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Comparative Capitalisms, Ideational Political Economy and French Post-*Dirigiste* Responses to the Global Financial Crisis[1]

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This article advances the case for the more systematic incorporation of ideational factors into comparative capitalisms analysis as a corrective to the rational choice proclivities of the *Varieties of Capitalism* approach. It demonstrates the pay-off of such an ideationally attuned approach through analysis of French capitalist restructuring over the last 25 years, placing it in comparative context. A modus operandi for such ideational explanation is elaborated through delineating different national conceptions of the market, and setting out their impacts on practices of market-making. The claim made in this article is that understanding the evolution of French capitalism requires recognition of the ongoing market-making role of the French State, in combination with the French conception of the market and its embedding within a social context characterised by the interpenetration of public and private elitist networks of France's 'financial network economy' which remains substantially intact. The ideational dimension is crucial because French understandings of the market and competition, the ideational building blocks of market-making, inform French state interventions and leave footprints on French institutions and market structures, and the evolutionary trajectory of French capitalism. In charting this trajectory, this article deploys the concept of post-*dirigisme*. We map out the parameters and causes of the post-*dirigiste* condition in France through examination of French bond market development, privatisation, the shift from a government- to a market- dominated financial system, and French capitalism's internationalisation. It then uses post-*dirigisme* to explain French state responses to the financial crisis and the banking bailout, noting how state actors, in concert with the banking elites, actively facilitated dominant market positions of French international champions.

Keywords: France, varieties of capitalism, ideational institutionalism, market-making; post-*dirigisme*, global financial crisis

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Introduction

This article argues for a more systematic incorporation of ideational factors into the analysis of comparative capitalisms. It sets out how this can be done, and what explanatory purchase it can afford, through an exploration of French capitalist restructuring in comparative perspective over the last 25 years. It culminates with an analysis of French responses to the financial crisis, advancing a post-*dirigiste* interpretation which emphasises distinctive ideational building blocks of market-making in France, and in the process foregrounds the enduring institutional legacy of the state's historically preponderant role within French capitalism.

The focus on ideational factors, notably nationally differentiated conceptions of the market, leads us to take issue with those accounts arguing from a *Varieties of Capitalism* (VoC) perspective (Hall and Soskice 2001) that, as privatisation and deregulation advanced, French capitalist exceptionalism was eroded. As freer markets became the norm, and hostile takeovers became a feature of the French capitalist landscape, this thesis argues, France increasingly conformed to Hall and Soskice's liberal market economy (LME) model, or the modalities of the British economy (Hall 2006: 21). The alternative 'post-*dirigiste*' interpretation advanced here (see also Levy 1999; Howell 2009; Massoc and Jabko forthcoming) recognises substantial liberalisation, but emphasises French capitalism's influential and enduring ideational and institutional legacies. Post-*dirigisme* registers two important departures from the standard VoC approach. Firstly, it offers an ideationally attuned alternative to VoC's rational choice proclivities. This article complements extant post-*dirigiste* interpretations by highlighting the key role of ideational legacies which provide the micro-foundations for our rejection of LME convergence thesis. Secondly, unlike VoC analysis (which is all but silent on the state), post-*dirigisme* insists upon the possibility of 'alternative types of capitalism distinguished by the extent and character of state intervention in the economy' (Jackson and Deeg 2008: 699, see also Schmidt 2002, 2003, 2009). Post-*dirigisme* foregrounds the state as actor in and enactor of markets, a crucial role not captured by VoC's parsimonious account.

Consistent with a body of ideational scholarship highlighting and exploring the causal and constitutive role of ideas in explaining political economic outcomes (Blyth 2002; Campbell 1998, 2004; Hay 2001, 2004a, 2004b, Hall 1989, 1993; Hay and Rosamond 2002; Schmidt 2002, 2008), our account focuses on Weberian notions of verstehen, and how economic actors understand their environment, arguing that these understandings shape how change is enacted. We align with Woll in seeing economic rationality, in France and elsewhere, as socially constructed (2008, 2010). As such, economic rationality is a variable, not an assumption (Weber 1978; Swedberg 1998: 36). Furthermore, markets are understood here as social and political constructs (Jabko 2006). Consistent with Weberian interpretive causality, wherein one can only explain social action through the understanding of the actor (Swedberg 1998: 23), the mindset of French economic elites across the public and private sector, and in particular their conception of the market and its operation, is identified as a crucial explanatory factor. The article then develops a way of operationalising this ideational approach to comparative capitalisms analysis by outlining different national traditions of economic thought and their impact on the ideational building blocks of market-making. This reveals contrasts between the emphasis on competition and a level playing field within both British 'free' market, and the German ordo-liberal 'social' market, and the French '*dirigiste*' market infused with more partiality, at ease with dominant positions for big French firms, their market dominance often aided and abetted by state intervention. Each of these different conceptions of the market informs distinctive practices of market-making, and kinds of market operations. The enduring influence of this French conception of the market underscores the ideational legacies of *dirigisme* which are key to our argument. Crucially, these ideational particularities of the French *dirigiste* market are embedded in a social order of elitist oligarchic networks, spanning the public and private sectors. The reproduction of these influential ideational forms can in turn be explained by processes of socialisation of close-knit French elites, notably within *grandes écoles*. These are produced by and steeped in French *dirigiste* state traditions. They shape the way French elites understand the economy and the place and role of the state within it, and the nature of markets. The pre-supposition in favour of directive state intervention to shape the market and secure nationally desirable outcomes is integral to the world view French elites are inculcated into within these *grandes écoles*. These understandings, shared by influential elites, direct and shape change along a distinctive trajectory. This explains why processes of French liberalisation operate according to significantly different dynamics from, say, the UK case.

The claim made in this article is that we can only understand the evolution of French capitalism since the 1980s if we recognise the ongoing market-making role of the French State, in combination with the French conception of the market and it's embedding within France's distinctive social context. This is characterised by the inter-penetration of public and private elitist networks within France's 'financial network economy' (Morin 2000) which, despite claims to the contrary (Hardie and Howarth 2009), remains substantially intact. Immediately below we set out the post-*dirigiste* condition in France, which denotes a significant qualitative shift away from the institutional allocation of credit practices of the *dirigiste* post-war era (Shonfield 1969; Zysman 1983: 112–32), where the state's directing capacity flowed from its operation as gate-keeper for access to strategic investment capital. In the wake of the re-constitution, internationalisation, liberalisation and growth of French capital and especially bond markets in the 1980s, the scope, scale and degree of possible intervention is circumscribed. We elaborate in detail the emergence of the post-*dirigiste* condition in France through examination of the privatisation process and the restructuring of French capitalism in the 1980s and 1990s. Thereafter, we explore the explanatory purchase of post-*dirigisme* upon state responses to the 2008–9 financial crisis. The specific modalities of French intervention within the banking sector illustrate how French conceptions of the free market depart significantly from standard liberal understandings. These distinctive traits leave footprints on the processes of market-making the French post-*dirigiste* state engages in, affecting French institutions and market structures and the evolutionary trajectory of French capitalism.

French political economy and the condition of post-*dirigisme*

The classic French *dirigiste* model had, at its core, the institutional allocation of credit by the French state and various para-public financial institutions. This enabled French authorities to steer the tiller, channelling capital and economic resources along a chosen national path of economic development (Zysman 1983: 18).[2] The twenty-first century French state retains an ambition to exert purchase over how French capitalism evolves, yet a range of dramatic domestic and international institutional and structural changes, detailed in this section, have substantially reduced its leverage. This is the essence of the condition of post-*dirigisme*.

