



**HAL**  
open science

## The second financialization in France

Pierre Francois, Claire Lemerrier

► **To cite this version:**

Pierre Francois, Claire Lemerrier. The second financialization in France: or how executives and directors with unchanged financial careers promoted a new conception of control. *Finance at Work*, Routledge, pp.142 - 155, 2017, 9781138204034. hal-01864860

**HAL Id: hal-01864860**

**<https://hal-sciencespo.archives-ouvertes.fr/hal-01864860>**

Submitted on 30 Aug 2018

**HAL** is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

Version préliminaire de Pierre François et Claire Lemerrier, "The second financialization in France - or how executives and directors with unchanged financial careers promoted a new conception of control", in Valérie Boussard (dir.), *Finance at work*, London, Routledge, 2017, p. 142-155.

## CHAPTER 8:

# **“THE SECOND FINANCIALISATION IN FRANCE, OR HOW EXECUTIVES AND DIRECTORS WITH UNCHANGED FINANCIAL CAREERS PROMOTED A NEW CONCEPTION OF CONTROL”**

**PIERRE FRANÇOIS, CLAIRE LEMERCIER**

How far do the careers of the managers and directors matter for the contemporary financialisation? They can be related in two ways. Change in the careers of managers and directors can be seen as a consequence of financialisation: the growing importance of financial activities and the increasing power of financial firms imply that financiers are now more likely to get to top positions in the main firms. Therefore, financialisation can be seen as one of the main streams that are reworking the economic elites (Mizruchi, 2013). But changes in careers can also be seen as a cause of financialisation. If some actors (for example, former chief financial officers) who seldom reached the top of firms are more and more central, they are more likely to promote financial logics in the firms they now run. In this regard, changes in careers can be seen as one of the key mechanisms that might explain the financialisation of firm strategies (Zorn, 2004).

In this paper, we will discuss these two main ways to relate the careers of members of the economic elite and financialisation, focusing on the French case. We will more precisely focus on the CEOs of the 120 largest publicly listed French firms, as well as on the 210 persons who sat in at least two of their boards in 2009 (the two groups partly overlap). We will show that the financialisation of French firms did not change the main divides that structure the French economic elite. The sociology and history of French elites has long pointed out the impressive stability of the origins and education of CEOs, and especially the role played by a few schools in operating this reproduction under the guise of Republican elitism. Accordingly, elite schools channel careers into two separate groups, those who go through the top schools and the highest offices in the administration, and those who, after graduating from slightly less prestigious schools, directly join firms (as regards CEOs, Bourdieu & de Saint-Martin, 1978, and for a review of the literature Joly, 2007; on the French elites more generally Bourdieu, 1989). Our study confirms that the CEOs of the 21<sup>st</sup> century do not differ much from their predecessors and that a large minority comes from the administration, but it also puts forwards a different divide, that has been undermined by this

literature: that between financial and non-financial careers. Financiers have always been there, at least from the 1950s on. The growing importance of financial activities and logics within French firms has not spectacularly changed the structure of the French economic elite.

And yet, the stability of this structure does not imply that the careers of directors or top managers played no role in the process of financialisation. We indeed find that the dividend yield of each firm, which can be considered as a proxy of its orientation toward shareholder value, is significantly correlated with the presence of financial careers among its multipositioned directors and/or CEO (François & Lemercier, 2016; such a correlation did not exist in 1979). This correlation holds all other things being equal, whereas, for example, the type of shareholders or the position of the firm in the network of interlocking directorates have no independent effect. Financial careers (as defined below in “Data and methods”) therefore matter for financialisation in France: they seem to produce a specific “conception of control,” as defined by Fligstein (1990). According to him, conceptions of controls are shaped by careers, and in turn have an effect on the strategic choices of firms.

However, in order to make that point, we have to consider careers in much more detail than Fligstein did. He doesn't elaborate much on how he coded the background of his CEOs in order to assign them one conception of control (production, sales, or finance). This coding scheme has something to do with the department of the firm in which they worked before becoming CEOs, but those (sometimes a majority) who worked neither in production, nor in sales or finance, and those who went from one of these departments to another, are not discussed. Nor does Fligstein much consider the fact that many careers spanned several firms or even sectors. On the contrary, we have carefully reconstructed and taken into account such preliminary steps of the careers. This process, that is presented in the “Data and methods” section below, is key to our investigation of the – limited but significant – changes in financial careers since the 1950s and the – much more impressive and influential – changes in the associated conception of control.

