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Regionalizing France: Decentralization or Trompe l’Oeil?

by

Jody Lynn Neathery

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IN PARTIAL FULFILLMENT OF THE
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ABSTRACT

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The impact of French decentralization reforms undertaken in the early 1980s is examined. The study presents institutional, cultural, partisan, and policy models to explain economic performance changes across twenty-one metropolitan French regions. Regions are found to be still largely dependent on the French state, although elements of each model account for some regional economic differences.
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Chapter 1: Introduction

“De Gaulle wins,” proclaimed the headline in the Economist on May 10, 1986. It referred to the implementation of regional reform, including direct regional council elections. That most venerable of modern French leaders, Charles de Gaulle, was driven from office for introducing a failed referendum on regional reform in 1969. De Gaulle’s belief that economic advantages could flow from the revival of large regions had led him to call the ill-fated referendum. Fast-forward a dozen years to France in the early 1980s, when to the astonishment of most scholars of French politics, the new Socialist government introduced regional reform as part of a decentralization package including over forty laws and three hundred decrees (Schmidt 1991, p. ix).

This project seeks to understand why a Socialist government implemented the most far-reaching decentralization program that France has seen in the modern era, and to gauge the effect of the reforms. In particular, I focus on the regional level of government, which was largely non-existent prior to the reforms. The set of reforms put into motion by the 1981 Socialist government devolved policy responsibilities to the 22 regions (namely in economic development), provided them with state resources and the ability to garner additional money and personnel, and legitimized the regional councils by providing for their direct election. The rapidity of the reforms and their implementation provide a natural laboratory for investigating the impact of institutional change on political economy.

---

1 The measure was widely perceived as a referendum on de Gaulle’s leadership, more so than any single issue; it also called for reform of the French Senate.
Both theoretical and substantive concerns led me to commence this study of the politics and economics of regions. Social scientist from economists to political scientists to sociologists have tried to understand what promotes economic growth and decline, but they have focused almost exclusively on the level of the nation-state. Just as national patterns of political economy flow from the interests, resources, capabilities, and actions of state actors, it stands to reason that subnational patterns, varying cross nationally, are ripe for detection and explanation. This study addresses an overlooked dimension of the political economy of industrial nations.

In the current era of decentralization and supranationalism occurring simultaneously in Europe, the case of France provided an attractive realm in which to examine regional political economy. These 22 new sets of institutions provide a natural laboratory in which to investigate several phenomena – political rationales for decentralization, the impact of institutions, and the political economy of local government. What is the political rationale to explain the creation of these institutions, and what effect have they had on the political economy of France?

Institutions and Outcomes

This study starts with the premise that institutional arrangements may have an autonomous effect on politics and policy. Recent scholarly literature has echoed this theme repeatedly, suggesting that political structures organize the framework within which politics takes place. Political institutions have been incorporated in the studies of legislatures (Shepsle and Weingast, 1983; 1987), political culture (Wildavsky, 1987; Putnam 1993), budget-making (Padgett, 1981), rational choice (Ferejohn, 1987),
principal-agent situations (Moe, 1984) and development of the welfare state (Ashford, 1986), just to name a few. Theoretically, this study contributes to the voluminous body of "new institutionalist" studies in political economy, which have examined the ways that governmental institutions affect economic growth, across states and increasingly within states (cf. Hall 1986; Immergut 1992; Levi 1988; March and Olsen 1989; North 1990; Sharpe 1993; Shepsle 1986; Skowronek 1982; Steinmo, Thelen, and Longstreth 1992; Tsebelis 1990; Steinmo and Tolbert; Weaver and Rockman 1993; Weir 1992). The central analytical point emphasized by new institutionalist studies is that institutions furnish the strategic context in which political actors make policy choices and shape public policy. This study examines the political and historical rationale for the regional reforms and assess their impact.

New institutionalist studies in political economy have tried to specify the different ways that governmental institutions and their policies affect growth, both positively and negatively. As Hall (1986) notes,

On the one hand, the organization of policy-making affects the degree of power that any one set of actors has over the policy outcomes . . . On the other hand, organizational position also influences an actor's definition of his own interests, by establishing his institutional responsibilities and relationship to other actors. In this way, organizational factors affect both the degree of pressure an actor can bring to bear on policy and the likely direction of that pressure (Hall, 1986: 19).

In his work on institutions and institutional change, Douglass North's emphasis has focused on the strategic context of the institutional environment, or on how to impose constraints on the self-interested behavior of individuals. These ideas are relevant to subnational policy studies, perhaps even more so than to national studies, due to the
complex structure of competing interests subnational officials may be under. Research on state and local policy suggests that the structural context of subnational entities puts them in a much different operating environment than that of central governments (Brace, 1993). However, because subnational institutions are embedded in a set of constitutional institutions directed by the state, they may be an important arena in which to study the effects of institutions on the strategies of actors (Anderson, 1992).

First, subnational political officials have an incentive to achieve regional economic growth that they can claim, but they must pursue it in an arena in which they only have as much autonomy as is delegated to them at the discretion of the central government. While subnational units may act to promote growth, they are unlikely to have the authority to act in a deliberate manner as nation-states. At the nation-state level, the units of analysis are economic entities, while subnational units are very much constrained by their position as a subset of the nation-state.

Secondly, subnational actors are constrained by the party institutions. They are often linked to the national policy priorities by virtue of their partisan identities and by a desire to advance their own careers within the party. Even the regional parties must work within an environment that is largely defined by the large ideologically-based parties (i.e. communists, social democrats, Christian democrats, conservatives).

Third, there may be an equalization/growth conflict. National actors try to advance national economic growth, while also pursuing equalization for the declining areas. National actors must juggle the demands for subnational autonomy with the center's own needs of devolving service responsibilities, yet also maintain unity and
coherence as a nation state. Regional actors may face dual requirements of acting autonomously in their own venue, but also of carrying out the national plan.

Fourth, subnational entities have permeable boundaries. Peterson (1981) and Tiebout (1956) have pointed to this characteristic of subnational entities as being the most critical limitation on the ability of these units to engage in economic intervention. Populations, capital, and labor are somewhat more mobile across subnational boundaries, even in Europe, than they are across national ones. Hansen (1974) claims that no issue is more illustrative of the problem with spatial resource allocation patterns than population migration from lagging areas to growing areas within countries and to other countries. Therefore, we might speculate that subnational units should engage in more activities than should national ones in order to attract these economic actors.

Finally, subnational entities have very limited resources in most cases to engage in economic development, since subnational intervention is largely planned and financed by the central government. Particularly in unitary states in Western Europe, given their long tradition of planning, central direction of much of the economic development activity is the norm.

By singling out institutional explanations of policy performance, I mean to differentiate them from other explanations, such as culture, party politics, and public policy, put forward by political scholars to explain variation in policy outcomes. Rather than viewing the different approaches as competing models of behavior, I would argue that they are incomplete models, to which the addition of an institutional component may increase our understanding of policy outcomes. Accordingly, here I emphasize an
understudied aspect — the relational character of institutions at the state and regional levels of analysis — in a new institutionalist framework.

**Regions and Western Europe**

Few processes of formal institutional change have been as widespread in Western Europe as reorganization at the subnational level of government. These changes have varied widely in form, from the mere redrawing of administrative boundaries to the complete creation of new levels of government. While a number of descriptive studies have examined these processes, few studies have looked at the outcomes of these reforms (cf. Anderson 1992 on Britain and Germany; Putnam 1993 on Italy).

Regional institutions constitute a particularly interesting topic of study, since they are a formal level of government that was completely absent in most Western European countries prior to World War II, yet have appeared in some form since then in most of the unitary countries on the continent. In common to the countries of France, Italy and Spain is the complete creation of a regional tier of government at roughly the same point in time (the second half of the 20th-century).

In this study, I propose to examine the effects of regional governments on economic performance in France, during the period that regional planning and policies were transformed and institutionalized into actual regional governments. The time period covers 1975 - 1994.

While existing studies suggest a number of complex reasons for the existence of a European regional level of government (including nationalism, functionalism, and ideology) nearly all accounts emphasize an economic purpose. One study claims that
implementing regional government in France, Italy and Spain offered "the opportunity of vitalising spatially-defined actor networks and coming up with new patterns of policy cooperation in the face of declining economic fortunes," (Bullman, Goldsmith and Page, 1994: 11).

Therefore, this study begins from the notion that the impetus for the development of regional policy and regional government, and the expectations of performance, emerge largely from a desire for economic development.

**Policy Performance Expectations**

Regions were created in the name of economic development, and the decentralization reforms of the 1980s in France strengthened their authority and resources to give them the ability to carry out this mandate. Much of the justification for decentralization and regionalization of governments is based on the implicit expectation that administrative structural change will result in improved economic outcomes. Unfortunately, there has been little testing of this proposition. Reasons exist for both expecting regionalization to improve the conditions of countries that undergo it, and for expecting the opposite scenario — little change or no change in the fortunes of these states.

As the regions in France were politicized and actually became governmental entities, they began to be seen as a vehicle for decentralization of the state and the modernization of the economy. Sharpe notes that regionalism is furthered in unitary countries when actors began to see regions as their "own economic savior in the sense of both tapping into the international system for, say, foreign investment, and also defending
its interests where, for example, the unevenness of economic growth means that it does not share in national growth" (Sharpe, 1993: 13-14).

First, the unique dichotomy of autonomy and dependence within which the regions are situated might also have negative policy consequences. Certainly in France, the planning regions were never initially intended to become politicized autonomous governments. Such politicization could potentially represent a political challenge to the central government's authority and undermine its planning efficiency. Second, many of the regions do not encompass homogeneous cultural or economic territories. For example, the Languedoc-Roussillon region in France is made up of two distinct areas that differ culturally and economically (Keating, 1986: 126). Third, the regionalization of France (as in Italy and Spain) has taken place within a context of fiscal retrenchment: European states have decreased their support of service provision while the cost of provision increases, falling upon regions that may or may not have been structurally prepared for these responsibilities (Keating, 1986, p. 134). Finally, Weaver and Rockman (1993) note that scholars should avoid the naive expectation that institutional change always has a predictable impact. One must also account for the context in which they exist, which in this study means paying attention to the national setting in which regional governments exist.

The principal purpose of this study is to examine the economic impact of regional politics and policy. How has the implementation of a regional level of government affected policy performance in France? As the regions are circumscribed by their respective states, a primary concern of the study is the comparative ability of regional
governments to cope with their various economic environments. Specifically, the study asks what effect, if any, regional institutions and politics have had on regional policies and economic performance over time.

Summary

The remainder of this work will address theoretically and empirically why France decentralized and what the effects have been. Chapter 2 describes how the position and power of the state, planners, the civil service, political parties, and local actors, structured the design and implementation of regional institutions in France, right up to the Socialist reforms. The rationale behind, and timing of the reforms are unsatisfactorily explained by existing conventional theories of institutional change. Welfare state, functional, sociocultural, and organizational perspectives are rejected in favor of an institutionalist explanation to explain French decentralization. The French state, central planners, the civil service, political parties, and local actors emerge as players in a game with distributive benefits, which ultimately led to the Socialist decentralization experiment of 1981.

Chapter 3 empirically examines the French economic landscape in order to understand whether or not *prima facie* spatial economies exist. In other words, are French regional economic variations simply a product of a history that harmed some geographic sector-based economies more than others? If so, it would preclude an examination of French regional policies to explain these variations. The regions are classified as agricultural, industrial, construction, or tertiary in a sectoral typology according to their economic activity. Pairwise T-test difference of means tests are
conducted to determine whether or not regions with the same economic strengths experience the same economic fortunes.

Regions are classified as either agricultural, industrial, construction, or tertiary, and examined for patterns of change. While the economies of many regions dominated by the same economic sector have, in fact, moved together, enough of them do not to suggest that other factors may be at work. The statistically-significant differences suggest that regional economic performance is not being driven strictly by specialized sectoral economies, thus justifying further inquiry.

Chapter 4 asks two basic political economy questions. How autonomous are the French regions economically, and just how did decentralization affect their economies? A time series model is conducted in which annual changes in the indicators of regional economic performance are analyzed as a function of the national economy. The results indicate that the regions still have remarkably little economic autonomy. France remains a unitary state, with just over half of the regions exhibiting some form of statistically significant autonomy over the economic indicators measured. Particularly with respect to unemployment, the rate of new firm creation, and per capita GDP, regional economies closely resemble the state economy.

In the second part of chapter 4, an interrupted time series model examines the fallout of the decentralization reforms on regional economic performance. The results suggest that decentralization clearly occasions both economic winners and losers. Of particular interest is a group of eight regions that experienced both short- and long-term growth following decentralization. The expectation is voiced that these regions have
developed expertise, created effective institutions, and taken an active policy role in fostering economic growth.

Chapter 5 presents four theoretical models rooted in institutions, culture, party politics, and policy, to explain regional economic success. Cross-sectional time series analysis reveals that none of the models adequately account for variations in regional economic performance, however elements of each are found to promote economic growth. A regional economic "success" is characterized by a large personnel force, a high incidence of multiple-officeholding, regional optimism among its residents, rightist party control, party coordination with the national government, and high taxation.

Finally, the concluding chapter examines the empirical findings with respect to the experience of two regions – Pays de la Loire and Picardie. Interview and empirical data suggests that regional success and failure are largely outside the direct efforts of the regional actors. While regions are working to develop the expertise needed to succeed in the economic marketplace, factors such as electoral results, the continuing power of the state, and regional inexperience, conspire to hamper the control that regional actors have over their own economic destiny.
Chapter 2 The Political History of Regional Development

Activity was concentrated in Paris — power, money, intellect, culture — while everything provincial was thought to be, and probably was, helplessly backward and largely irrelevant.

Centralization has enjoyed a long association with democracy in France, dating back to the 19th century understanding of the term "jacobinism", as a uniform, centralized, democratic, ideal France, reacting to the clericalism and royalism of the provinces (Keating and Hainsworth 1986, pp. 5-6). According to Schmidt (1990, pp. 4-6), the 1789 Revolution left three legacies to France:

1. The idea that the intervening structures of subnational government would sabotage the sacred principles of national unity and equality of individuals.

2. An entrenched institutional framework of departments and communes, replacing the royal provinces and parishes of the monarchy.

3. The installation of an agenda of self-interested behavior on the part of French legislators opposed to decentralization, as opposed to one of political principle.

French history has not been wrought with successful instances of decentralization. The first part of this chapter explores the recent administrative history of France, focusing specifically on the course of events leading to the institutionalization of regions as a territorial entity. Emphasis is placed on the political nature of the process, identifying the interests of the parties involved and the outcomes of their efforts.

The second part of this chapter suggests a framework for understanding the timing and success of the decentralization reforms of the 1980s. Given the continuing theme of reform that had become a ubiquitous part of French politics, but one which was never
actually given more than lip service, what accounts for its implementation under the
Socialist government of the 1980s? The counterintuitive scenario of a socialist
government implementing decentralization suggests an underlying explanation.

Four general groups of theories have been widely applied to different types of
structural change – welfare state, functional, sociocultural, and organizational
perspectives. Each of these is examined in terms of its explanatory potential for a theory
of French decentralization. Finally, an institutional perspective is proposed and
compared to the others.

**The Revolutionary Legacy**

Following the revolution, Napoleon set up the system of prefects to act as "little
emperors" in the departments, functioning much as they once did in ancient Rome as
central state representatives playing both administrative and executive roles. Not until
the 1830s were the departments recognized through national legislation as full collective
territories, and the prefectorial control of localities was limited to a supervisory capacity
(Machin 1977).

Occupied with the Paris Commune upheaval later that century, French leaders
made few reforms to the system of local government in the early part of the Third
Republic, but the prefects became more firmly entrenched in an expanding network
across levels of government, addressing local and national interests. The 1871 law on
departments formalized the powers of this level, including deliberative authority and
authority to vote on budgets, and it provided for the direct election of departmental
councils. Ashford (1982, p. 65) notes that in the 1871 legislature, about one-third of the
deputies and Senators were former prefects, retaining their local political contacts as they ascended to their national offices.

The central influence of "local notables" had already become the major impediment to local reorganization. This conservative middle class gained more representation with the 1875 reforms to the Senate, setting up an electoral college of local and departmental councilors to select the 225 Senators in accordance with equal communal representation standards. The 1884 law on municipal decentralization set up the basic legislation governing the communes -- restricting them with the same tutelle (state oversight) as the departments and forbidding them to express political views.

Although the powers of the mayor were expanded by his elevation to executive authority and by popular election of communes, any decentralist strains of the Third Republic were overshadowed by the expansion of the state's technical, administrative and financial tutelle (Mény 1974). "On the whole, the prefects were among the most adroit of the elite administrators in maintaining their status and influence, a skill which we shall see was preserved to influence reforms of the past decade," (Ashford 1982, p. 67).

During the interwar period, the combination of a poor economy and increasing local needs led Paris to step up intervention during this period, particularly in the small communes, to appropriate various services or to impose planning (Keating and Hainsworth 1986, pp. 17-18). Although administrative control techniques were refined over this period, political links to the communes remained powerful, as strong ministers with their roots in local politics moderated the growth of early twentieth-century administrative restrictions on the communes (Ashford 1982, p. 68).
The Road toward Regional Planning

The persisting themes of the regional struggle could already be seen in the early twentieth-century:

1. Few significant powers were transferred to the communes, departments and regions, and the state managed to retain and strengthen its role of central direction.

2. Even though the departments were universally recognized as units too small for administration, and the state became top-heavy and bureaucratic, the region was persistently discounted as a new basic level of administration.

3. Even after the region was recognized as a unit of economic planning by various governments, demands were resisted for regional decentralization, full local governmental status, direct election of members, and designation of executive authority (Gourevitch 1977; Keating and Hainsworth 1986, pp. 31-32).

The reluctant march toward regionalization began with the 1950s implementation of the goal of directing growth away from the overburdened Paris. Within the Ministry of Construction, the Département d'aménagement du territoire (DAT) was formed, initially to redirect the mass migration from the farms toward provincial centers, rather than toward Paris. Promoting job creation and industrial decentralization in the désert française became its raison d'être (Ross and Cohen 1975). Discussion of decentralization was spurred by a book by Jean-François Gravier, Paris and the French Desert, which argued that overcentralization was responsible for France's lagging growth (Gravier 1947).

Several other factors prompted recognition of a need for some type of territorial coordination in the traditionally hypercentralized country. Postwar modernization appeared to be further centralizing, as economic development gravitated more and more toward Paris. A striking imbalance became more pronounced between Paris and the rest
of France. In the highly agricultural west, industries like shipbuilding and fishing became increasingly obsolete and remained under-populated and isolated due to poor communication with the rest of France. In the north, industrial reconversion became an imperative. Areas with traditionally strong heavy industries, such as textile and coal mining (Lille-Roubaix-Tourcoing), iron mining and steel-making (Lorraine), needed alternative employment opportunities for the large industrial labor force (Ross and Cohen 1975).

The Ministry of Construction, however, only had limited resources, and it soon became apparent that regional planning would need a more coordinated commitment from government bodies. Statistical documentation was largely unavailable for the "provincial" French economy, and government agencies had begun developing their own regional operations, defining regions according to their own criteria, resulting in some provincial cities becoming the center for 20-30 different circonscriptions grouping together various numbers of departments (Hansen 1968, pp. 74-75).

In the mid-1950s, the Mendès-France and Faure governments began to view regional planning as a broader program of decentralized economic development, rather than merely one of industrial decentralization away from Paris. Twenty-two economic planning regions were mapped out and regional programs (PARs) were created to promote socioeconomic development in areas with high unemployment (Keating and Hainsworth 1986, p. 23). These regions were supervised by administrative inspectors (IGAMEs), who had been set up in the late 1940s to maintain public order outside the capital. In addition, independently-initiated expansion committees comprised of local
elected officials and professionals, were designated with a consultory role in the yet-emerging planning process (Ross and Cohen 1975, p. 731; Schmidt 1991, pp. 76-77). Most of these committees had been organized as protests against Paris and centralized planning, but Ross and Cohen claim that these groups were often initiated by traditional provincial notables who were more interested in claiming distributive benefits, than in promoting development.

"Just what these regions were to do was as yet unclear, except to serve as a transmission belt for problems and policies," (Ross and Cohen 1975, pp. 731-32). Keating and Hainsworth refer to this period of French history as "institutional anarchy" (1986, pp. 22-23).

Recognizing the need for collaboration between different government administrations on regional coordination, a decree was promulgated in 1955 authorizing the PARs to coordinate the efforts of local authorities, the government, and private groups (Hansen 1968, p. 75); at the same time that the national Planning Commission began to promote the preparation of "regional plans" to coordinate with the National Plan. However, little regional consultation on development and investment actually took place until regional commissions began to take form in the 1960s.

"The point that should be noted here is that the decision to draw up these plans meant a recognition that regional development required more than a series of ad hoc measures directed towards particular areas where economic development for various regions was lagging, and that the development of the different regions, and the measures used to promote it, had to be coordinated and made compatible with the objectives of the national economic plan ... (I)t does indicate that the government was coming to recognize that a lasting solution to the regional problem required the establishment of conditions which would allow the various regions to achieve economic expansion which would serve the national as well as their own interest," (Allen and Maclellan 1970, p. 157).
Despite the apparent lack of real reform activity, Mèny (1987) argues that a reform-mindedness coalesced among both the French population and key civil servants of the central administration, allowing a number of incremental changes to be introduced.

However, the Fifth Republic under de Gaulle marked the beginning of a series of attempts to try to reform local government, with little success. The opposition, local administrators, and even many in de Gaulle's own majority stood together with the local notables in resisting change, defeating or diffusing every one of his attempts to decentralize (Schmidt 1991, pp. 77-78).

Thus in 1959-60, de Gaulle switched tactics, deciding to bypass the established communes and departments in order to set up a new level of territorial administration in the regions. He hoped to disrupt the existing stagnant local public officials (largely local notables) controlling municipal and departmental levels, by deconcentrating economic decision-making to the more dynamic local professionals (Schmidt 1991, p. 78). His decrees of 1959-60, called for the harmonization of economic and administrative conscriptions (about 30 agencies) with the newly-empowered 21 program regions made up of groupings of the departments (Hansen 1968, pp. 81-82). A prefect was appointed for each region to organize and preside over interdepartmental conferences.

With the creation of a consultative assembly, or regional economic development commission (CODER), the regions became recognized administrative territories in 1964. The CODER was an attempt to create a corporatist assembly of 20-50 members in each region made up of professional interest groups (1/2), selected local elected officials (1/4), and government appointed technocrats (1/4), able to consult with the government on
planning and public investment in the region. Keating and Hainsworth accuse the CODER of being a Gaullist attempt to control and subject to national policy the expansion committees, because of the challenge the new social groups of industrialists, trade unionists, modern farmers, professionals, and academics posed to the traditional notables and the central state (1986, p. 36). The CODER were to be designated for five-year terms, with a president and two vice-presidents selected by the members, and were (by order) consulted during the preparation of regional sections of the national Plan (Hansen 1968, p. 83). "Retrospectively, the CODERs may be seen as stepping stones to the idea of stronger regional entities with real powers, directly-elected assemblies and executive authority," (Keating and Hainsworth 1986, p. 25).

Simultaneously, however, the mission of the regional prefect was enlarged, designating him to implement government policy concerning economic development and aménagement du territoire (local management), and to serve as the president of the CAR. His main task became to elaborate and report on the execution of his region’s tranche régionale (regional slice) of the national Plan, assisted by a staff of 10-15 national civil servants. Yet another organization, DATAR, was created in 1963 ostensibly as an organ of efficient regional coordination, but answering directly to the prime minister, thus revealing its centralized basis (Keating and Hainsworth 1986, p. 26; L'Aménagement du Territoire 1965; Ross and Cohen 1975, p. 741). Ross and Cohen characterize DATAR as "fulfilling the need for a 'light' organization (flexible and small) -- not large enough to do anything on its own and therefore work through other bodies to achieve its objectives -- staffed with high-powered polyvalent administrative types, to serve as an honest broker in
animating various ministries to regionalize according to the aims of the Plan," (Ross and Cohen 1975, pp. 738-39). DATAR's main role was to regionalize the budget for public investment; but it was weakened in its independent authority, having been designed to be politically intimate with the Prime Minister's office and to not be a threat to the ministries, (Ibid., p. 740).

Catherine Grémion notes that the decentralist ideas proffered at this time by DATAR and by the technocrats at the Commissariat Général au Plan (the national organization responsible for preparing 4-year plans with the Ministry of Finance) were remarkably similar to those developed by left-wing innovators outside the government, such as the Parti Socialiste Unifié (1987, pp. 239-40). However, most scholars agree that implementation of the decentralizing ideas was hindered by the self-interest of those already in power. Local elected officials from communes and departments, regardless of their party, considered the regional reform and its emphasis on technocrats a threat to their own positions and to the informal power and complicity they had won with the prefect and other central officials in the periphery (Schmidt 1991, p. 71). The prefects were also hostile to regionalization in the 1960s, regarding it as a threat to their independence and to their chummy relationships with local notables. National-level civil servants also represented one of the main forces of resistance to regionalization, as Charles Debasch notes, "It is clearly difficult to ask those very people to transform the administrative system that they themselves represent," (1969, p. 214).

Of the 1963-64 reforms, Ross and Cohen claim, "As the planners moved into regional planning, it became apparent that they were not primarily interested in
stimulating the emergence of new territorial entities, nor in planning regional economies as such. Instead, what they wanted was to give regional coloring to their ongoing national planning programs; the whole process would involve not greater regional autonomy but greater regional integration into the national decision-making operation," (1975, p. 738).

Wright elaborates, "They remained unrepentantly rooted in central state supremacy; there was no independent regional budget, there were no regional services [civil service] and there was no attempt to create a collective regional conscience," (Wright 1979).

Unhappy with the regions and changes as they stood, de Gaulle was poised to reform them again in conjunction with reforming the Senate to create a "single assembly uniting the representatives of local collectivities and regional activities with the big economic and social organizations of the country in order to deliberate economic questions before the National Assembly," (Schmidt 1991, p. 79). President de Gaulle's ensuing infamous 1969 referendum package suddenly politicized the regional debate, asking the French population to pronounce their views on the introduction of new regional political institutions, tied to an unpopular reform of the Senate. De Gaulle ignored suggestions by national planners that a new system of 8-10 regions based on the existing departments be created, as well as the hopes of regionalists for independent regional executives and directly-elected regional legislatures with taxation powers. His proposal was more moderate, retaining the existing regions, while regional prefects were to see their powers increase. The proposed regional councils were to absorb the advisory
role of the CODER and gain new authority over planning, educational investment, health
services, communications, transportation, and tourism; and the new councils were to be
made up of deputies and indirectly-elected councilors (60%) and socioprofessionals
chosen by representative associations of citizen-electors (40%) (Schmidt 1991, pp. 88-
89).

The referendum failed, de Gaulle having been unable to convince elected officials
that the new regional powers wouldn't undermine their own authority, and the population
at large having regarded the referendum as primarily an issue of confidence in the regime,

Pompidou initially ignored regional reform, and it was 1972 before the region was
established as a new level of local administration in the Loi Frey, but the Pompidou
reforms still reflected the Gaullist reluctance to regionalize. Wright and Machin refer to
the reforms as "a case of disguised centralisation," (1975). Regions were only given the
status of public establishments specializing in economic planning, leaving them unable to
question the authority of the local notables. They would be responsible for distributing
funds equitably rather than promoting independent policy, and for contributing
financially to public works or projects undertaken by the state and/or local authorities.
The prefect remained as the chief executive in the region, and the regions were able to
exclude the forces vivres socioprofessional groups by continuing to co-opt the notables.
Again Pompidou's motivation was not decentralization, per se, but rather a political
calculation that the traditional power networks could thus be trusted with the job of
absorbing the shock of industrialization (Grémion 1987, p. 240).
No provisions for direct election of regions were made; rather the regional councils were to be comprised of members of the national legislature (50%) and members elected by the established local governments — departmental and municipal councils (50%). A new consultory economic and social council was also created to mimic the national one, with members drawn from regional socioprofessional groups. However, overall the Pompidou reforms reinforced the region as a level of coordination, but not of decentralization (Keating and Hainsworth 1986, pp. 28-29), paying "lip service to the reformist idea, while securing the maintenance of the status quo," (Mény 1987, p. 55).

Valery Giscard d'Estaing had the reputation for supporting decentralization and had criticized his predecessors for moving too slowly, so supporters of regionalism were hopeful when he was elected president in 1974. However, he virtually ignored the regions, especially once Jacques Chirac (who called the regions "artificial structures") became Prime Minister (Keating and Hainsworth 1986; pp. 29-30; Schmidt 1991, p. 96).

Two commissions set up by Giscard made modest recommendations for strengthening primarily the commission level of government, but the Conservative governments had lost their enthusiasm for decentralization after de Gaulle, particularly since the left had been gaining support in local elections. By 1977, the left dominated eight of 22 regions, 41 of 96 departments, and a majority of large cities (over 30 thousand). While the left was increasing its support for the notion of decentralization as it remained out of central governmental power, the parties on the right remained divided on the issue (Schmidt 1991; pp. 97-100).
Despite the lack of procedural changes during these years, French scholars note an increase in policy activity and development of an institutional identity in the regions. Mazey (1993) argues that between 1974 and 1981, regional public establishments took the initiative in subnational economic development, often financing projects in communications and telecommunications development, agricultural modernization, industrial aid, and rural development. Mény (1987, p. 56) also claims that the central government was unable to keep the institutionalization of the regions fully under control, as regions became capable of extracting more resources from a central government in search of support and more flexible contractual relations developed between the levels. By the time the Socialists came to power in 1981, regions played an interventionist role in the economy and had developed de facto political importance, as evidenced by the fact that several regional presidents had (illegally) established advisory cabinets (Mazey 1993; Mény 1983).

La Grande Affaire du Septennat

According to Gremion (1987, p. 240), "Until the early 1970s, the Left was as badly prepared as the Right to propose a coherent innovative plan for decentralization". However, the Socialists were catapulted into national power under Mitterrand in 1981 and had the framework law of a revolutionary decentralization program promulgated within six months. By the commencement of the cohabitation period in October 1986, 48 laws and 269 decrees had been passed (Schmidt 1991, p. 105). The grande affaire du septennat (main action of the 7-year presidential term) was achieved in response to a four-part strategy on the part of the reformers: speed of action, the inevitable contingency
of the process once begun, the political consensus that was coalesced, and rational appeal to the self-interest of the actors involved.

Much of the credit for the reforms has been attributed to Gaston Defferre, then-mayor of Marseilles and the head of the newly-created ministry of Interior and Decentralization. His primary goal was plainly-stated from the outset: transfer of executive power from the state-appointed prefects to presidents of elected regional assemblies. "What we locally-elected officials find intolerable," he declared, "is that someone else decides for us what our cities need" (cited by Grémion 1987, pp. 241-42). Success of the reforms owes much to the quick timing of his proposals, before the opposition could consolidate its ranks. Defferre kept the same Ministry of Interior officials to draft the legislation that had prepared recommendations under the previous administration, explaining the Socialist administration's ability to introduce the framework legislation immediately upon taking the reigns of government (Schmidt 1991).

Second, according to Jean-Pierre Worms (1995), then-Chair of the Law Committee of the National Assembly, "the genius of Defferre was his calculation to set up the process like a line of dominoes: letting the first fall start an irreversible chain reaction of change." Essentially, the power transferred to local authorities was ill-defined, with details about specific functions and finances left to be elaborated in later legislation. The reformers reclaimed the control of the prefects in the departments and regions and handed it to the presidents of the councils, and they abolished prefectorial
tutelle over the mayors and communes, enabling them to preempt the potentially-fatal criticism of local officials (Schmidt 1991).

Also credited with the Socialist reform's success was Defererre's ability to build a coalition between left and right. Although the Assembly was controlled by the left and the Senate by the right, scholars note the relative "irrelevance" of the left-right dichotomy in achieving the local government reforms. By the 1980s, both sides of the political spectrum had a stake in professing the virtues of decentralization. Out of power, yet having gained local political strength during the 1970s, the left had become increasingly supportive of decentralization, and had included it as part of their Common Program since 1972 (Schmidt 1991, p. 100). The right still held some stalwart Gaullists who touted regionalization for its economic development potential; while others (like Pompidou and Chirac) were willing to accept decentralization if it made sense politically, and had earlier expressed lip-support of the process (Machin 1977, p. 142). By the early 1980s, the actual political debate merely focused on the order and rate at which the reforms would be adopted (Grémion 1987, pp. 242-45; Schmidt 1991, pp. 105-37). And ironically, both political sides tried to claim credit for decentralization, with the opposition-dominated Senate passing its own bill to parallel the Defererre Bill. The two chambers bargained and compromised, and "even the discussion on basic principles, however, helped to attenuate dissension rather than heighten it; both the majority and the opposition had had practical experience of local problems, and this tended to draw them together," (Grémion 1987, p. 244). The final decentralization plan was not as radical as it might have been, which is testimony to Defererre's pragmatism at achieving compromise.
For example, the civil service reform plan was scrapped after several days of delays in debate by national civil servants and local elected officials, and rather than trying to tackle territorial restructuring, the Socialist government left alone the institutions of the communes and departments, along with maintaining the boundaries of the regions. By so doing, the reform left France with the largest number of local governments in Europe (Schmidt 1991, pp. 106-110).

The Socialist reforms of 1982 had three main themes: a horizontal shift of authority toward elected officials and away from appointed administrators; a vertical transfer of power down to local governments; a shift of financial and other means to fill the new responsibilities of finance and personnel (Keating and Hainsworth 1986, pp. 70-90).

