3. Moves towards finance-led capitalism: the French case

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At the beginning of the 1990s, one of the central characteristics of the French capitalism derived from the fact that Fordism, the historical regime on which France had founded its growth, appeared to be both dismantled and heirless (Coriat 1995). At the beginning of this decade, this assessment needs to be modified: the heir has well and truly arrived – since at least the middle of the 1990s, a new accumulation regime has been taking shape, described by Chesnais (1996) and Aglietta (1998) respectively as "finance-dominated" or "patrimonial".[1] This chapter will therefore be devoted to an attempt to define this essential change.[2]

We shall concentrate on two series of key (and largely interconnected) developments that have occurred over the last ten years. These changes involve: (1) a modification in the structure of ownership in the French economy, provoked above all by the sweeping privatisations that have been implemented; and (2) the impact of these structural modifications on the French style of industrial organisation. Until recently, this was highly specific to France, largely because of the size of the public sector. Today it displays very new characteristics. These changes appear to be of such magnitude that the whole process of capital accumulation may be transformed, driven by new forces capable of replacing those of the fading regime of Fordism.

How is the new regime becoming established? By means of what paths and mediations does it operate? And, above all, what are the specifically French aspects of the process of this new regime? These questions will be explored in the first section. We shall then examine in more detail the way in which the installation of finance is revolutionising certain essential social structures that underpin accumulation: those revolving around industrial organisation (section 3.2). Certain conclusions will then be drawn (section 3.3) concerning the new regulations that are becoming established.

3.1 The key change in the 1990s: securitisation and the shift to a regime of liquidity

After exploring the specifically French characteristics of the move towards a finance-led regime, some reflections on the more profound significance of this transformation will be presented.

The key vectors of the transformation of French capitalism

A combination of phenomena lie at the heart of the transformation we are currently observing. Broadly speaking, we can distinguish between: (1) an "external" factor: the Single European Act and the establishment of a financial and monetary market at the EU level – within a highly specific regime, as we shall see later; (2) a more "internal" factor: the particular form that privatisation has taken in France, more specifically during the second half of the 1990s with the "unlocking" of the "hard cores" and the massive penetration of Anglo-Saxon pension funds into the capital structure of the largest French companies.

The qualification of "external" conditions is used here to emphasise the fact that the initial introduction of a finance-dominated regime was far from being the result of a national deliberation and choice. This regime, originating in the United States, has imposed itself forcefully in France (or rather in Europe, as we shall see below) and spread by contagion. The Single European Act of 1986 and the new rules of the game it introduced certainly represent the key moment from this point of view. At that time, two dimensions of the Act seem to have been largely underestimated by the observers: (1) the fact that it was first and foremost a financial Act; and

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[1] Clearly, the two characterisations "finance-dominated" and "patrimonial" are not equivalent. Both of them stress the crucial role now played by finance, but the implications of each characterisation are different (see the introduction to this part of the book). In the conclusion to this chapter, I will describe in more detail how finance is a driving and guiding force in the orientation of changes, although the formation of a new, stabilised accumulation regime cannot yet be observed.

[2] In a way, the changes in the present chapter are aiming to highlight the key transformations of the French economy since the publication of *Made in France* (Taddei and Coriat, 1993).

(2) the very particular, and in some ways "extreme", nature of the financial deregulation that it was to introduce into EU member countries.

On the first point, the most important thing to bear in mind is that out of the "four freedoms"[3] targeted in the Single European Act, it has become clear with the passage of time that the free circulation of capital – the freedom to have made the least progress by for since the Treaty of Rome – was the main objective pursued by this Act. Furthermore, the methods chosen for its implementation could only have the most profound and far-reaching effects on the behaviour of all the agents involved. We should note that the form taken by financial deregulation in Europe was in no way a self-evident, natural development. There were not one but two Directives of the European Commission defining the conditions under which banking and financial services should be opened up to competition and delivered. Between the drafting of the first Directive and the second – that which was finally adopted and implemented and which was to become the cornerstone of the whole architecture of the single money and financial market – intense bargaining and lobbying took place. What was at stake in these discussions, as the protagonists clearly identified, was nothing less than the decision as to whether the opening-up of financial Europe was to be limited or extended. The issue at stake was whether foreign banks and financial institutions established in Europe should be given the freedom to operate on the securities market of the different EU member countries. In other words, the debate was focused particularly on the question of whether or not the European financial market should be opened up to US pension funds. The importance of this did not escape the notice of the Americans, and it required recourse to the "Super 301" (the famous US exception legislation), together with the active intermediation of Lord Brittan, before the American request that its financial institutions should benefit from the same rights as European ones was finally granted[4].

As for the "internal" conditions of establishment, the key element is represented by a sequence of three events whose successive occurrence was in no way inevitable. This sequence linked together massive privatisations – opening of the initial "hard cores" of capital ownership – and the entry of American pension funds into the capital ownership of firms**.**

Herein resides what we shall call the "central chain" in the modifications that have occurred. Other changes have taken place around this chain, either amplifying it or extending its scope, but always combining to reinforce its impact.

We shall start by examining the changes involved along this central chain before moving on to consider the collateral changes which have accompanied and sometimes preceded it.

The central chain

- *3 waves of Privatisations of increasing magnitude.*

The process of privatisation in France has been characterised by several prominent features.

Firstly, the scale of privatisation in France has been larger than in any other developed country. Public ownership in France had always been on a very large scale and in 1981–82, the first Mitterrand Government carried out an enormous programme of nationalisation, which hugely increased the size of public ownership. Consequently, the privatisations that started in 1986, and never really stopped, finally involved all the traditional jewels of French industry (Alcatel, Rhône Poulenc, Renault, France Télécom, Air France, etc.) and the banking and insurance sectors. These sectors were totally privatised, after having been taken almost completely into public ownership during the nationalisations of 1945 and 1981–82.

From a legal point of view, the privatisations were implemented by means of two laws: the first passed in 1986, the second in 1993.

The central feature of the first privatisation law, passed in 1986, was the organisation of the complete dissolution of the huge industrial park that had been taken into public ownership through the nationalisations carried out during the first term of François Mitterrand. In fact, however, the privatisations implemented in the 1986 law went well beyond this, as they included 28 groups or sub-groups along with almost the whole of the banking sector.

The second wave, introduced by the law of 19 July 1993, strengthened and completed the process. Following the industries nationalised in 1981 and returned to private ownership by the 1986 law, the law of 1993 went further back in time, targeting the historic public sector companies which, during the period immediately after the Second World War, had served as the support for the reconstruction of the French economy. In addition, following the banks in 1986, the 1993 law dealt with the insurance sector, almost totally sold back into private ownership.