Our first result is presented in the first part of this paper: whereas financial careers appear strongly associated, in the late 2000s, with the adoption of shareholder value, they do not, at first glance, represent a new path to the boards and CEO seats. Change in orientation toward shareholder value happened due to the *conversion* of a classically selected, trained and experienced elite, not to the *invasion* of a foreign, or more generally different, elite. The French story is therefore different from that told by Fligstein, 1990, and Zorn, 2004, about the rise of chief financial officers to the top of industrial US firms: the financiers, who happen to play a decisive role in the adoption of a new conception of control, are not very different from their predecessors of 30 or 50 years ago (see similarly Davoine & Ravasi, 2013, on a much smaller sample of French firms and shorter time span). It is also different from the revolution that happened in small European countries such as the Netherlands or Switzerland (Heemskerk, 2007, David et al., 2012), with the rise of a foreign or

international elite deserting the classical national career paths. It is after having travelled along the same career paths that the French financial elite apparently weighed in favor of shareholder value. In the second part of this paper, we zoom in on the careers of these financiers, in order to specify in which context of work this conversion is likely to have happened: we find possible loci of change in specific banks and in offices of the ministry of Finance, as well as in the financial departments.

#### Box 1: Sources

Our analysis originates with the firms listed in SBF120 in 2009, i.e., broadly speaking, those with the highest market capitalization (more precisely, those firms are chosen by Euronext among the 200 highest market capitalizations). We excluded the few firms that were not based in France from our calculations. For 1979 and 1956, we used historical reconstructions of an equivalent of SBF120 (provided by Euronext for 1979 and by Le Bris, 2001 for 1956). To list the CEOs and board members and gather basic information on firms, including the way they presented what they did, we used the following sources:

- for 2009: information provided by Euronext, complemented by the public reports of firms (found online in 2010) and *Guide*, 2011;
- for 1979 and 1956: a directory published for investors, *Annuaire Desfossés*, years 1980 and 1957.

We coded our firms as financial or non-financial on the basis of the object of the company as presented in such sources, which leaves room for interpretation. Among financial firms, we included banks, insurance companies, investment companies, and those real estate companies that, as far as we could understand, derived more turnover from leasing than from renting or erecting buildings.

For each firm, we selected the CEO, or a reasonable equivalent for firms with a different structure of governance (in rare cases, more than one person had to be selected). In addition, we selected all members of at least two boards in SBF120. Our definition of boards and directors was very inclusive. We considered as board members the members of *conseils d'administration*, *conseils de surveillance*, and *conseils de censeurs*, as well as the 2 to 5 top members of the executive committee (mostly *directeurs généraux*), even when the source did not explicitly state that they were also members of boards.

We tried to gather information on more than 60 variables for the CEOs and multiple directors – the total number of persons in this population was 216 in 1956, when there was comparably little interlocking, 282 in 1979 and 283 in 2009 (the structure of interlocking directorates was very stable between the last two dates). We lack most information for ca. 110 cases in 1956 (a cohort we only use here to assess that, in spite of changes in historical context as well as in sources, careers still appear remarkably similar to later ones), but just 55 in 1979 (20%), and 25 in 2009 (less than 10%).

Some of our variables are positional, i.e. they describe the firms in which the person was a CEO and/or multiple director at the time of observation, and the position of this person in the network of interlocking directorates. The other variables are biographical: we looked for information mostly in *Who's who in France* (for 2010-2016; 1993-1994; 1979-1980; 1971-1972; 1957-1958) and additionally in other sources for those we had not found there (LesBiographies.com and *Guide*, 2011 for 2009; the World Biographical Index System and the online database Leonore, for 1956; exhaustive lists of graduates of the elite universities Polytechnique and Sciences Po were also used for all dates).

We defined as CFS (for “career in the financial sector”) those who had worked as employees (from low-level to CEO, but excluding mere board members and similar positions) in the financial sector before our

observation; some of them had also worked for non-financial firms. The financial sector was defined on the basis of the names of firms where the person was employed, firms being classified as explained above. There were 105 CFS in 2009 (37% of our population).

