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► **To cite this version:**

Emmanuel Négrier. A French Regulatory Path? State, Economy and Territory. Tijdschrift voor economische en sociale geografie, 2000, 91 (3), pp.248-262. 10.1111/1467-9663.00114 . hal-01436830

**HAL Id: hal-01436830**

**<https://hal.science/hal-01436830>**

Submitted on 16 Jan 2017

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## **A FRENCH REGULATORY PATH?** *State, Economy and Territory*

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### **Abstract:**

After enjoying considerable success among French scholars, the concept of regulation has now become one of the main political arguments for explaining and justifying policy. Paradoxically, the success of regulation owes more to its ambiguity than its suitability to actual policy and political goals. In order to understand the elements comprising the French regulation discourse, it is necessary to examine both its historical roots and the conditions for its diffusion and hegemony. It is also important to distinguish at least two very different domains within which such discourse is applied. The first relates to macroeconomic policy that, for several reasons, faced the most fundamental ideological and practical transformations. The second relates to territorial policy, which is simultaneously confronted with the reform of public intervention and new spaces of European regulation. The focus on French structural policy implementation will highlight France's peculiar way of negotiating between two new norms of regulation: subsidiarity and regionalisation. The story behind these two concepts shows general similarities, but also reveals interesting differences such as the methods employed to legitimize new regulations, their linearity and ruptures, and the degree of coherence of the new dominant discourses. The paper draws some lessons from the French case to assess the new role set for European regulation.

Key words: political regulation, France, political analysis, economic policy, territorial reorganization, discourse

### **INTRODUCTION**

The concept of regulation is deceptively simple<sup>1</sup>. At the most abstract level, it indicates the way in which a plurality of actors operating under certain economic conditions and dynamics adjust themselves to the realisation of common and normative objectives. In the current context of economic policy, it indicates the way in which, within the context of economic liberalisation and a delegitimation of the State as producer, private-sector decisions are framed by the establishment of public sector rules (Majone 1997). This concept of regulation has a broader meaning in Europe than it does in the United States. In Europe, it includes legal, institutional, political and social processes (Mitnick 1980). The very notion of regulation is paradoxical. On the one hand, it aims to establish rules that are closer to the market within a framework of a liberalisation of the economy. But it also has a tendency to pay more attention to the role of institutions in the organisation

of capitalism. In so doing, it raises the decisive question of whether national models of European integration are converging or whether the constraints between them persist.

We would like to address three different questions in this paper:

1. What is the content of the French regulation discourse?
2. What is the specificity of the process through which such a discourse became hegemonic?
3. Is there any difference between areas in the intensity, direction or dominance of this regulation discourse?

The issue of the intensity and the procedures of transformation of the relationships between State and society inherent in regulation touches upon a traditional pillar of French society and economy (Rosanvallon 1993). The link to the State goes hand in hand with a traditional set of themes of State reform whose concretisation remains extremely problematic (Provost 1999). The specific thrust of this argument implies that France, certainly more than other countries, underwent profound transformations in order to adapt to a context of globalisation. It also asks one to consider more deeply the origins of this conversion, the forms of its diffusion and the hegemonic effects of a new 'regulation discourse'. This step allows us to distinguish specific features of the French discourse that differ from other developed countries, and raises the more general issue of the existence and coherence of a European Regulation.

To aid our reflection, we chose to deal with two very different aspects of the regulation discourse. The first relates to the macroeconomic policy that has, for several reasons, faced the most fundamental ideological and practical transformations. As we will show in the first part of the paper, regulation discourse became the new politically legitimate discourse for both the Left and part of the Right. The macroeconomic discourse is a good example of a rather linear process. The second relates to territorial policy, which is faced by both reforms in public intervention and new European regulations. These two cases generally reveal similarities, but also exhibit interesting differences regarding how these new regulations are legitimised, their linearity and ruptures and the degree of coherence of the new dominant discourses.

## **THE MACROECONOMIC DISCOURSE OF REGULATION**

The specific origins of the 'new regulation' discourse have been fairly well described by sociologists and political scientists studying the penetration of neo-liberalism in France

(Jobert-Théret 1994). These scholars, as well as other specialists in industrial policies (Bauer-Cohen 1985, Schmidt 1999), or telecommunications policy (Brenac 1994, Cohen 1992, Négrier 1993), felt that this specific feature of neo-liberalism was caused less by the emergence of new legitimate actors than the persuasion and conversion of an elite whose sociological composition did not fundamentally change even when the neo-liberal intellectual frameworks rose. One can find here a first distinctive form of the French regulation discourse<sup>2</sup> and, undoubtedly, the confirmation that, even in a phase of liberalisation, the State continues to perform an essential function in the intellectual and practical guidance of French society. In several different areas, this conversion of the political-economic elite to the concept of regulation occurred according to a process of adjustment, feedback and sometimes, strong contradictions. Its effects pervade throughout all spheres of French political, social and economic life.

