The Untold Story: The Impact of European Integration on France in the Mitterrand-Chirac Era (1981-1997)

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Abstract

European integration has been a central force for change in France, helping spur the country's move from a largely state-directed economy to a more market-oriented one. Reforms that include the abandonment of macroeconomic autonomy and microeconomic controls over business and the restructuring of French industry have revolutionized the way in which French governmental elites manage the economy and interact with business. State interventionism, where it remains, is more circumscribed and market-oriented, and mainly limited to actions involving firms in strategic areas or in trouble. But although the changes in macroeconomic and microeconomic spheres have produced a healthier economy, more competitive business, and a transformation in business-government relations, they have also led to a concomitant loss of state capacity in the socioeconomic sphere with regard to social welfare and unemployment. And because this loss of socioeconomic capacity has not been accompanied by a new political discourse that would serve to justify France's Europe-related economic adjustments or to promote new forms of dialogue and concertation between government and citizens, the continued liberalization of the economy could be called into question.

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The story of France's leadership in European integration is a well-documented one. The country has inspired the construction of Europe through great men with grand visions, most notably Robert Schuman and Jean Monnet in the early years with the European Coal and Steel Community[1] and Jacques Delors more recently with the Single Market and European Monetary Union.[2] By contrast, the story of how the policies and institutions related to European integration have affected France is less well known; but it is every bit as dramatic.

Although European integration has not been the only major force for change in France, given the significance both of internal dynamics and global pressures, it has been a central force. For France, Europeanization has acted both as a conduit for global pressures and as a shield against them, opening it up to international markets and competition at the same time that it protects it through monetary integration and the single market.[3] Moreover, Europeanization has capitalized upon internal reforms involving the decentralization of local government and the deregulation of national business by enhancing the autonomy and resources of regional actors and by promoting the further deregulation of business along with its autonomy. Most importantly, however, Europeanization has ensured that France is now enmeshed not only in a European politico-economic system that ties the French franc to a single European currency, turns the French market into a European market, and encourages French firms to become European firms but also in a European politico-administrative system that turns French political officials into European decision-makers, French administrations into implementers of European decisions, and French organized interests into European lobbies.[4] The result is a transformation not only in the French economy but also in its economic policymaking processes.

For the bulk of the French economy, dirigisme, which has a double meaning as a set of interventionist policies and of directive policymaking processes, has been in retreat. Major reforms beginning in the 1960s but accelerating in the 1980s in response to pressures from European integration in particular have moved France from a largely state-directed economy to a more market-oriented one. These reforms, that include the abandonment of macroeconomic autonomy and microeconomic controls over business and the restructuring of French industry, have revolutionized the way in which French governmental elites manage the economy and interact with business. In place of an economy characterized by a state-sanctioned cycle of inflation and devaluation, a state-dominated finance system, and state-led business, governmental elites have instituted tight monetary policies and austerity budgets, maintained low inflation rates, liberalized the financial markets, and given up their traditional hold over business. Business has generally become more independent of the central state (through deregulation, privatization, regional integration, and Europeanization), more interdependent (through cross shareholdings), and more international (through cross border mergers and acquisitions). Although state interventionism has not disappeared entirely in the microeconomic sphere, it is more circumscribed and market-oriented, and mainly limited to actions involving firms in strategic areas or in trouble, especially in the public sector.

But although these changes in the macroeconomic and microeconomic spheres have produced a healthier economy, more competitive business, and a transformation in business-government relations, they have also led to a concomitant loss of state capacity in the socioeconomic sphere with regard to social welfare and unemployment. And because this loss of socioeconomic capacity has not been accompanied by a new political discourse that would serve to justify France's Europe-related economic adjustments or to promote new forms of dialogue and concertation between government and citizens, the continued liberalization of the economy could be called into question. The late 1995 strikes that paralyzed Paris and many parts of the country in protest against proposed social security reforms and plans for the national railway made this explosively clear.[5] Public support for the strikes expressed as much disenchantment with the processes and the players as with the policies, that is, with the technocratic governmental elite perceived as over-privileged, out of touch, and autocratic as it sought to impose policies without any significant prior consultation or adequate explanation.

The changes in economic management policy

In the postwar period, the French economy was dominated by two competing strands of economic management policy: On the one hand was dirigisme, embodied in the macroeconomic sphere by state guaranteed finance and inflation-spurred growth and in the microeconomic sphere by indicative plans, industrial policies, and grands projets. On the other hand was liberalism (in the economic sense), embedded in the push for greater market-openness and market-liberalization spurred by European integration. Although up until the early 1970s, dirigisme was predominant, touted as responsible for the trente glorieuses, or thirty years of expansion, by the mid-1970s its effectiveness was increasingly in question. This was not only the result of the government's increasing inability to deal with external constraints that included the European Community-led elimination of customs barriers, the end to the dollar-based fixed exchange rate system that had enabled French governments to correct payment deficits through devaluation, the rise in prices due to the impact of the two oil crises, and the increasing international competition that had led to significant foreign penetration of the French market. It also stemmed from internal failures that encompassed national plans with inaccurate economic forecasts, industrial policies with inadequate or inappropriate industrial investments, and "national champions" that had become lame ducks.[6]

Liberalism was not to win out, however, until 1983, once President François Mitterrand himself had decided that the country, suffering from high rates of inflation, skyrocketing unemployment, and in danger of dropping out of the European Monetary Sytstem (EMS), could no longer afford the Socialists' two-year long experiment in increased dirigisme, which in this period was characterized by expansive macroeconomic policies and expensive microeconomic policies, including nationalization and industrial restructuring.[7] In thus bowing to external pressures, global as well as European, by remaining in the EMS, Mitterrand acknowledged that France could not go it alone, and that socialism in one country, just like communism before it, was not possible. He also ensured, however, that in giving away much of the state's autonomy in macroeconomic matters, he was enabling it to regain "the state's power to exercise control over the evolution of fundamental monetary quantities."[8] The state would continue to manage the economy, in other words, it would just have to do it in a different way, one which was less state-directive and more market-oriented. Thus, the move from dirigisme to liberalism was consecrated.

The new liberalism and the loss of macroeconomic autonomy

Subsequent to this 1983 "great U-turn" in macroeconomic policy, French governmental elites of the left and the right have become paragons of anti-inflationary virtue and neo-liberal orthodoxy, having followed tight monetary policies, imposed austerity budgets, deregulated the country's financial markets, established an independent central bank, and made meeting the Maastricht criteria for monetary union their major goal. European monetary "correctness," in fact, has become so much de rigueur that only foreign economists seriously question it--witness the 1993 plea for French withdrawal from the EMS by six American-based Nobel prize winners, concerned about the slide into what they called a pointless recession, given France's low inflation rate and otherwise competitive economy.[9] The sacrifices of the past several years, that included suffering high unemployment and the too-high interest rates necessitated by monetary convergence, has meant that for most mainstream French leaders, maintaining the franc fort (keeping the value of the franc high) has become a point of honor and even a source of national pride, given the economic leadership role in the EU that has accompanied its perseverance. Thus, from having been the great macroeconomic "spoiler" in the heady years of the trente glorieuses, France has become the keeper of the flame. From having tacked against the wind in the 1950s and 1960s, taking a zig-zag course against the fixed, dollar exchange rate through inflation and devaluation in order to encourage economic growth,[10] France now has the wind behind it, even though that wind is filling its sails less and less.

