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This article focuses on social capital among the French business elite, the period under study coinciding with the implementation of privatisation programmes in France from 1986 to 1998. The Chirac government (1986-1988) sought to change the rules of the economic game, the political aspirations invested in privatisation centring on the free play of market forces and competition, to which the programme purported to reconcile the public at large. The article reveals how privatisation, far from breaking with the past by widening participation in economic life, strengthened the ties that bind the French establishment elite through the concentration of power in ‘hard cores’ of stable investors in newly privatised firms. High levels of social capital within the French national business system ensured that members of the ruling elite, united by multiple ties and similar backgrounds, connived, as before, to manipulate institutions and situations in their perceived collective interest.

Keywords: Elites; French National Business System; Networks; Privatisation; Social Capital; State-Business Relations

‘The [French] government has a long arm and a short arm: the long arm is used to take and extends everywhere; the short arm is used to give, but only reaches those in close proximity’ (Ignazio Silone, Le Pain et le vin (1937), cited in Hamdouch, L'Etat d'influence, 51.)

Privatisation in France, launched with much fanfare in 1986 by the right-wing government of Jacques Chirac, during his second term as Prime Minister, sought to bring far-reaching change to the French economic landscape.¹ Edouard Balladur, Minister of the Economy, Finance and Privatisation (1986-1988), proclaimed at the time that privatisation was a means to ‘change the rules of the [economic] game’² by effecting ‘the most important shift in the boundary between the public and private sectors witnessed so far in the West’.³ ‘French capitalism after privatisation’, he concluded, ‘will not look the way it did before’.⁴ The government aimed not only to reverse the nationalisations which had taken place under the socialists four years previously, but more importantly to introduce new rules for the economy on two counts. First, it aimed to widen participation
in economic life by turning the French populace into a nation of shareholders, a notion cherished by de Gaulle; and second, it sought to turn the underdeveloped Paris Bourse into the dynamic hub of French business.\textsuperscript{5}

Privatisation in France, broadly defined, is the process of releasing corporate organisations from public ownership either progressively, in stages, or in a single move. It is, as political scientists Vickers and Wright observe, ‘an umbrella term for many different policies loosely linked by the way in which they are taken to mean a strengthening of the market at the expense of the state’.\textsuperscript{6} In France, this objective stood in stark contrast to the long-standing tradition of state intervention in the economy, stretching back to Jean-Baptiste Colbert (1619-1683), Secretary of State under Louis XIV. Colbert has lent his name to the enduring practice of \textit{dirigisme} through discriminatory fiscal and public procurement policies, designed to promote public and private national champions while supporting nascent industries.\textsuperscript{7} In the post-war period, ‘Colbertism’ has been practiced in various guises by political regimes of both right and left, including those of de Gaulle, Pompidou, Giscard, Mitterrand, Chirac and, most recently, Sarkozy.

This article explores how the extensive social capital of the French business elite facilitated the smooth release of state assets into private ownership during intensive privatisation in France between 1986 and 1998. The term ‘social capital’ refers to the resources embodied in the structure of relationships between actors.\textsuperscript{8} Sociologists Anheier \textit{et al}. define it as the ‘sum of the actual and potential resources that can be mobilized through membership in social networks of actors and organizations’,\textsuperscript{9} confirming the observation of Adler and Kwon that ‘the goodwill that others have

towards us is a valuable resource’. By analysing social capital formation and exploitation in its social context, we can find deeply embedded transactional structures that are self-replicating and a source of continuity amidst ostensibly extensive (but ultimately superficial) change. As Pamela Laird explains in *Pull*, revealing the existence of social capital and the mechanisms by which it works ‘embeds individuals’ stories into their social and cultural context’.11

Privatisation provides a privileged window on the workings of social capital among the late twentieth-century French business elite. With the large-scale sale of public assets through extensive privatisation, behaviour which would normally have remained hidden from view became, to a degree, more transparent, shedding light on the patterns of friendship and loyalty at the heart of French corporate business. While the rules of the economic game may have changed through privatisation, the structure and objective of the game itself remained unchanged. The logic of the French national business system, as reconstituted after the Second World War, and stemming from the concentration of power in the hands of elite economic actors (the ruling triumvirate of closely-knit politicians, state officials and business leaders), has been one of ‘defend at home and attack abroad’. The pursuit of scale, scope and technological sophistication has been at the heart of both industrial policies and business strategies. The Chirac government of 1986-88 never intended that privatisation should expose French business to the chill winds of foreign competition, but rather that it should strengthen the ties which traditionally bind the French business elite, bolstering establishment solidarity in support of French business interests at home and overseas.12 Far from widening participation in economic life, as Balladur asserted in his book, *Je crois en l’homme plus*
"qu’en l’Etat (‘I believe in man more than in the state’), privatisation resulted in a considerable strengthening of the privileges of the establishment elite through the concentration of power in ‘hard cores’ of stable investors in newly privatised firms, often peopled by personal friends of Balladur. The ties that bind the French business elite are institutional, strong and frequently endogenous, with networking among the elites being an institutional feature in France, systemically embedded, and supported by the state.

The argument builds upon and extends earlier studies of privatisation and the postwar evolution of the French national business system. It draws upon contemporary writings and interviews with members of the elite involved in the privatisation movement. At the core of the research is a study of the lives, careers and networks of the Chief Executive Officers (CEOs) of the 15 largest privatised companies (or, where appropriate, successor companies) in France in 1998 (see Table 1), exposing the links between them, the commonality of membership of boards and organisations, and the exercise of power through elite networks. The seamless transition from public to private ownership, from old to new rules, was accomplished by putting social capital to work in pursuit of common cause: the preservation and advancement of the ruling elite of business leaders, state officials and politicians under the new rules as under the old. The new rules ensured the continuation of the old game into the twenty-first century: plus ça change, plus c’est la même chose.

