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The phantom of Palais Brongniart: economic patriotism and the Paris Stock Exchange

Helen Callaghan and Paul Lagneau-Ymonet

ABSTRACT France is famous for promoting national champions, notably by preventing foreign takeovers, but in 2005–2006, the French government allowed the New York Stock Exchange to take control of Euronext, a French-led pan-European company that includes the Paris Bourse. By mapping the public discourse surrounding this striking case of non-intervention, we explain why opponents of the transatlantic merger failed in their appeals to ‘economic patriotism’. Discursive strategies designed to justify discrimination against territorially defined outsiders ran into several hurdles, including weak patriotic sentiments for the company concerned; a lack of patriotic alternatives to the proposed merger; and the questionable patriotic credentials of those demanding intervention. Our findings advance research on demand side of ‘economic patriotism’, including its discursive dimension. Beyond that, they inform research on business–government relations, and on the political implications of corporate ownership structures.

KEY WORDS Demutualization; discourse; Euronext; France; NYSE; ownership structure.

1. INTRODUCTION

The Paris Stock Exchange – located, until the 1990s, at Palais Brongniart in the Opera district of the French capital – has over the past three decades changed in ways that seem difficult to reconcile with the *dirigiste* image of French governments. In 2006, after successive cross-border mergers, this former symbol of national economic sovereignty became a subsidiary of the New York Stock Exchange (NYSE). Four years later, Euronext Paris and other continental European members of the now American-run group experienced significant downsizing and the relocation to London of crucial IT infrastructures and activities.¹ At the time of writing, in March 2011, NYSE-Euronext is confronted with competing takeover offers from Deutsche Börse and Nasdaq/ICE. If either of these deals goes through, Paris will suffer a further loss of influence.

The relative weakness of political efforts to prevent the Paris stock exchange from falling into foreign hands is surprising, for several reasons. The cross-border merger took place in a country with a long-standing record of transatlantic defiance and of political intervention in the market for corporate control; it

coincided with heavy-handed attempts to prevent cross-border mergers in other sectors of the French economy; it concerned a sector that is arguably of high economic and political significance and with regard to which the French government has formal legal instruments of intervention at its disposal. Why did the same government that took legislative action to prevent a rumoured takeover of Danone by PepsiCo allow NYSE to gain control of Euronext?

By mapping the public discourse surrounding this striking case of non-intervention, we explain why opponents of the transatlantic merger failed in their appeals to 'economic patriotism'. Discursive strategies designed to justify political discrimination against territorially defined outsiders ran into several hurdles. Patriotic sentiments were difficult to mobilize for a company as perceivedly 'Anglo-Saxon' as Euronext; the patriotic credentials of key opponents to the merger were weak, because many of them had prepared the ground by profitably selling their shares abroad; and instead of a patriotic alternative, 'imperialist' advances by Deutsche Börse were seen as a likely outcome of failure to merge with NYSE.

Our contribution advances research on economic patriotism by helping to explain *when* governments choose to discriminate in favour of territorially defined insiders. While the heuristic provided by Clift and Woll (2012) usefully distinguishes different levels (supranational, national, local), ideological affinities (liberal or conservative) and policy objectives (favouring insiders or resistance to outsiders) of economic patriotism, it does not offer clear predictions as to *when* politicians choose to privilege territorially defined groups. The other case studies assembled in this collection do not provide sufficient leverage on this question, because they focus on instances of economic patriotism in a variety of different contexts, while neglecting cases in which political action was conspicuously absent.

We maintain that understanding variation in the supply of territorially based discrimination requires looking beyond state action to the *demand side* of economic patriotism, including its discursive dimension. As Pepper Culpepper (2011) has recently shown, economic policy-making is significantly shaped by the amount of media attention devoted to the issue in question. Put bluntly, 'business power goes down as political salience goes up' (Culpepper 2011: 177), because business groups have tools and resources that allow them to dominate fights in low-salience domains. However, 'quiet politics' is difficult to engineer. Given the distributional consequences of economic policy-making, there are always some people, both within and outside the business community, who have an interest in raising the salience level in order to rally the broader public behind their cause. Broad mobilization requires framing demands in terms of some widely shared 'public interest'. Appeals to patriotic sentiments are frequently employed, presumably because such sentiments are widespread and easily tapped without need for complex technical argumentation. Economic patriotism, in other words, is a discursive strategy as much as an objective concept.

