Socialist deregulation in the 1980s: a case study of state–market relations in financialization

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Abstract

This article focuses on a pivotal period in the trajectory of the French economy, during which the system of financing the economy shifted from a *government-based* system to a *market-based* system. To this end, it analyzes a set of monetary and financial reforms developed and implemented between 1984 and 1986 by the cabinet of the Minister of Economy and Finance Pierre Bérégovoy and the Treasury administration. Based on a corpus of archives from the ministerial cabinet and the Treasury department, it examines a series of deregulation measures taken by the Socialist government that laid the foundations for the financialization of the economy in the 1990s. It also highlights France's unique approach to reform, which focused on a controlled and organized opening of capital markets. It shows how these reforms gradually transformed the role of the state in the economy by introducing liberal mechanisms based on competition and negotiability, contributing to a form of depoliticization of decision-making. The article raises the question of the links between the state and markets and highlights the bureaucratic role of senior civil servants working out of the public eye, even though the policy was ostensibly designed to curb monopolies and rents with a view to "lowering the cost of money" for the least favored members of society. As such, it serves as an excellent case study of state-financial market relations for larger comparative reflection about "financialization".

Keywords: financialization, liberalization, reforms, financial markets, deregulation, French state.

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Introduction

An edited book published in the mid-2000s argued that France had "lost its way in the market maze" (Hall, Culpepper and Palier, 2008). The authors describe a country in the grip of successive electoral upheavals, riots and demonstrations resulting from a slow process of economic and social transformation that began in the mid-1980s. At the heart of this process is a centralized state which, far from disappearing, has gradually assumed a new role. Shifting away from interventionism and planning, it has progressively evolved into a social regulator and shock absorber, no longer responsible for directing and organizing economic activity, but rather for mitigating the effects and consequences of liberalization and deregulation on work and employment by adopting a form of "neo-dirigisme" (Smith, 2021). Throughout this process, the French economic model has continued to occupy a singular place in the existing "variety of capitalisms" (Hall and Soskice, 2001; Culpepper, 2005), being neither entirely a liberal economy, like the United Kingdom or the United States, nor entirely a coordinated economy, like Germany or the countries of Northern Europe. Starting from a situation inherited from the post-war period and the modernization movement of the 1950s and 1960s, where the central state controlled and administered economic processes from a dirigiste perspective (Hall, 1986; Kuisel, 1987; Levy, 2008; Nord, 2012), during the 1980s and 1990s, France gradually became accustomed to a new form of modernization through the financial markets[1] (Loriaux, 1988; Cerny, 1989), more in line with European integration (Smith, 2008). Thus, the financing of the French economy can be analyzed as the transition from a government-based system to a market-based system (O'Sullivan, 2007).

In his analysis of the institutional changes that have marked the French political and economic system since 1985, Culpepper (2008) describes the transformations that have taken place in various areas, whether in corporate governance, management of wage negotiations and social dialogue, education and vocational training, or the influence of the European Union on economic and social

[1] The question of the role of indirect or direct finance in financing the economy is a classic and long-standing issue in economics (Gurley and Shaw, 1960). In indirect finance, banks serve as intermediaries between buyers and sellers. In direct finance, the financial markets connect agents with financing needs and agents with financing capacities.

policies. Another important aspect is the extreme deregulation of the financial system in the 1980s, described as a "little big bang" (Cerny, 1989). Continuing a trajectory previously initiated by the French right and recommended by the Financial Committee of the *Eighth Plan* (Loriaux, 1988), the reforms were paradoxically orchestrated by two socialist governments between 1981 and 1986,[2] and then consolidated between 1986 and 1988 by a right-wing government[3] whose program was explicitly neo-liberal (Hall, 1987; Cerny, 1989). These transformations gave rise to new modes of corporate control (Fligstein, 2002) and led, according to some authors, less to a diktat of the financial markets than to a curbing of the power of the French state and an increase in the power of private business leaders to influence the economic system (Morin, 2000; O'Sullivan, 2007).

However, in the process of financial liberalization and globalization, France seems to occupy an original position. Indeed, unlike the United Kingdom, it did not deregulate the financial markets in a brutal and explicit manner (the famous big bang of the City) by adopting an openly neo-liberal rhetoric (Hall, 1986). Similarly, unlike the US, its liberalization of the monetary and financial sectors was not the result of a relatively autonomous process of economic restructuring characterized by the delocalization of manufacturing and the simultaneous development of financial activities (Krippner, 2005, 2012). Thus, the question raised by this article is that of the links between the state and the markets and the singularity of the French trajectory in terms of monetary and financial reform. More specifically, why did the “real break” (Quennouëlle-Corre, 2018) in terms of monetary and financial deregulation and liberalization of capital markets (Cerny, 1989) take place under a socialist government in the years 1984-1986? Similarly, why was the senior administration of the French state directly responsible for designing and initiating reforms which, through their effect on the financing of the French economy, profoundly changed the role of the state in economic processes (Lemoine, 2017; Copley, 2017)?

[2] The governments of Pierre Mauroy (1981-1984) and, especially, of Laurent Fabius (1984-1986).
[3] That of Jacques Chirac.

To answer these questions, the article explores different arguments. The first is that the socialist government's measures of deregulation and monetary and financial liberalization were not the result of a deliberate project to financialize the economy. Financialization is not a term used by the reformers, either in their work or in their speeches. It appeared after the reforms in the 1990s to describe new economic phenomena (Zysman, 1983) indirectly generated by the measures taken in the 1980s. For the promoters of the reforms, it was the modernization of the financing system, based on various deregulation processes such as decompartmentalization and disintermediation, that lay at the heart of their political project. As for the expected benefits, they were above all those of disinflation (Lordon, 2000) through the introduction of competition and negotiability mechanisms. The second argument is that, if the origin of the reforms is to be found in the office of the Minister of the Economy and Finance and in the Treasury Department, it is because economic deregulation and market mechanisms had long been identified by political elites and senior civil servants as effective instruments that improve the legitimacy and governability of the state through the depoliticization of decision-making (Copley, 2017). The third argument is that the socialist government saw its engagement in this policy of monetary and financial reforms as a way to adapt French economic structures to new external constraints (Hay, 2007)[4] while applying its own specifically bureaucratic conception of reform: an opening up that was not piecemeal as in the United States, but controlled, in line with the idea that “if one liberalizes, one must organize”. An approach of this kind was applied in the 1990s at international level, driven by senior French officials (Abdelal, 2007). The fourth and last argument is that the Socialist government preferred to implement its monetary and financial reform policy with discretion, away from the public eye. Thus, when the minister mentioned it in his speeches (Ménard, 1998), he explained that it was above all a means to combat monopolies and rents in order to “reduce the cost of money” for the benefit of the least favored members of society. This discretion was rationalized by the belief that the issues addressed by the reforms (money supply, financial markets, interest rates,

[4] Hay's argument is that politicians feel that the extent of economic globalization limits their ability to take autonomous decisions, and accept to give priority to economic competitiveness to the detriment of citizens' demands.

securitization, etc.) were so specific and technical that it was difficult for citizens to know where their real interests lay (Zysman, 1983; Loriaux, 1988); they remained the preserve of the government and the top administration. These arguments are part of the theoretical framework of the institutionalist economic sociology, which considers markets not as abstract mechanisms, but as social and institutional constructs.