**Origins** - Paradoxically, the French conversion to neo-liberalism occurred at a time when the political climate was ripe for a neo-Keynesian strategy. The beginning of the 1980s was marked by the presence of a Socialist-Communist coalition whose main agenda item was a policy of reflation. Beneath the surface of this governmental policy profile, however, the decisional milieu was already in the throes of an ideological upheaval. The French intellectual climate was increasingly typified by anti-bureaucrat discourse, based on a new philosophy on the effectiveness of a lean or 'modest' State (Michel Crozier), and even decentralisation. Moreover, the conditions of intellectual formation among leading elites (concentrated in France around the *grands corps*) changed rather quickly to the benefit of the neo-liberal calculus. Thus, from the very onset of the Leftist government, which did indeed produce policies faithful to its Keynesian programme (nationalisation, reducing working hours and lowering retirement ages, etc.) its functional and ideological bases started to waver. Sociologists of the State pointed out that the recruitment of the left-sympathetic elite was not fundamentally new (Birnbaum 1985, Mathiot-Sawicki 1999). This included a strong presence of *Enarques* (*Ecole Nationale d'Administration* graduates) in the ministerial cabinets, the major role played by the *grands corps* and, particularly by the Inspection of the French Treasury (Mamou 1988). It also entailed an extension of their influence to the management of the great administrations, public firms and even large private companies (Quermonne 1991). This French characteristic, which one may have thought would decrease with the rise of liberalism, was, on the contrary, largely confirmed, and even amplified. It could be verified by looking at the ideal type of corporate managers (Bauer & Bertin-Mouroit 1997), as well as at the social composition of the management boards of large French firms. However, it took

some time for this conversion to produce its hegemonic effects. It then had many difficulties finding legitimate political expression. These two factors explain the moderate tone of French liberalism as it pertains to the concept of regulation.

**Diffusion** - If this conversion to liberalism took more time in France than other countries (e.g. Italy and Great Britain), this is mainly due to the intellectual configuration of French economic policy. In the 1970s, the concentration of economic expertise within the French State went hand in hand with a strong internal pluralism: several distinct ideological currents coexisted within the departments of finance, planning, and the budget. The trade unions provided only a weak level of expertise, as did universities and employers' confederations, and internal cleavages within the State led to the absence of a single dominant discourse. The Keynesianism of the Left had allied itself with the vestiges of the Gaullist policy spirit, while the first signs of liberalism aligned itself with Giscardian reformism. The decline of Keynesianism within the State proceeded very gradually because it was based on two contradictory political currents, each of which provided a strong base of legitimacy. It induced an intense fight with the Giscardian power, before finally being defeated by debt and inflation on the one hand, and the Mediterranean strategy of European integration on the other (Lordon 1997). The decline of internal pluralism within the State regarding economic policy was not countered by the rise of an external pluralism (in associations, trade unions and the media) which could legitimately discuss such a new ideology. One can thus see that this discourse had already become hegemonic by the mid-1980s. It lay at the heart of the discourse of the administrative and economic elite, and became central to the various formations of the political Right, including a significant number of the leaders of the heir to the Gaullism, the RPR.

However, the force of this conversion within the administrative and economic elite was accompanied by the formidable difficulty of translating this into political practice. The political failure of the Right during the 1986-1988 period can partly be explained by the fact that the liberal agenda produced some major failures. These included a major defeat in an attempt to deregulate telecommunications, sharp criticisms of 'French-style' privatisation, and a rejection of attempts to liberalise cultural, social, educational and academic domains. This highlights the many problems with the liberal discourse. The question then became: how could France find the means to express economic liberalism while still maintaining the fundamental principles of French policy (e.g. the significant role of the State and the republican principle of egalitarianism)? Several attempts were made at the end of the 1980s to reconcile these two aspects. The Right contrived to do this by a call to 'reinvent the Republic'

while adhering to an unchanged liberal point of view. The governmental Left countered with an attempt to integrate French policy into the European political project. Later, the discourse on ‘the social fracture’ of Chirac as presidential candidate can be interpreted as this need for liberals to translate their ideology into political discourse. The divide between the actual practice of the conservative government of Alain Juppé and the meaning — however ambiguous — of this slogan (*‘la fracture sociale’*)<sup>3</sup> shows that this articulation remained an extremely difficult task.

**Hegemony** - Despite various successes and failures of the Right and Left governments, there has been a large continuity in French economic policy. The embarrassing defeats of the Jospin government regarding dismissal law, the general tax on capital, and the current hesitations concerning raising taxes on stock options that benefit only top management show that the liberal intellectual base cannot be circumvented. The marginalisation of alternative discourses within the government — be it regarding the progress of European integration, the need for a strict budgetary policy within the framework of the European Monetary Union or the State’s inability to prevent companies from carrying out mass-layoffs in times of record profits (e.g. Michelin) — is testament to the power and durability of this hegemony. These discourses, sustained by Greens, Communists, new-sovereignists, are themselves contradictory. For instance, while Communists are traditionally skeptical about European integration, Greens demand more federal integration. These contradictions allow the *Parti Socialiste* to be in an intermediary and dominant position. Moreover, the government headed by Lionel Jospin is well perceived — even if by foreign commentators — to be the one which has made the most progress towards liberalisation by launching the most important wave of privatisation of the economy since the beginning of the 1980s. However, today this hegemonic ideology has found a politically legitimate discourse (namely regulation) to avoid falling into a political trap. One of the keys to the great success of this discourse was the fact that the French concept of regulation is so ambiguous. On the one hand it indicates, from an intellectual point of view, the passage from the State-as-producer to the State as provider of rules and regulations designed to improve the efficiency of the market. It thus contains an inherently liberal vision of the role of the State. On the other hand, in France the concept of regulation carries with it a capacity for control and the expression of legitimate public intervention. It can thus, symbolically, project a vision of the State as the guide of society and the market. The answer to the question which pervades the French debate on the mission of the State in a modern economy is thus increasingly based on the idea of a regulating mission which, although market-oriented, remains closely tied to public authority and the public interest.