[Insert Table 1]

Social Capital and the French Business Elite
The social structure of any society shapes and informs the behaviour of its actors. As the economic historian John Sawyer explains, ‘economic activities, while powerfully molding the social forms and class relationships of a society, are themselves a function of the total social structure’. Societies, he argues, naturally prescribe patterns of normative conduct, to which in-built sanctions exhort conformity. The concepts and lexicon of social capital arguably enable us to get closer to the processes which inform and direct patterns of conduct, providing a useful lens through which to observe and analyse the behaviour of elite members and their networks. Members of the French business elite, whether established or aspiring, have depended to a large degree on social capital for their careers’ development and continuing success. Those who reach the highest echelons of France’s largest companies form, as sociologist Dean Savage asserts, ‘the single most coherent force within French business leadership’, who ‘more than any other group… are chosen by others’. The importance of social capital calls into question the alleged meritocratic basis of elite member selection in France. As Laird insists, the mechanisms that facilitate or hinder access to ‘the circles that control and distribute opportunity and information’ matter most in determining who reaches the top in any given field. In particular, Bourdieu suggests that social stratification and ranking are intrinsic to the modern French consciousness. Despite ridding itself of a hated aristocracy, modern France has, according to Sawyer, ‘inherited patterns of social stratification that the Revolution and the Republic have never completely eliminated… The craftsman or villager as well as the count tended to identify himself, his skills, and his heirs with a given place in the social hierarchy’. In the modern French context, the mechanisms that assist or impede access to elite business circles are primarily the elite institutions of
higher education, prominent among which are the Ecole Polytechnique, the Institut d’Etudes Politiques de Paris (Sciences-Po), and the specialist engineering *grandes écoles* such as Ecole des Mines (see Table 2).

Capital, of course, takes many forms, notably financial, physical, organisational, intellectual, political, symbolic and social.20 Broadly, these fall under four headings: economic capital (comprising financial, organisational and tangible assets), cultural capital (knowledge, tastes, cultural dispositions and accomplishments), symbolic capital (title, honours, reputation and the like) and social capital (networks, including political connections, family and relationships).21

Social capital is a key resource that enables an individual to access other forms of capital in the production of goods and services, and it may be deployed internally within a business or externally within business networks. An individual’s social capital at a given point in time may be defined as the sum of the value of productive connections possessed by the individual. In a business context, a productive connection is one with a positive economic value that might be accessed and harnessed in pursuit of a business objective. The connection creates the possibility of access by Actor A to the resources at the command of Actor B; however, access is not guaranteed, nor is it unconditional or without cost. Access depends crucially on the *quality* of the connection. The quality of a connection depends critically on the willingness of one actor to act in support of another, and this in turn depends on perceived trustworthiness, goal congruence (mutual advantage in granting access to network resources), and the potential value of reciprocal access to resources.
The potential for trust arises when actors have similar mindsets, dispositions and experiences. Various social scientists highlight the importance of what they term ‘enforceable trust’, the means by which social capital is created by individual members’ strict obedience to group expectations, and through which collective trust becomes a powerful ‘expectational asset’, cementing relationships and building confident expectations regarding the future. Likewise, goal congruence can emerge when actors share values and behaviours forged through similar experiences in familiar structures. Individuals from the same social class and who attended the same types of school and institutions of higher education are more likely, in sharing similar worldviews, to connect with one another than with outsiders. Thus, families, schools and institutions of higher learning serve as formative structures that build connections. Elite groups, bonded through networks of connections, exhibit strong commonalities both within and across generations. Through common frames of reference the network becomes a ‘community of practice’, as Davis and Greve put it, informed by shared understandings and assumptions which in turn determine the perception of strategies and goals as legitimate or deviant. Those from the ‘right’ background are more connectable than others, that is more likely to gain admission to elite circles, and equally to form connections within and between elite organisations.

The potency of the French education system as an elite ‘structuring structure’ is confirmed in Table 2. Seven of the heads of the 15 largest privatised companies in 1998 attended an elite Parisian lycée (including Janson-de-Sailly, Condorcet, Louis-le-Grand, Saint-Louis and Henri IV), while five attended an elite provincial lycée. As many as eight CEOs graduated from Polytechnique, seven from Sciences-Po, and three from the Ecole
des Mines. Notably, all 15 CEOs attended a prestigious institution of higher education. Eight went on to study at the highly acclaimed Ecole Nationale d’Administration (ENA), established in 1945 to train top civil servants and cabinet ministers. Polytechnique and ENA are, along with the Ecole Normale Supérieure, the most prestigious institutions of higher education in modern France, described by Bourdieu as ‘avenues to the highest social positions’. Passage through an elite grande école may serve as a prelude to joining a grand corps, the pinnacle of France’s civil service elite, accession to which depends on the rank obtained in final examinations. Among the most highly prized corps are the Inspection des Finances, the Corps des Mines and the Corps des Ponts et Chaussées. As Table 2 reveals, 10 of the 15 CEOs of leading privatised firms in 1998 were corpsards, including six Inspecteurs des Finances, and four from the Corps des Mines.