The first part of the article presents the sources and methods used to analyze the reforms. The second part describes the financing system as it was organized before the reforms and presents the content of the 1984-1986 modernization. The third part shows how Bérégovoy’s cabinet justified the move towards deregulation and underlines how the bureaucratic studies performed over many years by senior administrative bodies (Treasury Department, Commissariat au Plan, Banque de France) inspired and legitimized the government's decisions. Finally, the fourth part analyzes the design and effects of the financial reforms, and shows how the actors of the state reinvented their role in the new system of economic regulation that they had helped to bring about.

Data and survey methodology

A White Paper on the reform of the financing of the economy was published in 1986. The authors, members of the cabinet of the Minister of the Economy and Finance Pierre Bérégovoy, were all top civil servants from the *grandes écoles*, the *grands corps* and/or the senior civil service.[5] This document assessed the economic and financial measures taken since the appointment of the minister in July 1984. It reported on a major reorganization of the banking sector, a major overhaul of public debt issuance techniques and a radical transformation of the functioning of the Paris Stock Exchange. These changes laid the foundations for a new mode of capital accumulation characterized by investment in equity markets and the domination of the financial sector by institutional actors such as banks, insurance companies and stock market investors. These reforms of the 1980s represent a first phase

[5] Jean-Charles Naouri (office director and coordinator), Thierry Aulagnon, Jérôme Fessard, André Gauron, Bertrand Kramer, Gilles de Margerie, Jean-François Pons and Jean-François Stoll (technical advisors).

in the financialization[6] of the French economy (Benquet, Bourgeron and Reynaud, 2019),[7] with the introduction of both more competitive organization and greater negotiability of financial transactions. These became the new markers of the "modernization" of the French system.

By focusing on a set of specific and time-bound reforms, this article offers two contributions to the literature. The first is empirical in that it aims to better understand the course of events during a period rarely highlighted in works such as those of Hall (1986) or Schmidt (1996), who nevertheless make a detailed analysis of French economic policies over the period 1981-1986. The second contribution is methodological, in the sense that it combines the approaches of both institutionalist economic sociology (Fligstein, 2002; Bourdieu, 2005) and public policy analysis (Smith, 2013). The article examines the reform period with a focus on four specific aspects: first, the actors, in this case the French government and the senior administration in charge of economic issues; second, the decisions, which here take the form of laws, measures and regulations implemented during the period 1984-1986; third, the identification of "public problems", here, in particular, the declining effectiveness of public interventionist practices within a post-Bretton Woods[8] monetary and financial order; and finally, the instruments of public action, the new financial and monetary management tools created with a view to deregulating these sectors.

In order to implement this approach, the article uses two main data sources: internal official documentation, and administrative and cabinet archives. Two documents already mentioned are the starting point of our investigation: the White Paper on the reform of the financing of the economy published in 1986 and the Report on the Preparation of the Eighth Plan for the years 1981-1985 published in 1980 (Shonfield, 1980). While the first document reports on the monetary and financial

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[6] In the 1980s, the term financialization was not yet used. The notion appeared in the 2000s (Krippner, 2005; Epstein, 2005) and became key to characterizing the contemporary evolution of developed economies (Boussard, 2018).
[7] The second phase began in the 2000s with the emergence of new non-bank financial players (hedge funds, pension funds, private equity funds) and corresponds to a new mode of accumulation, based on private investments made outside the market.
[8] From 1971 onwards, the monetary system established after the Second World War was unilaterally abolished by US President Richard Nixon. The international regime of fixed exchange rates was replaced by a flexible system which involved close monitoring of the money supply in each country.

reforms implemented (Naouri, 1987), the second is a prospective document issued by the Financial Committee convened on the initiative of the Planning Commission. Comparing these two documents provides a means to measure the progress made between 1980 and 1986 and to examine the consistency of the 1984-1986 reforms with the liberal orientations laid down since 1980 in the Eighth Plan. However, as Loriaux (1988) reminds us, this plan had been put on hold by the right-wing government before the 1981 elections and was only reactivated by the left-wing government in power after the economic policy U-turn in March 1983. The article also describes the corpus of administrative reports to which these two emblematic documents belong, showing that there was no sudden emergence of ideas on liberalization within the French senior administration.

The White Paper was a starting point for this research. First, we used it to compile a list of keywords related to monetary and financial reforms and to identify corresponding measures, laws and regulations. In a second step, we then used this list to search several archives, the main one being that of the Treasury administration, which can be consulted at the Centre des archives économiques et financières (CAEF) in Savigny-le-Temple.[9] We also had access to the personal documentation of Jean-Pascal Beaufret, economic adviser to the cabinet of Prime Minister L. Fabius,[10] held at the National Archives in Pierrefitte-sur-Seine, and to that of the office of the Minister of the Economy and Finance.[11] Based on our examination of these collections we compiled a corpus of 271 documents, representing approximately 500 photographed pages, relating to the genesis of the reforms, composed mainly of administrative memos written by senior officials. They are dated between 1976 to 1986, 95% of them after 1980. The majority, 44% (n=105), were written by members of the Treasury itself, the others by its numerous interlocutors: the Banque de France, the Direction de la Prévision, the direction du Budget or the direction des assurances. It also includes memos from the government (the Minister of

[9] Documents consulted: B-0063989/1; B0064192/1; B0064192/2; B0064193/1; B0064196/2; B0064197/1; B0064866; B-0064868/1; B-0068016/1; B0068017; B0068019/1; B0068019/2; B0068020; B0068020/1; B0068020/2; B-0068024/1; B0068031; B-0068655/1; B0069342/2; Z16910; Z16911; Z16925; Z16926; Z16928; Z16942; Z16944; Z16950; Z16958.

[10] Documents 19870449/1 and 19870449/8.

[11] Documents B0064192/1; B0064192/2; B0064193/1; B0064196/2; B0064197/1.

the Economy and Finance and his office, and the Prime Minister and his office). But we also find correspondence between the Treasury and professional associations (Compagnie des agents de change, Association française des banques, Association française des établissements de crédit) or private banks (Crédit Lyonnais, Société générale, Crédit foncier de France, Paribas, etc.), on certain aspects of the reforms. We used this corpus in two ways: first, to carry out a qualitative analysis of the content, focusing on the genesis of the reforms, the discussions they provoked and the arguments used to justify them; and second, to perform a quantitative study using a database in which, for each memo, variables such as date, place of production, sender, recipient, topic, etc., are recorded, making it possible to establish a chronology of measures and statistics on the pace of reforms.