It is therefore on behalf of 'regulation' that the government simultaneously states that bank consolidation (*BNP, Société Générale and Paribas*) must be accepted by shareholders in the national and international markets, while ensuring that a regulating organisation (the Committee of the Credit Institutions) safeguard the interests of the sector as a whole. With regard to the reduction of working hours to 35 hours weekly from 39 hours in the 1980s, this regulation discourse has provoked an intense dialogue between employers and trade unions, sustained by a legislative process. By using the term regulation, the political discourse recognised the importance of giving a place to the legitimate actors (amongst whom the rules of the game are built) in the new operational framework for public action. In the economic and industrial fields, this step was facilitated by decades of management by the same elites. In the field of social relations, it proceeded by making internal adjustments to the trade unions and by slowly but surely building trust amongst the partners.<sup>4</sup> This new regulation discourse resulted in a new interpretation of the relationship between economy and society. While the principle of republican equality (within the framework of a Welfare State), views the social sphere as a vehicle for economic development, neo-liberal regulation sees society as something to be supported in overall coherence with the market. Of course, republican equality went hand in hand with strong and structural inequalities in incomes and patrimony. In practice, France is one of the most strongly inegalitarian of the developed countries. Nevertheless, the concept of equality remained a necessary fiction for generating political legitimacy. With the subservience of the social to the economic, a set of themes and policies of solidarity emerged. The '*Politique de la Ville*' which aims to combat social exclusion and the '*Revenu Minimum d'Insertion*' are typical instruments of this new relationship between economy and society which accompany the discourse of regulation (Théret 1994, Jobert-Damamme 1995, Warin 1996).

In addition to these concrete manifestations, this dominant regulation discourse had other political, economic and social consequences. These will be briefly enumerated before contrasting its effect with German and British discourses.

From a political point of view, the French regulation discourse represents a rather clear convergence between the socialist Left and part of the liberal Right. This convergence, which does not suggest an alignment of practice or political values, created a major disturbance in the French political landscape. This is well illustrated by the European elections of 1999, an event in which partisan disturbances were most intense. Indeed, Europe has long been a topic that produces coalitions which are rather different than the traditional Left-Right cleavages. However, these elections only served to underpin the discrepancies of scale between policy and the economy. Thus, the discourse of promoting the maintenance or even intensification of

public intervention — traditionally carried out by the Left since the political exhaustion of Gaullism, — now appears at the right-side of the political landscape. This new-dirigism was sustained by conservative forces belonging to the liberal tradition (*Mouvement pour la France*). It is such a tendency that fared best, coupled with the set of sovereignist themes regarding the rejection of federalist European tendencies. However, recent history has shown that while this set of themes could make it possible to gain electoral support, it could not influence governmental policies. The fact that both Philippe Seguin and Jacques Chirac ultimately adopted a pro-European stance as well as Jean-Pierre Chevènement (Minister of Interior and leader of the Left Souverainists) and the Communist Party, attest to this shift from political rhetoric to the discourse of regulation in progress.

Another effect this hegemony of the regulation discourse had, was to bring about new forms of political mobilisation, marked by a political fragmentation, diverse opposing statements and unstable social dynamics. Manifestations of the new political behaviour include the rise of the movement ‘*Chasse, Pêche, Nature et Traditions*’ (CPNT) representing a new territorial populism directly related to the technocratic project of European construction. This political tendency has to some extent profited from the French of extreme-right populist movement. Since the 1995 presidential elections, and especially the 1998 regional elections, the extreme-left vote (*Lutte Ouvrière* and *Ligue Communiste Révolutionnaire*) emerged from its marginalised position. Beyond its electoral influence, this phenomenon has also affected the attempt to reconstruct an alternate pole with the central regulatory discourse, through social issues (public support for marginalised groups like illegal immigrants, and the fight against racism), and economic issues (Waters 1998, Filleule 1996). On this last point, these movements propose the introduction of new regulatory instruments, such as the Tobin tax on worldwide financial transactions. But even if this movement manages to extend its influence within legitimate political circles<sup>5</sup> it is still not able to become a significant force in the French political order (or worldwide, which is the next logical step) to reverse the trajectory of the regulation discourse. One can however argue that this does have some significance, even indirectly, in the French context.

**Specificities** - Just before last European election, the heads of the British and German governments jointly signed the political document ‘Gerhard Schröder’s and Tony Blair’s Proposals’ expressing their vision of a ‘third way’ between conservative and social-democratic ideology. In many ways, the reception of this within the French Left illustrates that considerable political disparities still exist within the European governmental Left. These



divergences are not mere political rhetoric; they are both historical and ideological in nature. These long-lasting French characteristics require some further elaboration.