The first step was to shock the system by destroying the existing power hierarchy. The prefectorial *tutelle* over communes, departments and regions was broken, with prefectorial control being superseded by the elected presidents of the councils in the departments and regions. The prefects were re-named "*commissaires de la république*" (which was later changed back to "prefects"), gaining power to direct, and not just coordinate field services of the different ministries (except defense, education and justice). The a priori *tutelle* of prefects was replaced by an a posteriori legal review system over all three levels of subnational government. The prefects were empowered to refer administrative disputes over legality to administrative tribunals and budget problems to new regional accounting courts which were filled by magistrates from the national accounting review court. The prefect was thus relegated to intervene in regional
budgetary processes only if budgets are not balanced, or if they are not able to meet their financial costs. Specific phrasing in the reforms also gives regions, departments and communes the rights to designate and help firms in economic difficulty.

The vertical transfer of powers was ideally intended to give each level of government specific tasks, however, these intentions were muddied by the lack of enthusiasm on the part of some of Defferre's fellow ministers, upset at the prospect of losing control in their policy areas. As a point of compromise, the decision became a division of general competences, with the specific transfers to be made over a period of years from 1982-86. The regions thus received general responsibilities for professional training, planning and economic development, and education at the lycée level (high schools). In order to promote economic development, the regions were to be accorded more resources in the form of industrial incentives and the permission to create development agencies and investment banks to channel the resources into local industries and research and development activities. Some competences were devolved to some extent to all three levels, including education, ports and waterways, cultural affairs, and housing; and the government increased the use of contract systems.

Finally, the different units of government were promised that transfers of functions would be accompanied by transfers of finances through a combination of allotted revenues and global subsidies. However, as in the administrative changes, political bargaining precluded too many radical changes from occurring. Instead of giving local governments solely their own resources, they were allotted block grants from the state, in addition to some transfers of state-collected tax revenue. The increasing use
of block grants by the Socialists was a compromise solution, allowing local governments to decide specifically how to allocate money, without totally disabling state control potential to monitor and adjust distributive ratios (Schmidt 1991, pp. 132-37)

The above historical discussion reveals that decentralization has long been a topic of interest and discourse in France, if not a policy reality. The Socialist program of reforms begun in 1982 represents a true watershed -- both for its speed of enactment and the breadth of its political changes. The rapidity of the growth of the regional level is especially interesting, since it represents a new level of political discourse in a country long accustomed to two traditional governmental levels -- communes and departments.

To the outside causal observer, the recent decentralizing reforms in France might seem an abrupt institutional change, perhaps caused by some shift in the society. A long-centralized state suddenly implemented a reform that affects every level of government, setting up new institutions at the regional level and allocating new responsibilities to all levels. However, I would argue that the institutional changes were top-down pragmatic responses made by self-interested actors in the central government, and not the result of pressures from indigenous cultural or regional identities. The next section of this chapter will examine different rationales behind institutional change in general. What causes such change, and what are the implications of these explanations for a theory of institutional performance? More specifically, this section asks how can we explain the reasons for and timing of the regional institutional changes in France?
Theories of Institutional Change

The voluminous body of literature on institutional change which has been widely applied to different types of structural change can be distilled into three distinct groups of theories: welfare state perspectives, functional perspectives, and sociocultural perspectives. Each of these is examined in terms of its explanatory potential for the French case, and its implications for a subsequent theory of institutional performance. Finally, a institutional perspective is proposed, and compared with the earlier theories for its potential to explain the type of subnational change that has occurred in the development of regions in France.

Welfare state perspective

The welfare state perspective suggests that the reorganization of subnational governments is a response to the rise and decline of the welfare state, and its associated political changes. At heart, the welfare-state perspective echoes the structural types of explanation, in that it seeks to explain government reorganization as a predictable consequence of certain structural characteristics of society — namely the growth and development of a welfare state.

In his study of Scandinavian local government reorganization, Kjellberg (1988) presents the most elaborated model of the welfare state perspective. He identifies three temporal phases in the development of the welfare state: expansion, integration, and overload; each of which has specific requisites at the subnational level.

The first phase of the welfare state expanded social services in an attempt to generally equalize social conditions in society. Pressures were put on local governments
to minimize disparities through social services, which led to the need for structural reorganization of the basic local governmental units. According to Kjellberg (1988), the earlier that this trend was activated and the more involved that local authorities had been in the delivery of social services, the more likely the reorganization would involve amalgamation of local units. Small units of local government were administratively incapable of providing the requirements of the welfare state (Rowat 1980; Kjellberg 1988).

In the second phase of Kjellberg's welfare state perspective, integration of policies and programs across localities and regions, and other levels of government became paramount. Reorganization was fostered at this stage by the regional and labor market policies that took shape and intertwined central and local authorities. Public activity continued its expansion, often into new levels of government. Comprehensive decision-making became a goal at the subnational level and planning techniques were proposed as a coordination solution, but if and how they were implemented was often a function of prevailing ideology (Kjellberg 1988, pp. 45-46).

During the third phase of the welfare state perspective of reorganization, the state was faced with an "overload", and concern focused on steering public finance and the economy in society (Rose and Peters 1978; Rose 1980; Kjellberg 1988, pp. 43-46). Distributional aspects of the welfare state became tied to goals of economic stabilization, as states realized the need to control aggregate demand and consumer spending. Kjellberg claims that it is in this phase that subnational government began to be used to regulate public finance, and that reorganization was used to this end (Ashford 1980
quoted in Kjellberg 1988, p. 46). The fact that in a number of cases the expenditures of local governments outpaced national governments in their rate of growth led to a reconsideration of the financial nexus between central and local government.

My argument doesn't fault the welfare-state perspective on the grounds that structural explanations are inherently inadequate. On the contrary, I will emphasize below just how I believe that structures can contribute to causal analysis. The welfare-state perspective illustrates a problem that often exists in structural explanations, namely the inadequate specification of agents of change — who sets the agenda of change. There exists a tendency for causal structuralists to disregard the importance of individual actors on the grounds that the structures themselves are the crucial causal variables.

Secondarily, the welfare-state perspective fails to deal explicitly with the issue of territory that I feel is crucial to an explanation of the development of French regions. Critical to the outcomes in France has been the spatial dimension of state power and behavior. What are the interests of the actors at different levels, and how have they shaped conflicts with the center?

*Functional perspective*

Similarly, the functional perspective slights the role of agents in the process. This perspective puts the impetus for subnational reorganization on the urbanization and growth of local government functions, rather than on the growth of the welfare state overall. Because society has become increasingly urban or suburban and because smaller units of service delivery are more efficient than larger ones, according to L. J. Sharpe, "the postwar period has marked a decisive decentralist shift on the balance of functional
scope, if not necessarily power, in the modern democratic state; this shift has almost
certainly been an important factor in the perceived need to redesign the structure of local
government (Sharpe 1988, p. 94).

In light of these processes of urbanization and functional revolution, Sharpe links
to them two objectives of local government reorganization: a *sociographic objective*
linked to the urbanization and a *service-efficiency objective* linked to the increase of local
functions. The sociographic objective seeks to overcome the problem of
"underboundedness" where activity space crosses over many local government
boundaries creating spill-overs and a confusion of lines of representation (Bennett 1989,
p. 40; Sharpe 1979, p. 35). According to Bennett, local boundaries have failed to keep
pace with the migration of people into urban and increasingly suburban areas. Sustained
economic growth, private car ownership, and the rise of cheap public transportation are
responsible for the explosion of suburban population growth, leading to what Sharpe calls
the dominant settlement form — the 'urban service centre and its hinterland' (Sharpe 1979,
p. 35). Sociographic subnational reorganizations attempt to rectify this mismatch
between political jurisdictions and activity spaces, with the goal of streamlining lines of
representation and more efficient functioning in fields like planning, public transport and
housing (Sharpe 1979, p. 35; Brans 1992, p. 433).

Service-efficiency objectives for subnational reorganization, according to Sharpe
(1979) aim to take advantage of economies of scale by creating larger administrative
units in management and cost control (1988, p. 108; see also Bennett 1989, p. 35). In this
view, the scale of existing units of administration is too small to adequately provide
services efficiently — lacking financial resources, expert staffs and able local officials. It is this explanation, Sharpe claims, that accounts for the amalgamation of local governments in the 1960s-70s in Scandinavia, Germany, Britain, Belgium and the Netherlands.

Although these two variants of the functional perspective account for the timing of local government reform, Sharpe (1979, pp. 95-100) also argues that the form of reorganization varies according to the existing central-local relations in the country. States with "Napoleonic" central-local relationships follow the pattern set by France, where the state was divided into mostly uniform distinctions which are larger than the basic municipal units of government. In France, these correspond to departments, and provinces in Belgium and Norway. Over these units presides an appointed civil servant (prefect in France) acting as a "first among equals" relative to both the elected local governments and a series of additional out-stationed central technical personnel providing local services in the various jurisdictions (Smith 1985, p. 153). In the group of states comprising this Napoleonic group (France, Belgium, Italy, Spain, and maybe Greece), the basic level of local government has remained unchanged; while a new elected local government level has been inserted at the region to accommodate the imperatives of the functional perspective (Sharpe 1979).

The non-Napoleonic states have a different structure of intergovernmental relations, claims Sharpe, with co-existing central-local strata, rather than functional hierarchies. The local strata are more independent from the center in this model, relying on the center only for general policy outlines, technical advice and financial aid. The
central-local relationship is less interwoven than in Napoleonic states. According to Sharpe, this non-Napoleonic tradition fosters complete reforms that dismantle and recreate subnational administrative and governmental structures to meet the functional criteria specified by the model (Sharpe 1979; 1988).

As in the welfare-state perspective above, I fault the functional perspective for often failing to elaborate how a need gets met, just because it exists. A danger exists of slipping into what Little (1991, p. 100) calls "Panglossian functionalism", or the expectation that those social arrangements will emanate within a given social setting that best meet the needs of the groups affected. A satisfactory explanation needs to explain who propels changes across social settings, and from what interests.

Sociocultural perspective

Sociocultural explanations can be broadly described as those that attribute institutional change to the existence of dominant psychological and subjective orientations within a population subgroup. In the social scientific "culture vs. structure" argument, those who explain social situations as a result of culture argue that norms and values of a society or segment of society impel either institutional resistance or change.

Several variants of this perspective have been applied to French politics. Jean-Pierre Worms (1966) detailed the informal understandings between the main territorial agent of the French state, the prefect, and his elected colleagues at the local level (mayors, departmental and municipal councilors), the notables. He suggested that an informal culture of complicity existed between these actors who might ordinarily be expected to be at odds with one another, which allowed each a measure of local
autonomy and power which were at odds with most of the centralizing theories of French administration of the time.

Kesselman (1967) echoed Worms' sentiment, arguing that a spirit of local consensus characterizes French politics, which he suggests may stem from the exhaustion of ideology in the decades following WW II (Kesselman 1967, pp. 150-64). He sees the mayor as the main player maintaining communal harmony by rewarding those who agree with him and criticizing dissidents as defectors of the locality in its struggle with the state. However, Kesselman refers to local consensus as "ambiguous", because it is achieved ironically, through a systematic exclusion of significant issues from the public forum and by the maintenance of a narrow range of local actions.

The preceding two approaches suggest that cultural relations between local actors may have served to stave off institutional change at the subnational level. This cultural theme is carried through many of the studies on French local politics which focus more specifically on the clash between the center and local traditional subcultures. Mény (1987) suggests that local and regional communities have formed a "bastion of resistance" to regional integration. Paradoxically, at the same time as the languages and traditional cultures of minorities have faded, he notes that the protests of intellectuals and those associated with universities have re-ignited over the course of the Fourth and Fifth Republics, largely in reaction to the perceived intolerance of these republics' concessions of only several optional hours of teaching per week in schools and a few minutes each day of television or radio broadcasts (Mény 1988, pp. 60-62).
However, Meny himself has downplayed the political significance of the regionalist sentiments, suggesting that the success of any autonomist movements was more apparent than real (1987, p. 64). Movement toward regional government in the postwar years was taken because of the administrative needs of the central government, rather than the ambition of regional communities (Rousseau 1987, p. 165). Although France has been described as a "unitary state imposed upon a multinational society," (Hayward 1983, p. 21), the history of decentralization has ameliorated — rather than promoted — the development of autonomous movements or "micronationalism" in France.

While French cultural features have figured importantly in its history, the sociocultural perspective of subnational change falls short of the mark in explaining the regional structural changes that occurred in France in the post-WW II era. Three organizational features about the French state have inhibited the formation of strong, politically-active regional cultural identities: First, the nonconformity of regional boundaries to historically-distinct territorial cultures has served to dilute tendencies toward regional particularisms. Kesselman and Rosenthal (1974) reiterate this idea, claiming that "one of the major questions to be asked when viewing the localistic dimension of any political system is the degree to which geographic pluralisms are strengthened or diluted by formal institutional arrangements and informal political practices," (pp. 17-18). The historical French provinces are not coterminous with the newer administrative and political regional boundaries; French geographic divisions do not line up with cultural identities.
Second, the fluidity of political parties and their ability to co-opt the platform ideas of parochial interests has "stolen the thunder" from budding nationalistic movements. Keating (1988) documents the Breton and Occitanian cultural identities, which both seemed poised to blossom into regional movements in the postwar decades, before both movements were diffused by parties of the left. In Bretagne, regional identity seemed to enjoy a resurgence in the mid-1960s, as Breton nationalism was linked with economic modernizing themes. A weak linguistic revival also arose, encouraged by the church, but it never gained widespread or vehement enough support to pose a threat to French unity. Although a number of fringe groups arose, the mainstream of Bretagne was co-opted into the democratic socialist fold, ultimately contributing support to the partisan realignment of the left in the 1970s-1980s. However, political groups such as the Bonnets rouges and Bretagne et démocratie, and ensuing conferences on regionalism and socialism facilitated the coalescence of Breton supporters into the Socialist Party and its subsequent adoption of a regionalist platform (Keating 1988, pp. 200-203).

Similarly, nationalism erupted to some extent in fringes of the Occitania, but as in Bretagne and in other territorial movements, the Occitan movements had difficulty integrating and articulating elements of regional ideology. Occitan regional upheaval reached its peak in the mid-1970s, when the Occitan viticultural industry was plagued by crises precipitated by wine overproduction and the establishment of the EC wine regime in 1970. A regional representation crises erupted in response to resentment on the part of the region toward state-imposed regional policies and the ineptness of local officials to
resolve these issues. However, the dissidents’ decision to cooperate with the French left had the effect of demobilizing the movement as an independent tendency.

Third, the overwhelming dominance of Paris relative to the provinces has served to coalesce the regions against a common enemy on some issues, rather than to divide them. Keating and Hainsworth note that, "in mainland France, micronationalist movements have failed to integrate the elements and relate them to identifiable territories. Consequently, autonomist movements have been weak and fragmented, unable to develop economic and political strategies which could convincingly be presented as alternatives to the centralisation of the state or modern capitalism, or to sever the partisan and clientilistic links tying the peripheral regions to Parisian politics," (1986, p. 35).

Keating (1988) claims that the revival of cultural identities and new economic issues coincided with party realignment to produce a crisis of territorial representation which flared up into some short-lived territorial political movements. However, these were largely isolated movements, characterized by a lack of political coherence and rapidly diffused by the absorption of their demands by established political parties. The new Socialist Party co-opted regionalism in its 1971 platform, and the decentralist plank endured. The 1981 regionalist resolution adopted by the PS was the strongest formalized expression of regional decentralization to date. It lambasted previous regional development policies for failing to strengthen institutions at the level of the regions themselves. Specifically, the statement proposed that regional boundaries be redrawn to accurately conform to cultures, that regional councils be directly elected, that regional
languages be developed in the schools, and that finance and investment institutions be reformed at the regional level (Parti Socialiste 1981; Keating 1988).

In sum, the socio-cultural perspective of institutional change falls short of explaining subnational changes in France. The perspective lacks well-defined actors, at both the regional and national levels, imbued with the strength to accomplish the reforms. Its usefulness lies primarily in its recognition of the importance of norms and values within the system. The above discussion of early studies of the sociology of French local government emphasizes a culture of complicity or consensus existing between actors at the local level that has matched empirical observations. However, the link is less explicitly made to the nature of the institutional relations that may have shaped those norms. I would like to explore what it is about the power relations between different actors and how they define their interests, that may help shed light on complicity between elected and administrative officials at the local level, for example.

Institutional perspective as a synthesis

While I have criticized the above perspectives on various grounds, each addresses some important aspects of institutional change in the French case. I advocate viewing them as incomplete theories. Here I propose to examine regional institutional change in France using a institutional perspective (which also draws heavily upon, but not exclusively from Knight 1992), which will incorporate the positive features of the above perspectives, while contributing three important dimensions heretofore omitted or understated: purposive actors, conflict between actors, and distributional benefits.
Knight (1992) points to the lack of microfoundations in theories of institutional emergence and change, and the perspectives above illustrate this. Previous theories of institutional change have often neglected a "motor of change", instead attributing the change process itself to influences outside the actors themselves, or to a process of spontaneous emergence or fortuitous accident. Incorporating assumptions of rational choice into an analysis of institutions focuses attention on the intentions and motivations of social actors. Social institutions change in certain ways because individuals have intentions for certain outcomes. This assumption does not imply that purposive actors inevitably achieve their preferred outcomes, only that they take actions based on the expectations that specific results will follow. Many of the interesting stories about institutional change arise when the expectations held by these purposeful actors fail to arrive, due to incomplete information and interdependence with other actors. Without addressing the critics of rational choice approaches, purposiveness claims only that individuals act intentionally toward some specific goal.

This perspective also rests on the assumption of conflict between actors. Individuals create social outcomes through their actions and interactions. Given the purposive nature of individuals, it makes sense to assume some degree of conflict and competition of preferences. One observer of European decentralization notes that, "(t)he study of decentralization reminds us yet again that any distinction between politics and administration can only be false. It might be conventional to consider decentralization as an administrative concept and even evaluate it and discuss change as if it is a matter to be settled by technical arguments about optimum areas, administrative efficiency and
managerial performance. But the outcomes in the form of working federations or systems of regional and local government are the result of political forces in conflict," (Smith 1985, p. 201).

As a subset of purposive explanation, rational choice presents a foundation for understanding individual conflicts, by emphasizing that individuals choose their actions guided by their interests, in a manner they believe to be efficient (Knight 1992, pp. 16-17). For a political scientist, assuming conflict between entities -- individuals, organizations or nation-states -- often creates the "politics" of our analyses.

Conflict between actors also makes sense when one accepts the third dimension of the perspective listed above: distributional benefits. One of the limitations of earlier institutional analysis has been its expectation of collective benefits for society. Institutions would be created, change, or remain stable because these processes resulted in collective benefits for society or resolved some fundamental problem at the level of the collectivity.

The welfare-state, functional, and socio-cultural perspectives of subnational reform discussed above rely on this assumption of collective benefits. In the welfare-state and functional models, subnational reorganization arises to address the demands of the overburdened state or the overburdened and nonconforming boundaries of localities, respectively. The collective benefits are in the form of an assuaged state and more efficient service delivery for its localities. Similarly, socio-cultural perspectives give rise to outcomes emphasizing the accommodation of subcultures and the state. Again, the
emphasis is on the systemic nature of benefits, rather than exploring the accommodation process itself more closely, in terms of differential effects, trade-offs, and bargains.

Such expectations of collective payoffs counter even naive notions of politics. Politics is about power — who has it, who lacks it, and what the implications are of such a distribution. A perspective emphasizing the distributional nature of politics more accurately captures the realities of institutional change. Because inequalities of situation are inherent in the political world, actors attempt to gain strategic advantage over each other in order to gain power. In this view, institutions are by-products of these necessary conflicts over distribution (Knight 1992, p. 40).

It is the existence of power differentials among key social actors which makes the institutional approach useful in analyzing the organization of French regions and their impact, in allowing us to examine the structural constraints that are embedded in the social and economic organization of France. According to one institutional scholar, "the organization of both economic and political arenas plays a critical role in determining which interests will be effectively articulated and what sort of response they will elicit from the state," (Hall 1988, p. 233).

The Institutional Perspective and French Regionalization

The evolution of regional institutions in France illustrates the utility of applying an institutional perspective to explain political outcomes. The regional institutions were developed and shaped according to the interests of several actors under the Fourth and Fifth republics — most notably central administrators, large industries, forces vivres (socio-professionals), and local notable political officials. In the ensuing discussion, I
will emphasize how the three elements discussed above — purposive actors, the rise of conflicts, and distributive benefits — may have interacted to shape the institutions that evolved in the postwar period of French regionalism. From an institutional perspective, the Fourth Republic's duality with its weak representative system and strong administrative system put the wheels in motion for the development of the regions, although they would not come into their own until the Socialist government of 1981.

The actors involved in structuring the state immediately after World War II were largely unified in their goal of rebuilding the French economy and creating political institutions to fill the void created by the defeat of German occupation. French economic planning became the vehicle for this goal, and structured the eventual emergence of the French regions and decentralization more largely, although political decentralization was not a goal of the early Fifth Republic central administrators. Ultimately the objective was to shift the economy from rural agrarian groups to urban industrial production and technological sophistication, replacing the small scattered production units with grand capital firms.

General de Gaulle engineered a political coup in 1958, undermining the institutions of the Fourth Republic, with his reproach that its constitution had prevented forceful leadership by delegating largely unrestricted authority to the 600 deputies of the lower house of the National Assembly. Partisan conflict among the many parties represented there had undermined any hopes of political legitimacy. The Fourth Republic had lurched from one ministerial crisis to another, sustaining over two dozen different governments during its brief twelve-year existence. This instability had
stemmed largely from the dual impact of the plethora of parties in the legislature and the constitutional rule requiring a government to obtain the votes of a majority of members to remain in office. This rule had led to a cycle of unstable coalitions formed for tactical reasons, not issue-based ones, which quickly dissolved when new issues emerged.

The unpopularity of the Fourth Republic led to wide support for de Gaulle's quasi-authoritarian Fifth Republic constitution, which was ratified in 1958 with 80% support from the French public (Kesselman 1992, p. 148). Although formally a modified presidential republic, the new system further eroded the legislature's authority with its extreme concentration on centralized administration, but it also set the agenda for the modernizing alliance of administrators and dynamic private business leaders that would rev the engine of the postwar French economy. His overriding interest in returning France to a position of international leadership shaped his commitment to French economic planning. Most of the actors participating in the early stages of planning were former participants in the Resistance, whom General de Gaulle appointed to administrative positions following the war, most notably in the Planning Commission.

The Planning Commission was the key organization responsible for the political economy of postwar France, one largely characterized by its goal of using state intervention to achieve coordination with private industry and to accomplish economic growth. This became known as "dirigisme" or "direction" of the French state (as opposed to the Soviet-type of mandatory planning), with the state setting overall goals for the economy by establishing expansive economic targets. The Planning Commission was set up as an independent agency reporting to the Prime Minister and charged with creating a
plan for the next five years. One of the smallest of state agencies, it relied on a series of committees known as "Modernization Commissions" (made up of civil servants, members of the business community and some trade unionists) to break down and prioritize the overall goals into specific targets within sectors, and to obtain state investment funds.

Although the importance of the Planning Commission declined over the course of the planning experiment, it played a key role in disseminating administrative ideals of public-private coordination, rejecting organization along socialist lines as well as the inclusion of organized labor and traditional business firms. In fact, the modernization commissions had four times more business executives than labor officials appointed to them (Kesselman et al. 1992, p. 151). Firms were free to disregard the planning goals, but were persuaded with generous state rewards for compliance and sanctions for noncompliance.

The top-down, bureaucratic process of planning led one observer to refer to it as regionalism from the center, with no decentralization of decision-making at all (Chaffel 1965, p. 123). The lack of politics and of a role for local notables led to the creation at the regional level of independent "committees for regional expansion". The local notables of both the left and right had a distributive interest in politicizing the process of regional development, by incorporating it into the traditional local political structures that they controlled, not at developing new structures. According to Ross and Cohen (1975, p. 734), the early regional plans were part training exercise to socialize the indigenous
committees toward the center's technocratic interests, and part information gathering for the central government.

By 1963 several problems with the planning system had emerged. Existing ministries and other administrative bodies jealous of the encroachment of planning on their traditional sectors resisted acting according to the aims of the planners. At the same time, the central planners still lacked enough economic information to set and implement the proper goals. No regional indigenous actors existed outside the traditional notables, and their focus was on the departmental or communal levels of politics. "One simply could not trust administrators with a purely local focus, caught up in traditional local systems of power and influence, to carry through regional planning to local politicians. The creation of a regional administrative echelon was clearly in order," (Ross and Cohen 1975, p. 737).

A new planning body, DATAR, was created in the mold of the Planning Commission, to coordinate regional development activities on a national level, a local level, and between levels. Its particular expertise lay in regionalizing the budget for public investment. Importantly, DATAR was deliberately designed to not pose a threat to the existing ministries; "the fact that it was too small in staff and resources and too weak in legal powers to act on its own constituted a fundamental guarantee to the ministries: like the Plan, it cannot replace them; it cannot command them ... it must work within the existing structures of bureaucratic competence and power, trying to initiate and coordinate action by other ministries," (Ross and Cohen 1975, p. 740).
Specifically at the regional level, the regional prefect and his regional mission (a staff of 10-15 civil servants), were created in 1964 to oversee and carry out the specific regional duties, especially to synthesize and prioritize recommendations for spending in the tranche régionale, or "regional slice" of the national economic plan.

Despite the development of regional planning reforms, up to this point in time there were no real local demands to reform the administrative centralization of the country. Traditional locally-elected officials felt powerful within their roles in center-periphery relations. Because they acted as integrators of the administrative world from the outside, elected local officials benefitted from the inefficiencies of the local politico-administrative system, avoiding answerability for its shortcomings while taking credit for resolving any of the constituents' problems. And because they were often cumulants (multiple office-holders) profiting from the existing system, the interest of elected local officials was to resist decentralizing reforms (Schmidt 1991, p. 237). In addition, the civil service resisted real decentralization, according to Suleiman (1981, pp. 70-74, 76), because the grands corps perceived any decentralization as a threat to its liberty, elite status and authority in the periphery.

The presidential administrations of Pompidou and Giscard d'Estaing touted the rhetoric of real decentralization of politics, following the gauntlet laid down by de Gaulle, but in reality were anxious to placate the notables (Gaullists and centrists who felt threatened by impending political and administrative change). The initiatives to reform local government during these years were largely lip service, as they were generally countered by friends and foes of the governments alike.
The key to the development of further and meaningful decentralization of power to the regional level lies in the politicization of conflict between the traditional local notables and the *forces vivres*, or socioprofessional class created and reinforced by the economic growth and modernization that had begun under postwar French planning. As these groups of largely-urban socioprofessionals ascended economically, they began to feel left out of the rural-led complicity in central-local intercourse. This new segment of the electorate became an attractive potential recruits for the both the left and right sides of the political spectrum. The Gaullists were the natural early-postwar choice for these individuals, given de Gaulle's focus on deconcentration and its links to economic modernization. However, by the 1970s, the Socialists had developed a commitment to decentralization underpinned by an ideology of indigenous economic development. They focused on the regional level, because building up regional economic power would assault not only state power, but also that of capitalism, which was extremely centralized and in tight collusion with the central state. By default, Socialism and decentralization began to be seen as part of the same struggle. The jacobinism of the past was justified on the grounds that it had been necessary in its time to secure the republic, overcome provincial reaction and ensure social equality. But by the presidential election of 1981, decentralization was firmly secured on the Socialist agenda (Keating and Hainsworth 1986, pp. 63-69).

**Conclusion**

This review suggests that in order to understand the evolution of regional organizations in France, we must appreciate the political and institutional dimensions of
their tasks. As I have conceived of it here, institutional factors play two parts in the political outcomes of the regional development process: they affect the level of power that any actor(s) have over policy outcomes, and the organizational position of the actor influences the definition of one's interests by establishing organizational responsibilities and relationships to other actors (Hall 1986). In this chapter I have described how the position and power of the state, planners, the civil service, political parties, and local actors have structured the design and implementation of regional institutions in France, up to the fundamental Socialist regional reforms which are the topic of the rest of this study. The following chapters will analyze the implementation of regional institutions and their effect on economic performance.
Chapter 3: Sectoral Economies and Economic Performance

Before we can test the models to explain the variation of regionally-specific economies, we must first show that a) such regional economies do exist, and b) that regional patterns of variation are not simply due to specialized economies that happen to be geographically-located. This chapter will present an overview of the French economic situation, introduce regional economic data and a sectoral typology, and present a methodology to examine the influence sectoral economies have on the economic performance of the different French regions.

France, like most advanced industrial countries, has a heterogeneous economy. Although the tertiary or service sector is predominant overall — accounting for over two-thirds of GDP — agriculture and industry continue to play important, if declining, roles in the French economy. Figure 1 indicates the changing nature of the French workforce over time. Accounting for about 16% of the workforce in 1966, the agricultural sector has maintained a continuous decline, accounting for only five percent in 1992. Industry's decline has nearly paralleled that of agriculture, though not quite as dramatic. In 1966 industry made up 30% of the French workforce, after which it declined by nine percent by 1992. In the same period, the construction workforce stayed roughly equal, declining slightly from nine percent to seven percent of the total workforce. The great expansion of the tertiary sector is mapped on this figure, as it grew from 45% of the workforce in 1966 to 67% by 1992.
French Agriculture

France's agricultural sector overwhelms the rest of the European Union, and France's agricultural power in world trade is second only to that of the United States. Enormous strides in productivity have increasingly meant that less manpower is needed to achieve equivalent levels of production.

Concomitantly, the relative importance of agriculture to the economy has declined precipitously since World War II, causing great displacement to those whose livelihoods have historically depended on farms. The number of the labor force engaged in agriculture, forestry and fishing totaled 2.79 million in 1970, 1.88 million in 1980, 1.26 million in 1990, and 1.06 million by 1994 (Economist Intelligence Unit). In 1960, one French worker in four worked the land. Today it is less than one in 20, which is still twice France's needs (according to planners for the EU) (Browning July 14, 1993). The French government predicts that by 2000, no more than 600,000 people will be earning their living off the land (Drozdik August 4, 1993).

The predicament is worst for the small farmers. At the end of World War II, about 10 million people lived in rural areas. Now only about 2 million are there, with only half of those working farmers. Most of the farmers are over the age of 50, with three-quarters of them having no successor who wants to stay and work the farm (Drozdik August 4, 1993). As in the United States, the small family farms depicted in the landscapes painted by Cezanne and the stories written by Pagnol are being
economically superseded by the evolution of large agribusiness's, particularly grain producers (Drozdiak September 16, 1993).

Small farmers have also been hardest hit in recent years by the effects of France's involvement in the European Union, particularly by the decisions by the governments of Britain, Italy and Spain to pull their currencies out of the European monetary system. Small French farmers' products have been underpriced in local markets by Spanish and Italian imports, due to the low pegging of their currencies against the French franc and German mark (Drozdiak August 4, 1993). In addition, the booty provided by the Common Agricultural Policy (CAP) in the form of price supports and export subsidies has been greatly reduced, with direct lids being put on certain types of production, including milk and produce (Economist Intelligence Unit 1995).

However, the political and societal importance of the agricultural sector is understated by the numbers. Unlike other European countries where the state historically has acted to remove restrictions on the free operation of market forces, the French state has historically given priority to the protection of small producers, especially farmers, from foreign competition (Kuisel 1981, pp. 15-16; Keeler 1987).

The most important French agricultural organization, the Fédération Nationale des Syndicats d'Exploitants Agricoles, or FNSEA, has exercised tremendous power on the bureaucracy, traditionally being the sole organized interest within agriculture to consult with the government on setting annual farm price supports and subsidies. And while scholars of French bureaucracy often emphasize its closed nature with respect to
organized interests, the FNSEA is always cited as the aberration, since it has traditionally been a privileged partner of the Minister of Agriculture (Kesselman 1992, pp. 206-7).

However, several consecutive years of declining agricultural income and the dissociation of the government from the FNSEA led in the early 1980s to huge demonstrations by farmers, beginning what the press termed "la révolte des paysans". Across the French countryside, thousands of farmers took to the streets with placards denouncing the government, overturning cars and pelting the prefectures with manure and stones. The demonstrations culminated in a march on central Paris on March 23, 1982, of nearly 100,000 discontented farmers and their tractors (Keeler 1987).

While the French corporatist agricultural system put in place by the Gaullists in the 1960s had permitted French agriculture to modernize, mechanize, and consolidate, without widespread displacement of the small farmer, by the 1980s, there was widespread belief that it had too much political power. The new Socialist Agriculture Minister, Edith Cresson, announced plans to strip the FNSEA of its monopoly union status within the agriculture sector and to extend official government recognition to three additional agricultural unions: the Communist MODEF, the primarily Socialist CNSTP, and the conservative FFA. In addition, the FNSEA was no longer to be allowed to informally co-manage sectoral matters in Paris and the provinces. Indeed, critics on both sides of the political spectrum had argued for some time that the arrangement with the FNSEA had thwarted other union efforts, compromised state authority, and diverted public funds to advance FNSEA's interests (Keeler 1987).
The 1981-82 demonstrations were orchestrated by FNSEA to demonstrate its ability to mobilize the agricultural workforce. Following the Paris demonstration, the FNSEA issued a communiqué entailing the union's disputes with the government and its support for the farmers' demonstrations. When the shuffling of the Agriculture ministry failed to appease the farmers, President Mitterrand scheduled a face-to-face meeting with the FNSEA leader, François Guillaume and was subsequently convinced to moderate the governmental decorporatization program. Agricultural Minister Cresson promised that reforms, "will not be imposed against the will of the farmers," (Keeler 1987, p. 228). "In the words of a rival union official, the FNSEA's stunning show of force, 'shocked and scared the pants off the Socialist government,'" (Keeler 1987, p. 228).