Towards the "modernization" of the monetary and financial system

The system of financing the economy is the means whereby, in a given country, economic agents (companies, households, the state) obtain the funds necessary for their activities. This system covers both financial and monetary aspects. It is made up of institutions that act as intermediaries for the distribution of credit, and financial instruments that can be traded on the financial markets (stocks, bonds, futures, etc.). In each country, the financing system is the result of political and institutional choices that reflect a socio-historical and ideological context. This system can be modified in response to international or political circumstances. This was the case in France in the 1980s, a decisive period in the country's transformation.

The financing system before the reforms

During the 1980s, the French system of financing the economy inherited from the post-war period was based on the "intermediation" (Monnet 2014) of commercial banks and credit institutions. These institutions disposed of state-guaranteed resources and were easily refinanced by the Banque de France (nationalized in 1946). The credit distribution system had two specific features. The first was *specialization*, with each institution being in a monopoly situation, having its own sphere of influence and its own clientele in a specific sector of activity.[12] The second was *selectivity*, with the government having the power to designate sectors as priorities for the nation, in line with the successive five-year plans (Hall, 1986; Schmidt, 1996), and to subsidize them by granting loans at *subsidized* rates.

This policy of subsidized loans was associated with another administered mechanism, that of quantitative credit control, which involved imposing quotas on the volume of credit that banks were allowed to distribute to economic agents (companies and households). This monetary policy instrument, referred to as the "credit control system" from 1958, was designed to ration credit by setting an annual percentage increase in its volume (Monnet, 2014). Despite a reform in 1967 intended to challenge the principle of credit selectivity and to give more independence to the Banque de France in monetary policy, the credit control system was reinstated in 1972 and France became the only industrialized country to use it every year[13] (Sterdyniak and Vasseur, 1985) in order to monitor its money supply (i.e. the quantity of money in circulation). This issue gave rise to numerous difficult exchanges between the Treasury, the Banque de France and the government about the annual setting of the money supply growth rate (Duchaussoy, 2011). This rate determines the volume of credit that can be distributed each year, so the lower the rate, the slower the growth of the quantity of money in circulation, and hence the more restrictive the government's monetary policy.

In this institutional context, where the financing of the economy was dominated by administered credit, use of the financial markets by economic agents to obtain capital was limited. Moreover, finance itself was marked by specialization. It was organized into segments and based on administered mechanisms. In the early 1980s, each of the various capital markets (money, bond, financial, etc.) had their own supervisory authority, their own regulations and their own authorized operators, and access was restricted by barriers to entry. The money market was thus reserved for credit institutions and inaccessible to individuals and companies; it operated under the supervision of

[12] For example: Crédit Agricole covered the needs of the agricultural world; the Fonds de Développement Économique et Social (FDES) addressed the nationalized sectors (energy and transport); Crédit National financed the equipment industries; Crédit Foncier dealt with the building sector; the Caisse des Dépôts et Consignation managed the needs of public housing (HLM), etc.
[13] Previously, the credit control system had been used episodically (in 1958-59, 1963-65 and 1968-70).

the Banque de France, while the financial market (stocks and bonds) was overseen by the Commission des Opérations de Bourse (COB). Moreover, there was no futures and options market for hedging risks. As regards the primary bond market, since a market agreement of 1968, its organization had been based on an inflexible issue calendar, and on the use of a rate scale set by the state for intermediation costs (commissions, brokerage) that was strictly enforced, regardless of borrower, borrowing formula or duration. In addition, the Paris Stock Exchange was governed by a monopoly profession, the stockbrokers (*agents de change*), the sole agents authorized to trade in listed securities and who were protected by ministerial officer status (Callaghan and Lagneau-Ymonet, 2012).

The role of the administration in the financing of the economy was regularly criticized from the 1960s onward (see Table 1). The financing of the state (through the management of its public debt) was also a topic of debate at that time. During the post-war reconstruction period, the Treasury had built up a network of partners called the "Treasury circuit" (Quennouëlle-Corre, 2005; Lemoine, 2017) composed of public or semi-public entities[14] placed under its authority, and that were required to make their resources (savings, deposits) available for use by the state. This system provided the state with continuous access to resources, enabling it to balance its expenditure and revenue at all times without having to borrow. However, the circuit was brought into question in the 1970s, and the reform of debt financing led to its gradual shift onto the financial markets (Lemoine, 2017; Quennouëlle-Corre, 2018). In the 1980s, and in particular after the "turn toward austerity" of March 1983 (Hall, 1987; Schmidt, 1996; Eloire, 2020), an approach similar to that applied to public debt was adopted to transform the monetary and financial system, a process that would lead eventually to the financialization of the economy.

Table 1: Reports on financial reforms since the post-war period

Date	Directed by	Title
Feb-48	**Georges Plescoff**	***Les obligations cautionnées* (Guaranteed bonds)**

[14] For instance: Caisse des dépôts et consignations, Comptes chèques postaux, Caisse autonome d'amortissement, SNCF, but also Crédit national, Crédit foncier, Crédit agricole, Crédit populaire, the *départements* and municipalities.

June-62	Maurice Lorain	*Le financement des investissements en France* (Investment financing in France)
Dec-67	**Dominique Leca**	***Les techniques de placement et de gestion des obligations sur le marché de Paris*** **(Techniques for placing and managing bonds on the Paris market)**
June-69	**Robert Marjolin, Jean Sadrin, Olivier Wormser**	***Le marché monétaire et les conditions du crédit*** **(Money market and credit conditions)**
Nov-71	Wilfried Baumgartner	*Les mesures propres à améliorer le fonctionnement du marché de Paris* (Measures to improve the functioning of the Paris market)
April-79	**Jacques Mayoux**	***Le développement des initiatives locales et régionales*** **(Development of local and regional initiatives)**
Sept-80	**Maurice Pérouse**	***La modernisation des méthodes de cotation, d'échange et de conservation du marché des valeurs mobilières*** **(Modernization of methods of listing, exchange and custody on the securities market)**
March-82	David Dautresme	*Le développement et la protection de l'épargne* (The development and protection of savings)
Jan-85	**Bernard Tricot**	***Le coût de l'intermédiation financière*** **(The cost of financial intermediation)**
Dec-85	Olivier Pastré	*La modernisation des banques françaises* (The modernization of French banks)

Source: White Paper (1986) and Torres and Broderies (1996). In bold, the reports cited by the White Paper.

The content of the 1984-1986 reforms

We used the White Paper, considered to be "the most complete working tool" for all the measures taken during this period (Ménard, 1998), to describe the profound structural reforms of economic financing that took place in March 1984 and July 1986. In accordance with our first argument, there is never any mention of financialization in this document, and the key word used by the reformers is "modernization", which refers to the roadmap set by the prime minister: "we have agreed on certain objectives: the modernization of the economy, the balancing of accounts, the reconciliation of business and society" (Rimbaud, 1994). The summary of the White Paper includes a section on capital market reform, which describes in detail the new financial instruments created at that time. Another section describes the reform of the financing of the economy, including the reform of credit policy. These changes led to a transformation of the nature of savings, which played an increasing role in supplying the financial market. Finally, a section is devoted to the necessary modernization of the Paris financial center.