The neo-liberal ideology which underlies the Schröder-Blair report remains distinct from those French attempts to legitimate 'new regulations' which characterised the approach of the Jospin administration. It would also be necessary to analyse the different degree of penetration of the market logic within the various ministries (e.g. industry, finances, social, culture) to show that, even in attempts to reform health, pensions or public services, the same political standards continued to predominate (Damamme and Jobert 1999). After all, the French ideology behind 'the new regulations' would still be more sympathetic towards renewed Keynesianism than a laissez faire approach. This can be argued on the base of three factors.

1. A very embedded belief about the existence of 'an institutionalised public interest' and a parallel mistrust vis-à-vis the role of negotiation and compromise between private interests for producing this general interest.
2. An overvaluation of the conflictual dimension of social relationships, which results in the fragmentation of most organised private interests, employers and trade unions. Moreover, rather than building unified partners, the coordination policies tended to create new coalitions and divisions.
3. The presence of political forces around a dominant party (Socialist Party) that are structurally opposed to a liberal reform of economic and social policies (e.g. Communist Party, Greens to a certain extent, Movement of the Citizens, contemporary Gauchists). These interests have been partly integrated into the current government, which obliges them to make compromises, but also obliges the most liberal wing of the Socialist Party to debate and defend its own actions.

These ideological and systemic divergences reflect the specific history of the penetration of neo-liberal discourse in France. France, more than other countries, experienced an internal conversion within the State at a time when the Left was in power. This fact forces one to first take into account the factor of the State, and its role in the French political and social order. More than other countries, and over a long period (including the phase of conversion to and diffusion of neo-liberalism), the State appears as a principal actor, both as a social and a market regulator. Thus, the research on industrial policies, technology and banking all highlight the fact that the French strategy of creating modern organisations on a European or even worldwide scale has a long tradition. As a result, there is even talk, at the end of the 20th century, about a 'Colbertist' policy (referring to Louis XIV's minister, Colbert, in the 17th

century). This institutional capacity did not disappear during the period of liberal-inspired regulation. Instead, it has been recomposed by channelling its forms (Schmidt 1996, 1997, 1999). Not surprisingly, the French interpretation does not fit with the new tools of political-economic analysis (e.g. regulation, governance, etc.), as they were all based on a conception of the State as just one actor among others, a State having lost its will and capacity for controlling and socio-economic innovation. The retention of the role of steering, that is, of regulation in the strongest sense of the term, is the distinctive characteristic of 'French style' regulation. In this way, it could be defined as an attempt at reconciliation between neo-Keynesianism and liberalism.

Historical specificity and the ideological divergence of the French model of regulation set it apart from other European models. This invites us to seriously consider one credo of the economic theory of regulation: the increasing willingness to make allowance for the institutional factor in the organisation and the functioning of markets. Logically, that leads us to understand these characteristics not as a continuum where the various forms of capitalism ultimately converge into a single model, but on the contrary, to insist on the structural and dynamic variations (Amable, Barré & Boyer 1997; Soskice 1999). Furthermore, the field of French territorial regulation provides an even clearer example of such a situation.

## **WHICH DOMINANT DISCOURSE PERMEATES 'FRENCH STYLE' TERRITORIAL REGULATION?**

French territorial regulation touches upon three different policy concerns:

1. The institutional fragmentation of administrative structures, that several recent legal incentives have failed to rationalise;
2. The number of elected politicians claiming legitimacy and accountability;
3. The deepening of the territorial network of the French State over political space, as symbolised by the figure of one 'central' actor, the prefect.

After some discussion of this territorial regulation, and a review of the impact that decentralising policies have had on it, we will focus on a specific but strategic dimension of its transformation: the implementation of European regional policy. Beyond the information it provides about the European regulation, this example will allow us to identify how the French territorial patterns reacted and adapted to two new regulation discourses: subsidiarity and regionalisation.

French local government, including all kinds of sub-national institutional levels (decentralised administration of the State and territorial elected authorities), operate at three basic levels of scale, each with varying degrees of authority. France has 36,763 municipalities, 100 departments (including 4 overseas) and 26 regions (21 in the mother country, Corsica and 4 regions overseas). The problem of changing municipal demographic composition was never addressed by a jurisdictional reapportionment. The French style of municipal organisation was never significantly updated via jurisdictional reapportionment. As a result, there are 4,082 communes with less than 100 inhabitants, only 36 communes with more than 100,000 inhabitants and 5 with over 300,000 inhabitants. As for the regions, the contrast between the heavily and sparsely populated areas is quite large, even when disregarding the Paris region. The Rhône-Alpes, with 8 departments, is home to more than 5 million people and Provence-Alpes-Côte d'Azur has over 4 million people and 6 departments, while Limousin (3 departments) has a population of only 722,000, and Auvergne (4 departments) 1,321,000. This demographic heterogeneity is important for understanding the differences in various local governments' attempts to rationalise territorial policy.

