

**Elites, Thickets and Institutions:  
French Resistance versus German Adaptation to  
Economic Change, 1945-2015**

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**Brigitte Granville, Jaume Martorell Cruz and Martha Prevezer****Abstract**

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**JEL:** N24, N40, N44, O38, O43, Z10

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BY BRIGITTE GRANVILLE, JAUME MARTORELL CRUZ AND MARTHA PREVEZER<sup>1</sup>

Abstract

This paper explores a nexus that runs from the construction of an elite thicket in France through a shared mental model or *doxa* to a centralized activist state that modernized the French economy during the so-called *trentes glorieuses* but since the mid-1990s has led to behavioural stasis, dependency on state solutions and institutional deterioration. This contrasts with Germany since 1945 with no such elite thicket, a looser relationship between business and the state, and a more diffuse mental model linked to decentralized corporatist collective bargaining by business and employees with the state in a rule-making mediating role. The elite thicket in France has led to poorer quality government since 1995 as a result of values that support hierarchical (centralized) and discretionary (top-down interventionist) policy making. We contrast this with institutional adaptability in Germany associated with dualization in its industrial structure and values endorsing rule-bound, decentralized mediation in policy-making.

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## 1. Introduction

Institutional structures typically stem from long historical continuities. Alexis de Tocqueville's treatise *L'Ancien Régime et La Révolution* (1856) showed the persistence in France despite political upheavals of centralized bureaucratic control exercised by a narrow cadre. In the aftermath of WWII, the French state took an active role in the modernization of the country (Lynch, 1984; Dormois, 2004). In the 1990s, many sectors were deregulated, but the weight of the French state in the economy in 2015 is 11 per cent higher than the EMU's average with general government expenditure at 57.5 percent of GDP (IMF, 2015). In terms of economic performance, compared to Germany, France is classified by the latest Innovation Union Scoreboard (European Commission, 2015) as "innovation followers" whilst Germany is classified as "innovation leaders".

While divergences between the nature of the French and German states can be traced back to the origins of institutional state-building in 18<sup>th</sup> century France and 19<sup>th</sup> century Germany (Mann, 1993; Weiss and Hobson, 1995), these divergences have persisted over time. The issue that we explore is why the composition of the French state and those in charge of the state and business was conducive to growth in the immediate postwar thirty years but since the 1970s has resisted adaptation to change with deterioration in institutional quality especially since the mid-1990s.

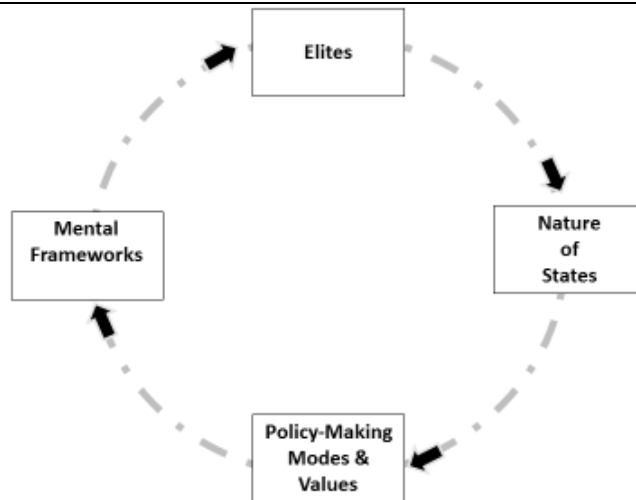
The literature provides evidence that in contrast to Germany, the governance of France has been and remains in the hands of a closed ruling elite, whose homogeneity stems from the way it is trained and from the interchangeability and intertwining of the state, business and media elites (Genieys, 2006; Brezis, 2013; Heilbrunn, 2005; Kramarz and Thesmar, 2013; Nguyen, 2012; Rouban, 2002). Our hypothesis is that this ruling elite has formed an 'elite thicket', a web of connections of interrelated and vested interests which have resisted institutional adaptation in order – as explained in Tabellini (2008: 256) – "to preserve their rents, even if this

hurts economic development.” The obstacle-like nature of the thicket makes it appear analogous to the concept of the patent thicket, where ownership of discrete pieces of knowledge overlap in such a way as to complicate negotiating through them, which is necessary for any further innovation (von Graevenitz, Harhoff and Wagner 2013). The elite thicket works comparably in obstructing any impetus towards institutional adaptation that may come from diverse quarters, in particular from grass-roots firms, employees and managers, and instead traps thinking in a mental framework where policy initiatives especially on institutions emanate from a tightly-sealed centralized and powerful interwoven elite core. We contrast the tight-knit exclusivity of the French elite thicket which has led to top-down hierarchical policy-making with Germany’s lack of a tight elite structure, explaining in part Germany’s greater receptiveness to diffusion-oriented technological change (Ziegler, 1995). The combination in Germany – of coordination between labour and management in the manufacturing/exporting sector plus flexibility in the non-core sectors with a diffuse elite that extends into the Mittelstand – has facilitated adaptation to incremental technological change. By contrast, the French elite thicket, after promoting technological catch-up in the postwar reconstruction period 1945-75 when markets were protected, then became an obstacle to technological diffusion from the second half of the 1970s, at a time of increasing international openness to competition (Fourastié, 1979; Dormois, 2004; Eichengreen, 2006).

Our approach is historical in the sense set out by Boldizzoni (2011), highlighting the interplay between cultural attitudes and institutional formation. Our argument is that culture, or what we term here mental models following Mantzavinos, North and Shariq (2004), have shaped and are shaped by elite and state structures and that these institutions feed back into influencing mental models (as visualized in figure 1); that this nexus of elite/state/cultural structures is key in explaining blockage and resistance to change and hence institutional deterioration – as reflected in the

contrast between and centralized and hierarchical values in policy-making in France from the mid- 1990s with institutional adaptability and robustness in post-unification Germany.

FIGURE 1 – THE ELITE/STATE/CULTURAL STRUCTURES NEXUS



Source: Authors' own diagram

This paper is structured in six sections including this introduction. Section 2 compares the nature of elites in France and Germany and sets out the evidence for the presence of the elite thicket in France compared with the absence of a potent elite nexus in Germany. Section 3 develops this comparison between elite structures by looking at their cultural manifestation, defining culture in terms of national mental frameworks. Section 4 argues that these elite/mental frameworks have influenced the nature of the state giving rise to an activist state in France and a rule-creating state in Germany. Section 5 looks at the impacts of these differences on institutional change and policy-making modes, constructing a chronology that makes two contrasts. The first is over time: the formative influence of centralized

elite and state on immediate postwar technological catch-up in France during the *trentes glorieuses* (1945-75) is compared with the adverse impact on institutional quality that the thicket/state/culture nexus has had in France especially since the mid-1990s. Second, we compare the rigidity of elite/culture/state structures and their impact in France with the more fluid and adaptable elite/culture/state impact in Germany, manifested in the comparative institutional deterioration in France since 1995 in terms of corruption, biasedness and quality of government. Section 6 concludes.

## **2. Elite Thickets**

We argue here that France has a very tight-knit structure in its elite that envelops the higher echelons of business and public administration and creates what we call an elite thicket that resists and obstructs institutional change.

The formation of the state elite via the *grandes écoles* (mainly the *Ecole Polytechnique* and *Ecole Nationale d'Administration, ENA*) constitutes the exclusive selection pool for the top civil service – the so-called *grands corps* (*Inspection des finances, Conseil d'Etat, Cour des Comptes, Corps des Mines*) (Suleiman, 1977; Genieys, 2006). These technocrats or 'knowledge-bearing elite' (Ziegler, 1995: 341) form a network of 'friends', an elite thicket, in the top segment of political, public, media and business activities (Suleiman, 1977).