Lastly, we should note that the return to power of the Left, with the nomination of Lionel Jospin as prime minister in 1997, in no way put an end to this movement, as one might have expected and as Mr Jospin himself

[3] The "four freedoms" targeted by the Single European Act are the free circulation of people, products, services and capital.

[4] This episode is well documented in the study of the case "US against Europe" in Bayard and Elliot (1994, chapter 11, pp. 267–309). For a complementary presentation of the stakes involved in changing from the first to the second Directive, (see *Economie Politique* no.2, 1999).

had announced. On the contrary, in terms of the total value of securities sold on the market, the privatisations implemented between 1997 and 2001 exceeded the value of the securities sold during the two previous waves of privatisation. For the most part, these were partial privatisations, but the remarkable thing about this third wave of privatisations is that they also included companies entrusted with the provision of public services (France Telecom, Air France, etc.), thus establishing the widespread view that nothing could escape from this movement.

Box 3.1 presents the content of the different waves of privatisation.

BOX 3.1 The different waves of privatisation

Table 1 The first wave (1986–88)

	Date of public offering	*Price of public offering (in francs)*	*Total shares sold (in millions)*	*Number of subscribers (in millions)*	*Revenue for the State (in billions of francs)*	*Price on 12/04/1995 (in francs)*
Saint Gobain	2 Nov. 1986	310	28	1.54	8.8	610
Paribas	19 Jan. 1987	405	32.7	3.81	13.2	301.9
Sogénal	9 March 1987	125	5.7	-	0.95	-
CCF	27 April 1987	107	38.4	1.65	4.1	213.5
BIMP	21 April 1987	140	2.3	0.52	0.3	77.5
Compagnie du BTP	6 April 1987	130	2.9	1.03	0.3	12.8
Havas	25 May 1987	500	5.3	0.73	2.6	403
Alcatel - Alsthom	11 May 1987	290	30.6	2.24	11.5	455.2
TF1	24 July 1987	165	19.8	0.42	3.2	458
Ste Générale	15 July 1987	407	43.8	2.30	16	532
Suez	3 Oct. 1987	317	20.4	1.6	18	247
Matra - Hachette	20 Jan. 1988	110	-	0.30	0.9	111

Table 2 The second wave (1993–95)

	Date of public offering	*Price of public offering (in francs)*	*Number of subscribers (in millions)*	*Revenue for the State (in billions of francs)*	*Price on 12/04/1995 (in francs)*	*% of capital sold*
BNP	5 Oct. 1993	240	2.30	28	239.1	73
Rhône Poulenc	16–23 Nov. 1993	135	2.9	13.6	112.4	43
Elf Aquitaine	End of Jan. 1994	385	3.10	33.7	370	11
UAP	April–May 1994	152	1.9	197	122.6	50
Renault [1]	Nov. 1994	165	1.1	8	106	29.9
SEITA	Feb. 1995	129	1	5.5 [2]	138.6	90

[1] *Partial privatisation (sale by the State of 29% of the capital)*

[2] *Estimation*

Table 3 The third wave (1998–99)

Industry	*Financial sector*	*Services*
Thomson CSF (1998)	GAN (1998)	France Telecom (opening of capital, (1998, 1999)
Thomson Multimédia (1998) (cooperation agreement)	CNP (1998) (opening of capital)	
Aérospatiale - Matra (1999) (opening of capital)	CIC-BUE (1998) [1] SMC (1998) [1] Crédit Lyonnais (1999) [1] Crédit Foncier (1999) [2] Hervet [1]	Air France (opening of capital, 1999)

[1]Commercial banks. [2] Specialised financial institution.

A quantitative assessment of the impact of these privatisations can be set out.[5] At the broadest level, in the 15 years from 1985 to 2000, the weight of public companies in the value added (excluding financial activities) fell from 25 per cent to 11.5 per cent, a drop of 13.5 per cent of total value added. If we look at the industrial sector on its own, the contribution of the public companies to the value added fell from 21 per cent in 1985 to less than 2 per cent in 2000. In the banking and insurance sectors, the change is even more dramatic. Where the public sector had employed around 60 per cent of bank staff, this figure fell to 5 per cent in 2000. In the domain of insurance, from a level of 40 per cent of employees in 1985, the percentage fell to less than 1 per cent in 2000. In these key sectors governing the financing of the economy, the presence of the State has become purely symbolic.

The quantitative aspect of these changes is certainly impressive, but the qualitative dimension really proved to be decisive.

After privatisation: "unlocking" of the "hard cores" and entry of foreign pension funds

Regarding the philosophy underlying the privatisation process, the first Viénot Report[6] marked a turning point. During the first wave of privatisations (that took place before the Viénot Report), great care had been taken to "lock up" capital ownership, by means of a system of reciprocal shareholdings (the famous "hard cores"), with the aim of ensuring that control of the privatised companies remained in the hands of French capital. From the mid-1990s, a change in direction occurred. The key players in the world of finance decided to partially unlock these hard cores and open up widely to foreign investors, fully aware that in this case, foreign investors could only mean Anglo-American pension funds, which had been transformed into global financial superpowers through a series of legal and regulatory modifications introduced in the United States. during the previous decade The opening-up of the largest French high-tech companies was a golden opportunity for these pension funds. As we shall see below, they accepted the invitation with enthusiasm, investing massively and then, using the positions thus obtained, provoking a series of revolutions in the corporate governance of these companies.[7]

This decision of the French elite raises an important question. Why was this carefully deliberated choice made? One motive, which cannot be neglected, is often proposed. The argument is founded on the idea that many of the reciprocal shareholdings established during the first wave of privatisations no longer made economic sense – if they ever did. At a time of global redeployment of investments, a large amount of capital was reciprocally locked in multiple, heterogeneous assets. It was therefore time to recover the freedom to buy and sell these securities without constraint and to put these operations to the service of strategies of redeployment. On the surface, this argument appears to be supported by common sense. However, when we observe the thousand and one recipes, the wealth of energy and ingenuity that were expended only a few years later, when the storm of mergers and acquisitions developed, in attempts to re-lock what had been so generously unlocked, the argument loses much of its credibility. The plethora of shareholders' pacts that was to develop with the precise aim of stabilising part of the shareholding, contrary to any logic of profitability, but simply to guarantee a certain level of control, shows quite clearly that arguments in favour of locking or unlocking are ephemeral.