For a long time, the French political and territorial system was analysed in terms of 'cross regulation'. This entailed a sociological study of the conditions under which administrative centralisation could accompany negotiated procedures of political management of the territory. The assumption that a central state could exert power without division or local interpretation (the 'Jacobin' State) was contradicted by empirical reality and sociological observation (Worms 1966, Cole & John 1997a). Following the official expression of centralism, a system of informal negotiation between the State and the *notables* (locally elected politicians) was developed (Grémion 1976). In this system, elected officials (officially weak) and bureaucrats (local representatives of the State, officially powerful) were put in a situation of strategic interdependence.<sup>6</sup> This interdependence was based on a simple political exchange. The State was guaranteed a continuation of socio-political consensus in exchange for allowing elected officials to obtain a greater share of local resources and legitimacy from the State. This system facilitated the establishment of a certain hierarchy of political and policy issues. This combination of hierarchy and informal bargaining was called 'cross regulation' (Thoenig-Dupuy 1983). The 1980s and 1990s policies of decentralisation significantly disrupted this system of territorial regulation, and imposed the introduction of new intellectual and institutional tools whose effects remain unclear.

**Decentralisation** - The French program of decentralisation brought about many changes. This affected both the substantive aspects of local government and the development of new

concepts used to understand it. The decentralisation legislation of the early 1980s created new centres of power by conferring to democratically elected local authorities direct responsibility for many tasks such as town planning, education, housing, social policy, public safety or social research. Decentralisation aimed to produce a more effective public administration by bringing decision-making closer to the level of implementation, and by democratising the process.

French decentralisation was implemented without adapting the existing territorial jurisdictions. In France, three levels of local government (communes, departments, regions) coexist, forming one of the densest networks of elected officials and bureaucrats in the world. It is within this context that political responsibilities previously belonging to the central State were delegated. It was decided that this be divided into separate policy blocks. But in reality, these blocks constantly overlap. Education, for example, confers to the communes the responsibility for primary school, to the departments that of the secondary school and to the regions that of the colleges. This division is very characteristic: no competence can be exerted independently and in a context marked by recurring difficulties of coordination. Similarly, social policy, which was largely entrusted to the General Councils (*Département* or county level), and which induced co-administration between the State and the departments, could not escape the fact that municipalities were and remain one of the more legitimate actors. Moreover, they are the most directly affected by the myriad social problems connected with the economic crisis. In fact, the pressure caused by these problems considerably upset the careful balance set up by French lawmakers. While entrusting the departments with the most important transfer of competence, and by largely reaffirming this *departementaliste* guideline thereafter (implementation of the Minimum Insertion Income in 1988 and the Housing Solidarity Funds in 1992), it paved the way for an important diverging of institutional competences and territorial dynamics (Daran 1998). This mismatch between officially transferred competences and those actually exerted is a general phenomenon in France. As regards economic development, while the region was theoretically the most directly affected in terms of competences, the three tiers of territorial administration competed in inventiveness in creating their own instruments. Their policies did not run according to a logic which led to coordination, but, on the contrary, to competition and redundancies among executives (Pouvoirs locaux 1994). In the cultural context, local policies which were not very articulated in law led to the same kind of competition between communes, departments and regions. In this process, the State was considered more as one of the players than as the master of the game. This touches upon another characteristic of decentralisation: the fact that it did not only (and not essentially) depend on legal boundaries, but on a dynamic of seizing responsibilities

within fields that were only partly defined by law. This dynamic led to the implementation of local policies for new fields such as culture (Saez 1995, Négrier 1997a and b), the environment (Lascoumes 1994), telecommunications (Négrier 1996), economic development (Galès 1993) and health (Borraz 1998).

**New Territorial Regulations? Subsidiarity and Regionalisation in Europe** - In addition to the limitations and contradictions it generated, decentralisation also led to a questioning of the former regulations. New conceptualisations of public action emerged which were closer to concepts discussed in Anglo-Saxon social sciences (e.g. local government, urban governance, multilevel governance) and far removed from French theories of the local political-administrative system or cross-regulation. Moreover, they often supported a basic criticism concerning the need to amend the old visions of French territorial politics and policies to fit the new context (Duran-Thoenig 1996). We would like to now examine the attempts that were made to establish a new discourse which would take into account the new regulations at work in French territorial policy. One of the best ways to analyse this attempt (and its relative failure) is to examine the implementation of the European Structural Funds programme throughout France. Through this, two specific regulation discourses emerge: (1) the introduction of the principle of subsidiarity in public action and (2) the appearance of the region as the new scale for territorial regulation.

It was generally thought that the principle of *subsidiarity* would help reformulate relations in a decentralised France (Faure 1998). According to expectations of European Union agents, many private partners of public action and new local and regional authorities, this principle intended to allow the constitution of a new relational order. This would be based on a constellation of legitimate actors, stable rules of cooperation and more efficient public action.