The conditioning process of French students predates their entry to the *grandes écoles* which act as a conformist mould. Hartmann (2000: 250) emphasizes such factors as 'the right stable smell' and the high level of social selection ensuring the exclusion of offspring from working-class and middle class families. The incumbent elite milieu provides the cultural and financial capital necessary for students to be equipped for the highly competitive admission exam to the *grandes*

écoles (Bourdieu, 1977a, 1989; Brezis and Crouzet, 1999; Dogan, 1979; Genieys, 2005, 2006; Suleiman, 1995).

The literature on friendship/companionship and networks (Burt, Hogarth and Michaud, 2000; Dogan, 1979; Heilbrunn, 2005; Kadushin, 1995; Maclean and Harvey, 2014) identifies these ties as a series of overlapping cliques united together by complex links (Wright Mills, 1956) through childhood, place of residence, family/marriages, schools, companionship such as political party, club membership (le Siècle, AFEP, Bildenberg) and ‘fraternal’ organizations such as the freemasonry (Heilbrunn, 2005).

The membership of an association called Le Siècle symbolizes the French nomenclatura: predominantly male (85%), over 55 years of age (80%), sons of captains of industry, high-ranking public servants or senior liberal professionals (55%), graduates of the Institute of Political Studies (50%) and ENA (40%), and from families with highly qualified engineers and links to significant business interests (25%) (Denord, Lagneau-Ymonet and Thine, 2011). In the 1960s and 70s, members of governments who were also members of Le Siècle amounted to about 20%; this number increased to 58% in 1978. Since then it has oscillated between a third and half of the ministers (whatever their political orientation) with a peak of 72% between 1993 and 1995, under Edouard Balladur (Bothorel, 1979: 54). An additional type of network important to the French elite structure is that of Freemasonry, with masonic networks comprising about 150,000 members.

France distinguishes itself from other mature economies by the numbers of top civil servants in influential positions in the banking system and industry (Brezis and Crouzet, 1999; Bertrand, Kramarz, Schoar and Thesmar, 2004). This tight French elite moves across state and business structures in a revolving door pattern known as *pantouflage* (Bertrand, Schoar and Thesmar, 2007; Brezis, 2013; Heilbrunn, 2005; Kramarz and Thesmar, 2013; Rouban, 2002). In the 1990s, the number of pure administrators coming out of ENA outnumbered engineers coming

out of Polytechnique at the helm of French firms. This reduced the relative weight of substantive technical knowledge at the top management level (Hartmann, 2000). Moreover the study by Kramarz and Thesmar (2013) of the impact of the civil service network on corporate performance highlights that firms with directors and CEOs that came from the civil service were less likely to change CEOs when performance was poor, that compensation of CEOs connected to ENA was about 50% higher than non-connected CEOs (in large part due to stock-options) and that such companies' acquisitions have been less value-creating than those made by non-connected bidders.

A series of scandals and failures has illustrated how ill-equipped these civil servants are to lead large firms. These include for example Crédit Lyonnais (1993); Elf-bideman (1994); Thomson; GAN; Vivendi (2001) (Heilbrunn, 2005). Despite this, the elite thicket remains dominant across French firms as illustrated by Tables 1 and 2. Table 1 shows how the elite penetrates the boards of CAC-40 companies, with many state-linked companies sharing numerous directors. Nine of the 40 companies – Alstom, BNP Paribas, EADS, GDF Suez, Lafarge, Legrand, Société Générale, and TOTAL – have directors that are present on four other boards. Table 2 details the formation and career trajectories of the 76 executives present on two or more of CAC-40 boards. A small cadre of directors is present in most CAC-40 firms; 97.5% of them have directors present on at least one other board; 67.5% of them have directors present on two or three or more boards.



TABLE 1 - ELITE THICKET ACROSS CAC-40

	Number of Board Directors Sits																							
	AD1	AD2	AD3	AD4	AD5	AD6	AD7	AD8	AD9	AD10	AD11	AD12	AD13	AD14	AD15	AD16	AD17	AD18	AD19	AD20	AD21	AD22	AD23	AD24
Entreprise																								
Accor	2	1	1	1	1	1	3	1	1	1	1	1												
Air Liquide	2	3	1	2	1	1	1	1	1	2	1	1	1	1										
Alstom	3	1	1	2	2	2	4	1	2	1	1	1	1	1	1	2	1							
Arcelor-Mittal	2	1	1	1	3	1	1	1	1	1	1													
AXA	1	1	1	2	3	1	2	3	1	1	1	1	1	1	2									
BNP Paribas	4	2	3	1	1	1	1	1	3	1	1	1	1	2	2	1	1	1						
Bouygues	1	2	3	1	2	1	1	2	1	1	1	2	1	3	1	1	1	1	1					
Capgemini	1	1	1	2	2	1	1	1	1	3	1	1												
Carrefour	1	1	2	2	2	2	1	1	1	1	1	1	2	2	1	1	1							
Crédit agricole	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	1	1	1
Danone	2	1	1	2	1	1	1	1	2	2	1	1	1	1										
EADS	2	2	1	1	1	1	2	1	4	1	1	1												
EDF	3	1	1	1	1	1	1	1	2	1	1	1	1	1	3	1	1	2	1	2	1	1		
Essilor International	1	2	1	1	1	1	3	1	1	1	1	1	1	1	1	1								
France Télécom	1	1	2	2	1	1	1	1	1	1	2	1	2	2	1									
GDF Suez	1	2	1	1	1	2	1	1	1	1	1	4	2	1	1	2	1	1	1					
Gemalto	1	1	1	2	1	1	1	1	1	1	1													
L'Oréal	1	1	1	1	2	1	1	1	2	1	2	2	1	3	3	2								
Lafarge SA	3	1	3	1	4	2	2	1	1	1	1	1	1	1	2	1	1	1						
Legrand	1	1	1	1	1	1	4	2	3	1														
LVMH	2	1	1	1	1	2	1	1	2	1	2	1	2	1	3	1	1							
Michelin	1	1	1	3	1	1	1	2																
Pernod-Ricard	1	1	1	1	2	1	1	1	1	1	2	1	1	1										
KERING	3	1	2	1	1	1	2	2	2	1														
Publicis Groupe	2	1	1	1	2	1	1	1	2	2	1	1	1											
Renault	1	1	1	2	1	1	2	1	1	2	1	2	2	1	1	3	1	1	1					
Safran	2	1	1	2	1	1	1	1	1	1	1	1	1	2	1	1	1	1						
Saint-Gobain	1	1	1	1	2	1	2	2	1	1	1	4	4	1	1	3	1	1	2					
SANOFI	1	1	1	2	1	1	1	1	1	1	1	3	3	1	2	1								
Schneider Electric	1	1	1	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	3					
Société Générale	2	1	1	1	1	1	4	1	1	2	2	3	2											
Solvay	2	1	1	1	1	1	1	1	1	1	2	1	1	3										
STMicroelectronics	1	1	1	1	1	1	1	1	1															
Technip	1	1	2	1	1	1	1	1	2	2	1	1												
TOTAL	2	3	1	1	1	4	1	1	3	2	1	2	3											
Unibail-Rodamco	1	1	1	1	1	2	1	1	1															
Vallourec	2	3	1	1	1	1	1	3	1	1	2	3												
Veolia Environnement	1	3	1	2	1	1	2	1	1	2	2	1	1	1	1	3	1	1						
Vinci	1	1	1	1	1	1	1	1	2	1	3	1	3	1	1									
Vivendi	1	1	1	1	1	1	1	1	1	1	1	1	3	2										

Sources: calculated by the authors based on firms's webpage

TABLE 2 - ELITE CAREERS ACROSS CAC-40

		Total (n=77)	2 Directorships (n=61)	3 or More (n=16)
Career	% Business Careers	53.3%	57.4%	37.5%
	% State Elite Career	28.6%	26.2%	37.5%
	% Elite Enarques	18.2%	16.4%	25.0%
	% 1st job civil service	45.5%	41.0%	62.5%
Formation	% ENA	32.5%	27.9%	50.0%
	% Grandes Ecoles	92.2%	90.2%	100.0%

Sources: calculated by the authors based on firms' webpages, Bloomberg and Wikipedia.