The first innovation during this period was the introduction of certificates of deposit. This measure challenged the habits of both the administrations responsible for its implementation (the

Treasury, the Banque de France) and the operators responsible for its dissemination (stockbrokers, bankers, financial institutions). Commercial papers, negotiable Treasury bills, a financial futures market (Matif) and negotiable options were launched at the same time. These new financial instruments were the result of a long-standing desire for change, expressed in reports (see Table 1) and memos from the Treasury and the Banque de France. Most notable was their coordinated launch over a short period. These reforms had very specific monetary and financial characteristics, the main one being the creation of investment opportunities for economic agents. Since the end of the 1970s, dialogue had been established between the various private (stockbrokers), political (the ministry) and administrative (the Treasury) actors of the monetary and financial sectors. Less than ten years later, these new instruments revitalized stock market activities, lifting them out of their ambient morosity (see Section 2).

In addition to the capital markets, the reforms also addressed another issue, that of credit policy. The White Paper stresses that, thanks to the reforms, the volume and share of subsidized loans, which represented almost half of the credits to the economy, were steadily decreasing.[15] This de-subsidization had repercussions on the state budget, with forecasts of savings of at least 25 billion francs by 1990. In the housing sector, for example, the reforms aimed to rationalize financial circuits by eliminating organizations believed to generate intermediation costs and complexity. Subsidized loans continued to exist for home ownership, but they were reserved for low-income buyers. Another example concerns business investment: the subsidized loans available to many sectors (industry, trade, tourism, crafts) took multiple forms, with numerous categories and rates, and emanated from specialized institutions that each had their own clientele. The reform involved retaining just one type of subsidized loan, at a single rate, with simplified selection criteria, leading to a reduction in their total volume.

While sector-specific, these reforms had general effects on both the credit control system and the management of the money supply. Bérégovoy announced that he wanted to abolish the credit

[15] They fell from 287.5 billion francs in 1984 to 224.3 billion in 1986 (a reduction of almost one-third).

control system and replace it with a regulation system based on interest rates.[16] New measures[17] were introduced by the Banque de France to give banks responsibility for their commercial choices and to allow them to increase their debt levels by issuing bonds. These measures helped to loosen monetary regulation, still based on the system of quantitative credit control that was only finally abolished in 1987. The transition to this new form of monetary regulation was facilitated by the creation of the new financial instruments mentioned above, which offered new investment opportunities for savings. They not only broadened the capital markets, but also changed the nature of savings by redirecting their flows towards the financial market.

In this context, the modernization of the Paris financial market was increasingly seen as a necessity. The Treasury memos highlighted the inefficiency of the French financial market and the need to break with the status quo.[18] They called on the government to pursue a policy of innovation in order to stave off foreign competition and increase the attractiveness of the Paris financial center. The reforms aimed to adapt the stock market to the international environment, make it more attractive to resident and non-resident investors, and improve its efficiency for both public and private operators. To improve attractiveness, two laws[19] were enacted concerning securities and the COB (Commission des opérations de bourse) to facilitate capital increases through tax incentives and to offer companies the freedom to create securities. By removing certain barriers and allowing financial innovation, the new legislation contributed to the development of the financial market. For Paris to achieve the status of an international financial center, this lifting of regulatory constraints was seen as essential. In addition, foreign exchange controls were relaxed to facilitate foreign currency transactions and access to foreign operators.

Alongside these regulatory changes, the infrastructure of the Paris Bourse was also profoundly transformed. The trading floor was closed in August 1985 and replaced by a continuous automated

[16] Speech to the National Assembly, 19 November 1985 (Ménard, 1998).
[17] Instruction No. 2-84, dated 5 December 1984.
[18] CAEF, Direction du Trésor, code B0068017, unsigned memo entitled "Quelques remarques sur le rôle de Paris comme place financière intermédiaire".
[19] Laws of 11 July 1985 and 14 December 1985.

quotation algorithm, the CATS[20] system (Muniesa, 2000). The stockbroker monopoly at the Paris stock exchange (Palais Brongniart) was also abolished and the profession disappeared in 1987 (Callaghan and Lagneau-Ymonet, 2012). The former ministerial offices became brokerage houses, with the status of limited companies whose capital was opened up in stages (Cerny, 1989). The *numerus clausus* was abandoned and the status of ministerial officer abolished. The state fostered competition on the market by giving banks and insurance companies the right to operate on the financial market, forcing traders to make heavy investments to compete (Dupont, 2002). At the same time, it allowed traders to make legal speculative gains with their clients' capital, a previously prohibited practice. These reforms – to which the administration made a substantial contribution – were a watershed moment in the financing of the French economy and its future financialization.

Bureaucratic consensus: a financial system "unfit for purpose"

In April 1976, financial operators were worried because business on the Paris stock exchange was not flourishing. The stockbrokers' representative contacted the Minister for the Economy, Robert Boulin, who wrote to the Director of the Treasury: "I received Mr. Flornoy who came to talk to me about the morosity of the stock market. I think it would be useful for us to look for ways of revitalizing its activities".[21] Ten years later, the French monetary and financial sector had been completely transformed. Stock market activity had exploded, transaction values had risen, with a 5.7-fold increase in the value of net bond issues between 1975 and 1985, and an increase of 655 billion current francs between 1977 and 1986 for stocks (Quennouëlle-Corre, 2015). The archives show that the reform process continued throughout the 1980s and was supported both by numerous reports from commissions and by analyses produced in the offices of the administrations. This is illustrated by the White Paper written by members of Bérégovoy's ministerial staff: its authors cite the reports that served as references (see Table 1) and draw upon memos written by Treasury civil servants. A

[20] Computer-assisted trading system.
[21] CAEF Archives, the Treasury, code B0068017 (6 April 1976).

consensual discourse was thus established within the top administration, in favour of measures to reform the financing of the economy, laying the foundations for financialization.

The White Paper: deregulation through the back door

In a memo dated 31 December 1985, Jean-Charles Naouri, P. Bérégovoy's chief of staff, asked his minister for authorization to write a White Paper about the financial reforms carried out between 1984 and 1986 (Ménard, 1998). All the arguments in this paper focus on the observation that the French financial system was increasingly unfit for purpose:[22] unfit for the domestic financing needs of national economic agents; and unfit for the external requirements of international competition. As the White Paper recognizes, the previous financial system addressed the "originally legitimate concerns about the absolute security of the Paris financial center and the need to direct limited resources towards the most pressing priorities". However, it argues that reform was needed for three reasons linked to its internal organization: the financial system was partitioned, hyper-regulated and stifled competition. This partitioning reflected the "watertight" separation between the different segments of the capital market (money, mortgages, bonds, financial, etc.), and hyper-regulation arose from the application of restrictive administrative rules in each segment. Together, partitioning and hyper-regulation prevented competition from playing its role, because the specialization of banks and credit institutions, the credit control system and the monopoly of stockbrokers on the stock exchange were barriers to the deployment of the market as a regulatory mechanism.

