

THE FRENCH STATE CAPITALISM IN COMPARATIVE AND HISTORICAL PERSPECTIVE

Robert Boyer

Institute of the Americas, Paris

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INTRODUCTION

1. Back to Berlin Wall collapse: the idea of an irreversible victory of the synergy between **markets and democracy**
2. Post the Great 2008 crisis : the structural instability of finance led capitalism, **the State** as a rescuer of last resort
3. Against the unequal distribution of the benefits from internationalisation: **National sovereignty** is defended by new movements and parties.

Has the time of State capitalism come back?

SYNOPSIS

- I. The concept of state capitalism in long run historical perspective.
- II. The contemporary debate: is state capitalism the successor of liberal capitalism?
- III. A taxonomy of various brands of state capitalisms.

IV. How specific is the **French state capitalism** of the Golden Age?

V. Was **the demise** of state French capitalism ineluctable?

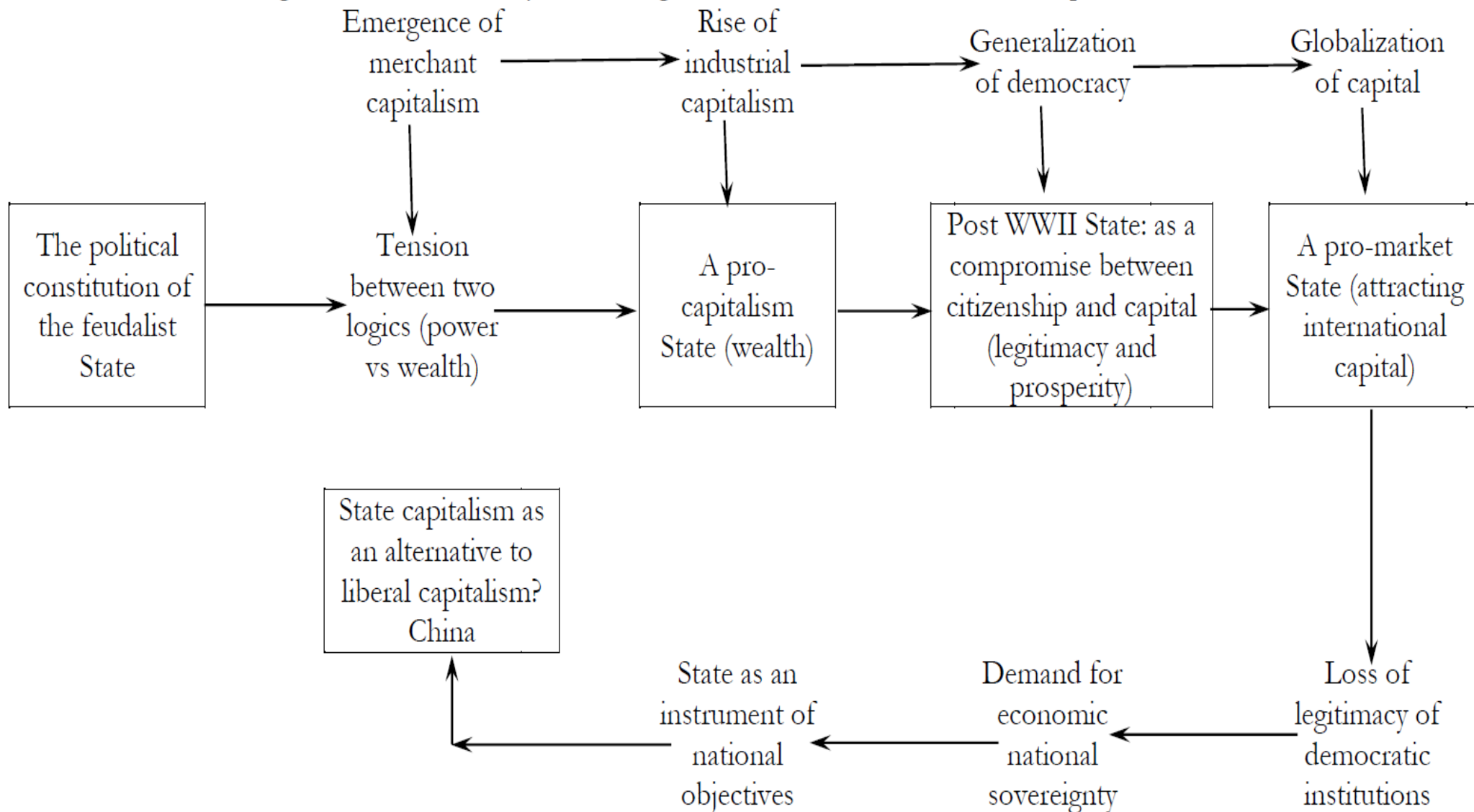
VI. Is **China** a new form of state capitalism and can it be exported?

VII. Are **multinationals** and states trading place?

I - THE CONCEPT OF STATE CAPITALISM IN LONG RUN HISTORICAL PERSPECTIVE.

1. *The same word but quite **different meanings** and configurations*
2. *The State is born **before** the rise of capitalism*
3. *Its nature **evolves** at each step of capitalist development*
4. *The rise of **China** redefines the debate around State Capitalism.*

**Figure 1 – A brief survey of the long run transformation of the State
Capitalism nexus**



II - THE CONTEMPORARY DEBATE: IS STATE CAPITALISM THE SUCCESSOR OF LIBERAL CAPITALISM?

1. *A convergence of **structural transformations** in contemporary societies*
2. *The consequence of **the excesses** of liberal capitalism?*
3. *A black and white debate or the impossibility of a **third way**?*

Table 1 – The State capitalism versus liberal capitalism

INSTITUTIONAL FORMS	LIBERAL CAPITALISM	STATE CAPITALISM
Wage labor nexus	A pure private commercial contract	Collective labor rights and state intervention via minimum wage policy
Forms of competition	Wave of regulation / deregulation	Still regulation and Nationalized sector
Banking / Financial System	Intermediation via capital markets	Bank intermediated Finance, Highly regulated
State / Economy Nexus	Property rights enforcement and pro-market incentives	Architect of institutional forms
Integration into the world economy	Via product and financial markets	Administered exchange regime and capital control

III - A TAXONOMY OF VARIOUS BRANDS OF STATE CAPITALISMS

- 1. A variable mix of objective and instruments :
protectionism, full subordination of the
economy to polity ...*
- 2. .. Strategic State with indicative planning*
- 3.or a development State in charge of fighting
against dependency and/or for late
development ?*