Table 2 shows that 92.2% of the directors present on two or more boards of the CAC-40 companies went to a grande école, 32.5% are ENA graduates and 45.5% of them started their career as top civil servants. To provide a brief snapshot of their careers we have classified them by three trajectories: Business Careers, State Elite Careers and Elite Enarques.

The Business Careers group comprises directors that have developed their career mainly in the private sector, with very little or no civil service experience. Of the group that have directorships on three or more boards, 37.5% of them can be classified as Business Careers. State Elite Careers, is composed of grande école graduates that started their career in the higher echelons of the civil service. A further 37.5% of those present on three or more boards are classified as State Elite Careers. Lastly, Elite Enarques consists ENA graduates that have passed through the *grands corps*: The Conseil d'État, Inspection des Finances and Cour des Comptes. 25% of those present on three boards or more belong to this exclusive group.

There are three directors present on four boards: Jean Martin Folz (Alstom, Axa, Saint-Gobain, Solvay), Michel Péberau (Saint-Gobain, Total, BNP-Paribas, EADS), and Gérard Lamarche (GDF Suez, Lafarge, Legrand, Total), a small group that illustrates these three different trajectories. Jean-Martin Folz, is a graduate from the Ecole Polytechnique who started his career in 1972 as an engineer in the Industry Ministry, and jumped to the private sector in 1978 as factory manager and General Director of the chemical division of Rhône-Poulenc. He was director general of PSA Peugeot-Citroen from 1997 to 2007. We define his career as a Technical State Elite career. Across the Elite Thicket we can find similar trajectories from Polytechnique graduates who start as high civil servants in technical departments and move to directorships of technical companies for instance in engineering. Michel Péberau followed a different route: after Polytechnique he went to ENA and then to the Inspection des Finances. He joined

the French Treasury holding high ranking posts until 1982 when he transitioned to the private sector through Credit Commercial de France (CCF). He presided over BNP-Paribas from 1993 to 2003. The case of Michel Péberau also highlights the role of family connections in these elite trajectories. He is the son of a top civil servant and his brother (Georges Pébereau) was also a high-ranking civil servant who moved into CAC-40 boardrooms. The only one of the trio with a conventional business trajectory is Gérard Lamarche, who graduated from INSEAD and Wharton International and started his career at Deloitte.

The fact that former elite civil servants represent 35 of the total 76 directors connected across CAC-40 on multiple boards points towards the persistence of pantouflage. Schmidt (1996) details how the processes of selection resisted the pro-market reforms of the 1980s, and as the state retreated in some areas, the pool of inter-connected elite officials tightened their hold on top business jobs. Looking at the current composition of CAC-40 boards, the 1990s and 2000s seem to have left untouched the elite thicket's influence over France's economy.

The German elite is not created through an exclusive educational system but is diffuse and decentralized (Hartmann 2000), with a strongly technical and engineering background (Mayer and Whittington, 1999; Ziegler, 1995).

Germany moved from elite to mass education in the 19<sup>th</sup> century, at a relatively early stage in their industrialization process, stimulating growth in R&D and more modern growth processes (Strulik and Werner, 2014). Selection in the schooling system occurs after primary education at age 10 (earlier than France at age 16), with a smaller proportion going on to get the Abitur and then on to academic tertiary education (Lauer, 2003). Germany has different kinds of secondary schools, graded by ability: the Hauptschule, Realschule and Gymnasium. Unlike France where vocational education is for those selected out, there is a developed vocational education through the apprenticeship system after Hauptschule or Realschule. This insures provision for technical training, certification and career mobility for those

having vocational career paths in Germany (Brauns, Steinmann, Kieffer and Marry, 1999; Lauer, 2003).

Whereas top German executives all have a high level of education, their elite status does not derive from exclusivity in that education. Out of a sample of executives in the leading 100 German firms, of a total of 50 universities in West Germany in 1970 and 1995, 22 are represented in those executives' education in 1970 and 21 in 1995 (Hartman, 2000). It is argued that class origin does have an influence on the recruitment of the elite (Hartmann, 2010) although the trend, comparing the mid-1960s with the end of the 1990s, shows a falling proportion of students coming from higher socio-economic groups. Studies of educational attainment, seeking to identify barriers to social mobility, point to the influence of parental background on educational outcomes as is the case in France too (Brauns, Steinmann, Kieffer and Marry, 1999; Lauer, 2003). The German business elite usually holds a PhD, more often in a technical field such as engineering, economics and law, rather than in pure administration. The training of the business elite is therefore different from the *enarques* which focuses on moulding leaders for public service.

The German business elite includes those leaders of the large number of medium-sized firms, the *Mittelstand*, which form an important part of the manufacturing and exporting block which policy-making is keen to protect. Shareholding of *Mittelstand* firms in particular remains concentrated in the hands of family owners (Mayer and Whittington, 1999). The contrast between French and German elite structures is in line with earlier research comparing social capital among French and German managers, which found that French management recruited within a more closed group than did German management (Maurice, Sellier and Silvestre, 1982; Burt, Hogarth and Michaud, 2000).

### 3. Mental frameworks

What are the intellectual structures or mental frameworks that underpin and reinforce the reproduction of these elites in their respective societies? In *“How institutions think”* Mary Douglas (1986) explains the entrenching of institutions as an intellectual process, as much as an economic or political one. She links individuals’ cognitive processes with institutions: they interact and shape each other, giving each other legitimacy and recognition. For North (1990) institutions embrace both formal and informal institutions. Formal institutions such as constitutions, regulations and laws are designed to promote activities based on trust and cooperation and to constrain actions that, if widely practiced, would undermine property and individual rights (North, 1990). But the relationship between formal and informal institutions remains under-explored and it is not understood why institutions are maintained even if they prove to be poorly adapted to current conditions. This has led to a growing field of research centred on norms interpreted as beliefs and culture (Benabou, 2008; Guiso, Sapienza, and Zingales, 2008 and Tabellini, 2008; Alesina and Giuliano, forthcoming).

Rather than being rational, humans use heuristics, a series of priors and categorizations as a shortcut in making choices (Tversky and Kahneman, 1974). At the collective level, these heuristics are seen as informal institutions acting as a constraint on individuals’ processes of decision making dubbed by Denzau and North (1994) as “Shared Mental Models.” These constraints arise from the institutional and economic structure of a society and are acquired through collective learning within society (Mantzavinos, North and Sharing, 2004). Over time these mental models are cumulative resulting in cognitive path dependence (Pierson, 2000; Mantzavinos, North and Sharing, 2004) an inflexibility which can seriously constrain economic change and performance.

Different societies can and do create fundamentally different constructs of intellectual and institutional legitimacy; they have very different ways of thinking and internalize different social constructs as their norms. These different mental frameworks mean that “people from different cultures tend not only to face problems differently but also to pose them differently” (Boldizzoni, 2011: 43).

