DECAPITALISATION OF PARIS**

### **INTRODUCTION**

The last sector to be studied by this thesis is the automobile industry. The main difference between automobiles and the industries previously studied is that due to its impressive export performance the former was in a sense forced to support the weight of the general crisis of French industry since the mid-1970s. Due to its net surplus contribution to the balance of trade, car performance was crucial in mitigating the crises experienced in other sectors and their effects on the country's trade equilibrium. However, just like textiles and steel, in the 1970s the global automobile industry entered a crisis of overproduction. This crisis was marked by the discrepancy between the flattening of demand growth and the expansion of productive capacities at a global level, to a great extent stimulated by the impressive growth of Japanese car production since the 1960s. Thus, the survival of automakers depended upon their ability to increase their productivity in order to continue selling profitably in a shrinking market and to outpace their competitors. Domestic producers responded to the crisis by engaging in a process of rationalisation, automation and disengagement from obsolete production units. Deindustrialisation in the automobile industry took the form of a liquidation of the ageing and inefficient industrial capital situated in the Paris area and the transference of production towards more automated plants in provincial France that necessitated fewer workers to function. According to the archival findings of this chapter, this industrial reorganisation and devaluation of Parisian automobile capital was promoted and endorsed by the state as it was the most effective way to assure the increasing

productivity of the sector and allow it to continue figuring among the world's top producers.

In addition, the state, while a fundamental actor of the selective devaluation process, tried to politically distance itself from restructuring. It attempted to retain arm's length control of the process in order to simultaneously ensure that carmakers abided by its industrial objectives and that it remained insulated from growing contestation from the industry's workers. Despite the successive governments' preference for this strategy, the dismantlement of Parisian units was justified as an inevitable market-led process over which the state had no control. This was the case in the state's treatment of both France's major automakers namely Peugeot and the nationalised- but autonomous- Renault. As a result, just like the steel industry, industrial policy towards cars was subject to a degree of depoliticisation. Car policy became a delicate balancing between on the one hand the successive governments' imperious necessity to maintain the competitiveness of an economically vital industry, and thus influence to a certain degree the constructors' strategies, and on the other their endeavour to avoid a formal responsibility over the growing job cuts in the Paris area.

The chapter begins by examining the evolution of the car industry and its relationship with the state from 1945 until the second oil shock. Car constructors, including the nationalised Renault, enjoyed considerable autonomy from governmental orientations. As it is argued the non-interference of the state during this era was conditional upon the coincidence of the privately conceived strategies of automakers and the state's industrial objectives. As the crisis progressed and threatened to undermine French automobiles' performance, the industry required more important public assistance.

As the next section shows, from the mid-1970s until 1981 the government, without assuming overt political control over the sector, supported the 'decapitalisation of Paris' strategy by distributing regional development premiums to the constructors as it served a double aim. On the one hand,



it permitted the sector to increase its productivity and maintain its export competitiveness while on the other, it allowed to mitigate the destruction of jobs in the Paris area with the creation of industrial jobs in other deindustrialising regions such as the Nord. While endorsing this strategy and providing funds for its realisation, the state endeavoured to decline the political responsibilities of job cuts and discursively attributed the shutdown and dismantlement of Parisian plants market forces over which it had no control.

In the subsequent three sections it is shown that the Socialists' policy towards cars and especially Peugeot, was also guided by a desire to avoid the assumption of responsibilities for plant shutdowns and growing unemployment. During the first two years of their ascendance to power, the socialists abandoned their pre-electoral objective to halt employment decline and endorsed the 'Paris disengagement' strategy. However, as of 1982 the government was faced with two main political issues. Firstly, PSA's investment plans threatened to deviate from the government's objectives. Secondly, the sector became subject to growing labour contestation which saw the birth of a strike movement that further aggravated the sector's crisis and inhibited its effective modernisation. Thus, the government was striving to achieve arm's length control over the restructuring process to both ensure the conformity of PSA's plans with its own industrial ambitions and avoid drawing workers' contestation upon itself. Indeed, in 1983 after Peugeot's announcement of a mass layoff, which was met by violent reactions from workers, the government by virtue of domestic labor law, was forced to intervene and approve a somewhat milder version of the firm's plan. By extension, the state's intervention led to an increased politicisation of car policy as it was pressured to overtly take a stance over the course of the sector's restructuring and enter negotiations with labour's representatives.

As the ultimate section argues, the disruptive mobilisation of Parisian autoworkers was at the source of the Socialists' decision to install a rule-based approach to car policy and ensure the modernisation of the sector

while sidestepping lengthy negotiations with the unions. To this end, in 1984 the government sought to depoliticise industrial policy by delegating the formulation of the objectives of automobile policy to an expert committee, the CNI. The latter's recommendations regarding productivity and job shedding became the rules guiding the government's industrial policy and the constructors' strategies as their ostensibly neutral character provided incontestable justification for the cut down of the excess capacities located in the Parisian area.

### **AN AUTONOMOUS INDUSTRY**

As mentioned in Chapter Three, the automobile industry was one of the few sectors in which France developed a definite advantage and held a net surplus trade vis-a-vis its Western commercial partners until the 1970s. While the sector's development benefitted from the policy instruments used by the state to tackle the inflationary social compromise (e.g. inflationary redistribution, currency devaluations etc.), unlike other industries it did not witness any significant technological gap compared to its advanced competitors (Stoffaes 1978: 139). Thus, the sector was to play a particular role within the general crisis experienced by French industry in the wake of the first oil shock as its commercial performance had to compensate for the growing deficits incurred in other industries and allow the servicing of the growing energy bill. The commercial strategies of France's two main constructors, Renault and Peugeot, were able to serve the industrial objectives of the state, namely large trade surpluses, during the Trentes glorieuses without substantial public intervention. However, in the context of cut-throat competition that characterised the global automobile industry after the two oil shocks, the state had to intervene more decisively in the sector's affairs in order to guarantee its continuous competitiveness in world markets.

Soon after the liberation of the country, French authorities assigned a pillar role to the car industry which it would ultimately maintain until today. Within the context of Monnet's plan for the reconstruction of the post-war economy,

Paul-Marie Pons, a civil servant responsible for the Ministry of Industry's (Mol) department of mechanical industries, proposed a 5-year plan for the automobile industry to remedy the ills that characterised the sector at the end of the war. Indeed, the war had left a significant mark on French constructors. During the occupation, the sector's firms were forced to almost abandon their traditional car production and orientate their activities towards the production of vehicles necessitated by the German war effort (Boldorf 2016:156). In addition, during the occupation several important industrial sites, including Renault's plant at Billancourt and Simca's plant at Poissy, suffered heavy casualties from the Royal Air Force's bombings while towards the end of the occupation the car industry was also subject to the requisitioning of its industrial equipment by the occupying forces. More importantly, at a structural level, like most French sectors, cars were characterised by their uneven development. With 22 constructors in 1945, car production was undertaken at the same time by small artisans as well as larger firms (Loubet 1999a: 291).

In order to set the industry back on track, the Pons plan explicitly encouraged a reorganisation of the sector leading to the consolidation of its various producers in 7 companies which included the recently nationalised Renault, Citroen, Peugeot, Simca, Berliet, Panhard and Ford's French subsidiary, Ford SFA. In addition, the plan assigned to each car group a market niche for which they would produce, with for example Simca and Panhard specialising in popular cars, Peugeot and Renault in middle-range ones and Citroen in higher-end vehicles. At the same time, the acceleration of the industry's growth was seen as a key to the reconstruction effort since the sector's exports could generate the foreign currencies necessary to import the material resources for which there was shortage domestically (Chatelain 1950: 107; Meot 2009: 113).

While the industrial concentration pursued by governmental authorities was successfully implemented, the second component of the plan was arguably a failure (Mioche 1987: 240) as constructors did not abide to the letter to the

orientations imposed. Indeed, both Renault and Citroen deviated from their assigned markets with the commercialisation of the popularly accessible 4CV and the legendary 2CV models respectively. This initial discordance between the planning objectives of the state and the trajectory actually followed by car constructors presaged the state-industry relations that would characterise the sector's post-war development. Indeed, in contrast to the steel industry, cars enjoyed considerable political and financial autonomy from the state (Smith 1995: 8). In other words, after the Pons plan's initial stimulus to the concentration of the industry, the sector was able to develop autonomously following its own independently formulated industrial strategies.

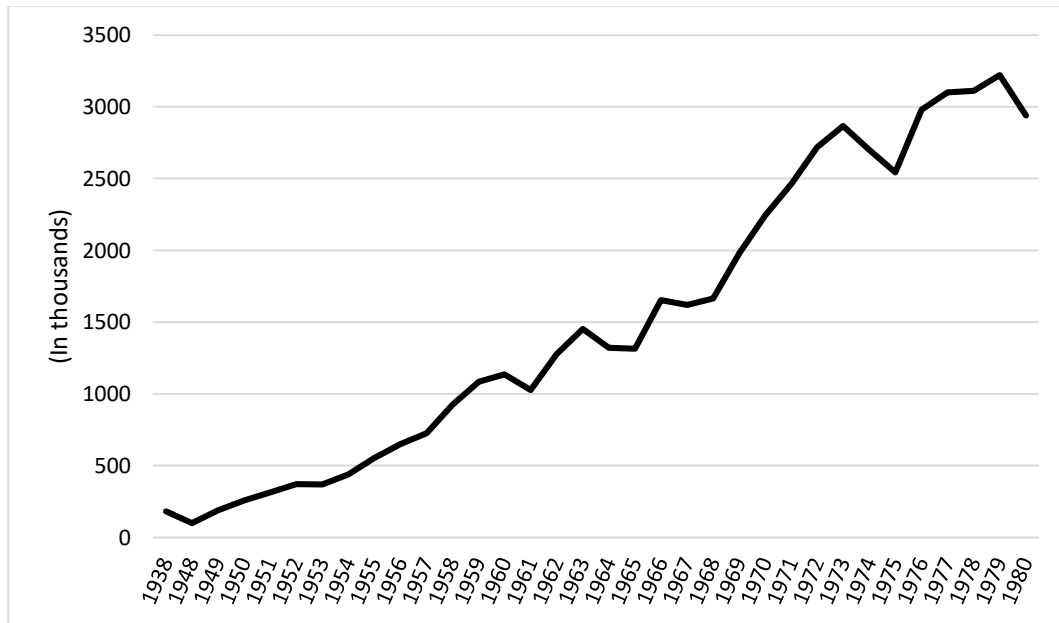
Political independence was the rule for the car industry; even for the state-owned Renault. Non-overt state interference in the affairs of Renault was underpinned by the coincidence between the firm's industrial expansion plans and the governments' social and economic objectives (Dreyfus 1980: 201; Loubet 1999b: 428; Sheahan 1963: 122). As Dreyfus (1980), former Director of Renault, argues, the public firm ultimately benefitted the 'national interest' as its partial implantation in French provinces helped the creation of jobs in economically deprived regions while its commercial plans significantly enhanced the country's export effort. In addition, the autonomy granted to Renault further stimulated competition within the sector as the firm operated according to the same market pressures as its competitors and its survival ultimately rested on the accumulation of profits (Sheahan 1963: 120-124) rather than state subsidies. Thus, public authorities attached a strategical role to the firm (Loubet 1999b: 428) as its competitive presence within the sector allowed it to act as pilot and as pace-setter that domestic rivals sought to imitate (Dreyfus 1980: 202).

The particular political and market configuration of the car sector bore fruits. By 1949, with a yearly production of 188,000 cars France had already surpassed its 1938 record production levels (Figure 8). The car industry's leap forward continued well into the 1950s and 1960s and until the first oil

shock. Between 1950 and 1972 car production augmented at a average yearly rate of 11.4% reaching an annual production of 2,719 thousand cars in 1972. The growth of the industry was supported by the steady increase of demand for automobiles. Household equipment rate increased from 21% in 1953 to 30.2% in 1960. Growth in demand was even more important during the 1960s and early 1970s with equipment rate augmenting by a yearly average of 2.6% and reaching 61.3% in 1972 (INSEE 1990: 153).

In addition to the expansion of the domestic market, the sector's dynamism also owed to its competitive export performance. By 1972, 59% of the country's production was exported outside of the franc zone (INSEE 1974: 245). Cars also fully took advantage of the common market (de Mautort 1983: 203) in which they were able to direct the great majority of their exports. From 1960 to 1972 the number of vehicles exported towards the common market augmented by 286% and were able to secure a steadily growing surplus in France's external commerce. Thanks to the vigorous international performance of its major constructors, in the 1970s France established its position as Europe's second largest automobile producer and was able to consistently score fourth in the ranking of the world's top car manufacturers behind the US, Japan and Germany. In contrast to both the textile and steel industry, French cars could comfortably compete in the same markets as their advanced counterparts.

Figure 8: Volume of car production (1938-1979)



Source: INSEE, 1990. *Annuaire Rétrospectif de la France, 1948-1988*.

As the industry was growing, the sector became progressively dominated by four big brands. After a series of mergers that saw the taking over of Ford's French activities by Simca in 1954, and Citroen's absorption of Panhard and Berliet in 1955 and 1967 accordingly, car production became dominated by four main companies: PSA – as was Peugeot renamed in 1966 -, Citroen, Renault and Simca.