Turning back is not considered an option by most French leaders, and not just because of a sense of honor or national pride. The internationalization of the financial markets, together with the deregulation of the French stock market and the abandonment of exchange controls, has made the French economy so much more vulnerable to external market forces that most French leaders see European monetary union as the only way to promote economic growth while maintaining some macroeconomic control. The currency exchange markets in particular have placed France at a disadvantage because, regardless of the state of the economy, the franc is always adversely affected by dollar instability since investors consistently move to the mark when the dollar weakens and vice-versa.[11]

French governmental elites' answer to its currency market disadvantage has been a steady move to reinforce the value of the franc while decreasing its volatility by stabilizing and integrating the European currency market. This began with the franc fort policy in 1983 which dictated austerity budgets and high interest rates in order to keep French inflation down and growth up. It followed with the creation of the single market in finance, consecrated in the Single European Act of 1986, which was to increase the amount while decreasing the cost of capital in France and Europe. It continued with the agreement to reinforce the European Monetary System through the creation of a European central bank, which was to diminish German dominance over European monetary affairs while giving France a voice in them, and with the move to a common European currency, which was to act as a counterweight to the dollar and would therefore afford France some influence over international monetary conditions while eliminating the exchange rate premium attached to the franc, thereby ensuring permanently lower interest rates and better growth prospects.[12]

Finally, France's efforts to deal with its currency market disadvantages accelerated with the European Monetary Union agreed to in the Maastricht Treaty of 1991. The EMU was to bind a post-unification Germany more closely to France and the rest of Europe while combating the potential volatility of intra-European capital flows and their increasing exposure to the pressures of the international financial system. Adherence to the rather strict Maastricht convergence criteria (that demanded national budget deficits at or below 3% of GDP and public debt ratios no greater than 60% of GDP) was to ensure the quickest progress toward monetary and economic integration while serving as a clear message to the markets about the stability and investment-worthiness of EMU-linked European economies generally and that of France specifically.[13]

Thus, with European monetary and economic integration, France gave up its macroeconomic autonomy in exchange for greater control over its destiny. Or at least so it thought. In fact, despite its excellent fundamentals in a number of areas-- such as a low inflation rate that has remained down around 2%, dropping interest rates that in 1995 were at their lowest in over twenty-five years (even if short term interest rates remain higher than those of Germany), and a record balance of payments surplus at 85 billion francs in 1995--it has still found itself vulnerable to international financial markets that see the high ratio of gross public debt to GDP, which rose from 31% to 57% between 1980 to 1994, as a drag on French growth and any increased spending on job creation or on social services as leading to inflation.

This continuing vulnerability was dramatized by the two major monetary crises that involved major runs on the franc, the first of which in September 1992 also pushed Great Britain and Italy out of the exchange rate mechanism of the EMS and the second of which nearly destroyed the EMS altogether in August 1993, and forced the widening of the band of fluctuation allowed within the ERM (from $\pm$ 2.25% to $\pm$ 15%).[14] But this vulnerability to the financial markets merely reinforced the French governmental elite's conviction that only a fast pace toward monetary integration together with strict adherence to the convergence criteria would enable it to control the French macroeconomic environment. And it has also ensured the quick conversion of any naysayers who have more recently sought top government positions, whether President Chirac, who during his campaign for office was driven by the March 1995 EMS crisis to repudiate his "Cochin appeal" of 1978 against entrance into the EMS and his November 1994 call for a national referendum before French adoption of the single currency, or the short-lived Finance Minister Alain Madelin, who until just before his appointment in the Juppé government in May 1995 had been one of the main questioners of monetary integration.

As the date for a decision about membership in the first wave of monetary integration draws near, however, France has become increasingly concerned not only about its own and other member-states' ability to meet the strict criteria but also about what happens after. With a nod to the past, the French government proposed to set up an "economic government" parallel to the

European Central Bank, to provide political guidance to its economic decisions.[15] This, however, was resisted by the Germans, who instead agreed to a stability council mandated to serve in an advisory capacity to the independent ECB, and nothing more. As a result, the French will not be able to ensure that political considerations will serve to moderate the potentially extreme structural adjustments that a fixed exchange rate among countries in the first wave of EMU could entail. And they have therefore put their support behind the new concept of flexibility proposed in the 1997 Intergovernmental Conference. This would allow countries in the first wave of EMU to move more quickly to harmonize other aspects of their economies, such as social security, taxes, and employment policies, to ensure a level playing field as well as to respond to the adjustment problems through microeconomic measures, given that only minor macroeconomic adjustments at the national level will remain possible. Giving up their macroeconomic autonomy to Europe through monetary integration, in short, also entails an increasing loss of socioeconomic autonomy. But this future coordination of the socioeconomic sphere is likely to prove as positive as macroeconomic coordination, given that it may help serve to combat France's increasing loss of socioeconomic capacity.

The Reduction in Socio-Economic Capacity

French governmental elites' commitment to European monetary integration has entailed significant costs in the socioeconomic sphere, in particular the reduction in state capacity to deal with some of the most pressing issues facing the country concerning social welfare and unemployment. The discipline imposed by European monetary integration, together with the other market-oriented reforms dictated from the outside by global pressures and from the inside by needs for economic modernization, have left French governments not only without macroeconomic policy independence but also without their traditional microeconomic policy instruments or the financial resources necessary to deal with these problems as they had in the past. In France, in other words, as in the rest of Europe, the perceived need to respond to the twin forces of Europeanization and globalization while satisfying the markets has ensured that the imperatives of the competitive state have overshadowed those of the welfare state.[16]

This has been quite a switch from the early 1980s, when the Socialist government greatly expanded welfare and employment benefits through a higher minimum wage, the reduction of work hours, a fifth week of paid vacation, larger allowances to the elderly and the handicapped, retirement at sixty, expanded public sector employment, and new manpower training programs and employment protection statutes. In fact, while most EU member states were successful at containing welfare costs in the 1980s, France's spending on social protection increased by more than 30% between 1980 and 1989, reaching 30% of GDP by the early 1990s.[17] This rise in costs is particularly significant for France because its insurance-based social protection system, which is largely funded through employer and employee contributions, puts France at a competitive disadvantage and in danger from "social dumping" by corporations in search of lower wage costs and unwilling to pay France's 40% payroll tax. Moreover, this competitive disadvantage exists despite the fact that the French managed to hold down wages from the mid 1980s on (by 1993, France's wage rate of $17.79 was one of the lowest in the EU: higher than Britain's $14.61 and Spain's $14.70 but well below Germany's $26.90, Sweden's $24.64, the Netherlands' $21.64, and Italy's $19[18]). This means that French labor, having seen its salaries stagnate over the course of the 1980s and into the 1990s, now finds its benefits also in jeopardy. Add to this high unemployment (which more than doubled between 1981 and 1997, when it hit a high of 12.8%), and one can understand why the late 1995 strikes gained such public sympathy.

France must now pay the price for its delays in social welfare cost management by having to introduce painful cuts in order to meet the Maastricht criteria for monetary integration, and by concentrating on more aggressive efforts to limit pension payments, cap unemployment compensation, and reduce medical reimbursements instead of attacking high unemployment. In fact, by deciding that unemployment was less a conjunctural problem related to the economic climate of the moment than a structural problem related to the rigidity of the labor market, French governmental elites chose to concentrate their efforts not on tackling unemployment directly through the short-term, quick fix, job creation schemes of the past but on more indirect means that were to have a long-term effect on job flexibility. Thus, they focused on liberalizing the rules governing the workplace; cushioning the impact of industry rationalization through state funding of early retirement programs (quite expensive, at between 500,000 to one million francs per worker retiring early, generally at age 56 but in some cases as early as age 50, sometimes at near full pay) and other job support schemes (all in all, total state support for jobs, of which there are 50 or so schemes, costs 140 billion francs, or $27.7 billion, a year[19]); and employment training programs (which, regardless of the fanfare with which successive governments announce their efforts, remain nevertheless comparatively low[20]).

The French government's loss of policy autonomy as well as economic capacity was dramatized by President Jacques Chirac's inability to make good on his electoral promises to cut spending, taxes, the budget deficit, and unemployment while raising wages and progressing toward European Monetary Union. With the franc crisis beginning in October 1995, Chirac felt compelled to raise taxes (the tax burden rose from 44.2% of GDP to a record 45.7%, to make it one of the highest rates in the industrial world[21]). Moreover, whereas just after his election he was accusing business of being responsible for the bad health of the accounts of the state (although he did not ask it to hold off firing people, as had Balladur), within six months he was admitting that government was the problem as he pledged to cut public spending and reduce the budget deficit as his first priority. In fact, the only expansionary initiatives Chirac came up with were focused at the European level, and failed--whether his proposed January 1996 Franco-German initiative on economic "relance" to stimulate growth or his recommendation for the 1996 Inter-Governmental Conference (IGC) to institute a Europe-wide policy to alleviate unemployment--thereby dashing any hopes that France's loss of autonomy and capacity at the national level would be made up for at the EU level.

In pursuit of European monetary integration, in short, French governmental elites have lost their autonomy in the macroeconomic sphere and have felt unable to do anything other than to tighten the national purse-strings. Within this context, nevertheless, most at least until the strikes of late 1995 have seen European integration more as a shield protecting France from further economic instability than as a lance piercing its social solidarity. That lance is the international financial markets, as even a leader of one the unions at the forefront of the 1995 strikes, Marc Blondel of Force Ouvrière, made amply clear when he exclaimed that: "French society is being placed under the control of the financial markets."[22] How successful a shield the EMU is, however, remains to be seen, since even without the repeated strikes that slow economic growth, the decrease in government spending, and the increase in taxes in the attempt to meet the Maastricht criteria on schedule may have the opposite effect, depressing the economy, raising unemployment, and thereby reducing tax receipts and actually increasing the deficit.[23] In other words, in the short run at least, European monetary integration may not produce the results for which French governmental elites gave up their traditional macroeconomic dirigisme, and for which they sacrificed macroeconomic autonomy and socio-economic capacity.