Although the term has been evoked before (Cole 2008; Levy 1999; Howell 2009; Massoc and Jabko 2010) here its parameters and conditions of possibility receive more detailed elaboration than hitherto. The concept has been developed to analyse France, but it may also have some relevance to other countries with statist traditions of political economy, such as Italy or Japan.

In France, the upheavals of the 1983 U-turn from *dirigisme* towards liberalisation, deregulation and privatisation (Hall 1986; Schmidt 1996), and from Keynesianism to the neo-liberal competitive disinflation macro-economic strategy (Lordon 1997), heralded a protracted period of French capitalist restructuring. In the late 1980s a protective cocoon was erected to shield this process from the worst ravages of international market competition. However, in the mid-1990s, this unravelled amidst four key transformations within French capitalism which resulted from the profound changes begun in 1983. These came to constitute the condition of post-*dirigisme*.

Firstly, ongoing large-scale privatisations changed the state's size and its relation to the private sector (albeit in counter-intuitive ways detailed below). Secondly, the internationalisation of French capitalism proceeded apace via a mergers and acquisitions bonanza, foreign subsidiary acquisition and international joint-ventures. Some large French firms evolved into highly internationalised multinationals. This contrasted starkly with earlier French state antipathy, indeed outright hostility, towards foreign ownership of or participation in French firms (Michalet, 1997: 319–20). Thirdly, French corporations' overseas acquisitions fed rising foreign equity ownership, especially by UK and US institutional investors, of French companies (O'Sullivan 2007: 426). The increased reliance on equity finance by French firms, and the degree to which this equity is in foreign hands, have become distinctive features of French capitalism. Fourthly, the commercial paper markets and corporate bond markets were reinvigorated and profoundly reformed in the 1980s by a French state creating a more market-funded economy and a non-inflationary national financial system (Lordon 1997: 92–3). Initially dominated by public and state activity, French bond markets by the early 2000s hosted extensive private activity by larger French firms. As a result, first the state, and then the banks ceased to play their formerly central roles in financing French corporate capitalism.

These four shifts constitute the condition of post-*dirigisme* in France, which marks out a very different landscape from the post-war French capitalism mapped so expertly by Shonfield (1969). 'Post-*dirigisme*' seeks to capture these qualitative shifts in the nature of state/market relations in France, but also to delineate the logic of state activism in their wake. Firstly, post-*dirigiste* activism is rooted in a distinctive conception of the market (detailed below). Secondly, that this is embedded in a social context of elitist, oligarchic networks, the 'financial network economy', which interlink the public and private spheres and around which French capitalism coheres. Thirdly, whilst the French state exhibits a reduced displacement of activity within the French economy, and the scope for and degree of state influence over private economic activity has also lessened, it nevertheless seeks the promotion of French international champions where possible. Finally, and in recognition of the constrained conditions of its operation, the condition of post-*dirigisme* entails the quest for new forms of intervention – formal and informal – seeking to exert influence by new means and old.

Hence the 'post-' in post-*dirigisme* denotes a recognition of significant qualitative differences from French state intervention of the post-war era. The liberalisation, internationalisation and reregulation of French capitalism, enacted by that self-same French state, has let the genie out of the bottle to an important degree. Yet paradoxically, post-*dirigisme* also underlines the powerful historical and ideational legacies of *dirigisme*, and the enduring weight of expectation – on the part of the French populace and state elites themselves – of expansive French state interventionism. French state capacities are somewhat reduced by its changed context, and it no longer enjoys its former influence. This means its reach exceeds its grasp, but nevertheless the state retains an ongoing ambition to shape French capitalism.

Varieties of capitalism, ideational analysis, and change within French capitalism

The incorporation of ideational political economy analysis into comparative capitalisms scholarship is important because the VoC approach which, a decade on, still dominates the subfield, operates with a rather economistic account of rationality. Identifying some of VoC's problematic hallmarks, Hay notes the danger within VoC analysis of adopting 'a rather agentless and apolitical conception of institutional adaptation' (2005: 107), rooted in micro-foundations and reasoning of rational choice (2005: 108). This 'calculus' approach sees 'behaviour as a function of institutional context' and actors as 'bearers of institutional logics' (2005: 109). VoC applies these rationalist precepts at firm level, the supposed unit of analysis within VoC. Yet, as Crouch notes, the organisation of the firm goes largely un-analysed in VoC (2005: 32–3). As a result, Hay contends, VoC treats 'firms as rational and utility-maximising actors', such that 'the firm in question is in essence agentless' (2005: 111). In contrast, our account gets inside French firms through a more fine-grained exploration of corporate governance practices and their evolution.

The rational choice micro-foundations, and the rather restrictive account of institutional change they give rise to, are 'occupational hazards' of comparative capitalisms analysis (Hay 2005: 108–112; Jackson and Deeg 2008: 688–94). The VoC originators resist the rational choice characterisation, claiming to reject 'a rigid grid of sanctions and incentives in favour of a conception that understands them as a more malleable set of rules and informal understandings underpinning modes of coordination' (Hall and Soskice 2003: 246; 2001: 5, 9–12). Nevertheless, Jackson and Deeg note that, whereas VoC tends to 'emphasise rational, strategic behaviour within a set of fixed institutions' (2008: 688, see also Hay 2005: 111–112), there is considerable explanatory mileage in opting for 'a more contingent view of institutions' (2008: 694). In this vein, our account sees both firms and the actors who run them in the round in more socially embedded terms. Our approach takes inspiration from Weber's attempt 'to integrate the idea of interest-driven behaviour with the idea of social behaviour in one and the same analysis' (Swedberg 1998: 3). It also has some overlap with O'Sullivan's idea of 'acting out change', which focuses on 'the users of the financial system' who 'play a crucial role in enacting the rules' (O'Sullivan 2007: 394). However, drawing on Weberian notions of verstehen, our account affords more attention to the ideational conditions in which French corporate and state actors respond to changing economic conditions.

The assumptive foundations of our account prioritising the ideational building blocks of market-making involve two important departures from VoC. Firstly, actors are not bearers of institutions following pre-programmed scripts, but autonomous reflective actors able to reinterpret and recreate their environment (Campbell 1998). As Streeck and Thelen note: 'The enactment of a social rule is never perfect', because 'the meaning of a rule is never self-evident and always subject to and in need of interpretation' (Streeck and Thelen 2005: 14). This more nuanced conception of individual actors admits a good deal more 'play' between institutions and behaviour (Streeck and Thelen 2005: 11). Actors, as Schmidt's discursive institutionalist approach contends, are 'thinking actors', and their 'ideas, discourse, and actions ordinarily make sense (and can be made sense of) within a given meaning context' (2009: 532–3; Weber 1978; Swedberg 1998: 23).

This brings us to the second departure. Drawing on Polanyi and economic sociology, ours is a social embedded account of actors wherein 'economic action takes place within social contexts and is mediated by institutional settings', and 'socially embedded institutions produce a nationally specific logic of action' (Jackson and Deeg 2008: 683). Diverse national traditions of economic thought leave their footprints on the 'ideas, concepts and embedded forms of knowledge that have characterised understandings of national economies' (Rosamond 2002: 162, see also Campbell 1998: 378–82; 2004: 69–72, 81–9; Hall 1989). Sorge calls these ideational structures 'metatraditions' which shape but do not determine capitalist evolution. These entail not 'long-standing homogeneity or stability' but 'a more abstract continuity over time and a rhythm of institutional decoupling and recombination. In this respect it is dialectical'. In Sorge's account of Germany, he argues that 'this metatradition has strongly imprinted itself upon German economic, social and political institutions and culture. It explains the configuration that Germany's business systems and related institutions have evolved' (2006: 3).