However, the various local parties involved in the Structural Funds interpreted subsidiarity mainly as a means to advance their own legitimacy. From this point of view, it is extremely difficult to definitively resolve the conflicts of interest produced by the principle of subsidiarity. For example, Objective 2 of the Structural Funds (industrial regeneration) brings together representatives of the State (Regional Directives for Industry and Research) with those of the consular bodies,<sup>7</sup> particularly Employers' Unions and the Chamber of Commerce. On behalf of the subsidiarity principle of partnership, the former assert their own territorial authority (according to the instituted network of the DRIRE<sup>8</sup> throughout the country and their representation of the State within the Regions). For the same reason, the Chambers of Commerce are justified in saying that they are the 'true' representatives of the socio-economic

interests involved in such policies. Due to the clear political absence of an 'established formula' of territorial subsidiarity, other arguments were more influential for operational matters, such as the monopoly certain bodies (e.g. Corps des Mines) have in defining resource distribution, or the legitimacy belonging to specific political networks (Négrier 1998). Moreover, after a period of discovery by the actors regarding the stakes involved in the Structural Funds — which had given rise to a wide range of opportunistic behaviour on behalf of 'weak actors' in decentralised France (local development groups, Regional Councils, consular bodies, experts) — the return of the State to the Community's operational implementation of territorial policy signalled a certain will to return to the previous order. Thus, in France, the implementation of the principle of subsidiarity paradoxically often led to the empowerment of the State itself.

It is exactly these kinds of processes that provide support for reinforcing the French regional State. However, this also leads to a tremendous paradox. Although the Structural Funds were founded on the aspiration of equalising conditions for regional development, it could not overcome the increasing tendency towards interregional divergence. While this particular brand of subsidiarity was supposed to bring some coherence to the inter-institutional framework of the implementation of the Structural Funds, it led more than ever to the creation of a very diverse number of specific arrangements related to political configurations. Furthermore, the role played by European Commission representatives (their presence during negotiations and in monitoring committees is one of the peculiarities of the daily practice of the Structural Funds program) did not reverse such a tendency. European Commission civil servants are indeed very marginal in these political configurations. Unlike State prefects, for example, they have no other political capital than the Structural Funds to bargain with vis-à-vis local actors. Their role is thus generally restricted to noting situations that are more or less at odds with the spirit of the EU regional policies, in order to induce (but without much success) the transfer of recipes, and to enforce rules for actors who wield the political power to circumvent them. The political bankruptcy of subsidiarity thus helps justify doubts regarding its contribution to territorial redistribution, and thus as a new dominant regulation discourse.

In the 1980s, many specialists considered regionalisation to be the new territorial formula for French regulation. This belief was largely founded on the assumption that there was a connection between the rise of European regulation, the decline of the State and the emergence of Regions as a new level of government. In spite of their recent but real institutionalisation (Nay 1997), the Regions are not the expected major beneficiary of European territorial policies. This assessment is anything but peculiar to France. All the major

texts on regional comparison in Europe show a shift from high expectations about the progress of political regionalisation to a modest assessment of the regionalisation of public action (Keating and Loughlin 1996, Jeffery 1997, Galès and Lequesne 1997, Négrier and Jouve 1998). In the French case, it seems that the most noteworthy effect the development of the European programs has had, is the emergence of the regional level in State policy (Jouve 1996) — and not in a general capacity of the Regional Councils to build structural policies of ‘their territories’. In the French context, the regionalisation of public action faced different constraints over time.

During the first phase (1989-1993) of the Structural Funds following the 1988 Reform, four main constraints were of importance to the Regions:

1. The relative youth of the regional institution, whose democratic legitimacy only went back three years, was a constraining factor. This accounts for the rather low level of mobilisation among the elected officials, and the fact that it profited from former forms of European programming such as the Integrated Development Operations (OID, which particularly affected Brittany and Languedoc-Roussillon) and the Integrated Mediterranean Programs for the Southern regions of France.
2. The difficulty, considering the Regional Councils’ modest budgets, of offering the Structural Funds the financial means necessary to carry out their objectives. The counterparts necessary to the programs were missing, so that the General Councils, with far more important budgets, have been better able to influence policies.
3. More qualitatively, the fact that the French regions (with some exceptions which we will consider later) do not represent an integrated power over their territory. The regions tend to be political institutions where strategies are oriented to other levels (local, national), instead of being true spaces of political strategy (Nay 1997). The ‘centrifugal’ effects of this design directly impact the regional capacity to represent a space of regulation for European policies (Négrier 1995).
4. Lastly, their territorial weakness is exacerbated by their difficulty to mobilize social and institutional auxiliaries at a Regional level: the groups and economic growth coalitions are focused on cities for urban areas or embodied by the General Councils of the *Département* for rural areas. It is around these two levels that the political networks and the policy communities congregate. The partnership requirement, which assumes such coalitions, underlined the great deficiency of the regions.

During the second phase (1994-1999), only one (the first one) of the above constraints ceased being active. Constraints 2-4 remained operative, although three evolutions took shape.

