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Note from the editors

Introduction: the state and the economy

Among the propositions the new economic sociology has formulated over the last four decades, only a few can reach a level of consensus as high as the one concerning the role of the state within western economies: far from being opposed to the economic sphere of life, as some traditions of thought might have put it in economics (Hayek, 1944) or political science (Lindblom, 1977), the role of the state appears to be decisive if one is to understand how markets evolve (Fligstein, 2001), how firms are shaped and change (Roy, 1997; Fligstein, 1990), and how professions consolidate or lose territory (Abbott, 1988). This consensus has opened research questions that this issue of the newsletter explores: how should "the state" be conceptualized? How can it be empirically grasped? What has been its role in different national settings?

The classical way to tackle these questions is by distinguishing between "strong" (France, Italy, Japan) and "weak" (United States, United Kingdom) states. Three articles of this issue challenge both the way these ideal-types are usually embodied and how they are conceptualized. *Monica Prasad* shows that while the American state has long been considered a paradigm of a weak state, a recent and converging stream of research demonstrates that it has been actually much more powerful and interventionist than it seemed. This is not to say, of course, that the American state has no specific features which need to be explained. Recalling the argument of her last book, Prasad (2012) delves into one of these specificities, the weakness of the welfare state. According to Prasad, the US state developed in this idiosyncratic way because it first developed as an agrarian state, and interventions driven by farmers of the South and Midwest finally undermined the development of a public welfare state.

The contribution of *Tommaso Pardi* also deals with an allegedly paradigmatic embodiment of a weak state, considered, what is more, at the very top of its neo-liberal tendencies: the British state in the early 1980s, under the reign of Margaret Thatcher. Here again, the picture Pardi offers of British state involvement in the economy is counter-intuitive. Far from being committed to the systematic dismantling of any form of industrial policy, the British state appears to play a key role in the reshaping of the British automotive industry. Following and discussing the framework of Neil Fligstein (2001), Pardi shows that the state interventionism in this case was motivated by a systematic defense of the interests of industry subcontractors, rather than by protectionism towards the main producer, British Leyland.

If "weak states" do not seem so weak on closer examination, the same qualification goes for allegedly "strong states", such as France. Adopting a long-term perspective, *Pierre François and Claire Lemercier*, focus on some of the most spectacular tools states can mobilize to interfere with the economy, nationalization and state-owned enterprise (SOEs). They show, first, that when placed in a systematic and longitudinal set of comparisons, the French case does not seem so unusual: SOEs are not so much typical of a country than they are of a period, that of post-World War II, where they occur in most of the Western economies. Second, placing French SOEs in the interlocking directorates network, they show that SOEs did not disrupt the network; on the contrary, they melted in mechanisms that existed long before they were created.

These three papers not only show that the classical historical embodiments of weak or strong states should be reconsidered, but also that the categories used to study the ways that states influence the economy can be rethought: for all three of them, the most relevant question may not be a quantitative one, about the "weight", the "size" or the "strength" of the different states, but a qualitative interrogation, about the way the state intervenes and the tools it mobilizes. This shift is particularly well exemplified in the last two papers of the issue. Both of them present a way to reconsider the way state engages with markets. A classical way to address this question is to show how states are involved in the creation and in the dynamics of markets (Polanyi, 1944; Fligstein, 2001). The two papers here suggest looking at how the market can be considered as a tool for the implementation of public policies (François, 2007). Studying the public policy dealing with the use of pesticide in French vineyards, *Ansaloni and Smith* show how state representatives are now convinced to implement strategic aspects of this policy (the training of actors) by market mechanisms. They also show that this choice has political consequences, in that relying on such mechanisms, in this specific case at least, means that giving up the ability to define "the public interest."

Dealing with a completely different topic – the regulation of the market for medicines – *Etienne Nouguez* brings together two seemingly unrelated streams of research: the sociology of prices and value (Beckert and Musselin, 2013) and the analysis of government instruments (Hood, 1986; Lascoumes and Le Galès, 2004). Focusing on the role of the commission mandated with price fixing, he shows how its role includes that of a valuer, transferring into price form different principles of value related to public interest, but that it also acts as a planner, aiming to control the structure of health expenses through price mechanisms, and as a regulator, influencing more or less explicitly the strategies of pharmaceutical firms.

The interview with *Mark Mizruchi* shows how the question of the state can find its place in an intellectual path: retracing the many questions he has worked on over the last thirty years, Mark Mizruchi explains how the political dimensions of economic life sometimes appear in the forefront of his research questions while sometimes, without completely disappearing, fall much more in the shadow. This waxing and waning of state-related questions in an individual research agenda can be seen as symptomatic of the way economic sociology deals with them.

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Radical America

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Everyone knows that America is a country in love with money, and that its weak government primarily adopts policies that benefit the wealthy. Europeans seem to be particularly convinced of this. From newspapers to the most exalted halls of learning all across Europe, the legend abounds that Americans do not care about community, are not bound by norms of redistribution, and do not want to tie down their large corporations in any way. This laissez-faire, anti-government attitude is what explains the higher rates of poverty in the U.S., these scholars suggest, and explains as well the rise of the right from Ronald Reagan through the Tea Party.

The only problem with this explanation is what to do with all the exceptions. Sweep them under the rug, seems to be the answer of scholars committed to the idea that a national culture of individualism and respect for the market drives American history. But so many exceptions have piled up at this point that the rug does not seem large enough to cover them.

Case in point: as Jens Beckert shows in *Inherited Wealth*, the United States actually had more progressive rates of taxation on inherited wealth than France or Germany (Princeton University Press, 2007). Sven Steinmo, investigating the tax systems of the U.S., Britain, and Sweden, found that this seems to be the case for the tax system as a whole: "to my amazement, [I] found that the United States received more revenue from corporate taxes…than virtually any other OECD democracy…The United States *must* have one of the most regressive tax systems in the democratic world. But I could not find any evidence to support this proposition….Sweden had the heaviest *and most regressive* VAT in the world…" (*Taxation and Democracy,* 1993, New Haven, CT, Yale University Press, p.xiv; see also Mendoza, Razin, and Tesar, "Effective Tax Rates in Macroeconomics" in *Journal of Monetary Economics 34(3)*: 297-323; Lindert, Peter, 2004, *Growing Public,* Cambridge University Press; *OECD Tax Ratios: A Critical Survey*, 2001; Sorensen, Peter Birch, 2004, *Measuring the Tax Burden on Capital and Labor*, MIT Press).

In corporate regulation, David Vogel writes "the United States remains distinctive in that its rules and regulations [on corporate behavior] tend to be consistently stricter than those of other capitalist countries, and it provides more opportunity for political participation by nonindustry constituencies" (*National Styles of Business Regulation,* 1989, Ithaca: Cornell University Press, p.9). In a study of mining regulation John Braithwaite notes "the U.S. enacted probably the world's most punitive statute for regulating business, the 1969 Federal Mine Safety and Health Act… the broader historical trend…in the United States has been toward increasing punitiveness…[in Great Britain and France there has been] a much longer shift away from prosecution" (*To Punish or Persuade,* 1985, Albany: State University of New York Press, p.3). (On corporate regulation see also Kelman, Steven, 1981, *Regulating America, Regulating Sweden: A Comparative Study of Occupational Safety and Health,* Cambridge, MA: MIT Press; Brickman, Ronald, Sheila Jasanoff, Thomas Ilgen, 1985, *Controlling Chemicals: The Politics of Regulation in Europe and the United States.* Ithaca: Cornell University Press; Badaracco, Joseph L., Jr., 1985, *Loading the Dice: A Five-Country Study of Vinyl Chloride Regulation,* Boston, MA: Harvard Business School; Echols, Marsha A., 1998, "Food Safety Regulation in the European Union and the United States" in *Columbia Journal of European Law 4:*525-544; Daemmrich, Arthur A., 2004, *Pharmacopolitics.* Chapel Hill and London: University of North Carolina Press).

The U.S. was an early pioneer in efforts to protect the environment (although it has since fallen behind): Richard Benedick shows that it was the U.S. that led the successful international effort to protect the ozone layer, against EU opposition (*Ozone Diplomacy,* 1998, Cambridge, MA: Harvard University Press).

American bankruptcy law has always been more friendly to debtors (who are generally lower in the socio-economic spectrum) than to creditors (who are generally wealthier) than any other country: "The United States has been the most notable exception (outlier?), with a liberal 'fresh start' policy for individual consumer debtors in effect since 1898 … [in other countries] Debtors have never been able to get an immediate debt discharge as in the States, facing instead various restrictions imposing limited, conditional, and suspended discharge rules" (Tabb, Charles J., 2005, "Lessons from the Globalization of Consumer Bankruptcy" in *Law and Social Inquiry 30*: 763-764; Niemi-Kiesiläinen, Johanna, 1997, "Changing Directions in Consumer Bankruptcy Law and Practice in Europe and U.S.A." in *Journal of Consumer Policy 20*: 133; Skeel, David A., Jr., 2001, *Debt's Dominion: A History of Bankruptcy Law in America,* Princeton: Princeton University Press).

Indeed, the trope of the market-friendly U.S. is so prevalent that scholars are always surprised when they actually conduct comparative studies. Like Sven Steinmo, Rawi Abdelal notes his shock at discovering the truth in his study of the dismantling of capital controls: "I assumed that I would find ample evidence of American leadership, Wall Street's enthusiasm, the U.S. Treasury's guidance, Rightist politicians, and 'neoliberal' economists and policymakers. I found nothing of the sort. Instead, I discovered European leadership in writing the liberal rules of global finance, Wall Street's caution and skepticism, the U.S. Treasury's ambivalence…" (Abdelal, Rawi, 2007, *Capital Rules: The Construction of Global Finance,* Cambridge, MA: Harvard University Press, xi). Andreas Busch writes: "Contrary to popular conceptions of economic life in the United States, American banks operate in a highly regulated banking environment" (33); this has been the case since the Great Depression. In the U.K. no formal regulatory agency exists at all to regulate banks, and Germany and Switzerland both responded to the Great Depression with lighter regulation than the U.S. (*Banking Regulation and Globalization.* 2009, Oxford: Oxford University Press). European banks have never had to contend with regulations against branch banking or regulations separating commercial and investment banking, for example. (On financial regulation see also Jackson, Howell E., 2007, "Variation in the Intensity of Financial Regulation: Preliminary Evidence and Potential Implications" in *Yale Journal on Regulation 24(2)*: 253-291; Coffee, John C., Jr., 2007, "Law and the Market: The Impact of Enforcement" in *University of Pennsylvania Law Review 156(2)*: 229-311).

Historian William Novak sums up this new generation of scholarship: "the American state is and always has been more powerful, capacious, tenacious, interventionist, and redistributive than was recognized in earlier accounts of U.S. history" ("The Myth of the 'Weak' American State" in *American Historical Review* 2008).

The point of this new generation of scholarship is that no country – not even the U.S. – has made capitalism work without heavy state intervention. If we begin from that starting point, we get a much better understanding of exactly how and why capitalism develops, and why it has developed differently in the United States and Europe. More specifically, we get a more complete understanding of precisely why the United States has a less well developed welfare state, and consequently greater poverty, than any of the countries of Europe.

In my recent book *The Land of Too Much* I argue that the American state is not less interventionist in general, but American state intervention takes a peculiar form: it is agrarian state intervention, a progressive set of interventions driven by Southern and Midwestern farmers in the early nineteenth century, and it had surprisingly non-progressive results. It was American farmers who upheld the tradition of progressive taxation and adversarial regulation, but these interventions ended up undermining the public welfare state.

The book begins by noting that from the mid-nineteenth to the mid-twentieth centuries, the key difference between the U.S. and Europe was the astonishing growth rates of the former, compared to the economic difficulties of the latter. American productivity was growing by leaps and bounds, and new developments in refrigeration and transportation brought that productivity all over the world, especially in agricultural products. But because of the gold standard, instead of leading to prosperity for all, that productivity led to price declines everywhere. European farmers were crushed by the flood of American grain. They joined coalitions in favor of protectionism. American farmers were also protectionist, but protectionism was not enough of an answer for them, because it was their own domestic productivity that was causing declines in the prices of their products.

What followed in the U.S. was a period of soul searching. How can it be, observers wondered, that *producing more goods* could actually cause such problems? So much effort had gone into increasing productivity in the nineteenth century, and now that increased productivity lay rotting in the fields. During the Great Depression this paradox became almost unbearable. As populist Senator Huey Long of Louisiana wondered, how could there be corn going unsold while people were hungry? Cotton so abundant that farmers could not get rid of it, and yet children dressed in rags throughout America?

What emerged from this puzzlement was a political economy focused on breaking up concentrations of wealth through progressive taxation and through heavy regulations on banks and financial institutions. But the great irony of this story is that these instances of greater regulation, regulation against the wealthy, combined to undermine the welfare state.

Agrarian politicians voted on several occasions against national sales taxes because of their regressivity. But regressive sales taxes, particularly the value added tax, underpin the revenue base of every other advanced industrial country. There are three reasons why progressive taxation undermines the state. First, scholars such as Harold Wilensky have argued that progressive taxation creates more political protest against taxes, whereas the relative invisibility of sales taxes dampens political protest, and there does seem to be behavioral evidence suggesting that the visibility of taxes and fees is a key factor in the degree to which they generate protest. (Junko Kato has argued that this was particularly the case in the post-war period, because after the onset of economic crisis in the 1970s it became difficult to shift to a different tax base: thus, it was those countries that had selected value added tax *before* the 1970s that did not see widespread protest against taxation.) A second reason why sales taxes lead to a larger state is that they are less economically distorting, as authors such as Peter Lindert have argued. They tax consumption, and thus encourage savings, which promotes economic growth. And finally, as I show in detail in the book, progressive taxes led to a system of tax preferences (exemptions and loopholes in the tax code) that undermined the welfare state.

Meanwhile, agrarians also voted for heavy regulation of banking and the financial sector; for example, the Glass-Steagall regulations separating commercial and investment banking, or the McFadden act which prevented branch banking across state lines. These curiously stringent regulations were anomalies, not seen in European countries. The result of these regulations was that there were many more "unit banks" in the U.S., banks that were small and local and not part of a larger network of branches. But as economists point out, policies such as branch banking actually make a banking system more stable: unit banks are more susceptible to downturns in local conditions, and may not survive droughts or runs on the bank. Branch banks have deeper pockets and are more diversified against local conditions. For these reasons, greater regulation of finance in the U.S. ended up causing a crisis of the financial sector – not seen in countries like Canada where the financial sector was less regulated – which required the state to step in and resurrect finance through the creation of an infrastructure of home mortgage credit. This underpinned the "mortgage Keynesianism" of the American state that developed over the next several decades, and which – in a process traced out in more detail in the book – undermined the development of the public welfare state. That under-developed public welfare state is the reason for greater poverty in the U.S.

Meanwhile, in return for the development of the public welfare state, European corporations received a political economy biased against consumption, and towards production. After the Second World War several European countries specifically aimed to reduce private consumption and channel all profits towards exports. This was a strategy of recover after the Second World War, and it was enormously successful. Part of this strategy included the looser regulations documented above. These policies focused on promoting producers at the expense of consumers, to the point that scholars have called these European policies "supply side."

Understanding this history sheds new light on some important episodes in history. For example, it helps to explain the movement for deregulation under Ronald Reagan. American corporations were in fact more heavily regulated in the 1980s than European corporations, which means that Reagan was actually pushing the U.S. closer to the European pattern. This history of a Europe focused on production also explains why Germany has been so resistant to Keynesian stimulus in the current moment: welfare spending in Germany was never part of a Keynesian logic. Rather, it was a side effect of a political economy focused on promoting investment and production, and Keynesian stimulus spending is exactly the opposite of that.

One of the strongest legacies of the neoliberal movements of the 1980s is that they have made all of us forget America's radical past. Many scholars now seem to sincerely believe the Tea Party version of events – that government intervention in the public interest conflicts with American values or American traditions. But Americans have been vociferous about using the state in the public interest throughout this nation's history. The challenge for scholars now is to develop new theories of capitalism that can explain and incorporate this surprisingly radical American history.

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From Markets as Politics to the Politics of Markets: Unpacking the Relationship Between State and Firms

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The analysis of the political relationships between states and firms has played a pivotal role in the neo-institutional renewal of economic sociology. During the last twenty years this literature has produced remarkable studies showing how stable markets emerge when incumbent firms manage to control competition through state intervention (Fligstein 1990; Fligstein 2001); how political institutions shape markets because industrial policies embody culturally constructed ideas about efficiency that firms enact through their strategies (Dobbin 1994a; Dobbin 2004); how incumbent firms define and qualify the content and the outcomes of political institutions through their policies and practices (Dobbin 2009); and how ultimately not only the emergence and reproduction of markets as fields, but also their destabilization stems "either directly or indirectly from 'shocks' set in motion by actors in state fields" (Fligstein and McAdam 2012, 207).

Yet, most of this literature has conceived of the state "as an exogenous force" (Fligstein and McAdam 2012, 5) and approached state-firm relationships mainly from a macro-institutional perspective. In particular, the way the state interacts with firms in building market institutions has been almost systematically treated as a black box whose behaviour could be deduced from the historical interplay between changes in the macro structure of markets (e.g., changes in the relative positions of incumbents and challengers) and changes in the political institutions. Typically, the problem of characterizing the underlying dynamic of institutional creation, reproduction and change in markets has been broken down into normative hypotheses to be tested on different types of historical datasets. If this approach has proved highly productive as far as it has allowed the coverage of extended periods of time with relatively few resources, and permitted researchers to confront orthodox economic theory on its own ground of quantitative analysis and positivist methodology, it does however entail certain limits.

In this paper we will discuss three in particular: its incapacity to grasp political institutions as social processes; its difficulty in producing more accurate theories of state action in the economy; and its lack of sensitivity to the cumulative effect of piecemeal endogenous institutional change on the dynamics of market fields. It is not our intention though to engage in the usual criticism developed by the proponents of more qualitative micro "realist" methods against the advocates of more quantitative macro "positivist" methods, but rather to stress the need to build some form of articulation between the two if we want to capitalize on the theoretical headways made by macro-institutional works in this field of research.

To advance in this direction we propose two steps: first, to endogenize policymaking in the analysis of market fields, and second, to equip macro-institutional hypotheses with more *inductive methods* to unpack the black box of the state-firm relationship. In other words, rather than just thinking of markets "as politics" (Fligstein 1996) we propose to look into the politics of markets as social processes which are at least in part endogenous to market field dynamics. To be fair, this is also what Fligstein and McAdam have proposed (2013, 205-206), at least in theoretical terms, but it is not what they do in their case studies, where they stick to macro-institutionalist lenses and keep treating policymaking in deductive terms[1].

As a way to illustrate our perspective, we will rely in the second and third sections of the article on our analysis of the decline of the British motor industry under Margaret Thatcher (Pardi forthcoming). This is an interesting case study for our purposes for at least two reasons. First, because it is a topic that has been extensively studied, but in which little attention has been paid to the role played by government policies in the decline of the British motor industry during the 1980s[2]. Second, all the dimensions of state-firm relationships that have been highlighted as im portant by macro-institutional hypotheses are present here: a key national industry, controlled by powerful incumbent firms, which is exposed to destabilizing exogenous shocks and to radical shifts in government policies, and eventually undergoes a profound transformation of its field structure.

We will use the case study, firstly, to test the "limits" of macro-institutionalism in dealing with the black box of state-firm relationships (section 2), and then to show what can be gained, both in terms of explanatory power and theoretical accuracy, by unpacking the underlying policy-making as a social process (section 3).

1 Macro-institutional approaches and their limits

As a range of ethnographic researches in the field of organizational studies has convincingly argued (Tolbert and Zucker 1999; Zucker 1987; Boden 1994), macro-institutional approaches in economic sociology fail to seize institutionalization as an active social *process* and only treat it as a *state* (Dobbin 1994b). For our purposes, this means that macro-institutionalism either takes political institutions at their face value, by relying for instance on the way politicians, civil servants and industrial representatives publicly introduce and/or justify institutional changes using consensual notions of efficiency and public good, or rationalizes ex-post the aim of political institutions by looking at their perceived outcomes in the given market fields. Both these options are problematic. The first because it gives the impression that all political action is shaped by values, while, in fact, what makes actions "political" is that they are made *in the name of values* (Jullien and Smith 2011). The second because it establishes a functionalist link between the perceived outcomes of given institutions, the interests of certain parties, and the underlying purposes of policy making, as if public action in the economy was always perfect and systematically succeeded in achieving its precise aims.

A second limit of macro-institutional approaches concerns the normative hypotheses it produces on policymaking and state-firm relationships. Whereas these hypotheses make insightful predictive statements about the social processes involved in policymaking, these statements tend to be general enough to be very difficult to falsify as far as they always seem capture at least a part of the "truth" (Goldstone and Useem 2012). Because of that very reason, these statements can vary significantly from one research to another without generating internal debate in the discipline. As a result, cumulative work in this field of economic sociology does not seem to produce more accurate theories of state action in the economy, but a patchwork of distinct claims tied together by a loose consensus on the socially constructed fabric of markets and economies (Fligstein and Dauter 2007; Dobbin 2004). For instance, the influential works of Frank Dobbin and Neil Fligstein on the social construction of markets are almost systematically cited alongside one each other as if they agree on the underlying processes inherent to the creation, reproduction and transformation of markets, but in fact they don't. On the one hand, Dobbin claims that the structure of markets in each national economy is determined by the cultural values embedded in policymaking and that institutional changes happen when there are shifts in values or in the way values are interpreted (Dobbin 1994a). According to Dobbin, policymaking is therefore exogenous to markets, and dominant market actors have to adapt to the institutional environments produced by the state. On the other hand, for Fligstein it is the "field structure" of each market that shapes the political institutions that allow for its reproduction and ultimately confer on each market its structural stability (Fligstein 2001). If market institutions do eventually change after a certain period of time, it is because the market structure has been changed under the effects of exogenous shocks. Thus, according to Fligstein, while policymaking remains exogenous to markets because the state is considered as an autonomous field, the outcomes of policymaking can be considered as endogenous to markets because they tend to reproduce the interests of dominant firms in each market field.

What Dobbin and Fligstein *do agree* on is the fact that both "ideas about efficiency" promoted by the states, and "conceptions of control" promoted by dominant firms in markets, are social and cultural constructions that result from contingent historical processes involving agency and power. But this loose consensus does not take away either their fundamental disagreement about the underlying dynamics of policymaking and institutional changes, or the surprising lack of debate and research on how to articulate these divergent but well established views in any common frame.

A third important limit of macro-institutionalist approaches concerns the characterization of institutional change. According to macro-institutionalism, institutional change only happens – in markets or elsewhere – when institutions are formally changed by "exogenous" state action in reaction to "exogenous" shocks and/or shifts in political values. An important critique of this view has been developed by political sociologists who have argued that institutional change happens continuously, even when political institutions do not formally change (Streeck and Thelen 2005; Mahoney and Thelen 2009). According to this view, self-reflective actors are constantly engaged in political projects that entail subtle but significant cumulative changes in the way political institutions are interpreted and implemented within and between markets (Jackson 2005). From a distinct but similar perspective, Lawrence et al. (2009) have introduced the notion of institutional work in order to grasp how individuals endogenously build, sustain and transform social institutions within organizations. These critics raise an important challenge for macro-institutional approaches: how to articulate endogenous and continuous "piecemeal" change with the effects of exogenous shocks in the analysis of market fields' dynamics. This challenge can also be linked to the first two limits highlighted above insofar as it should push researchers to look at institutional change in markets' policies as a social process rather than as a succession of states, and to eventually take interest in what is happening inside the black box of state-firm relationships rather than deducing its functioning from outside.

In the next section we will follow this route to understand what happened to the British motor industry under the governments of Margaret Thatcher in the 1980s. We will first argue that while government's policies clearly played a decisive role in the decline of the "national champion" British Leyland, the rationale behind these policies and their precise wider implications escape deductive reasoning and remain until today an unsolved mystery. We will then show how looking into the black box of policymaking not only provides a surprising solution to the mystery, but also qualifies macro-institutional hypotheses about policymaking and state-firm relationships in important ways.

2 A case study in decline: the British motor industry under Margaret Thatcher

Up to 1973, British Leyland (BL)[3] dominated the British motor industry. BL was the post-war result of a series of government-driven mergers between indigenous carmakers to create a "national champion". By the early 1970s, BL controlled 40% of the domestic market, represented over 50% of domestic production, and exported about 40% of its production. While its profitability was criticized as low, the company had not displayed a single year of losses since its last merger in 1968. The other two main domestic producers were the long-established subsidiaries of Ford (Ford UK) and General Motors (Vauxhall), which controlled respectively about 20% and 10% of the domestic market.