By identifying limitations to this discursive strategy, our case study contributes to explaining why governments sometimes refrain from pursuing the

kind of state action classified by Clift and Woll (2012). Whereas their approach is implicitly based on a narrow policy-maker focused rationality ('Will this policy win me electoral support'), we argue that policy-making, especially economic policy, is a broader path-generation process (Djelic and Quack 2007) which is shaped over time by a plurality of demands coming from stakeholders and constituents. We share the assumption that vote-seeking politicians need to act on high profile issues. However, we go one step further by noting that the salience level of any given policy measure is discursively engineered. Our contribution lies in identifying factors that determine whether those interested in political intervention succeed in raising the salience of the issue by framing it as a matter of economic patriotism. As a single case study of a 'dog that did not bark', our contribution cannot pretend to engage in rigorous hypothesis-testing. Nevertheless, it offers a first cut at filling a research gap recently identified by Vivien Schmidt, namely to move beyond asserting that discourse matters, by exploring empirically when, where and why it matters— and when it does not (cf. Schmidt 2010: 21).

Our empirical evidence derives from newspapers, interviews and participant observation. Eighty volumes of newspaper articles compiled by Euronext Paris between 2000 and 2007 served as our main source of press coverage. Twelve interviews held between 2006 and 2010 with prominent figures of the Paris financial centre (see Appendix) provided background information. Beyond that, one of the authors had the opportunity to witness the in-house dynamics of Euronext at first hand, through his position as an assistant to the Euronext director of international affairs in Paris from October 2001 until August 2002, and as an assistant to the Euronext director of European affairs in Brussels from August to November 2003.

We will proceed as follows. Section 2 justifies the case selection. Section 3 maps the preferences and discursive strategies of key French stakeholders concerning political intervention in the NYSE/Euronext merger. We conclude with suggestions for further research.

2. THE SURPRISING ABSENCE OF TERRITORIALY BASED DISCRIMINATION

Our study supplements the other contributions to this collection by examining a case in which political action was conspicuously absent. The merger of Euronext with NYSE lends itself well because, *a priori*, there were strong reasons to expect political intervention. First, research on the geography of financial markets suggests that the location of stock markets has economic, regulatory and political implications. Economically, spatial proximity of issuers, investment banks, financial analysts, the stock exchange(s), asset managers and investors enhances the exchange of both formal and informal information and offers valuable network externalities. These benefits are said to explain why, contrary to predictions that information technology would spell the 'end of geography' (O'Brien 1992), financial activities remain highly concentrated in a few financial centres

(Sassen 2005; Tadjeddine and Capelle-Blancard 2009). The same benefits are also cited as a reason for the persistently strong so-called 'home bias' in investment decisions: investors tend to hold, trade and obtain superior returns from securities issued by companies that are 'familiar' to them (Wójcik 2009). From a supervisory point of view, stock market location matters because governments and regulatory authorities have only limited influence outside their own jurisdiction. Stock market regulation affects the market for corporate control, corporate governance, the protection of investors and financial regulation at large. The transfer of regulatory power over these matters to foreign institutions therefore implies a weakening of economic governance at the national level. Politically, nations throughout the history of capitalism have used the size and might of their financial centres as resources in the contest for geopolitical leadership (Cassis 2006; Ferguson 2001; Weber 2000 [1894]). Even the rapid expansion, since the launch of the Euromarkets in the 1960s, of cross-border financial transactions outside incumbent exchanges was originally promoted by the United States (US) and the British governments to secure their financial supremacy at that time (Helleiner 1994).

Second, the weakness of political efforts to prevent foreign control of the stock market coincided with a string of high-profile interventions against attempted foreign takeovers of other French companies. Building on a long tradition of *dirigisme* (Shonfield 1965; Zysman 1983), the French government lived up to its reputation as the champion of national champions by intervening in bids for the oil company Elf by its Italian rival ENI in 1999, for the pharmaceutical company Aventis by Switzerland's Novartis in 2003 and by forestalling suspected bids for Danone and for the Suez conglomerate in 2005–2006. In the same year, the government also drafted a new decree granting itself a right to veto or impose conditions on foreign takeovers of French firms in 11 sectors² which it declared strategic and ordered the state-owned Caisse des Dépôts et Consignations to increase its investment in French equities.

Third, in contrast to the case of Danone, which triggered new legislation, a legal basis for intervention was already available to policy-makers. The French subsidiary of Euronext, which operates the Paris Stock Exchange, has a hybrid legal status: it is not an ordinary private company but a specialized financial institution (*institution financière spécialisée*). As such, Euronext Paris is governed by French banking legislation, including the French Banking Act as amended and codified in the French Monetary and Financial Code. It is therefore subject to supervision by the Financial Markets Authority (*Autorité des Marchés Financiers*) and the Banking Commission – *Commission Bancaire* – which became the Prudential Control Authority in March 2010. The French administration can nominate a commissioner to the board of Euronext Paris to ensure implementation of the 'permanent public-interest mission' entrusted to the company by law.