We defined as CFF (for “career including financial functions”) those who had worked in financial departments/functions, e.g. as chief financial officers, internal auditors, etc. There were 84 CFF in 2009 (30% of our population); some of them were also CFS.

More generally, we tried to identify all the functions held in firms before reaching the top executive level (that of *directeur général*); we classified them as production (engineering, R&D, etc.), marketing (sales, etc.), financial, as well as (in addition to the classification in Fligstein, 1990) legal, human resources, management of a plant (or bank agency, etc.), of a product line (or sector inside the firm), and of a geographical area (director for Europe, etc.). Consulting was also coded as a separate function and career step. Such a scheme produced several binary variables allowing us to define CFF, careers involving production functions, etc. It also produced an additive variable describing the number of different functions experienced before reaching the top of the firm: just one type (e.g. one or several positions related to production); two or more (e.g. several functions in marketing, then director for Europe, then top executive manager); none (e.g. coming from the administration to directly become a CEO); or “only general functions”. This fourth case describes careers in firms that begun not at the CEO level, but in the immediate environment of the CEO, e.g. as secretary of the board or personal adviser of the CEO.

Further details and descriptive statistics are given in François & Lemercier (2016). All the results that we present here are based on comparisons between dates, or between financial and non-financial careers, that are significant in terms of Chi2 at the 5% level. The idea of a main divide between CFS and others is based on specific multiple correspondence analysis (a version of the method that accommodates missing data: Le Roux & Rouanet, 2004).

## **Financial vs. non-financial careers: the main divide in the French economic elite**

Most of the studies on the French economic elite focus on CEOs and on industrial firms, and generally reconstruct variables on their background, as opposed to their early careers. They therefore undermine the most striking divide within our population of CEOs and multiple directors of industrial, commercial, and financial firms: that between non-financial and financial (which we call CFS) careers. Moreover, this is true for the 1956 and 1979 as well as the 2009 cohort, whereas secondary divides differ. Former officers of the ministry of Finance who afterwards worked in the financial sector were and are more similar to former managers of banks or insurance companies without any administrative or political experience than they are to the engineers in the State nobility.

Box 2: French elite educational institutions

A large proportion of our population is made of graduates of very specific French institutions called *grandes écoles*, i.e. elite “schools,” a higher education system in competition with universities, that includes both private and public institutions. In our population, the main ones are Sciences Po, a semi-private university which interdisciplinary curriculum focuses on law, economics and social sciences (created in the late 19th century to emulate the London School of Economics); ENA, the “national school for administration,” often entered after Sciences Po, that leads directly to the highest ranks of the administration; and Polytechnique, an elite scientific school in which the top graduates join the Ponts or Mines corps: groups of elite engineers who supervise e.g. energy, transportation, or urban planning for the administration.

Our CFS therefore include careers that begun either in the administration or in the private sector. What has so significantly distinguished CFS from other careers, from the 1950s to the 2000s? This divide has to do with social origins (those with CFS are more often Parisian-born, and their fathers had even more often elite occupations than others), education (in law, in Sciences Po, and/or more recently in economics, rather than in business or engineering schools), the type of administrative careers for those who had one, the type of entry-level positions in firms, and the position in the interlocking directorates network. When CFS passed through the administration, it was in a few specific departments of the ministry of Finance; they joined firms later than the engineers of the State nobility, in their forties rather than late twenties; and they worked more often in the personal staff of ministers, especially the Finance minister or the Prime Minister. As for early careers in firms, CFS, coming from the administration or otherwise, went straight to the top of firms more often than others, be it by a direct entry at the top executive level (from the administration or as heir to a family firm – possibly smaller than an SBF120 firm, of course) or by solely working around the CEO, as opposed to in a specific department of the firm.