In 1973 two important changes happened in the economic environment of BL. First, following the UK entry in the European Union, duties on imported cars from the EU dropped from 11% to nothing. Second, the first oil shock caused a sharp drop in the sales of new cars in all the major world markets which increased international competition, in particular by the Japanese whose aggressive export-oriented strategy was backed by significant cost advantages (Altshuler and Roos 1984; Freyssenet et al. 1998).

It is generally recognized by business historians that BL, which had not completed the rationalization of its production facilities after the last wave of mergers and was affected by several production problems, was particularly badly equipped to face the economic storm that followed[4]. By 1975, production volumes were already 34% below their 1972 level and the company had to be rescued by the state in order to avoid bankruptcy. In order to restore BL's production levels, the Labour government set in place an ambitious policy, called the Ryder Plan, which consisted of modernizing the product range and the production facilities of the company through substantial injections of public money, but without engaging in major restructuring. By the time Margaret Thatcher was elected into government in 1979, it was clear that the Ryder Plan had largely underestimated the gravity of the situation. Production levels had continued to worsen and had dropped 45% below their 1972 level. Domestic market share had crumbled to 20% while imports had climbed to 56% from 14% at the beginning of the decade. Furthermore, despite a capital injection from the state of about £900 million, the accounts of the nationalized company displayed an appalling cumulated loss of £332 million.

The causes of these "disasters" have been largely debated in the literature. Scholars have blamed the poor state of industrial relations and the irresponsible attitude of trade unions, the lack of managerial competences, and the lack of state support in the form of pertinent and coherent industrial, incomes and trade policies[5]. It should be noted however that while BL had certainly suffered more than most of the other "national champions" in the world automobile industry, its problems were far from unique. With a few Japanese exceptions, all the other major carmakers had also suffered massive losses during this period marked by the double oil shocks and the economic crisis, and many had to be rescued by their governments and/or were purchased by competitors (Freyssenet et al. 1998).

By contrast, only BL amongst all these "national champions" in crisis did not manage to recover market share and restore profitability during the 1980s. By the time the company was finally privatized in 1988 to British Aerospace for £150 million, an additional two billion pounds of public money had been poured in its accounts (bringing the total since 1975 to over £3 billion) without generating any profit and without preventing the further erosion of its domestic market share to an historical low of 15%.

As with the 1970's "disasters", this prolonged decline has also attracted several explanations in the literature, in particular by business and economic historians, but remains even more difficult to elucidate. As stressed by Tolliday, "with a modern range of excellent products and a more focused strategy, BL/Austin-Rover has done worse in terms of market share than it did with poor models and confused management in the late 1970s" (Tolliday 1988, 67). The same could have been said for almost all the other dimensions of the company. With better industrial relations, better management, better products, improved economic conditions and continuous government support, not only BL did not recover, but kept losing market share and accumulating losses (Pardi forthcoming).

One possible explanation of the paradoxical decline of BL that has attracted surprisingly little attention is the role of government policy. Indeed, with the election into government of Margaret Thatcher in 1979, British industrial policy had suddenly shifted from an extreme protectionist program that supported "national champions" with little regards for their competitiveness in international markets, to an extreme liberal program that supported free market and state withdrawal from economy with little regards for its consequences on ailing nationalized industries. In particular, the appointment of Keith Joseph, the ideological father of Thatcherism, as Secretary of the State for Industry augured badly for the immediate fortunes of the weakened BL. His removal from office only one year later, in 1981, at the same time when the new corporate plan of BL was under negotiation, has been therefore interpreted as a U-turn in industrial policy (Wilks 1988). Against the repeated advice of Joseph to close down the company, Thatcher eventually decided in December 1981 to invest a further one billion pounds in the ailing nationalized carmaker. According to Wilks (1988), three reasons accounted for this shift towards a more pragmatic industrial policy. First, the cost of closing down BL was estimated to be almost the same as keeping the company alive, at least in the short term. Second, under the drastic tenure of Sir Michael Ewardes, the unions at BL had come to accept a massive restructuring program that entailed the closure of thirteen factories and the laying off of 25 000 workers, and these were exactly the kind of measures that the government expected in exchange for its support. Finally, the British motor industry was still the main exporter and the main industrial employer of the country, and it was argued that Thatcher simply could not afford the political price of closing down the last domestically owned carmaker, which still represented 43% of the total British production.

Yet, one would have expected that once the government had made up its mind about supporting BL, and had entrusted substantial amounts of public money and political capital in the operation, it would have also taken the kind of measures that BL required to recover market share and profitability. But what the Thatcher government did was exactly the opposite. First, it subsidised the entry of new domestic competitors in the form of the Japanese carmakers, starting with Nissan in 1984, followed by Toyota and Honda in 1989. Second, it deregulated the market for car parts and new cars with the declared aim of bringing down prices and increasing competition in a market where BL was clearly the weakest player (Monopolies and Mergers Commission 1982; Monopolies and Mergers Commission 1992; Monopolies and Mergers Commission 2000). Both these political projects started in 1981 at the same time when the new corporate plan of BL was approved.

As we have argued in Pardi (forthcoming), such a schizophrenic policy did not make a lot of sense: if the government wanted to replace BL with more competitive Japanese carmakers, then it should have not invested several hundred million pounds per year to rescue the ailing "national champion"; and if it wanted to restore the fortunes of BL as the last owned domestic carmaker, then it should have not increased competition when the company mostly needed protection to recover.

Wilks has argued, however, that such misconceptions in the field of industrial policy were far from exceptional in Britain, and could be explained by the "insularity" of its political elites and their tendency to implement "doctrinal policies" (Wilks 1988). Not only these elites were "sealed from one another to remarkable degree" (Gamble and Walkland 1984, 178), but they were also very distant from the industrial interests they were supposed to defend, which is why they would tend to implement policies that neglected these very interests but were coherent with their own doctrinal ideas about efficiency. In the case of Thatcher, these ideas were consistent with a dramatic shift from industrial policy, based on state interventionism in the economy, to enterprise policy, based on withdrawal of the state and *laissez-faire* principles. The "schizophrenic" attitude of the government towards BL could be interpreted therefore as the on-going result of this shift (Wilks 1988, 301–305). In other terms, Thatcher had to accept, temporarily and unwillingly, the need to keep BL alive as a sort of institutional heritage from the previous industrial policy, but her government could not accept the need to protect the company, because this was at odds with its own doctrinal ideas about efficiency. From this perspective, the rationale of this contradictory policy was that either BL was able to stand on its own legs in a more competitive environment or the government would withdraw its support anyway.

Such an explanation would be plausible if only because Thatcher and her ministries have constantly presented their policy towards BL exactly in these terms (Thatcher 1993). It would be also coherent with the macro-institutional hypothesis developed by Frank Dobbin that cultural industrial policy paradigms – such as Thatcher's "enterprise policy" – "structure[d] the very way in which policy-makers see the world and their role within it" (Hall 1992, cited by Dobbin 1994, p.4). But it would require all the same a very strong hypothesis about the blindness of the Thatcher government in regard to the consequences of these policies for BL, and for the two billion pounds of public money invested in the company. Furthermore, the reasons why Thatcher preferred to disavow her political mentor, Keith Joseph, rather than closing down a company that represented everything she despised would remain, from this macro-cultural perspective, difficult to explain.

By contrast, Neil Fligstein's meso-institutional hypothesis about the power of dominant firms in key national industries would better account for the support obtained by BL despite the ideological hostility of the Thatcher government, but would have much more difficulties in explaining the implementation of market institutions that were clearly detrimental to BL's interests. Such a paradox would require at least the presence of active challengers who could have benefited from the new institutions and/or from the decline of BL. As far as the outcomes of this institutional change were concerned, the only challengers who could seem to have benefited from them were the Japanese carmakers. But their record in Europe and in the UK has been rather poor: despite important investments, their market share stagnated during the 1990s and 2000s while the profitability of their European subsidiaries has been at best non-existent for Toyota, or clearly terrible for Nissan and Honda (Pardi forthcoming).

In short, neither the hypothesis of the socially constructed power of dominant firms, nor the hypothesis of the socially constructed power of economic principles could explain in *deductive terms* the odd behaviour of Margaret Thatcher's government towards BL. By contrast, we will see in the next section how this apparently "schizophrenic" policy can be precisely decoded once the aims and dynamics of the underlying policymaking process reveal themselves. This in turn will allow us to better test the relevance of Dobbin's and Fligstein's macro-institutional hypotheses.

3 The politics of markets or the hidden role of the component makers

To look into the black box of state-firm relationships often implies looking into the greyish boxes of archives. In this case, the boxes come from the archives of the Department of Industry (DoI) and of the Department of Trade (DoT) and concern the negotiations of the 1981 and 1983 corporate plans of BL and of the future investment of Nissan. Since we present these sources in detail elsewhere (Pardi forthcoming), we will limit ourselves to summarizing the main findings for the purpose of our discussion here.

Let's start from why the Thatcher government wanted to attract Nissan in Britain despite its strong financial commitment in BL. The archives reveal two fundamental reasons. The first one was that the DoI was afraid to lose the investment to another Member State of the EU. At the time, Japanese imports in the UK were frozen at 11% of the market by a quota established in 1975. But if Nissan, which was the main Japanese importer in Britain, could start production elsewhere in the EU, then they could ignore the quota and increase their market share in the UK through "European" imports. Since the UK appeared to be the worst equipped amongst the EU member states to resist against such imports, due in particular to the commercial weakness of BL, it could be argued that it was in its national interest "to pick up the project and gain domestically rather than suck in the output from another member state"[6]. The argument, however, was contested inside the DoI. As one of the chief economists of the Motor Vehicle Division emphasized: "it is a far too easy temptation to assume that if the investment did not take place in the UK it would take place elsewhere in Europe with the UK thus not being saved any possible disadvantages". By contrast, it was quite clear that "increased competition from Nissan on this scale will make unviable a BL which could otherwise have been viable"7.

The second much more determinant reason which eventually shifted the balance inside the DoI in favour of the Nissan investment and against the interests of BL, was the remarkably strong influence that the component industry exerted on the Thatcher government. For historical reasons, due to the high degree of vertical outsourcing of the British car industry, the main suppliers of BL were large companies like GKN, Associated Engineering, and Lucas. Unlike BL, these companies had sailed through the 1970s economic storm very successfully: they had taken advantage of the UK entry in the EU to grow internationally and displayed high and stable profits through all the period. For instance, Lucas, whose sales concentrated about one fifth of the total turnover of the British automobile supplier industry in 1981, had achieved between 1973 and 1980 a cumulative operating profit of £424 million, with an average operating profit rate of 7,5% for the vehicle equipment division which represented 80% of the total turnover of the company (Pardi forthcoming).

The main source of the profits of the British component makers was not the sale of parts to carmakers, but the after-sale market to consumers, which represented one third of their activity but concentrated slightly more than the total of their net profits (Pardi forthcoming). The British component makers controlled 75% of the after sale market for non-captive parts of British-made cars, which explained their exceptional profitability. But they only controlled 10% to 20% of the sale of car parts for imported cars, and since the share of imported cars had grown from 14% in 1970 to 56% in 1980, this meant that the main source of profit for the British component makers was about to run out. The problem was made worse by the strategy of Ford and GM which had started to shift a growing share of their production of cars and parts from their British subsidiaries to their German and Spanish subsidiaries. As for BL, if it still represented in 1980 43% of the total British production and the main source of profit for the British component makers, its market share had tumbled from 40% in 1970 to 20% in 1980.

Confronted with such critical developments, the Motor Vehicle Component Industry Liaison Group (CILG), which represented the interests of the main British suppliers within the DoI, made it clear to the Thatcher government that it should not close down BL as Keith Joseph wished, provided that BL kept the totality of its purchasing in Britain; that a new regulation policy was needed to grant British component makers greater access to the after-sale market for imported cars; and that Japanese investment to substitute for the declining production of BL was welcome, provided that it came with a very high level of local integration (90 per cent) and contractual clauses that would force the new entrants to buy only (or mainly) British parts. As the following developments show, this was almost down to the letter the political agenda implemented by the Thatcher governments during the 1980s.

When John Nott, the Secretary of State for Trade, was informed in August 1980 of the possibility of a Nissan and/or of a Toyota investment in Britain, he immediately suggested to the Prime Minister that "while some account must be taken of the effects on BL of increased Japanese involvement in the United Kingdom industry" he hoped that "every encouragement can be given both to Nissan and Toyota to invest in this country". He added that such investment was "likely to provide a welcome stimulus to component manufacture" which was in his view, "likely to be far more important to our economy in long-term than the assembly of cars". He suggested however to "negotiate from the outset an agreement with the Japanese that government grants etc. could only be available on the basis that an agreed proportion of components were sourced from British industry". He also mentioned "the problem to which the Price Commission drew attention in their report on car parts" which was that "Motor manufacturers impose conditions on their franchised dealers requiring the exclusive use of their own components for replacements, and now that the majority of cars are imported these conditions exclude our components industry from a growing part of the replacement market". In order to solve this problem he indicated how he had referred the practice to the Monopolies and Mergers Commission for a "short enquiry", which should soon give him the power "to prohibit or regulate the practice"8.

The speaking notes for the first meeting between the representatives of the DoI and Nissan were also very clear about the importance of the component makers' interests. They stated that: "High local content would be a big boost to the industry and might offset possible impact on BL, and would be essential to favourable HMG response". In order "to satisfy component industry" the local content would have to be "at least of 80% or more, which virtually include the production of all components other than engine and gearbox". As a way to introduce the topic to the Nissan's representatives, the speaking notes suggested the following line:

"HMG's substantial support to BL is the main evidence of Government's determination to retain a viable motor manufacturing industry. As you will no doubt have learnt direct from Sir Barrie Heath (chairman of GKN), we do however have a much stronger components industry"9.

It should be noted that local content level at 80% was far in excess of what the EU required, which was 55%, and it also implied very large volumes of production – about 250 000 cars per year – in order to break even, because the economies of scale in component production were much more important than in car assembly. It became soon clear in the DoI that "volumes of this kind (would) undermine BL's position"10 but the government stuck to its position and clearly arbitrated in favour of the component makers' interests.

The archives provide other examples of situations in which the government arbitrated in favour of the component makers and against BL. Perhaps the most striking one is when Sir Michael Edwardes, the director of BL, announced in the first draft of the 1983 corporate plan that BL was going to shift 35% of its purchasing abroad, towards Spain, Japan, Taiwan and Korea. Edwardes had calculated with the support of Honda, with whom BL had established an alliance in 1979, that the operation could save to the company up to £80 million for 1984 alone and several hundreds millions by the end of the decade. The DoI did not contest the data provided by the company, but the government vetoed the whole project. In this occasion, Norman Lamont, Minister of State for the industry, clearly stated "that to reduce the UK content of BL cars to 55% would make a mockery of the policy of supporting Leyland"11. The government also applied to the joint models developed by BL and Honda the same rule of 80% of local content, and when BL top management asked in 1983 to amend the policy to allow the production of Honda models in BL's factories in exchange for BL's exports to Japan, the government again refused, afraid that Nissan might take advantage of any break of the rule to renegotiate its engagements with the British component makers (Pardi forthcoming).

As to why the British component makers exerted such a strong influence on the Thatcher government, the first and most evident raison was purely economic. During the 1970s, the destabilizing consequences of the UK entry in the EU and of the first oil shock had made the production of cars in Britain an unprofitable business, but this was not the case of the after-sale market and component makers controlled the after-sale market for British made cars. Furthermore, the British component makers were amongst the largest in Europe and they profited from the European integration by increasing their sales and production abroad. As a result, by the late 1970s they had become, as a group, the dominant firms in the domestic market while the once ultra-dominant BL had been downgraded to the role of challenger placed under the protection of the state.

A second raison could be labelled as cultural. British component makers were private, family-owned, and profitable firms. Thus, they perfectly embodied the model of the autonomous entrepreneurial firm that the Thatcher government wanted to revive against the state-led monopolistic model of BL (Dobbin 1993).

Finally the British component makers were also concentrated in a strategic political region, the West Midlands, which had been decisive in first installing and then removing the Conservatives from power in 1970 and 1974 general elections (Taylor 1979). Their economy depended on the auto suppliers, and their interests were represented in the parliament by the very influential all-party Motor Industry Group.

4 Conclusion

In the case of the decline of the British motor industry under Margaret Thatcher, unpacking the state-firm relationship radically changes our comprehension of the underlying economic and institutional dynamics. Our analysis shows that political institutions did play a key role in this story, but for reasons that were very different from those deduced by the few works in political science that have made this hypothesis. In these works, the government action was presented at best as a muddled ideological policy, blinded to its detrimental effects on BL by culturally constructed ideas about efficiency. Our study shows that it was in fact a quite coherent attempt to protect the interests of the dominant domestic firms in the automobile sector, except that these were not anymore the carmakers, but their suppliers. Institutional change was required here to preserve their profitability and industrial viability that were threatened both by the collapsing market share of BL and the growing influx of imports.

Interpreted as a shift between "industrial policy" and "enterprise policy", the state action towards the automobile sector under Margaret Thatcher was in fact industrial policy disguised in neo-liberal clothes. On the one hand, the attraction of Japanese foreign direct investment in the sector was constrained by very high local content clauses that ensured that British component makers would capture between 50% and 60% of the value produced by Nissan, Honda and Toyota in the UK. On the other hand, the deregulation of the after-sale market was not aimed at bringing down the prices for the consumers, but at increasing the control of the British component makers over this profitable market. This also means that these measures did not really increase competition for BL, and that the prolonged decline of the company was not directly due to the state-sponsored Japanese invasion nor to the effects of market deregulation. The problem of BL was that the priority of the Thatcher government was not to restore its long-term competitiveness, but to delay its death until the opening up new business opportunities for the component industry.

It is also clear from our analysis that the underlying aims and effects of policymaking could have not been deduced from macro-institutional hypotheses. Although Frank Dobbin's macro-cultural perspective seemed to provide a relatively better account of the "irrational" policymaking of Margaret Thatcher than Neil Fligstein's meso-institutional perspective, we see now how the fact of taking institutions and institutional change at their face value does not allow us to grasp how actors manipulate the meaning and the very substance of political institutions. Indeed, whereas Thatcher gave the impression of acting in the name of rationalized ideas of efficiency against the interests of dominant firms, she was acting in the name of these very interests against her own ideas of economic efficiency. By contrast, Neil Fligstein's hypothesis about the power of dominant firms, which seemed particularly at odds with the politically-driven decline of the "national champion" BL, is strengthened by our study, but with two important conditions. First, if we want to understand the effects of policymaking on market field dynamics, then the social processes by which firms become, remain or cease to be "dominant" in political arenas must be endogenized in the analysis rather than deduced by the relative distribution of economic capital or by the perceived outcomes of institutional change in the market field. Second, if want to understand how the dominants' "conceptions of control" and the state's "ideas about efficiency" constantly interact in policymaking, then the "argumentative" strategies (Forester 1993) by which private companies' concerns are translated, more or less successfully, into the "interests" of the state must also be taken into account.

Finally, concerning the dynamics of institutional change, the present study suggests that piecemeal endogenous cumulative change and the effects of exogenous shocks on markets' field structure are very much intertwined. Indeed, the institutional changes introduced by the Thatcher government in the British motor industry might have appeared initially as the straightforward consequences of exogenous shocks and of exogenous state action, but we have shown that they are much better understood as the results of the endogenous transformation and reproduction of the field under the successful political action of the component makers.

To conclude, the fact that the British component industry has not become in the UK "far more important than the assembly of cars" as the Secretary of State for trade, John Nott, had decidedly assumed back in 1980, reminds us of a fundamental aspect of public action in the economy, which is that despite its structuring or destructuring role, it is frequently ineffective in achieving its precise aims.

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Endnotes

1 This is particularly clear in the analysis of the "subprime" crisis in the US mortgages market. While Fligstein and McAdam (2012) show how the federal government and public policy played a structural role in shaping the mortgage market, they explain the government's failure in regulating the market and preventing the growth and the burst of the real estate bubble by making two deductive statements about the underlying process of policymaking. First, they assume that the politicians in Congress and in the

federal governments "all viewed their role in creating the possibility of more homeowners as an important goal of social policy" (p. 151), and that this political engagement made them *deaf* to the possible detrimental outcomes of a speculative growth of the mortgage market. Second, they assume that the faith of public regulators in self-regulating markets made them *blind* to the possibility of irrational behavior by market's actors, which would explain why incumbent banks in the mortgage market obtained what they wanted from the government in terms of market deregulation (p. 158). As we will argue later in this paper, these kinds of deductive arguments provide at best a poor explanation of policymaking and require a great deal of faith in the supposed deafness and blindness of politicians and public regulators.

2For a critical analysis of the impact of public policies on the British motor sector in the 1960s and 1970s see Dunnet 1980; Wilks 1988.

3Before 1975, the company was called British Leyland Motor Corporation Ltd., in 1975 it was renamed British Leyland, and then simply BL in 1978. BL lasted until 1986, when the company was renamed Rover Group. For simplicity reasons we will refer to it here as BL.

4See (Pardi forthcoming) for a detailed discussion of the literature on the decline of the British motor industry.

5For a detailed review of this literature see (Whisler 1999; Foreman-Peck, Bowden, and McKinlay 1995; Pardi forthcoming).

6R. Mountfield, Commenting on Mr. Owen minute and possible reactions from EU commission and EU partners, July 26, 1980, The National Archives: FV 22/133.

7Alan Whiting to J. Cammel and J. Bowder, Comments on the note "possible Japanese investment in the UK motor industry", 10 September 1980, The National Archives: FV 22/133.

8John Nott to Prime Minister, Possible Japanese investment in the motor industry, 13 August 1980, The National Archives: FV 22/133.

9J. Mills to Lord Trenchard, Nissan, 30 July 1980, The National Archives: FV 22/133.

10N.C. Owen to R. Mountfield, Nissan: Draft brief for Mr. Okuma's visit, 25 July 25, 1980, The National Archives: FV 22/133.

11Norman Lamont to S.o.S., October 21, 1982, The National Archives: FV 22/95.

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State or Status Capitalism? Some Insights on French Idiosyncrasis Using an Interlocking Directorates Approach

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This paper presents some preliminary results of our research project investigating the largest French firms and their directors, from the 1840s to the 2000s (the empirical research design is presented in Part III, below). This topic had of course already given birth to dozens of fine monographs and biographies. There was still however a lack of a strong synthesis that would integrate insights from economic history and economic sociology, as well as from studies on the careers of elite actors and the governance of firms. Prior to our study, no effort had been made to systematically document the very list of the largest firms, with their main characteristics, for even a few landmark dates in the history of capitalism, let alone to list the directors of these firms and to investigate their lives. As a result, general ideas about French capitalism are still mostly based on monographs – or, at worst, on preconceptions about the French political culture. We argue that a more systematic, quantified description of large firms and their directors is necessary to question such preconceptions and to better define the enduring idiosyncrasies – if they exist at all – of French capitalism. This is not a purely descriptive task that would only hold interest for navel-gazing French scholars. On the contrary, we argue that the French case has long held a significant rhetorical role in social sciences as the unquestioned epitome of State capitalism (and of "strong State" generally), whether it is discussed as an interesting variant among others or as a strange vestige of things past.

Such an embodiment of a type, or even an ideal-type, by one empirical case, holds significant risks when it is used for not only illustrative purposes, but also time and again, and often implicitly, in presentations of theories. Too often it becomes a shortcut to avoid a rigorous specification of the type under discussion: the characteristics of "State capitalism" have for some time been more or less equated to "things the French do" (or are believed to do). The inclination of French capitalism toward "statism", or *dirigisme*, is often presented as inevitable because of its [supposedly?] extremely long roots, dating back to the Old Regime. Many (e.g. Guéry, 1989) cite 17th-century minister Jean-Baptiste Colbert, who created, among other devices intended to promote French exports, privileged manufacturers and official standards on the quality of privately produced cloth, along with public officers to enforce them. Others focus on the French revolution and Napoleonic reforms that generally forbade private collective regulations (e.g. by guilds) and gave rhetorical prominence to civil servants trained in specific schools and thereby supposed to know better about the general interest than entrepreneurs (e.g. Chadeau, 2000, p. 191-192). The socialist (and other) governments that raised public spending, created public monopolies, or monitored a wide range of prices from the 1930s on thus become the somewhat unexpected heirs of absolutism or Bonapartism. Some authors even believe French statism to be so strong as to continue to function even at the time of spectacular neo-liberal reforms, such as in 1986-1988 (Bellini, 2000, p. 33-34). Stretched to this point, the concept loses almost all of its value: some sort of State action, direct or indirect, is always to be found in economic policy, and this is not specific to France. If "State capitalism" covers Colbertian and Napoleonic as well as, for example, 1981 socialist policies, it will have little descriptive, let alone explanatory, power. But are there descriptions of State-led regulation of firms that were built independently of some assumption about the French economy? In Part I of this paper, we will argue that we lack such studies, because the literature on varieties of capitalism particularly has shown less and less interest in the "State capitalism" variant over the last decades. On the contrary, we believe that this variant is still empirically important, but that it requires a better definition. We will certainly not offer here a full-fledged version of such a definition, offering rather a modest but rigorous way to build it. It relies on systematic, quantifiable data, but takes seriously historical changes and the range of possible roles and positions of the State, instead of using a weak State versus strong State dichotomy (on more general problems with this binomy, see e.g. Baldwin, 2005).