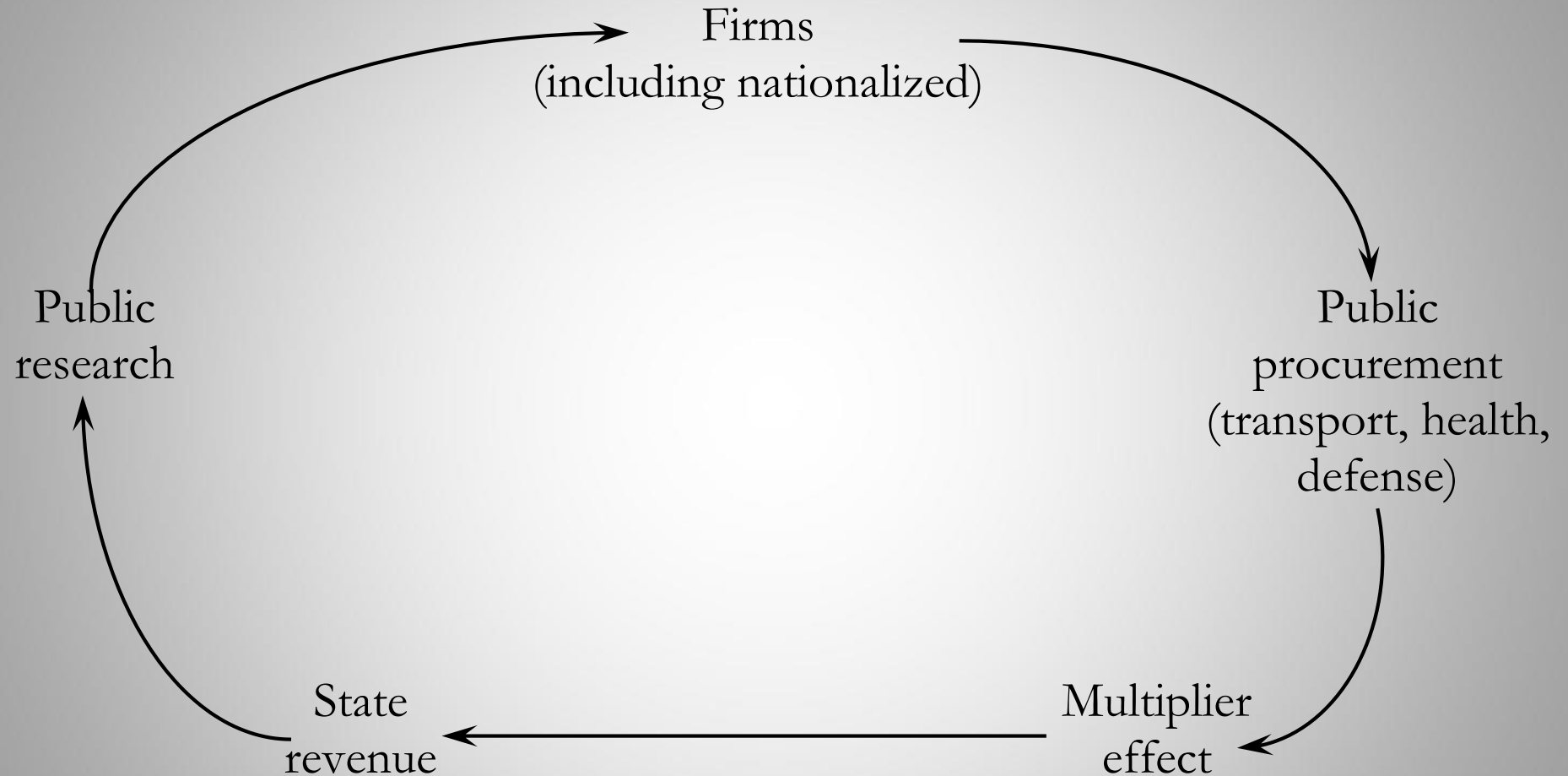
Table 2 – The various brands of State capitalism in historical perspective

Type							
Components	Catching up by State protection	Total control of the economy by State	A State market nexus: the mix economy	Strategic States with indicative planning	Latin American Development State	Development Asian States	Strategic States hidden by free market ideology
<i>Protectionism</i>	An essential component	A political justification			Clear Protectionism	*Transitory as strategic	
<i>Institution</i> and/or Monitoring of markets			Administrative allocation of the war effort	State as tutor of markets	State as an alternative to markets	Pro-market State interventions	Capture of regulating authorities
<i>Planning</i> • Imperative • Indicative • Strategic		Planning via quantity signals		Via concertation of social partners and state experts	Public development funds	Coordinated economic policy	Defense, Health, Research
<i>Administered</i> • Prices • Credit	Required	Centrally fixed		Important and progressively abandoned	A specific credit circuit for infrastructures		
<i>Nationalization</i> of key industries		Complete nationalization	Still private property		Nationalized Oil company	Cooperation Chaebol / State	
<i>Public spending</i> • Infrastructure • Research and education	A core public investment	Yes		Large and extended public spending*	A limited redistribution to lower income groups	Educational push	Decay of infrastructures
<i>Redistribution</i>			Via tax and public spending	Via welfare and progressive taxation		Limited	Rising inequalities
National <i>innovation policy</i>		But difficult transmission to production	Deriving from war period	Especially after 1958	Present but declining due to re-primarization	Planned catching up	Large public subsidies to basic research
Economic case	Germany XIX century	Soviet Union (1915-1960)	United-States (1939-1971)	France (1949-1975)	Argentina / Brazil (1950-2000)	South Korea (1990-2002)	United-States (1990-2008)
Theory / Author	Friedrich List	Leonid Kantorovich	Andrew Shonfield	Pierre Massé	Cardoso & Falleto	Alice Amsden	Atkinson

IV - HOW SPECIFIC IS THE FRENCH STATE CAPITALISM OF THE GOLDEN AGE?