[5] The figures quoted in this paragraph are taken from the study by Loiseau (2002) devoted to this subject.
[6] Regarding the reform of the corporate governance of the French firms, two Viénot Reports (1995 and 1999) have played a very influential role. For a presentation of the content and the meaning of these reports see Charlety (2001).
[7] See section 3.2 below for more details on this point.

In reality, the choice to unlock capital appears to have been based more on strategic than on economic considerations – the desire to take advantage of the favourable conditions presented by the worldwide upsurge in liberalism in order to complete the process of binding French capital to its global alter ego, and to cut the ties with the French public authorities under which it had first developed. Thus, although the choice of financial deregulation may have come from the United States, which wanted it and imposed it worldwide, the decision to follow in their footsteps, to rush into the breach, was perfectly national. By unlocking the hard cores, the decision had been taken by leading French decision makers to draw a line under one of the most specific features of French capitalism.

As could be expected, the effects of this decision to open up were devastating. The data presented in Box 3.2 give us an overall view of the depth of the phenomenon. One of the most striking features is the fact that penetration by foreign investors was to the direct detriment of the former hard cores: the reciprocal shareholdings of which these hard cores were composed fell on average from 30 to 20 per cent (Loulmet and Morin, 1999). A highly symbolic illustration of this new attitude is provided by the takeover of control of Axa, traditionally one of the key financial operators at the heart of one of the three financial poles of French capitalism, by the German company Allianz (see Loulmet and Morin, op. cit.).

These changes led not only to a regime dominated by "direct finance", but also to a more surprising feature: France found itself with by far the highest rate of foreign investment penetration of all the big industrialised countries (see Box 3.2, Tables 1 and 2).

BOX 3.2 The penetration of Anglo-American pension funds into the financial structure of French companies

Table1 Structure of shareholdings (in %) in 1998

	United States	*Germany*	*United Kingdom*	*France*
Households	45.6	13	16	11.1
Pension, insurance funds	55.8	26.1	54	26.6
Non-residents	7	11.8	27.8	35.7
Others	1.6	6.1	0.8	8.9
Firms	N/A	38	1.4	17.7

Table 2 The position of foreign shareholders in 1998
(in percentage of capital): some examples

Banking sector		*Insurance*		*Industrial and services*	
Dexia	50.4	AGF*	42.0	Alcatel*	40.0
Société Générale	48.0	AXA-UAP*	37.6	Elf – Aquitaine	50.0
CCF	46.4			Saint –Gobain	38.0
Suez–Lyonnaise	39.0*			Générale des Eaux*	42.0
BNP	45.0			Suez – Lyonnaise	26.3
Paribas	38.0*			Rhône – Poulenc	25.3
				France Telecom	10.3
				Usinor	16.7
				Thomson – CSF	15.5

Source: Loulmet and Morin, (1999); (note: 1997 figures).*

Although, the unlocking of capital was only partial and "shareholder blocs" survived in the form of reciprocal shareholdings, we can appreciate the full significance of the change by observing that in terms of "blocs", on average, the total shares controlled by American pension funds exceeded by 50 per cent the total shares corresponding to reciprocal shareholdings *between national shareholders* (Loulmet and Morin, 1999). Thus, France has moved from one "exception" to another. From a capitalism possessing one of the most highly protected capital structures in the world, we have shifted – after privatisation and the unlocking of the hard cores – to a capitalism which (from the perspective of the financial structure of capital ownership) is now the most open in the modern world.

Finally, the privatisation – unlocking – pension funds sequence has profoundly modified the traditional configuration of French capitalism. This change can be characterised by observing that we have moved from "a capitalism of financial networks" (controlled by public power and stable national shareholding) to "a capitalism of financial markets" (Loulmet and Morin, 1999), wide open to international finance.

This has been reinforced by the fact that, parallel to the "central chain" presented above, the general metamorphosis that we have just described has been accompanied by major processes that can be qualified as collateral in relation to our main subject. They represent essential attributes of the liberalised finance regime.

Permissive conditions and collateral processes

We shall now present some of the other major transformations that have framed, sometimes preceded, and always accompanied the changes in capital ownership that we have just described.

Without a doubt, the securitisation of the public debt constituted the major shock that contributed to the metamorphosis of French capitalism. Following the example of the US Treasury, the French authorities implemented this process to deal with the abrupt growth in budgetary deficits that arose during the 1980s and 1990s. The main consequence was that the public authorities tied their own fate to that of the liberalised finance regime they had introduced: direct beneficiaries of the new regime, they now became all the more committed to its development as they had integrated its practice into the heart of their methods of financing public spending. This provides the context for interpreting the introduction, from 1986, of the French derivatives market (MONEP) and bonds market (MATIF).

Along with the securitization of the public debt came the formation of specialised money markets. The arrival of these markets, provoked by the end of the fixed gold–dollar parity (sealed since 1971) and the introduction of a floating exchange rate regime, stoked intense speculative activity. The formation of these multiple specialised money markets (and their derivatives) has boosted a whole set of rapidly developing practices, that have given rise to endless innovations in the management of portfolios, with multifarious techniques and instruments providing different forms of insurance, covering risks taken in exchange and futures operations over various lengths of time.

In addition to the MONEP and MATIF mentioned above, other financial markets were developed or restructured: the "Premier Marché" and "Second Marché", the "Nouveau Marché", the "Marché Libre" (which replaced the "Marché Hors-Côte" in 1996), while the network of regional markets was reorganised, and new financial tools were introduced to attract private savings towards financial investments. Intense regulatory and legislative activity (of which the first significant measures were introduced as early as the mid-1980s, while the Single European Act was being drafted) was thus continually being deployed to ensure the disintermediation of banks and the passage to a regime dominated by direct finance.

The data presented in Box 3.1 illustrate the rise of this mode of finance, concurrent with the securitisation[8] of the economy.

BOX 3.3 Stock market capitalisation as % of GDP

	United States	*France*	*Germany*
1980	50	8	9
1990	56	26	22
1995	95	32	26
1996	112	38	28
1997	133	48	39
1998	149	68	51
1999	181	111	72
2000	153	112	68
2001	152	103	61

Source: OECD (2001).

This provoked a profound change in the behaviour not only of firms but also of households and other private actors, all the more so since powerful incentives (in terms of exemption from social security or tax payments) were introduced to shift private savings and behaviour to the new opportunities for financial investment, towards which French households had traditionally shown great reticence.[9] So, according to the report by Billigant and Foucault, 2000, for example, for the "employee savings" item alone (comprising investments representing profit-sharing and company savings plans) the 45 billion francs – of estimated investment – *cost 20 billion francs in*

[8] A precise definition of this concept is given below (see Box 3.5).