Campbell has developed two concepts to help specify the role of ideas in analysing institutional change within contemporary capitalism – translation and bricolage. Translation involves 'the combination of locally available principles and practices with new ones originating elsewhere', whereas bricolage is a process 'whereby actors recombine locally available institutional principles and practices in ways that yield ... path dependent evolutionary change' (Campbell 2004: 65). The key point is that institutional change within capitalism 'has happened in ways that are heavily path dependent; it has happened in ways that involve much translation and bricolage; and it has happened in ways that illustrate how ideas as well as formal institutions facilitate and, more importantly ... constrain change' (2004: 28–29). Campbell further notes how processes of bricolage are 'framed with combinations of existing cultural symbols that are consistent with the dominant normative and cultural institutions' (2004: 70).

The story here is *not* just one of institutional path dependency, because – as detailed in this article – many of the key institutions of French capitalism have been or are being profoundly changed. However, within those processes of change, new practices have been developed and old institutional forms have been (re-) deployed to deliver certain outcomes. To explain these outcomes, we need recourse not just to material and institutional factors, but also to ideational ones. The reason for the development of new practices and the redeployment of old institutional forms comes down to how markets and competition are understood, notions of appropriate state/economy relations reproduced in and through the *grandes écoles*, and how these are enacted by French economic elites in the distinctive context of French state/economy relations.

Whether framed in terms of embeddedness, metatraditions, or bricolage, the central point is the same – that understandings of economic phenomena reflect agents' 'background ideational abilities', and are consistent with 'the ideational rules or "rationality" of that setting' (Schmidt 2008: 314; Weber 1978; Swedberg 1998: 36). Campbell refers to 'cognitive background assumptions' which, he argues, 'constrain decision making and institutional change by limiting the range of alternatives that decision-making elites are likely to perceive' (Campbell 2004: 94; 1998: 384–92). Thus in order to understand how ideas '"make sense" within a particular ideational setting' (Schmidt 2008: 313), it is necessary to 'consider the social and historical embeddedness of individual actors' (Woll 2008: 10). Economic rationality is a socially constructed and a 'socially embedded' phenomenon, not purely materially determined, but rather shaped by the interplay of material and ideational factors (Woll 2008; see also Hay 2004a: 246; Jackson and Deeg 2008). For example, how firms 'make sense of their economic interests' depends on 'the historical and structural embeddedness of the relations they maintain with governments and competitors' (Woll 2008: 8). In this way, ideationally attuned analysis avoids what Schmidt terms the 'inevitability' of rational choice and the 'inexorability' of historical institutionalist analysis (2009: 540; see also Campbell 2004: 71).

In this article we focus on the ideational aspects of French understandings and enactment of markets because these play an important role which has not yet been sufficiently focused upon within comparative capitalisms analysis. Jabko discerns 'many different meanings of the market and, hence, many different ways to integrate a market' (2006: 32) in his analysis of the European single market. This highlights well the differentiated social constructions of 'the market', and their implications. He sets out how the idea of 'building a market' can be reconciled to different political economic visions, including 'a free market economy' and 'a socially oriented market economy' (2006: 26–7). Equally, the idea of the market can be shaped in different national contexts by understandings of state capacities and traditions of political economic interventionism (Schmidt 2009). The market, then, is 'not a neutral norm but a political and social construct' (Jabko 2006: 33, 34). Each conception of the market should be interpreted in its 'given meaning context' (Schmidt 2008: 314), shaped by state traditions and decades of lived economic practice (Woll 2008: 4; Massoc and Jabko forthcoming). Understood in this way we are forced to admit 'a broader conception of market rationality' (Jabko 2006: 40).

To give a concrete example of the impact of these mediating ideational processes, the liberal convergence thesis within VoC assumes that because some institutions created within French capitalism are similar to those in LMEs like the UK (increased stock market financing for firms, more dispersed ownership of firms), the consequences in France will be similar to the UK (increased probability of and instances of hostile takeover) (Hall 2006: 21). However, such an argument makes a number of problematic leaps. As detailed below, rooted in a different conception of the market, there are a range of social, institutional and ideational features of French capitalism which effectively prevent hostile takeover in the banking and finance sectors (as well as certain other sectors). Mechanisms are sought and found to hinder the market for corporate control and prevent the market incentives gaining the purchase they enjoy in the UK. The operation of markets and market disciplines in these sectors thus departs from free market LME norms, such as the exclusive prioritising of shareholder value. This undermines the case for seeing France as example of liberal capitalist convergence.

These different constructions of 'the market' are important social and ideational phenomena, intervening 'between' actors and material and institutional drivers. Thinking about economic ideas about the market in this way is of wider significance, restoring contingency and agency to explanations in political economy which have recourse to economic imperatives. This reinforces the critique of convergence, because – both at the institutional and the ideational levels – social embeddedness explains how 'common pressures may be refracted through different sets of institutions, leading to different sorts of problems and calling forth distinct solutions' (Jackson and Deeg 2008: 683; see also Hay 2004, Abdelal, Blyth and Parsons 2010: 2). Comparative capitalisms analysis needs to recognise a range of understandings of the market, rooted in societal norms surrounding the market and economic activity. These ideational dimensions (and the more nuanced conception of micro-foundations they generate) can inform a more compelling explanation of the evolution of capitalism.

Conceptions of the market and national traditions of economic thought

In different societies, distinctive conceptions of economic notions such as the market, the company, and economic competition, grew up over time, shaped by national institutional and social configurations. We can identify three distinct intellectual traditions of economic interventionism, which one might call neo-liberal, *dirigiste*, and ordo-liberal in United Kingdom, France and Germany respectively. Economic laws reveal the footprints of these different ideational building blocks, and in turn shape the kinds of markets that states and other authorities make. Here we use the stark differences between corporate governance, company law, and indeed the company, in Britain, France and Germany to illustrate this point. In Britain, the liberal tradition was extremely influential on both sides of industry, leading to a *laissez faire* approach to the company. The Manchester School of liberal economic thought, drawing on and distorting Locke, arrived at a contractualist logic, and an absolutist conception of corporate property rights. In this private conception of the company, no *quid pro quo* or social obligation could be expected in return for the enormous privileges of licence to operate, and limited liability (Hunt 1936: 135, Gamble and Kelly 2000: 33–4). This is corporate governance in the 'free' market.

In Germany, by contrast, limited companies were understood as public bodies which could be called upon to fulfil functions other than profit-making. A constitutional approach to economic lawmaking used public authority to delineate the rights and obligations of private actors within firms, inscribing a conception of 'industrial citizenship' within German firms, and German market-making (Jackson 2001). This is an important part of the 'social market economy', finding institutional expression in, for example, two-tier board arrangements, with a managing and a supervisory board drawn from all sides of the company, and extensive worker representation and consultation. The competitive context in which these firms operate is profoundly shaped in Germany by the ordo-liberal tradition of economic thought. Traceable back to Walter Eucken, this variegated tradition, which 'originated in the agony of the Weimar Republic' has been summarised as 'a strong state committed to the restoration of a competitive economic order' (Lehmbruch 2001: 80). Ordo-liberalism places emphasis on rule-bound economic policy-making and '"market-conforming interventionism," in particular to guarantee competition as a condition for economic efficiency' (Lehmbruch 2001: 81). This, then, is corporate governance in the 'social market', which can be summarised as 'a pragmatic and eclectic combination of ordo-liberal concepts with social policy postulates of the Social Catholic tradition' (Lehmbruch 2001: 84).