The changes in business and its relationship to government

The loss of autonomy and capacity in government management of the economy also dictated many of the changes in business and its relationship to government. As of 1983, no longer able to stimulate industry through demand, the government had to turn to more supply-side measures in order to improve the competitiveness of French industry. The dirigisme of the indicative plans, national industrial policies, and grands projets--in which success was predicated on a "high-tech Colbertism" that combined public research, public procurement, and industrialization through national champions in a closed economy managed by an interpenetrating elite[24]--could no longer work in a more open economy where the government no longer had the resources, given budgetary austerity, the freedom, given European competition policy and GATT agreements, or the will, given changes in elite and public opinion, to support business as it had in the past.

The turnabout in macroeconomic policy of 1983 alone, in fact, almost guaranteed the further liberalization of the economy and the emancipation of business from government. State control of business has diminished through deregulation, the restructuring of French capital, the restructuring of French industry, regional integration, and the growing importance of European policies and policymaking structures. And all of this, together, has effectively inverted the traditional relationship between business and government, where government led and business followed.

Today, businesses look more to one another for guidance and to the markets for support than to the state. By the 1990s, the "heroic" policies formulated by governments without business input and then adapted to their needs in the implementation have been for the most part superseded by more "everyday" policies in which consultation occurs at the outset and government actions are often in response to business initiatives.

For all this, however, government has not entirely retreated from seeking to influence business, but it has become more focused in its efforts and more indirect in its intervention. In addition to having sought to institute industrial policies at the European level, French governmental elites have developed new, less directive means at the national level to influence industries in strategic areas, in the monopolistic public sector, and/or in trouble.

Deregulation

Among the major changes in government policies toward business that began in the early 1980s, one of the most important was deregulation, which liberalized the regulatory environment of business following internal initiatives and European directives. Deregulation encompassed a wide range of microeconomic actions diminishing direct government control over business and dismantling traditional French industrial policy. It has included the lifting of most price controls, the easing of workplace laws governing hiring, firing, and work hours, and the creation of semi-independent agencies to supervise the stock market and the radio and television industries, among others. The only recent case of an increase in the regulation of business activity has been the 1996 restriction on the opening of large stores and the freedom of shops to compete on price (by preventing stores from selling goods at a loss), an effort to save jobs in the small retail sector that may only raise prices.[25]

Deregulation has in addition involved liberalizing the rules governing a number of formerly highly regulated sectors of industry. The telecommunications industry, for one, is readying itself for the competition to result from telephone deregulation set by the EU for 1998, when France

Télécom's legal monopoly over telephone service will be eliminated, reducing its role as provider of total service to that of "public operator responsible for universal service," and when an independent regulatory authority to supervise rules fixed by government will take over. The air transport industry, for another, is also preparing itself for Europe-wide competition, with Air Inter having already lost its monopoly over internal flights with regard to French domestic carriers as of January 1, 1996, and shortly to lose this monopoly also to non-French carriers. Only in the energy sector has French industry so far managed to derail EU proposals to allow third-party access to French electricity networks in order to enable consumers to buy electricity from the cheapest source, by prevailing in its argument that instead of promulgating a directive, subsidiarity, meaning a coexistence of different national systems, should rule.

Finally, deregulation also liberalized the financial markets, creating new, non-governmental sources of funding for business at a time when there were to be fewer government subsidies and low-cost loans to business. This served to reduce business' dependence upon government for support, while deregulation as a whole diminished business dependence upon government for guidance. The accompanying changes in the structure of French capital only furthered this process.

Restructuring French Capital

The restructuring of French capital contributed significantly to business independence from state direction at the same time that it fostered greater business interdependence by diminishing state ownership of public enterprise through privatization and diluting state control of public enterprise through increasing cross-share ownership within and between public and private enterprises. Between the early 1980s and the 1990s, French business went from the "protected capitalism" of cross-share ownership among a small group of privately-held industries to the dynamic capitalism of the mixed economy, in which public and private financial and industrial concerns own and control one another in a manner resembling the German business-banking partnership.[26] But although this restructuring of French capital effectively diminished the dirigiste capacity of the state, the process itself remained highly dirigiste in style between 1981 and 1988, when both nationalization and privatization were "heroic" policies imposed without much consultation. Beginning in 1988, however, dirigisme as a policy style also diminished as more "everyday" policies substituted for the heroic, with government action taken increasingly in response to industry desires.[27]

The restructuring process began in 1981 with the Socialist government's heroic policy of nationalization, which destroyed the previous structure of business ownership and control by having the state take over a large majority of the biggest French banks, insurance companies, and industrial groups. This vast increase in state ownership and control began to erode not long thereafter, however, by way of more everyday policies of informal privatization, in which the Socialist government allowed nationalized enterprises to float non-voting shares and to engage in the "illegal" sale of subsidiaries (to which authorities turned a blind eye).[28] The dismantling of state capitalism accelerated between 1986 and 1988 with the right-wing neo-liberal government's heroic policy of privatization, in which many recent and long-nationalized companies were put on the market, with a controlling percentage sold to a hand-picked noyau dur, or hard core, of shareholders that included banks and insurers (for the first time) as well as other industrial concerns.

The restructuring of French capitalism took a new twist between 1988 and 1993, when the Socialist government, absent the necessary funds for the nationalized enterprises and despite the ni-ni policy of neither privatization nor nationalization that lasted from 1988 to 1991, engaged in more everyday policies in response to business initiatives. These policies not only diminished state ownership through cross-border alliances of public enterprises with foreign firms and, after 1991, through partial privatization, but also diluted state control through the trading of shares among nationalized companies.

After 1993, moreover, privatization, too, became an everyday affair, with CEOs for the first time consulted on all aspects of the process. Under Prime Minister Balladur's stewardship, approximately 110 billion francs of state assets were sold, including banks such as Banque Nationale de Paris (BNP), insurers such as Union des Assurances de Paris (UAP), the oil company Elf-Aquitaine, and 29% of the highly symbolic car manufacturer Renault. Under Chirac's presidency, although privatization slowed due to a weak stock market and French bank and insurers' lack of capital, a number of companies were sold off within the year, such as the packaging and aluminum company Pechiney and the insurer AGF, while other privatizations are anticipated, such as that of electronics and defense manufacturer Thomson, the defense jet engine manufacturer SNECMA, and the partial sell-off of France Télécom. The pressure for privatization has lessened, however, now that neither the funds used to shore up nationalized enterprises nor the proceeds from their sale need be calculated in the budget deficit given new accounting rules of the European Union adopted in June 1996 by France which sees them as investments.

Restructuring French Industry

Accompanying these changes in the structure of French capital, which diminished state ownership and control, were changes in industry size, organization, and scope. Through the 1980s and into the 1990s, business consolidated, concentrated, and internationalized in response to the competitive challenges coming from both European integration and globalization. Whereas this process was often imposed by the state in the early 1980s, the initiative increasingly shifted to business over the course of the decade. But even in the early 1980s, the dirigisme of the policy formulation process was attenuated in the implementation, with the politics of accommodation, where business and government officials cooperated in the setting of strategies, and even cooptation, where business imposed its strategy on government, the norm, and confrontation in response to government attempts to impose quite rare. Moreover, throughout the restructuring process the traditional autonomy of public enterprise was generally respected when it came to business strategy or internal management.[29]

Industrial restructuring started in the early 1980s with the Socialists' politique de filières, an industrial policy that sought to concentrate the activities of nationalized industrial groups in their core areas in order to enable French industry to reconquer the domestic market. Beginning at this time but stretching through the mid 1980s, French industrial enterprises underwent major restructuring and rationalization as they shed workers, streamlined operations, closed antiquated plants and re-engineered others, ameliorated their traditional relations with labor, returned to core business, and generally prepared themselves for European and global competition. Moreover, after the turnabout in macroeconomic policy in 1983 and the return to economic prosperity by the mid 1980s, French industry turned outward, beginning a process of internationalization in 1987 through mergers and acquisitions that saw foreign direct investment abroad by French companies jump from next to nothing (under 20 billion francs on average in the early 1980s) to 147.6 billion francs (or close to $30 billion at the exchange rate of the time) in 1990. Of this amount, moreover, over $12 billion went to finance acquisitions in the United States alone, demonstrating that globalization, and not just Europeanization as epitomized in the countdown to 1992 for the single European market, was a major impetus to changes in industry size and scope.[30]

Regional Integration

While the restructuring of French industry affected big business the most and deregulation all businesses equally, regional integration--spurred by a combination of internal, decentralizing reforms and external European pressures coming from cross-border alliances and regional policies--has had the greatest impact on small and medium-sized business. And whereas big businesses, whether public or private, have gained greater independence since they no longer need state guidance or support as a result of deregulation and privatization, the small and medium sized enterprises, all of which are private, have managed to take advantage of the greater freedoms afforded them by deregulation at the same time that they have benefited from guidance and support from a wide range of state, regional, and local governmental actors in the periphery.