[9] These incentives include the schemes proposed for life insurance policies or for company savings plans (to which we shall return). They also include investment in OPCVM (mutual funds), which at present constitutes the main channel by which private savings are migrating to financial markets in France.

terms of social security exemptions (30 billion with the funding of pensions) and nearly 5 billion in terms of tax exemptions" (see Box 3.4, Tables 2 and 3).
Thus the French state, once so fastidious in the defence of its private domain, was itself responsible – often by the use of forceful means – for the genesis of its own disintegration as a key industrial player. Whether in terms of privatisation, securitisation of the public debt, the general reform of stock and money markets to increase both their depth and liquidity, or again tax measures designed to shift private savings over to financial markets, these measures represent – and long before their "official" announcement, - *an impressive collection of "new regulations"*, distilled, promoted and instilled continually over the last decades, and which are at the origin of the ongoing establishment of the new liberalised finance regime.

BOX 3.4 Company savings plans (csp) and employee savings

Table 1 The rise in CSP (1993–97)

	1997	1996	1995	1994	1993
Number of firms possessing a CSP	8 702	7 422	7 124	6 529	5 745
Number of employees with an agreement	2 852 828	2 767 155	2 757 054	2 534 632	2 479 999
Number of firms having received a payment	5 776	5 307	4 730	4 190	3 739
Number of employees in firms having received a payment	2 403 834	2 395 576	2 331 759	2 023 614	2 043 686
Number of savers	1 356 348	1 229 019	1 072 653	1 056 426	1 360 879
Total (in 10^3 francs) paid deriving from:	19 345 344	2 722 268	10 457 787	9 550 318	8 819 181
- Profit sharing	4 129 146	3 451 049	2 791 719	2 346 324	2 185 518
Participation	4 175 488	3 486 673	2 882 887	3 009 942	2 563 249
- Voluntary payments	7 306 703	3 548 861	2 827 999	2 570 117	2 393 170
- Company contribution	3 619 880	2 154 477	1 917 866	1 637 497	1 669 219
Average sum per saver (in francs)	14 283	10 352	9 749	9 040	6 481

Table 2 Employee saving: origin and breakdown (1997, in billions of francs)

	General total	*Immediate Compulsory*	*Optional*	*Payment*	*Actual saving*		
					Compulsory	*Voluntary*	*Total*
Participation	20.6	20.6			20.6		20.6
Profit sharing	13.9		13.9	9.8[1]		4.1	4.1
CPS (excluding participation and profit sharing)							
Employees	7.3		7.3	9.8[1]		7.3	7.3
Firms	3.6		3.6			3.6	3.6
Total	10.9		10.9			10.9	10.9
General total	45.4	20.6	24.8	9.8	20.6	15.9	35.6

[1] *13.9 billion francs less 4.1 paid in CPS*

Table 3 and its cost for government finance (1998, in billions of francs)

Profit sharing	14
Estimated social security loss	7.56
Special participation reserve	20.6
Estimated social security loss	11.12
Company contributions to CPS	3.6
Estimated social security loss	1.94
Total social contribution losses due to exemption	20.62
Company contributions to the funding of additional pensions	20
Social security loss	10.8

Source: Billigand and Foucault (2000).

These changes and reforms, undertaken with the aim of encouraging financial investment, have resulted in a tremendous imbalance in the sharing out of added value between employees and employers with an unprecedented drop of nine points in disfavour of the employees during between 1985 and 1995 (see Artus et al., 1998).

The significance of the changes: securitisation and liquidity

The metamorphosis we are now observing, advancing continuously, with from time to time bursts of acceleration, is at at the origin of a general move towards what can be called the "securitisation" of economic activities. This concept of *"securitisation"* should here be taken in a broad sense. Beyond the limited technical meaning that was initially given to it, we use this term to designate all the processes by which tangibles as well as intangibles ressources, debts and asset bases are becoming "represented" by marketable assets whose prices are governed by more or less specialised financial markets (see Box 3.5).

Box 3.5
Securities and Securitisation: what does it mean?

The term "securitisation" was originally coined to designate a banking practice imported from the United States, in which a lending institution removes all the debts of the same type from its balance sheet, groups them together in a collateralised security entity (or special purpose vehicle) and issues marketable securities representing these funds, either to the public or to institutional investors. Through this technique, the lending institution can unload its (long-term) receivables and improve its liquidity.

Following the same principle, securitisation of the public debt refers to the practice of converting public debt into marketable bonds sold to the public. Again originating in the United States at the beginning of the 1980s (at the time of the heavy "twin deficits"), this practice spread through Europe and especially France when, during the 1980s and then the 1990s, public deficits grew to an alarming extent under the pressure of recession and high unemployment.

The term has been extended to cover all those processes by which assets or components of public or private patrimony, of either firms or private individuals, are converted into and securities that can be traded on share or bond markets. We shall include in this wide-reaching definition the issue of marketable securities or bonds, especially by firms, with the aim of raising capital.

From this point of view, the massive privatisations carried out over the last 15 years obviously constitute one of the major processes by which the French economy has been securitised, in the broad sense of the word.

The concept of securitisation, as we have defined it here, needs to be observed from two different but complementary perspectives. Firstly, it expresses a change in the regime governing the relations between banks, finance and firms by confirming the very strong decline in bank intermediation and the rise in the funding of firms through the issue of diverse bonds or securities, while also expressing new investment behaviour by households. Secondly, securitisation is also expressed by the fact that the representations to which it gives rise of the value of the securities have become a specific (and often central) arena for the deployment of diverging interests.

Although many forces of inertia and resistance can still be observed, submission to the new rule of finance and its specific requirements has been greatly facilitated by the introduction of effective techniques to render managers willing and committed – not, as in the past, to the development of activities for which they are responsible – but first and foremost to the share value on the specialised markets where the firms they manage are listed. As we shall see in more detail below, the distribution of stock options to managers has fulfilled its role forcefully, and management techniques aimed above all at the improvement of shareholder value have flourished. This is especially true for the famous EVA approach, often eulogised by analysts (Lordon, 2000).

To conclude on this point, we could say that securitisation appears to be the protocol by which finance was able to ensure its own norms and visions on firms activities. By attributing a magnitude to every activity (or, most often, piece of activity), a value that can be traded on a market, finance has simultaneously achieved its ideal of liquidity and imposed its standard on a huge range of behaviour and economic practices that hitherto lay beyond its scope. Capital fixity and production fixity thus appear as if they have been abolished. Banking itself has often been transformed into a role of adviser. Banks now derive more income from fees than from the remuneration (in the form of interest) of their lending activity (Conseil Economique et Social, 1997; Scialom, 1999).