Similarly vehement actions have met subsequent attempts to reform the role of French farmers in the political economy. In fact, French farmers have blocked highways by dumping excess produce, plundered trucks carting meat and wine from abroad, and hurled various types of produce at visiting politicians so often that the Mitterrand government forbade its ministers to venture into the countryside (Drozdiak August 4, 1993).

Thus, while comprising a declining portion of both the total workforce and the total French economic output, the agricultural sector remains a formidable political force. This fact was demonstrated by several events: Gaullist Prime Minister Édouard Balladur's decree freezing the closure of schools, post offices and other public services in rural towns; farmers' 1992-93 protests against the Blair House agreement and GATT negotiations; and the rallying of urban dwellers to their causes (Kuisel 1995, p. 34). One
scholar suggests several reasons for the political power of farmers, including a relatively large share of the export market, the strategic electoral role of farmers in many regions (in almost half of the departments, ten percent of the active population is comprised of farmers), and finally their skill at organizing demonstrations (Hervieu 1992).

French Industry

French industry reached its heyday in the postwar period from the late 1940s through the 1970s, under the drive by planners to shift the French economic balance from rural, agrarian groups to urban, industrial production. In the late 1940s, French industry was largely dominated by small producers who were less competitive than their fellow industries abroad. The designers of the post-war French institutions chose to use the state to stimulate economic growth (Hall 1986).

According to Hall (1986, p. 140), the four hallmarks of state-led growth were the following: expansion of the nationalized sector; a strong interventionist industrial policy toward the private sector; the frequent use of diplomatic pressure in support of exports; and a highly-orchestrated system of national planning. The 1936 nationalization of the Bank of France paved the way for the nationalizations of several private banks; the gas, coal, and steel industries; Air France airline; and most sizable insurance firms (Hall 1986, p. 140).

Second, while private entrepreneurs were slow to adapt to the new industrial goals, the state became a powerful interceder in the economy, promoting the creation of large firms (national champions) and managing credit and exchange rates to serve state-defined economic goals (Kesselman 1992, pp. 153-54).
Third, the French government brought diplomatic pressure to bear on its own export markets, by selling products to the governments of developing countries. It regularly arranged sales of military products, factories, and infrastructure to these governments, resulting in an ironic situation in which France eventually found itself both exporting high technology goods to developing countries, and importing goods of the same category from rich, industrialized countries (Adams 1989, pp. 245-46).

Finally, under the French dirigiste (directorial) system of state planning, many of the decisions about the structure of the economy were taken in the planning agency and in the government ministries, particularly in the ministries of finance, economy, and industry. Unlike other European nations, the macroeconomic policies (such as monetary, budgetary, investment, and vocational training) that influenced industrial development were all orchestrated by the planning arm of the state (Hall 1986, p. 140).

Industrial policymakers increasingly directed their efforts toward the large French industries, convinced by De Gaulle's vision, of the need for France to be a "great industrial power," (Hoffmann 1963, p. 77). The goal of the government to affect the profitability of industrial activities led to the restructuring of industry in order to facilitate capture of the government's largesse (Zysman 1977). The upshot of these efforts were policies promoting industrial concentration, particularly in the fields of petrochemicals, electronics, aeronautics, pharmaceutical and data-processing industries (Hall 1986; Adams 1989).

The French industrial sector saw increasing employment until the mid-1970s, particularly in the regions of the Paris basin and Western France. The earlier release of a
large surplus of labor from the agricultural sector made these same regions attractive to heavy industry with large unskilled manpower needs, such as assembly operations of automobiles and domestic appliances. Despite the industrial expansion through the 1970s, however, it failed to offset the employment losses from agriculture in regions like Bretagne and Poitou-Charentes, and in other parts of central and southwestern France. Even by 1975, some areas of center-west and southern France were still largely underindustrialized. By this point in time, the traditional heavy industries of coal, iron, steel and textiles, had begun to decline in the regions of Nord-Pas-de-Calais, Lorraine, and Rhône-Alpes, due to the rise of more efficient technology and contraction of the manpower exigency (Tuppen 1983).

Some of the pain of the decline of industry was delayed or at least the blows were softened. For some time, government activism in industry seemed market-compatible, with the strong economic growth rates engendering one scholar's designation of the 1946-1975 period as "the thirty glorious years," (Fourastié 1980). The average French citizen's income nearly tripled between 1946 and 1962 (Andrews 1981). However, the "economic miracle" of the post-war period started to come to an end with the economic crisis of the 1970s, as the French government-led economic policies became rapidly unable to shield the economy from the effects of international competition and unable to decentralize decision-making in order to adjust rapidly at the sector or firm level. Pursuit of competitive advantage required deconcentration of target industries, but the government industrial policy continued to discourage such action (Adams 1989).
For example, in the high technology industry, government continued to be the principal buyer into the late 1960s, which downplayed any need for competitive advantage on the part of the producers. To continue profitability, however, required private markets. Industry had become dependent on both financial resources and direction from the state. Having relied for so long on the government, French industry was not structurally constructed to meet the challenge, and was consequently bombarded by the development of a new generation of high technology. The United States and Japan quickly dominated the markets in the newly-created French industries of microelectronics, bioengineering, and robotics (Kesselman 1992).

The restructuring of international capitalism in the 1970s hurt French industry from another front. The newly-developing nations like Taiwan, South Korea, and Brazil, began to outprice France in basic industries such as textiles, steel, and shipbuilding. As the French industries became less internationally-competitive, they also lost domestic market shares to the same forces. These three industries alone accounted for the loss of hundreds of thousands of jobs (Kesselman 1992, pp. 158-59).

As the entrenched post-war practice of planning declined in importance in the late 1970s, the largest proportion of the French state's funding was diverted toward industrial rescue operations in the declining sectors. As the world recession began, a new agency, the Comité Interministériel pour l'Aménagement des Structures Industrielles (CIASI), was set up to finance industrial bail-outs from private and public funds; and in the departments, special committees called the Comités Fourcade lobbied banks to make loans to ailing firms and authorized their exemption from tax and social security
payments (Berger 1981, Hall 1986). Emergency plans for steel, textiles, furniture, coal, and shipbuilding diverted large sums to these industries; but aid was tied to sectoral reorganization requirements (Hall 1986, pp. 190-91).

As the 1980s began, countries were following paths of cutting either defense or social spending to channel support to the other; while France under President Mitterrand pursued its own way by trimming both defense and social spending to channel resources toward industrial investment. In addition, France completed a nationalization program in 1982, in which 36 smaller banks, two investment banks, and six industrial conglomerates were completely nationalized, and several other industries (including CII-Honeywell-Bull computer firm and Roussel-Uclaf pharmaceuticals) were partially-nationalized. At the end of the drive, the government owned 13 of the largest 20 firms in France and control in many others (Hall 1986, pp. 202-204).

However, the 1982 nationalizations were later judged a failure. By the mid-1980s the French economy was too open to sustain state-financed industrial modernization and expansion while at the same time covering the losses of the nationalized industries. In addition, European economic integration promoted deregulation and a reduction of state control, as codified in the 1985 European Commission white paper, "Completing the Internal Market" (Economist Intelligence Unit 1995, p. 35). In 1986 the Chirac government launched an enterprising privatization program, which provides for the eventual complete withdrawal of government from the manufacturing sector (Economist Intelligence Unit 1995). Under Balladur's government, two banks, the nation's largest insurer, a chemical concern, and the oil giant Société Nationale Elf Aquitaine were all
sold into private hands. Despite these changes, the government continues to retain substantial influence in industry, remaining the main shareholder of more than 2000 companies, and continuing to appoint the chief executives of the most important firms, often choosing government officials (Gumbel 1994). Cross-ownership among state-owned companies keeps firms tied to the same corporate family, and the French government's retention of "golden shares" means that it can dictate corporate policy in extreme cases (Coll 1994).

Change within industry itself has also characterized recent history. France's manufacturing base has changed dramatically over the last quarter of a century, with two sectors, in particular -- iron/steel and textiles -- enduring a long period of decline. Rapidly-growing industries today include aerospace, chemicals and pharmaceuticals, plastics, and telecommunications equipment. The automobile sector (which is largely concentrated in two firms -- Peugeot-Citroën and Renault) remains one of the most important manufacturing industries, accounting for roughly one-sixth of all manufacturing exports (Economist Intelligence Unit 1995).

Change within the industrial sector has been directed not just at increasing the volume and diversity of output, but also at elevating efficiency. Manufacturing activity has been increasingly reorganized, resulting in a substantial reduction in the number of small industrial firms and the growth of large, multinational firms. However, as the international market for French products has expanded, French firms have also been challenged for their share of the domestic market. In responding to this competition, French manufacturers have been hindered by a number of factors, notably the country's
poor bounty of natural resources for industry and for the production of energy. These changes in production techniques and levels of demand have depressed the employment market for industry, coinciding with the parallel longer-term labor shift from secondary to tertiary activities. However, the industrial sector remains important in its own right in the French economy, as well as for its influence in spawning growth in tertiary jobs, from researchers and technicians to financial and marketing consultants (Tuppen 1983, pp. 122-23).

French Construction

Another major sector of employment in the French economy, the construction sector, has special characteristics which set it apart from other industries. First, it is strongly represented throughout the country, and is one of the few industries to be widespread in rural areas. Second, the nature of work in this branch differs, with much of the workforce comprised of unskilled workers, particularly immigrants. Third, this branch is also demarcated by its strong reliance on state contracts or government decisions over investment. Fortunately, successive French governments throughout the post-war period have placed high priority on infrastructure development.

The construction sector has adapted to different types of economic shifts, directing its resources toward the housing shortages and large-scale government-led civil engineering development projects of the 1960s and 1970s, exploiting new markets in renovation and rehabilitation of property and in development of the former French colonies in the 1980s, and construction of the Channel Tunnel, expansion of the highway system and the TGV high-speed rail network in the 1990s (Tuppen 1983, pp. 190-92;
The current highway expansion system, the 1988-97 schéma autoroutier, is designed to create a network less centered on Paris, and will particularly advantage the regions of the Atlantic seabord and central France, including Picardie, Haute-Normandie, Basse-Normandie, Bretagne, Pays de la Loire, Centre, Champagne-Ardenne, Bourgogne, Poitou-Charentes, and Aquitaine. While the only custom-built high speed TGV (train à grande vitesse) track during most of the 1980s connected Paris and Lyon, an ambitious was begun in the late 1980s to link Nantes, Bordeaux, Lille, and the Channel Tunnel. In addition, a blueprint proposes the laying down of much more track in coming decades (Economist Intelligence Unit 1995).

Along with strong government-directed construction projects, France is home to Europe's largest construction company, Bouygues. Large, architecturally-notable projects have flourished in recent years in Paris, including the Pyramide at the Louvre; the Bastille Opera; the Pompidou Centre; and the four glass towers of the new National Library (Economist Intelligence Unit 1995).

The French combination of public and private sector initiatives have allowed the construction sector to maintain roughly the same proportion of the workforce in the mid-1990s as it did in the mid-1960s. OECD construction statistics based on residential permits issued indicate slight growth in construction activity since 1993 (Economist Intelligence Unit 1995).

French Tertiary

While the remarkable post-war growth of the French economy is often attributed to the enormous changes in the industrial sector, the rapid pace of job growth in the
tertiary sector from the early 1960s on is responsible for another of the major mutations of French society (in accordance with the rest of developed society) in the post-war era. Tertiary activities now account for around two-thirds of the GDP, and nearly a parallel proportion of the workforce. The rapid growth of this sector and its increasing importance to the economy might can be viewed as a natural extension of the development of industrialized economies since the end of World War II. As economic activity has grown in scale, intensity, and complexity, greater significance has been put on tertiary functions of control, administration, research, and decision-making. In addition, the trends toward greater household wealth and living standards and spending preferences directed toward more leisure activities have all stimulated the expansion of the service sector (Tuppen 1983, pp. 250-51). As a consequence, the tertiary sector (comprised of market, commercial, non-market, real estate, transportation, and insurance services) accounted for nearly 75% of total French firms in 1992.

While the labor force trajectory has been strikingly regular over the course of the 1966-1992 period, the different tertiary activities have not all evolved in a comparable manner. Some aspects have been highly linked to the evolution of other sectors. For example, the growth of the construction industry in the 1960s and early 1970s and the associated property boom led to a high demand for the associated service personnel -- architects, planners, and development agency personnel. Change within industry has also had repercussions in the tertiary sector. The increasing complexity of the productive process has generated a plethora of advisory and auxiliary services, particularly in the fields of computer systems and other high technology areas. Similarly, the growth in
central, regional, and local government activities has spawned a corresponding increase in civil servants, administrative personnel and other support staff (Tuppen 1983, pp. 251-52).

Organizationally, the banking sector has undergone a revolution since the beginning of the 1980s, as a result of new information technology, international capital requirements, deregulation movements, and privatization. The spate of rollbacks of the 1945 and 1982 bank nationalizations which begun in 1987 have caused upheaval and heightened pressure for profitability. Analogous to the banking scenario, the insurance sector is also in the midst of a program of privatization, following the lead of Union des Assurances de Paris (UAP), which privatized in 1994. Insurance companies have also begun blurring the lines of conventionality -- with the practice of combining insurance and banking (e.g. UAP, BNP), and with the forging of market alliances between French and German insurance firms (e.g. Assurances Générale de France (AGF) and Aachner und Münchener Beteiligungs).

While France's historical retail identity lies with the small shopkeeper, the trend has increasingly been toward consolidated retail outlets. Small shops continue to account for about a tenth of France's total consumer sales, but large-scale retail distribution branches that sell food and drinks have made large inroads into areas once dominated by small shopkeepers. Now about a third of consumer sales are comprised of food transactions by supermarkets or hypermarchés (huge, multipurpose stores). France's *hypermarchés* have been phenomenally successful, with large chains like Leclerc and Casino expanding across borders into Spain, the United States, Mexico, and Poland.
Finally, tourism adds an unmeasurable impact to the economy. Some 20,000 hotels and 9,000 camping sites indicate the importance in France of providing vacation and travel services to French and foreign visitors away from home. Tourism has also been facilitated in recent years by the modernization of transport infrastructure -- roads, railways (including the Paris area's new RER suburban express trains), and air technology (Economist Intelligence Unit 1995).

**Paris vs. the Rest of France**

The preceding discussion is not to say that the French economy is geographically-balanced. Paris and its region (Ile de France) are the unchallenged center of political and economic power in France, with 18.5% of the population yielding 27.3% of national value-added, on only 2.2% of the national territory (DREIF/APUR/IAURIF 1990, p. 14). De-industrialization in the Ile de France is moving at more rapid pace than in the rest of France, with manufacturing employment continuing to fall as production sites shift from Paris to the other regions. Industry has a lower importance in this region than in the rest of France, accounting for only 26% of employment. The ILE industrial sector is impelled by high technology firms such as electronics (23% of jobs), automotive (13% of jobs) and chemicals and pharmaceuticals. The nature of its industry requires a highly-skilled labor force, thus industrial wages are about 30% above the national average.

However, agriculture is somewhat weak relative to the other sectors in this region, despite its lingering reputation as the granary of France. While over 28% of the French GDP originates in Ile de France and one-fifth of the total French population lives there, only 1% of all French farms (producing only 2.4% of the national agricultural value-
added) are located in this region. However, increasingly sophisticated farming
technology and the consolidation of farms into large land holdings has allowed the ILE
farms to become increasingly productive. Cereals are by far the main crop in Ile de
France, comprising 42% of agricultural production (Commission of the European
Communities 1993, pp. 2-7).

The economic structure of Ile de France is dominated by the services sector, with
36% of the sector working in market services. The regional economy has been largely
driven by services, with a 40% expansion in value-added between 1984 and 1988. Key
firms in the region include the Parisian transport firm RATP (39,800 employees), Air
France (19,600 employees), Thompson CSF electronics (15,600 employees), Credit
Lyonnais banking (14,500 employees), and IBM France (12,400 employees)
(Commission of the European Communities 1993, p. 7).

However, the other French regions are not insignificant players in the French
economy. In fact, concerted efforts encouraged by the French government to encourage
de-concentration of economic activity have been detailed earlier in this work.
Additionally, the structural changes of the French and global economies that have
occurred over the second half of the twentieth-century have brought new occupational
patterns with an increase in tertiary services and a decline in industries in the former
industrial belt of Paris. Finally, several negative trends have recently instilled fear that
the capital region is developing beyond control, with the concomitant congestion of
public transportation, services, and space (Marcou 1994, p. 422). As a result, Ile-de-
France has faced increasing competition from other metropolitan areas within France (and internationally) for the location of new industries and services.

**Regions and Sectoral Strength**

Although economic variation in France appears obvious at first glance, how can we determine if that translates into meaningful regional performance differences? In other words, do regional economic patterns differ consequentially from those of Paris and its region? Secondly, how do we know that regions have anything to do with these patterns of performance? Specifically, it is possible that shifts in global or state markets in specific goods or services are completely responsible for the observable economic patterns. After all, we know that economic variation is a function of individual sector performances. With each geographic region holding different sectoral strengths, perhaps economic performance is merely a product of the market for each region's different sectoral strengths.

To address these concerns, I first created a typology of French economic sector strengths by region. I should note that the decision rule for placing regions in a particular sector was not based on what percent of the regional economy the sector comprised. Rather, controlling for population, each sector's mean regional value-added was computed, and regions were categorized according to which of their sectors ranked highest relative to their other sectors. For a fuller discussion of this classification process, see Appendix A.
Table 1: Regional Breakdown by Strength of Sectors

<table>
<thead>
<tr>
<th>Agricultural</th>
<th>Industrial</th>
<th>Construction</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
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<td>AUV</td>
<td>PAY</td>
<td>ALS</td>
</tr>
<tr>
<td>BOU</td>
<td>FRA</td>
<td>RHO</td>
<td>AQU</td>
</tr>
<tr>
<td>BRE</td>
<td>HAU</td>
<td></td>
<td>ILE</td>
</tr>
<tr>
<td>CEN</td>
<td>LOR</td>
<td></td>
<td>LAN</td>
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<tr>
<td>CHA</td>
<td>NOR</td>
<td></td>
<td>MID</td>
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<tr>
<td>LIM</td>
<td>PIC</td>
<td></td>
<td>PRO</td>
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<tr>
<td>POI</td>
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</tbody>
</table>

Table 1 illustrates the regional breakdown by sector. Note that according to this classification schema, agricultural regions predominate, despite the small relative size of the agricultural sector. Farming is a heterogeneous endeavor in France, with varying markets, land holdings, climates, and products contributing to this disparity. The greatest concentration of farmland stretches in an arc across north-west France, north and east of Bretagne. While the Paris basin houses some of the largest and most efficient farms of Europe, the countryside of Bretagne and Alsace is dotted with small, fragmented farms. Conversely, rich grassland covers 40% of farmland and predominates in the mountainous segments of Lorraine, Franche Comté, as well as in Basse-Normandie. The pattern of land use differs in these different areas, with more emphasis on arable farming in Bretagne and Alsace. Particularly in Nord Pas de Calais and Bretagne, the arable land is devoted to the growth of forage crops and animal feed. Although more than half of the total French agricultural land is used for farming, animal production generates a greater amount of revenue, comprising over 80% of the total value of output in Auvergne, Limousin and Franche Comté. Important agricultural economic contributions include cereals totaling about 1/6 of the total agricultural value-added are concentrated in the
Paris basin, and dairy products which make up another 1/6 of the agricultural output located in Bretagne, Pays de la Loire and Basse-Normandie (Economist Intelligence Unit 1995).

Specialized land use for the growth of vines, and fruits and vegetables comprises less than ten percent of the total agricultural land in France, and is generally done on a restricted scale. However, the revenue generated by these specialized crops can be considerable. In Ile de France, Nord-Pas-de-Calais, Languedoc-Roussillon, and Provence-Alpès-Côte d'Azur, vegetables account for over ten percent of value of production; while in Champagne-Ardenne and Alsace vines represent about 20%.

Interestingly, only in Midi-Pyrenees does the production of produce hold a proportion of land notably above the national mean. Despite its reputation for wine, French viticulture only comprises a significant proportion of the land in the southern regions of Languedoc-Roussillon and Provence-Alpes-Côte d'Azur, and to a lesser extent in the western areas of Poitou-Charentes and Aquitaine. However, together with fruits and vegetables, wine provides 60% of the total agricultural revenues in Provence and over 80% in Languedoc-Roussillon. Relative to the cereal farming of wheat and maize in the Paris Basin, however, the intensive land use and farm income from these specialized crops is modest (Tuppen 1983, pp. 30-47).

Figures 2-4 examine the performance of the agricultural regions on three variables -- unemployment, creation of new firms, and balance of trade. Overall, the agricultural regions appear to trend together most of the time across these variables, although there is
Figure 2: Unemployment Trends for Agricultural Regions 1981-1995
Figure 3: Trends for Number of New Industries Created in Agricultural Regions 1983-1991
no "best performer" across all of the variables. Champagne-Ardenne has a good record in terms of new firm creation and positive balance of trade, however it also has some of the highest unemployment levels among agricultural regions. Limousin has the lowest overall unemployment and had the highest spike in new firm creation in 1986 (which was a big year for firm growth), but had slowed firm creation substantially by 1992 and has just barely had a positive trade balance over most of the time period. Poitou-Charentes has excelled in maintaining a positive and growing balance of trade, and has been above average in new firm creation, but has also been plagued by some of the highest unemployment among agricultural regions.

Different economic realities exist among the regions that I classified as industrial. Many of the north-central regions gained from the government-encouraged decentralization of industry from Paris beginning in the 1960s. Haute-Normandie strengthened its automobile, electronics and pharmaceuticals industries; and Picardie gained in its rubber, chemical, automobile, and industrial machinery industries.

Second, the declining role of traditional heavy industry has forced industrial regions to retool in three different directions. Often, jobs have shifted into the services sector. This has been the case, for example, in Nord-Pas-de-Calais, where industry shed 230,000 jobs between 1970-90; and in Lorraine, which lost over 120,000 industrial jobs (especially in steel which went from 90,000 to 12,000 employees in the same time period). In other cases, however, the small and medium-sized enterprises have flourished. Picardie has developed its specialized food preserving, brass foundrywork, and clothing SMEs (small and medium-sized industries); Franche-Comté relies on
diversified, dynamic SMEs in computer printer manufacturing, toy and game production, and eyeglasses; and Auvergne has relied on its small business industrial backbone in cutlery and more recently, plastic bags. Finally, some of the industrial regions have opened up their international markets, often due to fortuitous geographical location or just proximity to Paris. Franche-Comté has centered its industrial economy around international companies: Peugeot, Alstom, Solvay, and Bull; while Haute-Normandie claims two Renault factories, several international car parts suppliers, and paper mills.

A clearer consensus on the title of "star performer" exists from the data in figures 5-7 on industrial regions than did for agriculture. Franche-Comté excels for its lowest overall unemployment rate, highest overall rate of new firm creation and highest positive balance of trade. Some of its economic success surely stems from its favorable geographic location facilitating an international approach to trade. Conversely, Nord-pas-de-Calais consistently bottoms out among the worst economic performers in the industrial regions, with the highest unemployment, lowest rate of new industry creation, and one of two regions with a consistent trade deficit. Its industrial strategy has been much less international in scope, with much of its industry remaining in traditional small- and medium-sized firms. Although general economic patterns across the dependent variables exist for the industrial regions, some definite aberrations appear in the trend lines, even when controlling for region size. For example, figure 6 indicates generally similar trends across creation of new firms until around 1988, at which point it becomes difficult to truly identify any overwhelming tendency. Four regions begin to decline (FRA, PIC, LOR, and NOR), but at vastly dissimilar slopes; while two others increase
Figure 5: Trend for Unemployment in Industrial Regions 1981-1995
Figure 6: Trends for Number of New Industries Created in Industrial Regions 1983-1992
Figure 7: Trends for Balance of Trade in Industrial Regions 1977-1992

Per Capita Balance of Trade

Year

AUV
FRA
HAU
LOR
NOR
PIC
their industry creation (AUV and HAU). Similarly, while the shifts in balance of trade are by-and-large less dramatic in figure 6 (with the exception of HAU, which has an extraordinarily erratic trend), the directionality of changes varies, defying simple characterization.

Figures 8 and 9 of the two construction regions indicate that -- despite their differences in wealth -- Pays de la Loire and Rhône-Alpes appear to be responding to the same market forces, by-and-large. However, figure 10 shows that their patterns of trade balance bear no resemblance to one another until after 1987, at which point they both flatten out somewhat, and exports begin to gain on imports after 1991. Throughout these three figures, Rhône-Alpes clearly excels in economic performance, as it does relative to even the rest of France.

Finally, figures 11-13 delineate the course of the tertiary regions' economic performance. Once again, no region emerges as the clear "top performer". Alsace has the lowest unemployment (and actually increases that lead over time), but it ranks at the bottom in new firm creation and only achieves a consistent positive balance of trade after 1988. Ile-de-France excels in new firm creation and its level of unemployment is relatively low, while its balance of trade has been increasingly negative. Midi-Pyrénées is one of the few tertiary regions with a positive balance of trade, yet it performs close to the tertiary mean on the other economic variables.

The Influence of Regional Sectoral Strength

Despite the observable variation across regions and sectors detailed above, the question remains as to how much of the regional economic performance is simply due to
Figure 8: Trend for Unemployment in Construction Regions 1981-1995
Figure 9: Trends for Per Capita Number of New Industries Created in Construction Regions 1983-1992

Per Capita Number of New Firms

Year


PAY
RHO
Figure 10: Trends for Per Capita Balance of Trade in Construction Regions 1977-1992
Figure 11: Trend for Unemployment in Tertiary Regions 1981-1995
Figure 12: Trends for Number of New Firms Created in Tertiary Regions 1983-1992
Figure 13: Trends for Balance of Trade for Tertiary Regions 1977-1992
specialized sectoral markets, rather than to political arrangements or policy actions taken by the regions. To address this question, we must reject the null hypothesis that regions with the same sectoral strengths have the same economic performance. In order to test this null hypothesis, several tables present the findings from a set of pairwise T-tests between the regions in each sector. The T-test procedure is used to determine the probability that the difference in the means that is observed is due to chance. In this case, the lower the likelihood that the difference between a pair of regions is due to chance, the greater the likelihood that the economic performance differences are due to separate influences. If regional economic performance differences are due mostly to specialized sectoral markets, we would not expect to find statistically-significant results.

**Table 2: Summary of Dependent Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>N</th>
<th>Mean</th>
<th>St. Dev.</th>
<th>Min.</th>
<th>Max.</th>
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<tbody>
<tr>
<td>FAIL</td>
<td>Percent of industries failing per year</td>
<td>231</td>
<td>2.12</td>
<td>1.46</td>
<td>.30</td>
<td>9.10</td>
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<tr>
<td>EMP</td>
<td>Rate of unemployment per year</td>
<td>315</td>
<td>10.22</td>
<td>2.07</td>
<td>5.00</td>
<td>16.10</td>
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<tr>
<td>CREAT</td>
<td>Per capita new industries created</td>
<td>210</td>
<td>764.39</td>
<td>1065</td>
<td>92.00</td>
<td>6702</td>
</tr>
<tr>
<td>VALADD</td>
<td>Per capita value-added (in FF)</td>
<td>378</td>
<td>64,364</td>
<td>30,093</td>
<td>16,728</td>
<td>.30</td>
</tr>
<tr>
<td>GNP</td>
<td>Per capita GNP (in FF)</td>
<td>357</td>
<td>65,153</td>
<td>28,891</td>
<td>19,961</td>
<td>181,300</td>
</tr>
<tr>
<td>TRADE</td>
<td>Per capita balance of trade (in FF)</td>
<td>336</td>
<td>4.55 E-4</td>
<td>.005</td>
<td>-.021</td>
<td>.018</td>
</tr>
</tbody>
</table>

Six dependent variables for economic performance were controlled for size and compared for each region across the years 1975-1995. Table 2 describes the measures, and lists their means and standard deviations. Several aspects of economic performance are captured by the dependent variables. Percent of industries failing each year charts the economic impact of consumption. The unemployment rate is also examined, as it captures the impact of the economy on the labor force. Per capita number of new firms created reflects the level of business optimism in the economy. Per capita value-added provides a measure of productive capacity of the regions, while per capita GNP is a standard measure of personal income which captures the distribution of growth at the individual level. Finally, per capita balance of trade indicates whether the regional economy is largely export-rich or import-dependent.

What should we expect from these pairwise comparisons? If all of the variation across regions is due to sectoral economies, we should expect no significant results for the means test. However, statistically significant results of the T-tests would indicate that the performance means over time are different for the regions, leading us to reject the null hypothesis that the means are the same, and opening up the probability that something else is influencing regional economies (i.e. politics, institutions).

The results presented in table 3 for the agricultural regions indicates that indeed, these regions do appear to be linked in economic performance. In no cases are the means for per capita value-added, GNP, or rates of firm failure significantly different from one
Table 3: T-Test Difference of Means between Strong Agricultural Regions

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<th></th>
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<th>BRE</th>
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<th>POI</th>
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<tbody>
<tr>
<td>Fail</td>
<td>1.93</td>
<td>2.45</td>
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<td>1.93</td>
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<td>Creat</td>
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<td>1.93</td>
<td>1.52</td>
<td>1.62</td>
<td>1.52</td>
<td>1.96</td>
<td>1.52</td>
<td>2.08</td>
<td>1.52</td>
<td>2.01</td>
<td>1.92</td>
<td>1.82</td>
<td>1.92</td>
<td>1.96</td>
<td>1.92</td>
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<td>1.92</td>
<td>2.01</td>
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</tr>
<tr>
<td>(T)</td>
<td>-3.76***</td>
<td>-1.94**</td>
<td>-4.15***</td>
<td>-4.86***</td>
<td>-2.58***</td>
<td>-3.57***</td>
<td>88</td>
<td>20</td>
<td>1.25</td>
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Note: Values for Creat are multiplied by 10,000, due to their small size.

***Significant at .01
**Significant at .05
*Significant at .10
another. However, there are several significant differences in the creation of new firms, in unemployment, and in trade balances. Overall, trade balance seems to differ the most, which is not surprising, given the varied agricultural markets, with many of the agricultural products produced for domestic consumption, while other agricultural products like wine are big exports.

Particular regions such as Basse-Normandie, Bourgogne and Champagne-Ardenne achieve more statistical significance in their pairwise comparisons than others. Basse-Normandie enjoys a diversified agricultural sector which comprises over 80% of its land use. Cereals and beef cattle predominate on the eastern plain between Caen and Perche, while dairy farming prevails across the upland wooded areas in the rest of the region. While it has some of the lowest average wages in France, Basse-Normandie has a disproportionately high regional value added for agriculture, being twice that of the level for France as a whole. Finally, Basse-Normandie has had a disproportionate downturn in its rate of creation of new businesses since 1986.

Bourgogne stands out from the rest of the French agricultural regions, because it unemployment has dramatically risen in recent years, going from 7.4% in 1981 to 11.1% by 1995. It is also somewhat both more agricultural and industrial than the average French region, with few very large firms (the largest being Kodac-Pathé photographic equipment, with about 3200 employees). However, its highly diversified industrial base helps give it a positive and growing trade balance.

Champagne-Ardenne shows up significantly different from the other regions in most of the pairwise T-tests on unemployment, having seen a precipitous growth in
unemployment, like Bourgogne, from 8.6% in 1981 to 12.4% in 1995. However, it has a positive and growing balance of trade, spurred largely by the success of its agricultural products of high yield field crops and quality vineyards. Agriculture in Champagne-Ardenne accounts for 10% of the region's value-added – the largest percentage in all of France.

Table 4 results of the T-tests for industrial regions indicate a little more variation across the dependent variables. While rate of firm failures continues to fall short of statistical significance across all of the regions, the rest of the dependent variables achieve some degree of statistical significance. In particular, firm creation, unemployment, and balance of trade indicators achieve statistical significance in a majority of the cases.

Two regions, Haute-Normandie and Nord-Pas-de-Calais, achieve statistical significance in over half of their possible T-test combinations. Haute-Normandie has geographic advantages — namely being between Paris and the English channel on the busiest shipping lane in the world — that have enabled it to build a strong, international, and diversified industrial base. However, it has also been prone to a higher level of industrial and overall unemployment than either France or the European Union. It is statistically significantly higher in both value-added and GNP from the other regions, and approaching only Ile-de-France in level of wealth, due to its abundance of oil and nuclear energy activities.

Nord-Pas-de-Calais also benefits from its geographic position in the "golden square" between Paris, London, the Netherlands, and the Ruhr. Both the traditional
Table 4: T-Tests between Performance of Industrial Regions in France

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Values for Creat are multiplied by 10,000 due to their small magnitude.

***Significant at .01
**Significant at .05
*Significant at .1
heavy industries and the large network of small and medium-sized industries (namely in
the clothing and metalworking branches) have been in decline, however. Unemployment
has remained high, going from 10.5% in 1981 to 15.4% in 1995; and the rate of business
creation has seen an analogous decline in recent years.

Table 5: T-Tests between Performance of Construction /
Civil Engineering Regions in France

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Values for Creat are multiplied by 10,000 due to their small magnitude.
*** Significant at .01
** Significant at .05
* Significant at .10

Table 5 displays the single pairwise T-test between the strong construction
regions of Pays de la Loire and Rhône-Alpes. Again we see statistical significance across
the dependent variables of unemployment, firm creation, and trade balance.
Economically, Rhône-Alpes has a high level of performance due to its position in the
corridor between northern and southern Europe, and its strong, diversified economy
based in both its vigorous industrial base and emergence of a high-caliber services sector.
It has been a leader in developing its natural energy resources, with the construction of several hydroelectric and nuclear power stations. By contrast, Pays de la Loire has a comparatively modest export market, and labor-intensive, low value-added industrial sector. Its traditional shipbuilding industry has continued to decline, despite the fact that Chantiers de l'Atlantique remains the second largest employer in the region.