The first oil shock gave a further boost to the concentration tendencies of the sector. Renault and Peugeot were able to surmount the energy crisis and the accompanying slowing down of car consumption by introducing an innovative new range of vehicles (Loubet 1996: 67). For the former, the crisis was resisted through the commercialisation of the small and economical R5 vehicle while for the latter it is the increasing development of diesel motors that allowed the immediate resumption of sales. In contrast, Simca and Citroen proved to be unable to respond as promptly to the mounting crisis. By failing to renew their product range and adapt it to demand for low-consumption cars, Citroen and Simca – which was absorbed by Chrysler and renamed Chrysler France in 1970 - saw an

important drop in their sales which brought them on the brink of bankruptcy. PSA saw the crisis of its domestic competitors as an opportunity to increase its economies of scale and in 1976 acquired Citroen's production tool. In addition, in 1978 PSA bought Chrysler's European activities, along with Simca, which was later renamed Talbot, and forthwith became the largest European automobile manufacturer. Progressively, Renault and PSA consolidated their position as France's two major constructors and in 1976 both figured in the top ten world producers (in the 7<sup>th</sup> and 8<sup>th</sup> rank accordingly).<sup>209</sup>

Thanks to Renault's good performance and Peugeot's new acquisitions the industry was overall able to circumvent the first oil shock and get out of the crisis relatively intact without having recourse to massive public financial assistance. Indeed, French car production had the highest growth in Europe between 1973 and 1979 as it augmented its total volume of production by 12.4% compared to 7.7% in Germany and the negative growth of production in the UK and Italy (based on Philips 1982: 30).

However, at the same time the first oil shock also revealed the underlying difficulties experienced by the global car industry. As Kale (2014: 309) notes: 'a major problem for the industry was the tendency for the growth of production capacity to outstrip the growth in demand for cars'. On the one hand, the overall drop in demand and the shift in consumption patterns towards economical vehicles (amplified by the hike in oil prices) demanded an increased innovation effort on the part of producers. On the other, Japan's impressive advance into foreign markets intensified competition for world market shares and existing constructors' fight for survival (Jurgens et al. 1993: 23-24). Indeed, in 1981 Japanese car production reached 25.4% of world production from 14% in 1970, while the volume of its exports to Western Europe and the US increased ninefold and fourfold accordingly from 1970 to 1980 (Altshuler et al. 1984: 28). For European producers, the

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<sup>209</sup> AN 19870344/6, Centre d'études et de prévision, L'avenir de l'industrie automobile, January 1979.

simultaneous stagnation of demand and the hyper-productivity of the Japanese industry translated into an issue of excess capacities and (relatively) low productivity (McLaughlin and Maloney 1999: 72). French and Western producers had to modernise their equipment and reach the productivity levels set by Japan in order to circumvent the threat of liquidation.

Within the literature on the automobile industry, it has been often suggested that from the 1970s on changing consumer preferences and the introduction of flexible just-in-time production methods pioneered in Japanese car plants began a structural transformation of the car industry (Bloomfield 1991; Law 1991). In this post-Fordist phase, competition among automobile firms is quality-based and rests on their capacity to propose innovative and differentiated products to consumers as opposed to simply aiming at increasing productivity gains through standardised mass production techniques (Abernathy 1978).

However, the pressures stemming from changing consumption norms and Japanese exports did not merely signal a structural transformation within the sector's form of competition but essentially, its overproduction tendencies. Indeed, the 1973 oil shock showed on the one hand the limits of a market close to saturation as most consumers were already equipped with at least one car (Loubet 1996: 66), and on the other the presence of too many producers competing relentlessly for a market growing only very slowly. The expansion of the sector's productive capacities regardless of the market's absorptive capacity led to an accelerated competitive struggle between producers as the limited prospects for sales growth meant that only a few producers could continue producing profitably. As it has been noted, 'the single most difficult problem facing the automobile industry is overcapacity. There are simply too many producers that can produce far too much' (Marchak 1991: 171). The phenomenon of demand saturation and the abrupt growth of Japanese capacities were the concrete modalities



through which the global overaccumulation crisis manifested itself within the automobile industry.

While the French market remained less penetrated by Japanese cars than that of its European counterparts, the main threat that they posed to French constructors was in the competition for foreign markets shares (de Mautort 1983: 209). Throughout the post-war era and even after the two oil shocks France's balance of trade in automobiles was positive as the exporting capacity of the sector was comfortably able to cover for imports (Table 14). Instead, the main challenge facing French firms was to maintain their world leading positions in spite of the increased competition and the oversupply of the market. In other words, global overaccumulation was not experienced in terms of a prospective decline of the sector, unlike T&C and Steel, as automobiles arguably held the potential to adapt to the new competitive settings of the global market (Gros 1980).

*Table 14: Foreign trade coverage in cars (1955-1980)*

	1955	1960	1965	1970	1975	1980
<b>Foreign Trade Coverage Ratio (%)</b>	464	139	264	206	246	180

Source: INSEE, various years. *Annuaire Statistique de La France*.

However, it is only in the years following of the second oil shock that French automobiles would experience the full-blown consequences of the sector's underlying overproduction tendencies. Despite its largely positive foreign trade coverage ratio, as of 1979 France began losing both its domestic as well as European market shares (Table 15). Between 1979 and 1983 the former decreased by 10.6 % and the latter by 5.8%. The loss of market shares triggered important financial losses which discouraged the pursuit of further investments. Indeed, the investment effort was almost halved for PSA between 1979 and 1983 while Renault's remained stagnant between 1981 and 1983 (Table 16). Furthermore, investment growth was significantly lower than in other major constructors such as General Motors

(except 1983) and Volkswagen which remained in double digits even after the second oil shock.

The weak investment capacity of French constructors was significant in two ways. Firstly, investment growth was necessary for renewing and diversifying their product range and thereby increase the reach of their markets. Secondly, investment in automated production sites was a prerequisite for increasing their productivity and hence their price-competitiveness. In effect, the industry's productivity was lagging behind certain Western carmakers. As Table 17 indicates between 1980 and 1983 the growth of labour productivity quasi-stagnated for both constructors as it increased by only 0.1% for Peugeot and 0.5% for Renault. During these four years the labour productivity of France's main competitors (General Motors, Ford and Fiat) grew consistently faster, by an average 2%. This is disregarding the 'Japanese hyper-competitiveness' which in 1980 allowed a Nippon worker to produce two and a half as many cars as a French worker (Gros 1980: 41). As the figures indicate the weaknesses in French automobiles' economic performance largely stemmed from PSA. At the same time however, Renault was unable to on its own redress the national performance of French cars.

The weakening commercial performance of the industry and the decreasing investment effort meant that principal difficulty of the industry was the obtaining the funds necessary to maintain their competitiveness and leading positions in a market characterised by intensely accrued competition. It is precisely the constructors' lack of sufficient funds that elicited state intervention. With public money PSA and Renault would be able to resume investment into new modern plants thereby and, in the process, eliminate the excess workforce and disinvest from the ageing production units that hampered the industry's commercial performance.

Table 15: European and domestic market shares of French cars, 1979-1983 (in %)

	1979		1980		1981		1982		1983			
	EU	FR	EU	FR	EU	FR	EU	FR	EU	FR		
<b>Peugeot</b>	17.2	42.9	14.9	36.6	13.3	33.1	12.7	30.2	1	2	32.2	
<b>Renault</b>	12.9	3	5	14.4	4	0	13.7	38.9	14.5	39.2	12.3	35.1
<b>T o t a l</b>	30.1	77.9	29.3	76.6	2	7	7	2	27.2	69.4	24.3	67.3

Source: AN 19890617/555, Commission National de l'Industrie, Rapport sur l'Industrie Française, 29 October 1984.

Table 16: Evolution of the investment to turnover ratio, 1979-1983 (in %)

	1979	1980	1981	1982	1983
<b>Renault</b>	5.1	7	8.3	7.1	8.3
<b>Peugeot</b>	8	7	6.4	6.7	4.3
<b>General</b>	8.1	13.4	15.5	10.3	5.4
<b>Motors (US)</b>					
<b>Volkswagen-</b>	10.1	12.8	12.8	13.1	12.1
<b>Audi</b>					

Source: AN 19890617/555, Commission National de l'Industrie, Rapport sur l'Industrie Française, 29 October 1984.

Table 17: Labour productivity (Volume of output to labour input in %)

	1979	1980	1981	1982	1983
<b>Renault</b>	8.5	9.2	8.4	9.1	9.7
<b>Peugeot</b>	9	8.2	8.2	7.9	8.3
<b>General Motors</b>	-	9.5	9.1	9.5	11.2
<b>Ford</b>	-	10.4	10.9	11.4	13.2
<b>Fiat</b>	-	9.9	9.9	11.3	11.8

Source: AN 19890617/555, Commission National de l'Industrie, Rapport sur l'Industrie Française, 29 October 1984.

Overall, Public authorities adopted an arm's length stance towards automobiles according to which intervention in the sector's affairs was rendered superfluous as long as the overall economic performance was satisfactory and as long as the constructors' own strategies embodied the government's industrial policy objectives, namely regional employment creation and a sustained trade surplus. Thus, the formal autonomy granted to automobiles was conditional. As it will be subsequently shown, once the balance between the government's objectives and the firms' strategies was destabilised by the second oil shock and the appearance of excess capacities, the autonomy granted to firms was replaced by a covert but nevertheless decisive state intervention to rationalise the sector. In fact, in its effort to eliminate the superfluous capital weighing upon the sector, the state would play on the apparent independence of the firms and pursue its rationalisation aims without drawing contestation upon it.

### **THE PROVINCIALISATION OF PRODUCTION (1978-1981)**

Generally, the restructuring of the French automobile industry during the 1970s and 1980s, and most notably Peugeot, has not been studied with reference to the state's influence given the traditional independence of the firms from political influence (Marklew 1995: 113). Indeed, the autonomy experienced by car constructors could misleadingly suggest that the cut down of the sector's excess capacities was mainly a private sector affair

with the state having the capability to play only a secondary role (Smith 1996: 104). However, after the oil shock even in the case of PSA, the frontiers between public interference and private management became increasingly murky (Marklew 1995: 134). Under Giscard d'Estaing's presidency, the state endorsed and even influenced the constructor's strategy of progressive liquidation of Parisian assembly lines and the transference of production towards provincial areas. This strategy of selective disengagement sought the elimination of the industry's ageing capacities and the relocation of production in automated provincial units. At the same time, to decrease the visibility of its influence on the constructors' strategy, the government attributed the responsibility over job cuts and plant closures to the constructors' own discretion. To use Krippner's (2007: 479-480) formulation, industrial policy-makers attempted to refute their implication in the constructors' strategy 'by redefining economic events as the product of "market forces" rather than the activities of state officials'.

This pattern of industrial management was even testified at the time of the Peugeot-Citroen merger of 1974. The merger was itself a realisation of the state's industrial policy preferences. PSA was ultimately able to finance its acquisition of Citroen through a 1 Billion Franc (BF) loan made by the FDES as the government had strongly sided with this scenario (Hodge 1991: 56). On the level of industrial strategy, the government's preference for a Peugeot takeover of Citroen, instead of a Renault-Citroen merger, was justified by the MoI on the basis that the first solution could allow Peugeot's production apparatus to reach greater dimensions and become the world's 8<sup>th</sup> biggest car constructor, just one rank behind Renault.<sup>210</sup> Indeed, according to the MoI, Renault aside, the size of French constructors was not large enough to effectively face the exacerbated international competition in the automobile market unless Peugeot could take over Citroen's activities and effectively become the second French group to

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<sup>210</sup> AN 19900584/2, Note, 12 November 1974.

figure among the greatest European producers.<sup>211</sup> For the government, the fusion of the two constructors was essential in realising the country's industrial objectives.<sup>212</sup>

Not least, the Peugeot-Citroen merger also offered considerable political advantages. Indeed, the merger was to be accompanied by a progressive liquidation of Citroen's obsolete units, such as its legendary Quai de Javel site in Paris, which would overall entail the elimination of 8,000 jobs in 2 years.<sup>213</sup> By declining to push for Renault's absorption of Citroen, the government avoided the creation of an overdimensioned nationalised sector and simultaneously transferred the responsibilities associated with this operation to the private sector. As it was anonymously stated in a Mol note:

...the intervention of public powers in the Peugeot and Citroen Merger must meet the double objective of letting the groups bear the complete responsibility of this operation at the same time as allowing the realisation of important industrial policy objectives<sup>214</sup>

Indeed, the state's reliance on the formal independence of car constructors allowed it to pursue its own policy preferences without being accountable for their impact on the labour market.

The state's behind-the-scenes encouragement for a selective liquidation of unproductive automobile capital would prove most important in the aftermath of the second oil shock and the cut-throat competition accompanying it. French constructors sought to rationalise their industrial apparatus by disengaging from their ageing plants and transferring production in fewer and more efficient ones. As Jean-Paul Parayre, president of PSA, declared in 1979, 'we have 45 plants, there is one half too many.'<sup>215</sup> Such concerns were shared by the Mol which noted that while

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<sup>211</sup>AN 19920364/9, Note pour le Directeur du Cabinet du Ministre, 19 June 1974 ; AN 19920364/9, Note pour le Directeur du Cabinet, 21 June 1974.

<sup>212</sup> AN 19900584/2, Note, 12 November 1974.

<sup>213</sup> AN 19900584/2, Note, 12 November 1974.

<sup>214</sup> AN 19900584/2, Note, 12 November 1974.

<sup>215</sup> Assemblée Nationale, Séance du Vendredi 19 Octobre 1979.

French cars were undergoing a period of relative health, without a massive effort to increase productivity in the face of increasing international competition and growing 'global overcapacities', nothing could guarantee that French producers would not suffer the same fate as their British counterparts, who had incurred the most drastic production cut downs in Europe.<sup>216</sup> Since Peugeot's market shares were acutely affected by the crisis, the Mol expected that the group's rationalisation effort would accelerate, especially in Talbot section, and bring about a sped-up closure of plants.<sup>217</sup>

Rationalisation and the disengagement from obsolescent units took the form of a progressive decentralisation of the sector's industrial apparatus from the ile-de-France Region towards the provinces. Traditionally, the Parisian region had been the most important location for car plants and in 1977 still absorbed one third of the sector's workforce or 132,000 workers. Decentralisation towards provincial regions had already started in the 1960s as the Parisian region was overpopulated with antiquated assembly lines (Oberhauser 1987: 449) which could hardly be modernised given the condensed space of Paris' urban landscape. It is in the late 1970s however that this process accelerated as the industry sought to reduce the production capacities of their Parisian firms and expand investment in their provincial ones.