French and German processes of collective learning seem to have shaped two fundamentally different mental models coherent with their institutions developed after WWII. For Suleiman (1977: 196), the French ‘state elite’ possesses the Dahrendorf (1967: 277) requirements of an elite which are a measure of self-consciousness and the non-elite acceptance of elite leadership whereas the German elite possesses neither, and forms “an abstract elite.” These two qualities in France lead to a fixed and unquestioned way of thinking which is disseminated, articulated and entrenched thanks to leading public intellectuals, journalists, pollsters and lobbyists. Pierre Bourdieu (1977b) in his *Outline of a Theory of Practice*, used the term *doxa* to denote the “mental structure” – that is, something more than merely shared beliefs and opinions. The elite education structures and cultural environment in France ensure that even new entrants who do penetrate elite circles are themselves steeped in this *doxa*, or homogeneous world view. Bourdieu (1989) pointed to the importance of the grandes écoles and elite education in reproducing cultural capital and power.

Our argument is that the elite thicket in France has been legitimized by this *doxa* and its self-reinforcing beliefs, whereas the structure and beliefs of German elites are neither so uniform nor have such a stranglehold on institutional change. The ‘German model’ emphasizes cross-class consensual decision-making, enshrined through codetermination and works councils on company boards. The diversity of values is articulated along a number of dimensions: belief in stakeholder concerns as opposed to shareholder primacy; belief in labour participation through unions and works councils as opposed to no labour voice as implied by shareholder

primacy (Bluhm, Martens and Trappmann, 2013). These different mental frameworks contribute to creating different kinds of state in France and Germany.

#### **4. Different kinds of State: France and Germany**

The Varieties of Capitalism (VoC) approach differentiates between coordinated market economies (CMEs) and liberal market economies (LMEs) (Hall and Soskice, 2001; Hall and Gingerich, 2009). The institutions of coordinated capitalism are shaped through two dimensions: the relationship between the state and the economy, and the representation of organized interests. Both France and Germany have been initially categorized as variants of CMEs. Hancké, Rhodes and Thatcher (2007: 291) distinguish between *étatisme* (applied to France) and the arm's length state (applied to Germany). *Etatisme* in France is identified by the state playing an active role in the economy but where organized interests are fragmented and low-level. The label of arms' length state as applied to Germany signifies that there are organized interests across business and labor which take the lead on the economy and the state is generally not involved in transactional processes.

We advance Hancké, Rhodes, and Thatcher (2009) distinction by introducing institutional legacies, including mental models, alongside the organization of interests, as factors that determine the role of the state. Crouch (1993) details how institutional legacies shaped 20<sup>th</sup> century industrial relations: states with a tradition of contestation found it difficult to institutionalize organized labour. Table 3 shows that in the 1960s, labour and business interests were fragmented in France which, along with a tradition of contestation towards the labour movement, allowed the state to play an active role in the modernization of the economy. In contrast, the German state, with a prior tradition of state-led corporatism, mediated across strong

interests in collective bargaining, with German institutions being described as voluntaristic (Streeck and Thelen, 2005).

TABLE 3 - ORGANISATION OF INTERESTS AND ROLE OF THE STATE IN INDUSTRIAL RELATIONS (1960)

	France	Germany	
Legacy	Strikes per 1,000 (among TU workers) (1921-1925)	0.92	0.56
	Days lost per 1,000 (among TU workers) (1921-1925)	5,001.45	4,230.19
	<b>Contestation</b>	<b>State neo-corporatism</b>	
	Pattern of Industrial relations before WWI		
	Effective Number of Unions Confederation	3.9	1.5
Interest	Trade Union Density	19.6	34.7
	Number of Employers' Confederation	-	4
	Industrial Relations' institutional strength	<b>Medium (only one side, no joint institutions)</b>	<b>Strong (both employers and unions, joint institutions)</b>
Government Role	Government Intervention in Wage Bargaining	The government influences outcomes indirectly through price-ceilings, indexation, tax measures, minimum wages, and/or pattern setting through public wages	The government influences wage bargaining through institutional framework of consultation and information exchange, by conditional agreement to extend private sector agreements, and/or by providing conflict resolution
	Type of coordination of wage setting	State-sponsored bargaining (includes pacts)	Pattern bargaining
	Role of the State	<b>Activist</b>	<b>Mediator</b>

Source: Authors' own elaboration with data from Visser (2013) and Crouch (1993).

The French government's activism during the period of post WWII reconstruction period presided over "Les Trente Glorieuses" (Fourastié, 1979) – that is, the thirty years between 1945 and 1975 during which France enjoyed continuous increases in living standards as a result of catching up with the technological frontier and mobilizing rural labour to support the expansion of urban



manufacturing. The success of this period was dependent on the protection of domestic industries against foreign competition, while some prices were controlled, exchange controls were in force and monetary policy was stimulatory (Dormois, 2004).

Table 4 shows the differential state roles across industrial relations in the period 1970 to 2010. In Germany the influence of organized interests marks the adaptation to the current phase of globalization (Thelen, 2014). The strong influence of manual sector workers – in 1998 they represented around 51% of Union Members (Visser, 2013) – protected their labour institutions in exchange for creating a more flexible market across the service sector. In France, by contrast the institutional environment remains highly interventionist, with the state having a broader reach across collective bargaining despite falling union density. While in Germany, coverage through union bargaining seems fairly correlated to union density, in France despite a plummeting in union density from 21.7% in 1970 to 7.9% in 2008, the coverage of wage bargaining increased from 70% in 1970 to 92% in 2008.

TABLE 4 - INSTITUTIONAL RESISTANCE/ADAPTATION IN FRANCE AND GERMANY INDUSTRIAL RELATIONS: 1970-2010

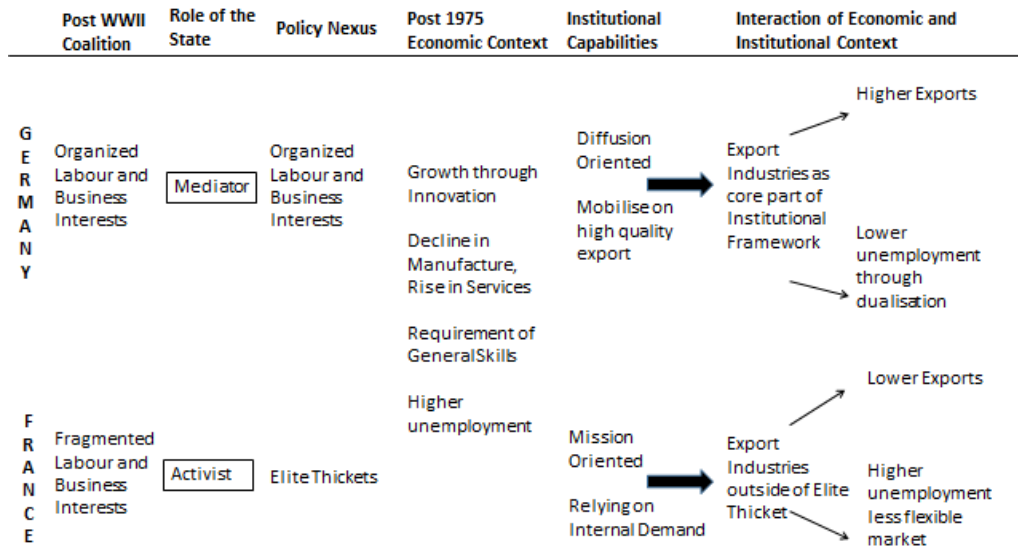
	<b>Change in the degree of wage coordination</b>	<b>Change in Bargaining Level</b>	<b>Change in Collective Bargaining Coverage</b>	<b>Change in Union Density</b>
<b>Germany</b>	From Industry bargaining with no pattern to mixed industry and economy-wide bargaining with pattern setting	Remained on Sectoral or Industrial Level	<b>-28%</b> From 85% in 1970 to 61% in 2010	<b>-42 %</b> From 31.0% in 1970 to 18.6 in 2010
<b>France</b>	Remained on mixed industry and firm-level bargaining, with weak enforceability of industry agreements	From sectorial or industry level to sectorial or industry level with additional local or company level	<b>+ 31%</b> From 70% in 1970 to 92% in 2008	<b>-64%</b> From 21.7% in 1970 to 7.9 in 2010

SOURCE: VISSER (2013) IN THELEN (2014: 34-35)

Figure 2 contrasts German and French institutional adaptation to economic change propelled by the 1960s multilateral trade agreements combined with the end

of the Bretton Woods fixed exchange rate system in 1971, the subsequent float of the major currencies and rise of oil prices in 1973.