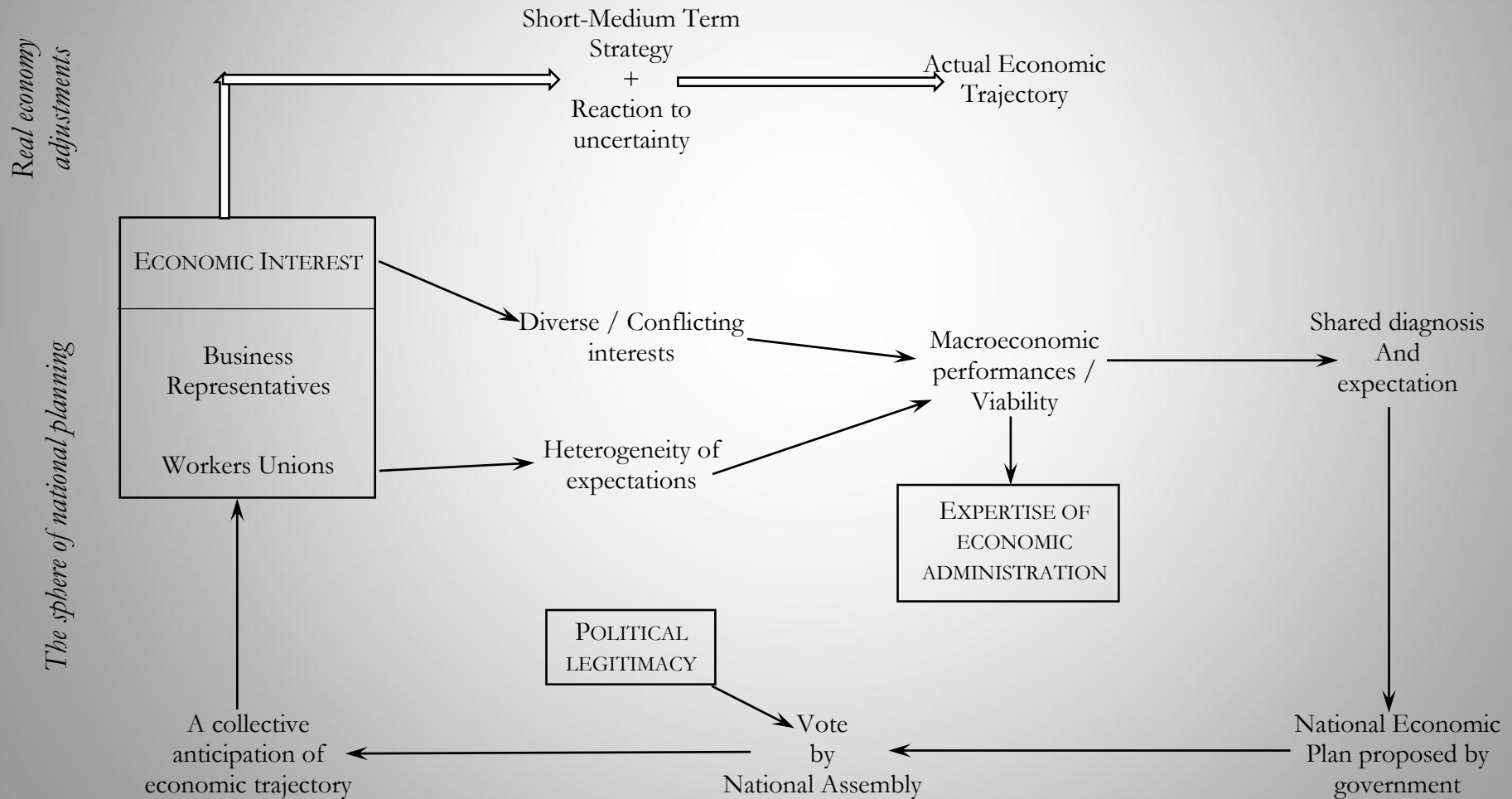
1. *Creating a **virtuous circle** among large and numerous **public entities***

Figure 2 – A large part of economic coordination operates within the public sector



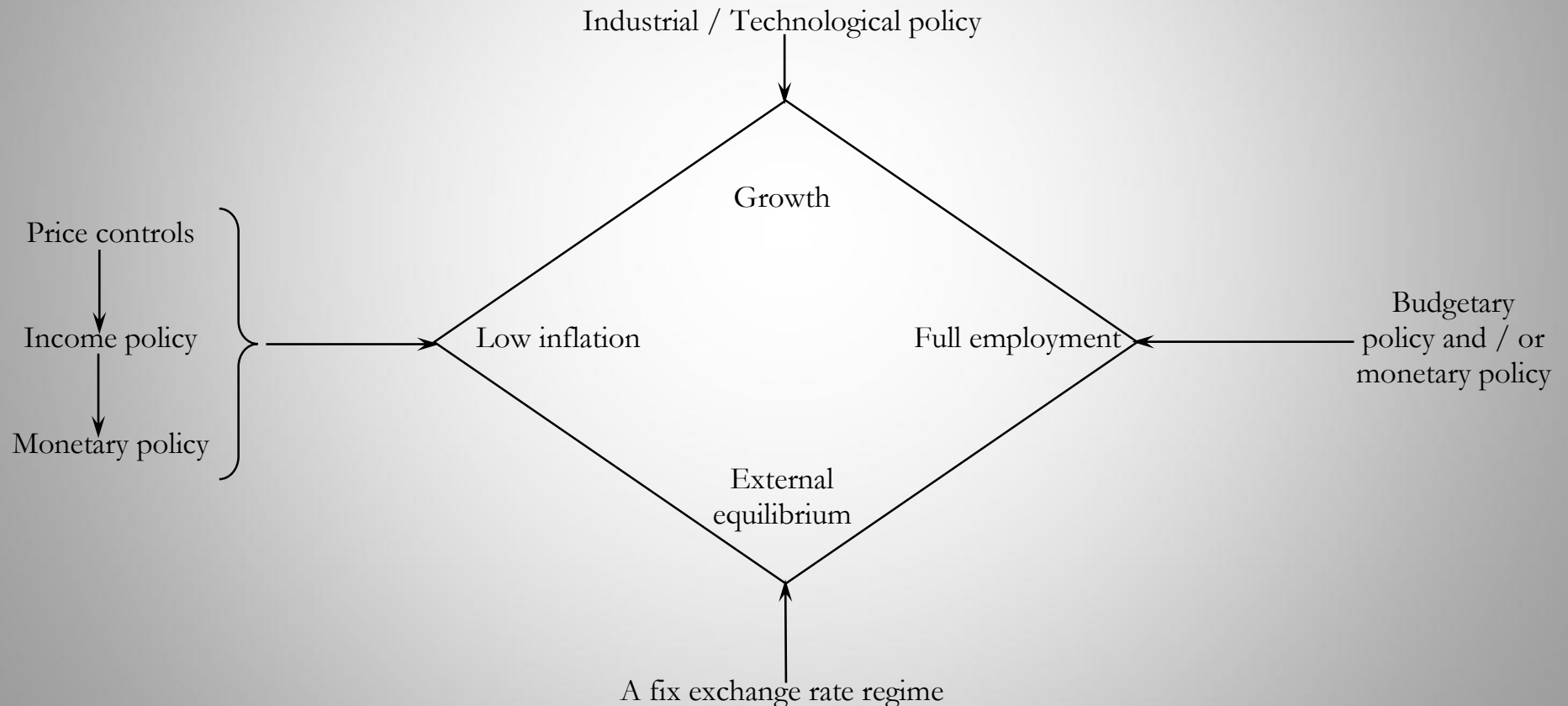
2. *Indicative planning: pooling expectations and reacting to uncertainty.*

Figure 3 – Planning as an ex-ante exploration of economic coordination



3. The complementarity of various economic policy instruments

Figure 4 – State capitalism: a full range of tools in order to deliver satisfactory outcomes



IV - WAS THE DEMISE OF STATE FRENCH CAPITALISM INELUCTABLE?