At first sight the French educational system might appear inherently meritocratic: a good passage through the right places should help to propel the beneficiary towards a successful career. Yet coming from a ‘good’ family boosts the individual’s life chances significantly, pointing the way to what may be possible. This is a key point. Barsoux and Lawrence argue that the career development of leading French managers is fundamentally inegalitarian, ‘a matter of sponsorship rather than ability’. The sociologist Dominique Monjardet agrees: ‘The principle of their selection and the base of their power is external – it is controlled delegation [of power] by a superior influence, or it has to do with social ties. Nothing here evokes the independent manager selected according to merit’.28
The staying power of social capital assets implies a strong, deeply-rooted tendency which honours loyalty to a particular network over competence. French elites, however, can answer that charge by pointing to the rigorous selection procedures and competitive examinations of elite schools, which are theoretically open to all. Those who reach the highest echelons of business usually came first or second in their year at *grande école*, a feat which allowed them to be culled from the rest of their classmates. One interviewee recounted how his position in the class had changed from fifth to second following reclassification; without this, he claimed, he would not have become the CEO of a leading French company. Competition within effectively closed groups is a critical factor contributing to a sense of meritocracy among those who comprise the elite. Yet only those with the requisite resources, confidence and connections can work the system to full advantage. The rhetoric of meritocracy deployed by the ruling class has nevertheless served its purpose, concealing and perpetuating the practices of social inequality in France, as elsewhere in the West.

[Insert Table 2]

**Privatisation and the Changing Role of the State**

The growth of the French state proceeded apace in the early post-war years, with the nationalisation of energy, transport and the main banks taking place under de Gaulle in 1945-1946, the reorganisation of welfare provision, and the introduction of planning in 1947. Consequently, the state became the principal architect of economic modernisation. In the 1960s and 1970s the role of the state in the economy expanded further, with a large
number of state-inspired mergers, peaking between 1966 and 1972 at an average of 136 annually.\textsuperscript{30}

In 1981, the socialists returned to power for the first time in a generation with an ambitious economic agenda, the cornerstone of which was an extensive nationalisation programme. A February 1982 law transferred ownership of 12 industrial groups from the private to the public sector. Seven featured amongst France’s top 20 largest companies, including five international groups. The state purchased a majority stake in two privately owned arms manufacturers. Two iron and steel firms were nationalised, alongside two investment banks, 36 smaller banks and the remaining private shares in the previously nationalised banking sector. By the early 1980s, the French public sector accounted for 24 per cent of employees, 32 per cent of sales, 30 per cent of exports and 60 per cent of annual investment in the industrial and energy sectors.\textsuperscript{31} By 1984, however, a new consensus had begun to emerge among politicians, business leaders and the populace that, after years of expansion, the state had finally ‘reached its limits’.\textsuperscript{32}

In 1986, just four years after extensive nationalisation, the incoming right-wing government introduced a far-reaching privatisation programme. As many as 66 firms, including 27 independent groups, with a combined workforce of 900,000 and an estimated overall value of FF300 billion (one quarter of the total capitalisation of the Bourse) were to be transferred to private ownership within five years. The immediate motivation for doing so was to undo what the left had done, but with Thatcherism and Reaganomics sweeping the globe, there was an appetite among right-wing politicians to change the rules of the economic game for good. Consequently, the political and ideological aspirations invested in the privatisation programme by the government were
considerable: the unfettering of the economy, which Balladur accused his socialist predecessors of having ‘mummified’ through nationalisation;\textsuperscript{33} the freedom of privatised companies to manage, released from the constraints of government interference, which had reached a paroxysm in the early socialist years; the free play of market forces and competition, to which the programme purported to reconcile the public at large; the freedom of the individual to become part of the nation’s prosperity through the purchase of a stake in some of its largest companies; and the freedom of the employees of privatised firms to purchase shares in the companies in which they worked, 10 per cent of each sale being reserved for the workforce. In short, as the state withdrew, it sought to devolve more responsibility to the individual in the name of making society as a whole more efficient and French business more competitive in European and global markets.\textsuperscript{34}

Ostensibly, the programme enjoyed considerable success, until it was summarily cut short by the stock market crash of October 1987, bringing the programme to a halt in spring 1988. By then the number of French shareholders had increased sixfold, from 1.2 million in 1986 to more than 7 million two years later, with a further 500,000 employees having purchased shares in their companies. There had been 11 flotations, all but one a huge success, including eight large groups and three off-market sales. Together they comprised one third of the government’s programme, boosting stock market capitalisation by nearly FF100 billion.\textsuperscript{35}

The political pendulum swung repeatedly over the next decade, but privatisation remained a constant, despite differences in rhetoric and presentation. With the return to power of a socialist government in June 1988, following Mitterrand’s re-election to the presidency in May, privatisation continued in a clandestine manner, despite Mitterrand’s
election pledge that there would be ‘neither privatisations nor nationalisations’.\textsuperscript{36} The return of the right to government in March 1993, under the premiership of Balladur, signified a return to full-blown privatisation. The privatisation law of July 1993, modifying that of August 1986, allowed for the sale of 21 public-sector companies, 12 of which had featured in the list of 1986. They came from the banking, insurance, service and industrial sectors, employed a total workforce of more than one million, and enjoyed a combined turnover of around FF 1200 billion. The rules for foreign investors from outside the European Union were relaxed, their share limited to 20 per cent of the capital of the privatised firm, with foreign investors free to participate in groups of stable shareholders (\textit{groupes d’actionnaires stables}).\textsuperscript{37} From 1995, Balladur’s influence waned following his failed bid for the presidency; his former friend and fellow Republican Chirac, against whom he stood, made sure of this when he became president. By 1997, when the socialists returned to government under the premiership of Lionel Jospin, public assets exceeding $40 billion in value had been sold. By then, any attempt to depart from the new ‘consensus’ over the proper division of responsibilities between the state and the private sector would have been arguably futile. As a concession to lingering sentiment within the socialist party, the Jospin government avoided using the word ‘privatisation’, while selling off stakes in banks, insurance companies and major industrial groups, such that by the end of the century all of France’s large banks were in private hands.\textsuperscript{38}