A French or even “Latin” model of careers of top executives has sometimes been described (Davoine & Ravasi, 2013) as involving an important mobility both between firms and between functions in firms, esp. as contrasted to the German model. Managers would be “catapulted” from outside into firms, and easily move between functional departments. What we show is different: some French executives are indeed catapulted, but they reach the top directly, and it happens mostly in finance; multi-functional careers are a different story, they more often happen inside one firm and do not involve the financial sector. There have been some recent changes in this general pattern: our 2009 cohort, on average, exhibits more complex career paths than in the previous decades, probably produced by a new way to select and promote so called high-potential managers. For example, the former CEO of the cement producer Lafarge explained that he established “a secret, pre-established plan [to train future top executives]: 4 years in this operational department, 3 years in that far-away country, 2 years in the headquarters, 3 more years running a major subsidiary, and one day access to the executive committee.” (Lecerf, 1991, 55). Yet even in this new context, CFS remain simpler

than non-financial careers, and 32% of them still led directly to the top, or only went through the entourage of a CEO (as opposed to 16% among non-CFS). Those are the over-schooled, supposedly polyvalent “providential men” whom the same Lecerf advised to avoid: many of his colleagues apparently still praise them. On the contrary, the CEOs studied by Fligstein (1990, 280-7), apparently almost never had such straight-to-the-top trajectories (his « general » category, that is much broader than ours as it includes e.g. the direction of a plant, covers only 6 to 17% of his population in each period). The existence of a conception of control driven by such direct careers would deserve further investigations. A lack of experience inside a specific department of the firm, plus experience alongside the CEO and/or board (probably implying, in the recent years, frequent contacts with the main shareholders), is likely to encourage an orientation toward shareholder value. This divide between CFS and other careers is, up to a certain extent, the transposition, in the space of top managers, of the opposition between financial and non-financial firms. Yet CFS are not only found in the boards and CEO seats of banks, insurance or investment companies: their presence matters in large firms more generally. Indeed, one of their other peculiarities is the fact that they are sought after by non-financial companies, both as CEOs and as multiple board members (Table 1). In 2009, 18 out of the 103 non-financial firms of SB120 (as well as all the financial firms) had a CEO who had previously worked in finance.

Table 1: The financiers in boards

Cohort	% of CFS			% of non CFS		
	only sitting in boards of financial firms	sitting in boards of financial and non-financial firms	only sitting in boards of non-financial firms	only sitting in boards of financial firms	sitting in boards of financial and non-financial firms	only sitting in boards of non-financial firms
1979	28 %	49 %	23 %	6 %	21 %	48 %
2009	9 %	41 %	50 %	0 %	11 %	89 %

Note: “boards” include CEOs and members of executive committees.

Therefore, if we loosely define as “financialisation” the fact that “finance influences non-finance”, it could be argued that one of the important channels of this influence in contemporary France is movements from former managers of banks to CEO and multiple board positions in the largest industrial and commercial firms. This, however, was already very much true in 1979 (not in 1956), as shown in Table 1, and by the fact that, in 1979, 20 out of the 79 non-financial firms of SB120

also had a CEO who had previously worked in finance. This leads us to our main puzzle: if the careers in the French economic elite, and the preferences for such careers in the boards of the largest firms, changed so little between the late 1970s and the late 2000s, then how could they influence financialisation?

## **From the first to the second financialisation: loci of conversion**

In many ways, when 1979 is compared to 2009, similarities strike more than changes: now and then, we find the same divide between CFS and other careers, the same peculiarities of CFS, and the same tendency of non-financial firms to praise CFS in the choice of their CEOs and multiple directors. These similarities can seem surprising, since the 1950s-1970s, perhaps especially in France, are generally thought of as a time of industrial growth, admittedly with the beginning of a crisis in heavy industries in the 1970s, but certainly little independent influence of financial markets, or even of banks, that are often described as uniformly State-owned or closely controlled by the administration (see for example Coriat, 2008). Yet this narrative deserves an important qualification.

In many respects, a first financialisation can be considered to have happened in France from the 1950s to the 1970s. It was not based on market finance or shareholder value and therefore cannot be confused with the current one. It however involved the birth or quick expansion and diversification of very large financial firms, their higher than ever centrality in the network of interlocking directorates (the average degree centrality of financial firms was 7,5 in 1956, 11 in 1979 and 10,5 in 2009), and a much larger number of CFS in our 1979 cohort than in 2009. In fact, the very number of financial firms in SBF120 in 1979 is striking: 39, vs. just 12 in 2009. Thus, finance was already very much present and powerful in the late 1970s, and some of the central players in the contemporary financialisation were already among our sample of firms. Indeed, the financial firms that matter today are not young, whereas many in 1979 were less than 20 years old. For example, Eurazeo, one of the leading French investment funds, evolved from Eurafrance, already part of SBF120 in 1979, which in turn had been created by the partners in Lazard frères, a key non-listed merchant bank of the 1960s. Lazard frères was already 100 years old at that time and its partners still control Eurazeo today, together with Crédit Agricole.