French corporate governance also understands companies as public bodies which could be called upon to fulfil functions other than profit-making. However, the German emphasis on rule-bound firms policed by a regulatory order to ensure their 'conformity with the market' is at odds with a French approach to corporate governance where bosses have enormous autonomy in shaping firm behaviour. French company law prioritises not conformity with the market but instead notions of social interest of the firm, *l'intérêt social*, reflecting a 'common general interest' of the company as a community, emphasising service provision to the community over the market, or competition (see Clift 2007). Deep-seated French hostility to liberalism as a political movement and intellectual tradition, viewing British and American liberalism as an 'anti-model' (Hayward 2007: 343–70) helps explain the non-liberal character of French corporate governance. This is corporate governance in the *dirigiste* market. A recent reflection of this conception of the market was Sarkozy's symbolic success, in the negotiations on the Lisbon Treaty, in securing the removal of the headline goal of Free Competition from the Treaty's preamble. Thus in each of these three examples, the market-making legal fabric of company law reflects different traditions of economic thought. Built on these different legal and ideational foundations, the company and indeed the market, have come to be understood in different ways, and to mean different things.

The prevalence of the *dirigiste* conception of the market in France means that List's key insight that political intervention shaping of market outcomes is inextricably part of capitalism, even liberal capitalism, is particularly keenly appreciated. For List, 'free trade' is not really free: 'As long as some nations will persist in regarding their special interests as of greater value to them than the collective interests of humanity, it must be folly to speak of unrestricted competition between individuals of different nations' (List, [1841] 1974: 261). French interventions, and the distinctive understanding of markets underpinning them, recognise that there are no level playing fields. There are consequently fewer scruples surrounding infusing market-making with partiality, structuring market institutions and processes on terms favourable to French players within international markets. Significantly, within the evolution of French neo-liberal thought and practice, many of the key practitioners were French corporate elites, the *Patronat*, alongside academics and policy-makers such as Jacques Rueff. This explains the particular twist of partiality infused within French neo-liberal thinking, more comfortable with industrial concentration, and helping French big business help itself (Denord 2007: 5). The contrast with British neo-liberal and German ordo-liberal understandings of markets, each of which sees competition as crucial to market efficiency, is clear. The need to police the market to ensure non-discrimination and a competitive environment is an important element of both ordo-liberalism and neo-liberalism. These are much less pressing concerns within the French *dirigiste* market.

The successful incorporation of ideational factors into comparative capitalisms analysis requires not just an appreciation of differentiated conceptions of the market, but also an appreciation of their embedding in different social contexts. Three important elements within the historical evolution of French society and economy are crucial to a full grasp of the 'background ideational conditions' (Schmidt 2008), shaping understandings of the market amongst corporate and state actors. Firstly, the French State's regulatory tentacles have long reached far into the internal workings of French capitalism, reflecting the legacy of *dirigisme* and 'Colbertist' state interventionism (Kuisel 1981; Dobbin 1994). The post-war French state, with its extensive holdings in large firms, and its wider informal links to elites throughout France's 'financial network economy' (Morin 2000), piloted economic development (Levy 1999: 18; Schmidt 1996; Zysman 1983). This provides a crucial legacy which is both institutional *and* ideational. Through such links, by a variety of cajolery and moral suasion, state actors induced particular large French corporations, to behave as 'national champions'. Over decades, these economic practices generated the anticipation of intervention (Shonfield 1965: 128–30). Whilst the mechanisms of intervention have been to some extent dismantled since the 1980s, the expectation of intervention endures (Levy 1999: 235). There is anticipation that the political economy of the *dirigiste* market will still prevail, despite the fact that condition of post-*dirigisme* makes the full realisation of this *dirigiste* conception of the market considerably less straightforward.

Secondly, French society is characterised by an elitism institutionalised and sustained by the French state through the *grandes écoles*. These socialise elites into a particular understanding of the appropriate role of the French state in the economy, and reproduce the distinctive French conception of the market infused with partiality. They also provide the educational launch pad for high-level careers in French politics, administration, or business (see e.g. Bourdieu 1989; Suleimann 1978; Bauer and Bertin-Mourot 1995, 1997; Zysman 1983; 115, 131). This societal elitism is compounded within French capitalism by oligarchic and 'Napoleonic' corporate governance norms that offer the *président directeur général* (PDG) almost complete freedom to act within the firm (Clift 2007; O'Sullivan 2007). The oligarchic, elitist character of French business throughout the 20th Century endures today (Offerlé 2009; Dudouet and Grémont 2007, 2010). Thirdly, there is a deep inter-penetration of public and private elites (Bourdieu 1989: 428–481; Suleimann 1978: 230–236; E Cohen 1996; Massoc and Jabko forthcoming) within French capitalism. Similar to debates about interpretation of the East Asian or Latin American developmental states, the French *dirigiste* state has entailed the 'private agency of public purpose', where it is 'hard to delineate a meaningful line between the public and the private' (Woo-Cumings 1999: 17; Evans 1995). These social, historical and institutional influences shape French understandings of 'competitive markets' informing the behaviour of state and corporate actors. Whilst ideas of freer competition and operating with the grain of the market are more prevalent in France today, these terms mean different things. French market-making interventionism accordingly contrasts with German ordo-liberal approaches, as well as British neo-liberal approaches.

French market-making: privatisation as post-*dirigisme*

Market-making is often casually associated with neo-liberalism and ordo-liberalism, and assumed to equate to policing competition through anti-trust measures. However, market-making is not one-dimensional, but a differentiated and varied set of processes and activities, going well beyond regulating competition. All 'free' markets are deeply politically conditioned by pervasive, almost ubiquitous market-making regulation over wages, pollution, product and process standards and so on (Polanyi 2001; Vogel 1995), to the extent that 'virtually no price ... is free from politics' (Chang 1999: 197). All national states engage in this market-making interventionism, but any act of market-making involves an understanding of what the market should look like. Here we may usefully contrast our distinction between the British 'free' market, the German 'social' market, and the French '*dirigiste*' market. Informed by these understandings, market-making will suggest particular approaches to, amongst other things, constituting what firms are, and what rights the various actors within firms are entitled to, and the rules by which the market is policed. Thus the kinds of markets states make differ, due largely to different political economic traditions and historical and institutional legacies. Particular configurations and sets of initial conditions generate qualitatively different *kinds* of market-making. In this way, the distinctive

French notions of 'the market' informing the French state's enacting and making of markets leave a lasting imprint.

In the French political economy, there is a particularly significant role for the state, both as a market-making authority and as an actor within the economy. The effects of market-making interventions shape the kinds of markets, and the kinds of structures of competition, which emerge. For example, within the French banking sector, historic tax breaks (tax free savings accounts which only certain institutions can offer) have favoured mutuals, offering substantial domestic 'protection' of the French banking industry (EIU 2010: 11–12). As the big banks and mutuals bought up the smaller mutual players, they reaped the rewards of these protected markets. This orchestrating of the French savings environment helps explain the very high degree of concentration which has hindered foreign penetration of French retail banking. Whilst banking is a sector prone to concentration, this is particularly pronounced in the French case. Between them, BNP-Paribas, Société Générale, Credit Agricole, Credit Mutual and BPCE constitute 90 per cent of the French banking market (Hardie and Howarth 2009). Although some of the tax advantages for mutuals were extended more widely in 2009, the concentration is very well entrenched. These market-making acts operate in concert with historical conditions to leave large French banks and mutuals in a very advantageous market position vis-à-vis foreign banks.