\textbf{State-Business Relations and Social Networks}

The privatisation programme of the years between 1986 and 1998 changed the outward appearance of the French national business system. The idea that the state could and
should interfere directly in the day-to-day running of large, increasingly complex
businesses, vetting investment plans and acting as financial broker and guarantor, was
finally abandoned by politicians, business leaders and the public. French firms, in this
sense, had accepted the need to be market facing and to compete openly with their
foreign rivals. However, privatisation in France did not undermine the social networks,
cemented by social capital, which lend French capitalism its distinctiveness and capacity
for collective action in defence of national and sectional interests. Indeed, establishment
solidarity was in many ways strengthened through the concentration of power in ‘hard
cores’ of stable investors in newly privatised firms, known as noyaux durs. These were
ostensibly designed to protect newly privatised firms from hostile, especially foreign,
takeover following their change of status. At each privatisation about 10 companies were
allocated between 0.5 per cent and 5 per cent of the capital of the firm being privatised,
amounting to a total of 20-30 per cent, in return for which they received representation on
the board, whereas individuals could purchase no more than 10 shares at a time, and had
no say in how the companies were to be run. The stable nuclei were to last five years:
their shares could not be sold for the first two years, and thereafter only to investors
approved by the board. 39 The systematic underpricing of shares by the Finance Minister,
despite a small premium (about 5 per cent) to be paid by stable shareholders on top of the
price paid by small investors, meant the creation of big business networks at bargain
prices. These stable shareholders were chosen by the Finance Minister himself, he alone
deciding the shareholding structure of each privatised enterprise, despite the setting up of
a Privatisation Commission, comprising seven independent members. Throughout much
of the process, Balladur wielded extraordinary powers, never previously enjoyed in
modern times by any of his predecessors at the Finance Ministry. In 1988 the sociologist Michel Bauer enumerated these as follows:

To carry out a programme which was labelled ‘liberal’ the government was wary of market forces. Nor did it have recourse to an independent commission to which to turn to make a decision after public hearings. All the major decisions that had to be made to implement the policy of privatisation were, on the contrary, left to ministerial discretion. And the minister intervened not only to define the new rules of the game but also to fix the price, choose the shareholders, and decide on the composition of the board. There never was so powerful a Minister of Finance in France: never did the rue de Rivoli matter so much in the business world. The French privatisation programme did not represent any great break with the past. Quite the contrary: it fully illustrated the State’s interventionist tradition and even reinforced it.  

In this way, the effect of the noyaux durs was to establish an interlocking network of French-controlled holdings in the privatised companies, thereby reinforcing the traditional structures at the heart of French capitalism, long parodied as ‘capitalism without capital’, and without sanction. To create the groups of stable shareholders the government often relied on existing corporate networks; as the political scientist Joseph Szarka puts it, ‘state-sponsored cross-shareholding set the relations between privatized firms in concrete’. By January 1988 the noyaux durs comprised a total of 73 largely French groups positioned around three key poles, Paribas, Saint-Gobain and CGE-Société
Générale. Unsurprisingly, the chairmen of newly privatised companies welcomed the noyaux durs, seeking refuge in reciprocal shareholdings.43 Jean-Louis Beffa, head of Saint-Gobain, spoke warmly of the ‘element of comfort’ provided by Saint-Gobain’s participation in UAP’s hard core of shareholders.44 Thus, in the first wave of privatisation, the heads of all newly privatised firms retained their positions, in contrast to the nationalisations of 1981-1982, when as many as 29 heads of the 36 largest state-owned companies had lost their jobs.45 Surviving heads included some appointed under the socialists, such as Beffa, who became Chairman and CEO or Président Directeur-Général (PDG) of Saint-Gobain in January 1986. The positions of the PDG of privatised firms were thus rendered more permanent, the privatisation of the companies they managed effectively putting them beyond the jurisdiction of any incoming administration. Beffa retained his position as head of Saint-Gobain for 21 years, until 2007, when he became Chairman.

In the privatisation waves of 1986-1988 and again in 1993-1995, with Balladur in charge as Finance Minister and later as Prime Minister, the noyaux durs were often peopled by personal and political friends of Balladur himself, provoking accusations of cronyism (copinage) from the socialist opposition and the press. A number of establishment figures saw their power strengthened considerably through ties of friendship to Balladur and loyalty to the right-wing Gaullist administration. These included leading members of the Corps des Mines, the Inspection des Finances and the Corps des Ponts et Chaussées; advisers to former presidents and prime ministers; the directors of ministerial cabinets; and close friends of Chirac and Balladur. Jean-Claude Trichet, who served under Balladur in 1986 as director of his ministerial cabinet, went on
to become head of the Bank of France and, later, President of the European Central Bank. Jean-Marie Messier, who worked under Balladur as an adviser to the privatisation process (1986-1988), later gained notoriety as head of Vivendi. Together, these ‘Lords of the Balladur State’ formed a so-called ‘Balladur network’ at the centre of French capitalism, embracing the main banks, BNP, Société Générale, CCF and the Bank of France, and likened to the financiers responsible for the collection of taxes under the ancien régime, the so-called ‘fermiers généraux’.  