Using a vocabulary that can be analyzed in terms of "dominant ideology" (Bourdieu and Boltanski, 1976), the authors of the White Paper seek to justify the idea that the change brought about through their reforms was inevitable: they talk about a system "subjected" to "hyper-regulation" and

[22] In economic terms, the authors of the White Paper argued in favor of a direct finance system based on financial markets, rather than an indirect finance system based on bank credit. However, there is no consensus in the economic literature as to the superiority of the market-based system over the bank-based system (Levine, 2002, 2005). This is particularly true now that the boundary between the two systems is increasingly blurred, the banks having themselves become essential intermediaries in the financial markets (Hardie and Howarth, 2013).

“nitpicking, bureaucratic and constraining” rules, “embedded” in “rigidities” and systems that foster “irresponsibility”. Each segment of the capital market, in turn, is scrutinized, and possible solutions are proposed. Three processes are mentioned repeatedly: de-bureaucratization (fewer administrative rules), decompartmentalization (fewer barriers to entry) and disintermediation (fewer intermediaries), each applying to a specific segment (see Table 2), but with the general goal of transforming the overall institutional system to make it less restrictive for actors and thereby increase their capacity for action.

Table 2: Three generic deregulation processes

Process	Definition	Segment
De-bureaucratization	Removing administrative rules	Credit market
Decompartmentalization	Removing barriers to entry	Money and financial markets
Disintermediation	Removing intermediaries	Corporate investment financing

As these three processes are used by the senior officials of the Treasury and the Banque de France themselves in their memos, they form part of the bureaucratic lexicon and have, for those who use them, a primarily technical purpose. However, they also refer to a political issue characteristic of the 1980s, that of “deregulation” (Musso, 1989). This notion can have two meanings: either a technical one: the desire to reduce regulatory hypertrophy (too many regulations); or a political one: the desire to reduce the intervention of the state (too much state). However, these two goals have neither the same ideological scope nor the same consequences. While deregulation for technical reasons may be acceptable because there will always be agreement on the need to simplify the rules, deregulation for political reasons will inevitably lead to divisions, because it affects a more fundamental concept, that of the role of the State.

This desire to present the reforms as technical rather than political is in line with our second argument, which posits that a key aim was to depoliticize economic deregulation. This would explain the repeated references to the inadequacy of the French monetary and financial system and the ineluctability of the movement under way. Bérégovoy’s refusal to allow his advisers to use the term deregulation in the White Paper is consistent with this view: “I agree [with the draft White Paper] but I would like to review the text. It must be placed in a political perspective. Avoid the term deregulation, focus on freedom and competition"[23] (Ménard, 1998). Using the term deregulation would have positioned the reforms in a political perspective too closely associated with economic liberalism and the right wing, with the Reagan and Thatcher programs, and with that of Chirac, leader of the opposition at that time (Krippner, 2012; Hall, 1986). However, by transforming the role of the state, by removing its instruments of monetary and financial intervention, the minister, his cabinet and the Treasury also hoped to restore efficiency in economic policy. In fact, the reforms transformed the French economic financing system from a government-based system to a market-based system (O'Sullivan, 2007). By leaving the task of setting interest rates to competition, this system confers a new technical legitimacy, that of market mechanisms, on economic policy decisions, and thus makes the state more governable by removing all political coloring and content.

Reform as an extension of a bureaucratic trajectory

Between the 1960s and 1980s, the French financial system had, undoubtedly, undergone a slow reopening, and several measures had marked the desire to open financial markets to foreign capital, to encourage the orientation of savings towards stock market investments and to transform financial infrastructures and practices (Quennouëlle-Corre, 2015). Nevertheless, according to the White Paper, "the organization had changed little despite the long succession of expert reports issued over two decades: the Wormser-Marjolin-Sadrin report, the Mayoux report, the Plescoff report, etc." These reports (see Table 1) demonstrated a real continuity of view, addressing many aspects of the money and financial markets (bonds, investments, savings, credit, quotation methods, intermediation) but without any follow-up. As early as 1980, an important document, the Eighth Plan Report mentioned above, also gave a clear direction, considering that it was becoming "paradoxical to leave segmented financial structures unchanged and to maintain administrative procedures and nitpicking regulations" in the context of "a rapidly changing economy" where prices were liberalized and international competition was in full swing. This argument is explained by Loriaux (1988) who considers that if

[23] While the word deregulation is never used, these two terms appear 11 and 41 times, respectively.

French state interventionism in monetary and financial policies is effective in a fixed rate regime, it appears to be ineffective in the floating rate system of the post-Bretton Woods international monetary system. This leads to the paradox whereby the instruments of state intervention gradually become a source of problems for the state.[24]

To understand the changing context between the late 1970s and the mid-1980s, we can compare two memos signed by two Treasury directors, Jacques de Larosière and Daniel Lebègue, and drafted seven years apart, in April 1977[25] and November 1984, respectively.[26] In both cases, these memos were written in response to a request from the minister in charge. However, in the first case, the attitude of the minister (Robert Boulin) towards the top civil servant appears open: “It would be useful for us to examine ways to revive [the financial market]. Could you consider a number of measures in this sector?”. The Treasury Director took a year to reply and proposed several measures, including opening up the profession of stockbroker, creating negotiable options, reforming the bond market, and modernizing the stock market, all of which were studied by the administration. None of them were implemented at the time (see Table 3). In the mid-1980s, however, the attitude of the minister (Pierre Bérégovoy) was different, and his request was more pressing and insistent. The Treasury Director was no longer asked to make proposals, but to give his opinion on a list of measures, including the new financial instruments described above. He replied more quickly (four months later) and expressed reservations and the need for caution: “as regards the instruments, I do not think it is appropriate to modify the current characteristics of current account treasury bills (...); similarly, the introduction of commercial paper does not seem necessary; on the other hand, I am more attracted to the idea of introducing the technique of certificates of deposit [CDs] in France, as the tool would

[24] This would explain, on the one hand, the involvement of the French government, in 1979 under Valéry Giscard d'Estaing, in the creation of the European Monetary System (EMS), which instituted a mechanism of fixed exchange rates between European currencies (Duchaussoy, 2011); and, on the other hand, the reluctance - and ultimately the refusal - of the Socialists, once in government under François Mitterrand, to leave the EMS, contrary to what they had announced in their program (Eloire, 2020; Eloire, Dallery, 2023).

[25] CAEF Archives, the Treasury, code B0068017 (1 April 1977), "Réflexion sur des mesures en faveur de la Bourse des valeurs".

[26] CAEF Archives, the Treasury, code B0068017 (20 November 1984), "Interconnexion du marché monétaire et du marché financier".

respond well to certain concerns of the banks (...), but the fiscal and monetary characteristics of the CDs have yet to be defined". A comparison of these two memos shows the clear difference in the "will to reform" between the two ministers, immersed in two different international and ideological contexts (Ménard, 1998).