In the case of Talbot, its direction announced in the Autumn of 1980 the suppression of 1,550 jobs through an early retirement scheme while, in January 1981, the firm also put the plant's workers on technical unemployment as they were allowed to work only one day out of two to adapt the firm's capacities to decreasing demand for the Talbot cars.<sup>218</sup> Indeed, the firm was marked by its excess capacities as its optimal production levels were around 2,200 vehicles per day but given the

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<sup>216</sup>AN 19910818/53, Situations et perspectives de l'industrie automobile Francaise 3 October 1978.

<sup>217</sup>AN 19910818/68, Note, 16 July 1980.

<sup>218</sup>AN 19910818/68, Compte-rendu de la visite de l'usine Talbot à Poissy, 30 March 1981.

decreasing orders received by the firm it was now producing only 1,450.<sup>219</sup> Talbot's counterparts were also engaged in a process of curtailment of their Parisian activities. Renault planned to make cuts in its largest Parisian site of Boulogne-Billancourt and eliminate 2,500 jobs through similar early retirement schemes and natural departures.<sup>220</sup> At the same time Renault intended to expand its productive activities in Nord-Pas-De-Calais in the North by augmenting the capacities of its assembly line at Douai and the creation of a saddlery production unit at Denain.<sup>221</sup> Similarly, Citroen envisaged to transfer a substantial number of its activities in the Hauts-de-Seine, such as its assembly lines, foundries and engine machining units, to provincial industrial sites in Lorraine and Aulnay.<sup>222</sup> By early 1980, Parisian units had lost 7,000 jobs and would predictably shed another 8% of its workforce by 1984.<sup>223</sup>

Government support for the constructors' strategy of selective disengagement from their Parisian activities came in the form of regional development premiums for investments undertaken in the Northern and Eastern provinces. Just like during the Trentes Glorieuses, the post-oil shock rationalisation effort of domestic constructors was in full accordance with the government's own industrial objectives. The state's support for this strategic disinvestment derived from a twofold reasoning: to maintain the industry's commercial dynamism and to create new jobs in the provinces.

On the one hand, the government's interpretation of the crisis as one characterised by 'overcapacities at the global level' suggested that the constructors' efforts should 'adapt to a demand that will grow less greatly and more irregularly than in the past'.<sup>224</sup> More precisely, if the country was to maintain its high rankings in world automobile production in a context of stagnating demand, domestic constructors had to 'achieve the level of

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<sup>219</sup> AN 19910818/68, Compte-rendu de la visite de l'usine Talbot à Poissy, 30 March 1981.

<sup>220</sup> AN 19910436/1, Note confidentielle, 14 April 1980.

<sup>221</sup> AN 19910436/1, Note, 7 March 1980.

<sup>222</sup> AN 19910436/1, Note confidentielle, 14 April 1980.

<sup>223</sup> AN 19910436/1, Note confidentielle, 14 April 1980.

<sup>224</sup> AN 19910818/53, Note, 31 October 1980.



competitiveness of the best' which would be inevitably accompanied by a productivity-led employment decline.<sup>225</sup> Even further, the state showed support for the disinvestment of the Paris region as it was acknowledged that often the modernisation of production facilities could not be undertaken on site. Indeed, as explained by the Mol there was

...a necessity to create more competitive production units in order to replace units that are not very functional since they are located in old plants characterised by their impracticality given their insertion in the Parisian Region's urban space.<sup>226</sup>

In a context of decelerating demand growth, it was thus quintessential for the sector to increase its productivity through the ongoing decentralisation strategy and hold onto its top world rankings. For the Mol, raising the productivity of the sector and maintaining its commercial dynamism was even more important considering that it was by far the most net contributor to the country's balance of trade.<sup>227</sup> Keeping the net surplus in car trade was essential for mitigating the deficit experienced in other sectors (e.g. textiles).

As a result, many of the regional investments undertaken by the constructors were initiated by the DATAR,<sup>228</sup> the interministerial delegation responsible for the economic and industrial development of France's territories. Similarly, Renault's and Peugeot's investments in Nord-pas-de-Calais were to a great extent made possible thanks to the grants and subsidised loans distributed by the FSAI, yet another interministerial committee responsible for the attribution of financial aids for investments in regions experiencing industrial decline. Thus, the state held a crucial role in encouraging the constructor's selective disengagement from the Paris region. With regards to the Nord-pas-de-Calais area, Dormard (2001: 96) even argues that the state often went as far as to wholly alter the

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<sup>225</sup> AN 19910436/1, Note 15/D, 5 February 1981.

<sup>226</sup> AN 19910436/1, Note confidentielle, 14 April 1980.

<sup>227</sup> AN 19910436/1, L'industrie automobile : situation et perspectives, 5 February 1981.

<sup>228</sup> AN 19910436/1, Note confidentielle, 14 April 1980.

constructors' initial plans in order to orientate their investments towards the region.

However, the state's role within the process came under political attack. Deputies from the ile-de-France argued that, despite Western Paris being a region hardly hit by the automobile crisis, the DATAR held an 'intransigent' position and declined to consider it under its regional development programs.<sup>229</sup> The partiality of the state was also brought up in the Senate as Communist deputy, Guy Schmaus, went on arguing that there was a concerted effort between the government and the constructors to completely 'liquidate' the car industry of the Paris region.<sup>230</sup> Thus, the second reason behind the government's support for the decentralisation of the industry obeyed mostly to legitimation imperatives. Indeed, the implantation of new plants or the extension of existing ones in provincial regions allowed the government to show its determination to induce an industrial reconversion of regions hardly hit by the retrenchment of their steel industry such as Lorraine.

Capitalising on the formally autonomous character of French automakers, the government advertised its regional development premiums as an a posteriori management of the decisions taken privately by constructors. As Minister of Industry André Giraud explained in the Senate: in the current competitive environment 'it did not belong to the government to specifically act upon this or that firm by influencing the decisions that each of them has to make'.<sup>231</sup> Given the government's discursive disengagement from the firms' decision-making process, the government could justify its support for the provincialisation of car production as an attempt to mitigate the deindustrialisation of the Paris region by recovering employment growth in other industrially declining regions. As squarely explained by Giraud in response to the critiques of the decentralisation tendency in the car industry:

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<sup>229</sup> AN 19910818/68, Eléments de réponse à la question d'actualité de M.Pericard, October 1980.

<sup>230</sup> Sénat, Séance du Vendredi 18 Avril 1980 .

<sup>231</sup> Sénat, Séance du Vendredi 18 Avril 1980.

it is indispensable that our constructors, just like their great competitors, modernise their industrial apparatus... It is not always possible to modernise on site; equally, it is in conformity with national solidarity that the implantation of new units takes place in priority in regions that are the most affected by the employment crisis.<sup>232</sup>

The government's industrial policy preference for disinvestment in the Paris region was thus christened a national solidarity effort. By supporting the provincialisation of the car industry and the disengagement from the ageing Parisian plants, the government endeavoured to pursue its industrial policy objectives and reap the political benefits of its regional development programs in one fell swoop.

Overall, the particular pattern of governance within the car sector permitted the embodiment of the government's industrial aspirations in the privately conceived strategies of domestic constructors. By attributing the liquidation of Parisian units to the constructors' own discretion, the government was able to ensure the modernisation of the industry and pursue its trade surplus objectives without overtly asserting political control over the process. At the same time by rhetorically framing its support for the provincialisation of car production as a national solidarity effort to create job opportunities in the provinces, the government was attempting to legitimate its role within the selective disengagement process.

Ultimately, the government was able to politically distance itself from the constructors' rationalisation plans because, unlike firms in the steel sector, carmakers were able to surmount their initial difficulties without massive state aid. As it was noted by the MoI at the end of 1979, despite the important market losses of Talbot, PSA was still able to finance its rationalisation measures given the good profitability of its two other affiliates, Peugeot and Citroen.<sup>233</sup> However, the picture became bleaker in the first months of 1981. It was realised that in order to achieve the level of

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<sup>232</sup> AN 19910436/1, Note pour Mr Levy, 17 April 1980.

<sup>233</sup> AN 19910436/13, Note, 6 December 1979.

competitiveness of its greatest competitors, French constructors had to invest 10 BF per year. However, as Gaddoneix, director of the Mol's metallurgical division noted:

Until today, our constructors could finance this effort without public aid; it is probable that they will not be able to pursue this policy without external support given the increasing degradation of Peugeot's financial results, which force it to make a strong downward adjustment of its 1981 investments, and the limited debt servicing capacity of Renault.<sup>234</sup>

It was realised that, while in the previous years cars were able to independently finance their productivity-enhancing investments, they could not continue to do so without massive public financial assistance. Indeed, it was calculated that, not only public funding for R&D in economic vehicles had to increase sevenfold in the coming years, but publicly subsidised loans also had to substantially increase in order to double the rate of automation of industrial plants.<sup>235</sup> As a result, a more extensive round of excess capacities was expected. In Smith's (1998) words this task would become the 'Left's dirty job' given that the realisation of the deepening crisis of automobiles took hold of the Mol only months prior to the socialists' electoral victory.

### **SOCIALIST DISILLUSIONMENT (JUNE 1981 - JUNE 1983)**

Pre-electorally, the Socialist Party' reading of the automobile crisis suggested that the latter's main cause, laid in Giscard d'Estaing's deflationary economic policy which decreased the purchasing power of households and hence domestic demand for automobiles.<sup>236</sup> As a result, the socialists condemned the employer's drive to automation which privileged productivity gains over the conservation of employment. Equally, they denounced the state's support for the disinvestment of Paris and its

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<sup>234</sup> AN 19910436/1, Note 15/D, 5 February 1981.

<sup>235</sup> AN 19910818/53, Une première étape pour aider l'automobile, 11 March 1981.

<sup>236</sup> AN 19870344/26, Proposition Socialiste pour l'automobile, 1981.

feigned attempt at compensating Parisian job losses with new jobs in peripheral areas.<sup>237</sup> Instead, the socialists' plan for automobiles proposed to resume car consumption by decreasing taxation (i.e. circulation taxes) and enhancing workers' revenues.<sup>238</sup> However, as soon as the Socialists took office, they were confronted with the economic reality exposed by the civil servants working within the state apparatus and shortly decided to abandon their pre-electoral solution to the crisis. The recognition of the extent of the constructors' financial degradation, forced them to encourage the resumption of the provincialisation strategy with public money. In addition to the bleak financial situation of French constructors, the government was also confronted to the mounting social tensions that threatened to disrupt the implementation of the planned automation/rationalisation programs. The Socialists were increasingly called to financially intervene in the sector's affairs as well as mediate social conflict. Their enmeshment in the sector's affairs run the risk of politicising restructuring and thereby compromising industrial efficiency concerns.

As early as June 1981, the first short-lived Minister of Industry Pierre Joxe was informed of the urgency to maintain the car sector's competitiveness by increasing its productivity. Indeed, for Gaddoneix, the diagnostic remained unchanged: the sector, with the financial assistance of the state, had to increase its efforts to introduce labour-saving automation processes.<sup>239</sup> Indeed, domestic producers' productivity levels were still lagging behind their American and Japanese competitors. Indicatively, the yearly number of cars produced per worker was 8 in France whereas the Japanese were able to raise that number to 12 or even 13.<sup>240</sup> Undeniably, the Socialists' rise to power did not alter the fact that the sector was overwhelmed by an excess workforce when compared to its international rivals. Similarly, within the Planning Committee it was acknowledged that the automobile crisis was

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<sup>237</sup> AN 19870344/26, Proposition Socialiste pour l'automobile, 1981.

<sup>238</sup> AN 19870344/26, Proposition Socialiste pour l'automobile, 1981.

<sup>239</sup> AN 19870344/26, Note pour le Ministre, 3 June 1981.

<sup>240</sup> AN 19870344/26, Note pour le Ministre, 3 June 1981.

in essence one of excess productive capacity at the global level. As it was argued: 'The world automobile market is characterised by very sharp competition, which would result to a selection of a limited number of constructors that alone could remain in the market'.<sup>241</sup> It became the Socialists' task to make sure that French autos would avoid the threat of outright liquidation and keep figuring in the chosen few world producers.

Regardless of the Socialists' pre-electoral commitments, the sector's survival still depended on the constructors' disengagement from their ageing industrial units and their replacement by labour-saving ones. Even more importantly for the newly elected government, this process was to be publicly financed. It was noted that given the poor financial conditions of PSA and Renault, the continuation of automation would necessitate a substantial increase in the state's financial participation in restructuring. Compared to the 1977-1980 period where the state poured on average 300 Million Franc (MF) per year in the sector, as of 1981 the state was planning to inject 1 BF per year for each constructor.<sup>242</sup> By autumn 1982 the Mol eventually grasped the depth of the sector's crisis. As it was explained by Gaddoneix:

Today the financial situation of constructors...is very preoccupying and casts doubt on the level of investments for the coming years. This risks to be fatal in the long term given that the other big constructors (General Motors, Volkswagen, FORD, the Japanese) conduct a particularly dynamic investment policy.<sup>243</sup>

A massive public injection of liquidity in the sector was ultimately necessary in order for both Renault and Peugeot to maintain a competitive presence in international markets.<sup>244</sup>

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<sup>241</sup> AN 19890617-380, *Eléments de réponse aux questions posées*, 26 May 1982.

<sup>242</sup> AN 19910818/53, *Note: Plan a deux ans*, 17 July 1981.

<sup>243</sup> AN 19910436/1, *Note pour le Ministre*, 6 October 1982.

<sup>244</sup> AN 19910436/2, *Note*, 25 October 1982.