In this preliminary paper, we will concentrate on a feature of State involvement in capitalism that has arguably been the object of the most heated debates and which is very strongly associated with France: the weight of State-owned enterprises (SOEs). For example, Schmidt (2003, p. 529) stated that "State-capitalist France's *dirigiste* or interventionist state, by contrast, sought to direct economic activities through planning, industrial policy and state-owned enterprises, in addition to all the ways the other states promoted business" and Chadeau (2000, p. 180) described France as a "homeland for the public sector", with a majority of energy production, telecommunications, aircraft manufacturing, insurance and banking being managed by the State in the early 1980s. Since it involves the State taking the place, and sometimes literally taking the property, of private capitalists, and was indeed considered by some political parties as a first step toward socialism, the creation of SOEs often bears the connotation of the State acting against the "normal" development of capitalism, replacing capitalists in a very active, direct way. There were however many different reasons for the establishment of SOEs, which were even sometimes demanded by business associations. An empirical analysis not only of the number and size of SOEs, but also of their relationships with private firms is required before we consider their mere existence as a proxy for a strong State. Such an empirical analysis, especially if it is longitudinal, is useful in order to escape simplistic characterizations of national capitalism. Neither the number and size of SOEs, nor their relationships with private firms remained unchanged, in any country, during the 20th century. In fact, in Part II of this paper, we will use already published material to point out the common rhythms found in many countries in the creation and privatization of SOEs. Their presence is certainly not a French peculiarity; it is specific to a period of time, not to a country or group of countries.

We do not however argue that national trajectories should be disregarded in a study of State involvement in capitalism generally, or of the roles of SOEs specifically. We rather offer a replicable empirical strategy that can be used to produce better international comparisons. We demonstrate it in Part III by concentrating on the position occupied by SOEs in the French network of interlocking directorates, i.e. the ties created between firms by the fact that they share one or more board members. On the one hand, we find that SOEs have always been quite integrated in this network, contrary to what happened in other countries, such as Italy from the 1970s onwards. This is an interesting thread to follow in order to better understand the role played by the State, through SOEs, in capitalism. On the other hand, we find that the integration of the SOEs did not change the main, remarkably stable features of the French network of interlocking directorates. What appears to be an enduring French peculiarity, worth investigating further, is the particular shape of this network, which seems to denote a "status capitalism" rather than a State capitalism.

Building on these initial insights, Part IV briefly discusses complementary ways to characterize other dimensions of the role of the State in capitalism. We plan to use to them illuminate the French case, and we hope that they will be used to build other useful comparative typologies.

I. French Capitalism as an Epitome of State Capitalism?

The debates about the historical trajectories of contemporary capitalisms have been organized around two main questions. The first one has to do with the diversity versus convergence issue: do these trajectories converge toward a neo-liberal, market- and finance-centered, Anglo-Saxon model of capitalism (Orléan, 1999) – in which case the study of the French trajectory would be of little general interest – or are they organized around enduring, heterogeneous paths of development (Hall and Soskice, 2001a)? If such heterogeneous paths are found, it opens a second question: how should we make sense of it? Around which criteria should we build typologies of capitalism? The degree to which these typologies do or do not consider the weight, role and tools of the State as a particularly relevant dimension seems to us to be one of the main substantive divisions between them (see for example Streeck, 2012).

Until the late 1970s, the types of State intervention were one of the main criteria used to organize the diversity of capitalism, along with business practices and and industrial relations (Shonfield, 1965; Katzenstein, 1978; Schmidt, 1996, 2003 usefully summed up these conceptions; see especially Table 1, reproduced below). These criteria were used to describe three ideal-types, each of which was associated with a few countries: market capitalism (United Kingdom and the United States), managed capitalism (Germany and smaller European countries such as the Netherlands, Austria, and Sweden), and State capitalism (France and Italy). In fact, the role of the State was everywhere in the definition of the last type, where the State was supposed to lead, control and/or mediate business and industrial relations, as well as to play a more general strategic (defining priorities) or organizing role and to directly invest in firms. Conversely, the description of the two other ideal-types was organized around the characterization of inter-firm and management-labor relations as either competitive or co-operative; the State is assumed to be mostly absent (a passive bystander) in these two types of capitalism, or could have an enabling and perhaps mediating role. As Hall and Soskice put it, "countries were often categorized, according to the structure of their state, into those with "strong" and "weak" states" (Hall and Soskice, 2001b, p. 2).

See Appendix, Table 1: Characteristics of the post-war varieties of capitalism (1950s-1970s)

This key role of the State in older typologies contrasts with its apparent erasure from the conceptual apparatus of the varieties of capitalism (VoC) approach. On the contrary, this approach directly translated the difference between market capitalism and managed capitalism into an opposition between liberal market economies, where "firms coordinate their activities primarily via hierarchies and competitive market arrangements", and coordinated market economies, where "firms depend more heavily on non-market relationships to coordinate their endeavors with other actors and to construct their core competencies" (Hall and Soskice, 2001b, p. 8).

This choice to reinterpret part of the older typologies, but with the State pushed back into the shadows, is consistent with an approach aiming at putting the firm at the very center of the characterization of contemporary capitalisms. It is not uncontroversial, however, as this erasure of the State does not seemed to be based on an explicit assessment of its lack of relevance for the typology. Howell (2003, p. 110), for example, states that "the theoretical framework of *Varieties of Capitalism* offers an extremely thin notion of politics and state action, in which governments, whose function is essentially to encourage coordination among economic actors, act largely at the behest of employers. States do not appear to have interests distinguishable from those of employers, nor do they have the capacity to act independently of, still less against, employer interests. Managing the political economy is a fundamentally cooperative venture: coordinating activities, facilitating information flows, and encouraging cooperation." The VoC literature mostly does not see the State because it presupposes that it has no specific role or interest.

Have State capitalisms actually morphed into market or managed capitalisms? Schmidt points out that the role of the State, even in France and Italy, has certainly become different from what it was when the older typologies had been invented, due to the liberalization of the financial markets, privatization and deregulation. It is therefore probably more accurate to talk about a "state-enhanced" rather (with a "less direct influence" of the State) than a "State-led" capitalism (Schmidt, 2003, p. 527). Yet this should not lead to the conclusion that the State does not play any role *at all* anymore, or that this role is the same in all countries, without consequences for the varieties of capitalism. Schmidt also points out that simply viewing France, Italy, Korea or Taiwan as latecomers on the road to "Anglo-Saxon financial capitalism" or less successful "co-ordinated capitalisms" (authors inspired by the VoC approach differ on this diagnostic) leaves behind a large number of important economies, possibly still characterized by a specific role of the State.

In our own research, we take the notion of "state-enhanced capitalism" as a vague but useful point of departure. More importantly, we consider that such debates should lead us to better define relevant dimensions of the role of the State (that include various actors and tools across various spheres), instead of keeping one simple scale from weak to strong State, or from bystander to investor/director. Rather than just advocacy for more complex indicators, this specification is a way to better assess differences, both between countries and between periods. It implies that we actually define criteria and find data about them before classifying countries, then deriving ideal-types from them. The various roles listed in Table 1 above, despite the dominance of the weak-strong dichotomy in it, can be used as inspiration, as they include e.g. arbitrator or facilitator; but they need to be translated into something that can actually be observed in empirical data, preferably in a systematic and comparative way, on the basis of primary evidence.

In the following sections of this paper, we will try to demonstrate the promises of this approach by focusing on SOEs, which are nowadays generally considered as one of the doomed features of a strong State. We will show that using their mere number or weight as a criterion of State capitalism (focusing on the State as shareholder or owner of firms) leads to the association of State capitalism with a period, or periods (which differ in terms of the exact roles for the State) rather than with a country such as France or a set of countries (Part II). This does not mean, however, that the position of SOEs among firms lacks any relevance as a criterion for national types of capitalisms. We need more comparative research, however, to characterize varieties in terms of this role, as we will show in Part III.

II. The Weight of State-Owned Enterprises: A Feature of a Time, not of a Country

If we want to take the number or weight of SOEs as a criterion in a typology of capitalism, we consider that a systematic comparison is more appropriate than a focus on individual cases, however striking, such as the fact that the French State owned car manufacturer Renault from 1945 to 1996. We rely here on a synthesis of recent books and papers devoted to the growth and decline of SOEs in Western countries, and especially on the contributions gathered in Toninelli (2000). We read them, sometimes against the grain, following insights developed by Margairaz (1996), Bon et al. (2004), and Millward (2005). This allows us to make a general point: when considered in a systematic comparative perspective, France appears to have been in the middle of the road, rather than as an extreme case or as an exception. The more striking differences appear between periods, not between European countries. These periods were roughly delimited by the world wars and the economic crises, which allowed new questions to be defined as public problems (e.g. the lack of credit for small businesses, the difficulty of providing some sort of energy, the crises in entire industrial sectors) and left the owners of existing firms or opponents to nationalization with less strength to resist the creation of SOEs. While on other matters or at other times, national political cultures led to different answers to similarly defined new problems (Dobbin, 1994), in this case international isomorphism seems to have been stronger. Considered in a long-run perspective, the presence of the SOEs in France, as elsewhere, concerns first and foremost a forty-year period after World War II: it barely looks like a defining national feature. However, France arguably followed a specific path during the demise of the SOEs, from the 1980s on.

It is often thought that the first rise of SOEs took place just after the World War I. What actually changed at that time, however, was mostly rhetoric, which expressed an increasing demand for "public services", especially in transportation and energy related to the ideal of "general interest" (Margairaz, 1996, p. 32). Public services, however, did not necessarily involve State property: they had existed without it, in the form of concessions, in 19th-century France as in other countries, including the United States. Despite of the increased involvement of the State in the economy during the total war, most of the French were not ready in 1919 to go on with public controls and consortia, even if regulations increased in some sectors, such as energy. The minister of Industrial reconstruction Louis Loucheur announced that it was time to "return industry to normal competition" (ibid.; see also Kuisel, 1984). Proposals to nationalize the railways were rejected, as they had been during the 19th century. A few SOEs were created in the late 1910s and early 1920s; although these can be seen as important pioneers in retrospect, they were not offered much capital (as in the case of Crédit national, created in 1919 to finance small businesses) and often had to compete, with little success, with private competitors. For example, the Office National Interprofessionnel de l'Azote, created to deal with specific issues due raised by the reunification of Alsace-Lorraine with France, competed unsuccessfully against Saint-Gobain (ironically a former privileged manufacture created by Colbert, a quite successful private French firms in the 20th century, briefly nationalized in 1982-86). A similar story happened in the United Kingdom, with an arguably earlier nationalization of the Central Electricity Boad in 1926. In the 1920s, Germany was in fact the exception as regards SOEs: even before the Nazi regime, both the Reich and Länder became involved in industrial production in all sectors as well as in public utilities, employing more than a million workers in 1925 (Wegenroth, 2000).

The economic crisis in the 1930s removed political and symbolic hindrances to State intervention in most countries, even those that remained democracies. In France, railways finally became a State monopoly in 1937. Far from being the whim of a socialist government (Margairaz, 1996, p. 38 even describes "a nationalisation alien to Popular Front ideology"), this decision was negotiated over several years, with some of the private company owners eager to be bought out by the State, as the private system had become unprofitable. In any case, France was not really an exception; the London Passenger Transport Board was created in 1933, and airlines became partly State-controlled in both countries. The fascist and Nazi States were of course even more radical, especially as regards the financial system, which remained relatively untouched in democracies (the French National Bank, for example, was still private, although its nationalization had been decided).

In Italy, IRI was created in 1933 to release the three leading Italian banks from their excessive industrial holdings (up to 42 percent of the overall capital of Italian corporations). By the end of the war, the Nazi State controlled half of all German stock, according to Wegenroth (2000).

As for democracies and apart from Weimar Germany, the growth of SOEs exploded for the most part at the end of WWII – again, not more in France than elsewhere. Within a few years, the French and British State took over their respective National Banks, coal mines and gas and electricity industries; the British railway system, waterways and civil airlines became SOEs, along with four of the biggest French bank networks and most insurance companies (Chadeau, 2000, Millward, 2005). Some sectors that escaped the nationalization program in France at that time, such as iron and steel, did not in the UK. In Italy, the rise of the public sector was even more important (Amatori, 2000; Toninelli and Vasta, 2010). SOEs also took a new and large place in smaller European countries such as Belgium, the Netherlands (Davids and van Zanden, 2000) and Austria (Stiefel, 2000), and, outside Europe, in Canada and Australia. Even in the quite different case of Taiwan, with Japanese occupation followed by a party-State, we find nationalizations occurring just after WWII and privatizations beginning in the 1990s (Lee and Velema, 2014). In fact, Germany was still the exception, this time with a first (controversial) wave of privatizations as early as the late 1950s; but this wave was hardly complete, as SOEs continued to be reorganized and diversified at least until the 1960s (Wegenroth, 2000).

However, France arguably followed a specific path during the demise of the SOEs, from the 1980s on. While Margaret Thatcher in the United Kingdom, from 1979 on, and Ronald Reagan in the USA, from 1980 on, implemented neo-liberal reforms including, in the UK, a radical program of privatization, the socialists who won the French elections of 1981 launched a spectacular program of nationalization. Focused on finance and industry, it unfolded at the same scale as in 1945 in terms of number of firms, although it did not create new public monopolies (Chabanas & Vergeau, 1996). At first sight, the French chronology only seems close to that of Portugal: there, nationalizations only began in 1975, when democracy was established, they had a perimeter similar to that found in France, and privatizations followed after 1989 (Ferreira da Silva and Neves 2014).

Yet the contrast that seems obvious requires a few qualifications. First, nationalizations of firms struggling with a new and more challenging economic atmosphere had occurred in in the UK and in Italy as late as in the 1970s, while nothing of the sort was to be found in France during this decade: the difference was in chronology more than in scale or types of firms controlled. Second, in the UK, no really large SOEs were privatized before 1984 (British Telecom), and most of the privatization wave took place in the early 1990s (Millward, 2005). Since by this time the right had come back to power in France and had also decided to privatize, the empirical chronology, if not that of discourse, was in fact quite similar in the two countries. The main difference, and indeed the French exceptionalism, was that dozens of previously private French firms had lived through a spell of public ownership in the 1980s. If we consider the whole 20th century and only focus on the number and size or SOEs, this interim could seem negligible: the French and British trajectories look quite similar to each other, especially as compared to Germany (with early public ownership, then early privatization) or Italy (where no privatizations occurred in the aftermath of the economic crises). On the contrary, the Italian State bought the minority participations of private shareholders in the most threatened SOEs, then recapitalized them, leading to a sharper divide between public and private ownership (Toninelli and Vasta, 2010).

When not directly framed as an exception, but considered in a more comparative perspective and over the long run, the French trajectory in terms of SOEs thus appears close to the British one, and more generally to the European mainstream. At this very macro level, the role of the State as investor or director of the economy, channeled through SOEs, does not seem much stronger there than elsewhere. Differences in this regard, in fact, are generally less national than longitudinal. However, small differences between countries in terms of chronology, sectors or share of ownership might in fact reflect a quite different role for SOEs in national capitalisms. As we have seen, SOEs were created for diverse reasons. Discussing the French case, Margairaz (1996) points out that their creation was often a mere change of tool used to continue essentially the same economic policy. Depending on whether SOEs also have private shareholders or not, whether they are public monopolies or compete with national or foreign firms, whether their employees enjoy a status similar to that of civil servants or not, and whether they were thriving or in crisis before becoming State-owned, the role that they enable the State to play can vary widely, possibly across the whole range of roles listed in Table 1 above. In this respect, national differences might reappear, although differences between periods are still likely to dominate. Our dataset on interlocking directorate does not allow us to directly describe these roles, but it enables us to better describe the position of SOEs among private firms.

III. SOEs in the French Intercorporate Networks: State or Status Capitalism?

As we have noted earlier, the VoC approach organizes the heterogeneity of capitalisms by contrasting the liberal market economies and the coordinated market economies, leaving barely any room for the State in the analysis of contemporary capitalisms. When the State appears to play a role, it does so by facilitating the relationships between actors in coordinated market economy (see for example Hall and Soskice, 2001b, p. 35). The role of the State in the coordination process is either direct, through the use of dedicated tools such as planning, or more implicit, with the intermingling of business and administrative elites. Focusing on SOEs offers a way to better define this coordinating role of the State among large firms, in order to empirically test this second order and somewhat vague hypothesis of the VoC approach. This empirically-grounded discussion takes the State more seriously as a potentially autonomous actor, with specific interests and the resources to defend them.

SOEs in the big business community: an interlocking directorates approach

When SOEs exist, they are an integral part in networks of inter-firm relationships. Depending on political choices and on the reactions of private firms, their position could be that of outsiders, more or less isolated in a cluster of SOEs cut from the remainder of the business community and the capitalist economy, or that of insiders, more or less central and even potentially in a position to influence private firms, especially those in the same economic sector. We will not address here their place in networks of ownership or exchange of goods and services, but we will discuss their position in another specific type of relationship: interlocking directorates.

When an individual sits on two corporate board concurrently, as an external director and/or a top executive, he or she is said to hold interlocking directorships with the two companies, tying them together at the level of governance. The study of interlocking directorates, which began in the US in the early 20th century as part of antitrust campaigns, has been the basis of hundreds of papers, due to the relative availability of data (Carroll and Sapinski, 2011). The fact that individuals simultaneously hold positions in several boards can be considered either as a tie between the individuals, leading to an analysis of solidarity among the economic elite (Useem, 1984) or as a tie between the firms. It is this second view that we will consider here: we are interested in the positions of SOEs among private firms, in terms of the former sharing or not sharing their directors with the latter. Interlocks viewed as ties between firms have traditionally been considered as an indicator of the power structure in the big business community (Mintz and Schwartz, 1985). Most studies of interlocks have dealt with the US case and especially with the largest firms as listed by *Fortune*, so the position of SOEs was not considered relevant. Ties between the State and capitalism were mostly viewed through the very specific lens of political contributions, with questions centered on the political unity, or lack thereof, of the business community and on the diffusion of political preferences among firms (Mizruchi, 1992; Bond and Harrigan, 2011). In this case, the political administration was possibly an outcome of, among other things, the structure of the network of interlocking directorates; but the State was nowhere to be seen in the network itself. On the contrary, in Europe, the number and weight of SOEs makes their position interesting, especially as the choice of their board members is one of the things that the State generally controls. Does it choose the same individuals as private firms, thus creating ties between SOEs and these firms or do the boards of SOEs constitute a world apart, isolating their directors from the rest of the economic elite and consolidating exceptional practices?

Interlocking directorates certainly do not reflect all the relationships that take place between firms, although they are often used as a proxy in this way, including in VoC approaches. In this case, the relative lack of interlocks is considered typical of liberal market economies, such as that of the UK, and a wealth of interlocks appears in coordinated market economies, for example in Germany. Countries generally characterized as having a strong State, such as Italy and France, fall somewhere in between the UK and Germany in terms of the overall density of interlocks (Stokman et al., 1985; Windolf, 2002). The de-densification of interlocks found in several economies in the beginning of the 21st century, for example in Switzerland (Bühlmann et al., 2012), could then be interpreted as convergence toward the liberal model as well as the product of globalization disrupting national networks. Density alone, however, does not describe the shape of inter-firm relationships, which may be clustered or integrated, and hierarchical or egalitarian. It is in this general structure and in the specific position of SOEs that we are interested. In terms of interlocks, are SOEs a world apart from the rest of capitalism, or are they integrated, and if so how? Do national peculiarities appear at this scale?

Empirical research design

This paper discusses a few of our first research results, without giving all the relevant tables or graphs, although these can be provided on demand. More general results will be published shortly in François and Lemercier 2014.

In order to build our dataset, we selected the 50 largest financial and the 200 largest non-financial French firms listed at the Paris stock exchange during specific years: 1911, 1928, 1937, 1956, 1979, 1990, 2000[1]*. We have used a consistent criterion of size, share capital, and a consistent source, the* Annuaire Desfossés *series, for all years.*

In fact, additional datasets, not used in this paper, were built on the same principles for 1840 (when financial directories appeared), 1857 and 1883. Still other datasets were centered on the 120 firms with the largest market capitalization for 1857, 1883, 1911, 1937, 1956, 1979, and 2009; we then collected biographies for one to three top executives in each firm and for all directors holding at least two seats in these datasets. We are only beginning to analyze the biographical dataset.

The number of firms and the sampled years in the datasets that we will use in this paper have been chosen in order to allow comparisons with other countries, this research being part of a comparative project led by Thomas David and Gerarda Westerhuis. In fact, work is still needed to ensure more robustness in international comparisons of interlocking directorates networks, as it is difficult to build datasets based on the exact same criteria, especially as regards the definition of directors, which differs widely from country to country and very much influences the shape of the network. In fact, this definition also differs from period to period: even in our research on France, we had to take additional care to ensure longitudinal comparability in this respect.

French financial directories, which aim at providing investors with information on firms, also list SOEs, generally as a separate category and in a prominent place (e.g. before listing private firms), even when they are 100% state-owned and do not have shares or issue bonds. Therefore, we were able to include SOEs in our sample along with private firms, using the same size threshold – although some inconsistencies between successive directories lead to a few changes in our list of SOEs. For dates prior to 1990, SOEs were recognized as such thanks to the descriptions of firms included in the source, cross-referenced with published lists (Chabanas/Vergeau 1996). For 1990 and 2000, the source included information on the ownership of stock. We considered firms to be State-owned when the first shareholder was the State and it held at least one-third of the shares. The fact that these firms were described in what was effectively a list of the largest French firms and a who's who of the business elite is in itself significant for our research. It also led us to compute indicators on their place in the network of interlocking directorates. While most other teams in this comparative research did not do so, we believe that it would be interesting to devise such systematic comparisons in the future.

The position of SOEs in the interlocking directorates network: insights for a comparison

In order to answer these questions, we would need systematic international comparisons that should not be difficult to devise, as many datasets on interlocks now exist; however, it seems that their authors were not generally very interested in the State or SOEs, so we found few results that could be directly compared with ours. We will here focus on a comparison with Italy, which exemplifies two different patterns; along with additional evidence for four other, admittedly small countries, it will allow us to present hypotheses on the way we could make sense of the position of SOEs in interlocking directorates networks. In addition, a longitudinal comparison in the case of France shows a consistent positioning of SOEs, regardless of their number. Moreover, the creation of SOEs did not change the overall structure of French interlocks, which we found to be based on a hierarchy of status among firms. Far from disrupting pre-existing patterns of inter-firm relationships, the State seems to have adapted to them or even used them: SOEs played a role that they did not invent, but that they took on together with other firms.

Let us first briefly describe the Italian case, in order to contrast it with the French trajectory. As reported by Rinaldi and Vasta (2005, 2012, 2014), the nationalizations of firms during the fascist period and after WWII gave birth, until the beginning of the 1960s, to a dense and hierarchical national network of interlocking directorates. The largest electrical companies, which were still private, were at the core of this network. During this period, private firms and SOEs were strongly interconnected, sharing many directors. The nationalization of the electrical industry in 1962 however dissolved the center of this network. A specific type of SOE creation, the establishment of a sector monopoly, thus had an important impact on the general structure of inter-firms relationships, at least in terms of shared board members. The network of private firms was rebuilt in the following decades, with a new core made of financial companies. At the same time, the share of public ownership of SOEs was augmented, leading to the disappearance of some interlocks that had apparently been based on ownership ties (with seats on the board of a firm being held by representatives of firms partly owning it or owned by it). From the 1970s on, the Italian network of interlocking directorates exhibited a dual structure, with SOEs not only becoming marginal, but ultimately constituting a separate cluster. The Italian case shows that the mere number or economic weight of SOEs does not predict their position in terms of interlocking directorates; it reminds us that this position is likely to depend very much on their monopolistic character and on the existence of private shareholders. If State capitalism has existed in Italy throughout the 20th century, it has produced two very different patterns, first of strong integration, then of strong separation, between the boards of private firms and those of SOEs.