FIGURE 2 - GERMANY AND FRANCE INSTITUTIONAL ADAPTATION TO ECONOMIC CHANGE



Source: authors elaboration

Germany's organized coordination of labour and business interests, its standard-setting mediating state and its decentralized elite was able to cultivate diffusion-oriented capabilities around a relatively protected export-based manufacturing sector. Greater flexibility, by contrast, was introduced into the non-core manufacturing and service sectors. In the post-1975 era, the labour market has moved strongly towards dualization, with coordination and collective wage bargaining being maintained in the manufacturing exporting core but with greater liberalization of non-core labour markets (Carlin and Soskice, 2009; Dustmann, Fitzenberger, Schonberg and Spitz-Oener, 2014; Streeck 2009; Thelen, 2014). This dualization of the economy between export-oriented manufacturing and other industry and service sectors has enabled Germany to achieve lower levels of unemployment and sustained export growth.

In contrast, the French state has maintained its role as the central regulator and arbiter of industrial relations (Dormois, 2004: 52-53) through all the reforms in working conditions since before WWI and continuing through to the post-WWII period with the introduction of work councils (1946), the minimum wage (1950) and the sliding scale (1968). Rapid technological change at the global level catalyzed a new global division of labour and revealed the rigidity and obsolescence of French post-WWII institutions that had been designed to protect national interests (Dormois, 2004: 22-23). Rather than allowing employers and labour unions to work out their own accommodations by means of effective collective bargaining, the state exercised direct control over industrial relations. This approach was backed by a national elite consensus that transcended formal political divides. The political right saw this benign paternalist supervision of the labour market as a way to bolster social cohesion and public order, while the political left naturally supported government action to support its core constituency of manual workers. Such arrangements crystallized in what became known as “paritarisme” referring to an equally weighted tripartite decision-making structure consisting of trade unions, employers and government officials.

Arrangements that include labour and business in policy-making can be found across Western Europe industrial relations (Crouch, 1993; Thelen, 2014). However peculiar to France is the disproportionate power that is concentrated in an organization that could be defined as non-encompassing, representing only a small range of workers’ interests due to the low membership of trade unions but with a high coverage of agreements (as detailed in table 4) (Olson, 1965). The French activist state imposed policy on fragmented business and labour interests. This combination has failed to foster the innovation capabilities required for intensive growth and has led to efficiency loss (Eichengreen, 2006). France relies heavily on internal demand to stimulate the service sector (Hall, 2014). French manufacturing and exporting companies are not assisted by their institutional framework. The

activist nature of the French state has infused an anti-market stance that appears to have permeated values more broadly. Based on the 2005 World Public Opinion Survey, French public beliefs have only 36% support for the market (as opposed to support for the state) compared with 65% support for the market in Germany (quoted by Benabou, 2008: 322). This contrasts with the much more favourable institutional infrastructure in Germany that supports its manufacturing exporting sector.

### **5 Impacts on the Economic Environment and policy-making modes**

Following Joan Robinson's "Freedom and necessity" (1970), a large literature implies that economic freedoms, variously measured, are a factor in explaining cross-country differences in economic growth (de Haan and Sturm, 2000). This section looks at various indices measuring economic freedoms and shows that there has been a marked deterioration in freedoms in France since 1995 which compares unfavourably for the most part against Germany since that time.

In 2015, the index of economic freedom (Heritage Foundation) ranks France as moderately free economically (73 out of 186 countries) compared to Germany which is ranked 16<sup>th</sup> and classified as mostly free. In 1995, France was closer to Germany by many of these measures: France was ranked 27<sup>th</sup> and Germany 17<sup>th</sup>, and both were classified as mostly free. Since 1995 most indices for trade, monetary, labor, business, fiscal freedom, corruption, and property rights have deteriorated.

The comparison of France and Germany in the World Bank's 'Doing Business' index for 2015 where economies are ranked on their ease of doing business, from 1 – 189, ranks France 31 compared to 14 for Germany (table 5). While starting a business is quicker in France, the extent of state regulation is illustrated by the

difficulty in getting a construction permit, electricity, credit and registering property.

TABLE 5 – RANK IN EASE OF DOING BUSINESS

Economy	DB 2015 Rank - Germany	DB 2015 Rank France
Ease of Doing Business Rank	14	31
Starting a Business	114	28
Dealing with Construction Permits	8	86
Getting Electricity	3	60
Registering Property	89	126
Getting Credit	23	71
Protecting Minority Investors	51	17
Paying Taxes	68	95
Trading Across Borders	18	10
Enforcing Contracts	13	10
Resolving Insolvency	3	22

Notes:

Economies are ranked on their ease of doing business, from 1 – 189. A high ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm. The doing business (DB) index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The index summarizes the bureaucratic and legal hurdles faced by entrepreneurs wishing to incorporate and register a new firm. It examines the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the economy's per-capita gross national income.

This information was collected as part of the [Doing Business project](#), which measures and compares regulations relevant to the life cycle of a small- to medium-sized domestic business in 189 economies. The most recent round of data collection was completed in June 2014.

Source: The World Bank Group, <http://www.doingbusiness.org/data>.

The regional Quality of Government survey (Charron, Dijkstra and Lapuente, 2014) analyzed three characteristics of public administration: quality, impartiality and corruption. Results emphasize the lack of impartiality in France compared with Germany and the regional pervasiveness of corruption in France (although this is not based on evidence of personal experience of corruption), whereas there is very little reported corruption in any regions in Germany (table 6).