1. *The **structural transformations** that have eroded the efficiency of State capitalism*

Figure 5 – The three structural transformations that explain the crisis of French State capitalism

- Privatization
- Enforcement of competition at the European levels
- Structural public deficit



The circularity of economic circuit organized by the States

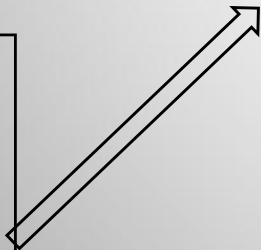
FRENCH STATE CAPITALISM

Indicative National Planning

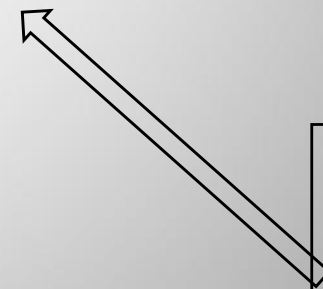
An extended tool box of instruments



- Diverging interests between of globalized capital and workers
- Diffusion of free market ideologies
- Loss of expertise of economic administration

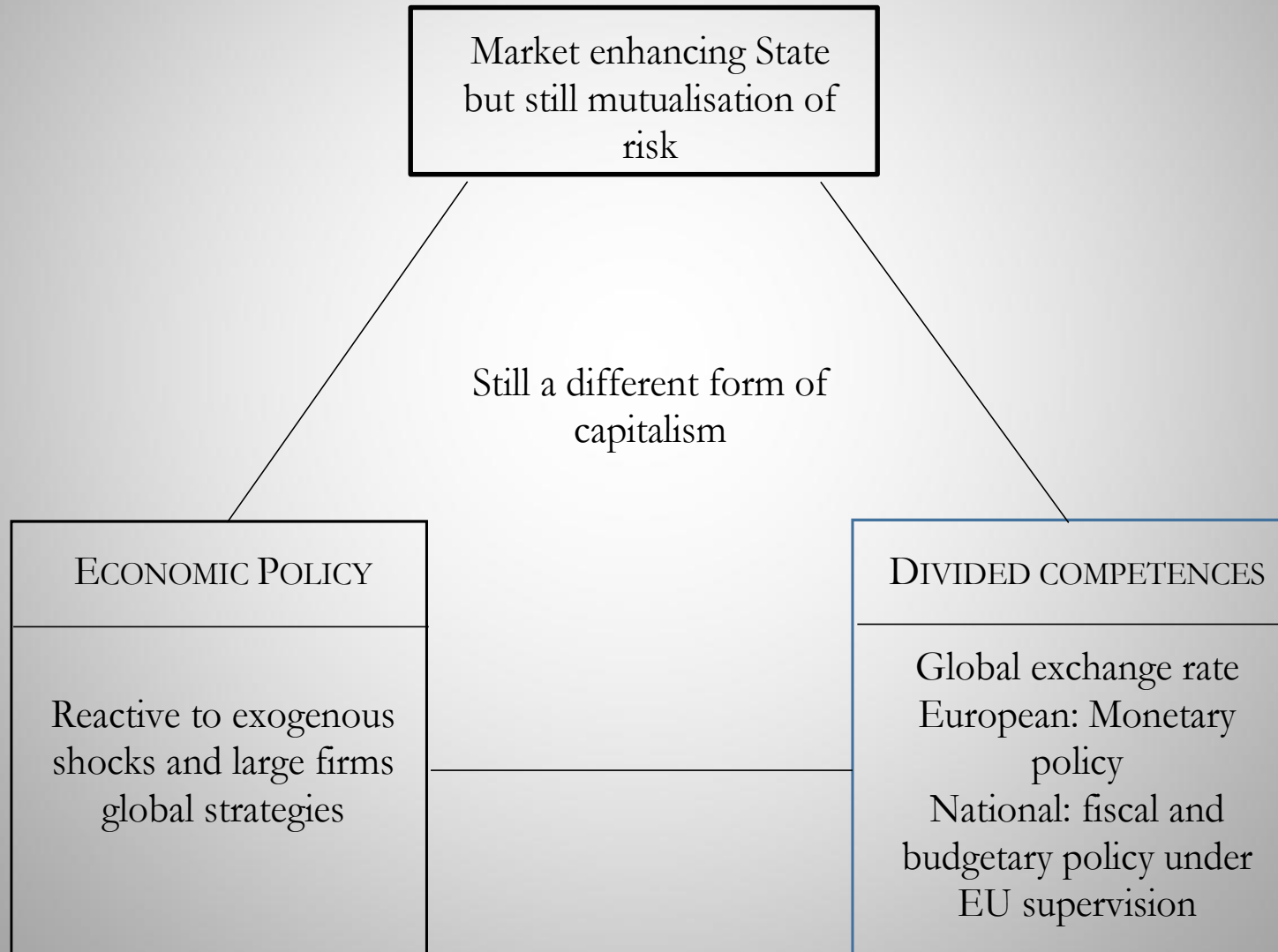


- Price liberalization
- Financial deregulation
- Market led flexible exchange rate



2. A new epoch for the French capitalism

Figure 6 – The present configuration of French capitalism is no more a typical
State capitalism