The shift from a government- to a market- dominated system provides a good illustration of what French market-making means and looks like. The successful liberalisation, 'deregulation' and subsequent growth of French financial market activity were, in multiple ways, acts of political construction (O'Sullivan 2007). Firstly, in the 1980s, French governments legislated, regulated and intervened to construct and de-compartmentalise the various new bond and commercial paper markets (Cerny 1989: 175–87; Levy 1999). Secondly, the French state was both an actor within as well as an enactor of French capital markets (Lordon 1997). The French 'big bang' began with public bond issues and public debt market reform in 1984. Subsequently, the 1987 Banking Reform created a new system for issuing and trading French government debt. The state, through privatisation stock issues, and through bond issues, then grew French capital markets. In the 1990s, growing public sector deficits increased government bond issues, thus French financial market growth was 'largely a response to changing government demands for finance'(O'Sullivan 2007: 418). Only in the early 2000s did the state's share of bond issues decline as large French private companies participated increasingly in the country's debt markets (O'Sullivan 2007: 415–6).

Also crucial to the shift from government- to market- dominated system in France was the privatisation process of the 1980s and 1990s, which illustrates what constitutes liberalisation *à la française*. It equally demonstrates pervasive state influence, both during and after privatisation. French privatisation betrayed no ideological desire to usher in free market forces and roll back the state as in the UK. Rather, the logic underpinning privatisation was raising state revenue to *continue* the expansive economic and social policy interventions of the extended French state (O'Sullivan 2007: 408; Schmidt 1996). Furthermore, privatisation involved extensive directive state intervention as finance minister

Balladur hand-picked the buyers, forming in the process *noyaux durs* (protective groups of hard-core stable investors). He also kept the privatised firms at this stage primarily in French hands (Schmidt 1996: 133, 158–9; Levy 1999: 66, 262–3). The beneficiaries of privatisation were carefully selected to reconfigure elite networks, French capitalism's social cement. Counter-intuitively, French privatisation also reinforced the interlinking of public and private elites through these networks. Sociological studies demonstrate that the privatisation process entailed a substantial increase in the number of *grands patrons* coming from the state into very senior positions in private companies (Bauer and Bertin-Mourot, 1995, 1997; Dudouet and Grémont 2007: 10, 2010; Schmidt 1996: 286–308). This is a concrete manifestation of the interlinking of the public and private sphere within co-ordinating networks which are integral to the logic of post-*dirigisme*.

The *noyaux durs*, orchestrated by the state, briefly structured the social linkages around which French capitalism and large French firms cohered, and provided a protective cocoon within which French capitalism could adjust to increased exposure to market competition. This configuration changed amidst frenzied international acquisition and merger activity by big French firms between 1995 and 2000 (UNCTAD 2003; Commissariat du Plan 2004: 27–33). There was recognition that cross shareholdings locked up valuable capital, and most non-core business linkages were relinquished (Goyer 2003: 185–7, 191–4; Levy 1999: 271–73). AXA was at the heart of the *noyaux durs* of the late 1980s and early 1990s, and Culpepper sees AXA's relinquishing of many cross shareholdings as a decisive break-up of the *noyaux durs*, which he terms 'a dead letter' by 2000, heralding a rupture within French capitalism (2005: 190–6).

However, more than a decade later, whilst the *noyaux durs* of the 'protected capitalism' period are less prevalent, they have not disappeared. Most French listed companies retained concentrated ownership structures, where insiders retained substantial stakes in the late 1990s and 2000s (EC 2007; O'Sullivan 2007; Sraer and Thesmar 2007; Loriaux 2003: 116). The post-privatisation *noyaux durs*, sustained through cross-shareholdings, became scarcer. What emerged thereafter, however, was a new set of reconfigured linkages. New networks emerged and constituted, by 1999, a new social core at the heart of French capitalism (Dudouet and Grémont 2007: 8; 2010). Culpepper evokes AXA's slight drop in holdings of BNP as evidence of his decisive rupture thesis (2005: 195), and identifies Claude Bébéar (AXA's PDG) as a key actor challenging the French protected capitalism habits. Yet, as O'Sullivan notes, the changing holdings of AXA were not about antipathy to long-term shareholding (2007: 421–2). By 2002, there were three main networks, organised around Société Générale, Crédit Lyonnais, and BNP-AXA. Thirty directors of these banks enjoyed between them 160 seats on the boards of major French firms (Orange 2002). BNP-Paribas and AXA, at the centre of the largest network, were linked by a 1999 minimum shareholdings agreement, and by interlocking board memberships (EIU 2010; Dudouet and Grémont 2007: 8, 14, 2010: 99, 110, 136). Dudouet and Grémont see BNP's 1999 unsuccessful hostile takeover of Société Générale, and successful hostile takeover of Paribas, as the moment when the 'axis' of AXA-BNP-Paribas cohered, ending a period of flux within French capitalism. This axis was also sustained by opaque links to holding companies in Belgium and Switzerland, notably Pargesa. Established in response to the 1981 nationalisations, these links to corporate empires of Albert Frere and Paul Desmarais and through them to numerous large European firms are still in place (Dudouet and Grémont 2010: 89, 99–100).

From the late 1990s, outside areas of core business overlap (where cross-shareholding endured), these reconfigured networks were sustained primarily through interlocking board memberships. Board interlocks conferred many benefits of *noyaux durs*, but without locking up valuable capital. Board interlocks, as Davis notes are 'mundane but consequential', acting as 'a conduit for social influences that create an informational and normative context'. As such, they constitute 'indicators of the social embeddedness of corporate governance' (1996: 154). This is important for the argument in this article, which highlights the interaction of a distinctive conception of the market with a particular social order in which it is embedded. The interlocking board memberships offer compelling evidence of the ongoing reality of the elitist oligarchic networks, which continue to impart coherence to French capitalism, as well as illustrating a means through which the co-ordination of French capitalism can be enacted.

A cursory look at board memberships and senior elite linkages within French banking (see Massoc and Jabko forthcoming; OPESC 2010; Dudouet and Grémont 2007, 2010: 132–3) demonstrates that France's financial network economy is alive and well. It has been reconfigured 'on the cheap' through reconstituted *noyaux durs*, here termed *noyaux souples* (not hard but soft cores of stable links). Dudouet and Grémont's analysis of the interlocking directorates enduring at the summit of French capitalism indicates that close AXA-BNP-Paribas links are part of a wider pattern of dense social networks.[3] Indeed, the depictions of the corporate networks of interlocking board memberships amongst the CAC 40 companies show remarkable stability throughout the 2000s (Dudouet and Grémont 2007, 2010). The protective networks evolved, but did not disappear. AXA retains its very close links with BNP-Paribas, the largest French bank (EC 2007; EIU 2010: 9–10)

The board interlocks which are manifestations of the density and structure of French capitalism's social networks have real material impacts. They affect, amongst other things, the prevalence and likelihood of hostile takeovers (Davis 1996: 154–5, 1991). Indeed, some explain the occurrence and non-occurrence of French hostile takeovers in terms of our *noyaux souples*. Arcelor in February 2006 was weakly networked, with only two board members from other big French firms among the CAC40 compared to BNP's 21. Hence it was vulnerable, lacking *noyaux souples* protection (Dudouet and Grémont 2010: 130–1). Board interlocks can also affect the ability of institutional investors, such as hedge funds, to mobilise shareholder activism within firms. The relatively short time horizons of hedge funds (6 months – 3 years) means interlocked boards can provide effective resistance for firm actors opposed to changes in corporate strategy, as in the case of the French IT firm Atos Origin, targeted by hedge funds Centaurus and Pardus between 2006 and 2008 (Bessiere *et al.* 2009). These empirical demonstrations illustrate how French economic actors are operating within social networks that shape the way market activity is enacted and conducted.