On the contrary, France exhibits an enduring pattern of integration, despite the changing numbers and types of SOEs and the changing role assigned to them by different political administrations. Some of these changes have in fact had an effect on interlocking directorates, but what is especially striking in the French case is the consistency in the general structure of the network and the fact that SOEs seem to have always adapted to it. In order to present both the enduring structure of the French network and the integrated and even central position of SOEs, we can focus on the graph for 1990. It shows that, apart from a small number of complete isolates, the largest French firms are all part of a dense and centralized network of interlocking directorates. This network has a distinct core and concentric peripheries; firms in the core have dense ties with each other as well as ties with firms in the peripheries, while the latter have fewer ties, both with each other and with the core. We will come back shortly to the specific characteristics of firms in the core as opposed to those in the periphery. What we first want to point out is the fact that SOEs are very integrated in this network, especially in contrast with Italy at the same period. None of them is isolated, and they are present in the core as well as and perhaps even more than in the peripheries. In addition, whereas a region at the top-right of the graph shows a higher density of interconnected white circles, SOEs also show many ties with private firms: they do not constitute a separate cluster.

See Appendix, Graph 1: Interlocking directorates among the 252 largest French listed firms in 1990

Quantitative indicators confirm the impressions derived from this graph. Moreover, even if 1990 can be considered a high point in the centrality and integration of SOEs, as well as in the density of the overall French network of interlocking directorates in the post-war period, a similar positioning of SOEs can be found in our datasets for 1956 and 1979 (when there were around 20 very large SOEs described in our source, as in 1990) and even 2000 (when only seven remained). In 1956, 1990 and 2000, SOEs were related through interlocking directorates to a significantly larger number of firms than the average large firm in our dataset (in network terms, they had a significantly higher degree centrality, significance being assessed by random simulation). Their average number of ties was close to that of private financial firms (even higher in 2000), and finance, in France as elsewhere, is generally found at the core of interlocking directorates networks. Of course, the high centrality of SOEs can be partially related to the fact that many of these SOEs were themselves financial firms. State-owned banks, however, were not the only central SOEs: in 1956, it was also the case for the railway, gas, and electricity national monopolies; in 1990, many industrial companies, including for example the automobile manufacturer Renault and petroleum group Elf-Aquitaine, were extremely central in the network.

Our 1979 sample shows a different pattern, that allows us to stress another mechanism explaining the positions of SOEs in the network. This sample still exhibits very integrated SOEs. At that time, roughly half of these firms were also part of the core of the network, and the State-owned bank Crédit Foncier de France, which shared board members with 37 other firms, was among the five most central firms, along with four private banks. However, the other half of the SOEs, including the national electricity company, appear at the periphery of our network. The same kind of contrast, although weaker, can be found for 1990 and 2000, dates when we have data on shareholding. For these two samples, we can discriminate between those SOEs that were 100% State-owned and/or sector monopolies, which tended to be more peripheral in our network, and those in which the State owned a lower share and/or which competed directly with large private firms, which tended to be more central. Those SOEs that had ownership ties with private firms and/or competed with them also were integrated, and even central, in the interlocking directorate network.

The same pattern can be found in many other countries. In the 1976 Austrian network, for example, SOEs generally were both very homophilic and extremely central (even hegemonic in the core) in the interlocking directorates network, but the postal and railway monopolies had few interlocks (Ziegler et al. 1985). In Portugal, in the early 1980s, when the new SOEs were mostly 100% State-owned monopolies, they did not interlock with private firms (or with each other), while in 2010, the remaining SOEs had ownership ties with private firms and were quite central in the interlocking directorates network (Ferreira da Silva and Neves, 2014 ; for the Taiwanese case, see Lee and Velma, 2014). The same is true in Italy, but with a reverse chronological order: as we have seen, once firms get nationalized to rescue them from the early 1970s on, they began to be cut from the rest of the network, while when they were conceived to be national champions, they were very central and homophilic. The important point, in the French case, is that even when SOEs were not central, they never formed a separate cluster.

Looking at the characteristics of the firms French SOEs are linked to, it appears that SOEs have always exhibited a statistical preference for sharing directors with other large SOEs, rather than with large private firms – in network terms, their homophily was high and significant, as confirmed by simulations. The density of interlocking directorates among SOEs (the percentage of theoretically possible ties that were actually present) was three to ten times higher than that of the full network. Yet, as shown on the 1990 graph – and the situation was the same in our other samples – and contrary to what happened in Italy after 1970, this did not create separate clusters of SOEs, because they had so many shared board members with other firms that quite a lot of them were also shared with private firms. This was especially true within economic sector (broadly defined, e.g. finance, energy, transportation and utilities, so that these ties were not only among competitors). SOEs, like private firms and to an even greater extent, exhibited a statistical preference for sharing board members with firms in the same sector, even with different ownership. Finally, the cross-sector ties of SOEs, when not with other SOEs, show a statistical preference for the largest private firms. What our results show is that, while French SOEs have often tended to share board members with other SOEs, neither these nor private firms have chosen to avoid the other. The world of French boards has always been a very hierarchical and integrated one, and SOEs, since their creation, have been an integral part of it, generally in a prominent place.

State or status capitalism?

This prominent place SOEs occupy within the interlocking directorates network is nothing but a symptom of the way they came to embed themselves in a preexisting structure they did not disrupt in any major way. The main result of our general research on French interlocking directorates is indeed that the general structure of the network has remained surprisingly stable since the beginning of the 20th century – and seemingly since the last third of the 19th century (François and Lemercier, 2014). This stable shape can be related to two distinct and complementary features of the network, produced by two different mechanisms. First, the network is very hierarchical, i.e. not only dense, but centered on a core surrounded by successive peripheries. This hierarchical structure is produced by what we call a *status* mechanism, which we will describe below. Secondly, some smaller and denser sub-regions appear in the network. These denser clusters are produced by a *group-building* mechanism. Our main result, as regards the SOEs, is that they did not disrupt either of these two mechanisms when they were created after World War II; on the contrary, they conformed with these two dynamics, in which they were soon to play quite a prominent role.

Let us first consider the group-building mechanism and the denser clusters it generates. Before World War II, as seen in our 1937 sample, the high density of the network came from the existence of very dense clusters where multiple board members shared between the same pairings of firms were used to create "groups" in the first half of the century. These structures were especially prevalent in the electrical industry: neither mergers nor cartels, they did not systematically rely on ownership ties, but they allowed families or other small groups of people to control many different large firms. Electricity firms indeed needed very large capital, but they flourished in the first decades of the 20th century, representing up to one fifth of our sample. The very names of these firms show how embedded they were in a local context of production and distribution: *Electricité de Marseille, Forces motrices du Haut-Rhin, Société hydro-*

électrique des Basses-Pyrénées, etc. Yet they were loosely linked to each other in a handful of groups anchored in wider regions, so that the overall density of interlocking directorates in the electricity sector was two to three times higher than in the French network generally – even without taking into account the multiplicity of shared board members in many pairings of firms. These firms held concessions to produce and/or distribute electricity in specific regions or towns and, in the interwar period, were regulated by the State to a greater and greater extent; the government had accepted the type of relationships created by multiple interlocks between these firms. The birth of *Électricité de France* in 1945 thus destroyed large numbers of interlocks as disbursed but highly cohesive firms were replaced by a national monopoly. Yet the new SOE retained many employees and many of the organizational features of the bygone groups in its internal structure (Morsel, 1987; Vuillermot, 2000). The birth of some SOEs, namely the monopolies in transportation (railways), gas and electricity, actually disrupted the extremely dense interlocks that had existed among the many large and central firms in these sectors before World War II. In this respect, newly born SOEs had a strong effect on the general density of the French network, which dropped between our 1937 and 1956 samples. This impact, however, changed some superficial features of the network, rather than the underlying group-building mechanism: the new monopolies were built directly from pieces that the pre-war network had already put together.

The bending of SOEs to conform with preexisting dynamics is even more obvious when it comes to the second mechanism: the status logic that shaped the French network long before SOEs existed. This status mechanism is the cause of the hierarchical structure of the network: firms in its core, that are therefore both central and prone to share board members with each other, also share a stable set of attributes that we propose to consider as status indicators. The status score of a firm, in each of our samples, is extremely correlated with its central position in the network. This means that firms with a high status share board members with a high number of other firms (they are central in the network) and that a high percentage of the firms with which they are related also have a high status (they are homophilic). Firms on the periphery, on the contrary, have few ties with the center and even fewer among themselves.

Our status indicators include a few stable characteristics: firms with a high status: are the largest (in the highest quartile of our sample in terms of share capital); have headquarters in Paris; are active in some specific sectors (finance in all of the samples, a few others for some samples, e.g. transportations and utilities in the first half of the century); and were already in our sample at the previous date (firms that are old enough and have been very large for long enough). On Graph 1, the size of circles is based on this very simple status indicator: from 0 to 4 for each firm, depending on the number of status criteria that are met. Graph 1 shows rather large white circles: SOEs tended to meet these enduring criteria of status, that were established long before their creation. This explains their central position in the network: they were chosen as potential sources of shared board members for the same reasons as other large, Parisian, rather old and often financial firms. The status mechanisms that had been at play for more than a half-century when many SOEs were created after 1945 were not changed by their establishment: being owned by the State simply was a new feature that happened to often be shared by many central, high-status firms.

The State through the lenses of SOEs: State capitalism reconsidered

The fact that SOEs did not disrupt the French interlocking directorates network and its underlying mechanisms of status and group-building should lead us to reconsider the role of the State among large firms . This tendency to conform with pre-existing mechanisms can be interpreted as a sign that it was not so much the State that shaped intercorporate relationships in the post-war period, but rather big business that made State-related actors comply with its own logic. In the late 1960s, the roles and tasks of SOEs were redefined by the French government in a way that made this shaping of public actors by private logics quite obvious. The government became increasingly aware of international competition and commissioned several reports on the reform of firms generally and SOEs specifically. A radical reform plan for SOEs was enacted in 1971; they had to decide on employment plans related to economic forecasts, which led industrial SOEs to lose between a quarter and a third of their work force in the 1970s, and to turn to financial markets (Chadeau, 2000). This adoption of private business logic within the SOEs is directly related to the role the State assigns to the firms that it owns. While in Italy, since the early 1970s at least, nationalization was implemented as a rescue device for lame ducks, SOEs were supposed to be national champions in France – and hence were expected to adopt business practices that would make them highly competitive. This isomorphism between private and public practices (from the former to the latter) is coherent with the fact that French public and private firms have often shared parts of their boards: if they are to be run the same way, their managers and directors can be exchanged.

Was then the nationalization program implemented in France in the early 1980s an anachronistic aberration, as stated by several scholars such as Chadeau (2000)? Shouldn't the adoption of strategies similar to those of private firms lead to early privatizations? A different interpretation is also possible, one that sees the nationalization-privatization sequence of the 1980s as coherent with the two mechanisms that have shaped the French network of interlocking directorates during the whole 20th century. To correctly interpret the adoption of private practices in public firms and the sharing of directors, one should keep in mind that this isomorphism was more a mean than an end in and of itself. The aim was to strengthen SOEs so that they would be able to face an increasingly strong international competition. Adopting private sector logic was a way to achieve this goal. Firms that were nationalized in the early 1980s were believed to be extremely weakened by almost one decade of economic crisis, and the aim of their nationalization was to strengthen them. It was therefore not so different from the goal pursued by the adoption of private sector logic within SOEs in the 1970s. In the following years, new SOEs were actually strengthened, especially on a financial ground, thanks to a massive public refunding and the balancing of their debt. Once these firms were privatized, between the mid-1980s and the late 1990s, they were strong enough to successfully face international competition.

The exact privatization process is also important for our purpose, as it relied on financial strategies directly related to the mechanisms of status and group-building. As Morin (1996) has clearly documented, privatizations relied on the building of *"noyaux durs"* ("hard kernels") (also discussed by Maclean et al. (2006, 185-187), who, like us, emphasize the relative continuity of government policies in this respect). The government and political administration, in a context of growing intermingling of financial markets, feared that the privatized firms could be taken over by foreign, and more specifically US, institutional investors. Had this happened, all the efforts by the French State to refund these firms would benefit only foreign financial actors. To avoid this, cross-shareholding was deliberately organized: firm A got privatized through the buying of a large share of its capital by firm B, which could also be privatized, with its capital bought by firm A. This hard kernel strategy is coherent with the two generating mechanisms of the French interlocking directorates network. This kind of cross-ownership is reminds us of the loose-coupling dynamics that had led to the constitution of locally dense clusters within the network, for example in the electrical industry, as ownership ties often were coupled with shared board members. In addition, hard kernels involved private firms along with the SOEs that were to become private, but the partners always already had a high status. Hard kernels increased their ties in ways that only strengthened the status mechanism in the overall interlocking directorates network. This hard kernel strategy led to the network represented in Figure 1, where SOEs that were then in the process of privatization appeared in the central core of the network, even more than in 1956 or 1979.

IV. Discussion

This paper advocates for the joint advancement of two tasks: on the one hand, specifying roles of the State that could become meaningful criteria in typologies of capitalism; on the other hand, testing the relevance of empirical indicators that could be systematically computed not only for various countries, but also for various periods, in order to capture such roles. We have shown that it would be possible, and useful, to more systematically assess not only the number or size of SOEs, but also their position in national interlocking directorates networks, so as to to better understand what role they allow the State to play rather than automatically equating the existence of SOEs with a specific type of State capitalism. In the French case, contrary to what is often assumed, the number and chronology of SOEs do not appear to be very unusual, even when compared to the UK, the alleged epitome of a liberal market economy. We do not know, at this stage, how the positioning of SOEs in interlocking directorate networks have differed during the history of these two countries. However, by comparing France with Italy and a few other countries, we have already shown that different roles assigned to SOEs by governments led to different positions in such networks. In addition, we have brought to light an extremely consistent feature of the French interlocking directorates network, that does not fit in the dichotomy assumed by the VOC approach between competing firms (isolated) and co-operating firms (sharing board members). While quite dense, the French network is also extremely hierarchical, following a stable status mechanism. SOEs and the governments that decided on their goals have for the most part adapted to this mechanism, as well as to the secondary group-building mechanism creating denser clusters in the network. We do not claim here that this in itself represents some sort of third-type capitalism. However, we are already able to contend that the status mechanism does not easily fit in VOC typologies; nor can this feature be captured by the classical nation of a "State capitalism" where the State would mostly direct, organize or lead, rarely mediate or facilitate, and never be a mere bystander.

How can we better make sense of the French status and group-building mechanisms, and investigate other ways to put the State back into typologies of capitalism? At least two main investigations should be led from here, in order to enlighten how state resources, actors and practices are involved in the two mechanisms we have identified. Firstly, an important feature of the French interlocking directorates network that partially underlies the status mechanism is related to the State, but it is probably not as much of an exception as has often been argued: this is the importance of former civil servants on corporate boards, called pantouflage in French (see e.g. Suleiman, 1979, Charle, 1987, Bourdieu, 1989, Maclean et al., 2006). Preliminary analyses of our biographical datasets indicate that they are disproportionately present among shared board members between high-status firms, and possibly among shared board members between high- and middle-status firms. Their multiple appointments are therefore important for the status mechanism. Moreover, it is not a past phenomenon or one related to the golden years of SOEs: like the status mechanism itself, it began in the 19th century and was reinforced from the 1979 to the 2009 samples (François, 2010). Does this imply that the status mechanism is in fact a mere expression of the pervasive presence of the State and of State-led policies? Hall and Soskice (2001b, p. 35), citing Lehrer (2001, in the same volume), suggest that French managers, often coming from elite schools and the public service, were "more likely to look to the state for assistance than their counterparts in other nations". This is however an important interpretive step that deserves empirical examination, as former civil servants do not necessarily bring specific, statist policies with them. On the contrary, as continuing a career in the private sector is a reasonable step for people holding certain offices in the administration, they could very well act according to this perspective from the very beginning of their career; Jabko and Massoc (2012) have thus argued that the proximity between the financial sector and the administration hindered reforms after the 2008 financial crisis, just as Johnson and Kwak (2010) did for the US case. We need more systematic and careful comparisons with other famous cases of careers spanning the public-private divide in different countries (e.g. Useem, 1984, Colignon and Usui, 2003) before coming back to simple characterizations of an exceptional French statism.

Likewise, the study of what we called a group-building mechanism, which is obviously related to competition policies, would benefit from a more systematic study of such policies. In this realm, the US anti-trust laws have too often been considered as the sole benchmark; in recent years, a growing interest in cartels has added an alternative (e.g. Schröter, 1996). However, there are other dimensions to the space of possible competition policies than that opposing cartels to anti-trust laws. While recent studies of US anti-trust laws have emphasized that they were chosen following political debates, at specific moments, from a wide range of alternatives (see especially O'Sullivan, 2000), research on the UK and on France (Cheffins, 2004 Chatriot, 2010, Stanziani, 2012) has discussed the effect of legislation that did not as strictly forbid cartels as in the US, while they did not promote them or make them official as had long been the case in Germany or Switzerland. However, we lack a systematic study on how such regulations impacted cross-shareholding and interlocking directorates networks. However, it is already interesting to consider that, in terms of cartels, the French State was much less interventionist than many others, and some of its SOEs inherited the structures of former groups that were private quasi-cartels.

Exploring further in these two directions (the role of former civil servants on boards of large private firms and policies of competition) is certainly a necessary step if one is to properly understand the mechanisms that have shaped the French network over the last century. This exploration is also a way to see more clearly how SOEs in France conformed to pre-existing structures. It is only when these tasks would have been completed, and replicated for other countries, that the place of France in the typologies of capitalism can be properly assessed, along with the importance of the State in such typologies.

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Endnotes

1A full description will be put online soon at http://www.cgeh.nl/power-corporate-networks-comparative-and-historical-perspective , eventually followed by the dataset itself. This project was initially funded by CapGemini sponsorship received by our research center, then by a research grant of Scientific Advisory Board of Sciences Po, Paris (additional Swiss and German funding was received by Thomas David and Paul Windolf, who agreed to share data with us). Nicolas Alexandropoulos, Gaëtane d'Arbonneau, Sylvain Brunier, Celia Darakdjian, Thomas David, Cyril Grange, Florence Largillière, Lena Le Goff, Thomas Maineult, Frédéric Rebmann and Victoria Scoffier have contributed to the data gathering.

2The adjustment of SOEs to pre-existing mechanisms seems also to be found in other countries, while the mechanisms themselves differ. In 1976 Finland, SOEs were neither central nor clustered together, but were part of several of the separate groups based on sector or ideology that made up the national network (Heiskanen and Johanson 1985). In Taiwan, the very dense interlocking that had begun with Japanese *zaibatsu* was mimicked by SOEs after 1945 and still partly endures after privatizations (Lee and Venema 2014).

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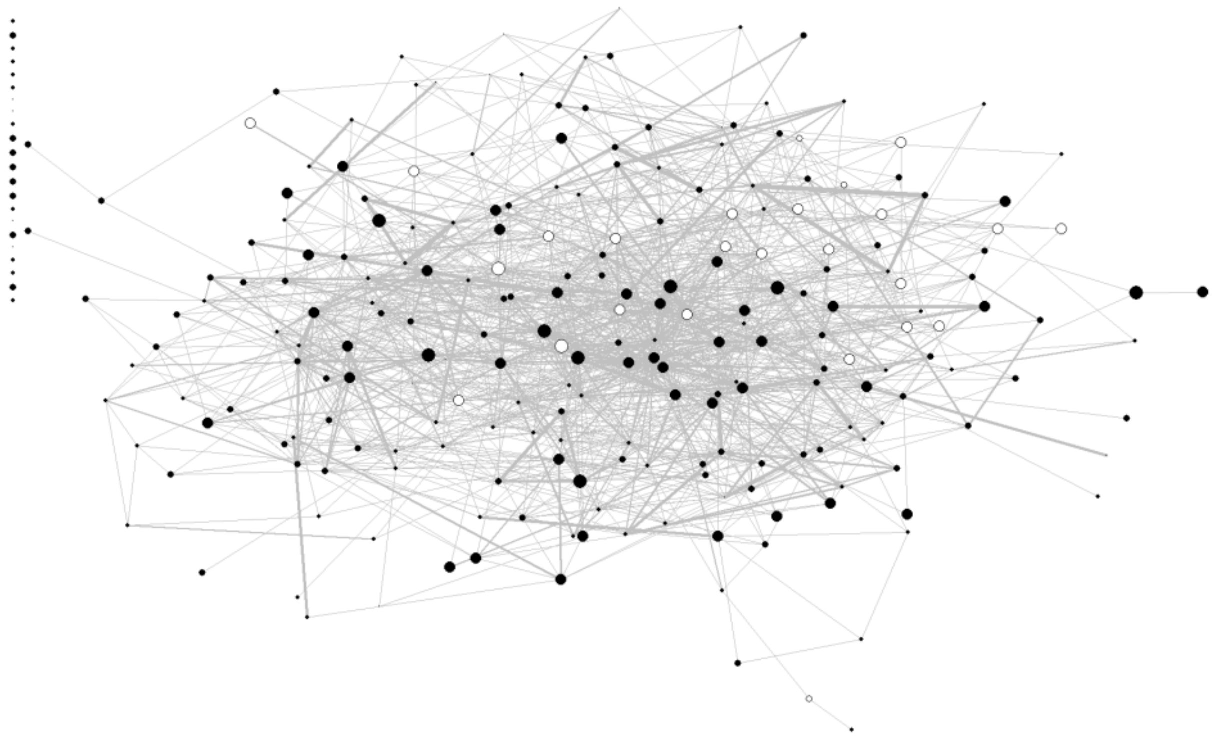
Appendix

Table 1: Characteristics of the post-war varieties of capitalism (1950s-1970s)

	Market capitalism (Britain)	*Managed capitalism (Germany)*	*State capitalism (France)*
Government role			
Policies toward	Liberal	Enabling	Interventionist
Business	Arbitrator	Facilitator	Director
Policies toward Labour	Bystander	Bystander	Organiser
Business relations			
Inter-firm relations	Competitive Contractual Individualistic	Co-operative Mutually reinforcing Network based	State led State mediated
Investment sources	Capital markets	Banks	State
Time horizons	Short-term view	Long-term view	Medium-term view
Goals	Profits	Firm value	National political-economic priorities
Industrial relations			
Management-labour Relations	Adversarial	Co-operative	Adversarial
Wage bargaining	Fragmented	Co-ordinated	State controlled

Schmidt, 2003

Graph 1: Interlocking directorates among the 252 largest French listed firms in 1990



The dataset underlying this graph is presented in the above paragraph about ***"Research design"***. Grey lines represent shared directors; the width of the line represents the number of shared directors. Circles represent firms, with white circles for SOEs and black circles for private firms. The size of circles represents the status of firms, as defined below in the main text.

Whither the State When It Acts Through Markets? The Case of Pesticide Reduction in the Vineyard of Bordeaux

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The dangers of extensive pesticide usage for human health and ecosystems have been known since the 1960s, so why do states throughout the world continue to allow this practice to continue? Why, for example, is France still the third largest consumer country in this domain, and why do its vineyards account for a fifth of this consumption? (INRA, 2006). Functionalist answers to these questions in terms of 'the need to feed the world' are unconvincing given the alternatives available and the social choices that could have been made. Indeed, this is particularly patent in the case of wine, a product that, despite its symbolic value, can hardly be seen as keeping people alive. Equally, material determinist explanations of the persistence of pesticides in terms of 'the interests' of chemical producers, growers and merchants beg the question of who has been defining such interests and how they have been made to coincide with 'the public interest' attributed to local or national societies. Similar explanations in terms of 'the power of neo-corporatist arrangements between interest groups and the state' are also over-general and incapable of capturing the dynamism of political economies.

The alternative explanation developed by much of the sociologically-influenced social sciences is to focus analytical attention upon the very process of defining and conciliating interests that lies at the heart of the relationships between states and economies. Although this fundamental postulate is widely recognized within our respective disciplines, nevertheless a great deal of disagreement and confusion remains over precisely how and why states intervene in and fit with economic activity. Having first briefly set out reasons for this state of affairs regarding research on the state, and in particular its sub-optimal effects upon the generation of knowledge about why representatives of states act as they do, the remainder of this article is devoted more positively to outlining a different approach that places greater emphasis upon what occurs within states themselves and its relationship to a range of societal actors. This approach is refined here around a precise, yet generalizable question: *what happens to a state when it acts through markets?* It is then illustrated with data from a case study of how professional training is currently being used by the French state as a primary means of regulating pesticide usage in a specific territory and productive system: the vineyard of Bordeaux.

Overall, by melding institutionalist theory to constructivist concepts and methods, a key finding is that, at least in the wine industry, representatives of the French state now firmly believe in the virtues of externalizing such training via a market. More fundamentally still, given that this market is skewed heavily towards those who essentially seek to reproduce extensive pesticide usage, this case study also reveals that in this instance at least, and in many others we can only hypothesize, French state representatives have given up on defining the public interest and acting in its name.