Finally, the economic performance of the tertiary regions presented in Table 6 exhibits much more diversity, with each of the economic variables achieving some degree of statistical significance. As stated earlier in this chapter, Ile de France is the outlier region, with its economy considerably outperforming those of the other regions. Looking at the other regions, however, both Alsace and Provence-Alpes-Cote d'Azur have statistical significance in their performance comparisons in over 60% of the cases. One of the strongest economic regions of France, Alsace has benefited from capital investment in high technology and other international activities directed at a strong export market. Per capita income is the second highest in France, with booming sectors of engineering and electronics offsetting declining industrial employment in clothing and textiles. Alsace has particularly emphasized technical training, which heightens demand for its workforce across the German and Swiss borders. The Provence region, on the other hand, an industrialization laggard, remains largely underindustrialized. Its service sector predominates, but is largely tourism-dependent, with high levels of unemployment and an uneven population distribution.
Table 6: T-Tests between Performance of Tertiary Regions in France

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Values for Crea are multiplied by 10,000 due to their small magnitude.

***Significant at .01
**Significant at .05
*Significant at .1
Conclusions

The results of the pairwise T-tests indicate that while the economies of many of the regions within the same sector do tend to move together, enough of them do not to suggest other factors may be at work. This outcome is important to justify further exploration into the causes of regional economic performance. If no statistically-significant results had been found, the implication would be that regional economic performance has been largely determined by specialized sectoral economies.

The results do vary by sector, with the tertiary sector having the highest percent (62%) of statistically-significant relationships. The varied nature of the tertiary sector would suggest the unlikeliness of accounting for economic performance with one or two sectorally-specific services. Forty-eight percent of the relationships in the industrial sector were significant. While somewhat less diversified than the tertiary sector, the industrial sector's division into manufacturing (70%), energy (18%), and food processing (12%), provides some degree of diversity and may preclude the existence of sectoral economies. Particularly, since the decline of traditional heavy industry has led the French manufacturing sector to increasingly diversify into areas of high technology and high research and development, such as railway engineering, aerospace, nuclear power engineering, pharmaceuticals, and telecommunications equipment (Economist Intelligence Unit 1995).

The agriculture and construction sectors have a much lower proportion of significant T-test results, with 27% and 17%, respectively. However, as shown in figure 1, these sectors comprise a relatively small proportion of the total French labor force
today (under 10%), suggesting that it is difficult to truly characterize their respective economies as "agricultural" or "construction-based". However, in order to have any meaningful sectoral breakpoints, I relied upon the value-added sorting method described in appendix 1 to differentiate regions from one another. In the case of construction, a small sample size (two regions) additionally precludes generalization.

The following chapters will explore the hypothesis that aspects of decentralization may be responsible for the differences in regional economic performance. Chapter 4 will examine the timing of the decentralization reforms as an explanatory variable in patterns of economic growth and decline. Some of the patterns of dependent variables charted in figures 2-13 suggest that this hypothesis might have some merit, such as the 1986 spikes in the overall patterns of new industries, the general tendency toward zero in the trade balance, and the decline in some unemployment figures for about the same period.

Chapter 5 will propose an institutional model rooted in regional organizational differences to explain changes in regional economic performance. Chapter 6 will examine the statistical results in light of two case studies in the regions of Pays de la Loire and Picardie.
Appendix A: Sectoral Classification of Regions

It is standard to classify the French economy into four main sectors of agriculture, industry, construction and civil engineering, and tertiary. However, the tertiary sector predominates across the regions in terms of total economic production, currently comprising over 65% of the total economic value-added for France.

Therefore, I devised a set of decision rules by which to evaluate sector reliance. First, the per capita mean value-added for each region across each sector was calculated over the time series. Regions were rank-ordered across each sector from greatest to lowest value-added. Then each region was classified according to which of its sectors ranked highest relative to the other sectors. If two sectors had the same ranking for a particular region, the region was ranked according to which sector had the higher value-added. The table of rankings follows:

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<th>Construction</th>
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Chapter 4: National Influence, Time, and Regional Economies

The region Franche-Comté with its mix of small, artisan businesses and the highest level of industrial employment in France defies the regional economic strategies recommended by the French government's own economic statistical organization. Particularly during the 1980s, DATAR warned localities against enclaving themselves in niche markets. However, under decentralization, Franche Comté has streamlined its economy of small- and medium-sized industries fabricating such specialized items as game and toys, eyeglasses, watches, and furniture, and the Franche-Comté economy has managed to quash a number of pessimistic expectations. By garnering its economic forces in a direction in which it is traditionally strong, the Franche-Comtois inhabitants have managed to achieve a relative prosperity, despite the fading star of the industrial sector.

On the other hand, the industrial region Picardie has retained its promotion of traditional industries — such as the manufacture of paper, glass, and petrochemicals — and has seen both short- and long-term economic decline following decentralization. Like Franche-Comté, however, Picardie's economic trend indicates some degree of independence from the national economy.

These two outcomes illustrate the uneven regional impact of decentralization in France. Franche-Comté experienced an initial economic decline, followed by growth; while Picardie suffered from economic decline following decentralization. Despite some similarities of economic structure, these regions experienced different economic realities in the wake of decentralization. This difference suggests that a regional examination of
economic trends might reveal some interesting patterns when national influence and the impact of decentralization are observed.

While a lively speculative scholarly exchange has ensued in the wake of the Socialist government's promises to decentralize the French state in the early 1980s, not many studies have systematically evaluated the effects of the reforms, due to the difficulty inherent in policy evaluation. Instead, several research efforts have focused on describing the structural and legal differences before and after the reforms, erstwhile excluding causality. Because decentralization consisted of a myriad of changes, affecting all levels of government, modelling its impact presents a challenge. With these caveats in mind, I limit my criteria of evaluation in this chapter to economic performance at the regional level. Economic growth provides a justifiable ground on which to assess regional performance, given the fact that the French state cited economic development as its primary goal in devolving powers and responsibilities to the regions.

In the first part of the analysis, I examine annual changes in the indicators of regional economic performance by region, and their correspondence to changes in the national economy in terms of growth and decline. How dependent are the regional trends on national trends? A typology classifies the regions according to economic growth and economic dependence on the national economy. If a region was completely dominated by the national economy, its performance would directly reflect national economic changes. However the expectation is that some regions will have more economic autonomy, perhaps growing more slowly during national growth periods, but conversely suffering less during national downturns. An inverse relationship between regional and
national economy might also occur in some cases, due to the wide variance in the nature of the French economy. Many regions are still heavily agricultural, and might be expected to have different economic trends than the heavily service-oriented regions or regions with strong high-technology industries. The same factors that might induce decline in some industries and in some regions might promote economic boom in other industries and regions.

The second part of the chapter presents some evidence to evaluate the claims of reformers, by charting the economic performance of the different regions and examining the impact of the decentralization "interruption" in the time series. Does the package of decentralization reforms impact the trajectories of economic performance, measured in several different ways? Do these patterns hold up when the impact of the national trend is included? I present a methodology to isolate the regional from national performance. The time series model will examine the changing impact of national and regional economies, analyzing the patterns in historical context.

Decentralization's Eclectic Effect

The notion of a decentralized France is still a new one, not only to the French public, but also to scholars of French politics. The sovereignty of the French nation has endured throughout its legacy of centralized, authoritarian rule, and was even reinforced with the jacobin victory in the French Revolution. Decentralized power has historically been viewed as a threat to the unity of the French state, whose "civil equality requires that all citizens face the state without intermediate institutions or competing foci of loyalty," (Keating and Hainsworth 1986, p. 6).
However, even as most observers of the French political and administrative system have upheld its highly-centralized image, a growing body of scholars has drawn attention to decentralized aspects of the system's functioning in practice\(^1\). Those observing the system since the reforms of the 1980s that are the focus of the present study have differed in their evaluation of these reforms.

Some observers have reiterated the old French adage with regard to the reforms, "Plus ça change, plus c'est la même chose," (the more things change, the more they stay the same). Keating and Hainsworth remain pessimistic on the role of regions in the economy, having observed little decentralization of economic policy (1986, pp. 132-33). Le Galès recognizes that while regions have increased their level of economic intervention, their action "remains largely symbolic and devoid of substance," (1995, pp. 85-86).

Others are cautiously optimistic about regional economics. Balme and Bonnet point to the new style of planning as innovative, and claim that, "the institutionalization of negotiations and the introduction of regional political autonomy is a major shift and is crucial in organizing the new, bargaining style of relations between the regions and the state," (1995, p. 52). However, even the process of arriving at planning contracts "has been dominated by ambiguous objectives, implementation problems, and lack of clarity ... so while regions now have some room for manoeuvre, the state retains much influence," (p. 52). Referring specifically to economic development, Keating and

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\(^1\)See, for example, sociologists of French administration such as Worms (1966), Grémion (1976), Crozier (1979); and more recently Dupuy and Theonig (1985), Keating and Hainsworth (1986), Schmidt (1991), and Loughlin and Mazey (1995).
Hainsworth remain pessimistic on the role of regions, while simultaneously noting that, "some regions have long concentrated their investment subsidies to gain the maximum amount of leverage, while others, even while rhetorically proclaiming the goals of modernisation and change, are scattering their resources across the traditional types of activity," (1986, pp. 132-33).

Finally, there are those observers who make great claims for regional actions. Schmidt claims that decentralization "has been a success in the economic arena by introducing a new pluralism into local administrative arrangements with regard to the promotion of local economic development, thereby instituting a new 'decentralized dirigisme' at the local level," (1991, p. 309). Similarly, Chevallier suggests that contrary to expectations that the regions would be blocked in their policy efforts by the complex system of territorial organization and vague partitioning of competences, a number of regions have been successful in seizing new policy areas of intervention above and beyond their strict legal powers (1993, p. 26).

The main problem with existing evaluations of the regional reforms has been the lack of specified empirical criteria by which to evaluate the success of the reforms. This chapter seeks to address this deficit in the literature by systematically evaluating regional economic performance across five different measures of economic growth.

In this study, expectations about economic performance are drawn primarily from the public choice approach, which assumes that the structure of a municipal governmental system has an effect on the responsiveness of public officials to individual preferences. More specifically, decentralized units of government are anticipated to produce more
effective goods and services and do so more efficiently than centralized government. The rationale is that in decentralized settings, officials will have more information about the areas they serve than will central officials, and can make more informed and effective policy decisions. In this study, the hypotheses concern economic development with the expectation that economic performance should improve after the implementation of decentralization.

As emphasized throughout this work, little scholarly evaluation of the economic impact of French decentralization has been conducted. One of the principal contributions of this work, in fact, is its attempt to examine and quantify the impact of decentralization on a regional level. With that in mind, my expectation is also that the impact of decentralization will vary across the regions. While the reasons for this expectation will be examined in more detail in the next chapter, the current chapter tests this proposition by isolating the national and regional economic effects.

Parsing Out National and Regional Economic Effects

In order to evaluate how much regional economic performance is really a reflection of the national economy, economic change in each region can be modeled as a function of time and national economic performance, where time (a counter by year) accounts for any underlying trend in a region's economy, independent of national performance\(^2\). The first set of statistical results in this chapter estimate a model that allows strict comparison, on a region-by-region basis, of the regional and national

\(^2\)See Brace (1993) for a discussion of this methodology and its use in U.S. state politics.
economic influences on economic performance. The results are then used to create a
typology to classify regions based on two dimensions — growth and autonomy.

\[ \text{Regional Economy} = a + \text{National Economy} + \text{Year} + e \]

In the above equation, \textit{regional economy} refers to the annual value of one of the
five economic health indicators cited in the previous chapter, \textit{national economy} refers to
the corresponding national value of the same indicator, \textit{year} is 1975 to 1995, and \textit{a} and \textit{e}
refer respectively to the intercept and error term.

The model was estimated for each of the 21 regions using each of the five
dependent variables: per capita rate of firm failure, rate of unemployment, rate of firm
creation, per capita GDP, and balance of trade. The coefficients allow us to categorize
the regions according to both the direction of their economies and their level of
dependence on national economic performance. A negative coefficient for \textit{regional
\textit{economy}} indicates an underlying regional pattern of economic decline when the effects of
the nation are controlled. On the other hand, a positive coefficient denotes a regional
growth trend during this time period.

The coefficient for \textit{national economy} provides information regarding the
relationship between the nation and a particular region. If this coefficient is significant,
the region's economic fate is closely linked to that of the nation as a whole. But a
statistically-insignificant coefficient indicates substantial autonomy from the national
economy. The magnitude of this coefficient indicates the degree of linkage to the
national economy. Some regions may experience economic shifts more acutely than the
nation (which would be indicated by larger coefficients), while others may experience
only a small portion of the national movements. The coefficient's sign indicates the
directionality of this relationship between region and nation. If positive, the nation and
region move together; while a negative coefficient indicates that the region may improve
its own position when the nation experiences economic slump and suffer when the
nation's fortune is good.

In the analyses to follow, statistical adjustments need to be made for the
autocorrelation problem that frequently plagues interrupted time series analysis. If
autocorrelation is present, disturbances at one point in time are correlated with
disturbances at another point in time and the estimated variances for the model will
seriously understate the true variances, thus seriously impairing the construction of t-tests
of significance for the estimates. The Durbin-Watson d statistic is the most commonly
used test of autocorrelation, in which the test statistic is constructed from the OLS
regression residuals and compared with criteria in a critical values table to determine the
presence or absence of autocorrelation (Kelejian and Oates 1974, p. 202).

In my analysis of the regional time series and interrupted time series equations,
the majority of the Durbin-Watson tests fell into the inconclusive regions of the chart
between \( d_l \) and \( d_u \) (the upper and lower critical values). However, given the seriousness
of the consequences of ignoring autocorrelation when it is present, I chose to use the
conservative test for autocorrelation and reject the null hypothesis (of no autocorrelation)
any time \( d < d_u \). Making the assumption of first order autocorrelation AR(1)\(^3\) I chose the
iterative Prais-Winsten estimator which provides estimated generalized least squares
(EGLS) in these cases, since it allows the incorporation of the first observation into the estimation process, and is appropriate for series with relatively few observations (Ostrom 1990). If \( d \) indicated that autocorrelation was not a problem, OLS estimates are reported.

Table 1 exhibits the above model's results examining annual changes in per capita rate of firm failure by region. The \( R^2 \) indicates wide variation in the model's ability to account for variation, from a low of near zero in Languedoc-Roussillon and Provence-Alpes-Côte d'Azur, to a high of 99% in Rhône-Alpes. In three regions — Aquitaine, Languedoc-Roussillon, and Provence-Alpes-Côte d'Azur — the model explains so little variation as to be erroneous, while in Ile-de-France and Rhône-Alpes the model accounts for nearly all of the variation. This is unsurprising, since one would expect these two large regions to set the pace for the national economy.

The underlying trend of the regional economies indicates a fairly even distribution between regions in which the rate of firm failure is declining and those in which it is increasing, which is indicated by the sign of \textit{regional economy}. The regions of Franche-Comté, Ile-de-France, Lorraine, Midi-Pyrénées, Nord-Pas-de-Calais and Rhône-Alpes all have statistically-significant positive coefficients on \textit{regional economy}, indicating a pattern of increasing firm failure. At the opposite extreme are the growth regions of Aquitaine, Bourgogne, and Bretagne, with their statistically-significant negative coefficients for \textit{regional economy}.

\footnote{Adoption of a first-order autoregressive model is not problematic, as AR(1) processes dominate annual...}
Table 1: Effects on Per Capita Rate of Firm Failure by Region, 1983-1993: Evaluating National Dependence and Regional Patterns

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</tr>
<tr>
<td>MID</td>
<td>-201.72</td>
<td>-1.99</td>
<td>0.10</td>
<td>1.99</td>
<td>0.72</td>
</tr>
<tr>
<td>NOR</td>
<td>215.18</td>
<td>-1.94</td>
<td>0.13</td>
<td>1.95</td>
<td>0.75</td>
</tr>
<tr>
<td>PAY</td>
<td>15.42</td>
<td>0.11</td>
<td>-0.008</td>
<td>-0.10</td>
<td>0.87</td>
</tr>
<tr>
<td>PIC</td>
<td>182.45</td>
<td>1.27</td>
<td>-0.09</td>
<td>-1.27</td>
<td>1.90</td>
</tr>
<tr>
<td>POI</td>
<td>120.12</td>
<td>0.65</td>
<td>-0.06</td>
<td>-0.65</td>
<td>3.29</td>
</tr>
<tr>
<td>PRO</td>
<td>-106.39</td>
<td>-0.92</td>
<td>0.05</td>
<td>0.92</td>
<td>0.19</td>
</tr>
<tr>
<td>RHO</td>
<td>253.82</td>
<td>-3.42</td>
<td>0.08</td>
<td>3.39</td>
<td>0.76</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

In all but three regions (Aquitaine, Languedoc-Roussillon, and Provence-Alpes-Côte d'Azur) the national economy impressed a statistically-significant force on each region's economy. The magnitude of this impact varies from regions that experienced only a small proportion of the national changes as in Languedoc-Roussillon, to regions which experienced the highest proportion of national changes, as in Limousin.

Table 2 classifies the regions according to their degree of autonomy from the nation and their level of growth, as measured by rate of firm failure. Only three regions exhibited any degree of autonomy from the national trend, and of those, only Aquitaine

economic time series (Ames and Reiter 1961; Kmeta 1971; Pindyck and Rubinfeld 1976).
exhibits both the independence and economic growth required to be categorized as "independent growth" regions. Languedoc-Roussillon and Provence-Alpes-Côte d'Azur fall into the "independent decline" schema. The rest are evenly divided (nine regions apiece) into the "dependent-growth" and "dependent-decline" categories.

Table 2: Rate of Firm Failure: Classification of Regions by Sensitivity to the National Economy and Regional Economic Trends

<table>
<thead>
<tr>
<th>National-level Trend</th>
<th>Somewhat Independent</th>
<th>Somewhat Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>AQU</td>
<td>ALS, AUV, BAS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BRE, BOU, LIM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PAY, PIC, POI</td>
</tr>
<tr>
<td>Economic Decline</td>
<td>LAN, PRO</td>
<td>CEN, CHA, FRA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HAU, ILE, LOR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MID, NOR, RHO</td>
</tr>
</tbody>
</table>

Table 3 examines a different indicator of economic performance — unemployment. In this table, the model accounts for a high degree of variation, with even the worst fit (in Auvergne) accounting for 77% of the variation. The directionality of economic performance (as reflected in the sign of the coefficient for regional economy) indicates that slightly under one half of the regions experienced an underlying regional decline in unemployment. While only in Alsace, Basse-Normandie, Champagne-Ardenne, Franche-Comté, and Lorraine, was this trend statistically-significant.

In all of the regions, national economy exerted a statistically-significant force on the economies, indicating little regional autonomy. There was some degree of variation in the magnitude of this effect, with Auvergne, Limousin and Midi-Pyrénées
experiencing the smallest proportion of the national changes on this variable; and Alsace and Champagne-Ardenne experiencing the largest national influence.

Table 3: Effects on Unemployment by Region, 1981-1995: Evaluating National Dependence and Regional Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>$t$</th>
<th>Regional $t$</th>
<th>National $t$</th>
<th>Adj. $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>economy</td>
<td>economy</td>
<td></td>
</tr>
<tr>
<td>ALS</td>
<td>21.30</td>
<td>9.61</td>
<td>-9.58</td>
<td>12.45</td>
<td>0.92</td>
</tr>
<tr>
<td>AQU</td>
<td>24.37</td>
<td>-5.71</td>
<td>5.71</td>
<td>23.19</td>
<td>0.99</td>
</tr>
<tr>
<td>AUV</td>
<td>-75.36</td>
<td>-0.81</td>
<td>0.82</td>
<td>6.50</td>
<td>0.77</td>
</tr>
<tr>
<td>BAS</td>
<td>24.93</td>
<td>7.87</td>
<td>-7.75</td>
<td>16.04</td>
<td>0.95</td>
</tr>
<tr>
<td>BOU</td>
<td>28.65</td>
<td>0.60</td>
<td>-0.64</td>
<td>13.77</td>
<td>0.97</td>
</tr>
<tr>
<td>BRE</td>
<td>95.68</td>
<td>1.09</td>
<td>-1.08</td>
<td>8.20</td>
<td>0.88</td>
</tr>
<tr>
<td>CEN</td>
<td>39.26</td>
<td>-2.16</td>
<td>2.09</td>
<td>18.93</td>
<td>0.99</td>
</tr>
<tr>
<td>CHA</td>
<td>10.23</td>
<td>2.00</td>
<td>-2.02</td>
<td>12.18</td>
<td>0.95</td>
</tr>
<tr>
<td>FRA</td>
<td>29.53</td>
<td>5.25</td>
<td>-5.23</td>
<td>10.84</td>
<td>0.91</td>
</tr>
<tr>
<td>HAU</td>
<td>-14.04</td>
<td>-0.35</td>
<td>0.38</td>
<td>14.26</td>
<td>0.97</td>
</tr>
<tr>
<td>ILE</td>
<td>-1.99</td>
<td>-2.08</td>
<td>2.06</td>
<td>6.89</td>
<td>0.94</td>
</tr>
<tr>
<td>LAN</td>
<td>21.41</td>
<td>-5.03</td>
<td>5.02</td>
<td>9.24</td>
<td>0.97</td>
</tr>
<tr>
<td>LIM</td>
<td>-119.61</td>
<td>-1.19</td>
<td>1.18</td>
<td>6.55</td>
<td>0.89</td>
</tr>
<tr>
<td>LOR</td>
<td>29.50</td>
<td>2.82</td>
<td>-2.81</td>
<td>10.63</td>
<td>0.92</td>
</tr>
<tr>
<td>MID</td>
<td>-10.35</td>
<td>-2.06</td>
<td>2.10</td>
<td>8.41</td>
<td>0.95</td>
</tr>
<tr>
<td>NOR</td>
<td>22.39</td>
<td>-1.74</td>
<td>1.74</td>
<td>8.58</td>
<td>0.95</td>
</tr>
<tr>
<td>PAY</td>
<td>85.04</td>
<td>1.57</td>
<td>-1.58</td>
<td>16.31</td>
<td>0.97</td>
</tr>
<tr>
<td>PIC</td>
<td>62.73</td>
<td>1.27</td>
<td>-1.26</td>
<td>12.75</td>
<td>0.97</td>
</tr>
<tr>
<td>POI</td>
<td>17.95</td>
<td>0.28</td>
<td>-0.25</td>
<td>10.29</td>
<td>0.95</td>
</tr>
<tr>
<td>PRO</td>
<td>22.36</td>
<td>-2.61</td>
<td>2.62</td>
<td>9.79</td>
<td>0.95</td>
</tr>
<tr>
<td>RHO</td>
<td>-80.16</td>
<td>-0.71</td>
<td>0.69</td>
<td>9.65</td>
<td>0.92</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Table 4: Rate of Unemployment: Classification of Regions by Sensitivity to the National Economy and Regional Economic Trends

<table>
<thead>
<tr>
<th>National-level Trend</th>
<th>Somewhat Independent</th>
<th>Somewhat Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>ALS BAS BOU</td>
<td>BRE CHA FRA</td>
</tr>
<tr>
<td>Economic Decline</td>
<td>LOR PAY PIC</td>
<td>POI</td>
</tr>
<tr>
<td></td>
<td>AQU AUV CEN</td>
<td>HAU ILE LAN</td>
</tr>
<tr>
<td></td>
<td>LIM MID NOR</td>
<td>PRO RHO</td>
</tr>
</tbody>
</table>
Table 4 typologizes the regions by independence and growth (measured by unemployment), with no regions appearing in the independent categories, indicating near complete dominance of national unemployment rates on regional unemployment. The "dependent-decline" category is slightly larger than the "dependent-growth" category, indicative of an overall unfavorable trend in unemployment.

Table 5: Effects on Rate of Firm Creation by Region, 1983-1992: Evaluating National Dependence and Regional Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Regional t</th>
<th>National t</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>economy</td>
<td>economy</td>
<td></td>
</tr>
<tr>
<td>ALS</td>
<td>-6402.3</td>
<td>-0.99</td>
<td>3.17</td>
<td>0.98</td>
<td>0.93</td>
</tr>
<tr>
<td>AQU</td>
<td>8692.5</td>
<td>1.11</td>
<td>-4.37</td>
<td>-1.11</td>
<td>0.93</td>
</tr>
<tr>
<td>AUV</td>
<td>5871.8</td>
<td>0.91</td>
<td>-3.02</td>
<td>-0.93</td>
<td>0.93</td>
</tr>
<tr>
<td>BAS</td>
<td>3026.7</td>
<td>0.60</td>
<td>-1.51</td>
<td>-0.59</td>
<td>0.93</td>
</tr>
<tr>
<td>BOU</td>
<td>2534.5</td>
<td>2.94</td>
<td>-2.75</td>
<td>-2.91</td>
<td>0.93</td>
</tr>
<tr>
<td>BRE</td>
<td>2437.4</td>
<td>0.19</td>
<td>-1.31</td>
<td>-0.20</td>
<td>0.94</td>
</tr>
<tr>
<td>CEN</td>
<td>-11983</td>
<td>-1.40</td>
<td>6.07</td>
<td>1.42</td>
<td>0.94</td>
</tr>
<tr>
<td>CHA</td>
<td>-6371</td>
<td>-0.78</td>
<td>3.25</td>
<td>0.79</td>
<td>0.94</td>
</tr>
<tr>
<td>FRA</td>
<td>5307.6</td>
<td>-1.94</td>
<td>3.23</td>
<td>1.95</td>
<td>0.94</td>
</tr>
<tr>
<td>HAU</td>
<td>-12651</td>
<td>-1.58</td>
<td>6.38</td>
<td>1.59</td>
<td>0.94</td>
</tr>
<tr>
<td>ILE</td>
<td>2559.2</td>
<td>1.66</td>
<td>-2.82</td>
<td>-1.66</td>
<td>0.95</td>
</tr>
<tr>
<td>LAN</td>
<td>-1306.6</td>
<td>-0.21</td>
<td>0.67</td>
<td>0.22</td>
<td>0.95</td>
</tr>
<tr>
<td>LIM</td>
<td>2455.2</td>
<td>0.80</td>
<td>-1.28</td>
<td>-0.84</td>
<td>0.95</td>
</tr>
<tr>
<td>LOR</td>
<td>-610.59</td>
<td>-0.08</td>
<td>0.29</td>
<td>0.08</td>
<td>0.95</td>
</tr>
<tr>
<td>MID</td>
<td>10693</td>
<td>1.31</td>
<td>-5.38</td>
<td>-1.32</td>
<td>0.95</td>
</tr>
<tr>
<td>NOR</td>
<td>-3014.4</td>
<td>-0.32</td>
<td>1.53</td>
<td>0.32</td>
<td>0.95</td>
</tr>
<tr>
<td>PAY</td>
<td>5883.6</td>
<td>-2.96</td>
<td>2939.9</td>
<td>2.95</td>
<td>0.96</td>
</tr>
<tr>
<td>PIC</td>
<td>1890.5</td>
<td>-4.14</td>
<td>1003.9</td>
<td>4.16</td>
<td>0.96</td>
</tr>
<tr>
<td>POI</td>
<td>-2445.8</td>
<td>-0.64</td>
<td>1.21</td>
<td>0.64</td>
<td>0.96</td>
</tr>
<tr>
<td>PRO</td>
<td>-16762</td>
<td>-0.99</td>
<td>8.49</td>
<td>1.00</td>
<td>0.96</td>
</tr>
<tr>
<td>RHO</td>
<td>3183</td>
<td>0.18</td>
<td>-1.62</td>
<td>-0.18</td>
<td>0.96</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Firm creation is investigated in Table 5, where the model accounts for a high percentage of variation in all but a few cases. Upwards of 75% of the variation is accounted for in all regions but Champagne-Ardenne and Haute-Normandie, mostly due to the high significance of national rates of firm creation.
The regions exhibit a variety of growth trends. Almost one-fourth of the regions have a statistically-significant underlying trend on firm creation, while three-fourths of the regions exhibit no trend discernable from the national trend. Examining the ones which do, however, reveals that three of them are significant in the positive direction (Franche-Comté, Pays de la Loire, and Picardie) while only two are negatively-significant (Bourgogne, Ile-de-France).

The coefficients for national economy are all significant, indicating that the economic indicator of firm creation is hardly region-specific. Examining the magnitude of these coefficients indicates some degree of variation. Larger regions like Ile-de-France and Rhône-Alpes experience economic shifts in firm creation most keenly, while a number of regions including Basse-Normandie, Bourgogne and Champagne-Ardenne experience only slight shifts along with the national economy.

Table 6: Rate of Firm Creation: Classification of Regions by Sensitivity to the National Economy and Regional Economic Trends

<table>
<thead>
<tr>
<th>Regional-level Trend</th>
<th>National-level Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>Somewhat Independent</td>
</tr>
<tr>
<td>ALS</td>
<td>CEN</td>
</tr>
<tr>
<td>FRA</td>
<td>HAU</td>
</tr>
<tr>
<td>LOR</td>
<td>NOR</td>
</tr>
<tr>
<td>PIC</td>
<td>POI</td>
</tr>
<tr>
<td>Economic Decline</td>
<td>Somewhat Independent</td>
</tr>
<tr>
<td>AQU</td>
<td>AUV</td>
</tr>
<tr>
<td>BOU</td>
<td>BRE</td>
</tr>
<tr>
<td>LIM</td>
<td>MID</td>
</tr>
</tbody>
</table>

Table 6 classifies the regions according to independence and growth (as measured by firm creation), exhibiting another unbalanced classification. No regions fall into the
independent categories, with the closest candidates for independent-growth regions being Champagne-Ardenne and Haute-Normandie.

Table 7: Effects on Per Capita GDP by Region, 1975-1991: Evaluating National Dependence and Regional Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>1975-1991</th>
<th>Regional economy</th>
<th>National economy</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALS</td>
<td>144030</td>
<td>0.05</td>
<td>-73.22</td>
<td>-0.05</td>
<td>3.95</td>
</tr>
<tr>
<td>AQU</td>
<td>35749</td>
<td>0.02</td>
<td>-17.74</td>
<td>-0.02</td>
<td>4.29</td>
</tr>
<tr>
<td>AUV</td>
<td>-101430</td>
<td>-0.06</td>
<td>51.03</td>
<td>0.06</td>
<td>5.16</td>
</tr>
<tr>
<td>BAS</td>
<td>-3640200</td>
<td>-1.70</td>
<td>1245.4</td>
<td>-1.70</td>
<td>2.86</td>
</tr>
<tr>
<td>BOU</td>
<td>-917940</td>
<td>-0.67</td>
<td>465.40</td>
<td>0.67</td>
<td>6.78</td>
</tr>
<tr>
<td>BRE</td>
<td>57269</td>
<td>0.36</td>
<td>-291.09</td>
<td>-0.36</td>
<td>6.31</td>
</tr>
<tr>
<td>CEN</td>
<td>1687000</td>
<td>1.09</td>
<td>-856.65</td>
<td>-1.09</td>
<td>8.00</td>
</tr>
<tr>
<td>CHA</td>
<td>1447200</td>
<td>0.38</td>
<td>-733.63</td>
<td>-0.38</td>
<td>3.21</td>
</tr>
<tr>
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<td>1561.80</td>
<td>0.93</td>
<td>2.15</td>
</tr>
<tr>
<td>HAU</td>
<td>142090</td>
<td>0.04</td>
<td>-69.71</td>
<td>-0.04</td>
<td>3.08</td>
</tr>
<tr>
<td>ILE</td>
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<td>0.56</td>
<td>-698.16</td>
<td>-0.57</td>
<td>7.86</td>
</tr>
<tr>
<td>LAN</td>
<td>2082400</td>
<td>1.03</td>
<td>-1057.5</td>
<td>-1.03</td>
<td>5.52</td>
</tr>
<tr>
<td>LIM</td>
<td>69232</td>
<td>0.05</td>
<td>-36.28</td>
<td>-0.05</td>
<td>6.71</td>
</tr>
<tr>
<td>LOR</td>
<td>-1089900</td>
<td>-0.44</td>
<td>555.17</td>
<td>0.44</td>
<td>3.32</td>
</tr>
<tr>
<td>MID</td>
<td>-112900</td>
<td>-0.04</td>
<td>55.09</td>
<td>0.04</td>
<td>3.71</td>
</tr>
<tr>
<td>NOR</td>
<td>-1637300</td>
<td>-0.84</td>
<td>832.65</td>
<td>0.84</td>
<td>3.70</td>
</tr>
<tr>
<td>PAY</td>
<td>-380750</td>
<td>-0.31</td>
<td>192.98</td>
<td>0.31</td>
<td>7.90</td>
</tr>
<tr>
<td>PIC</td>
<td>-760000</td>
<td>-0.48</td>
<td>387.78</td>
<td>0.48</td>
<td>5.29</td>
</tr>
<tr>
<td>POI</td>
<td>1695600</td>
<td>0.79</td>
<td>-860.58</td>
<td>-0.79</td>
<td>5.07</td>
</tr>
<tr>
<td>PRO</td>
<td>1408000</td>
<td>0.88</td>
<td>-714.31</td>
<td>-0.88</td>
<td>7.53</td>
</tr>
<tr>
<td>RHO</td>
<td>1203600</td>
<td>1.12</td>
<td>-611.15</td>
<td>-1.12</td>
<td>11.73</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

The models using per capita GDP as the dependent variable are highly explanatory of the variation, as evidenced by the results presented in Table 7, with the national economy variable emerging as statistically-significant in every region. In all cases this is a direct relationship — as GDP rises in the national economy, so it rises in the regional economy. However, the magnitude of this relationship varies across the regions.