The decentralization reforms begun in 1982 devolved central power and authority in a wide range of domains to the periphery, giving local governmental officials, and in particular the regions, greater responsibilities and resources with regard to local economic development and making regional officials the equivalent of local industrial policy brokers.[31] These reforms have generated a new dynamism in local economic development by making small and medium-sized businesses, which had largely been ignored before the 1980s by national industrial policymakers focused on big business, the center of attention for newly empowered local actors. In this sense, decentralization has been a great success, even if in economic terms it has had mixed results given insufficient regional financial and human resources and a frequent lack of coordination, duplication, and waste resulting from the proliferation of actors in local economic development together with their politicization. Better results have come from the new deconcentration which followed upon decentralization, as the state has fashioned a new role for its agents in the periphery, one in which they abandoned the past role of commander to become partners and mediators in economic development.[32] In addition to the prefects are the agents of central ministries, in particular those associated with the Ministry of Industry, who have mounted a wide range of innovative programs focused on modernizing equipment, professionalizing management practice, and accelerating new product development, often filling in where local actors have failed.[33]

European integration has contributed to this new regional dynamism both economically, because it has been a major impetus to and facilitator of cross-frontier regional linkages, and politically, because it has created a regional dimension to EU policymaking via the structural funds. The economic impact can be seen in the extent to which European integration has served to weaken the economic linkages of border regions to Paris as they strengthen the links to their cross-border partners (e.g., Alsace and Lorraine to the Rhineland, the Nord/Pas-de Calais to Belgium and the Netherlands, Lyons to Geneva and Turin, and Montpellier and Toulouse to Barcelona).[34] The political impact is evident in the extent to which regional governments have gained greater policy influence at both the regional and EU levels and greater opportunities for regional economic intervention. At the same time, however, because the agents of the central state in the periphery continue to play an instrumental role in local economic development, and dominate to a large extent the regional relationship with the EU, European integration has also had a centralizing effect.[35]

In consequence, it has become impossible to isolate any one institutional actor or set of actors as the most important or the more advantaged as a result of the decentralizing, deconcentrating, or Europeanizing reforms: The new regional governance structure is one that ensures a more complex or "thick" set of relations at the subnational level that mirrors the complexity at the supranational level,[36] in which regions also play a part. This new governance structure has ensured that regional integration, rather than weakening the nation-state from below while European integration weakens it from above, leaving a hollow state, as some have warned, has more simply changed the way in which the state functions in the periphery just as much European integration has changed the way the state manages in the center.

European Integration

European integration, in effect, has helped transform French policymaking processes at the same time that it has further undermined French government control over business. While French governments have lost their autonomy with regard to economic policy formulation, business has gained access to policy formulation at the EU level and an influence that had traditionally been denied it at the national level.[37]

Decisions that French governments formulated unilaterally in the past are now made through a system of multi-level governance at the EU level in consultation with member states, business, and other interests.[38] In this system, France has consistently been a major influence on grand strategy. But it has had less impact on a wide range of the day-to-day matters because of the lesser presence of French national officials in Brussels (at least until the early 1990s) and of French nationals in the Brussels bureaucracy (with the exception of the highest political ranks, since graduates of the ENA preferred the certainties of a high-flying career in Paris at a young age by contrast with the slower moving up through the ranks in Brussels to a senior position at a more advanced age).[39]

Differences in administrative culture have also put France at something of a disadvantage: Paris' conflictual, top-down form of decision-making (where influence is based on personal relationships and recommendations from lower levels are often reversed for political reasons at the end of the process) contrasts greatly with Brussels' more consensual, bottom-up sort of decision-making (where influence is generally exerted through group lobbies early in the process and recommendations are rarely reversed on anything other than technical grounds). This has often left the French seeking unsuccessfully to impose their views at the end of a process in which the bulk of the decision has been made at the beginning. But the French have been learning to manage in the Brussels culture: Despite the fact that the French have often portrayed themselves as victimized by an "Anglo-Saxon" bias in the EU Commission, especially with regard to the Competition Commission, they in fact suffered from only one major setback when it came to proposed mergers (the de Havilland decision of 1991) and from minimal interference in the case of state subsidies for restructuring to nationalized enterprises such as Bull, Renault, Air France, and Crédit Lyonnais.[40] This could change, however, as the bail-outs pile up for the Crédit Lyonnais, Air France does not meet the improved productivity requirements of its restructuring plan, and new state bail-outs proceed without prior agreement from Brussels, as in the case of the Crédit Foncier de France (CFF).[41]

Whatever the shortcomings in French government involvement in day-to-day EU policymaking, French business has gained by virtue not only of the economic advantages that devolve from the single market and monetary integration but also of its increased access to the centers of decision-making. In fact, French business heads were earlier on much more aware of the importance of Brussels than French government officials, and instrumental in spurring support for further European integration beginning in the late 1970s at the national as well as EU levels,[42] even if they were not much better than the French government when it came to an overall presence[43] or to exerting influence until relatively recently.[44]

French industry has benefited from a kind of involvement in policy formulation at the EU level that it never had at the national level, where its impact until the late 1980s was primarily at the implementation stage. Big French businesses in particular, having organized themselves to lobby as members of European and national business associations as well as individually, have increasingly become partners rather than supplicants of French ministries.[45] As such, moreover, government has tended to treat such business as it traditionally has public enterprise, that is, as a defender of the interests of the French nation, and not as an enterprise which, whether public or private, has profitability as its main goal.[46]

This conviction that business acts in the public interest, in turn, can only have been enhanced by the fact that at the head of major business firms, as often as not, are individuals whose education and career paths have been state-centered.[47] For the most part, graduates of the Ecole Nationale d'Administration (ENA) and Polytechnique (X) who are also members of the prestigious civil service corps continue to land in top management positions (although no longer immediately at the top) at a relatively early age after having had a high-flying career in the state civil service as well as, most often, having held a top post in a ministerial cabinet.[48] This recruitment pattern has, needless to say, made the transition from state-led to more market-oriented economy less worrisome for French governmental elites and the transformation of the relationship between business and government relatively painless, as French administrative elites could be confident that the increasingly independent and interdependent French businesses would be run as they might have run them themselves--or would run them themselves in the near future.

The limits to change in the business-government relationship

The changes in business and in government policies toward business, together with the constraints imposed by European integration and globalization, have made the traditional industrial policies that were often seen as synonymous with dirigisme impratical if not impossible, and generally emancipated business from traditional state control. Government has defined for itself a more limited role focused on promoting national competitiveness through continued liberalization, improving regulatory and fiscal conditions for business, and investing in the infrastructure and research. Business, rather than government, now sets overall business strategy; and everyday policies in which business and government consult on European as well as French initiatives have generally replaced the more heroic ones of the past where government led and business followed.

But these changes have not entirely stopped French governmental elites from seeking to influence business. Through European level industrial policy or through a more market-oriented dirigisme informed by the lessons of the previous decade, the state has found new, less directive ways to intervene, although sometimes the old dirigiste reflexes come to the fore. Targeted for this less directive interventionism have in particular been strategic industries in the high-technology or defense sectors and failing industries of major size and importance, in particular the "monopolistic" public sector enterprises that had been spared the often radical restructuring begun in the early to mid 1980s and the opening to competition that led to the modernization and increasing competitiveness of the bulk of French industry.