1 States, Economies and Markets: Towards a More Dynamic Framework

Deep Lessons in Need of Fresh Air

Since the pioneering writings of authors such as Marx, Weber and Polanyi, social science has broadly embraced the postulate that states and economic activity are deeply interdependent. On the one hand, the development of each state has been largely rendered possible by that of its economy, the goods and services generated as well as the fiscal reservoir this has created. On the other hand, a major condition for encouraging durable economic activity has been the emergence of the state as a maker and enforcer of rules, norms and conventions.

As is well known, since the mid-1980s, sociological neo-institutionalism has retheorized the second part of the above 'equation' and convincingly shown how these institutions structure and orientate economic activity. Building upon the sociology of Pierre Bourdieu (2000), Neil Fligstein (2001) in particular has highlighted not only how 'the architecture of markets' is made up of institutions, but also the extent to which the state acts as their guarantor. More specifically, his contention is that by being principally outside the 'fields' within which economic activity takes place, representatives of the state intervene as 'third parties'. In so doing they sometimes arbitrate between dominant actors and their challengers, but more often simply mediate their co-existence (Fligstein, 1996). Overall, for Fligstein as for Bourdieu (2000: 250), the state is never neutral when it intervenes in different parts of the economy, and this because a separate 'bureaucratic field' overhangs and strongly influences all its meso and micro level interventions.

At first sight this conceptualization of the relationship between states and their economies is highly seductive. First it dovetails with other, less sociological, literatures that have sought to capture how each state has regulated its economy (Boyer, 2004) and, in so doing, created singular but comparable 'varieties of capitalism' (Hall and Soskice, 2001). Second, it neatly distinguishes between actors who are 'economic' (firms and their representatives) from those who are 'political' (politicians and civil servants), thus chiming with a cleavage in everyday use promoted by these actors themselves and the media.

Notwithstanding their usage by a wide range of economists, political scientists and sociologists, defining 'politics' and 'bureaucracy' as quintessentially national and partly external to economic activity is deeply problematic. Firstly, as we have shown in detail elsewhere (Jullien and Smith, 2014), given the impact of both international and European scales and the range of ways state representatives intervene in different industries, today at least it makes little sense to obstinately search for national patterns and types. Instead, a focus upon comparing specific industries and their respective markets is more appropriate and methodologically robust. More specifically, each industry needs conceptualizing as an Institutional Order composed of four groupings of inter-connected Institutionalized Relationships (IRs): Employment, Finance, Sourcing and Commercial (Jullien and Smith, 2008). Each of these IRs is also crisscrossed by a number of Trans-Industry Regulations (Fiscal, competition and environment policy, etc.), all of which ostensibly apply to all industries. Tensions within an industry are thus typically either inter-IR or between an IR and Trans-Industry Regulations. In the case of wine in Bordeaux, for example, reinforced European and national legislation over pesticide usage potentially affects first the Sourcing IR by setting limits upon how grapes are treated with chemicals. However, because of the perceived risks and opportunities associated with changing agronomic practices, the legislation could also become an issue within the industry's Employment (e.g. health and safety, labour ratios), Finance (support from banks) and Commercial (pricing, labelling) IRs.

Indeed, it is precisely over whether or not issues in these IRs are transformed into 'public problems' (Rochefort and Cobb, 1994) that a second step forward for research needs to be made by embracing agency and abandoning the anthropomorphic definitions of politics that still dominate socio-economic analysis. Instead of limiting politics to what politicians or administrators do, it is defined here as *all activity that seeks to change or reproduce institutions by mobilizing or silencing values* (Smith, 2013). One of the advantages of this definition is that it focuses analytical attention upon the co-production of the economy's institutions by contingent hierarchies of actors within which state representatives may, or may not, play a dominant role. In so doing, this approach builds upon the concept of 'institutional work' which highlights the importance of agency in the creation and reproduction of economic institutions (Lawrence and Suddaby, 2006; François, 2011). More specifically, we hypothesize that such work becomes 'political' around either the explicit evocation of values (politicization), or their downplaying (technicization), through which struggles for institutional change or stasis are legitimized.

A Focus Upon States Acting Through Markets

In applying this approach to the issue of pesticide reduction, the angle on the state-economy relationship developed here is why, how and with what effects have segments of many contemporary states chosen to act upon public problems by creating markets? Over the last thirty years this practice has become increasingly common in issue areas ranging from health and infrastructures to energy, a trend over which research has produced three broad interpretations but little in the way of causal evidence.

The first of these lines of analysis is centred upon reforms of the state. It postulates that inspired and legitimated by neo-classical economics, advocates of New Public Management (NPM) have become dominant within states themselves. In so doing, one of their priorities has been to 'externalise' much pre-existing state activity by creating markets for the provision of public services by private actors. Much valuable research has been devoted to this question (Saint-Martin, 2001; Pollit and Bouckaert, 2004; Bezes, 2009). However, little knowledge has thus far been generated on the precise causes of state representatives choosing to intervene via markets, nor upon their effects in terms of political economy.

This question is addressed more directly by a second strand of research focused upon policy instruments. Having examined the production and implementation of such instruments in the British health and local government fields, Le Galès and Scott go so far as to conclude that recourse to market mechanisms has actually strengthened the state (2008; Faucher-King and Le Galès, 2007). More precisely, this strengthening is attributed to state representatives developing through markets a capacity to 'govern at arm's length' and thus avoid the trap of neo-corporatist relationships with socio-economic actors. Although this thesis merits taking seriously, the research behind it has yet to either seriously study the long-term effects of this mode of governing, nor its numerous failures (eg. British railways). Consequently it risks guiding research to overestimate both the actual capacity of state actors to orientate economic activity through markets, as well as their continued willingness to do so.

Indeed, the third and final interpretation of states operating via markets argues conversely that this practice reflects a loss of state power in general, and its transfer to business elites in particular (Jobert 2003; Crouch, 2005 & 2011). According to this view, state actors have given up large swathes of interventions by either transferring them to public-private partnerships or by recalibrating their own practices upon the template of the private corporation. This process is seen as self-perpetuating because, in so doing, states have lost much of the expertise and personnel they once had, thus further delegitimizing themselves by becoming both 'uninformed' and 'powerless'. As seductive as this thesis seems, however, little research has thus far been undertaken to validate it.

Overall, these three views on why states have increasingly sought to intervene in the socio-economy through markets are both stimulating and frustrating because they all promise important lines of enquiry but fail to follow through with adequate methods and data. Fully conscious that our modest study of pesticide reduction in the Bordelais cannot on its own pretend to plug the gaps created, nor by any means totally capture what the state-economy relationship has become, the following pages are nevertheless an attempt to head research in this direction by wedding our limited empirical example to the theoretical and conceptual propositions traced above.

2 A State-Created Market for Certifying Pesticide Users: Rules and Dependencies

Reducing pesticide usage has recently been given impetus by a European Union (EU) directive from 2009 (EC 128/2009) and, in France, by a series of measures adopted after a 'national debate' on environmental protection (*le Grenelle de l'environnement*) that same year. Socio-economic actors from Bordeaux's vineyard have reacted to this trend, and partly anticipated it, through a range of adjustments that include financing better meteorological instruments and creating networks to encourage the transfer of 'best practices'. In this way, they have sought to confine the 'problem' of pesticide reduction to an issue of 'reasonable usage' by individual growers. Meanwhile, from the point of view of the state, and in line with the directive, the principal policy instrument used has been a programme, located within the industry's Employment IR, which seeks to train and certify all pesticide users by the end of 2013: *Certyphyto*. If EU legislation sets out the broad content of this programme, it has not however imposed the process through which it should be implemented. In the French case, national and local representatives of the state have thus freely chosen to delegate the training of pesticide users to non-state actors by putting in place a market for this purpose. By examining first the creation of this market then its regulation, data regarding the positioning and power of state actors will be highlighted[1]. In so doing, it will also be shown why the 'problem' of pesticide usage has been reduced to one of training individuals to disseminate chemicals 'reasonably' into the environment.

A market reinforcing state dependence upon service providers

The first steps in creating this market entailed the French state publishing a call for participants, then validating their applications. In the Bordelais, four principal operators, all already heavily involved in agricultural training, applied and were accepted as participants: the Chamber of Agriculture, Public Education and Training Schools, a 'rural development' association (*les Maisons Familiales Rurales*) and, more unusually, a major supplier of pesticides (Vitivista Ltd.). In so doing, other potential trainers advocating alternative crop treatment methods, such as associations of organic producers, were excluded from the outset.

From the point of view of the selected operators, Certyphyto was seen as a considerable opportunity firstly because in the Gironde alone in 2009 there were 9432 registered farmers. 7400 of these grew grapes and employed in total 25.000 workers, most of whom would have to obtain a certificate to use pesticides by the end of 2013. At a time when numbers of farmers and farm employees in France are continuing to decline, conducting courses within the Certyphyto programme was seen as a considerable opportunity to make profits.

Indeed, for all of these operators this opportunity was also of great interest because it logically would enable them to train and thus be in contact with a range of farmers and growers with whom they had never had, or no longer had, a relationship. In the name of 'the crisis' that had affected wine prices in the mid-2000s, many growers had cut back on both their training and pesticide budgets. In the first instance this meant they were decreasingly in contact with the Chamber of Agriculture and Public Training Schools on the one hand, and had less dealings with companies selling pesticides, on the other. As a representative of the Chamber put it on interview: *'Today the difficulty is to get farmers to undertake professional training. We have trouble getting them to come and one needs bait. Because certification was compulsory, we had our bait'.* Training farmers and growers so they obtained a Certyphyto certificate was thus seen as enabling all these organisations to establish or re-establish links around which other services could later be marketed and sold.

Of course, these market opportunities cannot be separated from the pricing arrangements put in place by the French state. From the point of farmers and growers the key point here is that the two-day courses were free of charge, and thus subsidized 100% by the state and training fund financed by levies on all agricultural products (VIVEA). This aspect of the market was clearly attractive to operators, notably with a mind to the long-term relationships they hoped to expand around Certyphyto. But the main attraction was a system of pricing which generously remunerated these operators to the tune of 22euros per hour and per trainee from 2009 to 2011. Even if thereafter this price was reduced to 15 euros, this was still seen as a profit-making exercise to be engaged in with vigour.

The final aspect of the creation of this market that reveals just how much the state was prepared to bend over backwards to set it in motion, concerns the procedures for validating candidate operators. Given that all the latter had developed environmental-protection training modules over the previous decade, they had little difficulty in satisfying the criteria set out by the Ministry of Agriculture concerning the content of each training module. Indeed, our interviews confirm that the actual content proposed by each operator was not examined closely by representatives of the state, and certainly not with a view to reinforcing messages as regards the damaging effects of pesticides for human health and the environment. More importantly still, nor were operators specifically encouraged by the state to include in their training the alternative production methods adopted by growers committed to 'bio' or 'bio-dynamic' viticulture. Rather, as the representative of Vitivista Ltd. put it on interview, applying *'was an administrative procedure, that's all. What we had to do was put the right people with the right CVs in the right boxes'.* To quote an agent of the funding agency VIVEA: *'as soon as they applied we accepted them. We did not make any selections'.* State representatives justified this policy of non-choice in the name of the *'urgency'* of getting all the target population certified in time. But of course this bureaucratic construction of time is by no means neutral. Indeed, it is highly revealing of the priorities and values of the state actors concerned, and in particular of their low level of commitment to pesticide reduction.

In summary, the creation of this market for training grape growers in the Bordelais did not oblige the organizations to do anything different from what they were already doing (so imposed no investment costs), did not make them compete amongst each other at this stage and thus ended up as being a mere process of registration. No entry barriers were raised, thus largely reproducing from the outset the (low) constraints on pesticide usage present in the local wine industry's Employment IR and, above all, preventing them spilling over into the Sourcing, Finance and Commercial IRs.

Market regulation when the state stands aside

Once in place, competition between the four operators for trainees began in earnest. For the reasons listed earlier, each organization re-arranged itself internally so as to attract clients quickly and thereby make the most of the generous pricing system. What is of much greater analytical interest, however, is the role representatives of the state have played since 2009. Whereas advocates of the 'strengthened state' hypothesis might have expected these actors to intervene regularly with consistent demands that differentiated themselves clearly from commercial operators, in practice they have generally stood back and allowed these training organizations to act as they see fit.

The first issue that many would have thought the state representatives would be active over concerns the provision of information about the new regulatory requirements. Given that such basic information is generally seen as a pre-requisite for 'efficient' markets, many would indeed see the state as its logical provider. In the Bordelais case, however, private operators have dominated information provision to growers through thinly disguised forms of advertising. Not only have state representatives not intervened over cases of advertising that slightly distorted the regulatory requirements, they have also soft-pedalled over a blatant case of abuse of dominant position. This case concerns the Chamber of Agriculture and, more specifically, the relationship between the *département*-scale Chamber and that at the scale of the region. Whereas in the past both were ostensibly integrated, a formal separation now exists which allows the organization at the *département*-scale to dispense training commercially whilst their regional counterparts receive state and EU subsidies to provide information to all farmers and growers, regardless of their direct links to the Chamber of their *département*. In this instance, however, the regional Chamber's information contained a distinct bias towards its organizational cousins. On interview, an actor from the regional organization admitted that they had been slightly *'told off'* about this. But no further action has been taken.

Once the training courses were up and running, one might also have expected state representatives to seek to regulate the market they had created by monitoring it through spot-checks which, under French law, are supposed to be obligatory. However, by the time we conducted our interviews in mid-2012, no such controlling events had taken place. Instead, some representatives of the funding mechanism, VIVEA, had visited the occasional training course on an ad hoc basis, and this having received no prior training themselves and with no legal authority to back their opinions up. Given the unsystematic and informal nature of these exercises, unsurprisingly they found what they witnessed to be 'coherent'. But the state itself has not even given itself the opportunity to formulate any point of view on this subject.

Indeed, given this lack of monitoring it is also not surprising that each of the operators concerned has designed their training courses slightly differently. For example, some bring in external experts on subjects like health and safety, whereas others just make do with their own personnel. The issue here, of course, is ultimately the value of the certification being promoted and part-financed by the public purse. On one level this value can be immediately questioned because any farmer or grower who stays until the end of their two-day course will get a certificate, regardless of whether they really followed its content or not. In keeping with the bureaucratic logic behind policy-implementation in this region, because there is no exam or test, all participants are simply certified. In some instances the co-operative movement has taken a stand over the quality of training provided by advising its members to only take courses it has validated. But observation of how the co-operatives have played this brokering role in some instances only serves to highlight the generalized absence of the state even more.

Moreover, the question of the value of Certyphyto can and should of course be analysed at the deeper level of the ideological standpoints and power relations its implementation reveals. Why have state actors stood back and allowed commercial operators to make the most of the funding on offer without putting in place criteria-driven demands upon them? Why are the only criteria ever used purely bureaucratically concerned with meeting the requirements of national and EU law? Why, in a wine region known to be polluting its environment and putting its workers at risk with pesticides, have representatives of the state not developed and fought to impose a tougher policy-line in the name of the general interest?

More research obviously needs to be undertaken to fully answer these deep questions, but at this stage two levels of reply have emerged. The first concerns how state representatives now interpret their own overall social and socio-economic role. After years of digesting 'New Public Management' discourse and staff reductions due to budget cuts, many of the actors now consider it natural to reduce the regulatory role of the state. Secondly, and more fundamentally, this stance is seen as so 'normal' that it is any suggestion they should be acting otherwise that is seen as deviant. For example, in our interviews with state agents we repeatedly encountered a faith in externalization as an efficient and unproblematic means of making 'supply' meet 'demand'. Indeed, in virtually all these interviews it was as if the postulates of simplistic versions of neo-classical economics, so prevalent now in French society at large, were merely being recited to us as if from a hymn book.

Conclusion

The case study presented here of pesticide reduction in the Bordelais has revealed and analysed an instance of how contemporary representatives of a reputedly strong state now represent and practice their relationship to the economy. Contrary to the thesis that 'hands off' government has actually strengthened the state (Le Galès and Scott, 2008), here we have shown that its personnel actually consider that their role is to intervene minimally in the economy and, thereby, give free rein to commercial operators. Far from being just a rhetorical stance, this positioning has resulted in practice in training organizations using the liberty accorded them to actively reproduce a highly permissive approach to pesticide usage. Further research on the contemporary French state needs not only to focus on other sectors and other regions. It also needs to test whether representatives of the state located in Paris have reduced their ambitions as regards regulating the economy as much as their colleagues located in the Bordelais have done.

More generally, the article has set out an approach to the regulation of economic activity centred upon reproduction and change of institutions at the level of specific industries such as wine. Melding together an ontology and concepts from institutionalism and constructivism, we have shown how economic practices like pesticide usage are deeply anchored in an Institutional Order through its four Institutionalized Relationships (IRs). As with many other wine regions, in the Bordelais pesticide usage is so deeply ingrained in agronomic practice because since at least the 1950s it has lain at the heart of the wine industry's Employment, Finance, Sourcing and Commercial IRs. Recent EU and national legislation to alter the recourse to pesticides by growers could have had wide and deep ramifications for these IRs in the Bordelais. However, in this region as elsewhere, representatives of growers, training organizations and the state have conducted 'institutional work' in order to ensure that any discussion of pesticide usage remains confined to only the Employment IR. Controlled by employers, this IR has provided a safe haven for implementing externally imposed legislation in ways that have not 'contaminated' the other IRs. Little wonder then that productive and commercial practices in the Bordelais have barely been grazed by attempts to inject 'the general interest' into their regulation. However, the effacement of the state that has occurred in this instance gives much greater cause for reflexion. Indeed, though facilitating the confinement of an issue to only one part of the industry's institutional order, our case study reveals an angle on the state's involvement in markets that could be of wider interest to all sociologies of political economies.

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Endnotes

1 This data was principally gathered through 17 semi-structured interviews conducted in mid-2012 with protagonists working within the state, for producer interest groups or for training organizations. For example: Aquitaine's Chamber of Agriculture (Environment adviser); Gironde's Chamber of agriculture (the heads of its Environment and training teams); Vitivista Ltd. (the head of its Environment team); Ministry of agriculture, agrifood and forestry, Regional offices: its Training and development team (policy officer) and Pesticide and veterinary control team (head).

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Governing the Market Through Prices: The State and Controls on the Price of Medicines in France

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This article brings together two streams of research which have had important developments over the past years without coming together around a single empirical object. The first of these streams has developed in economic sociology around questions of valuation and pricing (Aspers and Beckert, 2011; Hegelsson and Muniesa, 2013; Vatin, 2013). If the majority of these works are more interested in processes of qualification than in processes of pricing, this gap tends to be filled by studies that are primarily focused on the formation, the circulation and the social uses of prices (Beckert, 2011; Chauvin, 2011 and previous issue). However, as Beckert (2011) emphasizes, these works have often neglected the role of institutions in general, and of the State in particular, in the determination of prices. The second stream of research has developed in the policy analysis around "government instruments" (Hood, 1983; Lascoumes and Le Galès, 2004) used by the State to govern different social spheres, and in particular the market (Hall, 1986; Dobbin, 1994 ; Jullien and Smith, 2008). These works have often emphasized the use of the tax system and public expenditure (Lascoumes and Le Galès, 2004; Bézès and Siné, 2011) as classic government instruments, but on the other hand they have given little attention to control of prices by the State.

However, according to the analysis of Dobbin (1994) on the development of the railway industry in the 19th century, the fixing of rates was a central issue in industrial policy, not only in France but also in the United States and the United Kingdom. Fixing the rates of rail transport allowed for the promotion of equality between territories and persons, for the regulation of competition between rail companies, and for influencing the development of the rail lines in the directions preferred by the State. But price control is also an important instrument of macro-economic policy, which has been applied to many sectors, and not only in the Soviet Union; price control was the rule in France from 1936 to 1986, but also in the United States during the two world wars and under Nixon's presidency. Hervé Dumez and Alain Jeunemaître (1989), who have studied closely price control policy, have noted the variety of ways it was used in France in terms of both eras and sectors: far from being a secondary or inefficient government instrument, price control has been shown to be, at least in the case of France, a powerful method of economic regulation by the State.

The French medicine market is one of the last representatives of this price control policy; since the 1930s until today the prices of reimbursable medicines have been fixed by the state. Relatively unusual both in the European and global contexts (Lecomte and Paris, 1998; Sermet, 2007), this administrative price fixing is justified in the case of medicines by the necessity of controlling socialized spending on health: the State represents the aggregated demand in the face of laboratories that have a quasi-monopolistic position. This State control over the price of medicines has nevertheless been the subject of numerous criticisms: for its interventionism (that prevents the establishment of any real price competition); for its lack of transparency (marked by arbitrariness and corruption); and its ineffectiveness (weak prices given to the medicines are "compensated for" by the laboratories through "artificial" strategies of innovation and incentives to doctors to prescribe higher amounts, therefore continuing to inflate health expenditures) (Jeunemaître, 1985; Chauveau, 1999). Within the framework of European harmonization, this policy underwent important reforms during the 1990s; from that point the fixing of prices was entrusted to the Economic Commission for Health Products (hereafter "the Commission"). Unofficially created in 1994 and formalized by decree in 1997, this Commission includes representatives of different ministerial departments (Health; Social Security; Consumerism, Competition and Fraud Prevention; Industry) and of (universal and complementary) health care organizations, and is responsible for negotiating with the pharmaceutical industry the prices of medicines reimbursed by health insurance around a number of objectives:

The mission of the commission is to obtain the most advantageous price and the economic conditions for the health insurance service, taking into account both the global medicine market and the constraints of the National Target for Expend-

itures on Health Insurance, the requirements of public health and the need to treat enterprises equally. (Report of the Commission, 2004, p.60).

In this article we examine in more detail the role played by the Commission in price fixing and regulation of the market. The fixing of prices by the Commission reaches across three different areas of political economy. First of all, the Commission presents itself as a valuer, responsible for translating in the prices of medicines a range of principles of value reflecting different definitions of public interest in terms of medicine. Then, the Commission appears as a planner, supposed to control, through the fixing of prices, the development of the volume and the structure of health expenses. Finally, the Commission also assumes, more or less overtly, a role as regulator of the market, using the prices to influence (or not) the investment and competitive strategies of pharmaceutical companies and, to a lesser degree, the prescription of medicines.

Valuing the Public Interest

The Commission defines itself, first of all, as a representative of the interests of the aggregated demand for medicines, responsible for defining "collective preferences" in the area of public health and for negotiating, in the name of the payers, the fairest price with the pharmaceutical companies. But in order to determine these collective preferences, the Commission must balance three partially contradictory principles of valuation (Boltanski and Thévenot, 2006; Stark, 2009; Vatin, 2013): a public health rationale according to which the prices should valuate the health needs of patients and the therapeutic value of the medicines; a financial rationale according to which the price should valuate the financial imperatives of the Social Security; an industrial rationale according to which the price should valuate industrial development.

This compromise is established around the assessment of the therapeutic value of the medicine by the Commission of Transparency. This commission, which used to fall under the French Drug Agency and was integrated in 2004 to the "Haute Autorité de Santé", is composed of doctors, pharmacists, and specialists in medical research and epidemiology. It uses clinical data provided by laboratories to assess the Improvement in Medical Service (IMS/ASMR in French) of a drug, the therapeutic "value-added" of this medicine compared to others in the same therapeutic class. There are five levels of IMS, ranging from I for a major therapeutic advance to V for a lack of improvement. The Improvement in Medical Service plays a central role in the negotiations between the Commission and the laboratories, since it will determine the "acceptable" price range for both parties and legitimize the final price.

According to the agreement signed between the Commission and the union of the pharmaceutical industry, the medicines which have been ranked IMS I to III (major to moderate) are supposed to receive a price "coherent" with those used in four other European countries, of which two (Germany and the United Kingdom) have unregulated, elevated prices and two (Italy and Spain) have fixed, weaker prices. Granting in this way higher prices to medicines having greater therapeutic benefit both indicates the importance of these treatments for public health and "compensates" innovative laboratories, while taking care not to strain the budgets of the health insurance service. For all that, the "fair price" is never completely self-evident, as is regularly shown by the case of "orphan drugs." As these medicines affect only a very small number of people suffering from problems which are often serious[1], access for these patients is crucial; but the few laboratories that invest in research on these medicines face limited markets to profit from them and therefore often demand extremely high prices. The negotiations within the Commission and between the Commission and the firms are often therefore very difficult.