Fourth, judging by their public objections to a transatlantic merger with NYSE, influential French policy-makers at the supranational, national and regional level were not indifferent to the fate of Euronext. At the European

level, Jean-Claude Trichet, president of the European Central Bank and a former French civil servant, warned that a transatlantic merger might weaken EU monetary policy.³ Pervenche Bères, French Socialist Member of the European Parliament (MEP), demanded that the European Commission intervene to 'protect the public interest'.⁴ At the national level, President Jacques Chirac said that he preferred a merger with Deutsche Börse 'for reasons of principle'.⁵ Jean Arthuis, president of the Finance Commission in the French Senate, and French head of the *Deutsch-Französische Freundschaftsgruppen der Parlamente*, demanded that 'the [French] government, the German government and other European governments pull themselves together and press for the creation of a pan-European stock exchange'.⁶ The Parti Socialiste let it be known that it was 'completely opposed to the merger'.⁷ Pierre Moscovici, international affairs spokesman for the Socialist Party (Parti Socialiste, PS) and Jean-Pierre Jouyet, Secretary of State for European Affairs at the time of the merger and chairman of the Financial Markets Authority since December 2008, declared *ex post* that they would have preferred a European solution.⁸ At the local level, Jean-Paul Huchon, head of the Paris area regional assembly (Région Ile de France), regarded the transatlantic merger as a 'bad signal'.⁹

Despite these widespread reservations, and in contrast to simultaneous intervention in other cross-border mergers, French policy-makers chose not to use the full repertoire of legal and political tools to prevent NYSE from acquiring Euronext. Instead, both the French Financial Markets Authority and the French government remained neutral on the ownership question: provided that the operator of the exchange complied with the legal requirements and governance amendments to assure formal equilibrium between European and American members of its board, the capital structure of the exchange would not matter. The French chief regulator, Michel Prada, and his peers from the United Kingdom (UK), Belgium, the Netherlands and Portugal co-operated with their counterparts from the US Securities Exchange Commission to solve legal technicalities of the proposed merger. Thierry Breton, the French finance minister, successfully pushed for a formally equal governance structure, but he repeatedly insisted that, while customers and employees would be consulted, the ultimate decision on the merger lay with shareholders.¹⁰

3. DEMAND FOR AND OPPOSITION TO GOVERNMENT INTERVENTION

A look at the demand for government intervention in the NYSE/Euronext merger shows French business élites highly mobilized and deeply divided on the issue – possibly because the ownership composition of the stock exchange and its strategy could affect a larger part of the corporate community than that of companies in the industrial sector. While the main beneficiaries of intervention against a foreign takeover of industrial companies (management and employees of the companies concerned) usually have higher stakes than their opponents (free-market ideologues and minority shareholders), the NYSE/

Euronext merger pitched Euronext management against Euronext users (that is, French issuers and financial intermediaries), all of whom had material interests at stake.

Top managers of Euronext wanted the merger to go through. Accordingly, they repeatedly insisted that theirs was a private company. As early as 2001, Euronext Chief Executive Officer (CEO) Jean-François Theodore presented demutualized stock exchanges as ‘an industry like any other’ and warned against ‘speak[ing] of alliances as if we are diplomats’.¹¹ The same view was promoted by influential French economists, including members of the prime minister’s Council of Economic Advisors (*Conseil d’analyse économique*). Some of the most vocal economists in the debate, including Bertrand Jacquillat (professor at Sciences Po Paris, chairman and CEO of the financial consultancy *Associés en Finance*) and Christian Saint-Etienne (professor at the University of Tours, lobbyist at Schell et Associés), were simultaneously members of the *Cercle des économistes*, a prominent French think tank, partially subsidized by Euronext.¹²

By contrast, many issuers and financial intermediaries, including former owners of the Paris Stock Exchange, opposed the transatlantic merger. Gérard de La Martinière, head of the powerful French federation of insurance companies and spokesman for the *Mouvement des Entreprises de France* (MEDEF), the French peak business federation, pleaded for ‘European connections that would allow us to enlarge the capital pool while remaining in our own zone of monetary activity’.¹³ The European Association of Listed Companies, chaired by Alain Joly, CEO of the French blue chip *Air Liquide*, complained that ‘[t]he proposed governance structure that puts NYSE in control, gives no assurance in the long run as to the preservation of the interests of European issuers’.¹⁴ Claude Bébéar, supervisory board president of AXA and a leading figure of French capitalism, objected to demutualized stock exchanges *per se* and wanted them to be kept under the control of their users, at least through a shareholding pact. Michel Pébereau, supervisory board president of BNP and arguably the most powerful banker in France (Jabko and Massoc 2011) worried that a transatlantic move would dilute the influence of his bank more severely than would consolidation at the continental European level. A high-profile study of NYSE’s and Deutsche Börse’s takeover offers, commissioned by Paris Europlace, a public–private association charged with promoting the Paris financial centre, and conducted by Henri Lachmann, CEO of Schneider Electric, concluded that ‘the transatlantic acquisition is not in the best interest of the European market place’.¹⁵