3. *No convergence towards a typical market led capitalism*

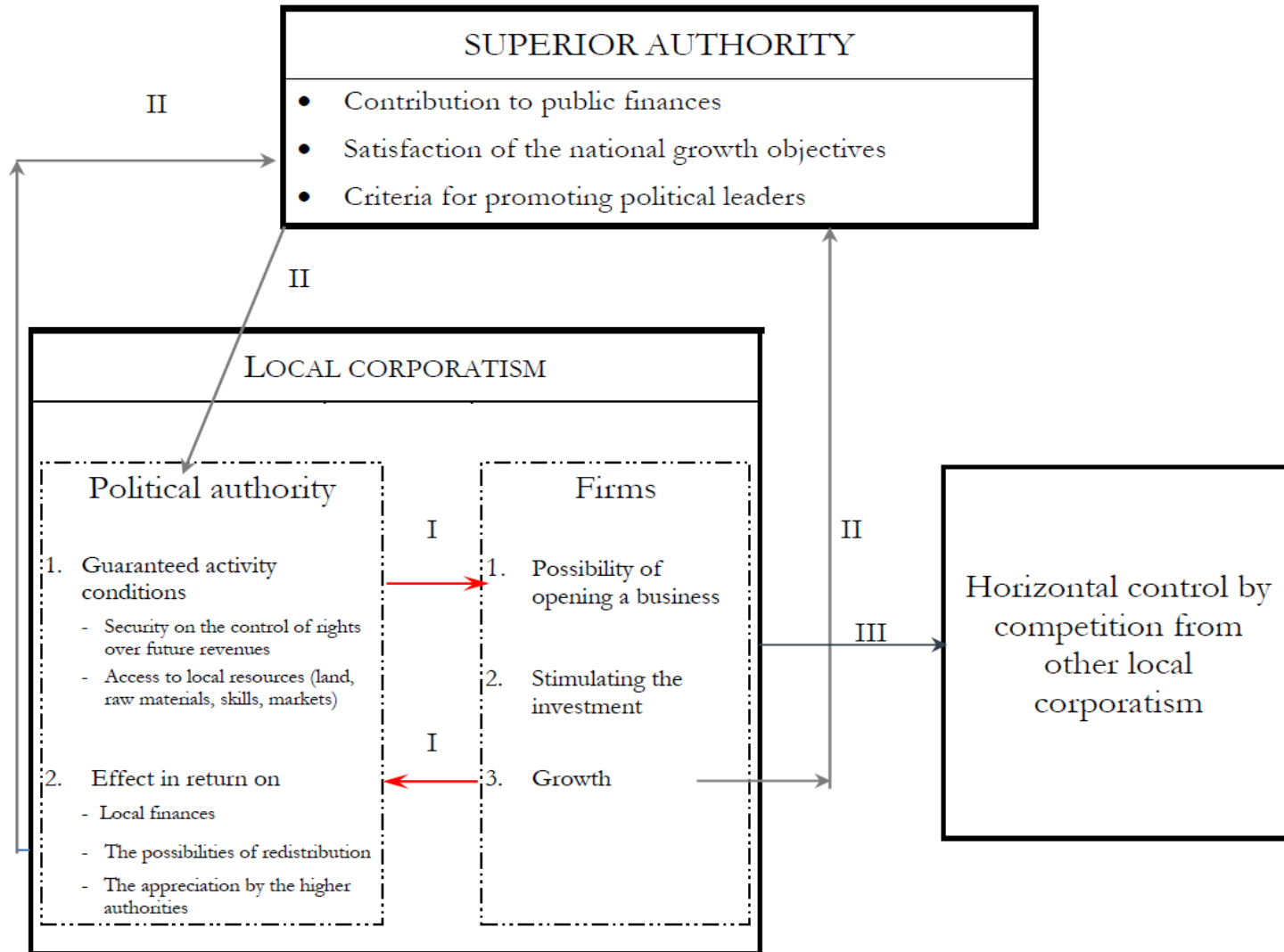
Table 3 – The French capitalism is still different from others

	INSTITUTIONAL FORMS	LIBERAL CAPITALISM	SOCIAL- DEMOCRATIC CAPITALISM	MARKET ENHANCING STATE
Wage labor nexus		Individualization / Decentralization / Acute competition	More competitive wage formation but still collective bargaining and/or redistribution	Individualization but multiple public interventions about labor laws
Form of competition		Constitution of monopolies / oligopolies	Via foreign competition	Polarization between multinationals and smaller firms
Financial system		Domination and resilience of capital markets, partially monitored	Corrections of past sources of crises	Still the role of banks under control by transnational entities
State-economy nexus		Still belief in the efficiency of markets	State, the insurer of last resort	Still recurrent and multiple public interventions
Integration into the world economy		Ongoing shift out of the free trade doctrine	Still the acceptance of world competition	Strong French multinationals but shrinking share of export
Iconic Case		United States 2019	Denmark 2019	France 2019

VI - IS CHINA A NEW STATE CAPITALISM?

1. *The **competition** among a multiplicity of **local State corporatism** under the difficult monitoring by Central government*

A myriad of local corporatism controlled by Beijing: an original form of state capitalism