Interlocking boards are one institutional expression of the *noyaux souples* as the social cement of the 'financial network economy'. Board interlocks and the social milieu they sustain are integral to a regime which spans the public and the private and which prevents French banks and financial firms falling into foreign hands. We may contrast this with the 'wimbledonisation' of the City in the UK which has seen overseas firms, notably large US investment banks, come to reorganise and dominate the UK financial services industry (Gieve 2007; Morgan 2011). Moreover, board interlock influence on firm strategy, and on the market for corporate control, should be seen as part of a wider nexus of practices, institutions and structures within French capitalism.

Exploiting the particularities of French corporate governance, *noyaux dur*-style protection could be reproduced within the *noyaux souples* by means other than cross shareholding, such as multiple voting rights; 'large shareholders have protected their voting power even as the percentage of shares they held declined' (O'Sullivan 2007: 429; Goyer 2003). O'Sullivan cites the example of Valéo and its main shareholder Wendel Investissement, which 'maintained its voting rights at 15.96 per cent in 2002 compared with 18.65 per cent in 1997, a decline of only 14 per cent compared with a much sharper drop of 53 per cent in the percentage of shares it held' (2007: 429). By such means, French corporate actors have used reconstituted *noyaux souples* to perpetuate insider protection through new mechanisms such as differential voting rights, and shareholder pacts and poison pills (Clift 2009) without locking up capital. Other linkages, such as family ownership (Philippon 2007), provide additional co-ordinating, protective coherence within French capitalism. Family ownership sits apart from *noyaux souples*, but adds to the overall character of French capitalism as enduringly 'extremely concentrated' and 'particularly organised' (Dudouet and Grémont 2010: 149–150). In combination, all these factors impact on market operations to make hostile takeovers extremely difficult to mount in certain sectors, notably banking.

Furthermore, should all these insider protection mechanisms fall short, the French political and business elite has often 'closed ranks' with politicians and corporate big players intervening to protect companies from outsiders. For example, when AXA boss Bébéar orchestrated the recapitalisation of Vivendi to avoid takeover, or when Prime Minister Raffarin and then Finance minister Sarkozy intervened to ward off Novartis and facilitate a merger between Aventis and Sanofi (O'Sullivan 2007: 429–30). This indicates another post-*dirigiste* particularity, further underscoring why French markets do not resemble British markets; the activist, interventionist role of the state (Schmidt 2002, 2003, 2009), and the anticipation that the French state will intervene in this way, formally or exploiting informal networks, when its corporate patrimony is threatened. Such readiness to ward off 'corporate raiders' indicates how board interlocks act not alone, but in concert, as part of a set of cumulative impediments to hostile takeovers and a freely functioning market for corporate control. Collectively, the *noyaux souples* and other corporate governance practices and mechanisms sustain a conception of the market amongst the elite of France's financial network economy wherein significant protection and advantage is expected for key French players. Significantly, since 2000, when HSBC bought CCF, no large French bank has been bought by foreign owners.

This indicates the kinds of market which underpin the logic of post-*dirigisme*. O'Sullivan notes that 'we cannot conclude from [the modest number of French hostile takeover battles] that French corporations are systematically vulnerable to the pressures of financial markets as a result of their financial and/or ownership characteristics . . . there is little evidence of a general increase in their financial fragility' (2007: 428). All this, to return to the article's central argument, is indicative of the kinds of markets the French make. This is important in the capitalist convergence debate since increased hostile takeover threat is a crucial LME convergence yardstick. The condition of post-*dirigisme* gives rise to a variant of large scale corporate capitalism where, in certain sectors such as banking, markets are highly consolidated, impervious to foreign penetration, and dominated by a small number of large French players. Today's *noyaux souples* coordinating networks are a good example of post-*dirigisme* in action, remaining orchestrated by state actors (Dudouet and Grémont 2007: 14) who *still* attempt to coordinate French capitalism, as the bank bailouts demonstrate further.

The global financial crisis and the French bank bailout: post-*dirigisme* in action

In this final section we consider the global financial crisis and the French bank bailouts of 2008–9. These were extra-ordinary times, and we select this focus not because it highlights 'business as usual' for French post-*dirigisme* – but because an account of contemporary French capitalist restructuring cannot reasonably ignore these tumultuous events. It also provides an additional opportunity to demonstrate the explanatory purchase of post-*dirigisme*. Only viable in certain sectors, post-*dirigisme* requires particular and contingent institutional configurations and historical conditions. The state's long-standing 'présence tutélaire' within a banking sector always subject to extensive regulation (Shonfield 1965; Zysman 1983), has generated enduring intimate links between the French financial elite and the state. This made banking ideally suited for state influence.

The unusual system-threatening nature of the global financial crisis of 2008–9 forced all states, whatever the political economic orientation, to prevent collapse of their financial systems. State intervention was accordingly prevalent across all advanced economies. Indeed, the main elements of the French banking bailout package were similar to other such interventions, drawing inspiration from the UK rescue plan as 'pace setter' and combining loans to banks with credit guarantees (Quaglia 2009). The French banking bailout is an instance both of translation, 'the combination of locally available principles and practices with new ones originating elsewhere', and bricolage 'whereby actors recombine locally available institutional principles and practices in ways that yield . . . path dependent evolutionary change', as set out above (Campbell 2004: 65).

First announced by Sarkozy in October 2008, the bank rescue plan aimed at restoring confidence and liquidity into the French financial system, as well as recapitalising and restructuring some troubled banks. The European Commission initially vetoed the plan, proscribing the use of state aid to allow banks to increase their lending books. This provoked some angry exchanges,[4] and revisions before final approval. Changes included allowing banks to issue preferred shares as collateral to government money in addition to subordinated debt, and to convert already issued debt to shares. Recapitalisation involved boosting the capital ratios of six large French banks – Banque Populaire, BNP-Paribas, Caisses d'Epargne, Crédit Agricole, Crédit Mutuel and Société Générale – through two €10.5bn tranches of hybrid debt securities handed out in December 2008 and January/February 2009, in return for not very exacting bank commitments to increase lending in the 'real economy' by 3–4 per cent (EC 2008; Ministère de l'Economie 2009).

Counter-intuitively (from a VoC perspective), by comparison to the UK the French bank rescue plan was in some respects *less* statist than the UK one. As Levy has pointed out (2010), the size and scale of the financial packages were comparatively small, and nationalisation of banks was studiously avoided as a policy option. So Statist France and liberal Britain are, in one sense, on the wrong sides of the comparative capitalisms divide. Taken as a snapshot of the autumn of 2008, spring 2009 the limited scale of statist intervention appears surprising. In fact it is easily explicable in terms of some historical features of the French financial and banking system, and the articulation of the French financial system with the wider global economy (detailed below). Looked at in historical perspective of restructuring of French banking and the financial sector since the 1990s, the modus operandi of the French response is consistent with post-*dirigiste* intervention and market-making. The underlying logic of post-*dirigisme* is reflected in a number of ways; the deeper inter-penetration of public and private elites which the bailout's inception reflected, and which its operationalisation further entrenched; the search for new formal and informal modes of state influence over economic activity, and the more 'permissive' approach to intervention, each reflecting the more constrained context and reduced leverage; finally, the familiar desire to facilitate French international champion development. All of this informed the kinds of market-making, and the markets made within France's banking bailouts.