Apart from lobbying behind the scenes, some of the business leaders opposing the merger openly demanded state intervention. Gérard de La Martinière wanted the French government to ‘bang its fist on the table’.¹⁶ Axel Miller, CEO of the Franco-Belgian bank Dexia, complained after the merger that ‘the finance ministers should have taken care of this matter ... The stock exchange is a vital instrument for growth and employment, and for the market economy at large. The failure to preserve it reveals the current political

void.¹⁷ Their policy preferences intriguingly resembled those of the Socialist Party, which called on the government to ‘immediately take ... responsible action by opposing the merger in such a way that economic patriotism, be it French or European, does not remain a mere slogan’.¹⁸ Interestingly, perhaps for the reasons identified below, the Socialists refrained from repeating this line of attack in the run-up to the presidential elections.

The following section explains why opponents of the transatlantic merger failed to build up political pressure for intervention, despite a political climate that – in the run-up to the 2007 presidential elections – was highly receptive to appeals to economic patriotism.

4. THE DISCURSIVE LIMITATIONS OF ‘ECONOMIC PATRIOTISM’

Several discursive hurdles prevented successful instrumentalization of the economic patriotism discourse by opponents of the merger. First, patriotic sentiments among the electorate were difficult to mobilize for a company as foreign and removed from people’s lives as Euronext. Unlike consumer products such as yoghurt and cars, financial services do not lend themselves well to the kind of emotional attachment prone to stirring patriotic sentiments, especially since they can be construed as elements of ‘Anglo-American style capitalism’, even when the providers are French. In addition, the number of French jobs at stake was small. In 2006, the Paris branch of Euronext – the largest within the company – employed fewer than 400 people, mostly in positions that failed to spark feelings of solidarity in the average French worker. Moreover, direct and indirect shareholdings are still relatively scarce in France, where an extended public welfare state provides retirement pensions through taxation, contributions and intergenerational redistribution, rather than through individual capitalization and private savings (Montagne 2006).

Second, a convincing ‘patriotic’ alternative to the transatlantic merger was not available. In other recent cases of government intervention, blockage of a cross-border merger typically resulted either in the French company remaining independent, or in a Franco-French alliance. In the case of Euronext, failure to merge with NYSE was widely expected to result in a merger with Deutsche Börse. Proponents of intervention tried to overcome this discursive hurdle by appealing to ‘economic patriotism’ at the European level: Arthuis argued that ‘one year after the failure of the referendum on the [Lisbon] treaty ... this new project of allowing the pan-European stock exchange Euronext to fall under the control of the New York Stock Exchange is a woeful sign and a confession of European abandonment’.¹⁹ Ernest-Antoine Seillière, then president of the European employer federation UNICE (now called BUSINESSSEUROPE) warned that, ‘[i]f the Americans become masters of our financial market, then this is a severe defeat for our European project’.²⁰ Lachmann found it ‘essential that we continue to build Europe, and the Europe of stock markets should take priority over the acquisition of Euronext by the

NYSE'.²¹ French conservative Member of Parliament Jacques Myard (Union pour un Mouvement Populaire, UMP), known for his vocal support for industrial policy at the national and EU levels, saw the NYSE/Euronext merger as 'further proof of the vassalization of Europe by the United States'.²²

The resonance of appeals to economic patriotism at the European level suffered not only from the weakness of a European identity in general, but from distrust of 'imperialist' Germany in particular. This allowed opponents of intervention to neutralize such appeals by presenting the choice between NYSE and Deutsche Börse as a choice between the frying pan and the fire. According to Daniel Bouton, chairman and CEO of Société Générale, one of the two investment banks advising NYSE with Citigroup on the operation, Frankfurt was trying to 'strip Paris of its status as the main financial center on the continent, after having already obtained the seat of the European Central Bank six years earlier'.²³ Theodore had made the same point more subtly, by justifying his rejection of Deutsche Börse's merger offer on the grounds that '[t]heir vision of Europe was focused on Frankfurt ... whereas we are a 21st century company. We are represented in all our capital cities'.²⁴ In the same vein, Oliver Lefebvre, board member of Euronext and president of the Brussels Stock Exchange, insisted that '[t]he proposal by Deutsche Börse runs counter to the interests of the Eurozone ... By favoring such a merger, one would destroy the only cross-border example that works at present'.²⁵ Opponents of a Franco-German alliance drew ammunition from an off-hand comment by Kurt Viermetz, head of Deutsche Börse's supervisory board, who had boasted, in March 2006, that one could 'turn off the lights in the rest of Europe' if Euronext were to move to Frankfurt.²⁶ Tensions associated with previous French-German attempts to create European champions – including Sanofi-Aventis, Siemens/Alstom and earlier disappointments which turned into bitter competition between the Paris Stock Exchange and the Deutsche Börse, provided further grounds for scepticism.