1. The acquisition of a proper regional expertise, sustained through contacts with State officials, replaced the Regional Councils' relative passivity. In the second phase, the regional administrations had become more organised, partly as a result of hiring ex-State officials to manage the Structural Funds. Their negotiation capacity increased, particularly concerning the regionalisation of the Single Programming Documents (DOCUP). In fact, the Regions were established to elaborate these programs, although they did not always play a dominant role.
2. The injection of financial resources, via the progressive integration of the Structural Funds into State-Region operations, made it possible to overcome budgetary weaknesses. However, the rise of the Region came at the cost of creating a new form of dependence on the State, a point often criticised by the Regional Councils. The regions thus 'exchanged' financial autonomy with a limited budget for a well-financed contractual relationship. This accelerating trend makes the Structural Funds implementation come within the scope of 'directed contractualisation' (Duran 1998). The regions' capacity to relieve pressure and advance their own priorities of territorial development thus depends more on qualitative factors (i.e. inter-institutional relations, legitimacy of the regions within their territory, construction of a regional identity as a basis for public action) than on the legal and financial constraints which are all-too-often advanced as the only explanation.
3. Obviously, the political situation emerging from the last regional elections will affect this debate. The fact that they gave rise to majorities with dubious and even politically suspect motives (e.g. the three regions controlled by right/far-right coalitions) adds a regressive factor to regional action. This exposes a contradiction in the regional debate: on the one hand it includes the explicit wish of certain communities to disassociate themselves with policies which the Regional Councils wish to set up. On the other hand, it also includes a will to reorient the State-Regions planning contracting policy — now being negotiated — towards increased departmentalism. However, the structural difficulties of the regions in stabilising relations between the partnership and the other levels of territorial public action constituted one of the explanations for the ineffective application of the Structural Funds in France (Tavistock Institute 1998). Moreover, regions that did not spend all their Structural Funds (and thus obliged to return the money) were all large regions with over five departments, while those requesting more funds were almost all small (two to three departments). This situation leads us to believe that, at least in the medium term, most



French regions will have great difficulties in building a political project which answers the ambitions of a 'Europe of the regions' (a term which may in itself be premature). Finally, the assumption that a new dominant discourse of territorial regulation exists in France contains many uncertainties.

Also, with regard to macroeconomic regulations, the French situation is characterised by the persisting predominance of the State. Although its influence in the political arena had been changed, this did not make the State just one actor among others. It is still in position to assert a legitimacy which remains significant for the implementation of new principles like subsidiarity, and in the development of new scales of territorial action (e.g. regionalisation, Europeanisation).

We may therefore ask ourselves: was decentralisation accompanied by neo-liberal forms of territorial management? One can with certainty argue that it produced new forms of behaviour by elected officials and local institutions (e.g. an entrepreneurial management spirit among mayors, assemblies of expert teams around chief executives, talk of competition between territories and the diffusion of communication policies and urban marketing). These strategies, which underlined certain structural inequalities between political-economic spaces, were sometimes described as a territorial translation of neo-liberal discourse. Local policies benefiting from decentralisation would be based on the dynamics and values of deregulation. The privatisation of urban services testifies to this.

One will note, however, that this logic of 'place marketing' is still incomplete. On the one hand, regions continue to depend heavily on the State for strategic resources. Moreover, planning contracts, recurring financial transfers, the persistence of a territorial network of central-State agents considerably limits the impact of this 'bottom-up' liberalisation. In addition, the partnership with private actors remains structurally underdeveloped. These two features explain the French difficulties in adopting the Anglo-Saxon model of territorial development (e.g. growth coalitions, urban regimes and governance). Lastly, this movement towards the liberalisation of territorial regulation is anything but linear. It is riddled with ruptures and relapses. A good illustration of this is the renewal of influence of prefects in public action. One can also observe that it is precisely when the discourse of competition between territories was the most embedded that, in the 1990s, the State would invent new formulas for financial equalisation between territories and introduced and indeed strengthened targeted-assistance programmes to problem areas (e.g. Politique de la Ville, Zones d'Education Prioritaires, Primes d'Aménagement du Territoire). Concerning the local capital market, at the same time that procedures providing credit to local authorities was liberalised, the State preserved and even strengthened its influence over the actors and the institutional

framework of these financial transfers (Dalbera 1997). The last French law of the century concerning territorial regulation (enacted 12 July 1999 to streamline institutional cooperation) is a beautiful example of this: by centrally defining three categories of institutions (the Communautés de Communes, the Communautés d'Agglomération and Communautés Urbaines), it introduced a selective financial incentive system and bestowed upon the prefects a series of responsibilities which even the best Jacobin would have believed no longer possible!

## **CONCLUSION**

The success of the French regulation discourse is inseparable from a context in which the State benefits from a broad base of social support and retains considerable influence over public action. This explains why the conversion to the new forms of regulation did not rely on new actors and merely entailed a shift in representation, values and standards of an elite whose social composition and professional position changed little. It also explains the limits to the concept of regulation within the scope of French territorial policy. The ideology of regulation remains distinct from that which is dominant in the British or German context. Moreover, the penetration of this new rhetoric is not linear, but is the product of manifold conflicts and uncertainties. The French return of the State clearly exemplifies this in both economic and territorial regulation, two grounds that we have more particularly examined here.. When considering the controversies this new discourse has provoked, it is necessary to take into account the structural need to combine liberalisation with a politically legitimate framework. Such a framework, in French society, remains very sensitive to public sovereignty and the historical mission of the State. The successive governments tried to introduce a certain republican justification of the market, but obviously failed. The Left used two political levers to legitimate this liberal turn: Europe and regulation.