Three regions experience the smallest proportion of national changes on this variable, with Basse-Normandie, Franche-Comté, and Nord-Pas-de-Calais each experiencing less
than 70% of the changes in GDP experienced by the nation. On the other hand, the two largest regions (Ile-de-France and Rhône-Alpes) each experience over 120% of the national changes on this variable.

The coefficients for regional economy vary by sign, with about half positive and half negative, although only Basse-Normandie achieves statistical significance. In terms of magnitude, Basse-Normandie and Franche-Comté clearly exhibit strong positive growth, while Languedoc-Roussillon similarly shows a strong trend of economic decline.

Once again, none of the regions falls in the independent categories of the typology using per capita GDP as a measure in Table 8. However, patterns have begun to emerge for some regions. Regions such as Bourgogne, Franche-Comté, Pays de la Loire and Picardie have defined the dependent-growth category. The dependent-decline category has been similarly characterized by Ile-de-France, Languedoc-Roussillon and Rhône-Alpes.

Table 8: Per Capita GDP: Classification of Regions by Sensitivity to the National Economy and Regional Economic Trends

<table>
<thead>
<tr>
<th>Regional-level Trend</th>
<th>National-level Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>Somewhat Independent</td>
</tr>
<tr>
<td></td>
<td>AUV  BAS  BOU</td>
</tr>
<tr>
<td></td>
<td>FRA  LOR  MID</td>
</tr>
<tr>
<td></td>
<td>NOR  PAY  PIC</td>
</tr>
<tr>
<td>Economic Decline</td>
<td>ALS  AQU  BRE</td>
</tr>
<tr>
<td></td>
<td>CEN  CHA  HAU</td>
</tr>
<tr>
<td></td>
<td>ILE  LAN  LIM</td>
</tr>
<tr>
<td></td>
<td>POI  PRO  RHO</td>
</tr>
</tbody>
</table>
The final dependent variable, balance of trade, exhibits a high degree of variation across the regions, as evidenced by the results in Table 9. The R² indicates a good deal of variation in the model's ability to explain variation, from a low of 6% in Basse-Normandie to a high of 95% in Ile-de-France and Poitou-Charentes. According to the coefficients for regional economy, less than one-third of the regions display a negative underlying regional trend on this variable, while two-thirds of the regions display a positive underlying trend. The regions of Haute-Normandie and Midi-Pyrénées weigh in with strongly positive trends, while Ile-de-France stands apart for its strongly-negative regional trend.

Table 9: Effects on Balance of Trade by Region, 1977-1992: Evaluating National Dependence and Regional Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Regional economy</th>
<th>t</th>
<th>National economy</th>
<th>t</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALS</td>
<td>31654500</td>
<td>-7.90</td>
<td>31654500</td>
<td>7.91</td>
<td>0.08</td>
<td>5.32</td>
<td>0.84</td>
</tr>
<tr>
<td>AQU</td>
<td>32920000</td>
<td>-5.79</td>
<td>32920000</td>
<td>5.81</td>
<td>0.14</td>
<td>2.73</td>
<td>0.91</td>
</tr>
<tr>
<td>AUV</td>
<td>33542000</td>
<td>-3.33</td>
<td>33542000</td>
<td>3.36</td>
<td>-0.003</td>
<td>-0.48</td>
<td>0.62</td>
</tr>
<tr>
<td>BAS</td>
<td>114190</td>
<td>1.38</td>
<td>-10.86</td>
<td>-1.36</td>
<td>-0.01</td>
<td>-1.30</td>
<td>0.06</td>
</tr>
<tr>
<td>BOU</td>
<td>31102000</td>
<td>-5.99</td>
<td>31102000</td>
<td>6.03</td>
<td>-0.004</td>
<td>-0.56</td>
<td>0.88</td>
</tr>
<tr>
<td>BRE</td>
<td>32920000</td>
<td>-4.60</td>
<td>32920000</td>
<td>4.62</td>
<td>0.01</td>
<td>1.80</td>
<td>0.76</td>
</tr>
<tr>
<td>CEN</td>
<td>-326020</td>
<td>-1.59</td>
<td>164.98</td>
<td>1.59</td>
<td>0.03</td>
<td>3.19</td>
<td>0.36</td>
</tr>
<tr>
<td>CHA</td>
<td>38537000</td>
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<td>38537000</td>
<td>5.41</td>
<td>-0.006</td>
<td>-0.69</td>
<td>0.80</td>
</tr>
<tr>
<td>FRA</td>
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<td>-3.99</td>
<td>32220000</td>
<td>4.04</td>
<td>0.02</td>
<td>1.35</td>
<td>0.66</td>
</tr>
<tr>
<td>HAU</td>
<td>31980000</td>
<td>-2.12</td>
<td>164.22</td>
<td>2.12</td>
<td>0.03</td>
<td>3.06</td>
<td>0.69</td>
</tr>
<tr>
<td>ILE</td>
<td>31818000</td>
<td>6.85</td>
<td>31818000</td>
<td>6.85</td>
<td>0.20</td>
<td>2.61</td>
<td>0.95</td>
</tr>
<tr>
<td>LAN</td>
<td>65559</td>
<td>0.39</td>
<td>-34.47</td>
<td>-0.41</td>
<td>0.06</td>
<td>4.74</td>
<td>0.60</td>
</tr>
<tr>
<td>LIM</td>
<td>7222</td>
<td>-4.92</td>
<td>8822</td>
<td>-4.94</td>
<td>0.01</td>
<td>-2.07</td>
<td>0.68</td>
</tr>
<tr>
<td>LOR</td>
<td>-325000</td>
<td>-1.45</td>
<td>164.33</td>
<td>1.46</td>
<td>0.03</td>
<td>2.64</td>
<td>0.42</td>
</tr>
<tr>
<td>MID</td>
<td>34034000</td>
<td>-5.71</td>
<td>34034000</td>
<td>5.73</td>
<td>-0.02</td>
<td>-0.75</td>
<td>0.83</td>
</tr>
<tr>
<td>NOR</td>
<td>34633</td>
<td>0.04</td>
<td>-22.54</td>
<td>-0.05</td>
<td>0.06</td>
<td>2.26</td>
<td>0.44</td>
</tr>
<tr>
<td>PAY</td>
<td>5185</td>
<td>0.07</td>
<td>-27.06</td>
<td>-0.08</td>
<td>0.05</td>
<td>2.72</td>
<td>0.34</td>
</tr>
<tr>
<td>P/C</td>
<td>513080</td>
<td>1.47</td>
<td>-257.36</td>
<td>-1.46</td>
<td>0.01</td>
<td>1.16</td>
<td>0.35</td>
</tr>
<tr>
<td>POI</td>
<td>35440000</td>
<td>-7.62</td>
<td>8702</td>
<td>7.67</td>
<td>0.008</td>
<td>1.58</td>
<td>0.95</td>
</tr>
<tr>
<td>PRO</td>
<td>-650510</td>
<td>-0.56</td>
<td>324.53</td>
<td>0.55</td>
<td>0.03</td>
<td>4.43</td>
<td>0.58</td>
</tr>
<tr>
<td>RHO</td>
<td>19353000</td>
<td>-2.82</td>
<td>19353000</td>
<td>2.85</td>
<td>0.009</td>
<td>3.44</td>
<td>0.66</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.
Table 10: Balance of Trade: Classification of Regions 
by Sensitivity to the National Economy and Regional Economic Trends

<table>
<thead>
<tr>
<th>Regional-level Trend</th>
<th>National-level Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>Somewhat Independent</td>
</tr>
<tr>
<td>AUV BOU CHA</td>
<td>ALS AQU BRE</td>
</tr>
<tr>
<td>FRA MID POI</td>
<td>CEN HAU LIM</td>
</tr>
<tr>
<td>LOR PRO RHO</td>
<td></td>
</tr>
<tr>
<td>Economic Decline</td>
<td>BAS PIC</td>
</tr>
<tr>
<td>ILE LAN NOR</td>
<td></td>
</tr>
<tr>
<td>PAY</td>
<td></td>
</tr>
</tbody>
</table>

The typology in Table 10 shows some interesting results for categorization using balance of trade. First, a more balanced picture emerges than earlier versions of the typology using the other dependent variables have indicated. Ile-de-France and Languedoc-Roussillon continue to reinforce their positions as dependent-decliners, while Bourgogne and Franche-Comté assert an independent-growth position, rather than their previous dependent-growth pattern.

The typology across all of the dependent variables indicates that a good proportion of the regions achieved significant rates of economic growth. Alsace, Franche-Comté, Lorraine, Pays de la Loire, Picardie, and Poitou-Charentes, were all classified as "growing" regions across four out of the five economic indicators of growth. While Ile-de-France, Languedoc-Roussillon, and Rhône-Alpes, were repeatedly classified as "declining" regions. According to the typology, three regions -- Franche-Comté, Picardie, and Poitou-Charentes -- receive both an "independent" designation and repeatedly exhibit growth.
These results indicate several important deductions about regions and their economies. Strong economic autonomy on the part of the regions is negligible. Only eleven regions showed a significant degree of independence from national trends (and each of these regions held that designation in only one case). Despite the best policy efforts of regional actors, they often may not have the capacity to override national economic trends.

However, the results presented so far provide at least preliminary evidence that regions may be having an impact on their own economic performance. This argument would be difficult to make in the absence of any variance along the dimensions of growth and autonomy. These results can guide us where to look for regional efforts to guide their economies. It is in balance of trade where national patterns had the least impact on regional growth, suggesting the greatest potential for regional policies to impact their economies. So trade patterns may be one area in which to expect regional actors to play a strong policy role. On the other hand, the national patterns are extremely strong for unemployment, firm creation, and per capita GDP, providing the least opportunities for regional policy action to affect the economy.

The preliminary results of this stage of the analysis are important because they counter conventional wisdom about unitary states. Rather than revealing a monolithic French state with little variation in subnational performance and autonomy, the preceding analysis has shown some evidence to the contrary. The most patterned trends of growth were found in balance of trade, suggesting that it might be the most profitable place to begin looking for the impact of regional governments, policies and politics.
Decentralization as Quasi-Experiment

Because decentralization aims to transform existing social and economic processes, it can be modelled as a disruptive event. The second theoretical concern in this chapter is to determine how decentralization disrupts economic production, growth, and employment patterns in the short run and in the long run. The results contribute to the policy evaluation literature by examining the decentralization as a single policy reform or quasi-experiment at the regional level, yielding several evaluative benefits. First, considering decentralization as an experimental treatment focuses the attention on the outcome of the reforms. Second, employing an interrupted time-series design allows a quantitative assessment of the impact of decentralization. Third, regions provide an intuitive focal point for the changes going on simultaneously at lower subnational levels, yet they are small enough to expect some variation across regions. Finally, by incorporating dummy variables into the analysis, we can maximize the information yielded by the results, allowing us to say something about the performance of individual regions, their relation to the national economy, and short- and longer-term impacts of decentralization.

With respect to the specification of the intervention point, at what point in the decentralization process can we expect the effect to appear? While the French series of decentralization reforms known as "la grande affaire du septennat" (42 laws and over 300 decrees) was announced in 1981 and began to be implemented in 1982, much of the execution of regional decentralization was in fact delayed until much later (Douence 1995, p. 12). A detailed description of the problems associated with the decentralization
reforms was presented earlier, but several points are worth noting. First, political discord delayed the implementation of the institutions themselves. Article 59 of the March 2, 1982 law stipulated that the regions would become collectivités territoriales when their councils convened for the first time following direct elections by universal suffrage. These elections were to be held within a year, at the latest at the same time as municipal elections. They were to be based on proportional representation according to departmental party lists. However, because the Socialists began losing successive elections in the periphery (with the right winning control of 58 departments in March 1982 and then triumphing in the commune elections of March 1983), the government repeatedly delayed scheduling regional elections. Regional presidents who had already obtained executive power were thus left without the legitimacy gained through election. Not directly elected, but rather consisting of parliamentary deputies and municipal and departmental councillors, these administrators had no clear-cut link to their "constituents". By the time the Socialists finally proceeded with the regional elections in 1986, they faced the inevitability of only winning minority status on most of the regional councils (Schmidt 1991, pp. 143-44).

Second, the transfer of administrative and financial resources to the regions was similarly delayed. Not until late 1986 were the statutes of the regional civil service implemented, allowing regions to freely recruit their own civil servants, who would finally be designated with the same status as the rest of the country's civil service. While regional councils could recruit their own staff from 1982 on, they were only able to recruit civil servants on loan from other administrations or on temporary contracts.
(Douence 1995, p. 15). As one French political observer claimed in a paper first presented in 1992, "The regions have only been able to perform fully for six years, and then in rather difficult conditions," (Douence 1995, p. 17)

The upshot of this discussion is that any accurate depiction of an interruption model must take into account the implementation, rather than the passage of the decentralization laws. Accordingly, I have chosen 1986 as the interruption year, based on the expectation that only then were the electoral, administrative and financial resources in place and performing.

Time-series statistical analysis for each individual region is presented in this chapter because it lets us answer two questions. First, how dependent are the regional economies on the national economy? Second, what is the temporal impact of the decentralization "interruption" on a region-by-region basis?

The following model examines regional economic performance as a function of time and decentralization, with two indicators to measure the short- and long-term impact of the reforms.

\[ \text{Regional Economy} = a + \text{Year} + \text{Reform} + \text{Counter} + e \]

In the above equation, \textit{regional economy} refers to the annual value of one of the five economic health indicators cited in the previous chapter; \textit{year} is 1975 to 1995; \textit{reform} is a dummy variable counted zero for every year except the decentralization year; \textit{counter} is a numerical counter tagged one for the interruption year and counting up by one each succeeding year; and \textit{a} and \textit{e} refer respectively to the intercept and error term.
The parameters reform and counter indicate, respectively, the level and slope of the time series following the decentralization reforms. If the estimate for reform does not differ significantly from zero, the inference is that decentralization had no effect on the level of the time series. Similarly, if the estimate for counter does not differ significantly from zero, the inference is that decentralization had no effect on the slope of the time series. Thus reform and counter indicate (respectively) the short- and long-run effects of the interruption.

Examining the results in Table 11 indicates that only in a few regions was the change in the rate of firm failure significant. In all significant cases, the short-term impact was to decrease the rate of firm failure — as indicated in Auvergne, Bretagne and Pays de la Loire. Only in two of those regions — Auvergne and Bretagne — did there continue to remain a significant longer-term impact of decentralization, albeit in the opposite direction.

The longer run impact, in fact, moderated the decline in the rate of firm failures in all cases. However, the net impact of the two interruption variables was still negative in the three cases that were statistically-significant for reform — in Auvergne, Bretagne, and Pays de la Loire. Counter was a significant variable in about half of the regions, with its impact being to create a positive slope (increasing the rate of firm failures in the long run) in all cases. So although three regions did see a statistically-significant immediate drop in the rate of firm failures following the decentralization, the effect was short-lived even in these three cases. Decentralization therefore had little immediate impact, and over time its impact was detrimental (i.e. it increased the rate of firm failures).
Table 11: Annual Change in Per Capita Rate of Firm Failure by Region, 1983-1993: The Effects of French Decentralization Reforms

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Year</th>
<th>t</th>
<th>Reform</th>
<th>t</th>
<th>Counter</th>
<th>t</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALS</td>
<td>498.75</td>
<td>0.34</td>
<td>0.25</td>
<td>0.34</td>
<td>-2.74</td>
<td>-1.39</td>
<td>0.74</td>
<td>0.92</td>
<td>0.07</td>
</tr>
<tr>
<td>AQU</td>
<td>22.57</td>
<td>0.05</td>
<td>-0.01</td>
<td>-0.04</td>
<td>-0.92</td>
<td>-1.54</td>
<td>0.67</td>
<td>0.27</td>
<td>0.19</td>
</tr>
<tr>
<td>AUV</td>
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<td>-1.56</td>
<td>-1.28</td>
<td>-1.77</td>
<td>1.48</td>
<td>2.32</td>
<td>0.48</td>
<td></td>
</tr>
<tr>
<td>BAS</td>
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<td>0.12</td>
<td>0.21</td>
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<td>-0.92</td>
<td>0.19</td>
<td>0.28</td>
<td>-0.14</td>
</tr>
<tr>
<td>BOU</td>
<td>2127.1</td>
<td>1.42</td>
<td>-1.07</td>
<td>-1.42</td>
<td>-2.21</td>
<td>-1.10</td>
<td>1.32</td>
<td>1.86</td>
<td>0.32</td>
</tr>
<tr>
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<td>0.88</td>
<td>2.63</td>
<td>-2.93</td>
<td>-1.97</td>
<td>0.75</td>
<td>3.10</td>
<td>0.73</td>
</tr>
<tr>
<td>CEN</td>
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<td>-0.39</td>
<td>-0.81</td>
<td>-1.34</td>
<td>-1.11</td>
<td>1.41</td>
<td>1.74</td>
<td>0.45</td>
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<tr>
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<td>-0.39</td>
<td>-2.69</td>
<td>-1.53</td>
<td>1.14</td>
<td>1.43</td>
<td>0.37</td>
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<tr>
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<td>-0.69</td>
<td>-0.18</td>
<td>-0.12</td>
<td>0.95</td>
<td>1.43</td>
<td>0.35</td>
</tr>
<tr>
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<td>-0.74</td>
<td>-1.21</td>
<td>0.31</td>
<td>0.21</td>
<td>1.07</td>
<td>1.63</td>
<td>0.19</td>
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<tr>
<td>ILE</td>
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<td>-0.84</td>
<td>-1.23</td>
<td>-1.18</td>
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<td>1.96</td>
<td>0.53</td>
</tr>
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<td>-0.39</td>
<td>-0.11</td>
<td>-0.09</td>
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<td>0.53</td>
<td>-0.36</td>
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<td>2.93</td>
<td>3.20</td>
<td>0.56</td>
</tr>
<tr>
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<td>-1.28</td>
<td>-1.17</td>
<td>-1.45</td>
<td>0.95</td>
<td>2.48</td>
<td>0.60</td>
</tr>
<tr>
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<td>-0.06</td>
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<td>-0.56</td>
<td>0.38</td>
<td>0.72</td>
<td>0.08</td>
</tr>
<tr>
<td>NOR</td>
<td>259.48</td>
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<td>-0.13</td>
<td>-0.26</td>
<td>-1.55</td>
<td>-1.18</td>
<td>0.69</td>
<td>1.25</td>
<td>0.33</td>
</tr>
<tr>
<td>PAY</td>
<td>-50.85</td>
<td>-0.05</td>
<td>0.03</td>
<td>0.05</td>
<td>-0.53</td>
<td>-1.71</td>
<td>0.44</td>
<td>0.44</td>
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</tr>
<tr>
<td>PIC</td>
<td>200.95</td>
<td>1.76</td>
<td>1.05</td>
<td>-1.76</td>
<td>-1.19</td>
<td>-0.81</td>
<td>1.58</td>
<td>2.24</td>
<td>0.30</td>
</tr>
<tr>
<td>POI</td>
<td>1158.9</td>
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<td>-0.58</td>
<td>-0.68</td>
<td>-0.64</td>
<td>-0.29</td>
<td>1.04</td>
<td>1.01</td>
<td>-0.18</td>
</tr>
<tr>
<td>PRO</td>
<td>576.63</td>
<td>1.08</td>
<td>-0.29</td>
<td>-1.08</td>
<td>0.30</td>
<td>0.41</td>
<td>0.42</td>
<td>1.43</td>
<td>0.04</td>
</tr>
<tr>
<td>RHO</td>
<td>1051.9</td>
<td>0.78</td>
<td>-0.53</td>
<td>-0.78</td>
<td>-2.13</td>
<td>-1.37</td>
<td>0.58</td>
<td>1.78</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Table 12 reveals that in all regions, the pre-decentralization slope (the coefficients for year) was positive, indicating that unemployment was continuously rising across all of France before decentralization. Decentralization had the immediate impact of lowering the rate of unemployment to a statistically-significant level in six regions -- Alsace, Auvergne, Bretagne, Languedoc-Roussillon, Limousin, and Provence-Alpes-Côte d'Azur. Even in the long run, this decrease in unemployment held in all cases, as evidenced by the coefficients for counter, although only in four of the regions was statistical significance maintained (i.e. Auvergne, Bretagne, Languedoc-Roussillon, Limousin). The influence of decentralization has been beneficial for unemployment, apparently creating jobs.
Table 12: Annual Change in Rate of Unemployment by Region, 1981-1995: The Effects of French Decentralization Reforms

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Year</th>
<th>t</th>
<th>Reform</th>
<th>t</th>
<th>Counter</th>
<th>t</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALS</td>
<td>595.75</td>
<td>-2.23</td>
<td>0.55</td>
<td>2.25</td>
<td>-0.31</td>
<td>-3.01</td>
<td>-0.31</td>
<td>-1.36</td>
<td>0.32</td>
</tr>
<tr>
<td>AQU</td>
<td>212.24</td>
<td>-2.54</td>
<td>0.69</td>
<td>2.57</td>
<td>-1.03</td>
<td>-1.44</td>
<td>-0.21</td>
<td>-0.84</td>
<td>0.75</td>
</tr>
<tr>
<td>AUV</td>
<td>292.84</td>
<td>-5.89</td>
<td>0.82</td>
<td>5.94</td>
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<tr>
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</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

As indicated in Table 13, the number of new firms was boosted in the wake of decentralization in only one region – Champagne-Ardenne (although this relationship was not statistically-significant). In nearly half of the regions, however, reform had a statistically-significant negative short-term impact on firm creation, most notably in Ile-de-France. In all cases this relationship was sustained in the long-term, with a high level of statistical significance on the coefficients for counter. Clearly the rate of firm creation across the regions was harmed by the impact of decentralization.
Table 13: Annual Change in Rate of Firm Creation by Region, 1983-1992:
The Effects of French Decentralization Reforms

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Year</th>
<th>t</th>
<th>Reform</th>
<th>t</th>
<th>Counter</th>
<th>t</th>
<th>Adj. R²</th>
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<tr>
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</tr>
<tr>
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<td>0.09</td>
<td>4.03</td>
<td>15.29</td>
<td>-2.17</td>
<td>5.92</td>
<td>-5.12</td>
<td>0.84</td>
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<td>0.30</td>
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<td>5.43</td>
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<tr>
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<tr>
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<tr>
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<td>0.85</td>
</tr>
<tr>
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Note: Coefficients are multiplied by 10,000 due to their small size. Shading indicates significance at the .10 level, two-tailed test.

Table 14 indicates that per capita GDP in the short-term overwhelmingly declined following decentralization, with only two regions (Haute-Normandie and Lorraine) having significant results. This relationship was particularly striking given the strong positive slope of these relationships prior to decentralization (as evidenced by the coefficients for year). For the most part, this negative impact on GDP was sustained in the long-term, with statistically-significant negative results found only for Alsace and Aquitaine. For one-third of the regions, time somewhat ameliorated the immediate negative impact of decentralization on GDP, although this impact was only significant in two regions -- Basse-Normandie and Champagne-Ardenne.
Table 14: Annual Change in Per Capita GDP by Region, 1975-1991:
The Effects of French Decentralization Reforms

<table>
<thead>
<tr>
<th>Region</th>
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<th>Reform</th>
<th>Counter</th>
<th>Adj. R²</th>
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<td>-1933.2</td>
<td>-1.19</td>
<td>0.99</td>
</tr>
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</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Overall, the only region that increased its GDP with statistical significance as a result of decentralization was Basse-Normandie; with Bourgogne and Franche-Comté showing a positive — albeit not statistically-significant — relationship. Decentralization must be taken as a largely detrimental influence for per capita GDP.

According to Table 15, balance of trade increased immediately following decentralization in eight regions, but only in Nord-Pas-de-Calais was this relationship statistically-significant. However, in five regions (Auvergne, Bretagne, Franche-Comté, Ile-de-France, and Midi-Pyrénées), the immediate impact of the reforms was negative and statistically-significant, suggesting that the short-term impact of decentralization was to
decrease the balance of trade (i.e. raise imports relative to exports). This trend appears to have largely reversed in the long-term, according to the counter coefficients. Of the five regions above, only in one (Ile-de-France) was the negative relationship sustained, and that was not a statistically-significant indicator. In the other four, positive coefficients for counter indicate an amelioration of the original negative relationship between decentralization and balance of trade.

Table 15: Annual Change in Balance of Trade by Region, 1977-1992: The Effects of French Decentralization Reforms

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Year</th>
<th>t</th>
<th>Reform</th>
<th>t</th>
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Note: Shading indicates significance at the .10 level, two-tailed test.

Overall in the long-term, over half of the regions experienced an increasing trajectory in their balance of trade. Only Nord-Pas-de-Calais really stands out as a winner over the entire time frame, as it had been experiencing a negative pattern in its balance of
trade prior to decentralization, a pattern which shifted to positive in the short- and long-term period following reforms.

The inconclusive results from the first set of statistical analyses, as evidenced by the relatively low level of variation explained by the model, indicate a misspecified model. In particular, the strong centralized tradition of the French state suggests that the national economy may be responsible for much of the regional variation. Inclusion of a measure of national change on the dependent variables yields a new set of statistical results which are presented in tables 16-20. The national impact often changed the magnitude and statistical significance of reform and counter, clearly showing that not including the national effect in the previous set of analyses has biased the results.

Table 16 indicates that only in three regions (Aquitaine, Languedoc-Roussillon, and Provence-Alpes-Côte d'Azur) did the inclusion of a national indicator of firm failure decrease the amount of variation explained by the model. In general, the national variable was positive and statistically-significant. Its impact often changed the magnitude and statistical significance of reform and counter, indicating that regional changes were in many cases due to national economic trends. The revised findings for firm failure show that none of the statistically-significant relationships reported in Table 11 for reform hold when national effects are considered. Only in Haute-Normandie does decentralization promote a statistically-significant short-term effect on firm failure, albeit an economically harmful one.
Examine the long-term effects through the variable \textit{counter}, only in Bretagne does the statistically-significant relationship reported in table 1 hold -- an increase in firm failures in the years following decentralization. However, a new finding for Basse-Normandie indicates a gradual decline in firm failures in the same period. With no cases where decentralization has a significant impact in both the short- and long-terms, the new findings indicate much less of a regional impact and no conclusive regional trends after controlling for national trends in firm failure.
Table 17: Annual Change in Unemployment by Region, 1981-1995: The Effects of French Decentralization Reforms and National Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
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<th>Year</th>
<th>Reform</th>
<th>t</th>
<th>Counter</th>
<th>t</th>
<th>National</th>
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<td>-0.07</td>
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<td>3.17</td>
<td>1.32</td>
<td>10.48</td>
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</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Table 17 indicates that national unemployment is largely determinative of regional unemployment. In all cases, the included indicator for national effects is significant. Coefficients for reform indicate only three statistically-significant short-term relationships: one decline and two increases in rate of unemployment. Counter reinforces some of the long-term declines in unemployment indicated in Table 12, in Auvergne, Bretagne, Languedoc-Roussillon, and Limousin; and reveals that regional unemployment independent of national trends actually increased over time in Bourgogne, Midi-Pyrénées, Provence-Alpes-Côte d'Azur, and Rhône-Alpes. In some cases, a dramatic relationship is revealed. For example, in Franche-Comté, the inclusion of the national indicator reveals the true regional impact -- an initial increase in unemployment
following decentralization, followed by a slight long-term decline. Only one region, Midi-Pyrénées, exhibits a statistically-significant increase in unemployment in both the short- and long-terms. Interestingly, four regions improve their situation and four experience a decline according to the long-term effects on this variable, suggesting that the effects of decentralization on unemployment might be neither overwhelmingly positive or negative, but rather neutral overall.

Table 18: Annual Change in Rate of Firm Creation by Region, 1983-1992: The Effects of French Decentralization Reforms and National Patterns

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<th>$t$</th>
<th>Reform</th>
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<td>0.02</td>
<td>2.73</td>
<td>0.95</td>
</tr>
<tr>
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<td>134600</td>
<td>1.08</td>
<td>-68.03</td>
<td>-1.08</td>
<td>204.39</td>
<td>2.27</td>
<td>77.24</td>
<td>0.95</td>
<td>0.02</td>
<td>5.09</td>
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<td>RHO</td>
<td>437800</td>
<td>3.18</td>
<td>-22137</td>
<td>-3.18</td>
<td>289.67</td>
<td>3.10</td>
<td>278.30</td>
<td>3.08</td>
<td>0.03</td>
<td>7.48</td>
<td>0.98</td>
</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

The R$^2$ in Table 18 indicate that the inclusion of national rates of firm creation does not increase explained variation in almost one-third of the regions (Alsace, Bourgogne, Haute-Normandie, Lorraine, Nord-Pas-de-Calais, and Pays de la Loire).

However of these regions, only in Pays de la Loire does decentralization have a
statistically-apparent effect (albeit negative) in the long-term. One of the main effects of
the omission of national indicators of firm creation has been a masking of the significant
immediate positive impact of decentralization in several regions — Aquitaine, Centre,
Languedoc-Roussillon, Midi-Pyrénées, Provence-Alpes-Côte d'Azur, and Rhône-Alpes.
Compared to its apparent effect in Table 13, counter experiences a sharp decline in
explanatory power. While Table 13 indicated a universally-negative long-term impact of
decentralization, this relationship is contradicted in Table 8. Of all of the regions, only in
Pays de la Loire, in fact, is a statistically-significant negative impact sustained. In
Aquitaine, Centre, Limousin, and Rhône-Alpes, in fact, a positive impact by counter on
firm creation is revealed. In three regions (Aquitaine, Centre, and Rhône-Alpes), both the
short- and long-term impacts of decentralization are positive and significant. The results
thus suggest a beneficial impact of decentralization on firm creation.

A dramatic pattern emerges when the national variable is included in the model
for GDP in Table 19. The previously highly-significant pre-decentralization intercept and
slope coefficients (constant and year) from the model in Table 14 lose a good deal of
their explanatory value, which is coopted by the national variable. Most of the
coefficients for reform and counter change little in terms of direction or magnitude,
however the inclusion of national reveals several more statistically-significant impacts of
decentralization. Only the reform coefficients for Ile-de-France and Pays de la Loire and
the counter coefficient for Rhône-Alpes change their signs — going from negative to
positive in each case. The short-term impact of decentralization is positive on GDP in
over half of the regions, while this positive effect is only sustained to a significant level in
the long-run in Ile-de-France. In fact, only in six regions is the coefficient for counter positive and statistically-significant. In the long term, again the effects seem to be nearly evenly-divided between beneficial and detrimental effects on GDP.