Restoring the competitiveness of the industry was rendered even more important by the fact that cars were considered one of the economy's leading sectors thanks to its employment contributions, its commercial surpluses and the stimulus exercised upon other important sectors such as steel or electronics.<sup>245</sup> As the Mol's cabinet had informed the Prime Minister with regards to PSA, in the absence of public assistance 'its collapse, even if it was progressive, would create an unprecedented economic and social problem and would be very harmful for Renault'.<sup>246</sup> Public financing was regarded as an urgent precondition for the resumption of investments to rationalise and modernise the sector's productive apparatus and ultimately relieve it from its superfluous industrial equipment. On the downside, public financing run the risk of deeply enmeshing the state in the sector's retrenchment from Parisian units and the ensuing cut downs in the excess workforce thereby raising the tension between its pre-electoral commitments and its intended policies.

Nevertheless, it was now widely acknowledged that the country's two constructors were suffering the consequences of their accumulated overcapacities rather than the stagnation of demand. As far as Renault was concerned, in a reunion of the board of directors held in September 1982, Hanon, Renault's President, argued that the firm's

past prosperity led [managers] to overlook the elementary relation between the means held and their yield at all levels. In the future, this should be our first preoccupation, as it is the only way to know what should kept and what should be eliminated.<sup>247</sup>

Even further, in the same meeting, it was stated that the firm needed to be in a state of alertness as it was not possible anymore to have production means working at only 50%, 30% or even 20% of their capacities.<sup>248</sup>

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<sup>245</sup> AN 19910436/1, Note, 5 October 1982.

<sup>246</sup> AN 19910436/1, Chevénement to Mauroy, 18 November 1982.

<sup>247</sup> AN 19910818/59, Résumé de la reunion des cadres dirigeants, 30 September 1982.

<sup>248</sup> AN 19910818/59, Résumé de la reunion des cadres dirigeants, 30 September 1982.

A similar diagnosis was established with regards to PSA. Indeed, PSA's acquisition of Chrysler's European activities in 1978 was now considered a 'strategic error as it led the company to take charge of financial bottomless pits' given the ageing character of Chrysler's plants in Spain, the UK and France.<sup>249</sup> As a result, according to Philippe Humbert, technical councillor to the Mol, Peugeot's principal weakness lied in 'the general problem of production volumes and its oversized industrial apparatus.'<sup>250</sup> In a context of flattening demand growth, the nominal production capacity of the two French constructors was too great compared to the demand for them. This meant that their industrial facilities were burdened with idle or partly idle units which could not function at their full potential given the limited absorptive capacity of the market and whose cost of maintenance further depressed the firms' returns. As an example, in 1982 the production costs for French constructors augmented by 12-13% in contrast to only 5-6% in Germany.<sup>251</sup> As such the recovery of the industry depended upon a selective disengagement from such idle units that prohibited it from raising its productivity to international standards.

To remedy the fragile situation of cars, the government decided to subsidise the constructors' future investment plans on the condition that they fulfilled the industrial priorities set by the state. Following a ministerial committee held on the 31st of January 1983, the Mol and the Treasury informed Renault and PSA that their programs were eligible for public aid as long as they ascribed to the government's objectives namely energy conservation, regionalisation and robotization.<sup>252</sup> Ultimately, the industrial policy preferences of socialists were in line with those of their predecessors. Indeed, within the Mol it was now widely accepted that the provincialisation of production was to continue and bring about

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<sup>249</sup> AN 19910436/13, Note pour le Ministre, 5 September 1982.

<sup>250</sup> AN 19910436/13, Note pour le Ministre, 5 September 1982.

<sup>251</sup> AN 19910818/54, Note pour le Ministre, 1 February 1983.

<sup>252</sup> AN 19910436/1, Note: Renault, 18 April 1983.



a progressive and foreseeable desertion of production units which by way of their dilapidation and the organisation of the urban tissue are not prone to modernisation or extension.<sup>253</sup>

The socialists pre-electoral promise to halt employment decline was replaced by the objective to automate the industry which could come about only at the cost of Parisian jobs.

As a result, the plans presented at the Mol's request<sup>254</sup> by the two constructors in 1983 contained all the previous patterns of industrial re-organisation (i.e. rationalisation, automation, provincialisation). Renault's plan entailed a reduction of the different types of car platforms, automotive systems and components produced by the firm, the modernisation of existing assembly lines and a 'downsizing of the Paris area plants to the benefit of the provinces.'<sup>255</sup> Overall, the program required a 10,000 jobs reduction concentrated mainly in Renault's largest Parisian plants in Billancourt and Flins.<sup>256</sup> Similarly, Peugeot had communicated to the Mol its planned reduction of 10,000 to 12,000 jobs. De-manning affected its Citroen (Clichy, Levallois, Nanterre) and Talbot (Poissy) plants in the Paris area and would be accompanied by the concentration of production in its more modern plants in Valenciennes and Charlevilles in the North and at Tremery in the North-East.<sup>257</sup> By June 1983, the plans devised by the two constructors had abided by the state's overall industrial and regional development objectives.

However, in addition, to the confrontation with the deepening automobile crisis, the government was called to manage the mounting social tensions within the sector. In the spring of 1982, the government was faced with one of the most important industrial disputes to take place in the post-1968 era

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<sup>253</sup> AN 19910436/2, Note confidentielle, 8 March 1983.

<sup>254</sup> AN 19910436/1, Note, 5 April 1983.

<sup>255</sup> AN 19910818/59, Note: Renault le plan 1983-1985, 11 January 1983; AN 19910436/10, Note, 10 May 1983.

<sup>256</sup> AN 19870344/26, Note pour le Directeur du Cabinet, 15 June 1983.

<sup>257</sup> AN 19910818/54, Note, 17 June 1983.

in any economic sector. Labour dissatisfaction started building up in autumn 1981 which marked the beginning a 3-year cycle of struggles (Gay 2015: 27). Various highly mediatised and lengthy strikes – each lasted around five weeks- took place among the semiskilled and largely immigrant workforce at Renault's and Peugeot's Parisian plants (Kronenberger 2016: 45; Richter 2008: 49). The first major episode of this series of conflicts took place in the spring of 1982. The 1982 strikes significantly marked the sector for the coming years and presaged the intensity of industrial conflict until 1984. The strikes started in April at Aulnay-sous-Bois, Citroen's largest plant in Ile-de-France, and were then exported to Talbot's Poissy plant in June where the clashes between the strikers, non-strikers and police forces escalated to violent proportions. In both cases, the strikes ended with the intervention of a government-named mediator pressuring management to cede to the workers' demands<sup>258</sup> and the CGT gaining increased popularity within the striking plants (Hatzfeld and Loubet 2004: 153-154). These strikes presaged the political obstacles that would inevitably accompany the plans to cut down the excess workforce.

Indeed, the strikes demonstrated the capacity of workers to disturb both the business cycle and social peace within individual firms. In purely economic terms, productivity and production levels were inflicted significant blows. During the strike period 90,000 cars failed to be produced due to the work stoppages while in October the sector was still unable to recover its pre-strike productivity levels as they dropped from 800 vehicles a day to 600.<sup>259</sup> For PSA's management, the 'spring movement' featured among the principal causes behind its recent financial losses<sup>260</sup> and pleaded to the government that the restoration of 'social peace' was a prerequisite for a

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<sup>258</sup> The main characteristic of these strikes was that unlike the 1978 steel strikes (see Chapter 5) they were not mainly defensive (i.e. trying to save employment in the face of mass layoffs). Rather, the demands advanced by the strikers concerned the improvement of their working conditions, wage raises or the recognition of their unionisation rights (Hatzfeld and Loubet 2004: 151-153).

<sup>259</sup> AN 19910436/1, DIMME/TR, 5 October 1982.

<sup>260</sup> AN 19910436/13, Note pour le Ministre, 26 July 1982.

return to profitability.<sup>261</sup> There had been a real shift of power within the firm and according to the management of Peugeot, 'the goal pursued by the CGT was to install a new authority' and 'dictate its own law' inside the firms by for instance spontaneously ordering the interruption of work in the assembly lines at the slightest pretext.<sup>262</sup>

In a PSA report that circulated confidentially within the Mol, management clearly explained the spill over effects of this new social environment: production rhythms were very irregular, the personnel was disheartened, absenteeism was on the rise, the quality of produced cars was deteriorating while the consequences also affected the public image of the brand.<sup>263</sup> In the medium term, PSA's management explained that the tense atmosphere reigning within the firm would ineluctably pose problems in its restructuring strategies. As it was explained more precisely by the director of PSA's external relations, Tristan d' Albis:

On the one hand the general policy of decentralisation to the benefit of more modern firms set up in the provinces; on the other the progressive robotisation of assembly lines which, while it creates specialised jobs, also affect less skilled labour on the other, risk to quickly lead to tough choices [sic].<sup>264</sup>

Clearly, labour revolt threatened to destabilise the car sector's strategy of disengagement from outdated production units. This can be observed from the rate of cut down of its excess workforce: while in 1980 and 1981 automobile employment decreased by 24,200 and 27,300 respectively, in 1982 it fell only by 7,230.<sup>265</sup> As the Minister of Industry, Jean-Pierre Chevenement explained to Mitterrand the labour revolt raised a major political puzzle regarding the government's rationalisation plans:

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<sup>261</sup> AN 19910436/13 , Note pour le Ministre, 6 September 1982.

<sup>262</sup> AN 19910818/68, d'Albis to Mol, 21 October 1982; AN 19910818/68, d'Albis to Mol, 2 September 1982.

<sup>263</sup> AN 19910818/68, d'Albis to Mol, 21 October 1982.

<sup>264</sup> AN 19910818/68, d'Albis to Mol, 21 October 1982.

<sup>265</sup> AN 19910436/2, Note confidentielle, 8 March 1983.

The social conflicts of the 1982 spring brought about an overthrow of power within the Parisian plants of Peugeot-Talbot... This phenomenon must be associated with the immigrant workers'... realisation of their power of influence. Certain orientations are currently being discussed in liaison with M. Autain.<sup>266</sup> They concern technical and social changes of great depth...Nothing could be undertaken without the, at least tacit, consent of the most influential unions which will inevitably pose their own conditions'<sup>267</sup>

In other words, the rising power of the industry's trade unions run the risk of rendering industrial policy-making increasingly subject to workers' grievances thus compromising its rationalisation objectives. Allowing labour's representatives in the negotiations' table could turn the rationalisation plans from a technical matter to a highly politicised one.

All in all, the socialists inherited a deepening automobile crisis which clashed with their pre-electoral pledge to maintain employment and revive the sector's growth through a resumption of demand. Indeed, the recognition of the substantial excess capacities characterising the sector rendered the intensification of its rationalisation urgent. Arguably, industrial policy makers found themselves in a cumbersome situation. The limited investment capacity of constructors required a considerable injection of public funds while an overt intervention of the state run the risk of politicising the rationalisation process and compromising industrial efficiency concerns.

### **THE 1983 STRIKES (JULY 1983 – JANUARY 1984)**

The tension between the need for state intervention in a traditionally autonomous sector and the risks of politicising the selective disengagement strategy grew stronger between July 1983 and January 1984. On the one hand PSA's industrial plans threatened to deviate from the government's objectives as it planned to cut back its modernisation investments. On the

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<sup>266</sup> Francois Autain was the Secretary of State charged of migrant affairs.

<sup>267</sup> AN 19910818/54, Chevènement to Mitterrand, Early 1983.

other, the summer of 1983 witnessed the peak of the autoworkers' mobilisation forcing the state to intervene more decisively to maintain social peace. While the Mauroy government managed to convince PSA to carry out the state's preferred industrial strategies by financing its projects without exercising direct control over the firm, the workers' revolt after the announcement of PSA's dismissals plan forced the government to intervene in favour of PSA's proposal. This de facto politicisation of PSA's restructuring plans threatened to inhibit the modernisation of the industry and the resumption of the Paris disengagement strategy.

In 1981 socialist program for automobiles proposed that the state buy shares in PSA's capital, and if it saw fit become the majority shareholder, in order to assure the conformity of the latter's industrial strategies with the national interest.<sup>268</sup> Since Renault was already nationalised, their program entailed an extension of public control over a habitually autonomous and independent firm. Ironically however, soon after their election the Socialists' main struggle consisted in finding a way to encourage restructuring without overtly asserting control over the process. In a context of deepening automobile crisis both economic and political considerations intervened to prevent an overt public control of the firm or even a manifest intervention in its affairs.

On an economic level, nationalisation and the creation of one big public car sector integrating Renault and PSA had been forthwith dismissed as an option as it was crucial for the country's commercial performance to maintain two completely separate world-sized groups with differentiated product ranges and brands.<sup>269</sup> Additionally, the MoI even feared that direct financial assistance to the sector could publicly reveal the extent of PSA's crisis and detrimentally affect sales as consumer's loyalty to the brand dropped.<sup>270</sup>

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<sup>268</sup> AN 19870344/26, Proposition Socialiste pour l'automobile, 1981.

<sup>269</sup> AN 19910436/2, Chevènement to Mitterrand, Early 1983.

<sup>270</sup> AN 19910436/2, Note, 25 October 1982.

Even more important were the political problems posed by state intervention in the affairs of PSA. While in the case of Renault state-firm relations were more straightforward as the company could continue to benefit from public capital injections as part of its 1983 plan, the case of PSA was more perplexing given the traditionally distant relations between the state and the firm.<sup>271</sup> Indeed, as Louis Gallois, director of Chevenement's cabinet, explained after a meeting with Parayre certain executives at PSA were weary of greater state interference and the guarantees that the state would demand in exchange for funds.<sup>272</sup> Indeed, it was widely acknowledged within the Mol that 'massive and direct public assistance would quickly raise the issue of the group's public control'<sup>273</sup>.

State-PSA relations were complicated on yet another level since the scope of public intervention bore important consequences on the firm's industrial trajectory. Indeed, PSA's management was faced with two financial choices:

- a) either the firm would undertake its projected yearly 4.5 BF investment program -which was the minimum necessary for the firm to maintain its current world position- with one third of the investments being funded by a mixture of public loans and subsidies or,
- b) PSA would engage in a much more conservative plan amounting to a 3 to 3.5 BF yearly investment program that would not require any substantial assistance from the government.<sup>274</sup>

The Mol had clearly sided with the first option as it would allow Peugeot to augment its sales volume by 8% and contribute a yearly 3 BF to the country's balance of trade.<sup>275</sup> Alternatively, the 3.5 BF program would, as Gallois noted, force PSA 'to reduce its industrial ambitions at the risk of losing touch with the world's big constructors.'<sup>276</sup> The state's political puzzle

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<sup>271</sup> AN 19910436/13, Note pour le Ministre, 5 September 1982.