Another example of these difficulties of "assessment" relates to the medicines rated as IMS IV (minor), for which the therapeutic value is not high enough to include the medicine within a European price bracket, nor weak enough for the company to accept a price lower than that of comparable medicines. It is therefore not unheard of for a company to demand a price ten to twenty times higher than that of equivalent drugs for a new form of one of its medications which has a grade of IMS IV. In this case, matching therapeutic benefit with price can prove to be particularly problematic, with the representatives of the Health Ministry hoping to offer patients the benefit of this new medicine while the representatives of Social Security or of the healthcare organizations refusing to pay a high price for a minor innovation.

Financial considerations are even more evident in the case of the medications that do not offer an improvement (IMS V), which represented 60 to 80% of the medications evaluated by the Transparency Commission from 2000 to 2006. The Social Security Code stipulates that in the absence of therapeutic value, a medication should not be included on the list of reimbursable medicines unless it allows for savings for Social Security. However, the Commission elaborates in one of its reports that *"the expected savings are not measured by the unit price gap between the new medicine and those, already included, with which the Transparency Commission compared it, but as savings in expenditures, which is the product of gaps in the price per volume"* (Annex 1, Report 2002, p.40). Moreover, the arrival of a new medicine modifies the competitive structure within the market of that therapeutic class, which affects at the same time the global volume of sales and the structure of market shares. For the Commission, then, the issue consists of fixing a price for this new medicine which takes into consideration the probable evolution of its sales volumes but also those of other medicines and therefore integrates market regulation and expenditure planning.

The Commission's approach to assessing medicines has recently been criticized as inflationist by both politicians and economists. For example, in a recent study of the "determinants of price gaps between similar medicines and the first on the market of a therapeutic class," some researchers (Sorasith et al., 2012) find *"the existence of occasionally important price gaps between similar medicines, which have the same indications and which are therefore postulated to be a priori equivalent"* (p.30). While these gaps result from the principles governing price fixing in France (the date of market launch and IMS), the researchers question the foundations of these principles since *"the majority of minor innovations lead to these price gaps within a class […although] for the doctor who prescribes them or the patient who consumes them, they are in most cases interchangeable"* (p.30). These researchers therefore find that it would be wise to question the role of the criteria of innovation in the assessment of medicines to offer more weight to financial imperatives.

This critique appears to be well founded as long as it reduces the activity of the Commission to an assessment of the therapeutic innovation offered by a medication. But in reality, the Commission is not content to just valuate the therapeutic interest of these medicines; it also aims to use its control over prices to plan the evolution of health expenditures.

Planning Health Expenditures

In his study of railway policy in the 19th century, Dobbin (1994) tends to separate planning policy from pricing policy. However, price fixing has been an important instrument in French planning (Fourquet, 1980 ; Dumez and Jeunemaître, 1989). In the 1990s, administrative price fixing of medicines was the subject of numerous critiques (Jeunemaître, 1985 ; Chauveau, 1999). It did not seem, in fact, able to curb the growth of medical expenses without strict controls on the volumes sold and therefore on prescriptions. The equilibrium resting on fixed, weak prices and free, high volumes was not satisfying in terms of finances, since it did not allow limitations on medical expenses, nor in terms of health care, since overconsumption of medicines entailed iatrogenic risks for the patients, nor even in terms of industrial development, since the weak and relatively homogenous pricing did not encourage the pharmaceutical companies to invest in the research and development of truly innovative medications. The creation of the Commission in 1994 and the establishment of the "Plan Juppé" in 1996 aimed to address this problematic situation by making the Commission a true planning authority, empowered to control the evolution of medical expenses by acting not only on the prices but also on the volumes of medicines sold.

The Commission therefore has the mission of ensuring that the growth of reimbursable medical expenses is consistent with the National Target of Health Insurance Expenditures, voted on by the Parliament every year since 1996 within the framework of the Social Security Financing Law. To achieve this consistency, the Commission applies the "K rate" of growth of Health Insurance Expenditures defined by the Social Security Financing Law at a different rate for each of 65 pharmacotherapeutic groups, grouping together medicines considered therapeutically equivalent. The first step is evaluating the perspectives of a "normal" evolution of sales within each therapeutic class starting from the demand for the drugs (prevalence of the illness to be treated and public health priorities) and their promise (predicted development of innovations or generic medicines). A second stage aims then to *"identify the classes within which [the Commission] calculates that, at the currently observed levels of sales, the prices are – at least relatively, considering the global constraint on expenditures set by the Parliament – too high"* (Annex 2, Report 2002, p.46-47) in terms of the assessment of the interest in that therapeutic class, the length of time that the medicine has been on the market and the volumes of sales. In this sense, the Commission plays a central role in planning through its capacity to control not only the levels but also the structure of medical expenditures, based on its evaluation of public health needs, public finances, and the growth of the markets.

To "execute the plan," the Commission can act not only on the prices of medicines but also on the volumes and structure of sales. First, the Commission can modify prices based on the observed sales volumes of the medicines. In the case of older therapeutic classes for which generic medicines are widely available, the Commission has, on the request of Parliament, implemented important price cuts between 2000 and 2012, in order to get the sales price as close as possible to the cost of production. Otherwise, the prices granted to innovative medications are usually accompanied by provisions under which passing a certain volume (of global sales or daily treatment) can lead to the lowering of the price of the medicine. These provisions aim to ensure that the laboratories do not pressure doctors to prescribe the medications unless indicated, jeopardizing not only the balance of health expenditures but also public health. In cases that significantly exceed the sales targets fixed in these provisions, the Commission can theoretically lower the official price of the medicine. In fact, lowering prices in this way provokes the hostility of the pharmaceutical companies, since it threatens not only the price established in the French market, but also more broadly that of the European market, via the system of cross-referencing among European countries.

A second instrument is therefore preferred both by the companies and by the Commission: the end-of-year rebates. These rebates, paid by laboratories to the health insurance system in the case of exceeding the volumes "authorised" by the Commission, permit the health insurance system to get a real price lower than the official price without changing the latter. Finally, a third instrument aims to act from a distance on medical prescriptions by regulating the amount of doctor visits by pharmaceutical representatives. In 2004 a "doctor visit quality chart" was agreed between the Commission and the pharmaceutical industry union in order to *"promote the quality of medical treatment by avoiding the misuse of medicines and unnecessary expenditures and by participating in informing doctors"* (Medical Visit Charter signed by the Commission and medical companies in 2004). While this Charter only relates to the content of medical visits, the Commission has moreover negotiated with the laboratories to fix the number of doctor visits they can make within therapeutic classes; passing this number can lead to sanctions (price lowering or rebates). By this logic, actors in the health field (doctors, patients, pharmacists) appear almost negligible since the Commission and the laboratories agree to fix the "acceptable" prices and volumes of sales and of medical visits, without considering doctors' actions or opinions.

Beyond these different instruments, a "contractual" framework contributes to assuring the planning of health expenditures. Almost all of the pharmaceutical companies have chosen to sign contracts and support a policy of negotiations, not so much for financial reasons as because this policy gives them the opportunity to negotiate prices directly with the State, mediated by stable rules which engage both parties. The policy offers the companies a handhold in the fixing of prices through the devices and rules established by the Commission, and gives the State influence over the conduct of companies and doctors. Moreover, by engaging the Commission and the companies on the basis of a five-year contract, this policy allows both stakeholders to plan the evolution of medical expenditures over the medium-term: the Commission can protect itself from a sharp drop in sales (and therefore in medical expenditures) and the companies can protect themselves against any temptation by the government implement short-term savings by unilaterally changing the prices.

The Commission therefore plays a planning role responsible for guiding the evolution of medical expenses based on objectives and priorities fixed by the government and by commitments with the pharmaceutical companies. We are left with a third role that implies relatively contradictory arguments: should the Commission also use the prices to regulate the market?

Regulating Health Industries

Neo-institutionalist works have emphasized the key role of the state in the structuring of markets and the organisation of company strategies (Dobbin, 1994; Fligstein, 2001). Based on the laws that have been adopted, the State is able to promote strategies of cooperation, of price competition, or of merger among companies (Dobbin and Dowd, 2000). Through its decisions whether to fix a single rate or leave companies free to fix their own rates within the railway sector, the State either promoted the establishment of a substantial margin for the enterprises in the sector or on the other hand allowed an unbridled and ruinous price competition to take root (Dobbin 1994). In the French Case, two questions have been particularly important in the debate around market regulation. Should the Commission use its control over prices to subsidise the French and European pharmaceutical industry or should it respect equality of treatment across companies? Should the Commission use its control over prices to encourage price competition among enterprises and in this way "sacrifice" the pharmaceutical industry in the search for lower health insurance expenditure?

The first question has been raised recently by two professors of medicine (one of whom is a member of Parliament), Philippe Even and Bernard Debré. From a table showing the price gaps between "similar" French and foreign medicines, the two authors accused the Commission of privileging *"first French firms, then foreign firms established and producing in France, and, finally, foreign firms producing elsewhere and without plans to establish themselves in France"* (p.61). According to them, this "national" or "European preference" is a result of the strong influence that the Ministers of Finance and of Industry have over the decisions of the Commission, which lead it to privilege an industrial logic over a public health or a financial rationale in fixing prices. The two authors note an important ambiguity in the political economy of medicine in France: should the Commission use the price fixing of medicines as a tool of industrial policy or should it observe a strict principle of neutrality towards different companies?

While each of the annual activity reports published since 1999 contain the reminder that the Commission intends to respect a perfect equality in the treatment of companies and a set of rules have been progressively enacted to translate this principle into price decisions, the relations of the Commission with the companies seems to have evolved the according to the involved branches of government (and in particular the weight of the Ministry of Industry), the economic conditions, and the positions of its presidents. In this way, the policy initiated by the first president of the Commission, Jean Marmot, and theorised in a 2004 report (Marmot, 2004), had a clear industrialist angle: the issue was to use price fixing to promote the development of a competitive French industry and to take into consideration the objectives of growth and employment alongside the objectives of controlling health insurance expenditures and the needs of public health. On the other hand, Noël Renaudin, who presided over the Commission from 1999 to 2011, defended a principle of neutrality on industrial issues. He considered that the protection of employment and growth in France should not be part of the criteria for price fixing and that equality of treatment across enterprises, *"as much for the legal certainty it provides as for the rational expectations that it makes possible, constitutes a significantly attractive element"* (Commission Report 2009, p.44).

The positions of Jean Marmot and Noël Renaudin offer an illustration of two opposing conceptions, protectionist and liberal, of industrial policy. The political economy of medicine, as it is designed in the rules and price fixing instruments utilised by the Commission, constitute a unique compromise between these two extreme positions. The principle of equality of treatment and of respect for competition among enterprises appears in the system of distribution of "rebates" at the end of the year. The rebate paid by each company is based partially on the sales rate within the pharmacotherapeutic group concerned (65%) and partially on the growth of this sales rate (35%). The competitive neutrality principle of pricing policy would have the rebates based exclusively on the sales rate, but at the same time, the contracts discourage the systematic penalization of the same enterprises through the rebate system, because otherwise the companies would prefer the non-contract route. This system seems therefore to be a method of taxing all the companies without "distorting" the competition within the different therapeutic classes.

On the other hand, the principle of the promotion and protection of French and/or European industry is applied through two instruments. The first of these is the valuing of innovation by "European" prices and the establishment of partial or complete exemptions from the rebates over the course of several years for medicines with high IMSs. This principle has crucial implications for the pharmaceutical industry, since it reinforces the separation between the (large, international) companies which innovate and access European prices but don't necessarily develop their research and production activities on French or European territories, and the (smaller, national) firms which concentrate on the exploitation of older or generic medicines and which often guarantee operation of their industrial sites on French territory. The second instrument aims to strengthen the attractiveness of France and the European Union for pharmaceutical research, development, and production activities. Based on the recommendations of the Marmot Report in 2004, a Strategic Council of Health Industries (SCHI, CSIS in French) met in 2005 under the auspices of the Prime Minister and entrusted the Commission with the distribution of credits (reaching a global annual sum of around 50 million euros) intended to finance "hard" investments (production factories, research centers, distribution platforms of headquarters) already implemented or under construction. While ostensibly recognizing the importance of industrial development within medical policy, the SCHI credits in reality enable the separation of industrial development policy from the price fixing of medicines.

The second problematic concerns the use of price controls to promote price competition among firms. The generic medicines policy which has been developed in France since the 1990s has led the government to construct a "price competition market" while at the same time maintaining the administration of prices and the socialization of health expenses (Nouguez, 2010; forthcoming). In the absence of micro-economic devices of price competition, the Commission has played the role of a Walrasian Price Commissioner groping to establish by trial and error a "perfect competitive price" that approaches the production cost of generic medicines: the price of a generic medicine, which is fixed by the Commission, has in this way gone from 80% of the price of the original medicine in 1994 to 40% in 2012; at the same time, the prices of original medications now competing with generics were lowered by the Commission from 80% of their original prices in 2006 and to 70% by 2012. Finally, on the request of the government, the Commission has developed since 2010 a policy of price convergence within therapeutic classes in which generic medicines were strongly present but did not manage to compete with certain patented medicines because of the marketing strategies of laboratories (Nouguez, 2007). Rather than leaving it to market actors (laboratories, doctors, patients) to organize a true price competition, the Commission has therefore used its control over the prices to "mimic" the effects of price competition. In this sense, it plays a major role in the regulation of the market and the industry.

The use of prices as an instrument of market and industry regulation has therefore been an important issue of conflict, muted but real, raising the question of the autonomy of the Commission from ministerial "guidance" and industrial "influence." The economic crisis and the growth of unemployment can be seen as factors reinforcing the industrial logic within the decisions of the Commission, but they also contribute to strengthening the financial perspective and the pressure to lower the prices of medicines and optimize the savings of the health insurance system. Thus the balance between public health, financial, and industrial rationales in the assessment of medicines, far from being static, evolves notably based on ministerial guidance, rules elaborated by the Commission, and their use by public and private actors.

Conclusion

Two conclusions in particular stand out from this study of the pricing policy conducted by the Economic Commission for Health Products. The first is consistent with the work that has been done in economic sociology on the architecture of prices (Chauvin, 2011 and 2013). In the French medicine market a multiplicity of prices can be seen, the form, the status and the use of which vary significantly. We have seen that the system of rebates leads to a differentiation between the official price, written on the box, and the price actually paid by the health insurance system (Aspers and Beckert, 2011). This gap between the two prices is explained both by the capacity of the Commission to negotiate rebates with the laboratories, and by the eagerness of the latter to display a consistent (if not unique) price across the European (if not global) markets. While price fixing remains a national prerogative within the framework of the European Union, decisions in terms of price increasingly fall into a network of cross-references that tend to homogenize them. But the policy adopted in France (as in the majority of European countries) tends to create a price hierarchy based on the degree of innovation of the medicine, since the medicines judged to be of little innovation or that have been on the market longer are subject to strong policies of price competition aiming to reduce their costs for the collective and for individuals.

Our second conclusion emphasizes the need to further refine research on price controls as an instrument of governing markets. Studying the activity of the Commission has allowed us to identify three methods of using prices to govern the market: a rationale of valuing public interest, a rationale of planning health expenses, and a rationale of regulating the market and the industry. But, if the Commission offers without a doubt an ideal-typical case of price fixing, the examples of direct or indirect State intervention in prices are numerous, whether in terms of salary policy (e.g. minimum wage), financial policy (e.g. interest rates on savings accounts), or tax policy on activities "in the public interest" (e.g. electricity, water, gas…) or again on highly symbolic goods (e.g. tobacco, books, bread…). The systematic study of price policies developed in these different sectors should allow for the refining of the typology that we have outlined here and for more thinking generally about prices as a significant instrument of governing markets.

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Endnotes

1The term also refers to drugs aimed at treating diseases suffered primarily in poorer countries, where the potential return on investment is low. In the European context, it is the first definition which is more relevant.

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The State and the Structure of the Business Community

Mark Mizruchi interviewed by Pierre François

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1 You are best-known as "Mr. Interlock." I would like to know how you began to work on interlocks and with network methods.

I was in graduate school at Stony Brook in the 1970s, and I was interested in questions around Marxist theory, but I had started college as a math major. I had always liked numbers, but by the time I got to graduate school I had developed this aversion to quantitative sociology, and I didn't want anything to do with it. In my second year of graduate school I went to a practice job talk by Beth Mintz, who was working at the time with Michael Schwartz. She presented a talk on corporate ownership and control. In order to empirically address that topic, she began writing mathematical models on the board, and drawing circles and lines, and she was talking about debates in Marxist theory. It had never occurred to me that you could deal with interesting theoretical questions and use numbers and mathematical models. I was really excited by this. So after her talk I went to Michael Schwartz, who had run this big project, and I asked him if he was interested in having somebody else work on the project, and he got very excited to have a new student who was interested in it. I thought that this question of ownership and control was interesting but I didn't know exactly why it was important, I knew it was something a lot of people had argued about. But it was never clear for me why these arguments were so intense.

I started to get interested in the question theoretically, and then I got interested in interlocks. Companies have boards of directors, and if you look at the board of one company you see people who also sit on the boards of other companies, so they create ties between the companies. Michael had worked with Harrison White in the 1960s, and he was involved in Harrison's early work on social networks. He was there at the same time Mark Granovetter was there. Mark had developed this idea of weak ties versus strong ties, and Michael used this distinction in his work on interlocks. My interest grew out these questions, rooted in my old interest in Marxist theory, and at the same time from my interest in these mathematical models and social networks.

2 Your first book, *The American Corporate Network*, was on the evolution of the network of the biggest US firms. How did you get from this first book to the 1992 book, *The Structure of Corporate Political Action*?

There was actually a good reason for me to switch my approach. When we first started doing these network analyses of interlocks, there was a lot of excitement: You can draw these really beautiful pictures, and you can show that all these firms are connected to one another. It initially seemed sufficient on its own just to show that these structures existed. But after a few years, people started asking a question: So what? Does it make any difference that all these companies are connected? Are there really any behavioral consequences of this? For the first couple of years, I just tried to argue my way out of the problem: "Well, you can't observe this kind of thing, we know power when we see it!" I even published an article in the *Academy of Management Review*, called "Who Controls Whom?" I was arguing that boards of directors, even if they rarely did anything, were the primary center of control inside the firm, because they had the ability to hire and fire the CEO. I made that argument because it was a justification for looking at interlocks as centers of power. If directors had power inside the firm, then it made sense to talk about their power in the economy as a whole.

This response worked for a while, but I became increasingly concerned that these critics had a point. I really did need to show that there were consequences of these ties. The question was how to do it. What I needed was a political outcome, because we were arguing that these interlocks led to political unity or cohesiveness among the large corporations. How were we going to show that empirically? In 1982, I was at a sociology meeting in San Francisco, and I was talking to one my fellow interlock researchers, Tom Koenig. Tom, in his dissertation, had looked at political contributions made by corporations. There had been a recent law in the United States that allowed corporations to form separate entities called political action committees. They were legally separate but they could be funded by the firms, and they were basically run by the firms. As part of the deal, they were required to report all of their contributions, and the government made these contributions public. You could purchase, in those days they were tapes, where you could find all of the contributions made by the political action committees, including labor unions and other kinds of groups, as well as corporations. I started thinking: there's got to be a way that I can use these political contributions as an outcome of interlock ties.

The problem was that interlocks were by definition relational. They involve relations between firms. If you are talking about class cohesion or business unity, you're talking about a relational process. But the contributions are made by individual firms, so if you want to talk about contribution patterns, your unit of analysis is the individual company. I was trying to figure out how I could develop a relational analysis using these campaign contributions. One day it hit me: I could look at dyads, pairs of companies. If you look at a pair of companies, you can ask the question: if these companies share an interlock, are they more likely to contribute to the same candidates?

The other thing is that I wasn't just interested in network ties as social connections. I wanted to argue that there was a more structural basis for firms to be cohesive with one another, that it wasn't based just on personal friendship. The idea I came up with was that the firms' economic interdependence made them more cohesive. It turned out that there was a body of scholarship on this in sociology, called power-dependence theory, the classic article was by Richard Emerson, and this even goes back to Durkheim, because in *The Division of labor* Durkheim argued that interdependence was the basis of organic solidarity. Emerson made a similar argument, that when people are dependent on one another, they gain a stake in maintaining the relationship. If companies are interdependent, then they would probably have a stake in maintaining a cohesive relationship as well. The problem was, there was no publicly available data on direct transactions between companies. But around that time I had come across Ron Burt's early work. He dealt with the problem by looking at relations among industries, because those data are available in the US. Ron had used these input-output tables to predict where interlocks were likely to occur. I wanted to use these tables to predict where firms would exhibit similar political behavior.

3 After the 1992 book, you seemed to get into another main interest: the problem of the relationship between the state and the economy wasn't so central to you anymore. You decided to turn to other questions, such as the role of banks in the intercorporate network. Why did you move in this direction?

By the time my 1992 book came out, sociologists, at least in the US, had lost interest in questions about class and power, about the relations between business and the state. What was left of the area was now dominated by state-centered theories. There was no real interest in looking at questions like the effect of business on the political process. And this was related to a lack of interest in class, at least in the US. There was much more of a focus on race and gender inequality.

Meanwhile, although my own work was becoming much more rigorous, my focus was getting more and more narrow. It was almost as if I was saying: well, I'll do these very well crafted and very rigorous articles, I'll get tenure, and then I'll go back to working on the big questions. Except that one day I realized that this was the only thing I knew how to do anymore, the kind of articles that end up in the *American sociological review* or *Administrative science quarterly*. It's a good way to advance your career, but it moves you away from the big questions. And there wasn't as much interest in those questions anyway.

What interest there was in these questions was coming from people in business schools, who were discovering social network analysis. They were saying: "You can look at these network ties and they will explain firm behavior!" Jerry Davis, who is now my colleague, was a graduate student at Stanford, and he was writing his paper on how interlock ties led to the diffusion of takeover defense plans among American corporations. Another graduate student, from Carnegie Mellon, Pam Haunschild, wrote a paper showing that companies whose CEOs sat on the boards of companies that had recently made acquisitions were more likely to make acquisitions themselves. Because of this work, interlocks came to be a big deal among people in business schools. Sociologists weren't interested anymore, but the business school people were. I had shown that connections among firms affected the firms' political behavior, so I wondered if they affected their economic behavior as well.

In the mid-1980s I had begun a project with Linda Stearns, whom I had known in graduate school. My dissertation focused on changes in network structures over time. Linda had worked on capital dependence among firms over time, and it occurred to me that we should put the two together. We had started by looking at the relations between financial dependence and interlocks. After my book came out, we wondered if maybe interlocks could predict firm financial behavior: if your company and my company have an interlock, maybe we influence each other about how we structure our financial portfolio, how much debt we use and how much equity. If we could show something like that, that even these economic and financial variables could be predicted by social ties, this would really show the value of economic sociology. We started to do that and we had some success.

In the 1990s, the chief executive of one the largest US banks was someone who had a big interest in social science, and he set up a research foundation, funded by the bank. The foundation put out a request for proposals, with the idea that you could get access to the bank and study it. Linda and I decided that this was too good an opportunity to pass up, and we were able to get one of these grants. We were interested in the question of risk, how it could be mitigated by social network ties. When we looked at how the bank operated, we started to talk with corporate bankers, the people who actually made deals with corporations, and we discovered that they had to use social networks inside the organization in order to get their deals closed. We ended up doing a study in which we interviewed individual bankers. We got information about the structure of their networks, and we were able to show that the likelihood of them successfully closing a deal was a function of how sparse their networks were. You need to pull people together to approve your deal, and the more diverse your network is, the greater the probability you close the deal. This was consistent with Ron Burt's argument about structural holes, that a sparse network gives you more resources and information. We published a couple of articles from this study and they received a certain amount of attention, but it was a long way from the early questions about class and power from which I started. But this is about the time I started thinking about the questions that frame my new book.

4 It seems that in your most recent book you came back to these big questions you were interested in at the beginning of your career… Could you tell us a little bit more about the way you came back to these questions?

During this period – this is the 1990s and maybe the early 2000s – I was still on this path of producing these very well-crafted, rigorous studies, with a very clear and possibly narrow focus. They weren't narrow by conventional American sociological standards, they were pretty mainstream, but they were narrow compared to the questions with which I originally started. I had applied for another grant from the National Science Foundation. It was a tight, solid proposal. One of the reviewers wrote: "this is a good proposal, we should fund it, there is nothing wrong with it". Then the reviewer started criticizing me, saying: "this principal investigator is a full professor, and this is the kind of project an assistant professor should do," that when you're a full professor you should be thinking about broader topics, and doing bigger things, and taking risks. And that hurt, because I knew the reviewer was right. During these years, I had this nagging feeling in the back of my mind: am I really asking the big questions? I even wrote something in the conclusion of my 1992 book where I said that some critics might accuse me of ducking the big questions in this book, but I plead innocent, because I really was dealing with them, except that I'm not sure that I was. I had been thinking for a few years that I needed to do something that's really exciting.