In 1994 the Nouvel Observateur identified three epochs and loci where these individuals’ loyalties to Balladur were forged and his patronage secured. These include the headquarters of Alcatel-Alsthom in the sixteenth arrondissement in the 1970s, when Balladur managed several of the company’s subsidiaries; the Finance Ministry on the Rue de Rivoli from 1986 to 1988, where Balladur served as Minister of Finance; and his office at 215 bis, Boulevard Saint-Germain, between 1988 and 1993, where he prepared his bid for the premiership, keeping his contacts warm by holding regular monthly dinners for those who had worked with him in the Finance Ministry. It pointed out, further, that, by the mid-1990s, this small number of loyal associates enjoyed significant command over resources, controlling approximately 20 per cent of the stock market between them as company heads.

Table 3 illustrates the interlocking mandates which characterised the 15 largest French privatised companies in 1998. Of particular note here is the extent to which CEOs continued to network with each other. The organizational sociologist Michael Useem, author of The Inner Circle (1984), regards membership on two or three boards as constituting elite ‘inner circle’ membership. The third column of the table indicates the
degree to which key CEOs enjoyed board interlocks with others in the sample, revealing a high degree of endogeneity, averaging five interlocks per CEO. This was despite the fact that from late 1995, the hard cores of stable shareholders had begun to unravel, with major holdings beginning to be sold without prior warning. The disintegration of the noyaux durs persisted with the arrival in France from 1997 of foreign, often US, institutional investors, who quickly acquired 40 per cent of the share capital of leading listed French companies. Nevertheless, while the unraveling of the noyaux durs may have reduced some of the financial linkages between privatised firms, it did not, as Table 3 reveals, reduce the networks of influence linking them in the search for mutual advantage.

[Insert Table 3]

The social networks of French CEOs are not only dense but extensive, reaching well beyond the boardrooms of major firms into other strongholds of the ruling elite. Membership on the boards of not-for-profit, cultural, educational, sporting, and governmental organisations and commissions provides further opportunities to make connections, establish norms and positions, and more generally provide support and express solidarity. Table 4 is indicative. It demonstrates how the CEOs of the 15 largest privatised French companies in 1998 networked beyond the corporate field, extending into the wider field of power, illustrating the connections between ‘life worlds’, particularly those of politics and business, a key feature of inner-circle membership in France. Business associations and public bodies served as the privileged arenas for meeting outside the organisational field, with all 15 CEOs taking a leading role within
business associations and 12 within public bodies, while the governing bodies and alumni associations of elite, public institutions of higher education also prove popular. It makes good sense to focus energies on educational institutions, preparing and shaping future generations, building loyalties to their donors’ own schools and the cultures they embody all the while. Charity boards and those of national cultural or sporting institutions feature much less prominently, being at one remove from mainstream business and political activities.

Discussion and Conclusion

The mechanisms and concepts of social capital alert us to what was really going on within the French ruling elite during the privatisation era, encouraging the researcher to attempt to pin down the connections between key political and business actors. It is only through seeking evidence, painstakingly recording data such as schools and institutions of higher education attended, career types and boards elite members serve on, that otherwise hidden patterns begin to emerge. In this case, the patterns reveal, for example, that 12 out of the 15 CEOs of French privatised companies in 1998 had begun their career in public administration, several at the Treasury, from which they moved into the world of business in a process known as pantouflage, literally ‘shuffling across’ (see Table 2). It is for this reason that Szarka dubs privatisation ‘the acme of pantouflage’, since ‘when public sector firms [were] privatized, top fonctionnaires [were] spared the burden of finding posts in the private sector’. The evidence presented in Table 2 confirms this assessment.
Privatisation in France from 1986 to 1998 did succeed in increasing both the size of the Bourse and the number of individual shareholders in France. In the period 1995-1998 in particular, the market capitalisation of the Bourse more than doubled, growing by 227 per cent. By 1998, it had become an increasingly significant vehicle for raising funds on the part of France’s leading companies, as well as medium-sized businesses (the second marché, established in 1983), and young, potentially high-growth companies (the nouveau marché, founded in 1996).52

Privatisation did not, however, represent any great break with the past; rather, it confirmed the state’s long-standing interventionist tradition, and strengthened the ties binding the business elite. Despite professing to withdraw from the market, forego intervention and promote competition, Szarka concludes that ‘decision-makers in the main industries and in government still [formed] a closed circle and [continued] to collaborate’.53 In 1987 Balladur asserted that ‘The economic liberty which constitutes the main objective of the government’s policy is not the freedom of a chosen few, but concerns all French people’.54 Yet despite promises that privatisation would popularise capitalism and change the French economic landscape, elite business networks continued to dominate the corporate landscape after privatisation as they had done throughout the twentieth century. The process served to put in place a ‘new’, more select and more permanent economic technocracy loyal to the right-wing Gaullist Party. Business leaders with numerous connections, rich in social capital, often serving on multiple boards, were amongst the principal beneficiaries. Balladur himself offered a simple (if unconvincing) explanation, writing in Je crois en l’homme plus qu’en l’Etat: ‘We needed a greater concentration of power at the time in order to build greater freedom for tomorrow’,55
reminiscent of Marx’s prediction that after taking total power, the communist state would wither away.