However, stressing the similarities between 1979 and 2009 should not hide the differences between some of the features and (even more) causes of the first and the second financialisations. The financial firms were much more specialized in the late 1970s than thirty years later. They are less numerous in SBF120 in 2009, but much larger, since they have mostly absorbed specialized



finance, which thrived in independent companies (with interlocks or minority shareholdings by the main banks of the time) in 1979. Some of the characteristics of the first financialisation deeply differ from those of the second. Therefore, comparing the two helps to better describe the latter: not as a sudden intrusion of finance in an industrial and/or statist world (as in Coriat, 2008), but as a change in the shape and stated mission of financial firms, as well as in the objectives of financial and non-financial firms.

As for its causes, the first financialisation, *i.e.* the growth and growing influence on industry of some financial firms, can be related to specifically French roots. One of those can be found in the fiscal policy promoted by the French government, which aimed at favoring investment in building, hence the development of firms that specialized in the financing of the building industry, often in the dependence of large banks. Another cause of this first financialisation is the reconversion of old firms in financial activities: some colonial firms (*e.g.* Compagnie du Cambodge) reinvested the sums they got as compensation when they had to leave the French Empire, and became investment funds. The beginning of the crisis of heavy industries also prompted owners of capital to exit (sometimes selling their firm to the French State) and reinvest in portfolio firms (such as the companies controlled by the Wendel family). The first financialisation thus had very French causes. They did no longer operate during the second financialisation. Still, this new process is not completely foreign to the history of the French elites. It has been imposed by people whose resumes generally look the same as their predecessors'; but they have adopted different ways of thinking about the aims of their firms. To make sense of this conversion, we could put forward a general atmosphere, something that would have convinced the actors through their readings, interactions with foreign executives, etc. This would however not explain why firms with more CFS and CFF in their boards offer higher dividend yields than others. By zooming in on our career data, we can be more specific about likely loci of conversion – perhaps those in which such readings and encounters mostly took place.

## Finance departments

If one first turns to the usual suspects that have been convened as hypothetical loci of conversion, it seems that neither changes in the education of the top managers and directors of French firms, nor their (temporary) migration can explain their conversion to financial logics. The conversion of the French economic elite is not likely to have happened during their education. There is no doubt that the curriculum of the main institutions where they have been trained (especially Sciences Po and ENA) changed a lot in the last decades (Kolopp, 2013), but our population was not exposed to this change: we are talking here about people who were born in the 1930s and 1940s, and whose

education took place between 1950 and 1975, *i.e.* during the first financialisation, at a time when the elite French schools taught keynesianism and the prominence of the general interest. The shift in the strategies of French firms did not come from abroad either. More precisely, if it came from the adoption of foreign ideas, this did not happen because of the weight of foreign shareholders, which remain a minority (François & Lemerrier, 2016), or that of foreign top executives or multiple directors: a mere 8% of our 2009 cohort was born out of France, and less than 20% of CFS (interestingly, even less than for non-financial careers) included a span abroad.

Another classical way to explain the rise of shareholder value, the growing importance of financial functions in the career of those who run firms, deserves further attention. We have not yet come back to our CFF, but their increased frequency is the main change in our database between the first and second financialisations. Of course, there were internal auditors and chief financial officers before, but they rarely became CEOs or multiple directors. We find 5% at most of CFF in 1956. There were 14% in 1979, but they were mostly found in the specific, arguably non-central position of representing the same firm (often an insurance company) in the seat specifically assigned to this company in several boards. They were managers, but not top executives of their own firms, interlockers by accident, so to speak, not specifically sought for by the receiving firm but mere representatives of a shareholder.