Table 19: Annual Change in Per Capita GDP by Region, 1975-1991: The Effects of French Decentralization Reforms and National Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Year</th>
<th>t</th>
<th>Reform</th>
<th>t</th>
<th>Counter</th>
<th>t</th>
<th>National</th>
<th>t</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
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<td>ALS</td>
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<td>0.45</td>
<td>-312.12</td>
<td>-0.46</td>
<td>222923</td>
<td>2.75</td>
<td>315826</td>
<td>-6.60</td>
<td>1.2322</td>
<td>0.97</td>
<td>0.99</td>
</tr>
<tr>
<td>AQU</td>
<td>-172450</td>
<td>-0.10</td>
<td>86.59</td>
<td>0.10</td>
<td>124.37</td>
<td>0.13</td>
<td>312127</td>
<td>-3.97</td>
<td>1.0354</td>
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<td>0.99</td>
</tr>
<tr>
<td>AUV</td>
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<td>-0.04</td>
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<td>-0.77</td>
<td>0.5903</td>
<td>5.16</td>
<td>0.99</td>
</tr>
<tr>
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<td>1083.1</td>
<td>1.99</td>
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<td>102227</td>
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<td>0.7050</td>
<td>5.12</td>
<td>0.99</td>
</tr>
<tr>
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<td>1.32</td>
<td>460.34</td>
<td>3.38</td>
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<td>1.0144</td>
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</tr>
<tr>
<td>CEN</td>
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<td>-628.14</td>
<td>-0.72</td>
<td>-169.0</td>
<td>-0.20</td>
<td>-259.06</td>
<td>-0.83</td>
<td>1.3537</td>
<td>7.12</td>
<td>0.99</td>
</tr>
<tr>
<td>CHA</td>
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<td>-0.58</td>
<td>713.48</td>
<td>0.58</td>
<td>89239.7</td>
<td>-1.85</td>
<td>159299</td>
<td>3.88</td>
<td>0.3817</td>
<td>3.80</td>
<td>0.99</td>
</tr>
<tr>
<td>FRA</td>
<td>-1806900</td>
<td>-0.67</td>
<td>918.68</td>
<td>0.67</td>
<td>-1045.1</td>
<td>-0.64</td>
<td>292224</td>
<td>2.17</td>
<td>0.7477</td>
<td>3.01</td>
<td>0.99</td>
</tr>
<tr>
<td>HAU</td>
<td>52722000</td>
<td>-2.72</td>
<td>2015.7</td>
<td>2.73</td>
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<td>-6.03</td>
<td>-421.56</td>
<td>-1.70</td>
<td>0.7777</td>
<td>5.63</td>
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</tr>
<tr>
<td>ILE</td>
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<td>-3045.1</td>
<td>-3.63</td>
<td>2775.3</td>
<td>2.33</td>
<td>135071</td>
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<td>0.2928</td>
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</tr>
<tr>
<td>LAN</td>
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<td>-1058.5</td>
<td>-1.08</td>
<td>1380.8</td>
<td>1.34</td>
<td>498.81</td>
<td>-1.77</td>
<td>0.1979</td>
<td>5.98</td>
<td>0.99</td>
</tr>
<tr>
<td>LIM</td>
<td>199670</td>
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<td>-102.36</td>
<td>-0.15</td>
<td>1050.8</td>
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<td>-0.80</td>
<td>0.3939</td>
<td>7.03</td>
<td>0.99</td>
</tr>
<tr>
<td>LOR</td>
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<td>-0.69</td>
<td>786.7</td>
<td>0.70</td>
<td>220563</td>
<td>-2.23</td>
<td>480.49</td>
<td>1.26</td>
<td>0.7756</td>
<td>3.63</td>
<td>0.99</td>
</tr>
<tr>
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<td>1515000</td>
<td>0.76</td>
<td>-770.4</td>
<td>-0.77</td>
<td>-1605.7</td>
<td>-1.33</td>
<td>298.32</td>
<td>2.76</td>
<td>1.0198</td>
<td>5.81</td>
<td>0.99</td>
</tr>
<tr>
<td>NOR</td>
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<td>-0.84</td>
<td>916.14</td>
<td>0.85</td>
<td>-432.93</td>
<td>-0.39</td>
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<td>0.13</td>
<td>0.5384</td>
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<td>0.99</td>
</tr>
<tr>
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<td>558.52</td>
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<td>121650</td>
<td>2.10</td>
<td>505833</td>
<td>-1.63</td>
<td>0.6686</td>
<td>11.2</td>
<td>0.99</td>
</tr>
<tr>
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<td>223.75</td>
<td>-3.93</td>
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<td>0.3350</td>
<td>7.09</td>
<td>0.99</td>
</tr>
<tr>
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<td>-0.87</td>
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<td>1.76</td>
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<td>0.1550</td>
<td>5.60</td>
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<td>-0.86</td>
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<td>-1.57</td>
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<td>1.0216</td>
<td>15.87</td>
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</tr>
</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Table 20 indicates that the addition of national effects in the model fails to make an appreciable difference on total variance explained in fully one-third of the regions. In Basse-Normandie, it actually diminishes the model's explanatory potential, which was clearly never very high, as evidenced by reference to Table 15.
## Table 20: Annual Change in Balance of Trade by Region, 1977-1992: The Effects of French Decentralization Reforms and National Patterns

<table>
<thead>
<tr>
<th>Region</th>
<th>Constant</th>
<th>t</th>
<th>Year</th>
<th>t</th>
<th>Reform</th>
<th>t</th>
<th>Counter</th>
<th>t</th>
<th>National</th>
<th>t</th>
<th>Adj. R²</th>
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<td>1232393</td>
<td>92</td>
<td>253.17</td>
<td>0.14</td>
<td>9231.31</td>
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<td>0.05</td>
<td>4.11</td>
<td>0.87</td>
</tr>
<tr>
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<td>23227000</td>
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<td>4.30</td>
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<td>-2.14</td>
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<td>0.96</td>
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<tr>
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<td>-3.27</td>
<td>0.76</td>
</tr>
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<td>-0.003</td>
<td>-0.41</td>
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<tr>
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<td>0.91</td>
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<td>-4.03</td>
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<td>-0.04</td>
<td>0.06</td>
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</tr>
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<td>1.19</td>
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<tr>
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<td>-4.46</td>
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<td>2.99</td>
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<td>0.07</td>
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<td>0.83</td>
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<tr>
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<td>0.01</td>
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<td>0.90</td>
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<tr>
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<td>0.99</td>
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<td>1.35</td>
<td>0.06</td>
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<td>0.75</td>
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<tr>
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<td>20887</td>
<td>5.78</td>
<td>-3359.5</td>
<td>-1.15</td>
<td>2089.6</td>
<td>-2.20</td>
<td>0.10</td>
<td>4.22</td>
<td>0.85</td>
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</tbody>
</table>

Note: Shading indicates significance at the .10 level, two-tailed test.

Overall, balance of trade declines immediately following decentralization in the majority of the statistically-significant cases, although the decline tends to be ameliorated in the longer term. However, in the majority of the statistically-significant cases, decentralization helps the balance of trade. Only Nord-Pas-de-Calais emerges as a clear-cut case where both the short- and long-term impact is positive and statistically-significant, while only Picardie displays negative significant relationships on both measures. All in all, the decentralization reforms were somewhat detrimental in the short run, but beneficial in the longer run.

<table>
<thead>
<tr>
<th>Long-term Trend</th>
<th>Economic Growth</th>
<th>Economic Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>ALS, CEN, PRO, AUV, NOR, RHO</td>
<td>BAS, CHA, FRA, BRE, PAY</td>
</tr>
<tr>
<td>Economic Decline</td>
<td>AQU, LAN, LIM, BOU, HAU, ILE</td>
<td>LOR, PIC, POI</td>
</tr>
</tbody>
</table>

Table 21 summarizes the short- and long-term directional effects of decentralization (controlling for national trends) across all of the regions, without regard to significance levels. Independent economic growth is indicated when at least three out of five economic indicators possible were in the positive direction. Eight regions are designated as having encountered both short- and long-term growth following the reforms. Alsace, Auvergne, Bretagne, Centre, Nord-Pas-de-Calais, Pays de la Loire, Provence-Alpes-Côte d'Azur, and Rhône-Alpes all have experienced sustained economic growth in the wake of decentralization. The expectation is that these regions have been more successful than the others in adapting to the reforms and using their new powers to their own economic benefit. On the other extreme, Bourgogne, Haute-Normandie, Ile-de-France, Lorraine, Picardie, and Poitou-Charentes experienced economic decline immediately following decentralization, which continued past that first year to become a sustained pattern. Four regions — Basse-Normandie, Champagne-Ardenne, Franche-Comté, and Midi-Pyrénées — had an immediate economic decline followed by economic growth over the long term, indicative of regions with quick adaptation to changing
conditions. Perhaps most puzzling, decentralization initially appeared to be a boon to the economies of Aquitaine, Languedoc-Roussillon, and Limousin; but the reforms actually inhibited growth in subsequent years.

**Table 22: Directionality and Significance of Short-term Effects of Decentralization on Economic Performance**

<table>
<thead>
<tr>
<th></th>
<th>Major positive</th>
<th>Minor positive</th>
<th>Negligible</th>
<th>Minor negative</th>
<th>Major negative</th>
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<tbody>
<tr>
<td>Firm failure</td>
<td></td>
<td>RHO</td>
<td>ALS, AQU, AUV, BAS, BOU, BRE, CEN, CHA, LAN, LIM, LOR, MID, NOR, PAY, PIC, PRO</td>
<td>FRA, POI</td>
<td>HAU</td>
</tr>
<tr>
<td>Unemployment</td>
<td></td>
<td>BRE, PRO</td>
<td>ALS, AQU, AUV, BAS, CHA, HAU, ILE, LAN, LIM, LOR, NOR, PAY, PIC, POI, RHO</td>
<td>BOU, CEN</td>
<td>FRA, MID</td>
</tr>
<tr>
<td>Firm creation</td>
<td>CEN, LAN, PRO, RHO</td>
<td>AQU, CHA, FRA, MID</td>
<td>ALS, AUV, BAS, BOU, BRE, HAU, LIM, LOR, NOR, PAY, PIC</td>
<td>POI</td>
<td>ILE</td>
</tr>
<tr>
<td>GDP</td>
<td>ALS, BOU, ILE</td>
<td>LAN, LIM, PAY, POI</td>
<td>AQU, AUV, BAS, BRE, CEN, FRA, NOR, PRO, RHO</td>
<td>CHA, MID</td>
<td>HAU, LOR, PIC</td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>AQU, HAU, ILE, NOR</td>
<td>PAY, PRO</td>
<td>ALS, BAS, BOU, LAN, LIM, LOR, POI, RHO</td>
<td>CEN</td>
<td>AQU, CHA, FRA, ILE, MID, PIC</td>
</tr>
</tbody>
</table>
Tables 22 and 23 look more closely at the directionality and magnitude of the overall effects. Positive denotes regions benefitting economically from decentralization in the short- or long-term, while negative designations refer to regions harmed economically by the reforms. Decentralization had major effects on performance if the p-value was greater than .05 on the positive side, or less than .05 on the negative side; while minor effects were indicated if .20 > p > .05, or -.05 < p < -.20 Here, it is clear that across most of the observations, it is difficult to discern regional effects independent from the French state, with most regions falling in the negligible category (significance p-values between .20 and -.20).

According to table 22, in the short term, PACA, Aquitaine, Languedoc-Roussillon, Pays-de-la Loire, and Rhône-Alpes, had short-term economic advantages from the decentralization reforms. Interestingly, Ile-de-France had both strong positive and negative impact from the reforms, depending on which economic indicators are emphasized. Franche-Comté was the clear short-term loser, along with Centre, Champagne-Ardennes, Midi-Pyrénées and Poitou-Charentes.

Table 23 presents the more meaningful long-term effects of the reforms. The regions substantially advantaged by the reforms over the time period studied include Basse-Normandie, Midi-Pyrénées, and Rhône-Alpes. To a lesser extent, but also clear winners in the long-term were Champagne-Ardennes and Franche-Comté. Ile-de-France remained advantaged over the long term, calling into question the notion of a zero-sum game for decentralization. The regions don’t necessarily grow at the expense of Paris.
Other regions did, however, suffer in the long term — namely Alsace, Aquitaine, Bourgogne, Bretagne, and Pays de la Loire.

Table 23: Directionality and Significance of Long-term Effects of Decentralization on Economic Performance

<table>
<thead>
<tr>
<th></th>
<th>Major positive</th>
<th>Minor positive</th>
<th>Negligible</th>
<th>Minor negative</th>
<th>Major negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm failure</td>
<td>BAS, MID</td>
<td>POI</td>
<td>ALS, AQU, AUV, BOU, CEN, CHA, FRA, HAU, ILE, LAN, LOR, NOR, PAY, PIC, PRO, RHO</td>
<td>BRE, LIM</td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>AUV, BRE, LIM</td>
<td>LAN, PAY</td>
<td>ALS, AQU, BAS, CEN, CHA, FRA, LOR, NOR, PIC, POI</td>
<td>HAU</td>
<td>BOU, ILE, MID, PRO, RHO</td>
</tr>
<tr>
<td>Firm creation</td>
<td>AQU, CEN, RHO</td>
<td>BAS, LIM</td>
<td>ALS, AUV, BOU, BRE, CHA, FRA, HAU, LAN, LOR, MID, NOR, PIC, POI, PRO</td>
<td>ILE, PAY</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>BAS, CHA, FRA, ILE, MID, RHO</td>
<td>AUV, CEN, LIM, LOR, NOR, PIC, PRO</td>
<td>HAU, LAN, POI</td>
<td>ALS, AQU, BOU, BRE, PAY</td>
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</tr>
<tr>
<td>Balance of Trade</td>
<td>BAS, CHA, FRA, ILE, MID, RHO</td>
<td>AUV, CEN, LIM, LOR, NOR, PIC, PRO</td>
<td>HAU, LAN, POI</td>
<td>ALS, AQU, BOU, BRE, PAY</td>
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</tr>
</tbody>
</table>

Conclusion

This chapter has explored two questions. First, from an economic standpoint, how autonomous are the French regions? The results discussed in the first part of the
chapter indicated remarkably little autonomy from the national economy. France remains a unitary state, despite the sweeping decentralization reforms of the 1980s. Just over half of the regions exhibited some form of significant autonomy over at least one of the five economic variables. This means that in the majority of cases, regional economies are moving relatively closely with the national economy. The national patterns are particularly strong for unemployment, firm creation, and per capita GDP.

Second, how did decentralization affect the economies of the regions? This section of the chapter clearly illustrated the varying geographic impact of decentralization. We are most interested in understanding the group of over one-third of the regions that experienced some degree of both short- and long-term economic success. At this point it is unclear what distinguishes this group from those regions that experienced little or no aggregate economic growth following the reforms.

The question now becomes, what traits are common to the successful regions? The theory discussed briefly in this chapter assumes that regions prosper under decentralization when the actors in them adapt well to changing territorial conditions in the areas of authority, financing, and decision-making. We would expect better economic performance in those regions where regional governmental actors develop expertise in their economy, create an effective set of institutions, and take an active role in fostering economic growth. The next chapter will develop a more extensive theory about institutions and economic growth, focusing on party politics, the physical organizations that make economic policy, and the allocation of financial resources. My argument will
be that some regions have done a better job of initiating successful institutional relationships to address economic policymaking than others.

First, however, I should address the typology presented in Table 21 with respect to a couple of alternative influences discussed earlier. The previous chapter demonstrated that regional economic fluctuations are not merely a reflection of geographically-located specialized economies. Does the above classification schema depicting short- and long-term effects of decentralization support this argument? In fact, there appears to be no correlation between economic sector and economic success following decentralization. Illustrating the even distribution of sectoral regions, the "winners" in Table 21 (those experiencing both short- and long-term economic growth after decentralization) are evenly divided among economic agricultural, industrial, construction, and tertiary sectors. The other cells in the table reveal a similarly unpatterned sectoral distribution.

Another basic classification variable that comes to mind is population. Do highly-populated regions have more or less economic success than sparsely-populated regions? The verdict is a bit less clear with regard to this variable. Fully 75% of the "winners" in Table 21 could also be classified among the high population quartile of regions. This suggests at least a moderate correlation between population and economic performance.
Chapter 5: Decentralization and Economic Performance: the Role of Institutions, Culture, Political Parties, and Policies

Recently, policy makers and scholars have rediscovered that institutional frameworks can be altered to improve economic performance and economic growth. The past decade has seen an emerging trend across a variety of institutional systems in both Europe and the United States focusing on political decentralization. As a consequence of this decentralization, new regional and local institutions are having a rising effect on both political and economic efficiency. This chapter continues the examination of institutional structure on French politics. Governments undertake decentralization for a number of different reasons. In France, one reason was ostensibly to improve economic development and economic growth. Here I inquire: "What impact does decentralization have on economic performance?" Given the political importance of the institutional restructuring in 1981, surprisingly few have systematically addressed this question concerning changes in the French system. We actually know little about the success of decentralization given the rationale for institutional change. This chapter offers an in-depth examination of this question.

Decentralization is clearly a function of shifting the responsibilities of governing through institutional mechanisms. However, I anticipate that regional economic performance is also influenced by cultural development, political parties and policy initiatives. Decentralization is reflected in a confluence of these four factors. Each emphasizes a different element of the political environment associated with decentralization. The analysis in this chapter isolates these effects and examines their
impact over time from immediately after the decentralization reforms were implemented to the present, and across the entire sample of 21 regions. France provides a natural comparative experiment. Given the decentralization effort in conjunction with a variety of regional characteristics, the French case study offers a defined political laboratory within which we can assess the success of institutional change.

**Theoretical development**

Governments undertake decentralization reforms most simply in order to change and improve their existing performance, however that is to be measured. Decentralization is touted as having the potential to improve several areas of life. In this research, I’ve chosen to limit my evaluation of the performance of French regions to the goal of economic development. There are a number of reasons why decentralization is often touted as a solution to improving economic performance, namely those emphasizing the efficiency of responding to preferences at lower levels of government.

Robert Bennett (1990) provides a concise discussion of this expectation:

(L)ocal government economic development activities have experienced a very rapid growth, in both Europe and North America, particularly in the last ten years and continue to show every sign of continuing to grow; even if traditional views have discounted local actions, a growing body of practice is showing that appropriate local-government policy can produce significant additional development spin-offs and hence that some policies are not purely zero-sum games. For example, local government can be an important actor in stimulating, contributing to, organizing, and sometimes managing the conditions which allow economic development activities to succeed. Second, with growing pressures of economic change which impact directly on local economies, it has become impossible for local governments to ignore the economic development problem. Third, it has become recognized that decentralized government policy may be the appropriate level to stimulate local business interests to play a larger role in local communities as part of their wider social responsibility. This often requires links to local-
government economic policy (221).

European studies conducted primarily in Italy and Germany have promoted the notion of "regional corporatism" in which the region rather than the state becomes responsible for the regulation of economic interests. Several of these studies concluded that local networks and local cultural conditions were important in facilitating the development of non-market exchanges and regulations, which in turn prompted innovation, diffusion of innovation, industrial adaptation and economic development (cf. Pecqueur 1986, Trigilia 1991, Anderson 1992, Putnam 1993).

When approached from the perspective of theories of public choice and collective goods, decentralization has been touted as a medium for increasing efficiency and personal welfare. According to this approach, individual preferences must be expressed accurately in order for social welfare to be maximized. Individuals are assumed to choose their place of residence by comparing packages of services and taxes offered by different localities. Rational individuals locate where they can find the best fit to their own preference ordering, so a system of local government offering the widest range of choices is preferred. As a consequence, the greater the centralization of political decisionmaking authority at the level of national government, the greater will be the average divergence of the preferences of individual residents for public goods from the tax and service package actually adopted (Tiebout 1972, Oates 1972). Thus, competition for residents drives localities to adopt policies, make investments, and provide services designed to woo the citizen by promoting his personal welfare, or in the case of firms, corporate welfare.
But how can we measure and operationalize ‘decentralization’? Such a complex concept deserves a multifaceted measurement approach. First, although the Mitterrand government’s decentralization program affected all levels of local government, I limit my inquiry to the regional stratum. Second, I propose breaking down the 1980s French decentralization experiment into its institutional, cultural, partisan, and policy components, and evaluating the differential impact of each of these aspects on economic growth in the period since the reforms were implemented. These four components together provide a more complete picture of important decentralization effects.

Institutional Components

My belief from the outset of this project, reflected in the first component, has been that a set of new regional institutions is one of the most visible outcomes of the French reforms, and one of the most likely to have a potential economic impact. Here institutions refers to the organs of government that organize regional activity – the regional public sector. The regional councils present a new set of elected officials specifically charged with the responsibility of promoting regional economic development. Loughlin and Mazey reinforce the expectation that, “increased financial resources, the introduction of directly elected regional councils, and regionalization of the national economic plan have undoubtedly provided new opportunities for regions to ... promote regional economic development strategies,” (1995, p. 4). The development of regional economic policy has often been attributed to the failure of the centralized French state to respond to the needs of small and medium firms (Le Galès 1993, p. 87). My expectation has been that some regional councils may make economic growth their priority, particularly as they have
gained additional planning authority, and that their proximity to their constituents and
tfirms may give them the unique ability among governmental levels, to identify the most
efficient economic solutions to existing problems. To this end, I anticipate a positive
relationship between institution-building efforts and economic growth.

Augmenting economic efficiency should also promote economic growth.

Defenders of the process of decentralization often suggest that one way to increase
efficiency is to make local units responsible for their own finances. Implementing local
revenue-raising autonomy, this argument claims, increases the public accountability of
those local actors who allocate the money and creates productivity incentives over which
they can claim credit. Nathan and Balmaceda (1990) suggest that granting regions their
own revenue-raising powers may accomplish this goal, claiming that, “a strong fiscal-
equalization scheme ... can work against the autonomy of the regional governments,” (p. 66).

The French state has the unique feature of permitting public officials to hold
several public offices simultaneously, known as cumul des mandats. Observers of the
French state have disagreed as to the impact of this rule. Its proponents claim that its
beneficiaries are more experienced public officials and better tied into the various
networks of power at all levels in the state. According to one departmental president,
good coordination of policy requires that the executive of a regional council have “perfect
knowledge” of departmental realities, (Schmidt 1991, p. 146). However, the Socialist
government passed a law at the end of December 1985 limiting officials to only two
major political mandates and forbid holding certain simultaneous offices – such as mayor
of a big city, departmental president, and regional president. The government hoped to increase the size of the political class and open up access to political positions formerly monopolized by a small number of officials. Many Socialists worried that a continued *cumul* would either mean that the officials either would do an incomplete job in their positions or that, by leaving day-to-day decisions up to the civil servants, they would promote a recentralization via the bureaucracy (Schmidt 1991, p. 144).

Despite the passage of the reform, officials continue to legally hold multiple offices today, the situation is just less extreme than it once was. My expectation is that with the increasing demands on all levels of public office, such “political sophistication” hinders effective participation and decisionmaking. Particularly if these responsibilities take place in different cities (i.e. a small town, the regional capital, Paris), the competing demands would suggest that at least one office would suffer. My expectation is that it would be what is likely their newest office – the region.

**H1:** Organization complexity in regional institutions will promote economic growth.

**H2:** Increasing regional personnel will promote economic growth.

**H3:** Regional financial independence from the state will promote economic growth.

**H4:** Political sophistication on the part of regional council members decreases economic performance.

**Cultural Components**

Political culture has been identified by other researchers as a predominant variable in explaining policy or economic development, and it constitutes my second dimension of inquiry. Plato argued in the *Republic* that governments vary in harmony with the complexion of their citizens. The more modern classic study of this type, Almond and
Verba's (1963) *The Civic Culture*, examine the differences in democratic governments in the United States, Mexico, Great Britain, Italy, and Germany by examining their residents' political attitudes and orientations. Recently, Putnam (1993) has taken up this form of explanation arguing that the difference in economic development between the north and south of Italy can be justified largely by their differences in "social capital" -- or the trust, norms, and networks that exist in a society. Cultural aspects of decentralization are also examined, as there has been some question about just how culturally intact the regional actually are. Originally mere administrative designations set up in the early 1950s, the regions gradually became more politicized. Certainly some regions have a stronger cultural identity than others, and the question is just to what extent do residents identify culturally with their region, and how does this affect economic performance?

A dynamic population is one of the prerequisites for local economic prosperity. A region in which residents see little potential for positive change is likely to fulfill its own prophecy. Thus optimistic attitudes about the region's potential would appear to be a harbinger of success.

An involved population is similarly expected to promote growth. In his study of Italian regions, Putnam (1993) noted that civic engagement and participation in public affairs are hallmarks of what he terms a "civic community"; and are the same traits that produce economic prosperity. While Putnam uses a complex set of associational activities to measure civic community, data limitations force me to rely on survey data collected by the *Observatoire Intérrégionale des Politiques* which tries to tap the
sentiment residents have for their region, which I term civic connectedness. These measure how well residents know their regional identity, how optimistic they are about the future of their region, and how informed they are about the activities of their regional council. Similarly, I anticipate that high measures of civic connectedness will promote growth.

**H5:** Regions where regional identity is strong will have higher economic growth than those in which regional identity is weak.
**H6:** Regions where residents are optimistic about the future of the region will be more prosperous than those in which residents are pessimistic about the region’s future.
**H7:** Regions where residents are well-informed about the activities of their regional government will have more economic growth than those where residents are ill-informed.

**Partisan Components**

In the third dimension of my analysis, decentralization is expected to affect political party organization and action. Leftist political parties are often associated with stronger social spending and welfare policy, while rightist parties favor economic investment and a lower level of social spending. Right-party control should promote economic development.

I expect the changes in the multiple levels of French government to have an impact on politics and economic performance. The political character of the departmental councils that make up each region is expected to impact economic development in the same manner as that of the regional councils, with leftist parties harmful to growth and rightist parties favorable to it.
In addition, coordination between the national level and regions (i.e. both left-party controlled or both right-party controlled) is predicted to improve policy coherence and expedience and thus improve economic performance, due to the possibilities for patronage.

Party competition within the regions is anticipated to dampen economic performance. A greater number of parties suggests a higher level of partisan conflict, a higher need for negotiation and accommodation on policy issues, and thus less responsive government and lower levels of economic performance.

**H8:** Regions with majority governments of rightist parties will have better economic performance than those with leftist party control or coalition governments.

**H9:** Economic decline will result where regions are comprised of left-leaning departments.

**H10:** Partisan coordination across the national government and regions will promote economic growth.

**H11:** The number of parties in a regional council will be inversely associated with economic growth.

**Policy Components**

In the fourth stage, regional policies implemented are an important aspect of decentralization that I expect to impact economic performance. My main area of concern here is taxing and spending on the part of regions. We know that regions have been empowered with new authority to collect revenue and to invest it in their own infrastructure. Are they doing this, and to what effect? Levels of taxation and levels of investment are examined for their impact on regional economic performance.

**H12:** A high level of investment will be positively associated with regional economic growth.
H13: A high level of taxation will be inversely associated with regional economic growth.

Recall that in preceding chapters, I proposed an institutional perspective to examine institutional change and professed my intent to examine whether or not the institutions of the regions were responsible for economic growth. Here I follow through on that pledge, presenting my expectation that institutional variables (above cultural, partisan, and policy variables) will be the ones consistently associated with higher levels of economic development.

This chapter presents a statistical model to evaluate how different aspects of decentralization have impacted regional French economies. While a descriptive region-by-region discussion of the economic impact of decentralization might yield a more textured portrait of the impact of the 1981 reforms on the regions, it would fail to render a clear understanding of just how the institutions and agents have acted on the post-decentralization French economy. Without conducting a statistical test across regions and time, we cannot know whether an increase in economic performance is associated with stronger political culture, a more differentiated regional council, both, or neither.

Research Design

The research design employed in this chapter focuses on regional economic performance over time. The hypotheses developed in the previous section are at the level of the region, consequently region-year serves as the central unit of analysis. Cross-sectional time series analysis is used to evaluate the hypotheses. Although dependent variable data was available from 1975-1995, the analysis was necessarily limited by the
independent variables to the years following the reforms, from 1981-1995. The data used in these empirical tests was collected by the author from several sources.

Economic performance

The dependent variable is economic performance, measured in five different ways. The primary measure of performance is per capita GDP as measured in current French francs. This indicator widely used in economic analyses, and was the most readily available for most of the years in the analysis. I also employed four other measures of economic performance to capture different aspects of the dependent variable. Unemployment measures the yearly average rate of regional unemployment. Firm failure measures the yearly average regional failure rate of firms. Trade balance was calculated as the yearly net total of regional imports and exports. Firm creation was the yearly average number of firms created. The dependent variables were controlled for the size of the region by per-capitizing.

Regional Institutions

Four variables are used to capture the institutionally-structured dimensions of the regions—organizational complexity, personnel, financial independence, and multiplicity of offices. Theoretically, organizational complexity reflects the increased organizational differentiation scholars have come to expect with institutionalization. A permanent set of committees is claimed to be an important aspect of modern parliaments because these

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organizational devices permit and advance the capacity of generalist-oriented parliamentary bodies to promote specialization and division of labor in discussion, debate and policy making (Loewenberg and Patterson 1979, Mezey 1991). Here the main regional political structures (regional councils) are examined for evidence of this phenomenon. The indicator used is number of regional council committees, with the expectation that a more well-developed committee system will raise economic performance.

Similarly, the level of personnel support in the regions is measured, with the expectation that more personnel indicate greater levels of expertise and activity, which should increase economic performance. The personnel indicator is expressed as the number of regional personnel per 100,000 inhabitants.

As a region acquires development expertise, my expectation is that it also becomes more adept at procuring its own resources. Financial independence measures this concept as the percent of regional revenue that is self-raised and not handed down by the French state. The expectation is that increased financial independence will increase economic performance.

French politicians have traditionally held more than one political office simultaneously, often at different levels of government. For example, one regional council member I spoke with held simultaneous positions as both the mayor of a small town in the region and as a deputy in the National Assembly. Although the French state has tried to limit this practice, it is still widespread. The variable for political

Unpublished data, Various years. Observatoire Intérrégionale des Politiques. Ministere de l'Industrie,
sophistication measures this phenomenon by accounting for both the number and the
prestige of offices held by members of the regional councils. Each council member was
given points on an index for the number and leadership level of each of the political
offices he or she held (see appendix for explanation of the operationalization of this
variable). In some cases, short shift is given to the less prestigious of these offices. I
expect this tradeoff to engender a negative relationship between this indicator and
economic development, particularly given the lesser status in French politics accorded to
regional council offices, despite the region’s status as the largest local level of
government in the state.

Regional Culture

Three variables are used to capture regional culture in France – regional identity,
regional optimism, and regional information. All three are public opinion variables
measured across the regions in yearly surveys by the Observatoire Intérrégionale du
Politiques\(^2\). Regional identity was the percent answering correctly to the question “what
is the name of the region in which you live?” Theoretically, it taps the extent to which
residents of a particular region identify themselves as members of that regional
community. Since regions were originally administrative rather than cultural
designations, this measure identifies which respondents have begun to identify with the
new regional political locality. Those who cannot identify their region by name are
anticipated to be less attached to their regional community and less involved in its

economic development. Perhaps they identify to a greater extent with their immediate local municipality, their department, or with the nation-state of France. I expect regional identity to be positively associated with economic development.

Regional optimism taps another concern — expectations for the future of this level of government. The question asked to respondents was, “Would you say that you are quite optimistic, somewhat optimistic, somewhat pessimistic, or quite pessimistic about the future of your region?” My variable of regional optimism is the percentage of respondents answering that they were either quite optimistic or somewhat optimistic about the future of their region. I anticipate a positive relationship between regional optimism and economic performance.

Regional information is the third regional cultural variable, which conveys how well informed regional residents are about the activities of their political institutions. The survey question asked, “Do you personally estimate that you are well or poorly informed on the activities of the regional council?” My variable of regional information is the percentage of respondents who answered that they were either “very well informed” or “somewhat well informed”. I anticipate a positive relationship between regional information and economic development.

Partisan Variables

Four variables are used to convey aspects of political party influence within the regions — regional rightist majority, national-regional coordination, percent of

\footnote{Data was not available for the regions Auvergne, Champagne-Ardenne, and Franche-Comté, due to their refusal to participate in the survey. This missing data biases the results by suggesting that culture has no impact on economic performance in these regions, when in fact, it may.}
department with left majorities, and regional party competition. The notion is that much
of the development activity going on in the regions might be attributable to the influence
of politics and political parties and I expect leftist parties to favor social welfare over
economic development, while rightist parties should emphasize economic growth.
Regional rightist majority indicates which regions have absolute right majorities, a
dummy variable which is anticipated to promote development.

Indicators were created to measure how party similarities or differences across
levels of the hierarchical French government impact development. The indicator for
national-regional coordination is a dummy variable measuring one when the nation and
region are the same party majority. This is expected to measure the potential for
patronage, with the expectation that party coordination across levels of government can
promote economic development. Percent of department with left majorities examines
whether party control at lower government levels impacts development in the regions.
Leftist control of departments is expected to diminish economic development.

An alternative view is that parties may be less influential when they have a great
deal of partisan competition. Regional party competition examines this question, by
indicating the effective number of parties (Lijphart 1984) in the regional council. The
expectation is that competition will decrease economic development because too many
parties will be unable to achieve consensus on economic development initiatives.

*Policy Variables*

Two variables are intended to measure the impact of tax and spend policymaking,
irrespective of partisan control: investment and fiscal pressure. Investment indicates per
capita spending on investments (in current French francs) in the policy areas of education, professional training, rural development, transportation and communication, and economic action. I expect investment to be positively associated with economic development, anticipating that as regional institutions develop expertise, they will devote greater resources toward investment in their regional infrastructure. However, this expectation assumes that investment expenditures have immediate payoffs. Another possibility is that expenditures used to build infrastructure – transportation or communication systems, for example, might not have short-term economic payoffs.

Fiscal pressure is an index which indicates the ratio of tax burden regions put on their citizens, relative to the potential tax burden they could impose under French law. It is a synthetic index created by the French government. This measure is one for regions exercising fiscal pressure equal to the mean, less than one for regions exercising fiscal pressure inferior to that of the other regions, and greater than one for those regions with higher levels of fiscal pressure than the average region. My expectation is that regions will find excessive tax burdens fail to promote economic growth, discourage new businesses, and even encourage existing firms to relocate to cheaper locales. Accordingly, fiscal pressure should be inversely related to economic growth.

Methodology

A cross sectional time series analysis is the methodology employed in this analysis. This form of inquiry has been the focus of a good deal of discussion in the analysis of economic data. Time series cross-sectional (TSCS) technically refers to data which include more time points than cross sections, or T > N. This type of model
requires a minimum number of time points equaling cross sections, but for reliability three times the number of time periods to cross sections is suggested. A second type of model, often referred to as a panel model, holds more cross sections than time points, or 

\( N > T \), and is most commonly found in election or public opinion studies. The heteroskedastic nature of the data is the dominant concern in this type of model. Both permutations of the cross-sectional time series model include a number of properties which make analysis problematic. The data generally violate a number of the theoretical assumptions of standard linear models associated with correlations across time, across cross sections, or time points between cross sections (Sayrs, 1989). Consequently, researchers often misspecify their models due to error problems.

The data used in this analysis has a \( T \) level of 20 possible time points and 21 different regions, or cross sections\(^3\). It thus conforms more closely to the \( N > T \) conditions, but with data less skewed than is seen in election studies.

Greene (1993) proposes using three different models to examine the time series cross-sectional relationship: ordinary least squares (OLS), a fixed effects or least squares dummy variable model (FEM), and a random effects (REM) or feasible generalized least squares model. Each has its strengths and weaknesses:

One can argue that certain institutional factors or characteristics of the data argue for one or the other, but unfortunately, this approach does not always provide much guidance. From a purely practical standpoint, the dummy variable approach is costly in terms of degrees of freedom lost, and in a wide, longitudinal data set, the random effects model has some intuitive appeal. On the other hand, the fixed effects approach has one considerable virtue.

\(^3\) Because of missing data in the time series on different variables, the analysis is run as four separate models to maximize data points. Combining the models would severely limit the region-years, as balanced panel models cannot be run with missing data.
There is no justification for treating the individual effects as uncorrelated with other regressors, as assumed in the random effects model. The random effects treatment, therefore, may suffer from inconsistencies due to omitted variables (Greene, 1993, p. 479).

Greene suggests an efficient method of determining which is the proper model to employ in the panel analysis.

1. Run OLS, FEM, and REM to obtain coefficient estimates of the desired models and measures of model fit.

2. Make a comparison of the models by examining the results of a Breusch-Pagan lagrange multiplier statistic. In particular, the REM is compared to the OLS model. A high level of the statistic suggests that the groupwise heteroskedasticity exists and that the REM model better represents analysis of the data than does the OLS model.