One question that arises concerns the relative lack of countervailing forces. Why was there not more opposition to such flagrant cronyism amongst the general public? The answer is threefold. The first part concerns public attitudes to privatisation. The nationalisations of 1982 had quickly emerged as a very expensive mistake. In the teeth of world recession, with so many demands being made on the Treasury, the ‘shareholder state’ had proved unable to provide the nationalised companies with much-needed funds for investment. Privatisation represented the undoing of this, while the rhetoric of popular capitalism masked the elitist nature of the methods employed. Second, the public are in general persuaded by the rhetoric of meritocracy, which goes hand-in-hand with perceived egalitarianism, a central tenet of the Republic. Accordingly, the elite *grandes écoles* are state schools, not private schools. Public acceptance of a system designed to serve elites and their offspring while masquerading as a meritocracy depends, also, on the reverse side of the coin: the maintenance of the right of entry to university for all who leave school with the *baccalauréat*. It is important for political elites to maintain public confidence in the fiction that everyone has an equal chance of success, and the fact that the odd person rises from the lower classes to the top bolsters the myth of meritocracy. Third, the cronyism exemplified here is part of a set of deep-seated traditionalist inclinations which includes a widespread tolerance of practices reminiscent of pre-Revolutionary mercantilism. Such cronyism runs deep within the French ruling classes, on both sides of the political divide. Chirac, for example, was said to have created a ‘Chirac-State’ during his time at the Elysée, filling key appointments with individuals
loyal to himself, on an unprecedented scale. There have at times been scandals. President Mitterrand appointed his own son, Jean-Christophe, as an adviser to the Elysée on Africa from 1986 to 1992; Jean-Christophe was later imprisoned, suspected of having used his influence to secure two arms deals. The former Prime Minister Edith Cresson (appointed by Mitterrand as premier in 1991, then as European Commissioner in 1994, and rumoured to have been his mistress) was accused of nepotism when she took almost her whole team with her to Brussels on becoming a Commissioner, contributing to the resignation of the European Commission en masse in 1999. Cresson even hired her dentist as an HIV/AIDS adviser, though he had no experience in this field. When questioned by a journalist she allegedly retorted, ‘Should we only work with people we have never seen before?’ In general, a deep-seated acceptance of such practices prevails, perhaps as a modern-day transposition of behaviour patterns typical of the courts of the ancien régime. The French, arguably, have never really got over discarding their monarchy. Tellingly, the celebrated French cartoonist, Plantu, always depicted Balladur as a pre-Revolutionary courtier complete with powdered wig, tailcoat and breeches.

Citing Earl Graves, Pamela Laird asserts in Pull that: ‘The ambitious… “never forget that business is personal” and that the person who “builds the strongest relationship wins”’. The French privatisation programme amply demonstrates the relevance of this statement. Elite members who saw their command of the field of corporate power strengthened through their companies’ participation in the noyaux durs of privatised firms often went on to enjoy significant spoils, likened to ‘baronies’ in the French press. These were facilitated above all by their ties of friendship and loyalty to
key figures in the right-wing Gaullist administration, Balladur in particular. As Monjardet notes, the power to appoint to the board is considerable indeed: ‘Control is, quite simply, the capacity to make or unmake a board of directors’.60 This was a privilege of which Balladur availed himself abundantly during this time.

For some business leaders, the benefits that flowed from this took the form of a lengthy and lucrative career at the head of one of France’s top companies, as exemplified by Beffa at Saint-Gobain. Some accumulated exceptional personal wealth, as illustrated by Philippe Jaffré, head of Elf-Aquitaine. In 1987, keen to boost the Paris Bourse, Balladur had introduced a favourable tax regime for stock options, enabling the senior executives of newly privatised companies to put in place schemes highly beneficial to themselves, entailing minimal risk.61 A major public scandal broke when it emerged that Jaffré had received between €23 million and €38 million, largely in stock options, on leaving Elf when it was acquired by Total in 1999.

Clearly, the ‘new rules’ of the economic game were not all they seemed. Ultimately, the rules driving who has access to power in and ownership of French privatised companies emerge as the oldest rules of all: the imperatives of social capital. An on-going failure to move away from traditional social capital-based appointments, retaining personal relations as the dominant criterion, arguably suggests a failure to ‘modernise’. This is ironic, since privatisation was justified as part of ‘modernisation’, to promote a more outward-looking, competitive ‘liberal’ economy designed to meet the challenges of the fast-approaching Single European Market.

The ‘game’ itself underwent various changes during the period under scrutiny. There were changes in the name of the game, and the stated purposes for playing. There
was a significant reduction in the number of empowered players, surrounded by a large number of pawns who might have thought they were in the game, as employee shareholders or small investors, but were not. In essence, however, the purpose of the game remained the same: the preservation of corporate and political power, and the trappings it brings, in the hands of a small French ruling elite jealously guarding its own privileges, manipulating circumstances and events to its collective advantage.

Networking is an institutional feature in France, systemically embedded and supported by the state through its systems of education, elite selection and recruitment, and political patronage. While obvious advantages accrue to individual business leaders rich in social capital who gain from the system, able to use their capital in a variety of ways to maintain their dominant position, French society as a whole must bear the costs. The rigorous selection procedures of the elite *grandes écoles* mean that they produce too few graduates every year to meet the managerial needs of French businesses. Embittered students who see their career prospects wither when they fail to qualify for selection represent a significant waste of talent, while the French university system is overutilised, but undervalued, in comparison.