On the contrary, 30% of our 2009 cohort has held financial functions. Among those 84 persons, 57 were chief financial officers; 27 worked as internal auditors, in the management control or accountancy department, and 32 were financial analysts, or in charge of mergers, participations, etc. (many went through several of those functions). They entered such position at extremely different moments, from 1962 to 2008 (for 70%, between 1975 and 1993). What we are considering here is thus not a precise moment of conversion; it is rather a specific type of function that is likely to induce a specific view of firms (Fligstein, 1990). As the aforementioned former CEO of Lafarge stated (regretfully), “the top executive of 1992 has to be comfortable with finance, and it is a big difference with that of before 1970”, who could be content with having a financial department specialize in such matters. Such a change was required because executive committees had to take part in maintaining good relationships with shareholders and in public debates about the firm's performance (Lecerf, 1991, 62). Indeed, the CEO of Lafarge in 2009 (also a director of the electricity company EDF), Bruno Lafont, had entered the firm as an internal auditor in 1983 (after one year in the ministry of Finance). He was the son of a doctor, born in the wealthy suburbs of Paris, and had graduated both from ENA and a prestigious business school. He then climbed to the top not only through the function of CFO, but also, in perfect echo to Lecerf's “secret plan”, after having run subsidiaries and the Turkish branch of Lafarge.

However, what is striking in the French case, and differs from Fligstein's thesis that CFF may be

considered as vehicles of a new financial, as opposed to a productive or commercial view of the firm, is that financial functions come as a *complement*, not an *alternative* to almost all the previously existing career paths. We find people having held financial functions even among CFS (although in smaller numbers, because many of the latter still were promoted straight to the top); among the State nobility as well as in purely private careers; and many of them also held positions related to production or sales. Three quarters of SBF120 firms now have at least one CFF in their board, and this, as well as the presence of CFS, seems to influence their orientation toward shareholder value. Yet those CFF have very little else in common; they come a bit more often from business schools than non-CFF and have had a little more experience working abroad for foreign firms, but even those features only describes 20 to 25% of them. What we find here is therefore not a new profile, but a new addition to some careers in all the old profiles. Yet it is likely that this type of now required experience shaped attitudes toward shareholder value, and the firm more generally. As in the US, financial departments have probably been one important locus of conversion; but this conversion shaped values more than careers themselves.

### **For the State nobility: the ministry of Finance**

Finally, whereas the early career profiles of CFS changed very little, we can document some changes in the exact organizations that employed them, in order to discover likely loci of conversion.

While the rise in numbers and positions of CFF is the single important change in our career data from 1979 to 2009, what conversely changed the least is the profile of those CFS who first worked in the administration. They graduated from ENA, worked in the ministry of Finance, especially as inspectors (N=16 among CFS in our 2009 cohorts) and/or in the departments of Treasury (N=14) or Budget (N=6). Many of them spent some time working in the personal staff of the Finance minister (or one of his under-Secretaries, or the Prime Minister, or the President; N=32). They then often directly or almost directly became CEOs of a firm, frequently a State-owned or formerly State-owned company, before moving to the private sector proper. As we have seen, they had been trained long before the curriculum of ENA included a socialization to the new rules of finance: their conversion must have happened after their graduation. Gérard Mestrallet is a good example of such a career, virtually indistinguishable in its general shape from similar ones in the early 20<sup>th</sup> century (François & Lemercier, 2014). The Parisian son of a “merchant”, he typically graduated from Sciences Po and ENA (less typically, also from Polytechnique), worked in the Treasury Department in 1978-1982, then in the staff of minister of Finance Jacques Delors at the time when the socialist government first envisioned turning to financial markets for the public debt. Then he directly joined

Suez, was soon in charge of industrial affairs among the top executives, and became the CEO in 1995. He had the firm focus its business on utilities, but used various financial techniques to do so. At the end of the 2000s, he was the chair of Paris Europlace, an organization aiming at the promotion of the French financial markets – as well as the CEO of Suez Environnement and a board member of GDF Suez and Saint-Gobain.

Along with Mestrallet and Gilles Benoist, whom we will shortly meet, no less than three other CEOs and/or multiple directors in our 2009 cohorts, Paul Hermelin, Philippe Lagayette and Charles-Henri Filippi, had been part of Delors's staff. Four additional top executives of the late 2000s had worked for Delors' under-Secretaries (e.g. Laurent Fabius, in charge of Budget) during the same key years, in 1981-4. Lemoine (2016) gave a precise account of this period when the socialist government decided that financing the public debt on the international financial markets was the only possible option – and that the largest French firms should also resort to market finance rather than banks. The fact that this period was a turning point could explain the surprising weight of its veterans at the top of the largest French firms, 25 years after.