To begin with, French governmental elites gave up many of their industrial policy instruments at the national level in the expectation that they could regain these and more at the European level by creating an interventionist European industrial policy. As it turned out, however, the early hopes for European level industrial policy, fueled by the EC history of programs such as Esprit, Brite, Euram, Race, Eureka, and Jessi were disappointed. To take just one example, the French push for an EC directive setting a single technical standard (D2 MAC) for high definition television (HDTV) was thwarted by opposition from the British and the television channels as well as by the rapidity of technological change and the slowness of the EC decision-making process. Moreover, even the infrastructural policy on transport that has been a key French initiative has hit roadblocks because of a lack of sufficient non-governmental funds. This failure to promote European-level industrial policies successfully has much to do with the absence of the institutional conditions and ideological commitments necessary for "high-tech Colbertism" to be accomplished: missing are policies promoting integrated research, public procurement, and industrial champions, along with a civil service elite to initiate grands projets or an aggressively protected market.[49]

With the failure to create a European industrial policy, French governmental elites have increasingly refocused their efforts on the national level. Although they have not gone back to the excesses of traditional dirigisme, they have been more active in seeking to improve business competitiveness where they have seen the need. This has taken a variety of forms, depending upon the size, health, and global position of the company.

For industries of strategic importance to France and Europe in decent fiscal condition, French governmental elites have generally intervened by way of the encouragement of mergers and acquisitions. Especially once they saw that they would be unable to engineer European-level industrial policies that would create "European champions" in which French industry would play a key if not dominant role, they refocused their sights on creating new national champions prior to or even instead of European alliances. In fact, while most big businesses have sought to overcome size constraints by building international alliances, governmental elites, when they intervened, have consistently focused on creating larger French companies.[50] This "meccano industriel," as it has often been called, has not always been of the greatest strategic value for the businesses themselves, at least in the view of one or the other of the future partners, and has often been successfully resisted by one or the other party to the arranged marriage.

Thus, for example, Prime Minister Cresson's proposed merger of Thomson and CEA into a single superfirm, opposed at the time by the chief executive of CEA, was reduced to CEA's taking a minimal equity stake in Thomson by her successor Bérégovoy. A similar such merger attempt for Thomson by Prime Minister Balladur was also quietly abandoned. The latest government initiative to create a larger French defense superfirm, however, is likely to succeed, even though the first attempt failed, which involved privatizing Thomson by selling it to French bidder Lagardère, who subsequently was to sell its electronics division, Thomson Multimedia, to Daewoo for a symbolic franc.

Another recent attempt at consolidation in the defense industry, between an eager Aérospatiale (which is cash-poor, loss-making, and needs to reduce its 10 billion francs in long-term debt in order to be privatized) and a reluctant Dassault (which is cash-rich, profitable, and has a cash hoard of 9 billion francs), has been successful despite resistance from the CEO (whose father not only founded Dassault after the war, but was dispossessed before the war through nationalization of the firm that was to become Aérospatiale). Dassault found it difficult to resist pressure from a government that is its main military client and owns 46% of it. This merger is intended to ensure that the size and operational breadth of French military and civilian aircraft manufacture will equal that of its German or British counterparts, and make it a good competitor for American firms,[51] although the head of the German DASA criticized this French strategy as contributing more to the isolation of French industry than to a European restructuring.[52]

In addition to setting up mergers for strategic companies in acceptable condition, French governmental elites have arranged financing for firms in need of capital in non-strategic as well as strategic sectors through the acquisition of their shares by other firms. This began in the late 1980s as part of the process of restructuring of French capital when government, unable to provide funds for nationalized enterprises itself, made certain that other firms, in particular in the public sector, would offer the necessary support through the acquisition of a sizable stake in the firm. Although much of this process was voluntary, with firms swapping shares in one another to raise money, e.g., when the nationalized insurer UAP and the nationalized bank BNP exchanged 10% of their shares, it was not always so. In numerous cases firms were pressured into such share acquisition, in particular those seen as cash rich. For example, France Télécom, which had been used as a cash cow for years to fund research and development in the high technology area, has found itself strong-armed into buying into a number of other kinds of concerns, as in the case of the Hervet Bank in 1991 during Prime Minister Rocard's stewardship. Similarly, the Caisse des Dépôts et Consignations (CDC) was used by Balladur to recapitalize Crédit Lyonnais and Air France. Other nationalized banks have also been importuned, whether the BNP in the cases of the Hervet Bank and Air France or the Crédit Lyonnais in Usinor-Sacilor. To protect themselves from this, nationalized enterprises often sought changes in their statutes and guarantees in their planning contracts, as did France Télécom. Privatization, of course, has been the quickest route to foolproof protection. Increasingly, moreover, nationalized firms have been refusing to participate, despite ministerial pressure, as in the case of the Centre National des Caisses d'Épargne (CENCEP), which in May 1996 refused to take any equity stake in the Crédit Foncier de France (CFF--which had suffered major losses of close to 11 billion francs in 1995) on the grounds that there were no real synergies between the two groups, although it did not rule out participation in a bailout in conjunction with the rest of the banking system.[53]

French governmental elites do not limit themselves to arranging mergers or share acquisition for firms. They can also be much more interventionist, in particular when companies are in serious financial straits. The constraints imposed by EU Competition Commission scrutiny and the new neo-liberal climate, however, ensure that the intervention is much more market-oriented than traditional dirigisme. Instead of simply throwing money at the failing industries in order to avoid layoffs, as had often been done in the past, state aid is granted as a one-shot deal according to rigorous criteria that include a restructuring plan, a timetable for return to profitability and privatization (if the company is a public enterprise). This approach, sometimes labeled the "Renault plan" because of the state aid given it in 1985, has been applied to Thomson Consumer Electronics, Bull, and Air France.[54] But it is not always only a one-shot deal, witness the number of times CEOs have gone back to the government for more aid with a new restructuring plan. this has been the case for Bull, Air France, and, most recently, the Crédit Lyonnais, for which the March 1995 rescue plan that granted major subsidies and loan disposal agreements in exchange for the sale of assets and a future privatization has been followed by a June 1996 plan for another major loan disposal.

In the case of enterprises in monopolistic "public service" sectors such as telecommunications and transport, moreover, the new market-oriented dirigisme sometimes contains echoes of the past statist pattern, where government first seeks to impose but then retreats in the face of confrontation. For both Air France in 1993 and the SNCF in 1995, the government first forced severe restructuring plans upon reluctant CEOs but then backed off in the face of labor strife and, after accepting the sitting CEO's resignation, took a much less hard line with the new CEO who was granted major new resources to implement a much less radical restructuring. In the case of the SNCF, for example, the new CEO managed to get the government to take on the massive railway debt and infrastructure financing without making the demands for productivity improvements in return for a smaller level of debt relief that had precipitated the late 1995 strikes.

Thus, French governmental elites have not given up on state interventionism entirely. But it is more market-oriented than in the past and also much more circumscribed, limited to businesses that are in strategic areas or in trouble. Moreover, the elites themselves engineered this retreat of the state, having deregulated the rules governing business, opened up the financial markets, diminished state ownership through the privatization of nationalized industries, and diluted state control through the intermixing of public and private equity. These reforms, coming on top of increases in business concentration, consolidation, and internationalization as well as in business access to regional and European decision-making centers, have transformed the French business-government relationship: Business now leads more and government directs less. This transformation has occurred not only at the national level, where French governmental elites increasingly defer to industry leadership, but also at the regional and European levels, where governmental elites have developed new, more cooperative ways of interacting with business in these more complex, multi-level and multi-actor governance contexts.

What is more, French governmental elites have accomplished this transformation not only by way of government policies but also by means of business leadership resulting from the move of some of their members from the top ranks of government administration into those of business, private as well as public. Changes in business and its environment, in brief, have come through the state, not against it, as governmental elites have successfully managed the transition to a new set of dynamics between business and government at regional, national, and European levels. Would that these kinds of changes in the microeconomic sphere had also occurred in the socio-economic sphere.

Economic Change and Political Discourse

For much of the economy, in sum, dirigisme as a set of highly interventionist policies and directive processes is no longer possible, as French governments generally lack both the autonomy, given external economic and political constraints, and the capacity, given internal reforms, to direct the economy and to lead business as they had in the past. France is not alone in this, given that most other European countries have also had to respond to the pressures of Europeanization and globalization.[55] But for France, adaptation to these pressures has been particularly dramatic, given its traditional model of decision-making in which governmental elites formulated policy unilaterally but accomodated interests in the implementation.

In the microeconomic sphere, the transformation of the business-government relationship has been profound, as the state has limited its interventionism to a well-circumscribed area and changed its way of interacting with business at regional, national, and European levels. In the macroeconomic sphere, the transformation has also been significant, for although the state continues to intervene, it does so in a more limited, liberal manner, having given up its autonomy in pursuit of European monetary integration. France's concomitant loss of capacity in the socio-economic sphere, however, has been problematic because French governmental elites have not yet developed a new political discourse justifying these effects, let alone new modes of interaction with non-business, societal actors to mirror those it has developed with business actors.