French society as a whole may also lose out in another respect. Sociologists Burt *et al.* establish that successful French managers, like successful American managers, ‘tend to have networks rich in structural holes’, that is, ‘disconnections between non-redundant contacts in a network’. Yet social capital, they find, emerges differently in France and the US, a difference which Frank and Yasumoto attribute to the importance of particularistic obligations in France, where the social structure is especially dense. Within such networks, common norms of behaviour are more likely to develop,
sanctioning against hostile acts and opportunism. Burt et al. found the French firm to have a less porous boundary than the American firm, while the sociologist Charles Kadushin highlights the striking homogeneity of the inner core of the French financial elite.\textsuperscript{64} In the close-knit structure of elite French business circles, unity of outlook and policy, fostering ‘group think’, may ultimately lead to a separation of the elite from the wider social body, as well as poor decision making.\textsuperscript{65}

Whatever the merits of this critique, there can be no doubt that the high levels of social capital present within the French national business system made for a remarkably smooth series of privatisations between 1986 and 1998. Privatisation was centrally coordinated and controlled by Balladur, with the business elite fully behind the process to ‘undo’ the mistakes of nationalisation. Leading firms invested in the capital of companies undergoing privatisation, and elite directors played prominent roles in their noyaux durs. Seemingly dramatic changes in the rules of the game had very little impact on the structure and objectives of the game itself. Members of the ruling elite, united by multiple ties and similar backgrounds, connived, as before, to manipulate institutions and situations in their perceived collective interest. While the UK, alongside others, has worked under international treaties and agreements to create a level playing-field for domestic and foreign firms, the French approach has remained stubbornly different: the old instinct of both state and business community remains, powerful as ever, to intervene to keep failing firms alive and to do everything possible to keep French companies and assets in French hands, while actively promoting expansion overseas. As the writer Ignazio Silone eloquently puts it: ‘the long arm [of the French government] is used to
take and extends everywhere; the short arm is used to give, but only reaches those in close proximity’.
Table 1
Fifteen Largest Privatised Companies in France in 1998

<table>
<thead>
<tr>
<th>Company</th>
<th>CEO</th>
<th>Total Capital Employed</th>
<th>Year Privatisation Began</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suez Lyonnaise des Eaux</td>
<td>Gérard Mestrallet</td>
<td>72,145</td>
<td>1987</td>
</tr>
<tr>
<td>France Télécom</td>
<td>Michel Bon</td>
<td>30,060</td>
<td>1997</td>
</tr>
<tr>
<td>Elf Aquitaine</td>
<td>Philippe Jaffré</td>
<td>26,484</td>
<td>1994</td>
</tr>
<tr>
<td>AXA</td>
<td>Claude Bébéar</td>
<td>26,420</td>
<td>1994</td>
</tr>
<tr>
<td>Rhône-Poulenc</td>
<td>Jean-René Fourtou</td>
<td>24,348</td>
<td>1993</td>
</tr>
<tr>
<td>Saint-Gobain</td>
<td>Jean-Louis Beffa</td>
<td>22,182</td>
<td>1986</td>
</tr>
<tr>
<td>Société Générale</td>
<td>Daniel Bouton</td>
<td>22,011</td>
<td>1987</td>
</tr>
<tr>
<td>Seita</td>
<td>Jean-Dominique Comolli</td>
<td>19,601</td>
<td>1995</td>
</tr>
<tr>
<td>Alcatel</td>
<td>Serge Tchuruk</td>
<td>18,336</td>
<td>1987</td>
</tr>
<tr>
<td>BNP</td>
<td>Michel Pébereau</td>
<td>18,185</td>
<td>1993</td>
</tr>
<tr>
<td>Total</td>
<td>Thierry Desmarest</td>
<td>15,809</td>
<td>1993</td>
</tr>
<tr>
<td>Renault</td>
<td>Louis Schweitzer</td>
<td>15,522</td>
<td>1994</td>
</tr>
<tr>
<td>Usinor</td>
<td>Francis Mer</td>
<td>10,543</td>
<td>1995</td>
</tr>
<tr>
<td>Alstom</td>
<td>Pierre Bilger</td>
<td>5,771</td>
<td>1987</td>
</tr>
<tr>
<td>Pechiney</td>
<td>Jean-Pierre Rodier</td>
<td>4,901</td>
<td>1995</td>
</tr>
</tbody>
</table>

Notes: The named companies were released directly from public into private ownership or grew substantially through the acquisition of a previously state-owned company, as in the case of AXA through its takeover of Union des Assurances de Paris (UAP). The privatisation of Compagnie Générale d’Electricité (CGE) led to the creation of Alcatel and Alstom.
Table 2
Educational and Career Backgrounds of the Chief Executive Officers of the 15 Largest Privatised Companies in France in 1998