In fact, conversions also happened before and after the Delors period in the ministry of Finance, and more precisely in its Treasury department. Lemoine's study also documents this point, making sense of the careers of our CFS who worked in the Treasury in the 1970s or 1990s. This department has been key to the diffusion of the idea that financial markets are legitimately essential for the economy. As early as the late 1960s, the Treasury, which played a central role in the regulatory, bank-based French economic policy of the time, had begun to question the rationale of such a policy. By the late 1970s, the men in charge there were convinced that changes had to occur. When they eventually convinced the socialist government, they presented their thesis as a technical requirement, not a matter for political debate. Daniel Lebègue is an emblematic case here. An advisor of Prime Minister Pierre Mauroy in 1981-4, he was not a socialist: he had worked in the Treasury department since 1969. He left the administration in 1987, at 44, to directly reach the top of the bank BNP. In 2009, he was a member of the boards of Scor and Technip. In interviews with Lemoine, he stressed the fear of the early 1980s: France was at risk of being humiliated by the IMF or by lenders in the Gulf countries. There was a “Treasury thesis” on this problem of the public debt and on the virtues of financial markets generally; it was independent of personal political preferences and spanned the decades before and after the turning point. What we find is that French firms of the 2000s, when they exhibit an interest for former public officers as CEOs or multiple board members, very much draw from this pool.

In addition to the ministry of Finance itself, a likely locus of conversion is *Caisse des dépôts et consignations*, a State-owned financial institution closely connected to the ministry, that is supposed to help cities, departments and regions in their investments. In the 1980s, it also had to rapidly adapt

to the rules of the financial markets. 12 of our CFS worked there (9 were part of the French nobility, 3 were not): no other single firm employed as many people in our cohort. Gilles Benoist, for example, the son of a “top manager of a corporation,” was born in Paris, graduated from Sciences Po and ENA and worked for the ministry of Internal Affairs, then became the chief of staff of Jacques Delors. He afterward joined the *Caisse*, where he worked for eleven years. At that time, the *Caisse* faced the opening of competition in the banking sector and the “big bang” of financial markets in France: it had to adopt new strategies of investment, and chose to accompany the changes occurring at the time in the financial markets (Lavigne, 1991), for example by contributing to decompartmentalize their segments. In 2009, Gilles Benoist was the CEO of an insurance company and sat in the board of Suez.

### **For the private careers: from commercial to merchant banks**

Few non-State nobility careers in our sample begun at the *Caisse*. Where, then, did the conversion take place for those? In our 1979 cohort, the most common trajectory went through private, commercial banks, especially but not only Suez and Paribas, which neither specialized in merchant banking nor directly provided retail banking. Among 147 CFS in our 1979 cohort, 66 worked for this type of banks. They had established relationships with industrial firms akin to what is generally described as “the Rhineland model” (Lamard & Stoskopf, 2015): long-term, close partnerships including loans, the buying of a substantive amount of capital, multiple shared directors and an influence on industrial strategies. The case of Philippe Malet provides a good example. Born in 1925, the son of a member of the *Ponts corps*, he graduated from Polytechnique and entered the even more prestigious *Mines corps*. After working in the ministry of Industry and in the staff of President de Gaulle, he joined Suez in 1963. There, he was in charge of the relationships with industrial companies Suez invested in. He became closely involved in the strategies of many industrial firms: Compagnie des Mines de Huaron, Compagnie de Mokta, Société Lille-Bonnières et Colombes, Compagnie des Salins du Midi, Compagnie Lyonnaise des eaux, etc. In 1979, he sat on more boards than anyone else in SBF120 firms.