Both the right and the left have yet to develop a political discourse that adequately legitimizes the current set of neo-liberal social and economic policies or provides a vision of how France fits within an integrating Europe and a globalizaing world.[56] The right, given its long history of statist interventionism, has consistently had difficulty articulating a coherent neo-liberal discourse that serves to legitimate either the market or private enterprise--even in the run up to the 1986 election, when the right as a whole seemed united behind neo-liberalism, it became clear that this was no neo-liberal ideological conversion, as it had been in Thatcher's Great Britain, since it was dropped once it proved electorally damaging.[57] The left has had even greater difficulties than the right in coming up with a discourse, neo-liberal or otherwise, given its abandonment of socialist economics for neo-liberalism in 1983 and of socialist rhetoric even before this for a discourse that rehabilitated business and championed the entrepreneur as the "creator of riches," and that as of 1988 made modernization its central theme.[58]

In the absence of any coherent discourse from either the left or the right, and in the presence of a lackluster consensus on what was to be done, European integration for both the left and the right represented as much a political shield as an economic one, and was used effectively to mask the lack of any real political discourse in the ameliorated economic climate in the run-up to 1992 and the single market. Subsequent to the Maastricht referendum, however, with the recession, with the successive monetary crises, and with continuing high unemployment, European integration no longer served as well. Increasing numbers of opinion leaders began to voice concerns about the lack of a "social Europe," the possibility of "social dumping" as European firms move to member-states with lower "social costs," and the threat to France's generous but costly social protection system (largely funded through employer and employee contributions rather than taxation) from its lack of convergence with the systems of other member-states.[59] Many began to insist that France did not need to submit itself passively to the markets or abandon its traditional emphasis on social solidarity.

On the left came continuing complaints about the lack of attention to solidarity issues and the need to do more both at the national and European levels about unemployment. On the right, too, growing numbers argued that something had to be done, such as Philippe Séguin who already in June 1993 had excoriated the government for its priorities that left unemployment at second best, leading France to live a "social Munich."[60] Even members of the Juppé government expressed their concern, such as Planning Minister Henri Guaino, who insisted that national solidarity must remain a primary goal, with the state helping to make a common front for growth and competitiveness, to preserve social ties, to cushion the economic shocks, and to accompany the necessary mutations.[61] Chirac himself has time and again returned to themes of social solidarity even as he preached austerity. And even Juppé, cognizant that using European integration to justify continuing neo-liberal macroeconomic policy was likely to backfire, sought instead to drive home the point that the budget cuts in the 1997 plan were dictated by internal needs, regardless of Maastricht, given that the cost of debt servicing (at 226 billion francs) would account for 80% of the year's budget deficit and 20% of tax revenues.[62]

Interestingly enough, these concerns about the social impact of monetary integration have as yet not escalated into any out-and-out condemnation of the overall project of European monetary integration in particular, or European integration more generally. Any criticism of the overall project, in fact, has remained largely taboo. "La pensée unique," literally, single-minded thought, as the injunction against criticizing the EMU is often termed by dissenters, has ensured against any thorough-going, open discussion of the problems involved. Prior to the 1997 election campaign, the only moment of open dissension occurred during the public debate on the ratification of the Maastricht Treaty, after which the discussion was closed again. Parliament, where one might have assumed the debate would continue, has been largely silent on the matter, and in any case exercises little voice or power.

The taboo itself, which is related to the fact that perseverance with monetary integration remains a point of honor and a source of national pride, ensures that public debate is choked off, leaving little or no middle ground between accepting all aspects of EMU without question or opposing it, which generally encompasses not just exit from EMU but also from the EU. The result is that even those national politicians on the right who initially opposed EMU are largely silent, with the very recent exception of former Minister of the Interior Charles Pasqua (his fellow Maastricht opponent, National Assembly President Philippe Séguin, by contrast, remains quiet, hoping to succeed Alain Juppé as Prime Minister). On the left, moreover, the Socialists even in the 1997 legislative election campaign have done no more than raise questions about the pace of monetary integration, given the social problems. Those few politicians who recommend exit tend to be marginal or marginalized, as in the case of Jean-Pierre Chevènement on the left, Robert Hue of the Communist Party, and, of course, Jean-Marie Le Pen of the National Front on the extreme right, the most vocal proponent of exit. And the public, left with little more from mainstream politicians than exhortations to continued sacrifice and incantations on the future benefits of EMU, are therefore more vulnerable to demagoguery from the extreme right.

The problem for both government and opposition is that they have yet to find a discourse that would serve to reconcile their expressed commitment to social democracy and "social solidarity" with their support of those very policies guaranteed to undermine that to which they claim to be committed. And as French citizens see taxes continue to rise while their pension benefits are diminished, their health care system is cut, their droits acquis, or workers' rights, are whittled away (albeit more in the private sector than in the public so far), and social services generally are reduced, they are losing patience--although it is a toss up whether their frustration stems from the policies that seem not to have succeeded in bringing prosperity and jobs to France or from the processes that continually leave them out of the decision-making loop.

The 1995 strikes are testimony to this loss of patience. It is telling that in his speech to the nation at the beginning of January 1996, President Chirac emphasized that the first lesson to be learned from the strikes was that governmental elites could no longer govern today as they did twenty years ago, and that the second was that they would not change France without the French: more dialogue and concertation was the only means to reform.[63] But dialogue with whom? Concertation about what?

French governmental elites have rarely achieved much dialogue or concertation in the social arena with its citizens, and have generally sought more to impose or to pacify (in the face of protest) than to listen and respond even in the best of times, when there was much more room for negotiation than today. Moreover, even if the government were truly eager to listen, the intermediary bodies necessary to such concertation are either weak or missing, itself a result of the success of pre-1981 government actions focused on undermining unions and other alternative institutions and the failure of post-1981 policies to create intermediary bodies to substitute for direct state intervention as the government deregulated.[64]

In the industrial relations arena, for example, with the reforms that eliminated government restrictions on employment practices, governmental elites sought not only to introduce greater flexibility in employment but also to generate a new kind of economic coordination system similar to the German in which employers and unions would bargain as equals without the heavy hand of the state fixing wages and work conditions. But although the shift in regulation, together with various reforms such as the Auroux laws of 1982 which set up direct dialogue between workers and management, did serve to ameliorate labor-management relations and work conditions, they produced no such coordination system. Instead, the greater flexibility afforded employers has led only to continued firings and expanding unemployment, while union strength has eroded (French unions as of 1990 had the lowest unionization rate of all OECD countries) along with the number of workers (from 40% in the 1950s to 27% today) and their pay (which improved between 1968 and the mid 1980s as a result of the continual rise in both skill level and the minimum wage, but then stalled).[65] Moreover, one of the few vehicles for participation in socio-economic policymaking, the system of union co-management with employers of social security, was eliminated by Juppé in favor of parliamentary oversight in his social security reform initiative.

In fact, the only recent reform that purportedly increases citizen participation in the policy formulation process as a whole, a constitutional amendment passed at the end of July 1995 that enables the president to call referenda on a wider range of issues than in the past (e.g., on education, taxation, the diminution in the size of the welfare state, or privatization), is one that does not necessarily ensure real consultation. Because the president would frame the question and set the terms of the debate, with a simple yes or no answer the only response possible, real dialogue and concertation is forestalled. What is more, the referendum process, by by-passing Parliament through a direct appeal to the population, also threatens to undermine further the ability of an already weak Parliament to influence policy formulation (although another amendment replacing the two short parliamentary sessions with one long one and establishing that ministers must answer parliamentary questions at least once a week does increase parliamentary oversight).