We shall now examine the ways in which securitisation has opened up the way to a whole new set of corporate structures and practices which, through contagion, have spread far beyond what until now constituted the actual financial sphere.

3.2 From "industrial Mecanos" to "financial Mecanos": the end of French-style industrial organisation

In this section, we aim to show how the conjunction of securitisation has drastically altered the characteristics of French-style industrial organisation. We shall start by highlighting the emergence of a "new utility function" of managers, born out of the new context in which they now operate, before describing how, through the effects thus induced, new forms of coordination in inter-firm relations have been established.

The new "utility function" of managers and the emergence of new strategic principles in firms' governance

Although it remains multi-dimensional, this "utility function" of managers is now structured around one major argument: that of the promotion of "shareholder value (Ponsard and Zarlowski, 1999; Baudru and Morin, 1999; Lazonick and O'Sullivan, 2000). This involves pursuing a double objective, through a set of greatly modified management practices:

i) to achieve the highest possible market valuation of their securities, in order to safeguard and retain shareholders' investments and to attract new investers, which fuels the securities valuation cycle;

ii) to produce the highest possible level of effective cash (after all the costs, including taxes, have been covered) and to ensure this cash can be appropriated by the shareholder,, by ensuring that decision-making powers concerning the availability and appropriation of this cash are removed from the "insiders" and handed over to "outsiders".

To achieve the above objectives changes in the corporate governance of the firms were introduced. In France these changes have followed a relatively slow rhythm, in which the two Viénot reports (published in 1995 and 1999, see Note 5) constitute the key events. Reading these reports gives the distinct impression both that the pressure of finance is somewhat irresistible and that French directors wished to keep control of a process that

they nevertheless knew to be inevitable. Everything therefore turned on a few key recommendations, which involved, firstly, ensuring a rise in the number of representatives and "external" auditors in boards of directors, and secondly the establishment of specialised committees, notably on the subject of the payment of directors.

This may have been a silent metamorphosis, but the data compiled by M. Goyer (2001) and presented in Box 3.6 are nevertheless quite clear. They show the importance of the changes that have occurred soon after the de-locking of the hard cores and the entry of the pensions founds in the corporate governance of the listed main firms.

Institutional changes are one thing; the fact that they result in changes in expected behaviours is quite another. If the new power given to minority shareholders is to have any tangible effect, it must wield a credible threat. The credibility of this threat is founded on the fact that it can actually be carried out. It is in this perspective that we should interpret the sudden withdrawal of American pension funds from Alcatel, resulting in a fall of 40 per cent in shareholder value in the space of a few days, or again the fact that significant withdrawals are regularly made when profit warnings announce that profits are not going to be up to the levels managers have undertaken to achieve.

The introduction of stock options for top managers, and various forms of employee savings plans (for some categories of employees), is another important change driven by the new dominant position assumed by financial investors and shareholders.

BOX 3.6 Changes in corporate governance: A quantitative and comparative approach

Table 1 Non-executive board members

Country	*Average % of Non-Executive Directors*		*Average % of Independent Directors*	
	1986	1998	1986	1998
France – CAC 40	69%	82%	2%	28%
France – Privatized firms	--	80%	--	33%
Germany – Dax 30	50%	50%	NA	3.0%
Japan – Top 61	0%	4%	NA	NA
UK – FTSE 350	39%	53%	NA	NA
US - S&P 1500	41%	78%	NA	19%

Table 2 Composition of the board of directors (CAC 40), selected years

Economic / legal status of board members	1988	1994	1996	1998
Shareholders or business partners	63%	62%	55%	45%
Members of management	30%	26%	21%	18%
Representatives of small shareholders	0%	1%	1%	1%
Labour	4%	7%	7%	8%
Independent Directors	3%	5%*	16%	28%

Source for tables 1 and 2: Goyer (2001)

As regards stock options, it is important to note that historically, most of these were first created and tried out in *starts-ups* launched on NASDAQ and other specialised financial markets with the aim of ensuring the development of new, innovative firms. They were often based on venture capital schemes. In these cases these formulas (stock options, and other forms of financial incentives) were designed to tackle the specific risks faced by this type of firm, while also reducing as far as possible the fixed costs (especially the wage bill) which can

hinder the growth of these firms. The character of these practices was changed dramatically by their spread to well-established groups with several thousand employees. They are no longer schemes with the objective of giving new firms a chance to succeed, but operators of transformations that profoundly alter the classical nature of the industrial relations pact that traditionally formed the basis of the wage-earning regime. The wage-earning regime as such has itself been affected, insofar as the spread of these practices has engendered the risk of a new and profound split in the workforce between those who are "in" (the new employee shareholders) and those who are "out" (workers who do not have stable employment or a high enough level of income to benefit from company investment funds). For those who are "in", their income itself has undergone a change: we have witnessed a shift from salary to compensation: an often large part of their income is now made up, not of a fixed quota of corporate product (a salary more or less index-linked to inflation and productivity), but of a variable income linked to changes in the value of financial investments.

Here, an interesting parallel can be drawn with the establishment of the previous accumulation regime – Fordism. Just as, from the beginning of the nineteenth century up until the post-war years (with the introduction of the Five Dollar Day and then the UAW-GM-type contract), it was the car industry – the epitome of mass production – that was at the origin of innovations in terms of wage plans, which subsequently became generalised (Coriat, 1990; Coriat and Dosi, 1998) so today the same role is played by finance. The innovations engendered by finance are gradually spreading until they acquire the status of norms. On this point, it is essential to note that in both cases, the public authorities play a major role in the spread of these new norms. The Five Dollar Day could never have metamorphosed into the complex and highly institutionalised system of collective and connective bargaining without State intervention. In the same way, today, stock options and company savings plans (where the new role and the new position held by pension institutional investors is current) are only developing and becoming firmly established thanks to a series of institutional changes introduced by the public authorities. Foremost among these are the strong incentives (notably tax measures) implemented in favour of capital income and financial investment.

Beyond this again, we are witnessing the emergence of new forms of coordination in inter-firm relations.

New forms of coordination and inter-firm relations

For better or for worse, securitisation renders visible the conditions under which growth in shareholder value is pursued, and at the same time renders firms vulnerable, pregnable, in relation to each other. Securitisation is also the invisible and active support that guides – through dramatic changes in the perimeter of firms' activities – the choice of new specialisations.