<sup>272</sup> AN 19910436/13, Entretien du Ministre avec Mr Parayre, 26 May 1983.

<sup>273</sup> AN 19910436/2, Note, 25 October 1982.

<sup>274</sup> AN 19910436/13, Entretien du Ministre avec Mr Parayre, 26 May 1983.

<sup>275</sup> AN 19910818/68, Note: Peugeot SA programme d'investissement, 21 June 1983.

<sup>276</sup> AN 19910436/13, Entretien du Ministre avec Mr Parayre, 26 May 1983.

consisted in finding a way to encourage PSA to adopt the 4.5BF program given its net commercial benefits without taking political control of the group. In a letter to Mitterrand, Chevenement exposed the situation in the following words:

A large-scale intervention of the State towards Peugeot S.A. uncontestably poses a political problem. It appears necessary: indeed various clues show that the Peugeot family prepares a strategy of industrial retreat, that could either take an insidious form (discrete divestiture of the assets detained by the Peugeot family, weakening of the industrial group by a slackening of investments as it can be already observed today) or either the form of a showdown with the state (mass redundancies, important foreign disinvestments)... It is in the country's interest to avoid such a situation.<sup>277</sup>

Faced with the necessity to financially intervene without challenging the ownership structures of the company, the government had to opt for a more 'oblique' way, as Chevenement argued, to fund PSA's 4.5 BF program.<sup>278</sup> Indeed, it was decided that PSA's program, and to an extent Renault, should be funded through ordinary law procedures for the procurement of industrial aids which were formally open to all industrial firms. Such aids were to be granted through the Fonds Industriel de Modernisation,<sup>279</sup> the Fonds des grands travaux,<sup>280</sup> the Fonds de Development Economique et Social<sup>281</sup> or even the National Energy Fund which could eventually mobilise funds for automobile constructors by virtue of their energy-saving car projects.<sup>282</sup> Since it was to an extent prearranged that these institutions' funds would

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<sup>277</sup> AN 19910436/2, Chevenement to Mitterrand, Early 1983.

<sup>278</sup> AN 19910436/2, Chevenement to Mitterrand, Early 1983.

<sup>279</sup> The Fonds Industriel de Modernisation was a fund set up in 1983 by the Socialists in order to fund industrial projects for the modernisation of firm's and the acquisition of new technologies through participatory loans.

<sup>280</sup> The Fonds des Grands Travaux funded in 1982 to finance public infrastructural projects.

<sup>281</sup> The Fonds de Development Economique et Social was a fund set up in 1955 to finance regional development projects.

<sup>282</sup> AN 19910436/1, Note, 10 May 1983; AN 19910436/13, Entretien du Ministre avec Mr Parayre, 26 May 1983.

prioritarily be channelled into the automobile industry, the state could persuade PSA to proceed with the 4.5 BF program and ensure that it possessed the necessary funds to carry it out. At the same time, the government was avoiding exercising direct political control over the group as the latter could operate as an ordinary private-sector firm seeking funds through schemes formally accessible to all eligible enterprises. Nevertheless, due to its reliance on state funds, PSA progressively moved 'from a position of high autonomy to one of intense dependence' (Hart 1992: 118). Without nationalising or buying PSA shares, the government was able to exert arm's length control over the investment choices of the group.

However, the government's decision to avoid exercising overt public control over the firm did not prevent it from direct intervention in its affairs when the violent confrontations of 1982 were reignited the following year. As part of its 'Paris disengagement' strategy, PSA announced in July 1983 a first round of job cuts concerning its plants in Ile-de-France. More precisely, the announcement involved 7,535 redundancies 4,632 of which would be executed through the early retirement of part of the personnel aged 56 or more, while the rest (2,903) would be accomplished through pure layoffs.<sup>283</sup> The straight dismissals exclusively concerned the Talbot plant at Poissy and the decision was met with a series of violent protests by the factory's workers that lasted until January 1984. On the 7th of December the conflict reached its peak with workers occupying the factory for a month before being removed by police forces at the government's request.

With the conflict increasingly gaining wide media coverage and leading to 'the near total breakdown of labor relations at the Talbot plant' (Milner 1984: 379), the government was forced into negotiations with PSA's management and the involved unions, the CGT and CFDT. The tripartite negotiations culminated in a decision to decrease straight layoffs from 2,903 down to 1,909 and to finance early retirements through the Fond National de l'

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<sup>283</sup> AN 19910818/68, Note sur le dossier de licenciement collectif envisagé par la société Automobile Peugeot, 21 September 1983.



Emploi (FNE).<sup>284</sup> Just as in steel, restructuring was accompanied by an expensive social programme to mollify the auto-workers' disruptive mobilisation. While the FNE procedure, constituted according to the Treasury an important burden on the state's budget it was equally indispensable for obtaining 'social peace'.<sup>285</sup> At the same time given the increasing need to modernise the industry 'it was important to show the country that the government meant business, even if this aggravated the climb in unemployment' (Murray 1997: 119).

In fact, the dismissal plan was regarded as necessary by the Mol. As it was explained in a note assessing Peugeot's proposed reductions:

[PSA's management] considers that it has realised important economies in its general expenses thanks to a tight management of its finances; it attempts to slow down the rise of financial charges by limiting stocks, reducing the payment extensions accorded to the concessionaires and extending those granted to suppliers. But today it does not seem possible to be limited to such actions. A reduction in the wage burden is indispensable for the group as its value added consists to a great extent in labour costs. In this context, the reductions in the workforce announced by management is no surprise.<sup>286</sup>

In other words, the decisions privately taken by PSA were in conformity with the Mol's roadmap for exiting the crisis. In fact, as the Mol had noted: 'If this mass layoff plan entails a risk, perhaps it is precisely because it is only partial...'<sup>287</sup> Given that the actual excess workforce at PSA itself stood at around 9,300 as opposed to the 7,535 job cuts announced publicly, the initial layoff plan had already been adjusted downwards by PSA in order to

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<sup>284</sup> The FNE is a public organism created in 1963 set to finance employment assistance programs such as early retirements, partial unemployment or professional reconversion especially for industrial workers in firms undergoing restructuring.

<sup>285</sup> AN 19870344/28, Note pour le Ministre, 16 September 1983.

<sup>286</sup> AN 19910818/68, Note sure le dossier de licenciement collectif envisagé par la société Automobile Peugeot, 21 September 1983.

<sup>287</sup> AN 19910818/68, Note sure le dossier de licenciement collectif envisagé par la société Automobile Peugeot, 21 September 1983.

limit social contestation.<sup>288</sup> As such, the main issue was that the mere climate of fear reigning in Parisian plants since 1982 prevented the implementation of a plan austere enough to address the totality of the firm's excess workforce. Even at Renault, management was reluctant to announce its planned 8,000 job cuts at Flins and Billancourt<sup>289</sup> given the tense social climate reigning in the Paris area.

While the government, except perhaps for the communists,<sup>290</sup> was overall 'sympathetic' to the industry's delicate financial situation (Smith, 1998: 189), the sudden announcement of the dismissals plan by Peugeot put the government in an awkward position as it had to assume political responsibilities over the plan. As the Minister of Employment Ralite explained:

Because of its social repercussions, because of the political stakes that it represents, this case evidently takes on a national importance. Consequently, it requires decisions and choices at a governmental level whose responsibility cannot be borne solely by the concerned departmental civil servants.<sup>291</sup>

The Talbot dismissals turned from a private sector affair into a highly political one. Following the workers' upheaval, the negotiations in which the government was forced to enter led to an increased politicisation of PSA's restructuring plans (Smith, 1998: 189). Inadvertently, the socialists were forced to face exactly what they sought to avoid by not nationalising PSA: a far-reaching politicisation of car policy. Given that mass layoffs

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<sup>288</sup> AN 19910818/68, Note sur le dossier de licenciement collectif envisagé par la société Automobile Peugeot, 21 September 1983; AN 19870344/28, Calvet to Delors, 8 September 1983.

<sup>289</sup> AN 19870344/28, Note, 10 February 1984.

<sup>290</sup> For instance, Jack Ralite, the communist delegate minister of employment, took a particularly dim view of PSA's announced layoff plan arguing to Prime Minister Mauroy that PSA's layoff plan aimed at 'embarrassing the government during a difficult conjuncture' (AN 19870344/28, Ralite to Maurouy, 19 September 1983). Despite the acceptance of the, albeit reduced, redundancies, the issue of mass layoffs became a decisive point of contention between the government's socialist majority and their communist allies and took the form of a governmental crisis which ultimately led to the departure of the government's four communists from their ministerial positions in July 1984 (Landier, 1984: 309-310).

<sup>291</sup> AN 19870344/28, Ralite to Maurouy, 19 September 1983.

required government approval according to the domestic Labour Code (Milner 1984: 370), the state did not have the option of not pronouncing itself on the issue. Nor could it simply delay taking positions since the Mol was aware that 'the social partners, having become enemies would [in the meanwhile] prepare for war.'<sup>292</sup> Public intervention was the only possible response to a conflict that threatened the recovery of one of the country's most critical industries.

While the government was able to exercise arm's length control over PSA's modernisation strategies without taking public control of the firm, the mounting social tensions within the firm spurred a crisis of national dimensions forcing the state to overtly intervene in the restructuring process and mediate the conflict. At the same time, the growing politicisation of the plans forced the government to accept a more mitigated rationalisation plan which did not allow the full elimination of the industry's excess capacities. The intervention of the state during the 1983 strikes appeared as a trade-off between the need to pacify labour relations and the urgency to liquidate all the ageing production sites of the Parisian era. The urgency to resume the rationalisation effort without allowing labour contestation to undermine it gave the government an impetus to find an alternative way to politically manage the sector's industrial restructuring.

### **TOWARDS A RULE-BASED STRATEGY (1984 -)**

To remedy the tension between its commitment to the 'Paris disengagement' strategy and the increasing politicisation of car policy, the government opted for a rule-based mode of governance in automobiles. A rule-based approach would allow the state to withdraw from direct political intervention in the firms' affairs and simultaneously gain the tacit at least acceptance of the unions over the necessity of an extensive rationalisation of the Parisian industry. Indeed, following the political trauma of the 1983

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<sup>292</sup> AN 19910818/68, Note sure le dossier de licenciement collectif envisage par la société Automobile Peugeot, 21 September 1983.

strikes, in 1984 the Mauroy government opted to give discretion to craft the measures necessary to restore the industry's competitiveness to a technocratic committee attached to the CGP rather than elected authorities or car constructors themselves. The committee would set up the targets necessary for the competitive survival of the industry while the government and the firms would undertake the measures necessary to achieve them.

An essential controversy underpinning the tripartite negotiations between the government, the unions and PSA's management concerned the soundness and credibility of the arguments advanced to justify the necessity of the redundancies plan. Indeed, the CGT had repeatedly argued that PSA's arguments based on the worsening economic conjecture and decreasing sales trend of Talbot's cars was irrational. As CGT's Peugeot branch had noted:

It is the first time that, in our knowledge, an industrial group manages layoffs in a prospective manner by anticipating on yet unknown operating results and by integrating the future failure of its commercial policy as a justification for redundancies.<sup>293</sup>

There was thus a difficulty in discursively justifying the layoff plan on the part of PSA as the urgency of rationalisation was not convincingly communicated to workers.

In fact, a widespread fear among workers was that PSA's direction was planning to progressively downsize Talbot's place within the group and ultimately halt the production of cars under this brand.<sup>294</sup> For the CGT it was unclear why management decided to shut down half of the production lines of Talbot-Poissy instead of putting them back to work to produce more cars and increase the commercial performance of the brand.<sup>295</sup> It was even

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<sup>293</sup> AN 19870344/28, Sommer to the Departmental Director of Labour of Doubs, 28 July 1983.

<sup>294</sup> AN 19910818/68, Note sure le dossier de licenciement collectif envisage par la société Automobile Peugeot, 21 September 1983.

<sup>295</sup> AN 19870344/28, Taillandier to Rymery, 10 November 1983; AN 19870344/28, CGT-Talbot pamphlet, 1983.

argued that the Talbot operation was in fact a political manoeuvre on the part of PSA aiming at undermining the strength of unions.<sup>296</sup> During the 1983 negotiations, even the Treasury had communicated to the Mol that the 'conjuncture argument' held by PSA to justify dismissal was difficult to defend in such a socially and politically tense climate.<sup>297</sup> According to workers, the liquidation of the firm's Parisian capital was based on arbitrary criteria. As a result, the possibilities to obtain the cooperation of unions for the restructuring of the firm were severely narrowed down as the mere existence of an excess workforce was not accepted as a matter of fact by the latter.<sup>298</sup>

Instead, a programmed reduction of the excess workforce needed to be grounded on incontestable facts regarding the automobile crisis. As it was argued, by Didier Floquet, director of the Treasury, during the Talbot crisis: 'It seems indispensable to me that a comprehensive stance is adopted vis-à-vis Peugeot SA rather than reacting in a dispersed order to each of the actions or attitudes of Peugeot SA.'<sup>299</sup> Indeed, as the 1983 strikes demonstrated the lack of a systematic, rule-based, treatment of the sector's restructuring could unexpectedly lead to a deep political crisis.

To this end the government set up in February the Comité National de l'Industrie (CNI) whose role was to examine the prospects of French industry and to make recommendations for industrial policy. The CNI was composed of its president, two reporters, fifteen members of the government's administration, fifteen representatives of employers and fifteen trade union delegates. In its first mission, the president Dalle, was given the mandate to lead a working group on automobiles outlining the future of the sector and the actions to be taken in order to face international competitive pressures. At a time where the growing turmoil of the sector overtly implicated the state

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<sup>296</sup> AN 19870344/28, Sommer to the Departmental Director of Labour of Doubs, 28 July 1983.