Moreover, although the project to "reform the state," announced July 1, 1996, is a step in the right direction, it is focused not on citizen participation but on state efficiency. It proposes to simplify administrative procedures so that usagers, or recipients of services, may receive quick responses and government suppliers more rapid payment and legal recourse in case of delay; to bring the state "closer to the citizen" through increased deconcentration of services of the state and through the creation of maisons des services publics, or one-stop shops, where usagers can gain access to a wide range of services in one place; and to make the administration "more modern and responsible" through reforms of budgetary procedures and performance evaluation systems for the personnel.[66]

In other words, even if the will to bring French citizens back in were genuinely there, the means are not. There are other ways, of course, in which citizens' concerns are voiced: The courts have been increasingly active in pursuing administrative as well as business malfeasance, much to the discomfort of top business executives and government officials who have found themselves facing jail sentences or in jail awaiting trial. And the press, too, has increased its investigative acumen, breaking stories today that in the past were never topics of public discussion, let alone the subjects of feature articles. The government's response is telling: it rails against the "excesses" of the courts and the press, speaking of judges and journalists who collectively "sap the morale of the nation" and "keep leaders from carrying out their weighty responsibilities," and seeks to hamper the investigations of judiciary and media through a variety of means, including legal intimidation.[67] This suggests that two of the main counter powers to central governmental authority in a democracy, and primary ways in which citizen interests are conveyed, have not gained legitimacy at least in the eyes of the government.

Moreover, there is little additional direct recourse for citizens at the European level, despite the fact that EU directives and the European court have in many instances served to promote citizen rights and protect citizens against government excess. The problem for citizens with regard to the EU is not only that EU policies deliberately leave the decisions affecting the social policy arena for the most part to the national level but also that EU processes offer little access to citizens qua citizens in policy formulation and less accommodation in policy implementation.

Although Europe's quasi-pluralist model of policymaking ensures greater openness to interest group influence in economic policy formulation than France's statist model, which sees most interest influence as illegitimate, it tends to restrict that influence to organized interests primarily from business, although increasingly environmental and other interests are gaining a hearing.[68] Individual citizens have no role in policy formulation and little recourse other than through individual appeals to Parliament or through court cases.[69] Moreover, France's statist model ensures that citizens, whether organized in interest associations or not, have little impact on the formulation of national policies toward the EU and have little experience organizing themselves to lobby directly at the EU level. This is in direct contrast to corporatist countries such as Germany or the smaller European democracies, for example, in which citizens are generally more active in making policy as union members or employers together with government at the national level, and therefore more able to influence national policy with regard to the EU or to organize themselves at the EU level.

What is more, because the European model of policy implementation is a regulatory one, in which making exceptions to the rule is illegitimate, it is in conflict with the French administrative model of implementation in which making exceptions is the rule as often as not.[70] This means that French citizens, already cut out at the formulation stage at the national level, may also find themselves without their traditional recourse at the implementation stage, since French governments are no longer as free to bend, or not, in response to citizen discontent. And this loss of flexibility in policy implementation may only mean more protests as prolonged as the ones at the end of 1995, unless or until French governmental elites find new ways of organizing French citizens as well as themselves for dialogue and concertation that will make citizens a part of the policy formulation process and perhaps, therefore, less hostile to liberalization because able to participate in its elaboration.

Conclusion

In sum, France has successfully moved from a highly state-directed economy to a more market-oriented one. And although it has not given up on dirigisme entirely, liberalism has gained a privileged place at the table. The success in changing governmental patterns of action in the macroeconomic and microeconomic spheres in response to internal needs for reform and external pressures from Europeanization and globalization, however, has yet to be translated to the socioeconomic sphere. Without at least a credible political discourse, let alone dialogue and concertation in this area, French citizens are left increasingly alienated, and the continuation of French liberalization is at risk.[71]

Footnotes

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1 See, for example, François Duchêne, Jean Monnet, The First Stateman of Interdependence (New York: Norton, 1994); Raymond Poidevin, Robert Schuman: Homme d'Etat, 1866-1963 (Paris: Imprimerie Nationale, 1986); Alan Milward, The Reconstruction of Western Europe (London: Methuen, 1984).

2 See, for example, George Ross, Jacques Delors and European Integration (Oxford: Polity Press, 1995); Charles Grant, Delors: Inside The House that Jacques Built (London: Nicholas Brealey, 1994).

3 On the complex interrelationship of globalization and Europeanization, see: Vivien A. Schmidt, "Democracy at Risk? France, Great Britain, and Germany between Globalization and Europeanization" in The State Still Matters ed., Dorothy Solinger et al. (Routledge, forthcoming 1998).

4 On the institutional impact of Europe on France in comparison with other member-states, see: Vivien A. Schmidt, "European Integration and Democracy: The Differences among Member States." Journal of European Public Policy. vol. 4, no. 1 (March 1997).

5 For an excellent set of discussions of the strikes, see: "The 1995 Strikes--Something New or Déjà Vu?" French Politics and Society vol. 14, no. 1 (Winter 1996).

6 See: Vivien A. Schmidt, From State to Market? The Transformation of French Business and Government (Cambridge and New York: Cambridge University Press, 1996), Chapter 3; and Peter Hall, Governing the Economy: The Politics of State Intervention in Britain and France (New York: Oxford University Press, 1986).

7 See: David Cameron, "Exchange Rate Politics in France: The Regime-Defining Choices of the Mitterrand Presidency," in The Mitterrand Era: Policy Alternatives and Political Mobilization in France ed. Anthony Daley (New York: Macmillan and NYU Press, 1996); Peter Hall, "The State and the Market," Developments in French Politics ed. Peter A. Hall, Jack Hayward, and Howard Machin (New York: St. Martin's Press, 1990), pp. 177-8; Pierre Favier and Michel Martin-

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Roland, La Décennie Mitterrand vol 1 (Paris: Seuil, 1990), p. 441; Schmidt, From State to Market? Chapter 4

8 Michael Loriaux, France after Hegemony: International Change and Financial Reform (Ithaca: Cornell University Press, 1991), p. 270.

9 London Times, July 29, 1993.

10 For a discussion of how this worked, see: Loriaux, France after Hegemony.

11 See Alan J. Dillingham, "The Costs of Convergence: The Case of France," ECSA Review Vol. IX, no. 2 (Spring/Summer 1996), p. 10; Elke Thiel, "Deutschmark between the Dollar and the EMS," Aussenpolitik English edition, vol. 33, no. 1 (1982); and Jacques van Ypersele, The European Monetary System: Origins, Operation and Outlook (Chicago: St. James Press, 1985)

12 Dillingham, "Costs of Convergence," p. 10.

13 Ibid. See also the comments to the Senate on November 25, 1993 by Alain Lamassoure, then Minister of European Affairs, in La Politique Etrangère de la France (Paris: Documentation Française, 1993), pp. 114-117; and Stanley Hoffmann, "French Dilemmas and Strategies in the New Europe," in After the Cold War, ed. Robert O. Keohane, Joseph S. Nye and Stanley Hoffmann , pp. 128-132..

14 The first run on the franc in 1992 was in response to financial market fears of the French vote outcome in the Maastricht Treaty referendum scheduled for September 1992, following the Danish no in June 1992, as well as more general questions about the future of monetary union, given the strains caused by the Bundesbank's raising of interest rates in July 1992. The second run on the franc in 1993 was in response to the new right-wing French government's policy of lowering interest rates to stimulate growth, misinterpreted by the markets as France's willingness to abandon the franc fort if necessary given high unemployment and a presidential election in two years. See the summary in Dillingham, "Costs of Convergence," p. 11.

15 This is similar to the CEDP (European Center of Decision of Economic Policy) proposal to coordinate economic policies of the member states in the Werner Report drafted in 1970 which set

out the first EMU blueprint. (See D. C. Kruse, Monetary Integration in Western Europe: EMS, EMS and Beyond London and Boston: Butterworths, 1980; Louka Tsoukalis, The Politics and Economics of European Monetary Integration London: Allen and Unwin, 1977). Due to lack of German support, however, it was not put into the Maastricht Treaty. See the discussion in Amy Verdun, "The Democratic Deficit of the EMU." Paper prepared for presentation for the ECPR Oslo Conference, April 1996)

16 For a more extended discussion, see: Martin Rhodes, "'Subversive Liberalism:' Market Integration, Globalization and the European Welfare State," Journal of European Public Policy vol. 2, no. 3 (Sept. 1995).

17 Linda Hantrais, "French Social Policy in the European Context," Modern and Contemporary France vol. NS3, no. 4 (1995); and Eurostat, Basic Statistics of the Community: Comparisons with the Principal Partners of the Community, 30th ed, 1993, Table 3.31; Eurostat, "European system of Integrated Social Protection Statistics," Rapid Reports. Population and Social Conditions, no. 4, 1991, Table 1.

18 New York Times, Monday, Aug. 9, 1993.

19 Economist, April 6, 1996, p. 52.

20 In France, 3.31% of GDP was spent on government employment programs in 1994 for a rate of unemployment of 11.4% in September 1995 versus Germany's 3.84% of GDP spent on employment programs for a jobless rate of 9.2%, although the ratio of funding to unemployment rate was on a par with liberal Great Britain's 2.18 % of GDP for a 8.2% jobless rate, and much better than Italy's 1.77% of GDP (in 1992) for a 11.3% rate in 1995 Wall Street Journal, November 30, 1995.