For a long time, I had this idea that the American business community had developed a sort of false consciousness, in the Marxist sense that they did not operate in their own interest. If you take for example healthcare policy, unlike virtually the entire rest of the developed world, there was no national healthcare program in the US, except for the elderly. Private businesses had basically taken on the responsibility of providing healthcare for their employees. In the 1950s, when healthcare did not cost very much, it was not so much of a problem. But by the 1990s, healthcare costs were skyrocketing, and it was putting a huge burden on private companies. They were aware of this, and they started saying that maybe we need something like a national policy. When Bill Clinton got elected, one of the first things he did was to propose a national healthcare plan. Originally, the American companies were supportive of this. But there was too much division among them. The far right had by then basically captured the Republican Party. They were strongly against anything Bill Clinton wanted to do. Big business originally supported Clinton's healthcare plan, but then they were frightened out of it by the Republicans in Congress.

The other thing that struck me was when I thought back to the way the corporate elite had been in the 1950s and the 1960s. I was a little too young for the anti-war movement, if I had been two or three years older I might have been sent to Vietnam, but I was still very critical of the war. In college and graduate school we thought that these business guys were the bad guys, that they were the ones who got us into Vietnam, that they were behind all of the racism and imperialism and all the other terrible things that the United States did. When we were studying corporate interlocks in those days, we were studying those people we thought were the bad guys. And yet when you look back at that time, by comparison to the present these people were pretty liberal. As one of the reviewer of my book put it, Chrystia Freeland, the modal position of the big business people from that time would now put them on the left wing of the Democratic Party. I had a feeling that part of the problem that we have in American politics, where it seems impossible to accomplish anything, is that big business can't even act in its own interest, to save the system from which they are benefiting.

This, of course, is a pretty broad claim, and I had no idea how I was going to do this work: where are my regression equations, what is my dependent variable, where is the network, how am I going to measure this network? Instead, I wrote the book as a historical narrative. I wouldn't call it pure history. I did use some archival data, but I did not spend three years in the archives. I would call it analytical history, where I have a framework and I try to make sense of historical events. I don't think there is a lot of controversy about the facts that I report. But I have my own interpretation.

5 Could you tell us a little bit more about this argument?

The argument is that in the period after WWII, the elite members of the American business community had a more far-sighted perspective. The term they used was enlightened self-interest. There was an organization called the Committee for Economic Development – they still exist but they are just a shadow of their former self – they were very prominent at the time. They included CEOs of important companies as well as academics. Originally the group was formed in 1942 to deal with questions about what was going to happen to the economy after WWII. It turned out that they continued during the 50s and beyond, developing positions on various issues. They were behind the Marshall Plan, for example, the Employment Act of 1946, a bunch of legislation. By contemporary standards they were pretty liberal. They represented only a small part of the American business community, but they were the segment people listened to because they were the biggest corporations. They made their peace with Keynesian economics, they decided that the public needed to have enough purchasing power to sustain the economy, so they needed to have high wages and low unemployment. These people didn't love labor unions, no business people do, but they accepted them. They worked to find some kind of accommodation, which became known as the postwar capital-labor accord. Some recent labor historians are now criticizing this idea, they say that there never was an accord, but I think they miss the point. Yes, business was always fighting labor, tooth and nail, but during that period there was what Ralf Dahrendorf called institutionalized class conflict. They were fighting, but they were not really trying to destroy the unions in the way they would do later on. They were fighting in a regularized, institutionalized framework.

The argument I make is that the large companies were constrained to adopt this moderate approach by three forces. One is that the state was highly legitimate at the time. The American public thought that the state was a force for good. This was a result of Franklin Roosevelt's New Deal. Because of this, the government had a certain degree of power, and business could not, like they do today, blame the government for everything, they had to accept an active government. The second force was organized labor, which was relatively strong at the time, not as strong as the European unions, but certainly much stronger than they are now. At a certain point in the 50s, 35% of the US labor force was unionized, which is a pretty high percentage. And then the third factor, I argue, was the financial community. It is not that the banks controlled corporations, but the banks served as a consensus builder. If you look at the boards of directors of the big banks, they included what an old graduate school pal of mine, Jim Bearden, called the corporate all-stars. You could see the CEOs of a lot of major companies sitting on the boards of the big banks. Through these connections they forged a certain normative consensus. Sitting on a board and interacting with people from other industries created a broader view of the world, which tended to create a more moderate view as well, because you see the world from different perspectives. This was the third force that helped the business community to be more cohesive.

This system worked pretty well through the 50s and 60s. There was a lot of turmoil of course in the US, it is not like it was a completely stable and happy period, but the economy was booming, and the average real standard of living for an American family doubled between 1946 and 1970. The political system also worked in a way that it doesn't work now: members of different political parties made deals, they accomplished things, the party that was out of power cooperated with the ruling party. The system worked pretty well.

And then in the 1970s it all began to fall apart. There were a series of forces. The rest of the world had recovered from WWII, Japan, much of Europe, and particularly Germany. They started flooding the American market with manufactured goods, which American consumers discovered were higher quality. American consumers started buy non-US cars. The big American companies had gotten soft because they had been in these highly concentrated markets where they did not face competition, which meant they did not have to innovate. In the 1970s they were now facing competition, and they were completely unprepared for it. So they started to experience a crisis. There was an inflationary pressure in the economy. There was the energy crisis of 1973. The major institutions also began to experience a major crisis of legitimacy. As a result of the 1960s, Americans began to dislike the government, but they began to dislike business as well. The heads of big corporations saw themselves as under siege. In order to deal with it they reorganized politically, but this time they allied themselves with the traditional conservatives. Where earlier they had not wanted anything to do with these people, now they decided to become allies. Meanwhile Keynesian economics was not working any more. We had high inflation and high unemployment simultaneously.

What happened in the 1970s is that the corporate elite, aligned with the traditional conservatives, started to push back against the forces that had constrained it. They became very aggressive in fighting against government regulation. They became very aggressive going after labor unions. By the time Ronald Reagan was elected, they had basically won. Labor was much weaker, business had stopped a series of progressive bills in Congress, and they had raised the question of whether the real problem of the American economy was insufficient supply, and insufficient productivity, rather than insufficient demand.

6 So basically they won, in quite a short period of time. And one of the paradoxes of your argument is to say that once they won, then they became weaker.

That's a paradox, but I have to be careful: it's not that they became weaker, it's that they became ineffective on issues that required collective action. They had always been relatively unified at the top. In the 1970s, business as a whole became unified. And by the 1980s, having won the war, having thrown off the basic sources of constraint, they no longer needed to be unified. It's Simmel's old external threat-internal cohesion argument: you get rid of the external threat, there is no need to be cohesive anymore. They got everything they wanted, so they started to push for their own interests. You start to see this in the 1980s, and you see it clearly in the 1986 tax reform. It is widely believed by many commentators that business lost in the 1986 tax reform. Some people said, I quote them in the book, that business could have won if they would have fought collectively, but they were too busy fighting for themselves.

There are two other things that happened in the 1980s that were very important. First, the last source of cohesion among the corporate elite, the banks, fell out of the center of the network. There was a whole series of factors that led to this. They started experiencing economic difficulty because people found alternative ways to use their money, in mutual funds and money market funds, for example. Companies found alternative ways to finance themselves. They used commercial paper instead of borrowing from banks. The banks were weakened by this, so they started to act like investment banks, moving away from lending and toward fee-for-service activities. What's interesting about this process is that you started to see these non-financial CEOs dropping off the boards of the banks. So the banks, for the first time in the history of interlocks going back to the 1870s, started to fall out of the center of the network. The second thing was in the mid-1980s there was an unprecedented acquisition wave, with a large number of hostile takeovers. Managers saw themselves as under siege. They were in a very precarious position. In the 1950s, if you were a corporate president, you could sit back and think about the long term implications of your actions for the system. But in the 1980s, you could be out of work next month, because the company could be taken over, so you became much more focused on short term issues. You can see a drop in CEO tenure during this period.

Because of these changes that occurred in the 1980s, the elite became fragmented. When they need to act collectively, to deal with issues like healthcare, or the deficit, or taxation, recent events have shown that they are incapable of doing this, even for situations where it would be in their interest. They have completely lost control of the Republican Party. When the shutdown occurred, they said "this is crazy, you cannot do this," but the Republicans basically said to big business "screw you, we don't care." That would never have happened in the 1950s or 1960s. At an individual level, these companies are very powerful. They can get a lot of favors, they lobby people in Congress, they get good deals for themselves. But for anything that requires them to act collectively, they are completely ineffectual.

Book Reviews

Book: David Graeber, 2011: *Debt, the First 5,000 years.* New York: Melville House Publishing

Reviewer: Jongchul Kim, Columbia Law School, jongchul323@gmail.com

David Graeber offers a new interpretation of the last 5,000 years of Eurasian economic history. He explains how changes in the morality of debt and different ways of solving debt crises have resulted in a broad historical alternation between a credit economy and a money economy. According to Graeber, this relationship between morality, debt crises and the economy remains central to the current national and global economy. I believe the book is a must-read for anyone who wants to understand not only history, but also the current global crisis. In this review, I focus on some of the theoretical contributions made by this rich and vivid work.

The first theoretical contribution Graeber makes is one that has been well recognized by many readers. He criticizes conventional wisdom, according to which societies evolved from a barter economy to a money economy to a credit economy. According to this conventional wisdom, the barter economy was the first to emerge, and to overcome the difficulty of finding traders whose interests coincide, precious metals started being used as a medium of exchange. Here, the money economy emerged. And as some people began accumulating money, they started to lend it those who needed it for business enterprise or consumption. Thus emerged the credit economy. Against this account, Graeber demonstrates that no society has ever been based on barter because barter was carried out between enemies or strangers. The actual historical sequence was from a human economy to a credit economy to a money economy.

Second, Graeber demonstrates brilliantly how the role and social implications of money changed significantly during the transition from a credit economy to a money economy. The major change that Graeber identifies in this regard is very important to understanding what modern money is. In a human economy, mutual obligations between people were not transformed into the idea of debt, according to which everyone must pay what he or she owes. At that time, the modern idea that money can finally settle debt also did not exist. Rather, one important social implication and role of money in the human economy was to acknowledge the impossibility of clearing one's debt. For example, when murder was committed and threatened to cause social discord, a community's leaders arranged reconciliation. The murderer was advised to pay money, and money here symbolized the impossibility of repaying what the murderer owed. But when, in the Axial Age, money was used to solve debt crises and the credit economy was transformed into the money economy, money acquired the opposite meaning – that it can finally clear one's debt. This was the moment when the clear divergence between money and debt occurred. Money and debt became opposites.

Third, Graeber provides a holistic view on the historical transition between types of economies that encompasses the relationship between warfare, morality, philosophy and the economy. Credit economies before capitalism created institutions to protect debtors, or often revived the social order by cancelling debts. But when the new moral idea – that everyone *must* pay what he or she owes – emerged, leaders attempted to solve debt crises by adopting money. This historical process of adopting money was full of warfare, violence and slavery. The warfare-coins-mining-slavery complex was accompanied by the new philosophy of materialism. Graeber's excellent research connecting the warfare-coins-mining-slavery complex with materialism fits well with Lewis Mumford's excellent research on the relationship between mechanical technology, materialism, warfare and mining in modern times.

Fourth, Graeber avoids a Eurocentric view of history. Most theoretical and historical research on money and debt compares primitive societies with modern capitalism and compares primitive money with modern money. This research largely ignores how successfully, even if not perfectly, societies during the Middle Ages outside Western Europe managed debt crises while promoting commerce and prosperity. This research thus fails to learn lessons from this relative success of non-European societies. According to Graeber, it was not coinage, but the new philosophies and religions of peace, that ultimately solved debt crises in these non-Western societies during the Middle Ages. These new religions seriously addressed the social dislocations introduced by debt. In India, Asoka tried to re-found his kingdom on Buddhism. In Rome, Constantine turned to Christianity. In China, the Han emperor Wu-Ti adopted Confucianism. In Islam was adopted in the near East. Relatively successful solutions in the Middle Ages were achieved in the last two regions, China and the Islam world, where the market prospered and debt bondage was more or less successfully eliminated. The least success occurred in Western Europe, where Christianity criminalized merchants and the market. Though Graeber does not say so, this least success might explain why Western Europe was the first region in the world to return to the earlier money-warfare-slavery-mining-materialism complex in modern times.

Fifth, Graeber analyzes how the psychology of debt contributed to the most inhuman violence of early modern times, including the massacre of Aztecs by Spanish conquistador Hernán Cortés. This argument, I think, deserves to be extended to explain the more systematic massacre of indigenous people committed by the United States in early modern times.

Sixth, his rich and vivid interpretation allows us to look at history differently and to remedy the present theory of money and banking. Graeber has been able achieve this richness and vividness because he is free from any settled theory of money and any settled perspective of history. He is, in short, insightful and free. At the beginning of the book, he adopts a post-Keynesian credit theory of money, but he freely chooses many other useful theoretical and historical findings that go against the post-Keynesian view. For example, his differentiation between a credit economy and a money economy goes against the post-Keynesian reduction of money to credit. He also rediscovers an important function of money – to finalize debt – when he discusses how coinage was introduced in the sixth century B.C. This function has come to be regarded as outdated and is thus no longer included in the famous triad of money's functions as a medium of exchange, a unit of account and a store of value. Coinage was introduced as a solution to debt crises because money was institutionalized in order to finalize debt. This function differentiates money from credit and thus refutes the Post-Keynesian reduction of the latter to the former.

Finally, Graeber's most important contribution is to raise the issue of debt cancellation as a solution to the current global financial crisis. In a credit economy, a debt contract can be made between two equals, but it creates a relationship of inequality until the debtor fulfills his or her debt obligation. Historically, unpaid debts often contributed to transforming a society from an egalitarian into an unequal, or hierarchical, one. Thus, in credit economies before capitalism, the cancellation of unpaid debts was often seen as recovering the relationship of equality, strengthening the social order, and contributing to the maintenance of the credit economy. For example, in the Babylonian and Sumerian civilizations, in which the credit economy was highly developed, peasant debts were cancelled by emperors in a periodic "redemption" or "Year of Jubilee." In contrast, modern society considers strict debt obligations a supreme moral good and a way of securing the social order. Graeber attributes the origin of the current crisis to this modern morality of debt.

Book: Wolfgang Streeck, 2013: *Gekaufte Zeit: Die vertagte Krise des demokratischen Kapitalismus.* Berlin: Suhrkamp. Engl. Transl.: *Buying Time: The Delayed Crisis of Democratic Capitalism.* London/New York: Verso, 2014.

Reviewer: Philip Mader, University of Basel, philmader@philmader.com

Democratic capitalist societies have been "buying time" with money for the past four decades – first via inflation, then public debt, then privatised Keynesianism – but are running out of resources for postponing the inevitable crisis. As a result, we now find ourselves at a crossroads where capitalism and democracy part ways. That, in a nutshell, is the thesis of Wolfgang Streeck's new book, currently only available in German, but soon to appear in English for publication with Verso as *Buying Time: The Delayed Crisis of Democratic Capitalism*.

The book is based on a series of three *Adorno Lectures* given by the director of the Max Planck Institute for the Study of Societies (MPIfG) in the summer of 2012 at the renowned Institut für Sozialforschung in Frankfurt. Its radical language and conclusions may be surprising for those who remember Streeck's days as advisor to the "Bündnis für Arbeit" initiated by Germany's former Chancellor Gerhard Schröder, which precipitated far-reaching labour market and social security reforms, or of Streeck's demands for institutional reforms to forge a more competitive and flexible low-wage service sector in Germany modelled on the USA (Der Spiegel, 1999). But crises bring new beginnings, and Streeck's defense of democracy against its subjugation to the market is auspicious. His analysis of the economic, political and ideological straightjacket that states have found themselves in, not just since the crisis but certainly more pronouncedly in its wake, ties together a revamped analysis of capitalism with a compelling critique of the "frivolous" politics of European integration. With some wit, a characteristic taste for good anecdotes, and great clarity Streeck studies the processes of the *moyenne durée* which produced the "consolidation state" as the supreme fulfilment of a Hayekian liberal market vision, and which brought us to the impasse of the current period.

The book begins with a critical appraisal of how useful the Frankfurt School's crisis theories from the 1960s and 1970s still are for explaining today's crises. While their works are by no means invalidated, Streeck contends that yesteryear's crisis theorists could scarcely imagine how long capitalist societies would be able to "buy time with money" and thereby continually escape the contradictions and tensions diagnosed by their theories of late capitalism. He explains the developments in Western capitalism since the 1970s as "a revolt by capital against the mixed economy of the postwar era"; the disembedding of the economy being a prolonged act of

*successful resistance by the owners and managers of capital – the "profit-dependent" class – against the conditions which capitalism had had to accept after 1945 in order to remain politically acceptable in a rivalry of economic systems. (p. 26)**

By the 1970s, Streeck argues, capitalism had encountered severe problems of legitimacy, but less among the masses (as Adorno and Horkheimer had expected) than among the capitalist class. Referring to Kalecki, he suggests that theories of crises have to refocus on the side of capital, understanding modern economic crises as capital "going on strike" by denying society its powers of investment and growth-generation. The 1970s crisis, and the pathways that led out of it, thus were the result of capital's unwillingness to become a mere beast of burden for the production process – which many Frankfurt theorists had tacitly assumed would happen. Capital's reaction to its impending domestication set in motion a process of "de-democratising capitalism by de-economising democracy" (Entdemokratisierung des Kapitalismus vermittels Entökonomisierung der Demokratie), which ultimately brought about the specific and novel form of today's crisis and its pseudo-remedies.

The rest, as they say, is history. In the second part, Streeck outlines how public debt rose with the neoliberal revolution, something mainstream economics and public choice quickly and falsely explained away as an instance of the "tragedy of the commons" with voters demanding too much from the state. However, the rise in debt came in fact with a *curtailment* of the power of democracy over the state and the economy. First, the good old "tax state" was ideologically restrained – starving the beast – and gradually found itself rendered a meek "debtor state" increasingly impervious to any remaining calls for redistribution by virtue of its objective impotence. Then, the resulting power shift to what Streeck calls the state's "second constituency" – the creditor class, which asserts control over its stake in public debt and demands "bondholder value" – generated a standoff which Streeck observes between the conflicting demands of *Staatsvolk und Marktvolk*. The fact that the debtor state owes its subsistence less to contributions from the taxpaying "state people" and more to the trust of its creditor "market people" leads to a situation in which debtor states must continually credibly signal their prioritisation of creditors' demands, even if it harms growth and welfare. Creditors, in their conflict with citizens, aim to secure fulfillment of their claims in the face of (potential) crises. The ultimate power balance remains unclear, but the "market people's" trump card is that they can mobilise other states to fulfil *their* demands, leading to a kind of international financial diplomacy in their interest.

The archetype of such a transnational financial diplomacy, Streeck contends in the third and final part, is Europe under the Euro, where we encounter an even more wretched type: the "consolidation state". Consolidation, Streeck argues, is a process of state re-structuring to better match the expectations of financial markets, and the consolidation state is a sort of perverse antithesis to the Keynesian state, acting in vain appeasement of the financial markets in hope of one day again being permitted to grow its economy. Its story begins with Friedrich Hayek, whose 1939 essay *The Economic Conditions of Interstate Federalism* Streeck presents as a strikingly accurate blueprint for the modern European Union, complete with references to the common market as assuring interstate peace. The European "liberalisation machine" slowly and successively shrank the national-level capacity for discretionary intervention in markets; but it was European Monetary Union which ultimately rendered one of the last powerful (yet blunt) instruments available to states impracticable: currency devaluation. The resulting multi-level regime, a regime built on an unshakable belief in European *"Durchregierbarkeit"* (roughly: the capacity to govern Europe) and driven by a bureaucratic centre (or centres) increasingly well-insulated from democratic meddling, completes the actual European consolidation state of the early 21st century. Within this kind of hollowed-out supra-state, individual countries have to fulfil their duties *to pay* before fulfilling any duties to protect; initiatives like Hollande's abortive "growth pact" are mere political showmanship. In the present framework, even more substantial programmes would be likely to fail, Streeck argues with reference to Germany's and Italy's huge and hugely unsuccessful regional growth programmes. Stemming the decline of southern Europe with transfer payments while adhering to monetary union with Germany is as much an impossibility as it is fuel for future discord.

Now, with tighter financial means, the cohesion of the Brussels bloc of states depends on hopes invested in neoliberal 'structural adjustment' with a parallel neutralisation of national democracies by supranational institutions and a targeted cultivation of local support through 'modern' middle classes and state apparatuses, who see their future in western European ways of business and life. Additional packages for structural reform, stimulus and growth from the centre are mainly of symbolic value, serving as discussion fodder for the greater public and for the mise-en-scène of summit decisions, as well as for politically and rhetorically absorbing whatever is left over of social democracy. Finally, puny as these may be financially, they can also be used to distribute loyalty premiums and patronage to local supporters: instruments of elite co-optation by doling out advantages in the Hayekisation process of European capitalism and its state system. (p. 203)

What can be done? It would be wrong to describe Streeck's conclusions as optimistic. The capacity of populations or politicians to resist the imperatives of the consolidation state appears small, even where he argues that popular opposition is key, pointing to some rays of light in recent social movements. Streeck characterises present capitalist society as a "deeply divided and disorganised society, weakened by state repression and numbed by the products of a culture industry which Adorno could hardly have imagined even in his most pessimistic moments" (p. 217). It is furthermore politically held in check by a transnational plutocracy which has far greater sway over parliaments and parties than citizens. Given the likely failure of the consolidation state at restoring normality, we have thus arrived at a crossroads where capitalism and democracy must go their separate ways.

The likeliest outcome, as of today, would be the completion of the Hayekian social model with the dictatorship of a capitalist market economy protected against democratic correctives. Its legitimacy would depend on those who were once its Staatsvolk learning to accept market justice and social justice as one and the same thing, and understand themselves as part of one unified Marktvolk. Its stability would additionally require effective instruments to ensure that others, who do not want to accept this, can be ideologically marginalised, politically disorganised and physically kept in check. […] The alternative to a capitalism without democracy would be democracy without capitalism, at least without capitalism as we know it. This would be the other utopia, contending with Hayek's. But in contrast, this one wouldn't be following the present historical trend, and rather would require its reversal. (p. 236)

Small acts of resistance, Streeck notes, can throw a spanner in the works, and the system is more vulnerable than it may appear; the Draghis and Bernankes still fear nothing more than social unrest. For Streeck, projects of democratising Europe, calls for which have recently gained momentum, can hardly work in a Europe of diverging interests. They would have to be implemented top-down, and furthermore have to succeed both amidst a deep (public) legitimacy crisis of Europe and against an already firmly embedded neoliberal programme with a decades-long head-start. (Streeck and Habermas publicly clashed over this issue in 2013).

Streeck places his highest hopes in restoring options for currency devaluation via a kind of European Bretton Woods framework; "a blunt instrument – rough justice –, but from the perspective of social justice better than nothing" (p. 247). A newly flexible currency regime would reopen some alternatives to "internal devaluation" and thereby permit a more heterogeneous political economy within Europe to match "cultural differences". The Euro as a "frivolous experiment" needs to be undone, Streeck claims. But would that really mean a return to social justice? States like Great Britain or Switzerland hardly suggest a linkage, least of all an automatic one. Furthermore, declines in real wages from currency devaluation can mirror those of internal devaluation, merely with the difference of how politically expensive the process is (and it would still likely be central bankers, not democratic institutions, taking the decision). A return to national currencies looks like an easy way out, short of political-economic transformations for restoring some semblance of social justice to capitalism. Nonetheless, Streeck's is a forceful argument in favour of preserving what vestiges remain of national sovereignty in face of capitalism's attacks on democracy, as tools for gradually pushing back the transnational regime of market sovereignty. He concludes that the greatest threat to Western Europe today is not nationalism, but "Hayekian market liberalism" – whether the one could be the dialectical product of the other remains another question.

Above all the analysis of capital as a collective player capable of acting with guile (Williamson) to ensure capitalism remains in its better interests – intellectual traces of Streeck's days as a scholar of collective bargaining, perhaps – is one of the most innovative approaches to understanding the class dimension of the political economy of the present crisis. Streeck's anatomy of the type of regime we increasingly have to deal with, the consolidation state moulded to address capital's own legitimacy crisis yet sacrificing democratic legitimacy in the process, perhaps offers the most cogent picture of the present multi-level political economy of debt in Europe (and beyond). Taking back the consolidation state and re-appropriating democracy from capitalism's clutches at the crossroads, of course, is a task beyond the reach of any book.

Endnotes

*All quotations are the reviewer's own translations from the German original.