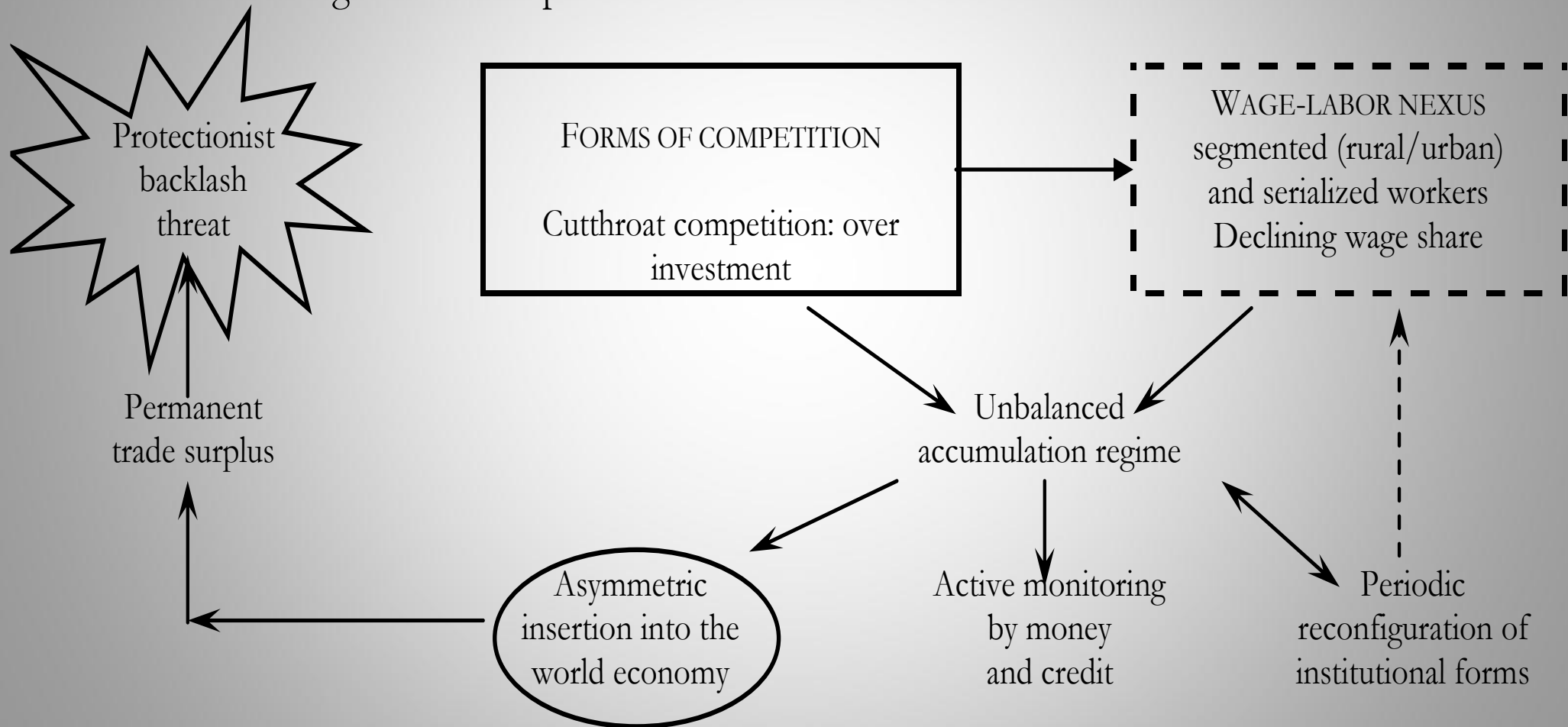


2. *A genuine architecture for institutional forms*

INSTITUTIONAL FORMS	MAIN FEATURES	IMPACT UPON	
		REGULATION MODE	ACCUMULATION REGIME
1. FORMS OF COMPETITION	Acute competition among numerous and various entities (firms, provinces, localities)	A tendency toward constantly declining production costs and prices	The driving force of accumulation
2. WAGE-LABOR NEXUS	<ul style="list-style-type: none"> • Dual status (rural/urban) • Balkanized and serialized works • Absence of own collective organization 	Strong influence of the large pool of rural workers on competitive wage formation	Unbalanced income distribution: low and declining wage share
3. MONETARY/CREDIT REGIME	Dialectic between large-scale decentralization and need for control at the macroeconomic level	A fine-tuning in reaction to quickly evolving domestic/international economy	A tool to sustain and manage a high growth regime
4. THE STATE/ECONOMY NEXUS	<ul style="list-style-type: none"> • A pragmatic and anticipatory central state • A multilevel/complex governance 	High reactivity to emerging disequilibria	Periodic reconfiguration of institutional forms
5. INSERTION INTO THE INTERNATIONAL ECONOMY	A selective insertion - Constraints upon FDI - Control of external current account - Specific domestic norms	The exchange rate is a key political variable, along with domestic credit, in smoothing external shocks	The trade surplus is the consequence of domestic imbalances between production/demand

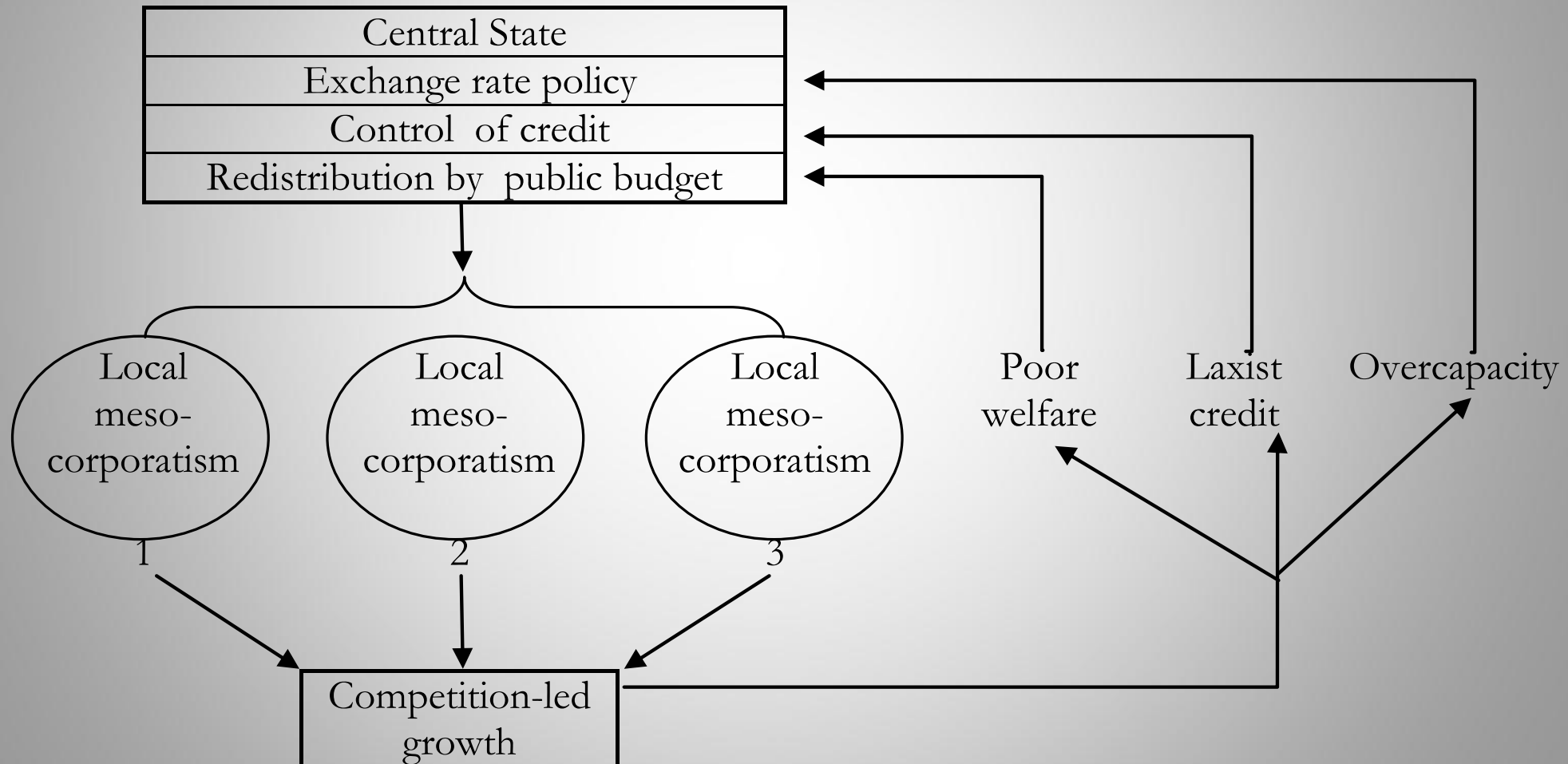
3. *An unbalanced accumulation regime : balkanized workers and trade surplus*