TABLE 6: PERCEIVED IMPARTIALITY AND CORRUPTION ACROSS REGIONS

NUTS region	Impartiality						Corruption					
	Public Education	Public Health	Law Enforcement	Public Education(2)	Public Health (2)	Law Enforcement (2)	Public Education	Public Health	Law Enforcement	Perceived Bribery	Experienced Bribery	
<b>Germany</b>												
DE-Baden-Württemberg	0.94	0.15	1.00	0.23	-0.76	0.81	0.80	0.45	0.98	0.49	0.80	
DE - Bavaria	0.71	0.19	1.13	0.40	-0.70	0.82	0.53	0.24	0.97	0.18	0.73	
DE-Berlin	0.81	0.41	0.71	-0.89	-0.86	0.13	0.39	0.20	0.61	0.38	0.31	
DE-Brandenburg	0.75	0.49	1.32	-0.40	-0.71	0.26	0.46	0.49	0.86	0.24	0.83	
DE -Bremen	0.93	0.72	1.36	-0.30	-0.45	-0.32	0.85	0.49	0.85	0.46	0.83	
DE -Hamburg	0.83	0.54	1.24	-0.33	-0.51	-0.16	0.60	0.35	0.72	0.50	0.60	
DE - hessen	0.88	0.51	1.06	-0.22	-0.84	-0.42	0.94	0.34	0.60	0.41	0.63	
DE-Mecklenburg-Vorpommern	1.28	0.43	1.23	-0.39	-0.89	0.03	0.90	0.39	0.85	0.36	0.86	
DE- lower Saxony	1.04	0.59	1.32	0.06	-0.55	0.74	0.73	0.32	0.97	0.30	0.83	
<b>France</b>												
FR - Île de France	-1.19	-0.80	-0.52	-0.86	0.30	-1.65	0.10	0.66	-0.68	-0.23	0.04	
FR - Champagne Ardenne	-1.33	-0.82	-0.77	-1.40	-0.42	-1.68	-0.25	0.21	-0.82	-0.37	0.50	
FR - Picardie	-1.67	-1.06	-0.76	-1.21	-0.45	-1.06	-0.46	-0.01	-0.83	-0.31	0.44	
FR - Haute Normandie	-0.80	-0.49	-0.68	-1.41	-0.51	-1.90	0.26	0.27	-0.72	-0.29	0.14	
FR - Centre	-0.80	-0.54	-0.23	-0.80	-0.20	-0.84	0.43	0.70	0.00	0.01	0.60	
FR - Basse Normandie	-0.71	-0.51	-0.59	-0.62	-0.15	-1.04	0.24	0.21	-0.52	-0.07	0.21	
FR - Bourgogne	-1.29	-0.92	-0.47	-1.26	-0.52	-1.38	-0.18	0.09	-0.61	-0.32	0.18	
FR - Nord-Pas-de-Calais	-1.40	-1.23	-0.90	-1.17	-0.71	-1.43	-0.27	0.01	-1.12	-0.89	0.27	
FR - Lorraine	-1.07	-0.70	-0.71	-1.17	-0.69	-1.41	0.00	0.18	-0.66	-0.24	0.31	
FR - Alsace	-0.68	-0.85	-0.34	-0.89	-0.16	-1.40	0.31	0.47	-0.43	-0.13	0.21	
FR - Franche Comte	-0.77	-0.42	-0.32	-1.07	0.01	-1.05	0.30	0.34	-0.29	-0.13	0.08	
FR - Pays de la loire	-1.25	-0.83	-0.58	-0.68	-0.27	-1.17	0.40	0.56	-0.26	-0.02	0.34	
FR-Bretagne	-0.19	-0.21	-0.32	-0.43	0.07	-1.10	0.60	0.84	-0.06	0.26	0.57	
FR-Poitou-Charentes	-0.53	-0.44	-0.40	-1.01	-0.20	-1.31	0.86	0.61	-0.21	0.11	0.60	
FR-Aquitaine	-0.17	-0.47	-0.22	-0.36	-0.06	-0.93	0.47	0.60	-0.14	-0.01	0.44	
FR-Midi-Pyrénées	-0.62	-0.16	-0.12	-0.64	0.21	-0.70	0.40	0.50	-0.42	0.17	0.24	
FR - Limousin	-1.15	-0.91	-0.60	-0.93	-0.19	-1.16	0.20	0.58	-0.35	-0.10	0.60	
FR - Rhône Alpes	-0.78	-0.34	-0.38	-0.73	-0.13	-1.22	0.42	0.51	-0.37	-0.16	0.37	
FR-Auvergne	-0.73	-0.52	-0.48	-0.90	0.07	-1.07	0.37	0.62	-0.41	-0.15	0.67	
FR - Languedoc Roussillon	-0.66	-0.56	-0.65	-0.84	-0.62	-1.27	0.07	0.34	-0.47	-0.48	0.31	
FR - Provence Cote d'Azur	-0.77	-0.59	-0.79	-1.39	-0.38	-1.73	0.01	0.16	-1.35	-0.88	-0.08	
FR - Corse	-0.66	-0.03	-0.97	-0.04	-0.01	-1.47	0.19	0.41	-0.91	-0.91	-0.05	
FR - Guadeloupe	-1.35	-1.22	-1.16	-1.85	-0.89	-2.06	-0.98	-0.32	-1.19	-1.25	0.18	
FR - Martinique	-1.28	-1.22	-0.95	-1.37	-0.82	-1.55	-0.68	-0.17	-1.18	-0.85	0.37	
FR - Guyane	-1.20	-1.32	-1.06	-2.34	-1.30	-1.97	-0.30	-0.01	-1.13	-1.35	-0.05	
FR-Reunion	-1.80	-1.28	-1.06	-1.58	-0.13	-1.85	-0.40	0.10	-1.04	-1.09	0.18	

Notes:

The Quality of Government Survey is conducted at both national and regional levels in 27 members' states. In the case of the Regional Survey, QoG presents sub-national level data for 172 regions, based on a survey of 34 000 residents across 18 countries. In the case of the Impartiality pillar respondents are asked two types of Questions. If "Certain People are given special advantages in the public education/ public healthcare/ Police Force in their area?" answering through 0 to 1 rating and if they agree with the statement "All Citizens are treated" equally in the public education/ public healthcare / Police Force system in their area" agreeing from 1 to 4. The corruption pillar asks if "Corruption is prevalent in my area public school/public healthcare/police force in my area" agreeing or disagreeing in a scale of 0 to 10. "In your opinion, how often do you think other citizens in your area use bribery to obtain public services?" near/very often scale to 0-10 and "In the past 12 months you or anyone living in your household paid a bribe in any form to: health or medical services" yes or no". Then the results are standardized with a 0 mean and 1 standard deviation.

Source: Charron, Lewis Dijkstra and Lapuente (2014).

Transparency International ranks France 26<sup>th</sup> in levels of corruption compared to 12<sup>th</sup> for Germany in 2014. Fisman and Miguel (2006) using diplomat parking in the City of New York as a proxy for elite attitudes towards corruption find that 29 French Diplomats had 6.1 violations per diplomat in 1996, while 53 German

diplomats had 1 violation per diplomat. France ranks as the 78<sup>th</sup> most corrupt country according to this measure, while Germany ranks 116<sup>th</sup> out of a total of 143. These findings are supported by the Executive Survey of the World Economic Forum (2014) which ranks Germany 15<sup>th</sup> on “Professional Management” while France is ranked 31<sup>st</sup>. Whilst one must treat these various indices cautiously in terms of how their calculations of absolutes are made and in pinning down exact rankings, cumulatively they depict a fairly pervasive picture of relative institutional deterioration in France, especially in public administration, since the mid-1990s in comparison with Germany.

### *5.1 Impacts on values and policy-making*

To assess the impact of these different nexuses of elite/state/culture frameworks we use variables on beliefs collected by the World Value Surveys (WVS) and the European Value Survey (EVS). These surveys have been used previously in cross-country analyses of beliefs, values, or culture, and their influence on different dimensions of economic performance (Tabellini, 2008; Benabou, Tichi and Vindigni, 2015; Aghion, Algan and Cahuc, 2011; Phelps, 2011). Here we are not trying to identify which values or beliefs are more conducive to growth or innovation, but rather the values and modes of policy-making that come out of this nexus of French and German institutions.

The French mode of policy-making arises from an activist state that has been created by a centralized elite thicket, with overlapping top business and state careers that are predicated on the educational cursus followed by that elite. In contrast, Germany has a decentralized elite that lacks the French elite’s “esprit de corps” and a state that mediates across strongly organized business and labour interests.

This creates two differentiated policy-making modes and the distinctions between them may be analyzed across three dimensions:

- Rules-Bound vs Discretionary: in reference to compliance with rules. German institutions tend to intervene through rules, while French institutions are more prone to discretionary interventions.
- Decentralized vs Hierarchical: in reference to respect for authority. While Germany has decentralized education and management structures, the intersecting career paths of the French elite create tight-knit upper management that favors hierarchical decision-making.
- Mediated Market vs Planning: in reference to economic culture. Both Germany and France can be described as coordinated market economies, but in Germany coordination is done through organized interests while in France top-down state planning has had a more active role.