3. A second comparison of the models is made by employing a Hausman statistic. A specification test developed by Hausman calculates a chi-squared measure of significant difference between the covariance estimations of the FEM model and the REM model. REM assumes no difference in variation. If a significant difference exists, then the FEM model is a better method of estimation. If the results are insignificant, then the REM is a better method (c.f. Greene, 1993, pp. 479-80).

4. A third comparison of the models is made using a likelihood ratio hypothesis test between the OLS and FEM. If the effect of the groupwise dummy variables is significant, then FEM should be employed. If not, the OLS should be employed.

5. A high level of the Lagrange multiplier and a low level of the Hausman test suggests using REM. A high level of the Lagrange and high levels of Hausman suggest using FEM. A low level of Lagrange suggests using OLS if the dummy variables are not significant.

Each of the three estimations were performed on my four theoretical models -- institutional, cultural, partisan, and policy -- and each theoretical model had five different dependent variable measures, which yielded 20 total estimations. A lagged dependent variable was included to deal with first order autocorrelation (AR 1). The Greene
comparisons discussed above were examined, with the best-fitting estimation shaded on
the tables.

Analysis

What aspects (if any) of decentralization have a stimulating effect on regional
economies? The theory proposes that four central dimensions – institutions,
sociopolitical culture, political parties, and policies – influence the economic success of
regions. The hypotheses offer clear predictions about the directional influence of each
variable operationalizing these four dimensions. In general, I expect the economy to
perform well in regions where institutions are developed and differentiated, where a
collective regional culture is strong, where politics is strongly controlled by the right, and
where taxes are low and investment is high.

The results for this analysis are presented in Tables 1-24. The tables can be
broken down into four sets of six tables each. The first five tables present the results of a
model with five different dependent variables. The sixth table of each set summarizes the
results across the variables. The first set of tables (1-6) tests the institutional model, the
second set (7-12) tests the culture model, the third set (13-18) tests the partisan model,
and the fourth set (19-24) tests the policy model. In each statistical table, three types of
analysis are presented – ordinary least squares (OLS), fixed effects model (FEM), and
random effects model (REM). In each case, the models are compared for fit using
Lagrange, Hausman, and chi-square tests. The model with the best fit is shaded.

Tables 1-6 indicate that the institutional model underperforms the expectations of
the theoretical model. The only variables that stand out as promoting economic growth
are regional personnel and political sophistication. Higher levels of regional personnel promote economic growth as measured by GDP, balance of trade, and creation of firms. Political sophistication promotes economic growth in only two indicators – firm failure and unemployment, however the results are statistically significant. The other indicators – organizational complexity and financial independence appear to have a lesser impact. Organizational complexity does promote GDP and firm creation, while financial independence has a positive but small economic impact on firm failure and unemployment. Hypotheses two and four are somewhat supported, while hypotheses one and three find little support.

What is the substantive meaning of these results for the institutional model? As anticipated, increases in regional personnel are associated with economic growth as the increasing division of labor and workload upon regions compels them to augment their personnel. Surprisingly, I find some countersupport for the institutional model’s prediction that political sophistication will diminish economic growth. In fact, holding cumulants (multiple offices) does not appear harmful to the regional economies, and seems to even stimulate them in many cases. I had expected the competing demands on the officeholders to be overwhelming, leading them to neglect some roles. There are several possibilities that could explain why my expectations were not borne out.

Regional officeholders may be devoting disproportionate attention to the regional level of office at the expense of their other jobs, leading to more prosperity. Another possibility is that the duties of the regional positions are light enough that being spread thin does not harm the performance of these regional officeholders. On the other hand, cumulants may
<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>11970***</td>
<td></td>
<td>7647.832***</td>
</tr>
<tr>
<td></td>
<td>(2.133)</td>
<td></td>
<td>(2.81)</td>
</tr>
<tr>
<td>GDP lag</td>
<td>0.997***</td>
<td>0.924***</td>
<td>0.981***</td>
</tr>
<tr>
<td></td>
<td>(42.174)</td>
<td>(37.5)</td>
<td>(52.130)</td>
</tr>
<tr>
<td>Organizational Complexity</td>
<td>1468.6</td>
<td>2703.686</td>
<td>1574.648</td>
</tr>
<tr>
<td></td>
<td>(1.037)</td>
<td>(49.0)</td>
<td>(0.676)</td>
</tr>
<tr>
<td>Staff</td>
<td>-87.22</td>
<td>383.638</td>
<td>26.669</td>
</tr>
<tr>
<td></td>
<td>(-0.761)</td>
<td>(1.29)</td>
<td>(0.189)</td>
</tr>
<tr>
<td></td>
<td>(-1.609)</td>
<td>(-0.83)</td>
<td>(-1.18)</td>
</tr>
<tr>
<td>Political Offices</td>
<td>-1630.4**</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(-1.764)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.990</td>
<td>.901</td>
<td>.988</td>
</tr>
<tr>
<td>n</td>
<td>42</td>
<td>105</td>
<td>105</td>
</tr>
</tbody>
</table>

*The Political Offices variable was omitted from the fixed and random effects models due to collinearity problems.

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 1.19 with a probability of .275
Hausman Test = 8.74 with a probability of .068
Chi-square of group effects = 35.802 with a probability of .016
Table 2: The Yearly Effects of Regional Institutions on Per Capita Rate of Firm Failure

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.716**</td>
<td></td>
<td>3.775***</td>
</tr>
<tr>
<td></td>
<td>(2.078)</td>
<td></td>
<td>(2.288)</td>
</tr>
<tr>
<td>Fail lag</td>
<td>0.961***</td>
<td>0.642***</td>
<td>0.959***</td>
</tr>
<tr>
<td></td>
<td>(5.454)</td>
<td>(3.876)</td>
<td>(6.226)</td>
</tr>
<tr>
<td>Organizational Complexity</td>
<td>-0.251</td>
<td>0.381*</td>
<td>-0.258</td>
</tr>
<tr>
<td></td>
<td>(-0.376)</td>
<td>(1.529)</td>
<td>(-0.391)</td>
</tr>
<tr>
<td>Staff</td>
<td>0.109**</td>
<td>0.733***</td>
<td>0.137***</td>
</tr>
<tr>
<td></td>
<td>(2.075)</td>
<td>(3.870)</td>
<td>(2.674)</td>
</tr>
<tr>
<td>Financial Independence</td>
<td>-0.033*</td>
<td>-0.034***</td>
<td>-0.034***</td>
</tr>
<tr>
<td></td>
<td>(-1.476)</td>
<td>(-0.107)</td>
<td>(-1.631)</td>
</tr>
<tr>
<td>Political Offices</td>
<td>-0.795**</td>
<td>-0.914***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-2.052)</td>
<td>(-2.237)</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>.404</td>
<td>.563</td>
<td>.437</td>
</tr>
<tr>
<td>n</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 0.74 with a probability of .389
Hausman Test = 33.18 with a probability of .000
Chi-square of group effects = 51.631 with a probability of .000
### Table 3: The Yearly Effects of Regional Institutions on Rate of Unemployment

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.923***</td>
<td>5.82***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.928)</td>
<td>(3.521)</td>
<td></td>
</tr>
<tr>
<td>Unemployment lag</td>
<td>0.949***</td>
<td>0.614***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(24.299)</td>
<td>(7.378)</td>
<td></td>
</tr>
<tr>
<td>Organizational</td>
<td>-0.172</td>
<td>-0.360</td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td>(-0.497)</td>
<td>(-0.294)</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>0.010</td>
<td>0.177***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.392)</td>
<td>(2.853)</td>
<td></td>
</tr>
<tr>
<td>Financial Independence</td>
<td>-0.007</td>
<td>-0.029***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.655)</td>
<td>(-1.936)</td>
<td></td>
</tr>
<tr>
<td>Political Offices</td>
<td>-0.222</td>
<td>-0.519*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.156)</td>
<td>(-1.56)</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.873</td>
<td>.762</td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>105</td>
<td>105</td>
<td>105</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 6.27 with a probability of .012
Hausman Test = 9.39 with a probability of .095
Chi-square of group effects = 36.273 with a probability of .014
Table 4: The Yearly Effects of Regional Institutions on Balance of Trade

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.942</td>
<td></td>
<td>0.536</td>
</tr>
<tr>
<td></td>
<td>(0.616)</td>
<td></td>
<td>(0.601)</td>
</tr>
<tr>
<td>Trade lag</td>
<td>1.007***</td>
<td>0.742***</td>
<td>0.939***</td>
</tr>
<tr>
<td></td>
<td>(25.361)</td>
<td>(9.211)</td>
<td>(27.742)</td>
</tr>
<tr>
<td>Organizational</td>
<td>0.200</td>
<td></td>
<td>-0.443</td>
</tr>
<tr>
<td>Complexity</td>
<td>(0.323)</td>
<td></td>
<td>(-0.762)</td>
</tr>
<tr>
<td>Staff</td>
<td>0.039</td>
<td>0.066</td>
<td>0.042</td>
</tr>
<tr>
<td></td>
<td>(0.790)</td>
<td>(0.552)</td>
<td>(0.927)</td>
</tr>
<tr>
<td>Financial Independence</td>
<td>-0.015</td>
<td></td>
<td>-0.011</td>
</tr>
<tr>
<td></td>
<td>(-0.817)</td>
<td></td>
<td>(-0.834)</td>
</tr>
<tr>
<td>Political Offices</td>
<td>-0.258</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.685)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.950</td>
<td>.940</td>
<td>.934</td>
</tr>
<tr>
<td>n</td>
<td>42</td>
<td>105</td>
<td>105</td>
</tr>
</tbody>
</table>

* The Political Offices variable was omitted from the fixed and random effects models due to collinearity problems.

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 3.75 with a probability of .053
Hausman Test = 9.90 with a probability of .042
Chi-square of group effects = 51.107 with a probability of .000
### Table 5: The Yearly Effects of Regional Institutions on Per Capita Rate of Firm Creation

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>275.171**</td>
<td></td>
<td>490.379**</td>
</tr>
<tr>
<td></td>
<td>(1.773)</td>
<td></td>
<td>(1.611)</td>
</tr>
<tr>
<td>Creation lag</td>
<td>0.895</td>
<td>0.316***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.156)</td>
<td>(6.384)</td>
<td></td>
</tr>
<tr>
<td>Organizational</td>
<td>8.593</td>
<td>488.584</td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td>(0.156)</td>
<td>(0.955)</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>-2.405</td>
<td>-9.735</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.552)</td>
<td>(-1.008)</td>
<td></td>
</tr>
<tr>
<td>Financial Independence</td>
<td>-2.840**</td>
<td>-2.802*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.69)</td>
<td>(-1.551)</td>
<td></td>
</tr>
<tr>
<td>Political Offices</td>
<td>-38.792</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.058)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>.994</td>
<td>.993</td>
<td>.610</td>
</tr>
<tr>
<td>n</td>
<td>42</td>
<td>105</td>
<td>105</td>
</tr>
</tbody>
</table>

*The Political Offices variable was omitted from the fixed and random effects models due to collinearity problems.

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 10.01 with a probability of .002
Hausman Test = 18.28 with a probability of .001
Chi-square of group effects = 114.543 with a probability of .000
<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Organizational Complexity</th>
<th>Staff</th>
<th>Financial Independence</th>
<th>Political Sophistication</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>yes</td>
<td>yes, significant</td>
<td>no, and small</td>
<td>no, significant</td>
</tr>
<tr>
<td>Firm Failure</td>
<td>no, significant and large</td>
<td>no, significant</td>
<td>yes, but small</td>
<td>yes, significant and large</td>
</tr>
<tr>
<td>Unemployment</td>
<td>no, but large</td>
<td>no, significant</td>
<td>yes, significant but small</td>
<td>yes, significant</td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>no, but large</td>
<td>yes</td>
<td>no, and small</td>
<td>no</td>
</tr>
<tr>
<td>Firm Creation</td>
<td>yes, and large</td>
<td>yes</td>
<td>no, significant but small</td>
<td>no</td>
</tr>
</tbody>
</table>
be benefiting from their expertise in other positions and their participation in multiple
levels of power, which may actually enrich the regions.

The negative results of the institutional model must also be addressed.
Organizational complexity surprisingly appears to deter economic growth, against my
predictions. Organizational theorists argue that organizational specialization can be
indicated by the number of subunits within the organization (Gerwin 1981, Jennergan
1981). Conventional theories of specialization are partially supported by these results.
However, state legislative scholars have suggested that the reduction in the number of
U.S. state legislative committees during the past several years has actually increased
specialization by enhancing the rational division of labor and eliminating minor
committees that did little work (Rosenthal 1973, Jewell and Patterson 1985). Given the
fact that these are newly-developed regional committee systems, my expectation
(supported by interview data) is that they have not existed long enough for committees to
become functionally defunct. The lack of a relationship between the number of regional
council committees and economic growth is therefore counterintuitive, suggesting that
regional attempts to specialize have had little economic impact.

Financial independence had almost a neutral impact on economic development,
neither strongly promoting nor harming growth. Although regions range from receiving a
minimum of 36%, to a maximum of 77% of their resources from the state, this variation
matters little in their economic performance. This suggests that regions with greater
financial autonomy are making decisions very similar to those of the more dependent
regions. Again, this may be a function of the relatively short length of time the regions have been in existence.

Tables 7-12 present the results of the culture model on regional economic performance, which are overall weak. Neither regional identity nor regional level of information have a favorable economic impact on the regions. Among the culture variables, only regional optimism has a strong and statistically-significant impact on economic development. Hypotheses five and seven are unsupported, while hypothesis six is strongly supported.

The substantive interpretation is difficult with these variables. The theoretical expectation was that a strong and vibrant civic culture would promote cooperative institutions that would foster economic development. Perhaps it is not enough to be able to identify your region by name or to be informed about what your regional council is doing. Regional optimism might represent a greater level of attention and even activism in the locality, which translates into a stronger regional economy.

Tables 13-18 examine the impact of political party on regional economies. These results clearly indicate that regional leadership by parties of the right is strongly associated with economic strength. Four out of five of the dependent variables show statistical significance for this indicator. However, party does not appear to be so important at the departmental level. The indicator for leftist department leadership is notable for its lack of effect on regional economic growth. Apparently regions have been developing their own rules of the game and their own partisan influence distinct from the departments, as some observers have noted (cf. Schmidt 1991, p. 278). There is some
Table 7: The Yearly Effects of Regional Culture Variables on Per Capita GDP

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>4527.4**</td>
<td></td>
<td>4789.1***</td>
</tr>
<tr>
<td></td>
<td>(1.825)</td>
<td>(2.655)</td>
<td></td>
</tr>
<tr>
<td>GDP lag</td>
<td>1.002***</td>
<td>0.001***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(62.658)</td>
<td>(86.019)</td>
<td></td>
</tr>
<tr>
<td>Regional Identity</td>
<td>-28.863</td>
<td>-30.151*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.512)</td>
<td>(-2.154)</td>
<td></td>
</tr>
<tr>
<td>Regional Optimism</td>
<td>27.85</td>
<td>26.821</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.897)</td>
<td>(1.185)</td>
<td></td>
</tr>
<tr>
<td>Regional Level of</td>
<td>2.767</td>
<td>1.624</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>(0.083)</td>
<td>(0.068)</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.992</td>
<td>.993</td>
<td>.993</td>
</tr>
<tr>
<td>n</td>
<td>51</td>
<td>51</td>
<td>51</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 2.01 with a probability of .157
Hausman Test = 49.95 with a probability of .000
Chi-square of group effects = 56.578 with a probability of .000
Table 8: The Yearly Effects of Regional Culture Variables on Rate of Firm Failure

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Constant</strong></td>
<td>0.422</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td></td>
<td>(0.297)</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td><strong>Fail lag</strong></td>
<td>0.857***</td>
<td>0.785***</td>
<td>0.841***</td>
</tr>
<tr>
<td></td>
<td>(4.709)</td>
<td>(3.514)</td>
<td>(4.242)</td>
</tr>
<tr>
<td><strong>Regional Identity</strong></td>
<td>0.024**</td>
<td>0.013</td>
<td>0.029</td>
</tr>
<tr>
<td></td>
<td>(2.048)</td>
<td>(0.452)</td>
<td>(1.443)</td>
</tr>
<tr>
<td><strong>Regional Optimism</strong></td>
<td>-0.027**</td>
<td>-0.075***</td>
<td>-0.089**</td>
</tr>
<tr>
<td></td>
<td>(-1.715)</td>
<td>(-2.502)</td>
<td>(-1.657)</td>
</tr>
<tr>
<td><strong>Regional Level of Information</strong></td>
<td>0.013</td>
<td>0.006</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td>(0.638)</td>
<td>(0.271)</td>
<td>(0.867)</td>
</tr>
<tr>
<td><strong>R²</strong></td>
<td>0.309</td>
<td>0.222</td>
<td>0.33</td>
</tr>
<tr>
<td><strong>n</strong></td>
<td>83</td>
<td>83</td>
<td>83</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.
- *** Significant at the .01 level.
- ** Significant at the .05 level.
- * Significant at the .10 level.

Lagrange Multiplier = 4.02 with a probability of .045
Hausman Test = 3.40 with a probability of .493
Chi-square of group effects = 10.660 with a probability of .874
Table 9: The Yearly Effects of Regional Culture Variables on Rate of Unemployment

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.988***</td>
<td>(2.834)</td>
<td>3.128***</td>
</tr>
<tr>
<td>Unemployment lag</td>
<td>0.912***</td>
<td>(20.438)</td>
<td>0.906***</td>
</tr>
<tr>
<td>Regional Identity</td>
<td>-0.008</td>
<td>(-1.191)</td>
<td>-0.008*</td>
</tr>
<tr>
<td>Regional Optimism</td>
<td>-0.017**</td>
<td>(-1.874)</td>
<td>-0.018**</td>
</tr>
<tr>
<td>Regional Level of</td>
<td>-0.007</td>
<td>(-0.700)</td>
<td>-0.007</td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td>(-0.700)</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.877</td>
<td>.897</td>
<td>.882</td>
</tr>
<tr>
<td>n</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 0.94 with a probability of .333
Hausman Test = 30.83 with a probability of .000
Chi-square of group effects = 37.855 with a probability of .003
Table 10: The Yearly Effects of Regional Culture Variables on Trade Balance

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.544</td>
<td></td>
<td>1.030</td>
</tr>
<tr>
<td></td>
<td>(0.310)</td>
<td></td>
<td>(0.568)</td>
</tr>
<tr>
<td>Trade lag</td>
<td>0.939***</td>
<td>0.875***</td>
<td>0.941***</td>
</tr>
<tr>
<td></td>
<td>(16.130)</td>
<td>(10.75)</td>
<td>(14.895)</td>
</tr>
<tr>
<td>Regional Identity</td>
<td>-0.006</td>
<td>-0.020</td>
<td>-0.007</td>
</tr>
<tr>
<td></td>
<td>(-0.378)</td>
<td>(-0.399)</td>
<td>(-0.407)</td>
</tr>
<tr>
<td>Regional Optimism</td>
<td>-0.007</td>
<td>-0.060</td>
<td>-0.013</td>
</tr>
<tr>
<td></td>
<td>(-0.410)</td>
<td>(-0.384)</td>
<td>(-0.704)</td>
</tr>
<tr>
<td>Regional Level of</td>
<td>0.016</td>
<td>0.003</td>
<td>0.013</td>
</tr>
<tr>
<td>Information</td>
<td>0.663</td>
<td>(0.520)</td>
<td>(0.580)</td>
</tr>
<tr>
<td>R²</td>
<td>.853</td>
<td>.875</td>
<td>.861</td>
</tr>
<tr>
<td>n</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 1.94 with a probability of .164
Hausman Test = 3.37 with a probability of .499
Chi-square of group effects = 32.624 with a probability of .013
### Table 11: The Yearly Effects of Regional Culture Variables on Rate of Firm Creation

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>185.24**</td>
<td>—</td>
<td>338.55*</td>
</tr>
<tr>
<td></td>
<td>(1.628)</td>
<td>(1.793)</td>
<td></td>
</tr>
<tr>
<td>Creation lag</td>
<td>0.943***</td>
<td>0.806***</td>
<td>0.941***</td>
</tr>
<tr>
<td></td>
<td>(61.106)</td>
<td>(5.961)</td>
<td>(22.939)</td>
</tr>
<tr>
<td>Regional Identity</td>
<td>-1.302*</td>
<td>-2.816</td>
<td>1.582</td>
</tr>
<tr>
<td></td>
<td>(-1.286)</td>
<td>(-1.148)</td>
<td>(0.786)</td>
</tr>
<tr>
<td>Regional Optimism</td>
<td>-1.891*</td>
<td>-7.259***</td>
<td>3.212</td>
</tr>
<tr>
<td></td>
<td>(-1.336)</td>
<td>(-2.628)</td>
<td>(2.183)</td>
</tr>
<tr>
<td>Regional Level of Information</td>
<td>0.231</td>
<td>-0.119</td>
<td>2.015</td>
</tr>
<tr>
<td></td>
<td>(0.134)</td>
<td>(-0.060)</td>
<td>(0.100)</td>
</tr>
<tr>
<td>R²</td>
<td>.985</td>
<td>.983</td>
<td>.983</td>
</tr>
<tr>
<td>n</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 4.50 with a probability of .034
Hausman Test = 2.67 with a probability of .614
Chi-square of group effects = 12.424 with a probability of .774
Table 12: Does the Culture Model Promote Regional Economic Growth?

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Regional Identity</th>
<th>Regional Optimism</th>
<th>Regional Level of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>no, significant</td>
<td>yes, significant</td>
<td>no, significant</td>
</tr>
<tr>
<td>Firm Failure</td>
<td>no, significant</td>
<td>yes, significant</td>
<td>no, and small</td>
</tr>
<tr>
<td>Unemployment</td>
<td>no, and small</td>
<td>yes, significant</td>
<td>no, and small</td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>no</td>
<td>no, significant</td>
<td>yes</td>
</tr>
<tr>
<td>Firm Creation</td>
<td>no, and small</td>
<td>no, significant</td>
<td>yes, but small</td>
</tr>
</tbody>
</table>
Table 13: The Yearly Effects of Regional Partisan Variables on Per Capita GDP

<table>
<thead>
<tr>
<th>Variable</th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3598.7***</td>
<td></td>
<td>4600.6***</td>
</tr>
<tr>
<td></td>
<td>(1.639)</td>
<td></td>
<td>(2.171)</td>
</tr>
<tr>
<td>GDP lag</td>
<td>1.036***</td>
<td>-0.920***</td>
<td>1.03***</td>
</tr>
<tr>
<td></td>
<td>(100.992)</td>
<td>(138.833)</td>
<td>(101.349)</td>
</tr>
<tr>
<td>Regional %</td>
<td>-34.994*</td>
<td>-117.681</td>
<td>-38.36**</td>
</tr>
<tr>
<td>Left-leaning</td>
<td>(-1.568)</td>
<td>(-0.533)</td>
<td>(-1.779)</td>
</tr>
<tr>
<td>Reg. Rightist</td>
<td>-10.952</td>
<td>-137.411</td>
<td>-100.11</td>
</tr>
<tr>
<td>Majority</td>
<td>(-0.023)</td>
<td>(-9.229)</td>
<td>(-0.212)</td>
</tr>
<tr>
<td>Nat’l-Reg Coordination</td>
<td>775.88**</td>
<td>-771.127</td>
<td>743.30***</td>
</tr>
<tr>
<td></td>
<td>(2.181)</td>
<td>(6.089)</td>
<td>(2.254)</td>
</tr>
<tr>
<td>% Departments with Left</td>
<td>5.768</td>
<td>-172.0</td>
<td>4.667</td>
</tr>
<tr>
<td>% Departments with Left</td>
<td>(0.698)</td>
<td>(9.184)</td>
<td>(0.560)</td>
</tr>
<tr>
<td>Regional Party Competition</td>
<td>-192.62</td>
<td>-254.171</td>
<td>-243.64</td>
</tr>
<tr>
<td></td>
<td>(-0.841)</td>
<td>(-0.582)</td>
<td>(-1.070)</td>
</tr>
<tr>
<td>R²</td>
<td>.990</td>
<td></td>
<td>.990</td>
</tr>
<tr>
<td>n</td>
<td>126</td>
<td></td>
<td>126</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 0.83 with a probability of .364
Hausman Test = 34.23 with a probability of .000
Chi-square of group effects = 44.912 with a probability of .001
Table 14: The Yearly Effects of Regional Partisan Variables on Rate of Firm Failure

<table>
<thead>
<tr>
<th></th>
<th>OLS Parameters</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.554</td>
<td>---</td>
<td>0.546</td>
</tr>
<tr>
<td></td>
<td>(0.583)</td>
<td></td>
<td>(0.583)</td>
</tr>
<tr>
<td>Fail lag</td>
<td>0.384***</td>
<td>0.624***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.760)</td>
<td>(5.269)</td>
<td></td>
</tr>
<tr>
<td>Regional %</td>
<td>-0.019**</td>
<td>-0.019**</td>
<td></td>
</tr>
<tr>
<td>Left-leaning</td>
<td>(-1.613)</td>
<td>(-1.613)</td>
<td></td>
</tr>
<tr>
<td>Reg. Rightist</td>
<td>-0.959***</td>
<td>-0.564</td>
<td></td>
</tr>
<tr>
<td>Majority</td>
<td>(-2.394)</td>
<td>(-2.394)</td>
<td></td>
</tr>
<tr>
<td>Nat'l-Reg Coord.</td>
<td>-0.368**</td>
<td>-0.436***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-2.234)</td>
<td>(-2.234)</td>
<td></td>
</tr>
<tr>
<td>% Departments w/</td>
<td>-0.022*</td>
<td>0.002</td>
<td></td>
</tr>
<tr>
<td>Left Majorities</td>
<td>(-1.433)</td>
<td>(0.390)</td>
<td></td>
</tr>
<tr>
<td>Regional Party Competition</td>
<td>0.356***</td>
<td>0.302***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.95)</td>
<td>(2.791)</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.380</td>
<td>.396</td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>168</td>
<td>168</td>
<td>168</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 0.98 with a probability of .322
Hausman Test = 17.41 with a probability of .008
Chi-square of group effects = 24.11 with a probability of 0.238
Table 15: The Yearly Effects of Regional Partisan Variables on Rate of Unemployment

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.362</td>
<td></td>
<td>0.770</td>
</tr>
<tr>
<td></td>
<td>(-0.770)</td>
<td></td>
<td>(1.835)</td>
</tr>
<tr>
<td>Employment Lag</td>
<td>0.992***</td>
<td>0.826***</td>
<td>0.928***</td>
</tr>
<tr>
<td></td>
<td>(38.217)</td>
<td>(11.909)</td>
<td>(17.26)</td>
</tr>
<tr>
<td>Reg. Rightist Majority</td>
<td>-0.171*</td>
<td>-0.297**</td>
<td>0.042</td>
</tr>
<tr>
<td></td>
<td>(-1.506)</td>
<td>(-1.607)</td>
<td>(1.741)</td>
</tr>
<tr>
<td>Nat'l-Reg'l Coordination</td>
<td>-0.948***</td>
<td>-0.849***</td>
<td>-0.143***</td>
</tr>
<tr>
<td></td>
<td>(-10.294)</td>
<td>(-7.652)</td>
<td>(-8.532)</td>
</tr>
<tr>
<td>% Departments with Left Majorities</td>
<td>0.001</td>
<td>-0.018***</td>
<td>-0.007</td>
</tr>
<tr>
<td></td>
<td>(0.542)</td>
<td>(-2.736)</td>
<td>(-1.76)</td>
</tr>
<tr>
<td>Regional Party Competition</td>
<td>0.146***</td>
<td>0.116**</td>
<td>0.123**</td>
</tr>
<tr>
<td></td>
<td>(2.943)</td>
<td>(1.714)</td>
<td>(1.936)</td>
</tr>
<tr>
<td>R²</td>
<td>.913</td>
<td>.910</td>
<td>.910</td>
</tr>
<tr>
<td>n</td>
<td>189</td>
<td>189</td>
<td>189</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 7.87 with a probability of 0.005
Hausman Test = 7.50 with a probability of 0.277
Chi-square of group effects = 16.987 with a probability of 0.654
Table 16: The Yearly Effects of Regional Partisan Variables on Trade Balance

<table>
<thead>
<tr>
<th>Snyder-Effect</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>OLS</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-1.997*</td>
</tr>
<tr>
<td>(1.217)</td>
<td>(-2.072)</td>
</tr>
<tr>
<td>Trade lag</td>
<td>0.906***</td>
</tr>
<tr>
<td>(28.630)</td>
<td>(28.231)</td>
</tr>
<tr>
<td>Regional %</td>
<td>0.033***</td>
</tr>
<tr>
<td>Left-leaning</td>
<td>(2.186)</td>
</tr>
<tr>
<td>Reg. Rightist</td>
<td>0.625**</td>
</tr>
<tr>
<td>Majority</td>
<td>(2.006)</td>
</tr>
<tr>
<td>Nat’l-Reg Coordination</td>
<td>-0.179</td>
</tr>
<tr>
<td>(-0.774)</td>
<td>(-0.879)</td>
</tr>
<tr>
<td>% Departments with Left Majorities</td>
<td>-0.003</td>
</tr>
<tr>
<td>(0.546)</td>
<td>(-0.594)</td>
</tr>
<tr>
<td>Regional Party Competition</td>
<td>0.100</td>
</tr>
<tr>
<td>(0.637)</td>
<td>(1.014)</td>
</tr>
<tr>
<td>R²</td>
<td>0.865</td>
</tr>
<tr>
<td>n</td>
<td>147</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 0.90 with a probability of .343
Hausman Test = 50.88 with a probability of .000
Chi-square of group effects = 64.594 with a probability of .000
Table 17: The Yearly Effects of Regional Partisan Variables on Rate of Firm Creation

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>114.169</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(7.37)</td>
<td></td>
<td>(2.23)</td>
</tr>
<tr>
<td>Creation lag</td>
<td>0.941***</td>
<td>0.602***</td>
<td>0.752**</td>
</tr>
<tr>
<td></td>
<td>(69.987)</td>
<td>(8.324)</td>
<td>(13.854)</td>
</tr>
<tr>
<td>Regional % Left-leaning</td>
<td>-0.367</td>
<td>-5.887**</td>
<td>-5.966**</td>
</tr>
<tr>
<td></td>
<td>(-0.188)</td>
<td>(-2.016)</td>
<td>(1.671)</td>
</tr>
<tr>
<td>Reg. Rightist Majority</td>
<td>39.010</td>
<td>250.915***</td>
<td>197.394**</td>
</tr>
<tr>
<td></td>
<td>(0.988)</td>
<td>(3.311)</td>
<td>(2.722)</td>
</tr>
<tr>
<td>Nat’l-Reg Coordination</td>
<td>-41.716*</td>
<td>8.232</td>
<td>-75.24</td>
</tr>
<tr>
<td></td>
<td>(-1.422)</td>
<td>(0.270)</td>
<td>(0.262)</td>
</tr>
<tr>
<td>% Departments with</td>
<td>0.423</td>
<td>-1.234</td>
<td>1.010</td>
</tr>
<tr>
<td>Left Majorities</td>
<td>(0.621)</td>
<td>(-0.421)</td>
<td>(0.81)</td>
</tr>
<tr>
<td>Regional Party</td>
<td>-19.254</td>
<td>-103.350***</td>
<td>93.415**</td>
</tr>
<tr>
<td>Competition</td>
<td>(-0.978)</td>
<td>(-2.655)</td>
<td>(1.553)</td>
</tr>
<tr>
<td>R²</td>
<td>.973</td>
<td>.976</td>
<td>.97</td>
</tr>
<tr>
<td>n</td>
<td>147</td>
<td>147</td>
<td>147</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 8.51 with a probability of .004
Hausman Test = 11.74 with a probability of .068
Chi-square of group effects = 38.487 with a probability of .008
Table 18: Does the Partisan Model Promote Regional Economic Growth?

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Regional Rightist Majority</th>
<th>National-Regional Coordination</th>
<th>% Left-Majority Departments</th>
<th>Regional Party Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>no, significant</td>
<td>no, and small</td>
<td>no, and small</td>
<td>no</td>
</tr>
<tr>
<td>Firm Failure</td>
<td>yes, significant and large</td>
<td>yes, significant and large</td>
<td>no, and small</td>
<td>no, significant and large</td>
</tr>
<tr>
<td>Unemployment</td>
<td>yes, significant and large</td>
<td>yes, significant and large</td>
<td>yes, significant</td>
<td>no, significant</td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>yes, significant and large</td>
<td>no</td>
<td>no, significant</td>
<td>yes, significant</td>
</tr>
<tr>
<td>Firm Creation</td>
<td>yes, significant and small</td>
<td>yes, but small</td>
<td>no, significant</td>
<td>no, significant</td>
</tr>
</tbody>
</table>
question as to the impact of national-regional partisan coordination. Two of the
economic indictors – firm failure and unemployment – suggest that such coordination has
a strong positive impact on the economies. However, three of the other indicators show
no real relationship between partisan coordination and growth. Finally, how does the
number of parties competing in a region affect growth? As predicted, party competition
severely limits economic growth (in all but one of the economic indictors). Therefore,
hypotheses eight and eleven are supported, while hypotheses nine and ten are
unsupported.

Substantively, the partisan model suggests that parties of the right are more likely
to implement programs of economic growth, at least at the regional level. It also suggests
that regional governments may be more autonomous from other levels of government –
both above and below – that they have been given credit for in the literature. The lack of
significance of variables linking the national and departmental partisan landscapes to
regional economic outcomes suggests that regions may be making economic decisions
much more independently than many scholars have anticipated, although if there is a link
it is with the national level. Finally, the old adage, “too many cooks in the kitchen spoils
the broth,” may have some merit here with respect to parties. The fewer parties (and
presumably economic plans) in the council, the more coherent and profitable the region’s
economic fortunes.