The typical CFS career paths in our 2009 cohort, while they have the same general shape, went through quite different financial firms. Merchant banks appear much more often than in 1979 (25% of the 2009 CFS worked there, as compared to 12% of the 1979 CFS). It is especially the case of Lazard and Rothschild, two banks that were still partnerships when our future CEOs and directors worked there. As much as the *Caisse des dépôts*, they are very likely loci of conversion to shareholder value, and to market finance more generally: 10 of our CFS worked for Lazard, and 10 for Rothschild. Lazard has been, for a long time, at the heart of financial innovation: as soon as the

early 1950s, André Meyer, one of the main New York partners of Lazard, sat up a structure that contributed to define the business model of modern investment funds (Reich, 1986). At the same time, the New York branch of Lazard developed the business of consulting in mergers and acquisitions, such as the buying of Jennings Radio by ITT in 1961, helping to build the large conglomerates that flourished in the 1960s in the USA. Lazard New York was also one of the most aggressive firms in reactivating the policy of hostile takeovers in the beginning of the 1960s. After the Second World War, all these financial practices had been invented or reactivated in the US, but they were well known by Parisian partners, who often spent months in New York to complete their education on the field. One of the first hostile takeovers launched by Lazard in 1964, that on Franco-Wyoming, was appraised by Michel David-Weill, who later became the head of Lazard. The Parisian heir of a Lazard partner and a graduate from the French high school in New York, then Sciences Po, he had joined the firm at 29, already as a junior partner. In 2009, he was member of the boards of Danone (food) and Eurazeo (finance).

However, such innovations were not easily adopted in France, at least in the first decades that followed. The hostile takeover of Antoine Riboux's BSN, advised by Lazard (together with Paribas and Neuflyze), against Saint-Gobain, failed in 1969 because of the opposition of other major Parisian financial institutions (Orange, 2006). It is only later that such techniques were legitimized, and taught to new firms by those who had (re)conceived them in the 1960s. For example, Antoine Bernheim was one of the main advisers of Bernard Arnault in his conquest of Boussac, in the early 1980s, and of LVMH a few years later. He was also one of the only members of both our cohorts. The son of a Parisian lawyer, he studied science, then law at the University and, at 30, became a partner in a real estate firm belonging to his family, before working for Lazard, then for an insurance company. In 1979, he sat at the boards of the retail chain Euromarché, the investment fund Eurafrance and the real estate company Sefimeg; in 2009, at 80, he was still a director of the financial firms Bolloré and Eurazeo and the non-financial firms LVMH (luxury), Havas (media) and Ciments français (cement).

Like the careers of those two heirs, most of our CFS including a span at Lazard were purely private. Rothschild, however, offered a slightly different path, from the most prestigious parts of the State nobility (and often ministerial offices) through a merchant bank to the top of financial and non-financial firms. For example, Nicolas Bazire, a graduate of ENA, was the chief of staff of Prime Minister Édouard Balladur; he joined Rothschild when Balladur lost the presidential election in 1995. Four years later, he became the managing director of LVMH, in charge of the mergers and acquisitions. In 2009, he sat in the boards of Carrefour (retailing), Suez Environnement, LVMH and Atos Origin (digital media). Just like the *Caisse*, Lazard and Rothschild are two of the main places where financiers were socialized to the new conception of control that now dominates the firms

they run.

## Conclusion

The financialisation of French firms and the careers of their top managers and directors are causally related in an asymmetric way. The financialisation of firms did not disrupt the main career paths and internal divides of the French economic elite. The differences between the social properties of financiers and those of non-financiers have structured the field of the economic elite for decades, arguably in a much stronger way than divides usually underlined in the literature. This enduring divide has not been significantly modified by the adoption of the shareholder value. The relationship goes very much the other way around, since the financialisation seems to have been brought about by the conversion of old financiers to new techniques. Therefore, the French story is very different from the US trajectory as drawn by Zorn (2004): if a new conception of control came to be adopted, it is not because those who went through a new financial function eventually succeeded in reaching the top of the firms. It is because some financiers whose biographies look very much like those of 25 or even 50 years earlier converted to new ways of doing business, then imposed them on firms when they reached the top of their careers. Our careful observation of careers helps to identify the loci of their conversion. It did not happen because they were trained in different ways, or because they went abroad, but in specific places and times: the French ministry of Finance in the early and mid-1980s, the *Caisse des dépôts et consignations* when the public bank had to learn and shape new rules of the game, Lazard and Rothschild when the financial techniques (re)invented in the US in the 1960s were imported in the 1980s. Of course, conversions also happened elsewhere, but those organizations were certainly the main incubators of the new conception of control.