<sup>297</sup> AN 19870344/28, Note pour le Ministre, 16 September 1983

<sup>298</sup> AN 19870344/28, Revue de presse, 30 December 1983; AN 19870344/28, CGT-Talbot pamphlet, 1983.

<sup>299</sup> AN 19910436/1, Note pour le Minsitre, 28 July 1983.

in the affairs of the sector, the CNI served as a way to delegate the deliberation over the rationalisation measures to an external technocratic committee set up to inform social partners of the current state of the industry. Indeed, shortly after the CNI was set up, Pierre Gaddoneix explained in the Conseil Economique et Social that:

A great part of the decisions does not belong to public authorities. It really must be understood that they belong to these two constructors. Thus, what Public authorities wish is that there is at least a concertation at the national level...There is a certain anxiety in public opinion regarding the future of the automobile industry. Thus, if Public authorities proposed to urgently create this commission, it is to respond to this expectation.<sup>300</sup>

With the state having clarified its formal non-engagement in the sector's restructuring, the CNI's aim was to provide the discursive framework to legitimise the ongoing industrial mutations of the car industry.

Official negotiations within the CNI were planned to be based on homogenised set of economic indicators (e.g. excess workforce, global productivity levels) tracking the lagging behind of French automobiles vis-a-vis foreign constructors.<sup>301</sup> Instead of negotiations occurring haphazardly whenever one of the constructors announced a redundancies plan, the CNI was to serve as a single national platform where the official discussions over the future of French automobile employment could take place based on an 'objective' exposition of the weaknesses of French cars and the necessary steps to alleviate them. More importantly, the technical and incontestable findings of the CNI could provide a legitimate source of justification for the reduction of employment.

In the first meeting of the CNI, Dalle outright explained the current impasse of the sector:

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<sup>300</sup> AN 19860479/6, Le devenir de l'industrie Française de l'automobile, 16 February 1984.

<sup>301</sup> AN 19870344/26, Note for Mr Gallois, 27 February 1984.

Either productivity does not augment faster than production, which runs the risk of not being competitive in French and global markets, or the efforts to augment productivity permits us to remain competitive but with consequences on employment.<sup>302</sup>

The situation exposed by Dalle to the unions, policymakers and constructors was straightforward as productivity increases and employment maintenance were incompatible objectives: the failure to adjust the workforce downwards would force the whole sector into a path of decline.<sup>303</sup>

Indeed, the picture painted by Dalle's group was particularly bleak as French automobiles fell behind their Japanese, American and even European competitors: 'The French automobile industry has ceased being competitive nowadays.'<sup>304</sup> Indeed, from 1979 to 1984 the rate of market penetration of French cars had fallen from 78.3% to 65.1% in the domestic market and from 30.1% to 21.6% in the European one.<sup>305</sup> French constructors underperformed in almost every respect vis-a-vis the competition.<sup>306</sup> Financially, virtually every carmaker was making profits except for PSA and Renault while the failure to decrease the workforce in accordance with the drop in sales led to a decrease in productivity at a time where foreign constructors registered 6 to 7% yearly productivity gains.<sup>307</sup> Given the deteriorating competitiveness of French cars, Dalle urged the necessity to immediately proceed to a first round of 18,000 redundancies, to be equally distributed among Peugeot, Citroen and Renault, and argued that the reduction of the rest of the excess workforce (around 52,000) could be spread in time and eliminated by 1989.<sup>308</sup>

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<sup>302</sup> AN 19870344/26, Compte rendu de la Réunion du 2 Mars, 5 March 1984.

<sup>303</sup> AN 19870344/26, Note pour le Ministre, 9 April 1984.

<sup>304</sup> AN 19860483/5, Note pour le Ministre, 16 July 1984.

<sup>305</sup> AN 19860483/5, Note pour le Ministre, 16 July 1984.

<sup>306</sup> AN 19860483/5, Note Confidentielle pour le Minsitre, Summer 1984.

<sup>307</sup> AN 19860483/5, Note pour le Ministre, 16 July 1984.

<sup>308</sup> AN 19870344/26, Note pour le Ministre, 24 May 1984.

These guidelines forthwith became the goals pursued by the government's industrial policy towards cars.<sup>309</sup> Indeed, the committee's works coincided with the worsening financial situation of PSA's Citroen branch which had communicated to Mauroy its need to urgently proceed to mass layoffs in its Parisian plants.<sup>310</sup> After a consultation with Dalle, Mauroy reportedly

congratulated the Commission's active work on the adequate modalities for resolving the problem of the excess workforce. He wanted to situate the works of the Commission within the context of the current negotiations at Citroen. He wishes that the measures that will be retained in Citroen's case anticipate on those that could be adopted in the future in order to resolve the problems of the automobile industry.<sup>311</sup>

In addition to providing support for the Citroen layoffs, the government showed its willingness to consolidate the Dalle report as the main blueprint for the implementation of rationalisation measures across the industry.

Ultimately, the verdict of Dalle's investigation was crystallised in a report made public in October 1984. Dalle's report culminated in two essential and interdependent policy recommendations for the sector. Firstly, to maintain a competitive international presence the sector had to realise at least a 7% yearly increase in productivity. Secondly, productivity gains had to be compensated by a reduction of 80,000 jobs by 1988.<sup>312</sup> In accordance with the government's original plans, the report's findings were inscribed into the constructors' own strategies. Characteristically, Bernard Hanon, the president of Renault, stressed in a press conference in early October: 'What underpins all of our objectives is this productivity figure of 7%.<sup>313</sup> In a sense, the Dalle report served as a green light for implementing the socially painful

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<sup>309</sup> AN 19860483/5, Note pour le Ministre, 27 September 1984.

<sup>310</sup> AN 19870344/27, Calvet to Mauroy, 22 May 1984.

<sup>311</sup> AN 19870344/26, Note: Entretien de M. le Premier Ministre avec M. Dalle, 18 June 1984.

<sup>312</sup> AN 19890617-555, Rapport sur l'industrie automobile Francaise, 29 October 1984.

<sup>313</sup> AN 19890617-555, Renault Presse: Conférence de presse tenue par Monsieur Bernard Hanon, 2 October 1984.



workforce adjustments and plant shutdowns in the sector (Loubet 2009: 146).

For the government, the Dalle commission served a double depoliticising purpose. On the one hand, it provided a grounded justification for the downsizing of the sector. Discussing the strengths of the report, the Mol noted:

One positive aspect [is] the pedagogical value of illustrating a reality: faced with markets that grow only by 1% or 2% by year, the imperious necessity for productivity gains at annual rhythm of 6 or 7%, necessarily leads to adjustments in the workforce.<sup>314</sup>

The requirement to cut down the excess workforce was thus presented not as the arbitrarily drawn decision of constructors but as a structural condition imposed by changes in the global automobile market. In a sense, the CNI served to discursively outline the objective constraints weighing on industrial strategy and 'limit expectations of what is possible' (Burnham 2011a: 464).

On the other, by delegating the negotiations on workforce reductions to the CNI, the government was able to shield itself from labour contestation and avoid direct bargaining with the unions. In view of the public announcement of Dalle's report, the Mol recommended that CNI's automobile group be transformed into an Industrial Strategy Group (GIS) - that is a technocratic agency attached to the democratically non-accountable Plan Committee - that would immediately devise the concrete measures necessary for the restoration of the industry's health.<sup>315</sup> As discussed within the Mol

the works of the newly founded GIS would be concluded by a report that would seek a consensus around "positive" themes (without starting again the discussion on the excess workforce) and would eventually allow the expression of diverging positions by the social

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<sup>314</sup> AN 19860483/5, Note confidentielle pour le Ministre, summer 1984.

<sup>315</sup> AN 19860479/6, L'après rapport Dalle, 14 September 1984.

partners...[This] would not delay...the adoption of corrective or restructuring measures in the automobile industry.<sup>316</sup>

In this vein, the rationalisation of automobiles could resume with minimal opposition from the trade unions. Given the technocratic nature of the GIS the concertation with social partners would merely take a consultative character as the necessity to cut down the excess workforce would not be laid on the table. As such the firms' disengagement from their obsolete Parisian units could resume unobstructedly. Indeed, the alternative, that is the concertation with the unions at a governmental level,

'was an evidently perilous exercise as it would lead to precise orientations and decisions on which public authorities would be expected [to pronounce themselves] by the social partners and public opinion.<sup>317</sup>

The constitution of a GIS signalled the government's willingness to retain only an arm's length control over the restructuring process by resisting the pressures to enter into direct negotiations with the unions and declining any formal responsibility over job cuts.

Even further, the Mol insisted that the 'paternity of the report' was made clear to the public.<sup>318</sup> By asking Dalle to assume the report's conclusions, the government could signal public opinion that industrial policy was itself hamstrung by the technocratic expertise of the committee. In this vein, the Mol could avoid giving a political character to the committee's conclusions regarding the necessity to cutdown the excess workforce.

By adopting the recommendations of the Dalle report, the government allowed the double objective of achieving a 7% yearly productivity growth and eliminating the 80,000 excess workforce to pilot industrial policy towards the sector and to orientate the rationalisation strategies of the

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<sup>316</sup> AN 19860479/6, Note pour le Ministre, 11 September 1984.

<sup>317</sup> AN 19860479/6, Note pour le Ministre, 11 September 1984.

<sup>318</sup> AN 19860479/6, L'après rapport Dalle, 14 September 1984.

constructors. Drawing on the ostensibly non-political and unbiased character of the 'rules' instituted by the Dalle report, the government was aiming at minimising the political contestation that could be directly directed at it. Social contestation within the sector did decrease in the subsequent years and while the rationalisation of Renault was accompanied by certain clashes between management and the CGT in 1985, workers' mobilisation never reached the proportions of the 1982-1984 cycle of struggles. More importantly, the Dalle report had a long-lasting impact on the industry's development. As communist deputy Brunhes argued in the National Assembly in 1990, the Dalle report still constituted Renault's 'bible.'<sup>319</sup> By 1990 the objectives set out by the report regarding the excess workforce had largely been accomplished as automobile construction employment decreased from 250,000 in 1984 to 131,000. Similarly, the systematic decrease of the workforce allowed the continuation of the selective disengagement from Parisian industry. Indeed, the 1980s witnessed the shutdown of certain iconic industrial sites of Ile-de-France such as Citroen's plants at Clichy and Nanterre and Renault's dismantling of its legendary Billancourt plant.

In a way, the CNI allowed the government to take on a seemingly politically neutral stance with regards to the devaluation of Parisian plants. The setting up of the CNI was a direct response to the 1983 strikes and allowed the government to avoid intervening in issues of mass layoffs as it was forced to do during the Talbot strikes. By allowing the report's conclusion to pilot industrial strategy in the sector, the government could ensure that the firms would modernise sufficiently without either having to exercise direct public control over them or having recourse to lengthy negotiations with trade unions regarding the issue of the excess workforce. In essence, the report constituted the 'political cover it needed' (Smith 1998: 195) to discursively justify the necessity to eliminate the superfluous labour and infrastructural capacities of the Parisian area.

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<sup>319</sup> Assemblée Nationale, Seconde séance du Jeudi 26 avril 1990.

## CONCLUSION

The deindustrialisation of France's automobile sector between 1974 and 1984 might have as well corresponded to a typical naturalist explanation: employment losses were largely the result of French producers' efforts to increase productivity. Equally, within the IDL, the country maintained its trade specialisation in cars as PSA and Renault continued to figure in the ranks of the world's top producers. Yet, it is impossible to analyse this phenomenon as a purely market-led one. If domestic industry's adaptation had been left to market forces it is doubtful that PSA would have maintained its world rankings. In the absence of state funds for the development of automated plants, PSA would have carried out its planned 3BF investment program which would have significantly decreased its size and commercial potential.

At the same time, the regeneration of the sector was largely depended on the decline of its financially unviable Parisian plants such as Talbot. Again, without the state's effort to depoliticise car policy and insulate it from the Parisian workers' upheaval, the sector's restructuring would not have resembled the 'positive deindustrialisation' scheme of naturalist interpretations. Assigning the design of the blueprint for the sector's recovery to a technocratic committee, the CNI, was key to the smooth unfolding of selective disengagement. By virtue of the CNI's technocratic nature, the government was able to discursively demonstrate the necessity of employment reductions and sidestep the need to engage in lengthy negotiations with trade unions.

The experience of the automobile industry during this decade illustrates well the claim that deindustrialisation consists of a double-sided phenomenon which is mediated by the state. It is the arm's length control exercised by the state on the selective disengagement strategy that allowed deindustrialisation to take the form of a progressive dismantling and decline of Parisian assembly lines and the transference of production in automated plants in the provinces.

The chapter offers equally important insights as to the governing dilemmas inherent to the capitalist state form. In addition to seeking autonomy from workers' interests, the state also opposed PSA's plans to decelerate investment rates after 1982. Its effort to administer a rule-based form of industrial management was both a means to ostracise labour from the negotiation tables as well as to 'shake up' the firms' managers (Smith 1998: 115). The policy recommendations of the CNI regarding productivity increases constituted a disciplinary tool over capital too. Industrial policy was not geared to functionally adapt to the 'needs' of capital or the market, but to pursue measures that state managers deemed necessary to enhance the wealth-generating capacity of the domestic economy.

## **CONCLUDING REMARKS**

This thesis intended to provide an account of the political economy of deindustrialisation in France between 1974 and 1984 through an analysis of the historical experience of the T&C, steel and automobile industries. The theoretical and archival findings provided in this thesis have attempted to offer a fresh understanding of deindustrialisation which considers firstly, its double-sided character as a movement simultaneously involving industrial decline and industrial modernisation and secondly, the role of the state in mediating it and promoting it in a strategic manner. At the level of IPE debates this thesis has attempted to give support to claims that the state and the market rather than independent and externally related spheres of social organisation are in fact different forms of the underlying capitalist relations and essential moments in the process of capitalist wealth production.