Table 7 reflects these different values and modes of policy-making and displays two types of indicators of French and German values, using the World Value Survey and the European Value Survey. Merging the longitudinal version of both surveys, we can create an Integrated World Values Survey (IWVS). We then narrowed our sample to cover the period from 1990, the date of German reunification, to 2008, the latest wave for which there is data available for both Germany and France, with our version of the IWVS including three EVS waves for France and Germany (1990, 1999, and 2008) and one WVS wave (2006), as detailed in Table 8 in the annex. Table 7 includes only the latest available observations, but an expanded version (Table 9) can be found in the annex highlighting how the differences analysed persist across time.

Although the EVS and WVS use nearly identical questionnaires that allow changes in values and attitudes to be tracked through time, some old questions are dropped or not asked in every wave, with some of our variables only being available for one or two waves. Missing values make the number of observations for each question differ slightly from the total survey observations, so we include the exact number of observations for each variable in Table 7.



TABLE 7 - FRENCH AND GERMAN VALUES AND ATTITUDES

<b>RULE-BOUND – DISCRETIONAL</b>				
VARIABLE	YEAR	GERMANY	FRANCE	
% MENTION THAT IS IMPORTANT IN A JOB ALL THE PEOPLE BE TREATED EQUALLY	2008	47.89 (N=2,061)	39.40 (N=1,495)	
% OF PEOPLE THAT WOULD GIVE INFORMATION TO HELP JUSTICE	2008	67.78 (N=1,890)	87.72 (N=1,486)	
*JUSTIFY ACCEPTING A BRIBE (MEAN AND STANDARD DEVIATION. SCALE 1 (NEVER) -10(ALWAYS))*	2008	1.846939 (1.671458) (N= 2,058)	1.913885 (1.802153) (N= 1,498)	
% OF PEOPLE RARELY UNSURE ABOUT HOW SHOULD BEHAVE	1990	42.62 (N= 3,437)	27.45 (N=1,002)	
*JUSTIFY PAYING CASH TO AVOID TAXES (MEAN AND STANDARD DEVIATION. SCALE 1 (NEVER) -10(ALWAYS))	2008	2.872549 (2.207356) (N= 2,040)	4 (2.782223) (N= 1,490)	
<b>DECENTRALIZED-HIERARCHY</b>				
VARIABLE	YEAR	GERMANY	FRANCE	
% MENTION CHILDREN SHOULD LEARN INDEPENDENCE	2008	71.52 (N=2,068)	26.80 (N=1,500)	
% MENTION CHILDREN SHOULD LEARN IMAGINATION	2008	27.13 (N=2,068)	16.27 (N=1,500)	
% MENTION CHILDREN SHOULD LEARN OBEDIENCE	2008	10.06 (N=2,068)	27.53 (N=1,500)	
% MENTION CHILDREN SHOULD LEARN HARD WORK	2008	17.02 (N=2,068)	48.87 (N=1,500)	
% THINK MORE RESPECT FOR AUTHORITY IS GOOD	2008	47.78 (N=1,938)	78.16 (N=1,488)	
<b>MEDIATION VS PLANNING</b>				
VARIABLE	YEAR	GERMANY	FRANCE	
% AGREE OWNERS SHOULD RUN THE BUSINESS	1990	40.94 (N=3,197)	23.79 (N=908)	
% AGREE IS FAIR TO PAY MORE THE QUICKER SECRETARY	1999	87.44 (N=1,927)	77.22 (N=1,927)	
% THINK JOB SECURITY IS IMPORTANT IN A JOB	2008	80.11 (N=2,061)	27.69 (N=1,495)	
* COMPETITION GOOD VS. HARMFUL FOR PEOPLE ( MEAN AND STANDARD DEVIATION. SCALE 1 GOOD - 10(HARMFUL))	2008	3.574311 (1.953267) (N=2,032)	4.987846 (2.407727) (N=1,481)	

Notes:

The sample includes EVS Waves 2, 3 and 4 conducted in 1990, 199 and 2008 respectively, and the WVS wave 5 conducted in 2006, for both France and Germany. In constructing this table we have selected the latest year available for each variable.

The \* variables includes questions where respondents were asked to evaluate a statement on a scale from one to ten, and the value provided is the mean value and standard deviation of the answers. The % variables provide the percentage of respondents that agree with the detailed statement or mention a concrete value in an open question.

An expanded version of the table including multiple years and detailed description of how each variable was analysed can be found on Table 9 displayed in the Annex.

Sources: European Values Survey, World Values Survey.

For the Rule-bound vs Discretionary scale we select different questions that indicate how far citizens abide by the rules. We observe that Germany tends to be more rule-bound with its citizens considerably more sure how to behave and to consider it important that everyone at work is treated equally, while less prone to inform justice authorities of infractions but also less prone to accept bribes or use cash to avoid taxes. For the Decentralized vs Hierarchical scale we selected questions on how readily people submit to authority, especially questions on the importance of children's learning. It is striking that a high proportion of French citizens consider it more important that children learn hard work and obedience, while German citizens favor independence and imagination. Lastly, a higher proportion of French citizens believe that more respect for authority is good. Finally, we report measurements of beliefs on Mediation vs Planning, with questions regarding business and competition. There we find that Germans value a secure job more, where everyone is treated equally (an attitude previously revealed in the Rule Bound vs Discretionary category), but they have fewer objections to paying more to more efficient workers, and more positive views on competition and private ownership of business. These answers present a Germany more rule bound but decentralized, with an economic culture reflecting a mediated market; while France appears more discretionary but hierarchical, with an "Étatis" economic culture.

## 6. Conclusions

This paper has explored the links between various institutional structures within the national economies of France and Germany to illustrate its main thesis: that a powerful and tightly constructed elite thicket in France has combined with a shared mental view that informs the kind of activist and interventionist state that is given authority through public belief in it to shape the economic environment. This proved a successful nexus of values and connections during French postwar reconstruction and technological catch-up but has been inimical to further innovativeness and more market-oriented and decentralized technological diffusion since the 1980s; it has resulted in marks of institutional deterioration in public administration particularly since the mid-1990s and in a set of values that are antithetical to market relations alongside a belief in overweening state solutions and commitment to the hierarchical authority of the elite administration. We contrast this with a very different nexus in postwar Germany, with a diffuse and decentralized elite that extends into the *Mittelstand* of sturdy medium-sized businesses, a strong technical education system and where authority does not emanate so much from close ties to the state. The state itself is less directly interventionist but more rule and standard-creating and mediates between more strongly organized business and labour interests. It has negotiated an institutional flexibility that has promoted a dualization in the German economy that has protected the strong manufacturing and exporting sectors whilst promoting liberalization in the less protected service and auxiliary manufacturing sectors. Public values have endorsed this flexibility, with greater scepticism evident about the authority of the state, greater belief in market solutions and capabilities, and a public administration of greater integrity and impartiality. In a sense these different nexuses themselves are the product of much longer histories, particularly going back into state creations and histories of military and ideological defeat or success,

beyond the scope of this paper. What we are concerned to demonstrate here is the connections between the structure of the elites, the institutional and structural features of the states and the mental frameworks that sustain them both, together with the values and policy-making modes that they foster.

### **Annex**

The following tables expand the data analysed in Table 7, as well providing further details on the data structure and methods used to analyse it. Table 8 outlines in detail the source and size of the data analysed. Table 9 expands the data available in Table 7, including not only the latest observation for each variable but all available observations for each of the waves conducted from 1990 to 2008. It also offers detailed explanations of the methods used to analyse each one of the categories.