Although strategic objectives may still exist, especially in the larger firms (where some so-called "core activities" have to be maintained and sometimes strengthened), there are also a series of activities which now are treated as pure financial assets to be traded as such on the financial markets. Changes in the perimeter of activities are thus pursued through opportunities which remain largely determined by the relative evolution of the shareholding values of firms in similar or complementary activities. Essentially, this involves takeover bids and (more often) exchange offers.[10] Woe betide the firm whose quoted price falls below a certain level, leaving it open to exchange offers. Overvaluation, on the other hand, presents an opportunity for acquisition which can turn into rapprochement. The take over of Time Warner by AOL provides a dazzling example. Thus, in Europe in general and France in particular, where these new rules now fully apply, we are witnessing for the first time the large-scale launching of hostile takeover bids, disrupting the hitherto stable frontiers in the front line of the economic war. The exchange offer made by La Société Générale for BNP or that of Vodafone for Mannesman herald a new era.

These practices are becoming all the more firmly established as they require little or no cash outlay. The exchange offer process uses a currency of exchange – sometimes called "e-money" – the most specific feature of which is that it belongs entirely to the domain of representation which has acquired hegemony through the advent of securitisation. However, as we shall see, these practices have in no way protected the large groups, who carried out huge acquisitions through the stock market, from being severely burned when the securities acquired at such an exorbitant price at the height of the bubble have had to be paid and balanced after the bursting of the bubble (see below the cases of France Telecom and Vivendi).

[10] The exchange offer is preferred whenever possible, because it provides managers with the double advantage over the takeover bid of not requiring the mobilisation of cash (whenever possible, the merger or takeover is settled by the exchange of shares), and of being facilitated by lighter institutional procedures. On this point, it is worth noting the position taken by Mr Peyrelevade (1999) (former Director of the Crédit Lyonnais), who made a strong call for modification in the regulations, to make it obligatory for operations carried out in the context of hostile takeovers to be paid in cash. Coming from a man in his position (a top-level manager) this call is remarkable, for it clearly indicates that the new fluidity of capitalism is arousing worries and concerns well beyond the classic criticisms levelled by opponents to financial globalisation.

Hence the importance assumed by takeovers and exchange offers, which now represent the key mode of growth and of coordination in inter-firm relations.[11] The maximising of shareholder value is expressed in a whole set of new practices, the effects of which we are now beginning to observe and evaluate. The most obvious of these new practices is that concerning the recentring of firms on their core activities, through the abandonment or sale of activities that fail to produce enough value. The often-decried "industrial Mecanos" steered by the public authorities (when the State was still an influent actor of the economic life) have been replaced by "financial Mecanos" driven by the search for maximisation of shareholder value. M. Goyer, has made some very interesting compilations of data that highlight the scale of the "Mecanos" to which French groups have played over the last few years, in order to concentrate on a few key activities and unload many others (see below, Box 3.7 taken from Goyer, 2001).

BOX 3.7 Recentring on core activities and sale of other activities by large French groups (1996–99)

Company	*"Core activities"*	*Peripheral Businesses Sold*
Alcatel	• telecommunication equipment (a) Internet equipment makers (b) voice and data network operator	• nuclear power (Framatome) • transportation • energy • train and heavy engineering equipment (GEC-Alsthom) • shipbuilding
Danone (Food Group)	• bottled mineral water (Evian) • fresh dairy products (Danone) • biscuits	• pasta (Panzani, Agnesi) • sauces • ready-to-serve dishes • candy
ELF (Oil company)	• upstream exploration and production (oil) on a fewer number of sites • specialty chemicals	• phosphate materials (Texas Gulf) • pharmaceutical (Sanofi) • bulk chemicals • cosmetics (Nina Ricci) • fashion (Yves St. Laurent) • textile • real estate
Paribas	• investment banking • asset management • specialized financial services (consumer credit and SME financing)	• retail banking (Credit du Nord) • holding company (Navigation Mixte) • real estate
Pechiney (Aluminium)	• aluminium and plastic packaging • transformation of aluminium	• beverage can business (American National Can) • aluminium building materials • metal box • glass • primary aluminium smelters (to be done by Alcan)
Rhône-Poulenc (Pharmaceutical)	• pharmaceutical • agro-chemical / veterinary business (animal health and crop)	• specialty chemicals (Rhodia) • bulk chemicals • polymers • fibres
Saint Gobain (Engineering materials)	• flat glass (European no. 1 and world no. 3) • insulation (world no. 1) • containers (world no. 1) • abrasives (world no. 1) • industrial ceramics (world no. 1)	• construction • paper wood • industrial mechanics • canalization

[11] Whence also the very new importance assumed by shareholders' pacts (or other anti-takeover measures), especially in defensive terms, when it is necessary to stand firm in the face of disapproval of the financial market for the direction taken by the firm.

Suez-Lyonnaise Des Eaux (Utilities & environmental Services group)	• utilities (a) water treatment (United Water Resources, Nalco, Calgon, Degremont) (b) waste management (Sita) • energy — gas and electricity (Tractabel)	• construction (GTM) • real estate (Gartmane) • insurance (La Henin Vie, Colonia) • banking (Indosuez) • consumer credit (Sofinco) • dismantling of Société Generale de Belgique (mining, bank, steel, gas, energy)
Vivendi	• utilities (a) water treatment (world no. 2) (b) waste management • telecommunication (Cegetel, France's second largest phone company) • communication (publishing and television: Havas, Canal +)	• communication: groups in which equity stake was small (Audiofina, etc.) • energy (Electrafina) • real estate (Pacific Esplanade) • hotels and funeral homes • construction (SGE)

Source: Goyer (2001.)

In practice, this means that the conglomerate form so typical of the large French groups has undergone a profound change. The recentring on core activities imposed by financial players has undermined the foundations of the previous logic of investment allocation, which had hitherto been made essentially on an inter-divisional basis, thus guaranteeing the simultaneous growth of the different activities within the group, with the more profitable activities supporting the less profitable ones, when this was judged to be necessary. (Box 3.8 illustrates the vigorousness of the recentring on "core businesses" that took place during the 1990s).

BOX 3.8 Recentring on core activities and the relative rise of the two main activities in french groups

Table 1 Contribution to net sales made by the two main activities (44 largest non-financial French groups)

1982	1991	1994	1998
35%	47%	49%	69%

Table 2 Contribution to operating income made by the two main activities (44 largest non-financial French groups)

1982	1991	1994	1998
39%	48%	52%	87%

Source: Compiled by Goyer (2001).

From now on, firms must justify their investments, one after another, on the financial markets, failing which they will be transferred or sold within the logic of financial portfolio management.