### **A REDEFINITION OF DEINDUSTRIALISATION**

Today the marks of deindustrialisation are still stamped on the regions that were studied in this thesis. The social and economic crisis reigning in the banlieues, the poor suburbs of Paris, has been linked to the deindustrialisation of the ile-de-France region– in which the restructuring of the automobile industry significantly participated - and the elimination of previously existing industrial jobs (Beaud and Mauger 2017). Equally, the effects of deindustrialisation are still visible in the regions of Northern Eastern France where one can still notice an array of abandoned coal mines or steel plants. The former regions of Lorraine and Nord-pas-de-Calais are still affected by high unemployment and poverty levels. In addition, a strong correlation is being established between the electoral rise of the Front National and the industrial destitution of these regions where the party's most robust strongholds are (Aisch et al 2017). The economic and social ramifications of deindustrialisation are vividly present in French society. At

the same time though, in 2007, on the eve of the 2008 financial crisis, the volume of French manufacturing production was at an all-time high and was close to 50% higher than in 1980 (Nesta 2010: 300). Despite the disappearance of certain (regional) manufacturing activities, in absolute terms the manufacturing sector has not ceased to grow! As Roustan (2004: 45) explained in a report for the French national assembly, deindustrialisation constitutes a myth at the national level but a reality at the local level.

Existing approaches to deindustrialisation in developed economies have however defined deindustrialisation with exclusive reference to either its 'positive' or 'negative' facet. Naturalist approaches have analysed deindustrialisation as the natural unfolding of the market's logics since it constitutes a manifestation of the rising productivity of the manufacturing sector which renders industrial labour progressively redundant. Equally, it reveals developed countries' natural ability to capture the capital-intensive and high-end technological segments of the manufacturing chain thereby bestowing labour-intensive industrial activities to the developing world. On the other hand, the industriocratic approach, which sees the manufacturing sector as inherently conducive to permanent economic growth and employment creation, proposes a gloomier understanding of deindustrialisation. It sees it as the erosion of domestic manufacturing and its weakening position in the world market. The debate on the nature of deindustrialisation has thus witnessed the confrontation of a largely positive and progressive view of deindustrialisation and one which sees it as a process of economic decline. However, deindustrialisation has paradoxically led to both the increased manufacturing capacity of France and to the decline of certain regional activities. Deindustrialisation as this thesis has attempted to demonstrate is not an 'either-or process'. It is essentially a contradictory phenomenon which involves both the modernisation and the regression of certain manufacturing activities across and within industrial sectors.

In addition, this thesis has endeavoured to analyse the role of the state in this process and has argued that the aforementioned tension between the concurrent modernisation and erosion of industrial capacities occurs transcends the state itself. Naturalists and Industriocrats have understood the role of policy-making within this process only in functional terms. More precisely, for the former, the state's function, rather than obsessing over the preservation of industrial jobs, is to smooth the transition of the domestic society to a service-based economy (Baldwin 2017). In other words, policy-making must abide to the requirements of a mature deindustrialised economy by, for example, implementing the appropriate labour training and human capital development policies that correspond to the needs of a technologically advanced and R&D intensive industrial sector. The role of the state is thus assessed in terms of the functional adaptation of its policies to a deindustrialised setting. For the industriocrats, the state's function consists in its capacity to sustain the economy's industrial tissue through the formulation of ambitious long-term industrial strategies adapted to world market conditions. Deindustrialisation, according to them, manifests the state's failure to consolidate such a policy framework and avert industrial decline. In both cases, deindustrialisation appears as a phenomenon escaping the control of the state. Indeed, in the first case deindustrialisation appears as the product of structural, market-led processes and in the second as a failure of the state to intervene in a timely fashion to prevent the erosion of domestic manufacturing.

In contrast, the experiences of the sectors studied in this thesis have shown that rather than being a mere passive observer of deindustrialisation, the state has been fundamental in strategically promoting it. Thus, the thesis has claimed that deindustrialisation is not a mere description of domestic economic trends but constitutes a politically configured process and an industrial policy-preference in its own right. Deindustrialisation was in fact revealed to be a form of industrial statecraft and a fundamentally political practice. More precisely, the definition of deindustrialisation provided here



purports that the latter can essentially be conceived as a state-endorsed strategy of selective disengagement from specific manufacturing activities that transpires across and within sectors. Indeed, in response to capital's global overaccumulation crisis following the first oil shock, which in France manifested itself as a growing uncompetitiveness of its industrial sector vis-à-vis its major industrial partners, the French state endorsed a strategy of selective disengagement in order to facilitate the liquidation the most obsolete and commercially uncompetitive units and foster the country's manufacturing capacities around the most performant and productive ones.

Indeed, in all of the sectors studied, it was shown that deindustrialisation consistently involved both the erosion industrial capacities and the expansion of others and that the state played a detrimental role in determining this process. For instance, in the T&C sector selective disengagement took the form of an unequal distribution of funds towards the most competitive and export-oriented industries of the sector. The smaller and less advanced firms were increasingly eliminated by way of exposure to foreign competition. In the steel industry, selective disengagement targeted the disinvestment from long product facilities mainly located in Lorraine and the re-orientation of steel production towards the most profitable flat products. It equally involved the devaluation of activities relying on Lorraine's iron ore and the expansion of more modern electrical-steel making processes. Finally, the consecutive governments under the Giscard D'Estaing and Mitterrand presidency by way of regional development premiums and other forms of aids to modernisation favoured the progressive disengagement of production from Parisian region and their replacement by automated units in the provincial areas of Northern and to an extent Eastern France.

Paradoxically, the increased competitiveness in manufacturing also demands the elimination of certain industrial capacities; the growing productive potential of capital oddly brings about the 'enforced destruction of a mass of productive forces' (Marx and Engels 1976b: 490). This

contradictory process is aptly captured in the dialogue between Minister of Industrial Affairs Laurent Fabius and a representative of the CGT in 1984 in the context of the restructuring of the steel industry and the elimination of its obsolete excess capacities. As Fabius argued: 'With regards to the CGT's question on whether we are going to sanction the decline of the steel industry, I respond clearly not. We want to defend a strong and modern steel industry.'<sup>320</sup> The incomprehension between the trade unionist and Fabius reflects the contradictory nature of deindustrialisation as the former laid emphasis on the visible decline of a number of steel plants, while Fabius' claim acknowledged that such measures were necessary for the steel's competitive survival. The modernisation of industry also contained the decline of certain of its most feeble production units and along with it the jobs and regions formerly depended on them. The conceptualisation of deindustrialisation as 'selective disengagement' allows to encompass both the double-sided nature of deindustrialisation (i.e. as both increased prosperity and decline) as well as to conceptualise the role of the state in mediating the distribution of losses and gains across and within sectors by allocating resources or adapting industrial policy to the benefit of strategically selected activities.

The thesis' reconceptualization of deindustrialisation is particularly salient in light of the renewed interest in industrial policies promoting the renaissance of a strong manufacturing sector discussed in the introduction. Re-industrialisation and reversing industrial decline are increasingly seen as key policy-objectives for the sustainable maintenance of competitiveness, economic growth and total social welfare (Aiginger 2014; Salazar-Xirinachs et al. 2014; Mazzucato 2015). However, in accordance with the thesis' findings any industrial policy aiming at rejuvenating the industrial sector is paradoxically bound to increase the rate of the economy's deindustrialisation both in employment and share of value-added terms (Rowthorn and Coutts 2013; Peneder and Streicher 2016). The

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<sup>320</sup>AN 19910445/11, Réunion sidérurgie, 23 January 1984.

competitiveness of industry is indeed associated with its capacity to produce a growing output on the basis of a shrinking workforce and continuously decrease its relative prices through productivity increases which ultimately accelerates its apparent hollowing out.

## **THE LIMITS OF THE STATE AND THE CAPITALIST FORM OF WEALTH**

To shed light to the double-sided character of deindustrialisation and the role of the state in mediating it, this thesis, drawing from the Open Marxist current's radical re-interpretation of Marx, has proposed to ground this phenomenon in the crisis-ridden development of capitalist social relations. Such a theoretical approach has important ramifications for the understanding of state-market relations.

Both within and beyond the IPE literature, it is often the case that the state and the market are conceptualised as two independent and conflicting social spheres caught in a 'tug of war' which in different periods sees one sphere holding more sway than the other (Clift 2014: 32). This is particularly striking in studies of the process of globalisation that imply that state authority has been increasingly transferred to global markets and transnational institutions. For certain accounts the structural context of liberalised financial and trade flows has transformed and redefined the functions of the state. The latter becomes more concerned with accommodating its policies to the volatile movement of global capital and creating a business-friendly environment rather than prioritising welfare-enhancing policies that encumber competitiveness (Amin 1997; Cerny et al 2005; Fougner 2006). The post-Bretton Woods global regulatory framework and diffused powers of transnational institutions such as the European Union are equally said to have narrowed the spectrum of policies available for states to manage the domestic economy (Leibfried and Pierson 1995; Scholte 1997; Held 2000; Jacobsson 2006).

Within this context, the experiment of Mitterrand's presidency to implement a Keynesian reform package in an era of intensified globalisation and its

eventual U-turn towards a more austere form of economic management entered 'debates about heightened capital mobility and policy autonomy as a test case' (Clift 2016: 519). In all the thesis' case studies, the Socialists' initial pledge to remedy industrial decline and resist the 'fatality' of the IDL by grounding industrial production on the growing absorptive capacity of domestic demand fell through and was supplanted by a policy 'pragmatism' that endorsed the logic of industrial rationalisation, downsizing and defunding. This policy break has often been attributed to a trade-off between the pursuit of expansionary Keynesian policies and compliance with the policy constraints imposed by European institutions and/or of the changing international economic environment (see Hall 1986; Loriaux 1991; Daley 1996a; Hayward 1998). According to such views thus, Mitterrand's socialist experiment was terminated by external forces.

Instead it was argued here that the purpose of state policies is not defined by external developments but by the state's innate dependency upon successful accumulation. It was argued that the state and the market are better captured as different facets or guises of capitalist social relations for which the primary purpose of productive activity is the perennial valorisation of capital. Put simply, under capitalist conditions production is geared towards increasing profitability rather than creating use values. Capitalist wealth, or value, is defined by the capacity of the domestic economy to ceaselessly realise an ever-growing sum of profits by increasing its productivity levels relative to the social productivity of labour at a global level rather than by virtue of the economy's total material output. Individual producers become entrapped in the valorisation cycle through the competitive pressures that they mutually exercise upon each other in the world market.

The capitalist organisation of production and exchange relations gives rise to a particular form of authority in the global economy which is concentrated neither in the hands of the market nor in those of the state. Rather, the drive to accumulate value appears 'as a power over the individuals which has

become autonomous' (Marx 1973: 197). As such, the interaction and competition between market agents participating in capitalist exchange appears as an alien, compelling force to increase profitability. Similarly, the capitalist form of the state entangles the latter within the world market imperative to accumulate wealth. The impersonal power of value is asserted upon state managers as the rates of labour productivity of different nations are constantly commensurated in international trade (Marx 1976a: Ch.22). Such constraints, which can take the form of growing balance of payments deficits, compel policy-makers to deploy policies that will raise the competitiveness of domestically operating capital and conform national conditions of production to or above the average productivity levels established at the international level. In this vein, authority in the world market is located neither in the market nor the political sphere as the agents in both spheres unknowingly reproduce their own subjection to capital's self-valorising motion. Rather than an arena of struggle between states and markets, the world economy is one dominated by the impersonal force of value.

At the same time, the antagonistic nature of capitalist social relations generates a tension between the material aspirations of labour and the reproduction of the conditions conducive to the profitable accumulation of capital on a world scale. This tension is reproduced within the state apparatus. In fact, economic and industrial policy is neither structurally determined by the dictates of the market nor simply subject to the autonomous volitions of state managers. Rather, they are determined by the pragmatic necessity to manage the underlying tension between labour's material needs and capital's profitability in a context of cutthroat international competition. This tension was reflected throughout the case studies analysed. Both Barre's successive centre-right and Mauroy's consecutive socialist governments were constantly torn between the necessity to favour the growing competitiveness of different industries and the need to respond to the material aspirations of workers and regions

threatened by industrial decline. The limitations posed by capitalist form of production on the management of this tension is adequately captured by Minister André Giraud who, in response to the intense pressures of trade unionists to channel further funds into the steel industry to safeguard jobs, argued:

Is it only today that you realise that our situation is not comfortable economically? It is not the moment to distribute wealth, we do not have any! Any government would like to decrease working time, augment salaries, employ more people, etc. It would be wonderful to be able to say yes, unfortunately it is not possible!<sup>321</sup>

This statement clearly illustrates the policy quandary in which policy-makers find themselves as legitimisation imperatives urges them to meet the subsistence needs of civil society while market conditions might prevent them to do so. The state is in other words not inherently predisposed to favour capital over labour, rather it is the form of capitalist wealth itself that poses objective limits on the state's capacity to manage social antagonism.

Back to Mitterrand's experiment, the French socialists did not encounter 'the limits of social democracy' in the face of powerful markets but 'the limits of the capitalist state form itself' (Burnham 2008: 62). Equally, the industrial strategies of selective disengagement of the Socialist government were actually aided and abetted by the European Commission's regulations on state aid rather than operating as a mere constraint on domestic policy-making capacities. As demonstrated in the case studies the industrial reforms pursued by the Socialists aimed at achieving state objectives for trade competitiveness, commercial surpluses or budgetary restraint rather than merely abiding to external constraints. In a sense, the Socialists' pre-electoral ambitions encountered the barriers intrinsic to the state's reproduction. It was the realisation of the dysfunctions in the form of industrial management that they initially proposed and its difficulties in

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<sup>321</sup> AN 19910445/9, Conseil Economique et Social: Réunion de la section du Mardi 10 Avril 1979.

combining social pacification with the promotion of high-tech activities that led to its abandonment (Levy 2008: 421-422). Ultimately, it is the condition of the state's existence as the political form of capital valorisation that prevented an across-the-board rescue of lame duck sectors that were unable to be productive in value terms. No matter how much the Socialists were convinced that they could resist the decline of industrial employment, their U-turn in industrial policy was inevitable once they faced the dilemma: increased productivity with job cuts or large-scale industrial bankruptcy with even more job losses. Both the legitimisation and accumulation imperatives weighing upon them would have been ultimately compromised without a U-turn. Their pre-electoral pledges encountered the socially constituted limits of a world in which social wealth is measured by labour productivity.