Third, and perhaps most interestingly, questionable 'patriotic credentials' contributed to weakening the influence of those business leaders who called for intervention. Understanding the credibility problems afflicting financial intermediaries requires the following background knowledge about the demutualization process of the Paris Stock Exchange. Historically, most stock exchanges, including the Paris Bourse, were owned and controlled by their direct users, the stockbrokers. They were governed through a mutual structure, with member-owners contributing their time to governance and self-regulation. Profits were returned to member-owners in the form of lower access fees or other benefits. In recent years, many exchanges have changed their legal form and governance structure by separating ownership rights from membership rights – a process commonly referred to as demutualization. As a first step toward demutualization, most exchanges converted membership rights into common stock holdings, thus making members the legal owners of the corporation. After that, many exchanges went on to list their own securities on the stock market, thereby extending the possibility of ownership to outside investors

(Lee 2010). The French stock exchange, by then part of Euronext, went public in July 2001. At a time where strategic management was all about disinvestment in peripheral activities and financial consolidation in the wake of the dot-com bust, French financial intermediaries gradually sold their stakes in Euronext. They made good money²⁷ in return for ceding control of the exchange to international institutional investors, such as Fidelity, and activist hedge funds, including Harris Associates, Atticus and TCI.

Calls for state intervention in the name of economic patriotism by those who had sold their own means of protecting French interests sparked widespread resentment. Philippe Marini, rapporteur of the Finance Commission in the French Senate and a close ally of Jean-François Theodore, advised the historical shareholders to ‘stop complaining about a situation which they themselves ha[d] brought about’.²⁸ He observed that ‘[if] large French and European banks had kept their shares instead of walking away with their capital gains a little prematurely, Euronext could very well have pursued its development autonomously and continued to integrate further European exchanges into its federal structure’.²⁹ Even Jean Arthuis, president of the Finance Commission in the French Senate and a strong opponent of the NYSE/Euronext merger, scolded the banks for having betraying the public interest by realizing their capital gains. In his view, this was particularly unacceptable because ‘[i]f anyone should have an understanding of the general interest, it is the banks. After all, when they are confronted with difficulties that pose a risk for the financial system, it is the state which comes to their rescue’.³⁰ Henri Lachmann, author of the above-mentioned position paper by Paris Europlace, pointed out that ‘[t]he French banks sold their shares and recently had the chance to regain control by acquiring a large block of shares that had been placed on the market . . . Anyone who does not seize such an opportunity should not go around giving lessons on citizenship to others’.³¹

By contrast, French Euronext managers backing the merger enjoyed strong credibility because of their success in founding Euronext – which had transformed the quasi-public French, Belgian and Dutch exchanges into a highly profitable privatized multinational capable of rivalling the London and Frankfurt stock exchanges. The federally structured Euronext convinced many that cross-border stock market alliances could help Paris in its competition against London and Frankfurt – not least because its French CEO, Jean-François Theodore, was celebrated as a clever strategist in the international business press. In June 2002, the influential magazine *Institutional Investors* even gave him the front page with an explicit tribute, ‘Théodore [sic] Rex’. Theodore’s credibility with French Treasury officials was further aided by close network connections to top-tier civil servants. After graduating from the élite *École nationale d’administration*, Theodore had worked at the French Treasury from 1974 to 1989 before becoming chairman and CEO of the *Société des bourses françaises* and, from 2000, the head of Euronext. Likewise, his Belgian counterpart Olivier Lefebvre, president of the Brussels Stock Exchange (PhD in economics from the Université Catholique de Louvain, MBA from Cornell University) had worked

at the Belgian Finance Ministry until the mid-1990s, where he had contributed to the drafting and implementation of laws reforming the national financial sector.

