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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 them to 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 (Orl  an, 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 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 every-

where 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 seem 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 Board* 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 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 of 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 Intercompany 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 Lemerrier 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, 2000¹. 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 monop-

lies, 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 Lemerrier, 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 prac-

tices 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 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 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 notion 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 admin-

istration 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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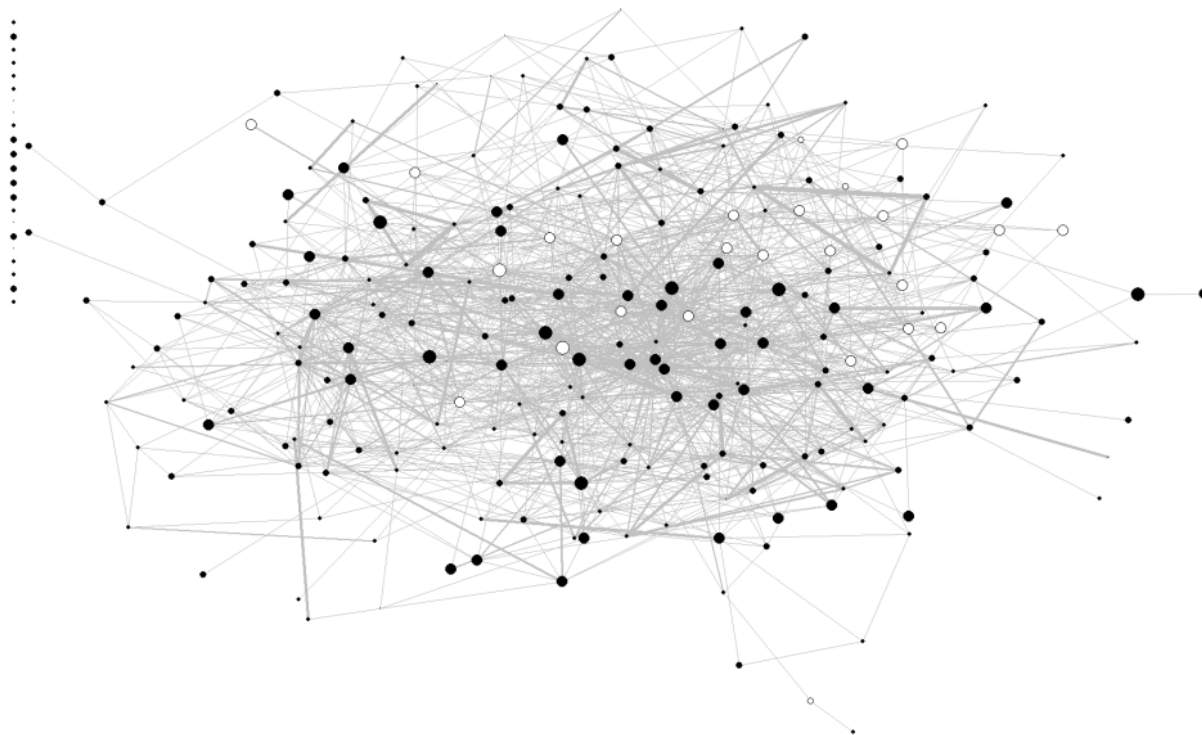
Appendix

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

	<i>Market capitalism (Britain)</i>	<i>Managed capitalism (Germany)</i>	<i>State capitalism (France)</i>
<i>Government role</i>			
Policies toward Business	Liberal	Enabling	Interventionist
Policies toward Labour	Arbitrator	Facilitator	Director
<i>Business relations</i>	Bystander	Bystander	Organiser
Inter-firm relations	Competitive	Co-operative	State led
	Contractual	Mutually reinforcing	State mediated
	Individualistic	Network based	
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
<i>Industrial relations</i>			
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.