The limitations posed by the necessity to produce capitalist wealth on the range of policy options that state managers are *willing* to deploy might often lead to different degrees of politicisation or depoliticisation of (industrial) policy-making as it was demonstrated in this thesis. Indeed, depending on the urgency and economic pressures to undertake certain competitiveness-inducing industrial policies with severe consequences on employment, state managers might either for politicised and/or depoliticised forms of industrial management. Through the politicisation of aspects of industrial policy-making state elites might assume the political responsibility for certain socially negotiated policies in order to channel civil society's interests into institutional forms that do not inhibit the overall objectives for market reform such as the generous social compensations distributed to redundant workers in the steel and automobile industries through the GPS and FNE procedures accordingly.

However, if the demands on the state are too strong and unmanageable state managers might depoliticise industrial policy-making, by transferring the formal responsibilities over certain aspects of decision-making to institutions lying beyond the governmental sphere while maintaining arm's length control over industrial restructuring. By doing so, state managers

decrease their accountability over the implementation of certain unpopular policy-preferences thereby shielding themselves from domestic political backlash. In particular, depoliticisation strategies can be carried through supranational media such as the European Union giving rise to a process of transnational depoliticisation. Such processes allow state managers to pursue their own industrial policy ambitions through their compliance with the disciplinary mechanisms and rules of transnational institutions. At the same time, they allow governments to sidestep the pressures of declining sectors for assistance by appealing to the restrictive regulations, such as the EC's state aid controls, imposed to them externally by supranational bodies.

In the textile sector there was often a tendency to politicise the management of restructuring as in 1980 president when president Giscard d'Estaing declared it as strategic importance while under the first years of Mitterrand the state assumed the management of the sector through a comprehensive plan of social contributions relief. In automobiles, the severe conflict between PSA's management and workers in 1983 led too to the politicisation of industrial policy as the workers' upheaval took national dimensions and forced the state to hold tripartite negotiations.

Depoliticisation was particularly pronounced in steel. Indeed, following the 1978 riots in Longwy the French successive governments strenuously supported the delegation over the responsibility of steel restructuring measures to the European Commission by approving the latter's plan to impose a European-wide plan to cut-down the industry's excess capacities. Equally, in the textile sector after 1984 the EC's rules on state aids facilitated the implementation Ministry of the Economy's recommendations for an unassisted market-led adjustment of the sector to global competition. In a socially tense climate, political authorities were increasingly reluctant to publicly assume the responsibility of their selective disengagement strategy and their policy-preference for a drastic rationalisation of industry.



In automobiles, in response to the workers' growing pressures weighing upon Mauroy's government, the latter commissioned an expert group to craft the blueprints for the sector's exit from the crisis. The Dalle's Committee recommendation for a yearly 5% increase in productivity and the elimination of 80,000 jobs by 1988 became the rules guiding policy towards the sector. The ostensibly objective and non-political character of Dalle's conclusions, allowed the government to signal the sector's workers that the committee's expert report tied its hands thereby allowing the unfolding of the selective disengagement strategy with minimal political opposition.

Ultimately, the legitimation and accumulation pressures weighing upon the state can be brought back to the contradiction between capital's capacity to produce an abundance of material wealth (i.e. use values) and the capitalist form of wealth, namely the ceaseless expansion of value. It is this fundamental contradiction that explains the aforementioned ostensible incomprehension between Fabius and the CGT representative or Giraud's contention that despite its willingness to do so the government could not aimlessly distribute wealth to labour. The growing material output of capital can coexist with the pauperisation of society in terms of value (Postone 1993: 194). Indeed, the augmentation of capital by way of productivity increases is often built on the impoverishment of society. As Marx (1976a: 798) argues:

the higher the productivity of labour, the greater is the pressure of the workers on the means of employment, the more precarious therefore becomes the condition for their existence, namely the sale of their own labour-power for the increase of alien wealth, or in other words the self-valorization of capital.

The growing difficulties of state managers to both strengthen their competitive position and respond to labour's material aspirations stems from the struggle to integrate the existing productive capacities and labour-force of society into capital's valorisation cycle. French state managers pursued the elimination of industrial capacities throughout our case studies, to

paradoxically increase the wealth-generating capacity of the country in the face of cutthroat international competition.

In their classic *The Deindustrialisation of America* Bluestone and Harrison (1982:21) asked 'how can we go about the business of constructing a productive economy which produces livelihoods without destroying lives?' Again, this question is particularly salient in light of the contemporary resurgence of calls for active state-led industrial policies discussed in the thesis' introduction. This thesis' task was not to provide a definite answer to Bluestone and Harrison's judicious question, however its theoretical and empirical findings do suggest that the pacific coexistence of a productive economy and the defence of livelihoods necessitates a reconceptualisation of the social form of wealth in a manner that human needs do not figure as a mere appendix to capital's uncompromising race for profit but as the end-goal of productive activity. This observation stems directly from the study of deindustrialisation presented here. Indeed, the regional and social pauperisation that have accompanied the deindustrialisation process did not stem from the failure of domestic industry to produce large volumes of material wealth apt to decently sustain livelihoods but, from industry's growing difficulty and efforts undertaken to be productive in value terms.

### **IMPLICATIONS FOR A FUTURE RESEARCH AGENDA**

By analysing the historical unfolding of deindustrialisation in France during the tumultuous 1974-1984 decade, the findings presented here are limited by the geographical and temporal delineations of the thesis's empirical investigation.

On the one hand, this thesis has essentially focused on the mechanisms of deindustrialisation as applied to industrially developed economies, that is to countries who might be said to have experienced deindustrialisation as a consequence of the maturation of their industrial sector (Rowthorn and Wells 1987: 213). However, at the same time there has been a growing literature on the 'premature deindustrialisation' of developing and emerging

economies (Jalilian and Weiss 2000; Shafaeddin 2005; Dasgupta and Singh 2006; Rasiah 2011; Rodrik 2016; Tregenna 2015, 2016b). In contrast to popular understandings of deindustrialisation this process is not peculiar to OECD economies but has a more global reach and affects also sub-Saharan African, Latin American and Asian developing countries. Thus, future research into deindustrialisation should direct efforts at understanding this phenomenon at a more global level in order to also capture the politics of deindustrialisation in industrially less developed economies.

The value-form approach presented here does pave the way for such an understanding. Indeed, as it was noted the central contradiction of capital accumulation is to at the same time grow its productive capacities but also undermine the sources of its growth. That is the tendency to minimise as much as possible the necessary labour time for the production of goods thereby rendering (industrial) labour increasingly superfluous but at the same time posing labour time as the fundamental source of wealth (Marx 1993: 706) as it is the capacity of individual capital's to produce in accordance with the global levels of social productivity that guarantees their profitability. Thus, premature deindustrialisation in developing countries might be a manifestation of the global limitations of the manufacturing sector to act as an employment provider given its globally constantly rising productivity levels (Felipe, Mehta and Rhee 2014). Even in an industrially fast-growing economy like China the manufacturing sector has since 2012 been replaced by the tertiary sector as the main engine of employment creation while research indicates that the country might be nearing a stage of industrial employment stagnation despite growths in output (Ernst 2016; Hou, Gelb and Calabrese 2017).

On the other hand, deindustrialisation is not a onetime phenomenon onset in the 1970s. Historical investigations of the industrial trajectories of European and American regions in the 19<sup>th</sup> and early 20<sup>th</sup> century suggest that different territories have been subject to deindustrialisation at various

moments of their history (Hau and Nunez 1998; Daumalin and Mioche 2013; Daumalin 2013; Marty 2013; Koistinen 2014). Furthermore, France has gone several waves of deindustrialisation since the decade studied in this thesis. Indeed, it has been argued that after the end of the first wave in 1985, France has since the beginning of the 21<sup>st</sup> century entered a new era of deindustrialisation which in employment terms was as significant as the first one (Le Monde 2008; Virard and Artus 2011: Ch.1). Thus, the process of deindustrialisation is not delimited by the timeframe set by this thesis but has taken place both before and after it.

Future research should shed further light on how deindustrialisation continues to occur currently and study the forms that it might take into the future. The findings and claims of this thesis point out to 'deindustrialisation's deep and universal character as an essential element in the functioning of capitalism' (Johnson 2002: 29). Indeed, the inherent tendency of capitalist production to increase its output regardless of the absorptive limits of the market necessarily brings about the devaluation of the excess industrial capital that fails to be valorised in exchange as recently exemplified by the accelerated deindustrialisation of advanced economies following the 2008 financial crisis (Cozzi et al. 2016; Fontagné and Harrison 2017). Deindustrialisation is likely to constitute a recurrent phenomenon that accelerates or decelerates in accordance with the economic conjuncture, rather than a legacy of the past.

## **APPENDIX**

List of names and functions occupied by civil servants and other people mentioned in the thesis.

<b>Alain Boulbil</b>	Adviser on industrial affairs to the President's staff
<b>André Giraud</b>	Minister of Industry (3 april 1978 – 13 may 1981)
<b>Bernard Hanon</b>	President of Renault (1981 – 1985)
<b>Charles de Gaulle</b>	President of the French Republic (8 January 1959 – 28 April 1969)
<b>Claude Etchegaray</b>	CEO of Usinor (December 1978 – January 1982)
<b>Eric André</b>	Special Adivser to the Mol's Cabinet (July 1980 – May 1981)
<b>Étienne Davignon</b>	European Commissioner for Industrial affairs (1977 - 1984)
<b>François Dalle</b>	President of the Commission Nationale pour l'industrie (1984)
<b>François Mitterrand</b>	President of the French Republic (21 May 1981 – 17 May 1995)

<b>Georges Pompidou</b>	President of the French Republic (20 June 1969 – 2 April 1974)
<b>Henri Simonet</b>	Vice-president of the European Commission and European Commissioner for Energy (1973 – 1977)
<b>Jack Ralite</b>	Delegate minister of employment (24 March 1983 – 17 July 1984)
<b>Jacques Delors</b>	Minister of the Economy and Finances ( 22 May 1981 – 19 July 1984)
<b>Jacques Mayoux</b>	CEO of Sacilor (December 1978 – January 1982)
<b>Jean Cheval</b>	Special Adviser to the Commissariat général du Plan (1979-1988)
<b>Jean-Paul Parayre</b>	CEO of Peugeot SA (1977 – 1984)
<b>Jean-Pierre Chevènement</b>	Minister of Research and Industry ( 22 May 1981 – 23 March 1983)
<b>Laurent Fabius</b>	Delegated Minister of Budget (22 may 1981 - 23 march 1983)  Minister of Industry and Research (23 march 1983 - 17 july 1984)

<b>Louis Gallois</b>	General director of industry at the Mol (September 1982 – October 1986)
<b>Maurice Schumann</b>	Vice-president of the Senate (1977-1983), Senator of the Nord (1974-1998)
<b>Pierre Bérégovoy</b>	Minister of the Economy, Finances and the Budget (19 July 1984 – 20 March 1986)
<b>Pierre Gadonneix</b>	Direct of the Mol's directorate of the metallurgical, mechanical and electrical industries
<b>Pierre Joxe</b>	Minister of Industry (22 May 1981 – 22 June 1981)
<b>Pierre Massé</b>	General Commissioner of the Commissariat général du Plan (1959-1966)
<b>Pierre Mauroy</b>	Prime Minister (22 May 1981 – 17 July 1984)
<b>Raymond Barre</b>	Prime Minister (26 August 1976 – 22 May 1981)
<b>Raymond Lévy</b>	CEO of Usinor (1982 – 1984)
<b>René Monory</b>	Minister of the Economy (5 April 1978 – 13 May 1981)

**Tristan d'Albis**

Director of External Relations at  
Peugeot SA

**Valéry Giscard d'Estaing**

President of the French Republic  
(27 may 1974 - 21 may 1981)



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| AN 19830427/25     | Décisions du COMITE du CIRIT du 28.10.1966 au 31.12.1980  |
| <b>AN 19840416</b> | <b>Comité d'orientation pour le développement des industries stratégiques (CODIS) (1979-1983)</b> |
| AN 19840416/34     | Groupe 7: Textile   |
| <b>AN 19860204</b> | <b>Conseiller technique auprès du ministre de l'Industrie (1979-1986)</b>                         |
| AN 19860204/1      | Dossiers Rousseau   |
| <b>AN 19860476</b> | <b>Conseiller technique auprès du ministre de l'Industrie (1981-1986)</b>                         |
| AN 19860476/25     | Textiles et habillement   |

<b>AN 19860479</b>	<b>Conseiller technique auprès du ministre de l'Industrie (1983-1986)</b>
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AN 19870344/26	Automobiles, poids lourds
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AN 19870344/28	Automobiles, poids lourds
<b>AN 19890448</b>	<b>Directeur et services rattachés (1970-1986)</b>
AN 19890448/12	Situation generale et politique industrielle
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<b>AN 19900584</b>	<b>Sous-direction matériels de transports (1971-1981)</b>
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<b>AN 19910436</b>	<b>Direction générale des stratégies industrielles (1972-1989)</b>
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<b>AN 19910445</b>	<b>Direction générale des stratégies industrielles (1970-1987)</b>
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AN 19910445/10	Restructuration
AN 19910445/11	Restructuration

<b>AN 19910446</b>	<b>Direction générale des stratégies industrielles (1965-1989)</b>
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