The Origin of Social Species: Organizational Novelty as a Matter of Autocatalysis and Network Transformations

Book: Padgett, John F./Walter W. Powell (eds), 2012: *The Emergence of Organizations and Markets.* Princeton: Princeton University Press, xxii + 583 pages, ISBN 978-0-691-14887-8.

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Stromatolites, evidence of the earliest life forms, adorn the cover of Padgett and Powell's (2012) *The Emergence of Organizations and Markets* and the first chapter begins with a reference to Charles Darwin: His "question of the origin of species is worth posing and exploring as much in the social sciences as it was in biology" (p. 1). Biological analogies and metaphors have been drawn upon extensively to make sense of social and political phenomena at least since Aesop's fable of the belly and the other parts of the body. In organization theory, this is most evident in the population ecology literature but also in various shades of systems theory and contingency theory. Padgett and Powell provide a new landmark statement in this naturalistic tradition as they get serious about the question of *origin*, i.e. novelty and emergence, and about applying *autocatalysis* from biochemistry.

The book is an edited volume with an introduction and coda by the two editors Padgett and Powell, six chapters by John Padgett alone, two chapters by Padgett and altogether three co-authors, three chapters by Woody Powell and four co-authors, and six chapters by neither Padgett nor Powell but thirteen other authors. The book is divided into four parts. The first two parts on "Autocatalysis" and "Early Capitalism and State Formation" are Padgett's terrain, Part III on "Communist Transitions" then opens the floor to other contributors, followed by Part IV on "Contemporary Capitalism and Science" with chapters by Powell and others (see below). The chapters are all new but some of them are extensions, revisions or abridged versions of prior publications. Institutionally, the book project originated from a research project at the Santa Fe Institute. In sum, the book is a collective accomplishment, rooted primarily in the editors' own previous work, and a combined stock-taking and programmatic effort.

The more programmatic statements are to be found, unsurprisingly, in the opening and closing chapters co-authored by the editors. The opening chapter (Chapter 1) places the book's focus on the understanding of historical emergence of organizational novelty in processes of transformation. Padgett and Powell identify autocatalysis as the foundational concept they use to devise "biochemically inspired models … [that] provide an analytical framework for specifying with some precision the social science problem of emergence" (p. 2). They call for a relational and historical turn of mind, which includes sensibility toward long term and short term dynamics and co-evolution of social networks with organizations as actors whose relations constitute markets. The common analytical frame for the book, as laid out in the opening chapter, links a network analytical approach with three types of autocatalysis and eight mechanisms of organizational genesis: transposition and refunctionality; anchoring diversity; incorporation and detachment; migration and homology; conflict displacement and dual inclusion; purge and mass mobilization; privatization and business groups; and robust action and multivocality. Clearly, there is a lot to each of these mechanisms and they are not self-explanatory, but Padgett and Powell manage to introduce all of them very effectively within a few pages. They also single out issues of structural vulnerability and multiple-network poisedness as the key challenges for further research in this area. In their closing chapter (Coda), the editors do not mention autocatalysis anymore when they reinforce the need for deep longitudinal research on network evolution and the dynamics of multiple networks, for instance different types of spillover or relationships as signs of discernment. Between the opening and closing chapter, the main parts are usefully linked by short introductions that relate back to conceptual themes.

All contributions are extremely rich, based on impressive research efforts and marvelous to read but impossible to summarize here. Hence, I will provide only a few observations related to the framework set up by the editors. Part I has three chapters by John Padgett, one co-authored with Peter McMahan and Xing Zhong. These chapters introduce the reader to the foundational concept of autocatalysis and the application of research on the origins of life to organizations (as "one form of life", p. 31). It is interesting to note that Chapter 2 includes a section in which Padgett comments on the apparent similarity of autocatalysis and autopoiesis, only to distance his approach from the latter ("Maturana-Varela and Luhmann have taken a good idea and have run off with it in the wrong direction", pp. 55-56). Chapters 3 and 4 are very technical in borrowing from chemistry but fortunately accessible and meaningful, which merely left me wondering if I had been reading a "chemistry for non-chemists" text, knowing how such books tend to avoid the tricky (i.e. truly interesting) issues. I would have liked to see a natural scientist authoring one of the chapters in this part, for example Walter Fontana or Sanjay Jain who have been involved in the Santa Fe program.

Part II on "Early Capitalism and State Formation" starts off the historical case studies that are typical for this book and true to its commitment to deep, longitudinal analyses of organizational novelty, mostly based on network data gathered by various means. In this part, John Padgett presents his work on corporate merchant-banks in 13th-century Tuscany (Chapter 5), partnership systems in late 14th-century Florence (Chapter 6, abridged from an American Journal of Sociology article with Paul McLean), joint-stock companies in the 16th-century Netherlands (Chapter 7), and Bismarck's dual-inclusion governance in 19th-century Germany (Chapter 8, with Jonathan Obert as first author). Noteworthy and, perhaps, food for thought across the four chapters is that in all cases wars were a prerequisite disruption for organizational novelty to emerge and, related to this, there was a need for "new people" following a disruption of individual and intertwined biographies.

Another chapter by Padgett (Chapter 9) leads over to Part III on "Communist Transitions" and compares communist economic reforms in the Soviet Union and China in the last century. In Chapter 10, Andrew Spicer looks at Boris Yeltsin's rapid mass privatization policy and how new organizational forms in the Russian banking sector deviated from the designs originally intended by the reforms. The Russian mobile telecom market, analyzed in Chapter 11 by Valery Yakubovich and Stanislav Shekshnia, underwent similarly unplanned transformations when domestic business owners and foreign investors started to interact. And in the last chapter of this part (Chapter 12), David Stark and Balázs Vedres extend their network analysis of foreign investment in post-communist Hungary to the issue of political ties and different network sequence pathways. The notion of recombination is very prominent in this part of the book. While the previous part highlighted deep disruptions, such as wars, this part emphasizes that emergence of organizational novelty assumes transformations that are no clean breaks from the past but developments of previous elements that spill over into each other and may "tip" at some point into a new form, dependent on the system's "poisedness." The more recent historical cases presented in this part support this fundamental autocatalytic principle with rich empirical material and sophisticated methods.

Part IV on "Contemporary Capitalism and Science" is Woody Powell's part, if you like, as three out of six chapters are co-authored by him and this part is rooted very much in network analysis rather than in the autocatalysis frame. All chapters report empirical studies from science- and technology-based sectors. These studies continue on the theme of "novelty routinely involves the reassembly of preexisting elements" (p. 375) and offer deeper insights into why some recombinations succeed, while others fail, in terms of producing a viable new organizational species, such as the "dedicated biotech firm" (Chapter 13 by Powell and Sandholtz) and in different geographical regions (Chapter 14 by Powell, Packalen and Whittington; Chapter 17 by Fleming, Colfer, Marin and McPhie). Chapter 15 by Powell and Owen-Smith looks at the emergence of "open elite" organizations in life sciences that transcend the boundaries of public and private science with their multiconnectivity and multifunctionality. Also related to life sciences but using agent-based modeling, Chapter 16 by Colyvas and Maroulis extends previous work by Colyvas and Powell on the Stanford model of academic entrepreneurship. This chapter applies the formal model of autocatalysis from Chapter 3 and shows that academics embrace patenting as a new proprietary practice, somewhat surprisingly, in order to preserve their scientific autonomy from commercial influences. As found in earlier parts of the book, people who share information and make career moves are identified as important carriers of the autocatalytic processes of organizational emergence (e.g. Chapter 17). This also applies to the last chapter before the coda (Chapter 18) in which Ferraro and O'Mahony study an open source community and problematize the notion of "openness" as this new organizational form was actually enabled by an emergent group of gatekeepers.

Padgett and Powell have long-standing affiliations with the Santa Fe Institute (SFI) and they co-directed an SFI program on the co-evolution of markets and states. The book documents their personal and joint achievements in the SFI context. Any social scientist who has spent some time at the institute can relate to the magic of that place, up the hill, lucent, quiet, with dry-wipe ink on glass panes, breakfast burritos and infectious Nobel aspirations, where even social scientists are taken seriously as long as they play along in the search for fundamental principles. SFI is a shining example of transdisciplinarity evidenced, yet again, by *The Emergence of Organizations and Markets*. Readers will have to judge for themselves, if autocatalysis should spill over as a fundamental principle that will reproduce itself as an explanation of social phenomena. It's likely, even if biochemists still nag that the social scientists' grasp of the matter is patchy and that our applications are too flawed to be more than analogies. On the other hand, the book itself gradually detaches from its biochemistry foundations along the way and gives primacy to network theory. In this, the contributors rarely look left or right to discuss alternative theories of dynamics in organizations and markets that are not grounded in natural science or network analysis, such as theories of culture, discourse, fields, entrepreneurship, institutions, value and others. Nonetheless, Padgett and Powell have put together an imposing positive theoretical and empirical account of organizational novelty that bears even the potential to inspire the natural sciences in return, irrespective of any remaining qualms on the part of less naturalistic social scientists.

Ph.D. Projects in Economic Sociology

Making Brownfields Green: Commodification and Valuation of Urban Spaces

Institution: CSO, CNRS, Centre de Sociologie des organisations, SciencesPo, Paris

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European metropolises are increasingly constrained by international climate agreements to reduce global warming. Since the 1990's, protocols have defined a set of solutions to reduce urban energy consumption. Making inner cities denser and greener is one of the common remedies identified for curbing urban sprawl, decreasing car gas emissions and transforming city-dwellers' habits. Indeed, over the past ten years, Sweden and Germany have developed renowned green housing programs in their town centres. Following these urban trends, French cities have recently launched eco-neighbourhood projects that are essentially made up of green buildings (housing, businesses and shops), green equipment (renewable energy technologies, public transportation networks, green heating systems, recycling facilities, among others) and parks. Most of them are extremely extensive urban projects that are often built upon former industrial sites. The scarcity of available land in the centre leads local authorities to set up eco-neighbourhood projects on transitional areas.

Turning these "brownfields" into green real-estate programs is a complex and contentious process. Many public and private actors are involved in the renewal of industrial lands: land owners, city councils, state ministries and agencies, real-estate developers, urban developers, architects, experts, industrial firms and construction companies are among the main players engaged in the valuation of these particular spaces. They use diversified resources to requalify and commodify lands, to reconfigure the urban environment, and to define and singularize the features of the real-estate supply.

Based on long-term fieldwork among real-estate developers and organizational interviews with the above-mentioned players, our research questions the way they use environmental issues to create economic value on land and housing markets. In fact, environmental concerns are far from anecdotic and are increasingly used as principles of commodification and valuation in urban economies. For example, both landlords and buyers now consider soil pollution as a key criterion to set the price of land. As sanitary issues gain momentum, environmental experts have developed sophisticated tools to economicize pollution. Indeed, remediation is central to the requalification process of industrial lands and its cost has deep implications on the valuation and configuration of eco-neighborhoods. Another example illustrates the way environmental issues and urban economies are intertwined. In the past five years, institutional investors specialized in business real-estate have translated green accreditations into investment financial models. Architects, real-estate developers, construction firms and engineering companies promote greener practices, while investors consider green building a safer investment.

The dissertation studies the political and economic implications of eco-neighbourhoods. On the one hand, institutional actors see these projects as popular and convenient political measures that combine urban policies defined at different organizational levels. While examining the instruments deployed by central and local public actors in eco-neighbourhoods, we found evidence that these devices are increasingly based on market mediation strategies. Furthermore, our work shows that these high-profit programs are embedded in broader industrial policies. Indeed, they foster both the construction and real-estate sectors, and encourage technological innovation. As such, they encourage the development of green industrial devices and the growth of markets for environmental expertise.

European energy industry restructuration through French firms competitive strategies. The State as a ressource for large firms in the contemporary capitalism.

Institution: SciencesPo, CSO/CNRS, Centre de Sociologie des organisation

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The State plays a central role in the literature of economic sociology. One of the main reasons is that the rules enacted by the State shape markets. We know from the North American literature that the State produces rules, which are necessary to the functioning of the economy (Fligstein, 1993; Dobbin, 2009), because economic actors can rely on these rules to make projections about the future (Beckert, 2009). But this perspective reduces the State to some of its functions, the very functions neoliberal economists have been pleading for: a regulator protecting competitors from themselves. But the initiatives implemented by the government have – at least in France – always exceeded this single role. Moreover, the processes leading to the adoption of certain rules have not been in the focus of economic sociologists, and these processes should be analyzed together with the consequences they have on firms, in order to account for the interactions between large firms and the government. If political scientists focused largely on economic initiatives led by the State, such as nationalization programs or Keynesian reforms, the most convincing works are old (Hall, 1989) and do not take firms seriously into account. The varieties of capitalism school (Hall/Soskice, 2001) has been trying to overcome this limitation by placing firms at the center of their analysis. According to recent studies (Culpepper, 2006) in France, the role of the State has been declining since the 1990s, to the point that firms are replacing the State in many of its functions. While following the perspective placing the firms at the center of the economy, I nevertheless make the assumption that economic reforms are defined through a process that includes both the firms concerned and the State. In order to account for this, we need to choose a level of analysis between the micro level and the macro level, such as that which characterizes studies describing the evolutions of the Fortune 500. The industry level seems appropriate. To account for the role of the State, we need to choose an industry characterized by a strong tradition of State intervention, such as the energy industry in France.

I therefore focus my field work on the energy industry reforms that have taken place in France over the last twenty years. The energy industry has been characterized by the strong – even hegemonic – place of the State, which structured the industry according to its energy policy for the last several decades. At the beginning of the 1990’s, the sector was quite concentrated with less than a dozen firms concentrating more than 80% of the revenue. Such a structure enables a precise depiction of each company at the management committee level. Furthermore, the rules of the game started to change from 1986, with the beginning of the privatization of Elf, the leading French oil and gas company at the time. In 1993, Total (Elf’s main competitor) and Elf were privatized. The more recent developments modifying the structure of the energy industry cannot be understood outside of the European context. The European energy industry, traditionally organized on national and often public bases, has undergone a radical liberalization movement to comply with the economic philosophy of the Maastricht Treaty, based on the free movement of people, capitals, goods and services (Chevalier/Percebois, 2008). The 1996, 1997 and 2003 European guidelines concerning electricity and natural gas have introduced structural upheavals, especially in France, where the energy industry has long been characterized by a tradition of public monopolies. These markets, organized until then on the basis of local or national monopolies, have been brutally confronted with a spectacular shift to the rules of competition. This transformation has significantly modified the strategies of the main firms in this sector or, as Fligstein (1990) would put it, their conception of control. In order to face the stagnation in demand during the 1990's, European energy firms in overcapacity have been looking for outlets beyond their natural monopoly territories.

My dissertation aims at understanding the relationship between large firms and the State. It primarily consists of mapping the main decision-making centers in the energy industry, both in the government and in the companies. Based on semi-structured interviews conducted with high-ranking civil servants and executive managers, archive materials, and a thorough press review, I intend to analyze both the strategies formulations of firms and the economic reforms led by the government under the constraints imposed at the European level. I intend to complete my understanding of the firms’ environment with a network analysis of their alliances across Europe. I will show that during the 1990s and the 2000s, high-level civil servants and company executives have worked together to protect the largest firms by helping them reach a “critical size”.

Having identified the relevant decision-making centers, I mean to identify the shared representations and primary institutions giving shape to the field. In the government, high-ranking civil servants have acted consistently in favor of the most powerful companies during the last decades, even if their profile changed and their formal role evolved at the beginning of the millennium. They have helped the growth of these firms in order to achieve a critical mass yet to be reached. This institutionalized relationship rests on various supports. The high-level civil servants come from the same *corps d'Etat* as the executive managers. Interacting on a daily basis with company representatives, they share the same ideas about what should be done. It is also in their interest to act in favor of the firms because these companies can provide them with future career opportunities, given the hierarchical structure of the French administration.

I have identified substantial changes in the leadership of the companies, particularly in the careers of the executive managers. In the past, top managers tended to be former civil servants, recruited partly because of their social capital. During the last twenty years, their profile has changed dramatically: many of them have been working in the private sector over their entire career. Interestingly, the strong minority of those coming from the public sector now comes significantly more from ministerial advisors. I expect these changes to be linked to the changes identified through the press review and the first interviews conducted with former civil servants: an intensification of competition between the operators through merger and acquisition operations abroad and in their lobbying of the government.

Formulations of the Public Interest. The Pricing of Electricity in Postwar France (1946-1964)

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In the aftermath of the Second World War, the production and distribution of electricity were nationalized in France. The 1,390 private companies that existed at the time were replaced by a public monopoly, Électricité de France (EDF). Its management became the responsibility of state engineers (Corps des Ponts-et-Chaussées, Corps des Mines). These experts were expected to apply welfare economics principles to policy-making in the electric utility sector. In short, they were in charge of solving through science the political disputes that were arising over the idea of nationalization. To do so, these engineer-economists (Marcel Boiteux, Pierre Massé, Gabriel Dessus) mobilized the most sophisticated theory of their times: Maurice Allais' *théorie du rendement social*. Through their work on the French electricity sector, they made a significant contribution to the development of economic thought. What they did seems to be based on an objective description of market equilibrium and of the laws of supply and demand. This discourse is part of the work carried out by the engineer-economists. However, we want to show that it does not properly describe their actual practices. This dissertation carefully examines the progressive construction of the main management device of the firm: the pricing of electricity, completed in the 1960s. Within EDF, economic calculation served as a negotiation and intervention tool. It clarified the distribution of roles between the state and the monopoly. It made the construction of a highly complex course of action understandable and workable. Through the whole national territory, the production, distribution, and consumption of electricity were coordinated despite a number of complications, such as peaked and stochastic demand and production uncertainties.

This alternative account relies upon a rich body of literature. With the notion of performativity Michel Callon (2007) showed that economic theories are not distant descriptions of the laws of the market. They actively build and develop new agencements. More recently, Bruno Latour (2012) elaborated a definition of the economy that suspends the naturalistic account (the economy as a freestanding object with its own mechanisms: a natural phenomenon) in order to open debate on the composition of the common world. We propose to broaden these approaches by focusing on the issue of truth in economics. The EDF engineers-economists elaborated economic theories and lead demonstrations that were considered to be true. Analyzing the kind of knowledge they produced allow us to show how economics is used to explore, negotiate and solidify formulations of the public interest.

The dissertation explores the meaning of this notion – formulation of the public interest – through an investigation in the EDF archives. Their high level of details enables us to conduct an ethnographic analysis similar to laboratory ethnographies (Latour 2009 presents the use of this method for historical inquiries). This methodology pays close attention to the emergence of new actors and to the configuration of their competences through trials. Based on the organization of EDF archives, we start the account with the most theoretical operations performed by the engineers-economists, and then we follow the numerous feedback loops between theory and practice, between the realm of academic papers and the concrete EDF pricing formula.

The first part of the dissertation shows that economic calculation redefined what public interest meant for the electricity sector. Through the adoption of marginal cost pricing (selling at marginal cost means fixing a price equivalent to the cost of producing one additional unit) the consumer has an incentive to minimize the waste of EDF factors of production. According to the engineer-economists, the scarcity of those factors was the main issue for the public monopoly in this period of postwar reconstruction. Moreover, marginal cost pricing prevented the state from using electricity pricing as an indirect tax. And it avoided any abuse of EDF monopoly power. Here, we refer to the work done by Mary Morgan (2012) and demonstrate that economic modelling is not a description of the necessities or the "iron laws" of interest. Models redefine actors, roles and responsibilities in order to address specific problems (e.g. resource scarcity) and to exclude others (e.g. industrial policy).

Progressively, the engineer-economists reorganized the productive process and the qualification of goods in order to stabilize behaviours, or more precisely to (re)distribute agency (Callon 2013). The process of formulating the public interest cannot be reduced to a mere simulation on paper, nor to a linear application of the theory. It is a dynamic series of resistances and accommodations to the materiality of the good (Bidet 2010). The second part of the dissertation shows, for instance, that in 1952, the engineer-economists were looking to spread out the peaks. By manipulating the load curve, they wanted to fund the future development of plant capacities. This formulation of the public interest is quite different from that of 1946. An adaptation to the particular technical features of the electricity sector occurred in-between. Economic truth relies on the capacity of holding together a large set of constraints while laying out a course of action.

The third and last part of the dissertation shows that stakeholders can then discuss this course of action. They can express new requirements and consequently reopen the process of calculation (Henry 1984). Against marginalist orthodoxy, the treasury imposed a balanced budget constraint, a rule that the first pricing project did not fulfil. The representatives of small rural municipalities promoted price equality between the cities and the countryside in each *département* (French territorial division). This claim for territorial solidarity opposed the strict computation of marginal transportation costs. Once reconnected to the practical problems it seeks to solve, economics is no more the unquestionable displacement from necessity to necessity, but a tool for the negotiation of the ends and the means of organized action.

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Regulating industries through markets: The social construction of a market for electric cars

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Along with other ongoing research in political science led by Andy Smith and Bernard Jullien (2008, 2011), this PhD dissertation sets out to review the nature and the shape of the links between *politics*, defined as what relates to the collective and values (Lagroye *et al.*, 2006), and an industry, defined as an *institutional order* made of four *institutionalised relationships*, i.e., sourcing, marketing, labour and finance (Jullien/Smith, 2008, 2011). Consequently, it focuses principally upon the different processes behind the construction of the electric car market in order to identify the collective action that has produced standards, rules and new institutions, involving both public and private actors. My two main objectives are, on the one hand, to determine why, how and with what effects a market for electric cars was socially and politically constructed in France and Europe between 2008 and 2013. On the other hand, I try to assess the impact of *public policy instruments* (Lascoumes/Le Galès, 2005) on *the architecture* of the automotive market (Fligstein, 2001).

To do so, a new theoretical framework has been established to analyse the industry and the market and, in so doing, avoid the pitfall of excessively formal conceptions that reduce "politics" to state intervention (Fligstein, 1990, 2001; Garcia-Parpet, 2009; Dobbin/Dowd, 2000) or only what is commonly labelled "political" (elections, monetary policy, etc.). Instead, this framework has guided my research to pay particular attention to the construction of representations and values that drive the behaviour of political and economic actors, while highlighting how these two categories of actors collaborate over such constructions (Hassenteufel, 2011).

We have thus chosen to analyse the social construction of the electric car market in Europe through the prism of its representations and what Jens Beckert calls *fictional expectations* (Beckert, 2013). By explaining the political work (Jullien/Smith, 2008) carried out by the actors involved in this construction, we want to show how these representations became institutionalized within the industry and have given birth to a new market that appears to be encouraging the transformation of the *institutional architecture* of the sector.

This work is based on three different types of sources giving an overview of actors' cognitive frameworks and interactions: almost one hundred semi-structured interviews with political, economic and society actors; various written sources from press, expert reports, official and unofficial documents; finally, some observations realized between 2009 and 2012 in different social and political arenas. This research was mainly located in Paris, Rennes, Brussels and Berlin. This allows us to highlight three major sets of questions and hypotheses:

Firstly, what were the processes that fostered the construction of a new automotive market? We think that this construction was induced by a dual industrial and political process which benefited from the emergence of a *policy window* (Kingdon, 1995) opened by the 2008 economic crisis. The electric car and industrial difficulties were turned into *public problems* (Gusfield, 1984) and their setting on the political agenda allowed public and economic actors to shape the *instruments* that would implement their *fictional expectations* of the market.

Secondly, how did the production of these *instruments* (such as scrapping schemes, purchasing bonuses, incentives ...) gradually oriente and determine the behaviour of economic actors? We hypothesize that these *instruments* allowed the representations of certain economic and political actors to be institutionalized and legitimized in the automobile industry through the *institutional work* (Lawrence & Suddaby, 2006) performed by some *institutional entrepreneurs* (Hwang/Powell, 2005). These entrepreneurs mobilized some political and symbolical resources in order to institutionalize their representations and legitimize the very existence of the electric car.

Finally, what effects were generated by the construction of this market? We believe that the institutional work of the entrepreneurs has yet to prove fully effective and, consequently, that the market has not been fully institutionalized. However, the development of new institutions, the construction of alliances and compromises and the circulation of representations, has gradually changed some rules and boundaries of the sector. The redefinition of the actors' role and hierarchy in the architecture of the market and adaptations to new challengers (Fligstein, 2001), has partially changed the institutional order of the automobile industry.

Ultimately, our intention with this work is to develop an *in vivo* analysis of the industry in order to assess to what extent and by what means politics can regulate the operation of, and the orientation taken by, an industry. This thesis shows that the *public policy instruments* can have a significant impact on the institutional structure of the industry and that their influence and performativity depend on the political and institutional work of entrepreneurs. In short, our work reveals the "political thickness" of the industry and thus the analytical significance of taking into account social representations as a means of understanding markets and industries.

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