Figure 2 – Competition: the hierarchical institutional form in China



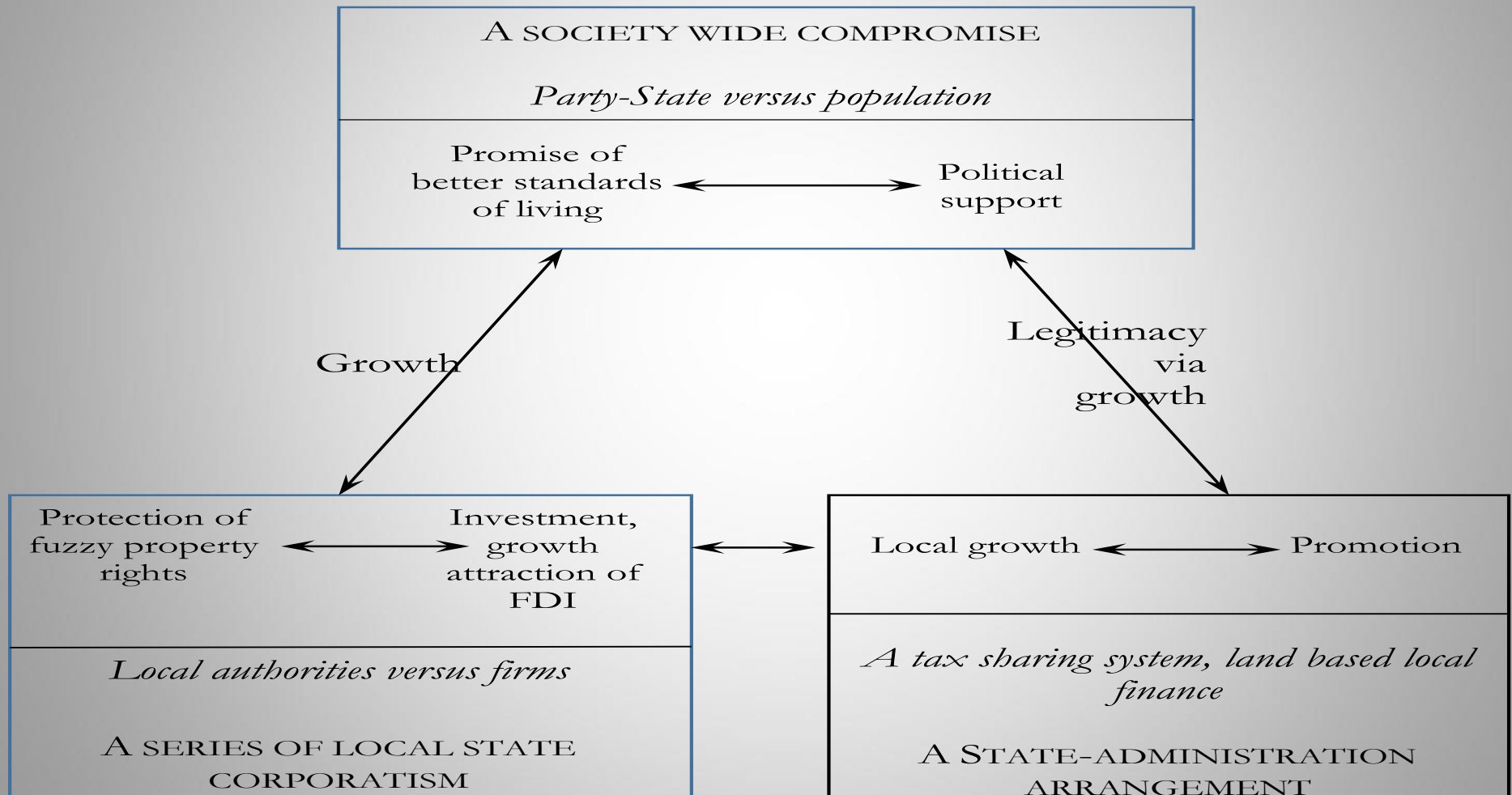
4. *Beijing to monitor such a dynamic process via three instruments*

Figure 3 – From the local to the national: the three major tools of the Central State



5. A overview of *Chinese State capitalism*

Figure 2 – China: A unique mix of institutional arrangements



Source: Adapted from Lei Song and Chengnan Yan, Chap. 3.

VII - ARE MULTINATIONALS AND STATES TRADING PLACE?

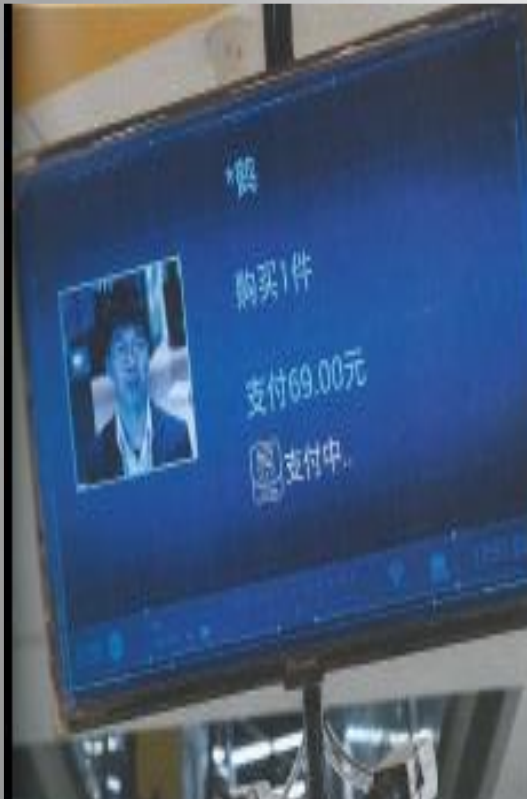
- 1. Do Nation- States belong to the past?*
- 2. Is the poor world political governance leaving strategic choices to global firms or state capitalism?*
- 3. Information collection and aggregation:
GAFAM better than Nation-States*

4. An exception: Chinese government has access to all digital information

✓ Payment with facial recognition

✓ Entering a railways station : identity card and facial recognition

✓ Street vendor and mobile phone payment and digital supermarket



Pedestrian, respect the signals! Watch the fine and register at the locker!