At the same time, reducing the work force – through downsizing – has become a standard tool of management.[12] In the past, laying off employees represented the painful admission of a failure in company strategy and the need to restructure and redirect the firm's activity. Now, lay-offs and demission, which are announced even by the most dynamic and profitable firms, are interpreted as the guarantee to shareholders of

[12] The concept of downsizing should be understood in its very precise and limited meaning as a reduction in the work force. Increases in company size (notably through mergers and acquisitions in the form of takeovers and exchange offers), on the contrary, are often well received by the financial markets when they are estimated to be favourable to growth in shareholder value.

future profits. The norm of well above average profitability imposed by the new institutional investors can generally only be achieved at a price: recourse must be made to forcing techniques to inflate profitability. Among these techniques, the anticipative adjustment of employment is today one of the preferred means of achieving the level of performance required by the institutional investors.[13]

Lastly, with the purchase and destruction of shares, we reach the summit of contradiction: financial markets, supposed to provide easier and less costly funding of the economy, are actually doing exactly the opposite. They no longer contribute to the creation of assets, but to their destruction.[14] Here again, these practices have only been made possible by the intervention of the public authorities who have legalised them, through yet another "new regulation" silently introduced. In France, the COB (stock exchange supervisory body) offices were flooded with requests from quoted firms as soon as the authorisation of these practices was announced. Statistically, these practices should not be underestimated, as they constitute one of the fundamental reasons why, overall, the stock market does not contribute anything to the funding of firms: its effect is often even negative.

In France, the France Telecom and Vivendi groups each illustrate, in their own way, the scale of the setbacks and reverses suffered by the former great jewels of French capitalism when thrown into the new world of financialisation.

An illustration: the setbacks of two former national champions: France Telecom and Vivendi-Universal

France Telecom (FT) is emblematic of the modern history of French capitalism. Born out of an old hybrid organisation (the DGT: Délégation Générale des Télécomunications),[15] which had been entrusted with the design and piloting of a "grand programme", the company was until recently a shining example of the success of French technology policy. With its own large research laboratory (the CNET: Centre National d'Etudes sur les Telecom), supplied with technical managers by a *grande école* (the EST: Ecole Supérieure des Telecom), the DGT, soon transformed into a state- owned company under the name of France Telecom, went from success to success, transforming the French operator into a world leader possessing one of the most modern networks in the world, onto which it has been possible to graft numerous innovations (Minitel, packet switching, etc.), at the origin of considerable trading profits (from 10 to 20 billion francs per year).

Then, at the end of the 1990s, in the euphoria that accompanied what was called the "New Economy", the government of Mr Jospin decided to privatise the company. Around 45 per cent of the capital was sold into the private sector in successive slices. FT then threw itself wholesale into the domains of finance and the Internet. Using the considerable reserves generated by the monopoly it enjoyed as operator in charge of the public service, and exploiting a stock market valuation that kept on climbing (reaching nearly 250 euros per share), the company set out on a spending spree: Equant (business networks and services), MobilCom and then Orange (mobile telephony, both holders of UMTS licences, acquired at a very high price, in Germany and the UK respectively), KPN (cable operator), Freeserve (Internet) to name just the largest. All these firms were purchased at exorbitant prices,[16] for they were also the subject of huge (and often fantastical) overvaluations, provoked by the speculative bubble that had particularly inflated the values of the New Economy. The continuous crash that started in March 2000 revealed the scale of the disaster. In few weeks, the price of FT shares fell below 10 euros. The indebtedness of the group (incurred during the period of the bubble, to carry out acquisitions)[17] reached the

[13] In France, the simultaneous announcement by Michelin (in 2000) of a spectacular rise in profits and a drastic reduction in the workforce was considered by public opinion as revealing a trend, the depth of which had already been noted by attentive observers. Shortly afterwards (January 2001) and as if to confirm the idea that we had entered a new era, the Danone group announced that it was preparing a massive restructuring of its biscuit activity, not because this activity was in difficulty but in order to increase its relative profitability compared with other Danone activities.

[14] A sign of the times was the creation of specialised institutions for this very purpose: buying back own shares on behalf of companies and then destroying them.

[15] The concept of "hybrid" is used by Cohen (1992) to characterise, in the practice of French industrial policy, the constitution of administrative entities endowed with an executive power comparable to that of a firm. According to the author, these hybrids were one of favourite tools of the French state in the promotion of its "high-tech Colbertism".

[16] When Equant was purchased, for example, it had never recorded the slightest profit since its creation, and was therefore highly indebted. Despite these facts, the stock market capitalisation of the firm reached 23 billion euros at the time of purchase (2000), i.e. 15 times its estimated turnover of 1.6 billion euros The takeover of control of the firm through the acquisition of 34 per cent of the shares cost France Telecom about 3.4 billion euros. It should be borne in mind that this price also signified the acquisition of a firm generating heavy losses year after year.

[17] Orange is a perfect example. This firm was purchased during 2000 for 50 billion euros of which: 20 billion was paid in cash, 20 billion in share exchange (to be realised in 2002), 4 billion in takeover of debt and 6.6 billion for the purchase of the UMTS licence possessed by Orange. For the part paid in cash, France Telecom contracted a debt of around 32 billion euros with a banking syndicate. For the part paid in shares, clauses were included guaranteeing the seller of Orange (Vodafone) an

colossal sum of 70 billion euros (an increase of 10 billion euros since 2001) and the cash generated could not even cover the short-term requirements for payment of the interest on the debt. In 2001 for the second year running, FT made a loss, amounting to roughly 8 billion euros. The time has come for shock treatment, notably in the form of asset sales. This shrinking of the size of the group through the sale of shares occurred in the worst possible conditions: the shares being sold are devalued, selling at prices that bear no relation to those at which they were purchased. Paradox or mockery, it was only when the State (still the majority shareholder) confirmed its intention not to let the share value collapse that the fall in share prices was checked. The bankruptcy was avoided only through a new and massive financial and institutional investment of the French State.