<table>
<thead>
<tr>
<th>CEO Name</th>
<th>School Type</th>
<th>Higher Education</th>
<th>ENA</th>
<th>Grand Corps</th>
<th>Career Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gérard Mestrallet</td>
<td>Elite Parisian Lycée</td>
<td>Polytechnique + Grande École ‘Aviation Civile’</td>
<td>Yes</td>
<td>None</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Michel Bon</td>
<td>Elite Provincial Lycée</td>
<td>ESSEC + Sciences-Po</td>
<td>Yes</td>
<td>Inspection des Finances</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Philippe Jaffré</td>
<td>Elite Parisian Lycée</td>
<td>Paris II + Sciences-Po</td>
<td>Yes</td>
<td>Inspection des Finances</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Claude Bébéar</td>
<td>Elite Parisian Lycée</td>
<td>Polytechnique + Institut des Actuaires</td>
<td>No</td>
<td>None</td>
<td>Business</td>
</tr>
<tr>
<td>Jean-René Fourtou</td>
<td>Elite Provincial Lycée</td>
<td>Polytechnique</td>
<td>No</td>
<td>None</td>
<td>Business</td>
</tr>
<tr>
<td>Jean-Louis Beffa</td>
<td>Non-Elite Provincial Lycée</td>
<td>Polytechnique + Grande École ‘Pétrole et des Moteurs’ + Sciences-Po</td>
<td>No</td>
<td>Corps des Mines</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Daniel Bouton</td>
<td>Non-Elite Parisian Lycée</td>
<td>Paris I + Sciences-Po</td>
<td>Yes</td>
<td>Inspection des Finances</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Jean-Dominique Comolli</td>
<td>Elite Parisian Lycée</td>
<td>Paris II + Sciences-Po</td>
<td>Yes</td>
<td>None</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Serge Tchuruk</td>
<td>Elite Provincial Lycée</td>
<td>Polytechnique + Grande École ‘L’Armement’</td>
<td>No</td>
<td>None</td>
<td>Business</td>
</tr>
<tr>
<td>Michel Pébereau</td>
<td>Elite Parisian Lycée</td>
<td>Polytechnique</td>
<td>Yes</td>
<td>Inspection des Finances</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Thierry Desmarest</td>
<td>Elite Parisian Lycée</td>
<td>Polytechnique + Ecole des Mines</td>
<td>No</td>
<td>Corps des Mines</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Louis Schweitzer</td>
<td>Elite Provincial Lycée</td>
<td>Paris I + Sciences-Po</td>
<td>Yes</td>
<td>Inspection des Finances</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Francis Mer</td>
<td>Elite Provincial Lycée</td>
<td>Polytechnique + Ecole des Mines</td>
<td>No</td>
<td>Corps des Mines</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Pierre Bilger</td>
<td>Elite Provincial Lycée</td>
<td>Sciences-Po</td>
<td>Yes</td>
<td>Inspection des Finances</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Jean-Pierre Rodier</td>
<td>Non-Elite Provincial Lycée</td>
<td>Polytechnique + Ecole des Mines</td>
<td>No</td>
<td>Corps des Mines</td>
<td>Public Administration</td>
</tr>
</tbody>
</table>

Notes: Aspiring French leaders regularly attend one or more elite higher education institutions. The law faculties of the universities Paris I and Paris II are also highly acclaimed.
Table 3
Corporate Networking Characteristics of the Chief Executive Officers of 15 Largest Privatised Companies in France in 1998

<table>
<thead>
<tr>
<th>CEO Name</th>
<th>Director Type</th>
<th>Membership of Boards of Top 100 French Companies</th>
<th>Membership of Boards of Other Companies</th>
<th>No. of Board Interlocks with other CEOs in Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gérard Mestrallet</td>
<td>Exec. Networker</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Michel Bon</td>
<td>Exec. Networker</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Philippe Jaffré</td>
<td>Exec. Networker</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Claude Bébéar</td>
<td>Exec. Networker</td>
<td>3</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Jean-René Fourtou</td>
<td>Exec. Networker</td>
<td>4</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Jean-Louis Beffa</td>
<td>Exec. Networker</td>
<td>4</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Daniel Bouton</td>
<td>Exec. Networker</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Jean-Dominique Comolli</td>
<td>Exec. Networker</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Serge Tchuruk</td>
<td>Exec. Networker</td>
<td>6</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Michel Pébereau</td>
<td>Exec. Networker</td>
<td>7</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Thierry Desmarest</td>
<td>Exec. Networker</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Louis Schweitzer</td>
<td>Exec. Networker</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Francis Mer</td>
<td>Exec. Networker</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Pierre Bilger</td>
<td>Exec. Networker</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Jean-Pierre Rodier</td>
<td>Dedicated Exec.</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: The top 100 companies in France in 1998 are those identified in Maclean et al. (2006). Executive networkers sit on the boards of one or more companies in addition to that in which they serve as an executive, whereas dedicated executives are affiliated to a single company. An interlock exists when two directors within the sample serve contemporaneously on the board of the same company.
Table 4: Non-Corporate Board or Commission Memberships of the Chief Executive Officers of the 15 Largest Privatised Companies in France in 1998

<table>
<thead>
<tr>
<th>CEO Name</th>
<th>Charity</th>
<th>Public Body</th>
<th>Business Association</th>
<th>Higher Education</th>
<th>Culture or Sport</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gérard Mestrallet</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>4</td>
</tr>
<tr>
<td>Michel Bon</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Philippe Jaffré</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Claude Bébéar</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>4</td>
</tr>
<tr>
<td>Jean-Rene Fourtou</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Jean-Louis Beffa</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>5</td>
</tr>
<tr>
<td>Daniel Bouton</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Jean-Dominique Comolli</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Serge Tchuruk</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Michel Pêbereau</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>4</td>
</tr>
<tr>
<td>Thierry Desmerest</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>1</td>
</tr>
<tr>
<td>Louis Schweitzer</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>5</td>
</tr>
<tr>
<td>Francis Mer</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>4</td>
</tr>
<tr>
<td>Pierre Bilger</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Jean-Pierre Rodier</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Memberships</strong></td>
<td>3</td>
<td>12</td>
<td>15</td>
<td>11</td>
<td>6</td>
<td>47</td>
</tr>
</tbody>
</table>

Notes: The qualifying period for membership of a board or commission was 1993-2003 and covered (a) large charitable bodies; (b) government commissions and central and local government bodies including mayoralities; (c) national and international industry lobbying, representative and standards organisations; (d) governing bodies and alumni associations of elite higher education institutions; (e) national cultural or sporting organisations.
Acknowledgement

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