21 Economist, April 6, 1996, p. 52.

22 Financial Times, October 28, 1995.

23 See Dillingham, "Costs of Convergence."

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24 Elie Cohen, "France," in Industrial Enterprise and European Integration: From National to International Champions in Western Europe ed., Jack Hayward (Oxford: Oxford University Press, 1995); and Elie Cohen, Le Colbertisme "Hi-Tech:" Economie des Telecom et du Grand Projet (Paris: Hachette, 1992).

25 This fits with the right's history of support for its traditional constituents, the small shopkeepers, the group Chirac protected in 1975 as well with the Loyer law, which limited the expansion of supermarkets.

26 For a full discussion, see: Schmidt, From State to Market?

27 See Vivien Schmidt, "The Decline of Traditional State Dirigisme in France: The Transformation of Political Economic Policies and Policymaking Processes," Governance vol. 9, no. 4 (Oct. 1996): 375-405.

28 Schmidt, From State to Market? pp. 128-129, 221-222.

29 Ibid, pp. 220-227, 262-271.

30 Ibid., pp. 359-363.

31 See Vivien Schmidt, Democratizing France: The Political and Administrative History of Decentralization (Cambridge and New York: Cambridge University Press, 1990).

32 Ibid; and Patrick Le Galès, "Regional Economic Policies: An Alternative to French Economic Dirigisme?" The End of the French Unitary State? Ten Years of Regionalization in France (1982-1992) ed. John Loughlin and Sonia Mazey (London: Frank Cass, 1995).

33 See the brief discussion in Jonah D. Levy, "The Crisis of Identity of Post-Dirigiste France," French Politics and Society vol. 14, no. 1 (Winter 1996), pp. 40-41; and the lengthier discussion in Jonah D. Levy, "Tocqueville's Revenge: Dilemmas of Institutional Reform in Post-Dirigiste France." Unpublished dissertation, Department of Political Science , M.I.T. (1994).

34 See Bernard Dézert, La France face à l'Ouverture Européenne. Thèmes Transfrontalières (Paris: Masson, 1993)

35 Sonia Mazey, "French Regions and the European Union," in End of French Unitary State? ed. Loughlin and Mazey. See also J. Biancarelli, "La communauté Européenne et les Collectivités Locales: Une double dialectique complexe," Revue Française d'Administration Publique no. 60 (Oct.-Dec. 1991): 515-528.

36 For an excellent discussion, see: Andy Smith, "Putting the Governance back into Multi-Level Governance: Examples from French translations of the structural funds." Paper prepared for presentation at the European Consortium for Political Research meetings (Oslo, March 30-April 3, 1996).

37 See Vivien Schmidt, "Loosening the Ties that Bind: The Impact of European Integration on French Government and its Relationship to Business," Journal of Common Market Studies, (June 1996).

38 For a summary discussion of multi-level governance, see Gary Marks, Liesbet Hooghe, and Kermit Blank, "European Integration since the 1980s: State-Centric versus Multi-Level Governance." Paper presented at the Conference on "Politics and Political Economy in Advanced Capitalist Democracies," Humboldt-Universität zu Berlin, (Mary 26-27, 1995).

39 See: Christian Lequesne, Paris--Bruxelles: Comment se fait la Politique Européenne de la France (Paris: Presses de la Fondation Politique Nationale des Sciences Politiques, 1993); Jean de la Guérivière, Voyage à l'Intérieure de l'Eurocratie (Paris: Le Monde Editions, 1992); and J. Nonon, and M. Clamen, L'Europe et ses Couloirs: Lobbying et Lobbyistes (Paris: Dunod, 1991).

40 Schmidt, "Loosening the Ties."

41 In addition to concerns raised about the Crédit Lyonnais and Air France, the Commission opened an official investigation on July 3, 1996, into the subsidies given CFF without prior EU approval.

42 See Maria Green Cowles, "Setting the Agenda for a New Europe: The ERT and EC 1992, Journal of Common Market Studies vol. 33, no. 4 (Dec. 1995); Maria Green Cowles, "The Politics

of Big Business." Paper prepared for presentation at the European Community Studies Third Biennial Conference (May 27, 1993, Washington, D.C.); Henri Weber, Le Parti des Patrons: Le CNPF, 1946-1990 (Paris: Editions du Seuil, 1986).

43 Commissariat Général du Plan, La France et L'Europe d'Ici 2010 ed. Jean-Baptiste de Foucauld (Paris: Documentation Française, 1993), p. 92

44 There are, however, great differences in influence according to sector of business that depend upon degree and length of time of internationalization, the level of effectiveness of individual firms or business associations, or the progressiveness of its industrial strategies, e.g., the successes of the long-internationalized pharmaceuticals industry and the innovative energy sector vs. the failures of the weakly organized automobile industry. See Schmidt, "Loosening the Ties."

45 J. François-Poncet and B. Barbier, 1992: Les Conséquences pour l'Economie Française du Marché Intérieur Européen (Paris: Economica, 1989); Schmidt, "Loosening the Ties."

46 Elie Cohen, Le Colbertisme 'High Tech': Economie des Télécom et du Grand Projet (Paris: Pluriel, 1992), 217-18

47 Vivien Schmidt, "An End to French Economic Exceptionalism? The Transformation of Business under Mitterrand," California Management Review vol. 36 (Fall 1993): 75-98; Schmidt, From State to Market?, chapters 10 and 11.

48 On the recruitment patterns for business heads, see: Michel Bauer and Bénédicte Mourot, Les 200: Comment Devient-on un Grand Patron? (Paris: Seuil, 1987).

49 Cohen, "France," in Industrial Enterprise and European Integration: From National to International Champions in Western Europe ed. Jack Hayward (Oxford: Oxford University Press, 1995)

50 The defense of French companies has not always been limited to the government, however, witness the French car industry's response to De Benedetti's threat to sell his controlling stake in the automotive components company Valeo to a foreign buyer.

51 Le Nouvel Economiste, no. 1048, May 15, 1996; Herald Tribune, May 25-26, 1996.

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[52] Les Echos, May 10, 1996.

[53] Le Monde, May 25, 1996.

[54] Levy, "The Crisis of Identity," p, 41.

[55] See Vivien A. Schmidt, "The New World Order, Incorporated: The Rise of Business and the Decline of the Nation-State." Daedalus vol. 124, no. 2 (Spring 1995): 75-106.

[56] On the importance of a national discourse, see: Vivien A. Schmidt, "Discourse and (Dis)Integration in Europe: The Cases of France, Great Britain, and Germany," Daedalus (forthcoming Summer 1997).

[57] See Emmanuel Godin, "Le Néo-Libéralisme à la Française: Une exception?" Modern and Contemporary France vol. NS4, no. 1 (1996).

[58] For the progressive change in socialist plans and rhetoric from the 1970s to the early 1980s, see: Schmidt, From State to Market? pp. 96-106.

[59] See: Hantrais, "French Social Policy."

[60] Le Monde, June 18, 1993.

[61] Le Monde, May 24, 1996.

[62] Financial Times, May 7, 1996.

[63] Le Monde, Jan 2, 1996.

[64] See the discussion in Levy, "The Crisis of Identity," pp. 38-40.

[65] Insee, Le Monde, May 24, 1996.

[66] For details on the proposed reform, see the symposium, "Repenser l'État?" Revue Politique et Parlementaire no. 982 (March-April 1996).

[67] See the article by Patrick Jarreau in Le Monde, July 7-8, 1996, pp. 1, 9.

[68] On Europe's quasi-pluralist model and its impact on member-states' models, see: Schmidt, "European Integration and Democracy." On interest representation in the EU, see: Sonia Mazey and Jeremy Richardson, eds. Lobbying in the European Community (Oxford: Oxford University Press, 1993).

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69 See Michael Nentwich, "Citizens' Involvment in European Politics: Towards a More Participatory Democracy?" Paper prepared for the Fourth Biennial International Conference of the European Community Studies Association (Charleston, South Carolina, May 11-14, 1995).

70 See Schmidt, "Loosening the Ties;" and Schmidt, "European Integration and Democracy."

71 For an impassioned discussion of the problems for French democracy of using European integration to justify change, see: Paul Thibaud, Et Maintenant...contribution `a l'après Mitterrandisme (Paris: Arléa, 1995).