Vivendi illustrates other dimensions in the recent discomfiture of French capitalism. Until recently, Vivendi-Universal was still being presented as a brilliant demonstration of the ability of French capitalism to succeed its metamorphosis into the world of finance and globalisation. Once again, the origins of this group lie in a national champion: the company Générale des Eaux, which had built its fortune out of the monopoly granted to it by the French state (since the nineteenth century) over half the French territory for everything concerning the management and distribution of water, both to local councils and to private households.[18] When, in 1996, J.M. Messier took command of the company (after having supervised its privatisation as a member of the cabinet of Mr Balladur in the Ministry of Finance) he inherited a prosperous group which, in addition to its water management activity, also possessed a public works division and an environment division (comprised of extremely dynamic firms, both nationally and internationally) that had accumulated a war chest of around 50 billion francs. These resources were used to effect a major transformation that saw the company entering into telecommunications, multimedia, the Internet and finally the film industry, through a series of acquisitions conducted at a frantic pace. Cegetel (the second-largest French mobile telephony operator, but also possessing various different shareholdings in media and communication), Havas (the leading French group in publishing, publicity and communication), Canal+ and then Telepiu (television broadcasting operators controlling satellite and cable *bouquets*) were thus swallowed up by means of complicated financial deals largely achieved through loans, for the war chest inherited from the Générale des Eaux was quickly dissipated in this frenzy of purchases. Finally, in 2000, depicted by the press of the time as a sort of apotheosis of the group's transformation, came the merger with Seagram, whose most notable holdings included the Universal Studios in Hollywood and an immense stock of music, film and audiovisual production rights. This operation resulted in the formation (at least on paper) of the second-biggest communications group in the world. The merger was explicitly modelled on that of AOL-Time Warner, a merger of both contents and containers. Just as in the case of France Telecom, the race for acquisitions took place when share prices were at their highest. Vivendi played on its very high stock market capitalisation to run up massive debts. Reality, however, proved the concept behind the formation of the new group to be totally misguided. Little or no synergies appeared between the different activities acquired, and the markets that had been announced as being on the point of exploding remained subdued. In these conditions, many of the activities acquired turned out to be generators of losses that rapidly accumulated. Above all, the concept that served as the cornerstone in the new architecture: combining both "contents" and "containers" in the same product by offering consumers a single portal, never met its market. The Vizzavi portal, strategic key of the new concept, also turned out to be a loss-maker. Soon after the March 2000 krach, the same institutional investors who had praised to the skies the strategy followed by Vivendi, causing the share price to rocket up to nearly 150 euros, suddenly and totally reversed their assessment. Share prices collapsed (below the 10 euros mark); the shares were reduced to the level of junk bonds by financial analysts, and were subjected to massive speculative operations by hedge funds. The indebtedness of the group was abyssal (around 30 billion euros in 2000) and the cash generated was insufficient even to cover the short-term debts. Under the direction of a new management, the company entered in to tough discussions to negotiate extensions of credit with its banks, under draconian conditions. The disassembly of the group, through the massive sale of shares and activities, appeared to be the only way out of the crisis. Four years after the explosion of the crisis, the process of selling assets and activities, piece by piece is still going on. And if the company is now in a better financial position, most of the observers agree on the fact that the group has no visible core activity, the aggregation of the different divisions inside the new holding created by the new management, looking much more like a pure financial puzzle.

3.3 What "new regulations" for which mode of accumulation?

When the concept of "new regulations" and the necessity of implementing them were presented to the public by the Prime Minister of the time (Mr Jospin), they were, in fact, already long established. Partly imposed, under the effects of the general changes that had occurred with the arrival of financial deregulation from the United

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exchange on the basis of share prices current at the time of sale. When the exchange actually took place, the share price had collapsed and France Telecom had to take out new loans to cover its commitments.

[18] Another company, La Lyonnaise des Eaux, possessed the monopoly over the other half of France.

States[19] and partly the consequence of sustained and systematic action taken by the national French authorities, these new regulations have profoundly modified the structure and functioning of French capitalism.

The major transformation that has taken place is the accomplishment of the privatisations/unlocking of hard cores/entry of pension funds triptych – what we have called the "central chain" of financialization – which has firmly established finance-specific forms of corporate forms at the heart of business practices and overturned the traditional relations characteristic of French-style industrial organisation. The most important result of this transformation is that France, which in terms of industrial organisation was until recently distinguished by the presence and weight of public action – a succession of grand projects in the spirit of "high-tech Colbertism" – has lost the central protocols and channels through which coordination between economic actors used to be achieved. Further to this, through the penetration of the large Anglo-Saxon pension funds into the heart of the biggest and most influential French companies, the whole of the French economy has shifted into a liberalised finance regime. In no way has this been a natural transformation; it is the result of a succession of deliberate decisions. From the very first, reforms in banking and financial regulations introduced by Pierre Beregovoy in 1984, up to the overhaul of the Company Savings Plans in 2000 by Laurent Fabius, and passing through the key role played by the successive waves of privatisations that began in 1986 and were expanded during the period 1997-2000 under the Jospin government, the new regulations, which have enabled the regime of liberalised financial markets to become established, have been introduced successively and systematically into the body of French legislation and regulations.

Having made this observation, can we affirm that the change to a finance-dominated accumulation regime is complete and that this regime is sustainable for the French economy? Can it, for example, take over from Fordism by providing the same types of "virtuous circles" for growth? Of course, we cannot answer these questions exhaustively here, but two lines of reflection do appear to be worth exploring.

Firstly, it should be noted that if a major transformation is taking place, the metamorphosis is far from complete. Despite the reforms that have taken place at that level, the French style of corporate governance remains hybrid: blocks of insiders, though reduced, remain powerful, and directors are putting up stubborn resistance to the commands of financiers. To complete the picture it is noteworthy that the French financial market remains shallow compared with those countries (USA, UK) in which it has traditionally enjoyed domination.[20] This is especially because French savers are still reluctant to make purely financial investments. For all these reasons, France appears to be still in an intermediate position.

Likewise, though numerous arguments support the thesis that France has indeed lost its central form of coordination, as the financial markets stamp their mark ever more clearly on the restructuring of industrial organisation, nothing at present indicates that a new type of macroeconomic regime has established itself or proved its long-term stability. What we are currently observing is a capitalism in transition, halfway between two modes of regulation. One of which (Fordism) lost its classic driving forces long ago, while the other, even if it has established the conditions of its domination, has not been at the origin of those macroeconomic "virtuous circles" typical of stabilised regimes of accumulation. France macroeconomic performances continue to be very poor in terms of growth and the level of unemployment (around 10 per cent) is desperately high.

Whatever the case, it is clear that a point of no return has been passed. By contagion, the corporate forms and social codifications generated by finance are spreading from one sphere of activity to another, without any evidence of the appearance of an institutional setting capable of establishing long-term systemic coherence.

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[19] Conceived and born in the USA, financial deregulation spread in Europe by the means of norms imposed by the Single European Act of 1986.

[20] For an analysis of the factors of inertia affecting modern developments in corporate governance, and especially the often-subtle interplay between "insider blocs" and "outsider blocs", see Becht and Alisa (1999).

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