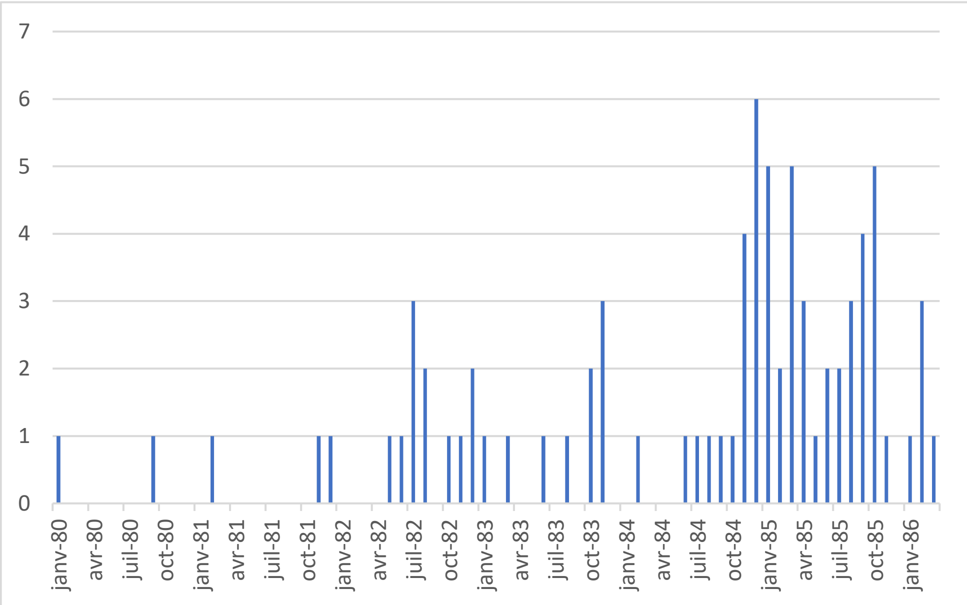
Table 3: Bureaucratic schedule of financial reforms in the Treasury archives

	Period before July-84		Period July-84 - March-86	
White Paper themes	***Number of memos***	***Date of 1st memo***	***Number of memos***	***Date of 1st memo***
Opening the profession of stockbroker	5	01 Apr 77	0	-
Negotiable options	7	01 Apr 77	3	25 March 85
Reform of the bond market	6	01 Apr 77	7	02 Aug 84
Modernization of the stock market	6	01 Apr 77	3	20 Nov 84
Certificates of deposit (CDs)	1	27 June 80	14	27 Nov 84
Futures markets (Matif)	2	30 Nov 83	8	16 Oct 84
Credit control system	1	06 Sept 76	5	12 July 84
Brokerage rates	0	-	6	15 Oct 84
Commercial papers	0	-	9	19 Nov 84
Reform of the mortgage market	0	-	9	20 Nov 84
Opening of Treasury Bills	0	-	12	20 Nov 84
Total	***28***		***76***	

Although the measures of 1984-1986 were the outcome of numerous, long-standing deliberations, the period can be considered as a moment of emergence, under ministerial pressure, of projects that were already in the making: "with method and rigor, the ministerial staff imposed its plan of action and was alone in defining the start and end points of each of the stages" (Mamou, 1987). The Treasury thus found itself involved in a process of shaping reforms that it had not itself initiated. The database created from our corpus of archives allows us to objectify this work. Quantifying the number of memos, month by month, within the corpus, shows that the pace of bureaucratic activity intensified, increasing in volume from July, and especially October 1984, and then became more regular throughout 1985 (see Graph 1). The genesis of each measure can also be traced through the archives. Various memos are devoted to the creation of new financial tools, to stock market reform or the status of stockbrokers. Table 3 separates the periods before and after July 1984 (i.e., the arrival of P.

Bérégovoy and his staff). For each period and type of measure, it counts the memos in which they are cited and indicates the date of its first appearance in the corpus. After July 1984, the number of memos mentioning financial reforms more than doubles (from 28 to 76). But the table also confirms the continuity of bureaucratic work between the two periods, which suggests that regardless of ministerial changes, the administration was keeping track of developments. For example, seven of the eleven measures had been mentioned before July 1984, including four in the April 1977 memo cited above, but not implemented. They were finally set in place after July 1984, along with others that stemmed directly from the deliberations of the new ministerial team.

Graph 1: Number of memos per month between January 1980 and March 1986



The archives show that once the movement had been launched, the Treasury involved numerous players in the reforms. In the administration, the Banque de France and the Forecasting, Budget and Insurance departments took part in the discussions. Professional associations such as the Stockbrokers' Company, the Association française des banques (AFB), the Association française des établissements de crédit (AFEC) and the CNPF (French employers' association) were also involved, as were members of the banking and credit sectors, such as Crédit Lyonnais, Société Générale, Crédit

Foncier de France, Paribas and CIC. This bureaucratic work began in a difficult climate between Bérégovoy's staff and the administration (Eloire, 2022). To its dismay, the Treasury was gradually discovering the global nature of the reform movement; it was used to propelling the reforms, but now found itself "receiving orders" and "working in rapid bursts". Faced with this "avalanche of measures", the Treasury Director initially expressed his "serious reservations and disapproval", before becoming himself the "best propagandist of the reforms" (Mamou, 1987). His opposition was based less on the substance than on the form: "this reform was in the back of the cupboard, ready to be brought into the light... but always overlooked".

Setting up a new form of economic regulation

By transforming the system of financing the economy, the financial reforms changed the way the economy was managed. The practices of credit control, specialization and subsidies were abolished, making it necessary to reexamine the boundary between monetary and non-monetary (Lemoine, 2017). Moreover, by redirecting capital flows from credit to the stock market, the new financial tools changed the conception of money supply. In order to understand this new monetary and financial situation, the various actors in the Ministry of the Economy had to adapt to the new way in which the system operated. While the White Paper sheds light on how Bérégovoy's ministerial staff drew the measures into a consistent whole, the archives show how the main administrations (Treasury and Banque de France) redefined their role in order to adapt to the new mode of regulation based on the financial markets.

A new financial matrix

The White Paper does not simply list the measures taken as a result of the financial reforms. It also describes the overall logic by revealing the interdependence between the decisions and emphasizing the systematic approach adopted: "For mathematicians,[27] the objective pursued can be summarized

[27] J.-C. Naouri, Bérégovoy's staff director and coordinator of the *White Paper*, holds a PhD in mathematics.

by comparing the financial market to a matrix whose dimensions are: duration of investments, economic agents, term of operations, conditionality. In this matrix, a large number of cells were closed off: the aim was to authorize the opening of all cells and thus obtain a financial continuum". This metaphor of the matrix sheds light on the link between the various reform segments. It offers a means to interconnect previously partitioned markets (financial market, money market, bond market, mortgage market), via a rational architecture, capable of ensuring product substitutability and the liquidity of money. It also makes it possible to reinterpret the creation of each new financial tool in terms of its capacity to fill the empty cells in the matrix, the idea being that each cell corresponds to a crossing point between different dimensions of the matrix, based on the possible characteristics of financial products (see Table 4).

Table 4: Dimensions of the reform matrix

Features	Definitions
Duration	Short, medium and long-term financial investments.
Economic agents	State, financial entities, non-financial entities (companies, communities, households).
Term	Cash or term payment.
Conditionality	The way in which the price of a financial product is set, by a decision either before or during the transaction.