In terms of comparative scale, the French bailout was limited, because the French banking sector had a fairly good crisis (OECD 2009: 21–2). A number of historical features help explain French financial capitalism's relatively less exposed position. Significantly, household debt in France is much lower than many other advanced economies (EIU 2010), so credit markets freezing had less impact on French economic activity. The French banking sector is highly concentrated, dominated by six (and after a merger, only five) big players. Furthermore, the business models of these big banks and mutuals are diversified – engaged in retail banking more than in investment banking. There were some dishonourable French exceptions such as Natixis, Calyon and Société Générale, which suffered badly through exposure to collateralised debt obligations, asset backed securities, US sub-prime mortgages and complex derivatives (Howarth forthcoming). In general, however, the displacement of share trading and investment banking within French banking and indeed economic activity is low compared to the UK, USA and also Germany (Hardie and Howarth 2009: 1025; Massoc and Jabko forthcoming). The dominant French banks were therefore better placed to survive the crisis which saw investment banking returns collapse, asset write-downs, and credit dry up, because of the non-investment banking parts of their operation (EIU 2010: 13).

The modalities of France's bank bailout illustrate post-*dirigisme* in action. Firstly, it reflected the inherent elitism within French corporate capitalism and the interpenetration of public and private spheres. The originators of the programme of reform were a cohesive, small group of elite bankers from the very small number of dominant banks. The concentration of the banking sector, combining with the elitist social network dynamics of French financial capitalism, meant that these key financial players presented a common front and single set of proposals (Massoc and Jabko forthcoming). The key players in the bank rescue plan's elaboration were a close set of connected members of the financial/political/bureaucratic elite, all of whom come from the same educational background, passing through France's *grandes écoles* and in particular ENA (Bourdieu 1988; Dudouet and Grémont 2010; Offerlé 2009; Phillipon 2007; Veron 2007). It also reflected the increasing presdentialisation of French politics. The highly interventionist, 'hands-on' President Sarkozy left almost nothing to his Prime Minister or cabinet, let alone parliament. Finance minister Christine Lagarde was closely involved, but Sarkozy took the key decisions himself, in direct meetings with the select few top bankers. What is more, Sarkozy parachuted his former political advisors with banking experience into key posts within rescued banks (Hardie and Howarth 2009; Massoc and Jabko forthcoming).

The restructuring of the financial sector involved an enforced merger of *Banque Populaires* and *Caisses d'Epargne* to form BPCE. The investment bank Natixis, a joint venture set up by the two banks a few years earlier, was very heavily exposed to toxic sub-prime liabilities. *Caisses d'Epargne* posted a loss of €2bn, due largely to Natixis, an exposure which threatened the parent bank's viability. Of the €77bn raised on the markets and channelled through new state financing structures (backed by a state guarantee) to boost liquidity, €2.5bn was used to refinance the newly merged bank, *Banque Populaire Caisses d'Epargne* (BPCE) (Massoc and Jabko forthcoming). BPCE is now France's second largest retail bank (EIU 2010: 13), with Natixis its investment arm. There was a central role for Sarkozy's Elysée chief economic advisor, Pérol, who had a background in banking and is credited with a key role in the banking rescue plans' elaboration. For his troubles, Sarkozy appointed Pérol as the first head of BPCE. Pérol took with him to the newly merged bank a team composed of two other close Sarkozy confidants. BPCE's arranged marriage proved very successful – heralding a swift turnaround and a return to profit during 2009 (EIU 2010: 14).

Another bank restructuring was Dexia (a Franco-Belgian municipal lender). The French Government injected €3bn of capital to shore up the institution. As with BPCE, Sarkozy inserted a close ally, ex chief advisor Pierre Mariani, to run the bank (EIU 2010: 7; Massoc and Jabko forthcoming). This seamless transition from senior political to business positions is classic 'pantouflage'[5] (Suleimann 1978: 226–30). Such delving into personal contacts to enact the banking re-organisations by Sarkozy contrasts with the predominantly hands off approach to the banks taken by the German state within its bailout (Hardie and Howarth 2009). It also contrasts with the UK case, where there were no moves to introduce close allies of the government into senior positions within the rescued banks.

Despite the nationalisations, there is a clear commitment in the UK to return the banks to the private sector when economically viable to do so. In contrast, the French pantouflage perpetuated and cemented further inter-penetration of public spheres. The French post-*dirigiste* approach enabled the bank rescues to eschew nationalisation, whilst ensuring the French state, or at any rate the president, would retain significant informal influence over bank operations without being present on its board.

This is another realisation of the logic of post-*dirigisme*, the informal co-ordination through the inter-penetration of public and private within French capitalism's elitist networks. Some have argued that the French responses to the crisis in the banking sector heralds a fairly decisive erosion of France's financial network economy (Hardie and Howarth 2009). However, the proximity of ties between key players, both between the state and key banks, as well as between certain key financial market players (such as the close ties between BNP-Paribas and AXA), combined with the enduring *noyaux souples* indicate that it is not eroding but evolving.

A second post-*dirigiste* element is the familiar French state ambition to facilitate French national champions, with a strategic state co-opting private interests in the pursuit of dominance within Europe's lucrative financial services industry (Hardie and Howarth 2009: 1031–33; Dudouet and Grémont 2010: 151–2). Unhindered by ordo-liberal or neo-liberal norms, post-*dirigiste* French state actors do not seek to constrain the market power of big French players, nor are they overly concerned to promote a level playing field. Looked at comparatively, this picture contrasts with financial services regulation and reform in the UK. The bailout and subsequent regulation there sought to create different kinds of competitive conditions, market operations and structures. In the UK the regulatory authorities have competitive aspirations – with neo-liberal origins – to increase banking sector competition by forcing dominant players to sell off branches, for example (Howarth forthcoming: 7). This is a basic difference with France, where financial sector rescue involved further concentration and international champion advancement reflecting the partiality of French *dirigiste* markets.

The European Commission (EC) was particularly sceptical of French authorities' claims that its capital injections into the big banks were non-discriminatory.[6] The EC noted in 2008 that the bailout represents 'an appreciable financial advantage for the beneficiary banks, which would be difficult for them to obtain from private investors under current conditions' (EC 2008: 13). The EC further declared that it amounted to state aid which conferred selective advantage on a small number of big players (EC 2008). The EC position here illustrates our argument since the EC embodies and polices an anti-trust and competition policy stance very closely modelled on the neo- or ordo- liberal conception of competitive markets discussed above. The operation of the market, and state and public authority activity in relation to it, should in this view be non-discriminatory and non-selective. The dissonance between this, and the partiality of the French *dirigiste* conception of the market underpinning the French State's post-*dirigiste* banking bailout, is revealed in the friction between French authorities and the EC surrounding the bailout during late 2008 (EC 2008).

This partiality was most clearly demonstrated in the case of BNP-Paribas which, as noted above, continues to play a key role along with AXA at the heart of France's reconstituted *noyaux souples*. There were, once again, close personal ties between Sarkozy and BNP-Paribas president Michel Pébereau. In the spring of 2009, the state became the largest shareholder in BNP, holding 17 per cent of non-voting shares (Massoc and Jabko forthcoming). This proximity was instrumental in BNP getting its way when asking that the second €10.5bn tranche of financial support be brought forward. The day after that happened, BNP announced that it was buying the Belgian and Luxembourg sections of Fortis Bank (Hardie and Howarth 2009: 1033). As hard-hit German and British Banks retreated, the French Government was instrumental in providing the financial assistance that enabled BNP-Paribas to exploit the crisis to pursue an aggressive external expansion policy. The fact that French banks were relatively less hard-hit by the crisis than many of their international competitors meant they were well placed to pick up some merger and acquisition bargains in the form of troubled financial institutions. This presented a window of opportunity to give a boost to international champion advancement, and French state actors were keen not to waste a good crisis. This state-sponsored international champion advancement made BNP-Paribas the largest bank in the Eurozone.