Apart from the discursive hurdles spelled out above, opponents of the merger faced several additional difficulties. First, intervention conflicted with the neo-liberal paradigm which had guided financial sector policy-making in France and Europe since the 1980s. The decision not to intervene in the NYSE/Euronext merger coherently followed from earlier measures designed to enhance the international competitiveness of the French financial centre. First steps toward stock market demutualization were taken as early as 1984 with reforms authorizing commercial banks to branch out into investment banking (Feiertag 2005; Lordon 1997). In March 1988, universal banks, insurance companies and international brokerage houses were allowed to take control of the Paris Stock Exchange. The *Compagnie nationale des agents de change*, a hybrid organization controlled by a powerful guild of state-authorized officers under the direct supervision of the French Ministry of Finance, was dismantled and replaced by the corporation of French exchanges (*Société des Bourses Françaises* – SBF). In June 1999, the SBF absorbed the three other French market operators: the *Société du Nouveau Marché* dedicated to smaller companies; the *Marché à Terme International de France* (MATIF) and the *Marché des Options Négociables de Paris* (MONEP) for futures and options. In September 2000, the exchanges of Paris, Amsterdam and Brussels merged to form Euronext (Djelic and Lagneau-Ymonet 2009). When Euronext went public in 2001, policy-makers did not insist on a hard core (*noyau dur*) of European shareholders for Euronext, even though its management, unlike the historical shareholders, had recommended measures to ensure ownership stability.

Second, the French drive for financial sector competitiveness through liberalization was also in line with policies promoted by the European Commission. The latter aimed at the marginalization of direct state intervention in the ownership structure, governance or strategy of firms; integration of the European financial sector through competition; and co-ordination of conflicting interests through marketization (Mügge 2006). Underlying these policies was the conviction that financial market integration was more likely to result from enhanced competition between stock exchanges than from enhanced co-operation among fiercely competing stock exchanges. As Jabko (2006), Posner (2009) and Denord and Schwartz (2010) demonstrate at length, this conviction stemmed partly from the prior failure of efforts to link the main European financial markets by encouraging co-operation, and partly from a long-lasting ideological stance.

Third, party-strategic calculations meant that political leaders had strong incentives to prevent the NYSE/Euronext merger from turning into a central campaign issue in the upcoming presidential elections. The presidential candidate for the conservative party, Nicolas Sarkozy, sought to differentiate himself from the incumbent President Chirac and his archrival Prime Minister de Villepin by promising a '*rupture*' with the past. His aim was to appear as a fresh

figure despite coming from the ruling party and having served as Chirac's minister for five years. To achieve this, Sarkozy deliberately distanced himself – at least during the campaign – from Gaullist diplomatic and economic policies by embracing more neo-liberal positions and by displaying admiration for the United States and the Bush administration. Meanwhile, the Socialists also lacked incentives to exploit the NYSE/Euronext merger as a campaign issue. Their party had lost the 2002 election by failing to gain the expected support from working class voters (Lefebvre and Sawicki 2005). A campaign focus on the stock exchange was not deemed a promising remedy. Moreover, in the wake of the failed 2005 referendum on the European constitution, divisions within the Socialist party over the desirability of further European integration ran deep, and the promotion of Euronext as a 'European champion' was feared to further alienate left-wing voters.

Fourth, there were some grounds for believing that a merger with NYSE might be advantageous from the perspective of economic efficiency. Advocates of the merger promised synergies from adopting a common trading technology. They also presented stock market consolidation as an inevitable pre-emptive response to competitive pressures unleashed by the European Unions's (EU) Market in Financial Instruments Directive, which was implemented in November 2007 (Hautcoeur *et al.* 2010). Last but not least, Deutsche Börse was less attractive as a partner for Euronext, because its business model featured a silo structure which integrated the entire value chain (listing, trading, clearing, settlement and delivery), whereas Euronext mainly focused on trading activities. As a result of this divergence in business models, the market capitalization of Deutsche Börse exceeded the market capitalization of Euronext to an extent that made a 'merger of equals' unlikely.

However, the above aspects do not satisfactorily explain the government's reluctance to intervene. The economic efficiency arguments, in particular, were contested. Merging firms always promise synergies. Opponents of the merger questioned some of the figures and calculations presented by its advocates. Moreover, economic rationale is not the only driver of economic policy. There are ample examples of government efforts to rescue failing companies, and discursive appeals to economic patriotism aim precisely to divert attention away from strictly economic considerations. Given the strength of the 'economic patriotism' discourse at the time, and given the fact that there were also actors with material and strategic interests to prevent the merger, the question thus remains why economic patriotism failed to trump efficiency considerations in the case at hand. By identifying discursive hurdles, we contribute to explaining why opponents of the merger failed to frame their interests in ways that could persuade a broader political audience.

5. CONCLUSION

In sum, our contribution maps the public discourse surrounding the NYSE/Euronext merger to help explain why opponents of the transatlantic merger

failed in their appeals to ‘economic patriotism’. Discursive strategies designed to justify discrimination against territorially defined outsiders ran into several hurdles, including weak patriotic sentiments for the company concerned; a lack of patriotic alternatives to the proposed merger; and the questionable patriotic credentials of those demanding intervention.