If we apply these characteristics to the new financial instruments (see Table 5), we see that their creation contributes mainly to the short-term capital market (money market and interbank market) and the long-term capital market (stock market and derivatives market). In both cases, the reforms aim to increase economic agents' capacity for action in relation to three dimensions: openness, risk and negotiability. Openness is manifested in the fact that the reforms concern all types of economic agents. Admittedly, the process does not result in perfect equality of treatment for the various operators on the financial markets, but all of them enjoy increased opportunities. In terms of risk, the development of derivatives (futures and options components on stock markets) provides a new means to hedge against financial risks (monetary instability, interest rate variations, price fluctuations). Negotiability, for its part, is a permanent feature of the new financial tools, providing a clear indication of the desire to break with the previous, highly administered system.

Table 5: Characteristics of the new financial tools

	***Issuing* economic agents**	***Purchasing* economic agents**	**Duration**	**Maturity**	**Conditionality**	**Type of market**
Certificates of deposit (March 1985)	Banks	All economic agents	Short-term (6 month to 2 years)	Cash payment	Negotiable	Monetary
Commercial papers (Dec. 1985)	Firms	All economic agents	Short-term (10 to 180 days)	Cash payment	Negotiable	Monetary
Negotiable Treasury Bills (Jan. 1986)	State	All economic agents	Short-term (10 days min.)	Cash payment	Negotiable	Monetary
Bonds from specialized financial institutions (Dec. 1985)	Specialized financial institutions	All economic agents	Short and medium-term (2 to 7 years)	Cash payment	Negotiable	Monetary
Mortgage market: bonds (Sept. 1985)	CRH	All economic agents	Long-term	Cash payment	Negotiable	Financial
Financial futures market (July 1985)	All financial agents	All economic agents	From short to long-term	Term payment	Negotiable	Financial
Tradable options on securities (July 1985)	All financial agents	All economic agents	Short-term (1 month to 2 years)	Term payment	Negotiable	Financial

Source: based on the White Paper and Guyaumont Jeannneney (1986).

The matrix applied to the reforms thus reveals a financial continuum in which, apart from households, all economic agents were able to issue short-term and long-term securities on the primary market or sell them on the secondary market, either in cash or in the form of derivatives. Everyone could also acquire short- and long-term securities, directly or indirectly (for households). The goal had thus been achieved, as summarized by a formula in the White Paper also found in Bérégovoy's speeches: "we have a unified financial market, ranging from the very short term to the very long term, both spot and forward, open to all economic agents" (Ménard, 1998). The consequences were the gradual and systematic reorientation of financing methods towards securities markets, at the expense of credit. The period 1984-1986 thus saw a concerted enterprise of organized deregulation, which contrasts with the first impression that emerges from these seemingly uncoordinated measures, adopted on the basis of different rationales. This observation is in line with our third argument, which states that the deregulation movement at work is based on a specifically bureaucratic and controlled conception of reforms, founded on the idea that "if you liberalize, you must organize". Rawi Abdelal (2007), who focuses on the 1990s, points out that it was French socialist or related figures[28] who were behind the adoption of liberal rules for the circulation of capital at the international level, and who played a decisive role in the imposition of financial globalization that was controlled rather than piecemeal (which corresponds to the American vision).

The testimonies that mention the origin of the financial reforms from the end of 1984 thus tend to underline their organized and methodical nature. "All the reforms that were set in place, inspired by chief of staff Naouri and orchestrated by Rubinowicz, were part of an overall and consistent plan (...)." The initiators were careful to avoid any mention of a grand project, a major reform: "we did not want to give the idea that a massive shift was under way, because we would have frightened people. On the contrary, we proceeded in irregular, fragmented steps, to avoid the development of united opposition against us"[29] (Rimbaud, 1994). The call for reform came first from the Minister: "Naouri wrote down the broad outlines and the timetable for a reorganization of the financing circuits. In October 1984, the main frameworks of three major reforms – mortgage market, certificates of deposit and Treasury bills – were on Bérégovoy's desk. He gave the go-ahead" (Mamou, 1987). The role of Rubinowicz, an advisor who was "very familiar with banking techniques", is highlighted: he proposed "a set of very technical measures", which Naouri then supported. In a preface to a book on "securitization",[30] Rubinowicz (1991) himself retrospectively described his reform initiatives and emphasized their "overall consistency". The aim was "to decompartmentalize the different money markets and create a single market, to promote competition, and to modernize the management of

[28] Jacques Delors (UE), Henri Chavranski (OCDE) and Michel Camdessus (FMI).
[29] Quote from an interview with J.-C. Naouri.
[30] A rapidly developing financial technique in France in the early 1990s.

the French financial and monetary sphere". He asserts that, "most of the work has been done (...), the legislative and regulatory framework is in place, and practical adaptation has begun".

A new mode of monetary regulation

Financial reforms led to the rapid introduction of many new financial tools (see Table 3). The common feature of these tools is their negotiability, i.e., the fact that their price is set during the transaction and not before, as in an administered economy (Eloire and Finez, 2022). This aspect is essential because it implies the development of market mechanisms. A Banque de France memo, dated August 1985, provides a clear explanation of the changes under way, then examines the link between "the current process of financial innovation and monetary policy".[31] It explains that the decision to replace administered mechanisms by market mechanisms is not a neutral operation: it affects the fundamental structures of the financial system and thus calls into question its mode of regulation: "For some months now, financial innovation has changed in nature: limited essentially until early 1985 to procedures intended to diversify the characteristics and methods of acquisition of long-term securities, it now aims to extend the field of negotiable tools to short-term capital markets. This evolution has two consequences: first, it introduces market mechanisms into a sector where interest rates have, until now, been largely administered; second, it limits the role of credit institutions, and especially banks, in collecting savings and in financing the economy. As such, it has consequences for the structure and functioning of the financial system, and necessarily raises the question of the survival of the current system of monetary regulation."

The memo clearly envisages the change of nature implied by the growing presence of negotiability in the capital market, which leads to changes, at the micro level, in the way transactions between economic agents take place, and at the macro level, in the way financial institutions manage the effects of changes. Economic agents are confronted with more competition, more freedom and more negotiability, which encourages them to learn and adopt new behaviors, whether in terms of

[31] CAEF Archives, the Treasury, code Z16925 (8 August 1985), by D. Bruneel.

calculation, arbitrage or bargaining, while the administrations that manage the economy gradually lose their controlling power and must change the way they participate in the regulation of the economy. The introduction of market mechanisms implies that prices, interest rates or exchange conditions are no longer set ahead of transactions without any competitive pressure (by administered decisions, market agreements or bureaucratic regulations), but increasingly during transactions, in situations of competition after negotiation (Eloire and Finez, 2022). In this second case, the exchange conditions are no longer known in advance, but only at the end of each transaction. They are no longer an established fact, a certainty on which economic agents can base their decisions and make projections; they become a result of the transaction, an uncertainty that they must learn to live with.