TABLE 8 – DESCRIPTION OF INTEGRATED WORLD VALUES SURVEY SAMPLE

Year	Country	Original Survey	Observations
1990	France	EVS Wave 2	1,002
1996	France	EVS Wave 3	1,615
2006	France	WVS Wave 5	1,001
2008	France	EVS Wave 4	1,501
1990	Germany	EVS Wave 2	3,437
1996	Germany	EVS Wave 3	2,036
2006	Germany	WVS Wave 5	2,064
2008	Germany	EVS Wave 4	2,076

Notes:

Our sample is constructed from EVS longitudinal data file (1981-2008) and WVS longitudinal data file (1981-2014), creating an Integrated World Values Survey for the period from 1981 to 2014. Once merged we narrow the scope of the sample, dropping all the observations that do not include France or Germany, and that pre-date 1990. We also drop the last Wave (6) of the WVS as this does not include data for France.

TABLE 9 - FRENCH AND GERMAN VALUES AND ATTITUDES

<b>RULE-BOUND – DISCRETIONAL</b>				
VARIABLE	YEAR	GERMANY	FRANCE	
% MENTION THAT IS IMPORTANT IN A JOB THAT ALL THE PEOPLE BE TREATED EQUALLY	2008	47.89 (N=2,061)	39.40 (N=1,495)	
	1999	75.5 (N=1,900)	84.78 (N=1,597)	
% OF PEOPLE THAT WOULD GIVE INFORMATION TO HELP JUSTICE	2008	67.78 (N=1,890)	87.72 (N=1,486)	
	1990	1.920367 (1.592251) (N= 3,378)	2.111902 (1.90018) (N= 983)	
*JUSTIFY ACCEPTING A BRIBE (MEAN AND STANDARD DEVIATION. SCALE 1 (NEVER) -10(ALWAYS))*	1999	1.935241 (1.696252) (N= 1,992)	2.077069 (2.012068) (N= 1,583)	
	2006	1.70944 (1.439599) (N= 2,064)	2.191383 (2.120362) (N= 1,001)	
	2008	1.846939 (1.671458) (N= 2,058)	1.913885 (1.802153) (N= 1,498)	
% OF PEOPLE RARELY UNSURE ABOUT HOW SHOULD BEHAVE	1990	42.62 (N= 3,437)	27.45 (N=1,002)	
	1999	2.690611 (2.231392) (N= 1,949)	4.153061 (2.926592) (N= 1,568)	
*JUSTIFY PAYING CASH TO AVOID TAXES (MEAN AND STANDARD DEVIATION. SCALE 1 (NEVER) -10(ALWAYS))	2008	2.872549 (2.207356) (N= 2,040)	4 (2.782223) (N= 1,490)	
<b>DECENTRALIZED-HIERARCHY</b>				
VARIABLE	YEAR	GERMANY	FRANCE	
% MENTION CHILDREN SHOULD LEARN INDEPENDENCE	1990	70.97 (N=3,427)	26.73 (N=999)	
	1999	69.68 (N=2,025)	29.01 (N=1,610)	
	2006	75.58 (N=2,064)	37.56 (N=1,001)	
	2008	71.52 (N=2,068)	26.80 (N=1,500)	
% MENTION CHILDREN SHOULD LEARN IMAGINATION	1990	31.08 (N=3,427)	22.72 (N=999)	
	1999	28.20 (N=2,025)	17.64 (N=1,610)	
	2006	38.52 (N=2,064)	24.98 (N=1,001)	

	2008	27.13 (N=2,068)	16.27 (N=1,500)
% MENTION CHILDREN SHOULD LEARN OBEDIENCE	1990	22.96 (N=3,427)	52.95 (N=999)
	1999	13.93 (N=2,025)	36.40 (N=1,610)
	2006	16.47 (N=2,064)	41.46 (N=1,001)
	2008	10.06 (N=2,068)	27.53 (N=1,500)
% MENTION CHILDREN SHOULD LEARN HARD WORK	1990	14.94 (N=3,427)	52.85 (N=999)
	1999	22.62 (N=2,025)	50.43 (N=1,610)
	2006	27.52 (N=2,064)	62.34 (N=1,001)
	2008	17.02 (N=2,068)	48.87 (N=1,500)
% WANT MORE RESPECT FOR AUTHORITY GOOD	1990	40.37 (N=3,421)	59.25 (N=930)
	1999	51.67 (N=1,951)	69.24 (N=1,557)
	2006	49.76 (N=2,064)	84.92 (N=1,001)
	2008	47.78 (N=1,938)	78.16 (N=1,488)

#### MEDIATION VS PLANNING

VARIABLE	YEAR	GERMANY	FRANCE
% AGREE OWNERS SHOULD RUN THE BUSINESS	1990	40.94 (N=3,197)	23.79 (N=908)
% AGREE IS FAIR TO PAY MORE THE QUICKER SECRETARY	1990	89.28 (N=3,180)	78.50 (N=944)
	1999	87.44 (N=1,927)	77.22 (N=1,927)
% THINK JOB SECURITY IS IMPORTANT IN A JOB	1990	72.51 (N=3,437)	35.23 (N=1,002)
	1999	78.76 (N=2,010)	46.38 (N=1,615)
	2008	80.11 (N=2,061)	27.69 (N=1,495)
* COMPETITION GOOD VS. HARMFUL FOR PEOPLE	1990	3.138657 (2.120824) (N=3,276)	4.030928 (2.328986) (N=970)
( MEAN AND STANDARD DEVIATION. SCALE 1 GOOD - 10(HARMFUL))	1999	3.729772 (2.181468) (N=1,928)	4.728707 (2.699063) (N=1,585)
	2006	3.940972 (2.073342) (N=2,016)	5.027043 (2.631167) (N=998)

2008	3.574311 (1.953267) (N=2,032)	4.987846 (2.407727) (N=1,481)
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Notes:

The sample includes EVS Waves 2, 3 and 4 conducted in 1990 1999 and 2008, and the WVS wave 5 conducted in 2006 for both France and Germany.

The \* variables includes questions where respondents were asked to evaluate a statement in a scale from one to ten, and the value provided is the mean value and standard deviation of the answers. The % variables provide the percentage of respondents that agree with the detailed statement or mention a concrete value in an open question.

The "Rule-Bound-Discretionary" section includes: the percentage of respondents that mentioned "People treated equally" when asked what is important in a job (c027\_4), the percentage of respondents that Agree or Strongly Agree with the statement "would give authorities information to help justice" (e151), the mean and standard deviation of the answers to "Would you justify someone accepting a bribe?" were 1 is Never Justifiable and 10 Always Justifiable (f117), the mean and standard deviation of the answers to "Would you justify someone paying cash to avoid taxes?" were 1 is Never Justifiable and 10 Always Justifiable (f131), and the percentage of respondents that agree with the statement "I am rarely unsure about how I should behave" (e058).

The "Decentralized vs Hierarchy" scale includes the percentage of people that mentioned Independence (a029), Imagination (a034), Obedience (a042), and Hard Work (a030) as important characteristics for children to learn at home. It also includes the percentage of people that answered "Good Thing" when asked what kind of future change would be "Greater Respect for Authority" (e018).

The "Mediation vs Planning" Scale includes the percentage of people that preferred "Owners should run the business" when asked "How business and industry should be managed?" (c060) to the other possible options being "Owners/ Employees partially run" , "The State should be trusted", or "Employees should own the business" ; it also includes the percentage of respondents that consider "Fair" that "the quicker secretary is paid more" (c059), the percentage of respondents that answer "good job security" when asked what is "Important in a job" (c013), finally the mean and standard deviation of the answers to "Competition is good or harmful for people?" were 1 is Good and 10 is Harmful (f117).

Sources: European Values Survey, World Values Survey.

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