Whether lower discursive hurdles would have allowed the build-up of sufficient political pressure to provoke stronger government intervention is impossible to ascertain. The French state is more than a mere arena for pluralist struggles among competing interests; rather, the decision not to prevent the NYSE/Euronext merger was consistent with a long-standing policy agenda of financial liberalization, and there is no counterfactual evidence. Whether French policy-makers opted to reduce their involvement in the stock exchange business because they genuinely believed in the regulatory efficiency of market forces once installed – a view widespread among EU technocrats, especially within the Internal Market Directorate – or because they failed to fully anticipate the consequences, is equally hard to establish. While most of them might have been fooled by the time-lag between the gradual sale of shares and the evident loss of French control over the exchange, some others (including the Finance Minister Thierry Breton, previously the CEO of Thomson and France Telecom, as well as the corporate lawyer Christine Lagarde, who was Secretary of Foreign Trade at the time of the merger) acted out of conviction. Alain Madelin, a neo-liberal former French Finance Minister, for example, found it ‘rather obvious that a stock market enterprise be quoted on the stock market’.³²

Nevertheless, given the political context, it is plausible that the lack of broad electoral mobilization afforded policy-makers greater freedom to pursue their preferred agenda than they would otherwise have had. Even in statist France, elected politicians are never completely autonomous, and the timing of the merger – in the aftermath of the failed 2005 referendum on the EU constitution and in the run-up to the 2007 presidential elections – provided strong incentives for bowing to electoral demands. The discursive hurdles identified above help explain why opponents of the merger failed to rally the public behind their calls for intervention.

Our contribution advances recent research on economic patriotism by identifying variables that help explain when governments choose to discriminate in favour of territorially defined insiders. To complement previous work on government action, we focus on the demand side – including the discursive dimension – of territorially based political intervention. By examining calls for political intervention and the rhetoric employed, we show that ‘noisy politics’ can be as difficult to engineer as the ‘quiet politics’ described by Culpepper (2011). To raise the salience of a specific policy issue to front-page news level, it does not suffice to simply tap into a general current of patriotic sentiments. Even in political environments as receptive to economic patriotism as France was in the year of the rumoured foreign takeover threat to Danone, the instrumentalization of populist sentiments faces limits.

By exploring these limits, our case study also draws attention to hitherto unexplored effects of territorial ambiguities on the viability of economic patriotism. Though contested, the assignment of a territoriality to internationally operating firms is a *prerequisite* for any political intervention. Demutualized stock exchanges have an ambiguous status as listed for-profit companies, on the one hand, and as trading platforms, on the other. As such, they can be portrayed either as national champions that are to be promoted wherever they choose to play, or as an essential part of the playing field that must be kept at home (or, by those opposing both kinds of political intervention, as ordinary private businesses that are best left alone). Where they are multinational enterprises, further ambiguities arise as to whether the local, the national or the European level is the appropriate territorial reference for appeals to economic patriotism. We show that, in the case of Euronext, such territorial ambiguities represented a discursive hurdle for the proponents of intervention.

The consolidation of the stock exchange industry in other parts of the world suggests that 'economic patriotism' is not a French specialty. For instance, in Australia, a country which is not commonly known for government intervention in corporate affairs, Singapore Exchange's takeover of the main Australian stock exchange in the autumn of 2010 sparked a political outcry and was eventually blocked by the Foreign Investment Review Board on 'national interest' grounds. Similarly, at the time of writing, in early 2011, the acquisition by the London Stock Exchange of TMX, which operates the Toronto and Montréal exchanges, remains subject to Canadian political approval. Regarding the battle over NYSE-Euronext between Nasdaq, *IntercontinentalExchange* (ICE) and Deutsche Börse, it remains to be seen whether the regional government of Land Hessen will permit the relocation of trading activities or whether it will exercise its considerable legal powers to ensure the preservation of local employment and of Frankfurt as a financial centre.

Further case studies of the political discourse surrounding other cross-border mergers in France and elsewhere would allow for a comparative assessment of the relationship between rhetoric, mobilization and political action across sectors and countries. Across sectors, the takeover of the partly French-owned steel giant Arcelor by its Indian-owned rival Mittal in 2006 would make for an especially interesting comparison, because it shares not just the timing but also the multinational structure of the target company with the NYSE/Euronext merger. Across countries, comparison with the failed 2006/2007 bid by Nasdaq for the London Stock Exchange would help determine whether financial sector companies, and stock exchanges in particular, inspire stronger 'patriotic sentiments' in Anglo-Saxon economies, including Australia, than they do in France. Comparison with Deutsche Börse, which still enjoys strong legal protections against the relocation of business units, would contribute to a better understanding of the interplay between the regional, national and European levels of public actions taken to amend the industrial outcomes of market competition.