The introduction of market mechanisms thus establishes a new logic: if ex ante control of exchange conditions is no longer possible, the traditional tools of control (such as supervision or regulation) become obsolete and must be replaced by others to ensure constant monitoring of changes in exchange conditions, and appropriate ex post intervention when necessary. These were the exact recommendations of the Eighth Plan Report published in 1980, considering it “paradoxical to maintain the old segmented financial structures and to perpetuate administrative procedures and nitpicking regulations” in the context of a “rapidly changing economy” where prices are liberalized and international competition is unfettered. This report was already announcing the demise of the planned economy. Its reasoning was that “the traditional approach to addressing financing problems in previous plans was to quantify the needs of the various sectors on the basis of a normative projection”[32] in order to define “the measures likely to ensure the best possible balance”; but this quantitative approach was now proving to be “poorly suited to the current situation". The openness of the French economy to the external environment now made it difficult to forecast economic developments and therefore to quantify needs accurately. In an economic environment where it is logically impossible to predict the unpredictable, market mechanisms are presented as the solution:

[32] Through tables: tables of financial operations, tables of long-term financing.

the market is expected to constrain individual behavior and produce equilibrium in the allocation of resources, or, to use Polanyi's expression, to "self-regulate".

These financial reforms inevitably raised the question of monetary regulation, and hence the grounds for maintaining the existing credit control system. At the time of the reforms, the money supply control system was seen as indispensable but flawed. As early as 1969, the Wormser, Marjolin, Sadrin report advocated (in vain) a modification of money market structures and credit conditions. The authors were opposed to the ideas of selectivity and quantitative control. As the White Paper recalls, they recommended "removing or at least attenuating the rigidities that limit the efficiency of our monetary and banking mechanisms" and suggested leaving "to the market the task of allocating the available resources among the different categories of participants", giving the Banque de France the role of "varying the rate and duration of its interventions according to the economic situation". And for the White Paper, it was this 1969 report that provided the true "definition of an open market policy".

It was not until 1985 that the end of credit regulation was officially ratified: Bérégovoy announced before parliament that "to complete this financial revolution, the final task is to adopt a system of credit based on interest rates that will mark the end of credit regulation" (Ménard, 1998). However, the way monetary policy was to be managed had not yet been decided. A Banque de France memo of July 1985[33] stated that the new financial tools "imply a radical reform of the concepts on which monetary policy is based, and call for profound transformations of the banking system". It voiced a concern that "we seem to be embarking on a process where these new products will be introduced with no questioning of the instruments and objectives of monetary policy". It concludes that a fundamental change in the methodological framework was needed, namely: "to abandon the quantitative control of aggregates[34] and to implement an active interest rate policy". In response, the

[33] CAEF Archives, the Treasury, code Z16926, (26 July 1985) by D. Bruneel, "Réflexions sur la création d'instruments de placement à court terme négociables".
[34] A statistical indicator to account for credit and money in circulation.

Treasury[35] considered, on the contrary, that “the creation of negotiable short-term investment tools is not incompatible with current monetary policy (...). On this basis, it is therefore not unreasonable to enter 1986 with the credit control system that exists today”. The system was nonetheless finally abolished. This temporary disagreement between the Treasury and the Banque de France can also be explained by the power struggle between the two administrations over the new monetary regulation system that necessarily redefined their roles.

This analysis ties in with our fourth argument, which posits that monetary and financial debates remained the preserve of the government and the senior administration, and were generally conducted away from public debate, since the issues dealt with were so technical that it was difficult for citizens to know where their real interest lay in this respect (Zysman, 1983). In his speeches (Ménard, 1998) and in his preface to the White Paper, the Minister proposes a political justification, promoting the new monetary and financial regulation and reiterating his criticism of state dirigisme. But he also criticizes unbridled liberalism. In fact, he argues in favor of a third political path that he calls "democratic socialism", advocating an "economy of freedom" and "solidarity". For him, the introduction of "greater financial market mobility and competition" will make it possible to "reduce the cost of money" and promote "investment and job creation", to the benefit of the working classes. However, this objective is not supported in the White Paper.

Conclusion

In our study of the monetary and financial reforms of 1984-1986, we show how, in line with the institutionalist economic sociology approach, the state played a preponderant role in shaping the markets. Similarly, adopting a public policy analysis approach, we show through a discussion based on four arguments, how the organized and controlled mode of *French-style* deregulation was constructed in the 1980s, in the cabinet of the Minister of the Economy and Finance and the Treasury Department.

[35] CAEF Archives, the Treasury, code Z16926 (31 July 1985) by Y. de Gaulle, “La création d’instruments de placement à court terme négociables remet-elle en cause la logique de notre actuelle politique monétaire ?”.

Note, however, that despite the speed with which they were implemented, the reforms were set in place over a long period, within an administrative framework dating back to the 1960s, which enabled the reformers to construct justifications that were both technical and ideological: technical, because the instruments for administering money and financing the state become increasingly ineffective in the context of a rise of globalization and a floating rate system; but also ideological, because top civil servants themselves were questioning the role of the state in the economy. The idea became widespread that the economy consists primarily of expert knowledge, and that its processes should be based on the liberal precepts of competition and free bargaining, paving the way for the rise of financialization 1990s (Abdelal, 2007; Benquet, Bourgeron and Reynaud, 2019). This consensus led to a specific conception of economic policy decisions, which had to be increasingly depoliticized, detached from government and its partisan label.

Beyond these structural transformations and with historical hindsight, what conclusions can be drawn from the cyclical effects of the reforms carried out by the French Socialists who, in July 1986, lost the legislative elections and left the government? If we examine the results of the policies in favor of the stock market, they were exceptional insofar as activity surged: net bond issues increased 5.7-fold between 1975 and 1985 and equity issues grew by +655 billion francs between 1977 and 1986 (Quennouëlle-Corre, 2015). Similarly, the disinflation policy was also highly successful. Although the Mauroy government's stimulus policy did not increase inflation and even brought it down slightly, it had nevertheless remained at a high level (falling from 13.4% in 1981 to 9.6% in 1983[36]). The Fabius government's policy marked a trend break: by 1986, inflation had fallen to 2.7%.

However, the results were less flattering for unemployment, which rose from 5.1% in 1980 to 8.6% in 1986. As for the promise of cheaper credit for people on low incomes thanks to the reforms to curb monopolies and rents, the result was also negative. Indeed, a study covering a long period showed that the curves of real interest rates and inflation moved in opposite directions: while inflation was falling, interest rates were rising (Levy-Garboua and Monnet, 2016). Thus, in the mid-1980s, Banque

[36] INSEE statistics.

de France statistics describe not only sluggish growth in the volume of housing loans, but also peak lending rates (Wilhelm, 2005) and high housing prices (Bouveret, Costes, Simon, 2010). Similarly, whereas the curve of owner-occupier households had been rising steadily since 1965 (from 43% in 1965 to 54% in 1985), it plateaued in the mid-1980s and remained flat until the mid-1990s (Bosvieux, 2005). Far from praising the political promise of these reforms, our observations underline the discrepancy between socialist discourse and the social repercussions of the socialist government's economic modernization policies, which triggered the financialization movement in France.

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