**The French compromise of embedded liberalism: the case of the computing industry**

It is worth arguing the case that we live in a Polanyian era, experiencing the swing of the pendulum of the ‘double movement’ (Polanyi 1944). In the aftermath of policies inspired by mainstream economics that undermined the social compact, an increasing share of citizens now seems to push for further re-embedding economic activities in the social and political sphere.

Departing from mainstream economics is necessary to analyse how economic activities became dis-embedded from the social and political sphere, because its abstract models are a-historical, a-social and a-political (Fine 2016; Fine and Dimakou 2016). Adopting a political economy perspective is needed to do so, but also to envision the economy of the future i.e. to shed light on how re-embeddedness can take place. For instance, in mainstream approaches, the structure of industry stems from investments decisions of decentralised economic agents coordinated by the market mechanism. By contrast, the political economy perspective allows analysing how state intervention can contribute to shape the industrial structure in a way that reflect national preferences.

My paper contributes to this research agenda in analysing how the French industrial policy has aimed to upgrade the industrial structure in line with the vision of democratically elected leaders. After World War II, France indeed forged its own compromise of ‘embedded liberalism’ (Ruggie 1982) in re-embedding profit-maximisation and capital accumulation in broader social constructs. From 1993 onwards however, the entrepreneurial state designing and implementing its vision of industrial upgrading gave way to more horizontal policies in a context of European integration.

The case of the computing industry is especially interesting because state intervention was motivated by political rather than economic reasons. Public support to the computing industry, and more generally to the electronics sector, was perceived as costly and risky notably given the supremacy of US multinational corporations such as *IBM*. These technologies nonetheless received public support because they were necessary to sustain the Gaullist vision of national independence. The computing industry was a priority for successive governments, and the pattern of state intervention varied greatly: “*laissez-faire*” (1945-1963), strong interventionism (1963-1986), state disengagement and unprecedented emphasis on neoliberalism in the context of the European economic integration (1990s-…) (Mounier-Kuhn 2010). However, despite being one of the pioneers in computing science in the late 1940s (Mounier-Kuhn 2010), France ultimately failed to keep the pace of learning and incremental innovations and to achieve successes in terms of sales.

My theoretical framework is grounded in the institutionalist perspective, which is well-suited to analyse industrialisation as a growth process grounded in institutional transformation, and not just in the expansion of the market (Johnson 1982; Amsden 1989; Wade 1990; Chang 1994; Evans 1995; Amsden 2001). At the micro-level, my framework relies on the theory of the innovative firm (Lazonick 2013) and on evolutionary and neo-Schumpeterian approaches emphasising the importance of routines and of learning opportunities leading to the accumulation of technological capabilities (Penrose 1959; Nelson and Winter 1982; Levitt and March 1988; Teece *et al.* 1997). I link these two dimensions with the meso-level, where I analyse the importance of the innovation ecosystem and of the national innovation system for processes of economic upgrading (Adner and Kapoor 2010; Nelson 1993; Freeman 1995).

Regarding methodology, I rely upon archival research to analyse the minutes of cabinet meetings in which the relevant ministers, head of administrations and advisers designed the French industrial policy. I also conduct interviews of former ministers, head of administrations and CEOs of French ‘National Champions’ who received state support. Finally, I rely on quantitative data to assess the evolution of the French computing industry.

**Keywords**

Political economy, Institutionalist perspective, Industrial policy, Globalisation, Industrial upgrading

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