Despite a likely increase in political tensions, especially after the recent financial crisis, the phantom of 'economic patriotism' that has long haunted the French financial centre – including the Palais Brongniart – seems unlikely to reappear any time soon. While the famously strong ties between political and economic élites that underpinned post-war French *dirigisme* persist, the significance of state intervention has profoundly changed since the 1980s. Our case study shows that, by the mid-2000s, élite networks notwithstanding, the French government's commitment to financial deregulation had become strong enough to withstand calls for discrimination in favour of any territorially defined insider. Whether this commitment will survive the recent financial crisis and the consolidation manoeuvres which are reshaping the stock exchange industry in Europe, North America and South-East Asia is a question that only time can answer.

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NOTES

- 1 NYSE-Euronext press release, July 15, 2010
- 2 Décret n° 2005-1739, December 30, 2005. After strong opposition from the European Commission, the version of the decree that was finally implemented applies only to defence-related industries and to gambling.
- 3 *Challenges*, 20 December 2006.
- 4 *Financial News*, 4 July 2006.
- 5 *The Independent*, 8 June 2006.
- 6 *Agence France-Press* (AFP), 19 June 2006.
- 7 AFP, 20 December 2006.
- 8 Question posed to Jean-Pierre Jouyet during a talk at Institut Droît Dauphine (IDD) in Paris, 21 October 2009.
- 9 *La Chaîne Info* (LCI), 9 June 2006.
- 10 *Entreprise et Marché*, 5 July 2006.
- 11 *Business Week*, 11 June 2001.
- 12 In January 2007, Jacques Hamon, Bertrand Jacquillat and Christian Saint-Etienne released a report on *Global Stock Exchange Consolidation* to the prime minister,

- which portrayed stock exchange consolidation as inevitable and supported the tie-up between Euronext and NYSE.
- 13 Reuters, 9 November 2006.
 - 14 Bloomberg News, 11 October 2006.
 - 15 *The Wall Street Journal Europe*, 6 October 2006.
 - 16 Reuters, 9 November 2006.
 - 17 *Les Echos*, 18 December 2006.
 - 18 AFP, 20 December 2006.
 - 19 Boursorama, 7 July 2006.
 - 20 Valeurs actuelles, 9 June 2006.
 - 21 *Figaro*, 6 October 2006.
 - 22 AFP, 19 December 2006. This line of argument was also promoted by Image 7, the influential French lobbying consultancy hired by Deutsche Börse. See N. Raulot (2007).
 - 23 *Le Point*, 17 January 2007.
 - 24 Bloomberg, 6 July 2006.
 - 25 *L'Echo*, 27 June 2006.
 - 26 *Futures Magazine*, 1 September 2006.
 - 27 French intermediaries obtained seven Euronext shares, valued at 24 euros each, for every share of the previous operator of the Paris Stock Exchange. The deal was highly attractive because its shares were poorly valued, at historical cost.
 - 28 *La Tribune*, 13 November 2006.
 - 29 Bloomberg TV: Forum, 4 July 2006.
 - 30 Boursorama, 7 July 2006.
 - 31 *Le Figaro*, 21 November 2006.
 - 32 Business FM, Good Morning News, 21 November 2006.

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APPENDIX. LIST OF INTERVIEWEES

Interview partners agreed that notes could be taken and that their names be mentioned, but declined to be recorded. These one- to two-hour interviews took place either at their home or at their offices.

Jean-Louis Beffa (CEO of Saint-Gobain), March 2009.

Pervenche Berès (President of the Economic and Monetary Affairs Committee of the European Parliament), March 2010.

Arnaud de Bresson (General Delegate, Paris Europlace), May 2010.

Bertrand Collomb (CEO of Lafarge), June 2010.

Jacques Hamon (Professor, University Paris-Dauphine), May 2010.

Pierre de Lauzun (Deputy General Director, Fédération des Banques Françaises), May 2010.

Helmut Mader (Managing Director of Mader Capital Resources GmbH), November 2009.

Philippe Marini, (Rapporteur of the French Senate Finance Commission), September 2010.

Gérard Pfauwadel (President of Unigestion), February 2009.

Michel Prada (President of the Autorité des Marchés Financiers), October 2009.

Edouard deLencquesaing (Special Advisor, Paris Europlace), February 2009.

Jean-François Theodore (CEO of Euronext), March 2010 and September 2010.

George Ugeux (CEO of Galileo Partners), April 2010.