> One of the big winners appears to be BNP Paribas. The bank posted a profit of €3bn over 2008 as a whole – a year when many of its international rivals made massive losses and were having to be recapitalised with taxpayers' money, and €5.8bn in 2009. (EIU 2010: 13)

A third aspect of post-*dirigisme* is a more 'permissive' approach to intervention (Hall 2006). There was certainly a highly statist dimension to the banking bailout, notably putting Sarkozy's friends and advisors into key positions in newly merged or restructured banks. That said, the nature of state participation in the banks it has helped refinance contrasted with the *dirigisme* of earlier phases of French industrial policy. The French state took up exclusively non-voting shares, including in Dexia where the Belgian state acquired voting shares in the Franco-Belgian bailout. The state did not seek any board level representation within the rescued banks. For all Sarkozy's bluster about the need for a re-moralisation of capitalism, and the morally bankrupt excesses of finance capital, in practice, very few 'strings' were attached to the capital injections into French banks. There were no attempts to intervene in the corporate governance of the big French banks, and no suspensions of dividends. In relation to remuneration, where Sarkozy had much to say, apart from a one off exceptional tax on bonuses, few rules and no laws were forthcoming as a *quid pro quo* for state support.

The fourth post-*dirigiste* element of the bailout was institutional innovation in search of new modes of interventionism. In autumn 2008 the French state created two new kinds of financial bodies to raise and distribute bailout funds and facilitate its influence. The two institutions corresponded to the two main elements of the bailout – the *Société de Prise de Participation de l'Etat* (SPPE) provided capital to troubled banks, and the *Société de Financement de l'Economie Française* (SFEF) assisted credit creation in the wider economy. Distinct from all the other bank rescue plans in Europe, the SFEF is a mutual institution; its funds are held in common, 66 per cent by the big banks and 34 per cent by the French state (OECD 2009: 22). It was designed to issue bonds on international money markets, with the state guarantee backing the activity making for inexpensive (4 per cent interest) financing for the banks. By January 2009, it had raised €23bn (EC 2008; Ministère de l'Economie 2009).

For a period during 2008 and 2009, the SFEF was instrumental in providing credit and funding in French banking and the wider economy – with the state guarantee providing the confidence that private actors and international markets could not, at the time, deliver. This augured a slight return for the kind of institutional allocation of credit mechanisms central to post-war French *dirigisme* (Zysman 1983). The SPPE and SFEF thus channelled French state influence, augmented by the context of the crisis. Within the inter-penetration of public and private elites, acting in concert, the extent of influence of state actors on the one hand and powerful private sector interests on the other is difficult to judge. Even at the height of the crisis, however, the state was not dictating terms to the big banks. The amount of money distributed by the SPPE, and how that money was divided up by the state also followed very closely the recommendations of the big bankers. Similarly, the mutual structure idea for the SFEF originated with the bankers who were the key authors of the rescue plan. It was a means not to individualise the share issues, and thus to help protect the most fragile banks and to de-stigmatise resort to the funds (Massoc and Jabko forthcoming). What is more, the state's privileged position in helping control lines of credit, and the power it delivered, proved short-lived. As international markets recovered, the French state's new institutions began to wind down their operations. The SFEF was mothballed in 2009 as international credit and financial markets bounced back following the crisis.

Conclusion

Hall is correct to highlight the emergence in France of state policies 'in favour of economic strategies oriented to market competition' (Hall 2006: 6), but the more interesting question is: what *kind* of market competition, and market structures, does French post-*dirigiste* market-making deliver? The broad claim made in this article in relation to comparative capitalisms scholarship is that it is only when ideational factors are incorporated systematically into the analysis that this kind of question can be adequately addressed. Comparative capitalisms scholars have been slow to explore ideational explanations because of a default attachment to rational choice micro-foundations. This hinders a more nuanced appreciation of differentiated conceptions of the market underpinning market-making activism and restructuring in different political economies.

We have addressed this shortcoming within VoC by drawing on a range of recent ideational political economy scholarship, which highlights how different background ideational conditions and national traditions of political economic thought within different institutional, cultural and historical contexts give rise to distinct conceptions of the market, and in turn inform multifaceted processes of market-making. We illustrated this comparatively by differentiating the British 'free' market, the German 'social' market, and the French '*dirigiste*' market respectively. Focusing on how economic actors make sense of their environment, we have demonstrated the importance of these ideational conditions within which capitalist change is enacted in shaping and channelling market-making and the operations of markets along particular trajectories.

The other central claim of this article relates not to comparative capitalisms in general, but France in particular. It is that post-*dirigisme*, as defined and elaborated here, constitutes the most instructive frame of reference for understanding French capitalist restructuring. Post-*dirigisme* encompasses not only a particular kind of market-making and market competition, but also its embedding in a distinctive social context. The close ties, both between state and banking elites, and amongst key financial market players (such between AXA and BNP-Paribas), combined with the *noyaux souples* sustained through interlocking board memberships and other means, indicate France's financial network economy is not so much eroding as evolving. Through such channels, French financial and state elites enact a market infused with partiality where big French players are afforded significant protection, and where the French state attempts to influence at arm's length and orchestrate French capitalism in a more indirect manner than before. Internationalisation and bond market development are the key differences distinguishing the post-*dirigiste* condition from post-war French state market relations. Gone are the days of the French state as *dirigiste* 'gatekeeper' pulling the strings and inducing big French firms to do its bidding. Yet post-*dirigisme* captures the enduring particularly significant role of the state within French capitalism as enactor of and actor within markets, which mediates how new institutions introduced to deliver economic liberalisation interact with pre-existing social and institutional structures.

We have set out, in relation to privatisation, the shift from a government- to a market- dominated financial system, and the response to the global financial crisis, how the institutional and ideational particularities of post-*dirigisme* leave their imprint on the market-making enacted by the French state. The French response to the financial crisis offers telling insights into what kind of institutions, and market structures, French post-*dirigisme* delivers. In contrast to the British and German governments' approaches, the French state exploited the banking bailouts to further entrench an ongoing inter-linking of public and private elites within the governance of the financial sector. Furthermore, the French state as enabler infused French markets with higher degrees of partiality, actively facilitating dominant market positions for French international champions. In this way the banking bailout illustrates post-*dirigisme* in action and the enactment of distinctive French notions of 'free markets' less exercised by ideas of fair competition or level playing fields. Both the fleeting nature of the French state's centrality to circuits of credit with the French financial system, and more broadly the extent to which its informal influence relies on private actors within elitist networks spanning the public and private spheres for its enactment, are revealing of the French state's reduced capacities within the condition of post-*dirigisme*. French interventionism has had to become more sectorally selective, and involves using more subtle, often informal, and sometimes novel modes of influence of private firms. Post-*dirigiste* state activism also operates along more market-conforming lines, although it is crucially important to be mindful what conformity with the French *dirigiste* market entails.

Notes

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2. The coherence of the post-war *dirigiste* paradigm has been questioned by revisionist interpretations (Hayward 1973: 180–7, 213–26; Hancké 2001: 309–12; Guyomarch *et al.* 1998: 161–8; Loriaux 1999: 241–7, 251–2; Levy 1999: Ch 1). Yet even if a debate remains as to how much 'glorious' growth was really due to indicative economic planning and strategic interventionism in industry creating 'national champions' – the basic institutional features of the French post-war model are not in doubt.
3. The OPESC research group's analysis charts executive board memberships as gleaned from company reports throughout the 2000s. See http://www.opesc.org/reseaux/reseaux-gen.php
4. 'Brussels Blocks French Bank Bail-out', *Financial Times*, 28 November 2008.
5. Literally translated, the shuffling from high political to business office in one's carpet slippers.
6. 'Brussels Blocks French Bank Bail-out', *Financial Times*, 28 November 2008.

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