6. Powerfull instruments for social control

Chinese administrations hold 80% of digital resources

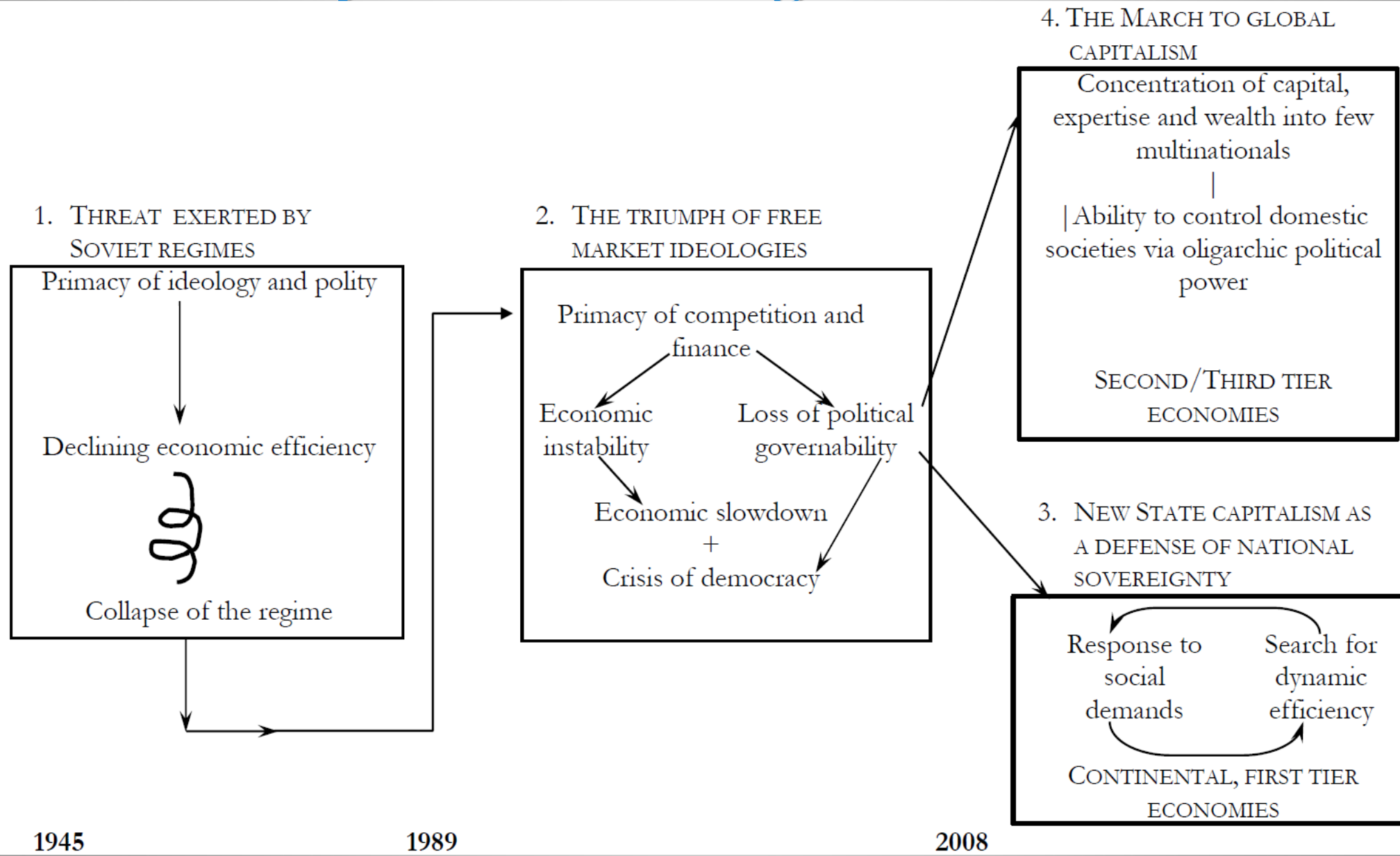
Statement by Prime Minister Li Keqiang

BATX (Baidu, Alibaba, Tencent, Xiaomi) have the obligation to share their data with the People's Bank of China which has 400 million individuals in its database.

Source: Wedemain 2018 n°23 p15-23



5. A synoptic view of *one century long evolution of economic systems and ideologies*



CONCLUSION

1. Since the emergence of the feudal State, the relations **between State and Capitalism have co-evolved** through contrasted configurations alternating synergy and open conflict.
2. Offensive **protectionism** in Germany, primacy of **political objectives** in Soviet Union, **development State** in Latin America and then in Asia, **mixed economy** with planning in France have explored different roles for the State in the governance of the economy.

3. The 2008 Great crisis has revealed the **many limits of liberal capitalism:**

- ✓ financial instability,
- ✓ widening inequalities,
- ✓ social polarization,
- ✓ loss of legitimacy of governments,
- ✓ breaking down of the post WWII political party systems.

By contrast the rapid catching up of China has been interpreted as an impressive **coming back of a new State capitalism.**

4. From 1946 to 2006 a different configuration has been explored by France:

- ✓ Organized synergy among the **public sector** (research, public spending, credit, and production)
- ✓ The mobilization of a complete set of **economic policy instruments** (exchange rate, monetary policy, industrial policy, price controls) periodically adapted to the progressive internationalization.
- ✓ **An indicative planning** was mobilizing social-partners, public administration expertise, and government. Expectations were stabilized along a common long term strategy.

5. No socioeconomic regime can last forever.

Three structural changes have eroded the efficiency and legitimacy of French State capitalism:

- ✓ The **opening to world trade** and a capital mobility have eroded the coherence of this regime
- ✓ The succession of generations and prosperity have promoted **individualist values**, and converted the elites to **free market ideology**.
- ✓ **European integration** and especially the Euro have reduced the autonomy of national economic policy.

Nevertheless, French capitalism has **not converged** towards a typically finance-led American capitalism.

6. The **day of reckoning** has come for many liberal capitalism:

- ✓ **Sluggish** economic recovery.
- ✓ Perception of the adverse consequences of **internationalization** on national solidarity.
- ✓ Temptation of **protectionism**.
- ✓ **Loss of confidence** in representative democracy.
- ✓ Blame for the **weakness of politicians** in controlling large and internationalized economic powers.

The convergence between the demand for **national sovereignty** and the attractiveness of **State capitalism**.

7. The victory of State capitalism is **far from certain**:

- ✓ Given the unprecedented interdependency of quite all national economies, **protectionist temptations** can diffuse and have **detrimental outcomes**.
- ✓ **Large multinationals**, especially in the sector of information and communication, tend to overcome national strategies by organizing **the centralization of key information** that used to be the attribute of domestic government.

One could imagine a two tiers world: State capitalism for **continental economies**, domination of multinationals for **medium sized countries**.

**Thanks for your attention
and patience**

Robert BOYER

INSTITUT DES AMERIQUES

**60 Boulevard du Lycée, 92170 Vanves
(France)**

e-mail : **r.boyer2@orange.fr**

web sites : **<http://www.robertboyer.org>**

www.jourdan.ens.fr/~boyer/