Today, regulation is the dominant discourse in France. But this is less due to its coherence than its multiplicity of meaning and political ambiguity. Thus, in the current political context the concept of regulation is used by advocates of a liberal version of the economy as well as being claimed by Leftist parties and political groups. The concept allows one to simultaneously popularise the new legitimacy of the market and maintain the belief (necessary in France) in political State-led intervention. Regulation therefore offers a common framework for the controversies of economic policy, and provides a link between economic discourse and political legitimation. This is both its power and its weakness.

In France, Europe represents both the major political justifications for the change of macroeconomic policies and the new principles of territorial action. It therefore fulfils two political functions. The first and oldest function was (and still is) to legitimise the new function of government (i.e. shift from a producing to a regulating State, privatisation) and was facilitated by an elite converted by liberal rhetoric. A whole series of reforms — which did not find their justification within a purely national framework — were launched on the grounds of the issue of Europe and the political project that European Union represented. The second and more recent function is based on the idea that France has a specific mission as well as the capacity to influence the contents of this political project. Most of the arguments used by the current governmental Left correspond to this will to transfer the politically legitimate French principles of regulation to the European level (e.g. cultural exception, framing of monetary policy by a European economic government, conditioning worldwide economic liberalisation by setting minimum social standards, establishing an industrial policy at the European level). European regulation functions, from a French point of view as a political space of reinvestment of the national modes of regulation which, due to universalisation and liberalisation, are no longer effective when confined to the national framework. Although inefficient, they are not always regarded as less legitimate.

These two functions of European regulation relate to two rather distinct ideas: the first views Europe as a space for conducting an incremental policy of issuing common rules behind the fictitious curtain of national autonomy. Thus, the topic of European federalism is still strongly rejected in France, even by those who are the most in favour of European integration. The second views European regulation as the implementation space of a project extending beyond (while influenced by) national modes of regulation. The traditional way of coordinating these visions (incremental strategy, political project) is, in the context of national politics, to defer to a legitimate third party. But where is this third party in European regulation? The weakness of integrated representation in Europe (e.g. the absence of European-level parties, national quotas in the composition of the Commission, persistent rules of unanimity within the European Council, etc.) makes Europe a de facto space of political subsidiary, and unable to make the necessary compromise between the aim of efficiency and the requirement of legitimisation. The non-majoritarian nature of European Regulatory framework is a key and long-term dimension of European integration (Majone 1999). This will intensify the international network of the national regulators and help to harmonise their regulating policies (McGowan-Wallace 1996). Be this as it may, it still does not point to a conversion (Compston 1998), at least in the middle term, of the regulation discourses.

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## ENDNOTES

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<sup>1</sup> In French the term regulation has a meaning that differs greatly from the English use. Whereas, in the latter case, regulation refers very precisely to the establishment of rules (which corresponds to the French term '*réglementation*'), the French term originates in the biological and technical sciences. In social science it expresses primarily the idea of stabilisation of relations between human actors or institutions or anyhow phenomena for which the strict legal interpretation is not necessary (cf. Commaille-Jobert 1998, Canguilhem 1970).

<sup>2</sup> By regulation discourse we mean the articulation of a political philosophy coupled with legitimate tools for governing the economy. Thus, it is neither a simple 'political discourse', as it aims to force or reinforce political consent, nor a pure intellectual or academic product detached from the constraints of governmental implementation. This remark is particularly important in France where the notion of regulation relates to a specific economic philosophy that resembles left-wing Keynesianism and Marxism. See Boyer-Saillard (1995).

<sup>3</sup> During the presidential election campaign of 1995, Jacques Chirac, developed a discourse about social issues which was an ideological break with the neoliberalism of the Right. While criticising the current trend in public policies as source of a fracture in the heart of society and social exclusion, he reverted to the sources of political Gaullism. He seized upon this theme in order to steal a march on the other candidate that appealed to Gaullism (Édouard Balladur) and to win over part of the voters at the Left. The operation was an electoral success...but failed largely with regard to public policy. Words succeeded where policies failed.

<sup>4</sup> For example, in October 1999, a member of the employers' confederation MEDEF (*Mouvement des Entreprises de France*) was elected president of the Social and Economic Council (a national representative institution of economic and social interests) with the support of the trade union CFDT (*Confédération Française des Travailleurs*).

<sup>5</sup> The ATTAC (*Association pour la Taxation des Transactions financières pour l'Aide au Citoyen*) movement, launched by a group of journalists belonging to the *Monde Diplomatique*, now has over 10,000 members. Its political influence is based on the existence of a group of 125 socialist, communist and Green members of Parliament, and a group of 70 European Parliament members.

<sup>6</sup> Some of the arguments developed at the beginning of this section can be found in more detail in Négrier (1999), 'The Changing role of French Local Government' *West European Politics*, October.

<sup>7</sup> By consular bodies, we mean territorial institutions representing private interests such as Chambers of Commerce, Crafts or Agriculture.

<sup>8</sup> DRIRE: *Direction Régionale de l'Industrie et de la Recherche*, a regional institution of the State.