Tables 19-24 explore the impact of regional policies of taxation and spending on
economic growth. The results from this model were completely counterintuitive, with
taxation promoting economic growth while investment had little effect either way. Fiscal
Table 19: The Yearly Effects of Regional Policy on Per Capita GDP

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>777.95</td>
<td>6552.9**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.364)</td>
<td>(1.940)</td>
<td></td>
</tr>
<tr>
<td>GDP lag</td>
<td>1.054***</td>
<td>0.852***</td>
<td>.962***</td>
</tr>
<tr>
<td></td>
<td>(64.393)</td>
<td>(21.342)</td>
<td>(29.345)</td>
</tr>
<tr>
<td>Investment</td>
<td>-3.335**</td>
<td>8.855</td>
<td>1.227</td>
</tr>
<tr>
<td></td>
<td>(-1.698)</td>
<td>(1.970)</td>
<td>(0.486)</td>
</tr>
<tr>
<td>Fiscal Pressure</td>
<td>59.378</td>
<td>1015.7</td>
<td>1116.6</td>
</tr>
<tr>
<td></td>
<td>(0.058)</td>
<td>(1.380)</td>
<td>(0.776)</td>
</tr>
<tr>
<td>R²</td>
<td>.991</td>
<td>.922</td>
<td>.984</td>
</tr>
<tr>
<td>n</td>
<td>105</td>
<td>105</td>
<td>105</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.
*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 1.48 with a probability of .223
Hausman Test = 10.95 with a probability of .012
Chi-square of group effects = 40.371 with a probability of .005
Table 20: The Yearly Effects of Regional Policy on Rate of Firm Failure

<table>
<thead>
<tr>
<th></th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-1.008***</td>
<td>-0.787</td>
</tr>
<tr>
<td></td>
<td>(-1.773)</td>
<td>(-1.078)</td>
</tr>
<tr>
<td>Fail lag</td>
<td>0.078***</td>
<td>0.821***</td>
</tr>
<tr>
<td></td>
<td>(6.278)</td>
<td>(6.855)</td>
</tr>
<tr>
<td>Investment lag</td>
<td>0.005***</td>
<td>0.004***</td>
</tr>
<tr>
<td></td>
<td>(7.065)</td>
<td>(6.936)</td>
</tr>
<tr>
<td>Fiscal Pressure</td>
<td>-1.29*</td>
<td>-0.242</td>
</tr>
<tr>
<td></td>
<td>(-1.420)</td>
<td>(-0.428)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.430</td>
<td>.466</td>
</tr>
<tr>
<td>n</td>
<td>147</td>
<td>147</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.

*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 2.42 with a probability of .120
Hausman Test = 4.26 with a probability of .235
Chi-square of group effects = 15.176 with a probability of .766
Table 21: The Yearly Effects of Regional Policy on Unemployment

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.405</td>
<td></td>
<td>1.774***</td>
</tr>
<tr>
<td></td>
<td>(-1.04)</td>
<td></td>
<td>(2.561)</td>
</tr>
<tr>
<td>Employment lag</td>
<td>0.949***</td>
<td>0.881***</td>
<td>0.771***</td>
</tr>
<tr>
<td></td>
<td>(33.256)</td>
<td>(13.000)</td>
<td>(16.989)</td>
</tr>
<tr>
<td>Investment</td>
<td>0.002***</td>
<td>0.003***</td>
<td>0.003***</td>
</tr>
<tr>
<td></td>
<td>(7.328)</td>
<td>(9.224)</td>
<td>(8.835)</td>
</tr>
<tr>
<td>Fiscal Pressure</td>
<td>0.044</td>
<td>-0.399***</td>
<td>-0.426</td>
</tr>
<tr>
<td></td>
<td>(0.169)</td>
<td>(-1.913)</td>
<td>(-1.007)</td>
</tr>
<tr>
<td>R²</td>
<td>.887</td>
<td>.901</td>
<td>.853</td>
</tr>
<tr>
<td>n</td>
<td>168</td>
<td>168</td>
<td>168</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.
*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 1.33 with a probability of .248
Hausman Test = 13.22 with a probability of .004
Chi-square of group effects = 45.557 with a probability of .001
Table 22: The Yearly Effects of Regional Policy on Trade Balance

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.556</td>
<td></td>
<td>0.579</td>
</tr>
<tr>
<td></td>
<td>(0.916)</td>
<td></td>
<td>(0.949)</td>
</tr>
<tr>
<td>Trade lag</td>
<td>0.950***</td>
<td>0.910***</td>
<td>0.942***</td>
</tr>
<tr>
<td></td>
<td>(32.978)</td>
<td>(18.389)</td>
<td>(31.561)</td>
</tr>
<tr>
<td>Investment</td>
<td>0.001</td>
<td>0.001*</td>
<td>0.001*</td>
</tr>
<tr>
<td></td>
<td>(1.173)</td>
<td>(1.345)</td>
<td>(1.384)</td>
</tr>
<tr>
<td>Fiscal Pressure</td>
<td>-0.653*</td>
<td>-0.703*</td>
<td>-0.699*</td>
</tr>
<tr>
<td></td>
<td>(-1.413)</td>
<td>(-1.389)</td>
<td>(-1.482)</td>
</tr>
<tr>
<td>(R^2)</td>
<td>.898</td>
<td>.918</td>
<td>.900</td>
</tr>
<tr>
<td>(n)</td>
<td>126</td>
<td>126</td>
<td>126</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.
*** Significant at the .01 level.
** Significant at the .05 level.
* Significant at the .10 level.

Lagrange Multiplier = 0.08 with a probability of .784
Hausman Test = 21.91 with a probability of .000
Chi-square of group effects = 41.048 with a probability of .004
Table 23: The Yearly Effects of Regional Policy on Rate of Firm Creation

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>39.971</td>
<td>535.19</td>
<td>(3.085)</td>
</tr>
<tr>
<td></td>
<td>(0.487)</td>
<td>(6.603)</td>
<td>(8.487)</td>
</tr>
<tr>
<td>Creation lag</td>
<td>0.888***</td>
<td>0.369***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(66.649)</td>
<td>(6.603)</td>
<td>(8.487)</td>
</tr>
<tr>
<td>Investment</td>
<td>0.181**</td>
<td>-0.210***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.150)</td>
<td>(-3.784)</td>
<td>(-3.102)</td>
</tr>
<tr>
<td>Fiscal Pressure</td>
<td>-73.743</td>
<td>12.082</td>
<td>-19.698</td>
</tr>
<tr>
<td></td>
<td>(-1.196)</td>
<td>(0.023)</td>
<td>(-0.269)</td>
</tr>
<tr>
<td>R²</td>
<td>.982</td>
<td>.922</td>
<td>.638</td>
</tr>
<tr>
<td>n</td>
<td>126</td>
<td>126</td>
<td>126</td>
</tr>
</tbody>
</table>

Note: The number in parentheses reflects the t-score for a one-tailed test.
*** Significant at the .01 level.
**  Significant at the .05 level.
*   Significant at the .10 level.

Lagrange Multiplier = 8.89 with a probability of .003
Hausman Test = 18.59 with a probability of .000
Chi-square of group effects = 122.741 with a probability of .000
<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Investment</th>
<th>Fiscal Pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>yes, significant but small</td>
<td>yes, significant and large</td>
</tr>
<tr>
<td>Firm Failure</td>
<td>no, significant but small</td>
<td>no</td>
</tr>
<tr>
<td>Unemployment</td>
<td>no, significant but small</td>
<td>yes, significant and large</td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>yes, significant but small</td>
<td>no, significant and large</td>
</tr>
<tr>
<td>Firm Creation</td>
<td>no, significant but small</td>
<td>yes, but small</td>
</tr>
</tbody>
</table>
pressure had a positive effect on economic growth with regard to three of the dependent indicators — GDP, unemployment, and firm creation, with the effect on GDP and unemployment being both significant and large. Similarly puzzling was the underwhelming impact of investment spending by the region. My expectation was that this would have a strong positive impact on growth, but the results were small and mixed across all of the indicators, suggesting no real impact. Hypothesis twelve was not upheld, while hypothesis thirteen was just the opposite relationship than expected.

These results suggest a more complex relationship than I anticipated between the policies of taxing and spending and economic performance. In fact, it may be the regions which utilize their revenue-raising ability to the fullest that succeed economically in this era of functional devolution in France. Apparently regions need all the resources the state can give them — and then some, in order to succeed economically. But why does investment not clearly promote economic growth? A couple of possible explanations come to mind. First, much of this investment is directed toward infrastructure — transportation, communication, firm start-ups — in which the economic payoffs may not be visible in the short-term scenario. Alternatively, regional actors may not as yet have developed the economic expertise to invest wisely. Either account suggests the potential for future gains, and therefore cautions against making a quick policy turnaround away from investment policy.

Several caveats need to be mentioned about the statistical results. First, I have deliberately discussed trends and directionality in my analysis more than individual results and significance. I used five dependent variables in my analysis in order to have
greater confidence in my results regarding economic growth. My thought has been that
economic development is a multifaceted concept, and might be seen in some parts of the
economy more than others. However, using so many indicators to tap the concept of
economic development has its own problems, not least of which is consistency. In fact,
some patterns of inconsistency are particularly apparent – namely the trade-off between
GDP and unemployment, and often between firm creation and firm failure. The
alternative was to use the standard GDP and unemployment, in which case, I would have
interpreted little evidence of economic development in my models. Second, my time
series analysis was necessarily run with relatively few data points – a maximum of 42 and
a maximum of 189. This relatively short time span, it could be argued, is not enough to
really note an economic impact of decentralization. My response is that the analysis was
necessarily limited by the need to evaluate institutions which only existed post-1986.
The evaluation of policy change is an important endeavor that warrants the undertaking,
and our statistical tools allow us to perform such evaluations today, rather than waiting
until more time has passed. As long as the results are used as a rough guide, they may
provide important clues for regional economic improvement. Finally, this analysis was
additionally limited by the available data. My preference would have been to have more
sophisticated measures, particularly in the case of culture and policy. The reliance of my
culture measures on summary survey data (and its missing observations) severely limit
my confidence in the interpretation of the role of culture in the regions. In the next stage
of this project, I hope to gain access to records of regional associational activity to tap
culture, and the written records of the council meetings, in order to code policy activity in more detail.

Conclusion

What new knowledge can this analysis elucidate about the relationship between decentralization and regional economic performance? First, I have gleaned surprisingly few clues thus far about what promotes economic growth in the regions. Chapter four of this project tested and found little support for the notion that economic growth could be explained by geographically-located specialized economies. Economic sector was not sufficient to explain the evolution of regional economies. While chapter five indicated that regions are still quite tied economically to the national government, regions truly have experienced differential economic trajectories in the wake of decentralization.

I devised a set of four complementary (rather than competing) models to explain the role of decentralization on performance. My expectation was that the regional contrasts in performance might be explained by institutions, culture, party politics, and policymaking. Namely, I expected regional successes to be characterized by a set of common traits, depicted in the hypotheses above - complex organization; a large regional personnel; financial independence; strong levels of cultural identity, information, and optimism; right-wing dominance; partisan coordination with other governmental levels; high levels of investment; and low levels of taxation.

The analysis presented in this chapter reveals a more complex trajectory for regional economic success. No one model strongly explained regional performance, and in some cases, my expectations were soundly disproved. In a nutshell, strong regional
performers are characterized by a large regional personnel force, political sophistication (as measured by multiple office-holding), regional optimism among the population, rightist regional councils, partisan coordination with the national level, and high levels of taxation.

From the standpoint of institutions, regional personnel and political sophistication are associated with economic growth. Personnel was a straightforward expectation, with my belief that strong organizations need a substantial number of trained organizational actors. Particularly when they are newly-formed as in the case of French regions, I expect that association to be strong. Regional councils where members held other simultaneous political offices also had stronger economic performance, which was a surprise. I expected multiple office-holding to present competing demands on an individual’s time, but this may, in fact, be outweighed by the political patronage benefit it confers to regions. This interpretation is in accord with that of Dupuy and Thoenig (1985), who argue that the cumulants in French administration perform an integrative role between level of government and help prevent the French system from becoming rigidly stratified and atomized.

The culture model revealed that only regional optimism, among my variables, promoted economic growth; which does not support the conclusions about culture and economic performance drawn by Putnam (1993). His study of the Italian regions suggested that culture was the paramount narrative variable in understanding the discrepancy between north-south performance. One difference in our explanations may lie in our operationalization of both “culture” and “regional performance”. Putnam’s
definitions of both are much more expansive than mine, with culture representing an array of variables tapping political participation, public trust, political equality, and associational activity. Performance for him is also more broadly defined as policy processes, decisions, and implementation across several policy areas (including economic, territorial, and environmental). I am interested in the simpler relationship between cultural identity and economic success. My finding of a strong relationship between regional optimism and economic growth suggests that both public trust and a spirit of dynamism are important determinants of regional prosperity. I suspect that my indicator of regional identity may not be measuring regional loyalty so much as whether survey respondents can remember previously-unfamiliar formal regional names like “Provence-Alpes-Côte d’Azur”.

The partisan model yielded perhaps the most foreseen results, upholding the conventional wisdom that rightist parties are more growth-oriented while leftist-parties may be more social spending-oriented. In addition, Dupuy and Thoenig’s (1985, p. 161) comment that France is “not a democracy of election” but rather “a democracy of access”, is supported by my finding that national-regional partisan coordination procures economic growth. As expected, high levels of party competition in the regions dissuaded growth, as it disrupted policy consensus and delayed decision-making.

Finally, the policy model yielded completely counterintuitive results. I expected high investment and low taxation to promote growth, when in fact, high taxation was associated with regional prosperity. Investment appeared largely unrelated to regional economies. One potential explanation is that at this early stage in the regionalization
process, the regions need to maximize their revenue. This might be consistent with the finding from the institutional model that financial independence is inversely related to economic growth – in the revenue-poor environment that currently exists in the regions, they remain largely dependent on the state. The lack of a relationship between investment and growth may either be a testimonial to poor spending strategies or an indication that much of regional spending is still infrastructure-intensive, which may not be reflected yet in an economic payoff.

One of the goals of conducting policy evaluation is to enable the researcher to make prescriptive suggestions to policymakers. Although the limited scope and timeframe of my study suggests caution in making directives, what tentative generalizations can we draw about the likely economic impact of regional activity? First, my data indicates that increasing regional personnel has a stimulating effect on the economy, although at some point this relationship probably becomes curvilinear, beyond which the size of the public sector expands to the point of economic inefficiency. Whenever possible, regions should retain their financial dependence on the French state. This may indicate more than just financial responsibility, and perhaps reinforce the Dupuy and Thoenig (1985) argument that integrated levels of French administration bespeak complicity and cooperation. The same rationale applies in my finding that multiple-officeholding on the part of regional officials acts as a stimulus to the economy. I suggest that rather than acting at odds with their role as regional advocates, holding other offices may actually benefit regional officials by promoting patronage and integrated action across national-regional-departmental-communal levels. Ironically, the
French government's legislation from 1985 to limit the *cumul des mandats* to two major offices may be detrimental overall to regional economic development.

The data suggest that keeping the public informed about day-to-day regional government may be less efficacious than simply promoting a positive regional outlook through an effective public relations campaign, as I found the region of Pays-de-la-Loire initiated. On the partisan horizon, regions would be well-informed to lessen their fragmentation. Perhaps instituting winner-take-all electoral rules rather than the currently existing proportional representation would decrease the number of parties represented in the regional councils. Regionalists considered it a disadvantage when they lost their bid to reform the electoral system by separating the local elections. However, my analysis suggests that the regions may actually benefit economically from the fact that the departments establish the party lists for regional elections, thus the two levels remain closely linked through party politics.

Finally, even though many regions are maximizing their taxation potential, it either may not yield enough in the way of regional resources, or it may not be invested wisely enough to yield economic gain at this point in time. One possibility is that institutional needs are still high enough that investment spending thus far has taken away resources needed for institution-building.

The empirical results presented in this chapter have suggested that decentralization affects economic performance in several ways, as a function of institutions, culture, partisan environment, and policy. It thus integrates several expectations about the sources of local economic growth. Although the majority of my
hypotheses were not borne out, the results do offer several interesting findings about regionalism and economic development.

Second, the study builds from previous work in an effort to better examine the relationship between decentralization, regions, and the economy. While the neo-institutionalists have asserted the primacy of institutional design in explaining policy performance (cf. Hall 1986, Anderson 1990); neo-culturalists (cf. Almond and Verba 1963, Putnam 1993) have argued that culture underlies other factors and ultimately determines state performance. This study endorses neither of these premises wholeheartedly, and in fact finds a combination of these two explanations -- along with party politics and the policies of taxing and spending -- combine to elucidate economic performance of the French regions.

Third, this study presents an innovative method of examining economic performance across both regions and time, in order to make generalizations about the factors that promote regional economic development. Previous studies of the regional reforms in France have failed to evaluate the reforms empirically, using specific criteria and deriving expectations and prescription for policymakers. In fact, the final chapter will examine how well the lessons from this empirical analysis fit with the activity and beliefs of French regional actors. Utilizing interview and questionnaire data, I will evaluate the actions of the regions in light of the prescriptions from this chapter.
Chapter 6 – Decentralization and Economics: the View from the Regions

French regions provide an interesting and varied environment in which to explore the interplay of economics and government. The new “regionalization” of French politics was first laid out in the French government plans beginning in 1981, and was justified by two arguments. First, it was intended to serve as an instrument of economic management of the country. Initially this was to be state-driven, but earlier chapters chronicle the evolution into a relationship of local-state economic partnership. Second, the introduction of directly-elected regional governments and the abolition of the prefectorial tutelle were meant to increase local democracy. While the Socialists under François Mitterrand had campaigned in 1981 under a promise of decentralization, the swiftness with which they moved on it and its centrality to their policy agenda surprised many French political observers (Loughlin and Mazey 1995).

It has been my contention throughout this work that some regions have emerged as winners and others as losers as a result of French decentralization. Chapter four in this work empirically examined the dependence of regional economies on the French state and the impact that decentralization has had on their economic performance. I discovered that regions were clearly still very dependent economically on the French state. Once the effects of the state’s economic trends were controlled, I found that eight regions had experienced both short- and long-term growth in the period following the decentralization reforms, while six regions had the opposite occurrence — short- and long-term economic decline.
Chapter five presented a statistical model attempting to elucidate the causes of these patterns of regional growth and decline through four different models—

institutions, culture, party politics, and policy. While elements of each model explained some of the economic patterns, no one model was overwhelmingly successful in predicting success. In essence, regional personnel, multiple officeholders, regional optimism among the inhabitants, party control by the right, partisan coordination with the national government, and taxation, were all positively associated with regional economic growth.

Here I examine in more depth two individual regions with an eye toward understanding this distinction between winners and losers. Pays de la Loire and Picardie present two cases of the varying effects of decentralization. The region-by-region results presented in chapter five indicate that Pays de la Loire experienced sustained economic growth from 1985-1994 in the wake of decentralization, while Picardie experienced sustained economic decline in the same period. Now that I've examined the macro-trends, I am interested in understanding the political and economic situation from the perspective of the actors and agents in the regions themselves. How have the effects of decentralization played out in these regions? How have these regions responded to their new environments, and to what end?

**Pays de la Loire and Picardie**

Pays de la Loire is a region comprising about 32,500 sq. km. (5.9% of France’s total area) with over 3 million inhabitants (about 5.4% of total French population), situated between the Atlantic Ocean, the region of Bretagne, and the Paris Basin on the
west side of France. Pays de la Loire’s economy is dominated by construction and agriculture. With a land mixture of woodland and pastures and a temperate coastal area, Pays de la Loire enjoys a diversified agricultural sector fed by the Loire River running through it. The Loire region leads the rest of France in beef and veal production, and runs a close second in dairy, pork, and poultry products, and also supplies 15% of France’s total fish contribution. It is ranked second among regions for its agricultural contribution, and fourth for its industry. In the past quarter century, its traditional industries of shipbuilding, agri-food, clothing, footwear, timber and furniture have been eroded by the intermediate goods (i.e. rubber, plastic, paper, smelting) and capital goods industries (i.e. electronics, construction of inland transport equipment). Naval dockyards made the Loire’s reputation and the region is still the premiere European site for yacht production (Eurostat 1993).

Pays de la Loire has gone from being the epitome of peasant France, to becoming a much more representative and even central region in recent years, economically, politically, and socially. One commenter described the region prior to the 1960s as (excepting margins on the east and south), “more rural, more fertile, more conservative, more religious, and in a word, more peasant than the others.” (Renard 1995). These days, the Loire region often occupies a median position in French statistics, having built up its industrial and service sectors and enjoyed mobility – in both its population and economy. Comprised of five departments, Pays de la Loire contains three large cities of over 200,000, Nantes, Angers, and Le Mans, but maintains a rural feel.
Picardie is somewhat smaller than the Loire region, covering some 19,000 sq. km. (3.6% of France's land) with 1.8 million inhabitants (3.2% of the population of France). Situated in northern France, the region is nestled between two regions of high population density – the Parisian region of Île-de-France to the south and the region Nord-pas-de-Calais to the north. The region has a pronounced rural character, despite some population growth in the southern part of the region due to migration from the Paris basin. In fact, few of its towns have more than 20,000 inhabitants. Its agriculture has been among the most productive in France, based mostly in large holdings producing cereal crops, industrial beet, and potatoes. Industry in Picardie was developed in two phases. First, an early system sprang up in the Aisne and Somme departments, of small businesses in traditional industries like textiles and clothing, glassware, and metalworking. In the post-war industrial boom and the beginning of decentralization from Paris, the rubber, chemicals, automobile engineering, and industrial machinery industries emerged in Picardie (Eurostat 1993).

How have these two regions weathered the decentralization period in France? This chapter will argue that the regions themselves play a partial role in determining their own success under decentralization – but only to a certain extent. As local collectivities, they remain quite hobbled by the centralized French state and by the activities of other localities. Regional policies do not replace, nor in some cases even rival, the activities taken by other levels of government – namely the state, department and even municipality. I will discuss in some detail the explanations proposed in the last chapter to explain economic performance – institutions, culture, political parties, and policy – and
how these regions have taken actions (or failed to do so) to promote positive economic change for the region. Various regional actors that have observed and participated in regional politics during this period provide evaluations of their regions’ respective activities.

Institutions

The most visible of institutional changes was the direct election of regional councils led by elected presidents, and subdivided into a set of permanent committees. My initial expectation that regional council committees would play a strong role in promoting economic fortune was erroneous, according to both statistical and anecdotal evidence. Even after having existed as directly-elected bodies since 1986, the regional councils convene as an entire body less than one day per month, on average (according to council minutes). Regional councilors informed me that most committees meet on average once per month, but that some meet even less frequently.

As Table 1 indicates, not much variation in number of committees exists between the two regions examined here – with means of 6.5 committees in Pays de la Loire and 8.0 committees in Picardie. According to a regional council member from Pays de la Loire, committees are rather homogeneous politically (made up predominantly by members from the president’s party), have little power (meeting only about once a month in that region), and allow for the development of little policy aptitude. This last point was mentioned by several regional actors from both regions. “In fact,” according to one regional bureaucrat in Picardie, “our regional council committees are consistently outperformed by the regional services (bureaucrats) who propose policy because they are
the ones with the expertise." Another complaint about their lack of autonomy came from an Ecologist party member from Pays de la Loire who accused the majority leadership of manipulating who got on each committee and stacking the important ones with its own party, leading to a situation where, "all important ideas which pass in the committees pass in the plenary session because it's predetermined by the majority party".

Table 1: Institutions, Culture, Party Politics and Policy in Pays de la Loire and Picardie

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>Pays de la Loire mean all years</th>
<th>1994</th>
<th>1985</th>
<th>Picardie mean all years</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Complexity</td>
<td>6</td>
<td>6.5</td>
<td>7</td>
<td>8</td>
<td>8.0</td>
<td>8</td>
</tr>
<tr>
<td>(number of regional council committees)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Personnel</td>
<td>2.3</td>
<td>4.25</td>
<td>7.0</td>
<td>6.3</td>
<td>7.59</td>
<td>12.0</td>
</tr>
<tr>
<td>(per 100,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Independence</td>
<td>54.96%</td>
<td>59.99%</td>
<td>58.11%</td>
<td>47.46%</td>
<td>59.83%</td>
<td>65.25%</td>
</tr>
<tr>
<td>(% of revenue self-raised)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Sophistication</td>
<td>2.19</td>
<td>2.06</td>
<td>1.98</td>
<td>2.16</td>
<td>1.92</td>
<td>1.97</td>
</tr>
<tr>
<td>(office-holding index)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Identity</td>
<td>45%</td>
<td>51.6%</td>
<td>59%</td>
<td>74%</td>
<td>68.94%</td>
<td>73%</td>
</tr>
<tr>
<td>(% knowing region name)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Optimism</td>
<td>49%</td>
<td>58.15%</td>
<td>73%</td>
<td>46%</td>
<td>54.33%</td>
<td>68%</td>
</tr>
<tr>
<td>(% optimistic about future)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Level of Info.</td>
<td>39%</td>
<td>33.5%</td>
<td>28%</td>
<td>37%</td>
<td>36.88%</td>
<td>45%</td>
</tr>
<tr>
<td>(% informed on council activities)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Partisan Makeup</td>
<td>20.24%</td>
<td>47.18%</td>
<td>38.71%</td>
<td>37.5%</td>
<td>63.64%</td>
<td>42.11%</td>
</tr>
<tr>
<td>(% of seats held by left parties)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Party Competition</td>
<td>5.95</td>
<td>6.52</td>
<td>8.41</td>
<td>5.62</td>
<td>6.66</td>
<td>9.06</td>
</tr>
<tr>
<td>(effective # of parties)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment (per capita FF spent on investment)</td>
<td>142.1 FF</td>
<td>371.51 FF</td>
<td>582.6 FF</td>
<td>179.9 FF</td>
<td>475.26 FF</td>
<td>691.8 FF</td>
</tr>
<tr>
<td>Fiscal Pressure (tax burden index)</td>
<td>1.29</td>
<td>1.186</td>
<td>1.09</td>
<td>1.13</td>
<td>1.434</td>
<td>1.34</td>
</tr>
</tbody>
</table>

According to the statistical analysis from the previous chapter, regional economic growth is promoted by a large regional personnel and politically-sophisticated
officeholders. As mentioned, officials in both regions emphasized the increasingly important role of bureaucratic actors in making regional policy. In fact, being shut out of the process was a common complaint heard from the elected officials. One National Front party member from Pays de la Loire complained that the executive actors along with the regional functionaries effectively excluded other regional actors from influencing decisionmaking. An Ecologist member from Pays de la Loire referred to regional policymaking as “très technocratique” and called the role of the regional council vis-à-vis the bureaucracy a “caricature de démocratie”. As Table 1 indicates, Picardie had more regional personnel during the 1985-94 period, averaging 7.59 personnel per 100,000 population to Pays de la Loire’s 4.25 per 100,000. However, the Loire region had more positive change over the period, with a 204% personnel growth from 1985-94, compared to Picardie’s 90% increase. While they are both moving in a direction that suggests an increasing ability to deal with new issues, Pays de la Loire is moving to shore up its regional personnel at a more aggressive pace. However, it is far from clear that increases in regional personnel signal more power for the regions. Many of the regional bureaucrats I spoke with emphasized their connections to the French state, suggesting that they still view their role as one of field administration, at least in part.

The overwhelming sentiment voiced by regional actors in the Pays de la Loire was frustration at their lack of institutional authority. Blame was put on both the state (for limiting the authority it devolved to the regions), and on other local actors (such as the cities and departments which have been reluctant to share authority with another local level). Table 1 indicates that financial independence for the two regions remains very
similar – with each region funding about 60% of its own operations. Pays de la Loire has remained fairly constant in its contribution to its own revenue, while Picardie has steadily worked to decrease its dependence on the state. Recall a counterintuitive result in the previous chapter indicated no evidence that regional financial independence promotes growth.

The previous chapter also indicated an unexpected relationship between political sophistication and economic growth. The greater the number and responsibility of offices simultaneously held by regional council members, the better the economy fares. The effects of the government limitation to two major offices effected during the time frame of this study has had some impact on both regions, diminishing average political sophistication slightly from 2.19 offices per councilor (in the case of Pays de la Loire) and 2.16 (in the case of Picardie) in 1985, to 1.98 and 1.97 respectively in 1994. Unsurprisingly, council members outside the regional majority expressed frustration with their fellow councilors’ multiple electoral casquettes (hats), believing the practice to indicate lack of regional commitment. The statistical results from the last chapter support the view of one council member from the majority in Pays de la Loire who claimed, “my regional responsibilities are small enough to benefit from the expertise I have gained working as mayor of my town.” As I suggested in the last chapter, the partisan patronage advantage might outweigh any inefficiencies engendered by members holding multiple simultaneous political positions.
Culture

The previous chapter identified three concepts of political culture – regional identity, regional optimism, and regional level of information. While my expectation had been that all three would promote economic growth, the statistical results indicated that regional optimism alone led to increases in economic development. The two regions examined here mirror those findings, as seen in Table 1. The weaker economic performer, Picardie, has a greater number of residents who have strong regional identity and information about their regional council. Pays de la Loire scores higher only on optimism about the future of the region.

As I suggested in the last chapter, my measures of regional culture are weakened by their reliance on survey data. Interviews with the regional elites reinforced my doubt in the culture measures, with several individuals suggesting that residents have a difficult time in opinion surveys identifying with the regional level of administration for a couple of reasons. First, the regions were set up for administrative convenience rather than cultural legacy. In many cases the different territories encompassed by a single region do not share a common history or cultural commonality. Pays de la Loire, for example, has origins in four ancient provinces – Anjou, Maine, Brittany, and Poitou. Second, the sheer geographic scale of the regions has been disruptive to the formation of regional identification “in a country where residents might live their whole life without ever entering the capital city of Paris despite living in the adjacent region,” according to an academic administrator in Picardie. Comments by the officials I interviewed suggest that a common sense of culture is indeed lacking in the regions. One regional councilor from
the majority party in Pays de la Loire complained that, “making policy agreeable for
the entire region is complicated by the obstinacy of politicians from the different parts of
the region.” According to her, the culture of the southern part of the region has become
more urban and national-focused as working people from Île-de-France have settled in
the region, while the northern and eastern parts of Picardie have retained their rural Picard
character.

My field work in the regions of Pays de la Loire and Picardie left me with a mixed
impression with regard to regional culture. On the one hand, regional officials were eager
to point to the regions’ integrating role, offering the French population a modern identity.
On the other hand, the lavish amounts of money spent on constructing regional
assemblies and the extensive public relations effort to promote the regions’ names vis-à-
vis billboards and t-shirts (particularly in Pays de la Loire) suggests that such a cultural
identity is lacking. Previous research supports my suspicion that French regional cultural
identity is stronger in the minds of the regional councilors than in the public (cf.
Dupoirier 1995).

Party politics

Pays de la Loire and Picardie both have had relatively stable, right-dominated
political histories during the decentralization period. Both Loire’s regional president
Olivier Guichard (RPR) and Picardie’s president Charles Baur (UDF) have presided for
the entire decentralization period under study. Guichard has led the Pays de la Loire
since 1974, while Baur has led Picardie since 1976. Guichard’s regional leadership
longevity has also benefited from his entrenched political status, having served as
longtime mayor of La Baule (since 1971) and as a deputy in the National Assembly (since 1967), as well as Minister of State under Giscard d'Estaing. Baur’s political leadership has been less absolute, as his UDF party has had to rely upon its coalition partners CPNT (Hunting, Fishing, Nature and Traditions Party) and even the National Front for support.

The regional council mode of election is rather unique with proportional representation according to departmental party lists. These lists are drawn up by departments and elected on a departmental basis (as opposed to being drawn up by regions and elected at large). This proportional representation regional electoral system ensures representation of several parties in the regional councils, which the results in the last chapter suggest is harmful to the economic health of the regions. The comments of regional council members in Pays de la Loire and Picardie lend credence to this supposition. One minority party member in Picardie claimed, “the regional method of election ensures that all elections are actually local, reinforcing loyalty to one’s own department”. However, in Pays de la Loire, where a rightist majority government did exist, I was told by a member of that government, “our political relations run smoothly and other parties respect our government because we are one of only two regions with clear majority governments.” Another Pays de la Loire government bureaucrat claimed that “no real role for minority parties exists where the majority is strong”.

The degree of party competition or fragmentation in the regional councils was measured for the two cases as the effective number of parties, as seen in Table 1. In the 1985-1994 period of decentralization, both regions have become increasingly fragmented,
with Pays de la Loire increasing party competition by 41% from 5.95 to 8.41 effective parties; and Picardie increasing competition by 61% from 5.62 to 9.06 effective parties. The first regional elections were widely seen as an extension of the National Assembly elections, as they were held on the same day. In addition, the national parties greatly influenced the choice of candidates by generally outlining how candidates would be selected, by ratifying the party lists, and (on the right) by negotiating the agreements between the two major allied parties (Mabileau 1987, pp. 36-38; see also Schmidt 1991). While regional elections have come to be somewhat more autonomous over time as regional actors have become political entities in their own right, they are still often viewed as voter commentary on the current national political scene. Following the 1998 regional elections, one article claimed, “the election was viewed as much a litmus test of popularity of the ruling [national] ‘plural left’ coalition of Socialists, Communists, and Greens as a race for the 22 mainland and four overseas regions that were up for grabs,” (Rosenberg 1998).

This regional electoral system and its resulting degree of party fragmentation became embroiled in fresh political controversy in the wake of the March 1998 regional elections, when gains on the left and the far right resulted in agreements in which mainstream right parties (RPR and UDF) accepted support from the far-right National Front. Five regional presidents (including Picardie Regional President, Charles Baur-UDF) defied their parties’ directions and won their seats by making deals with the National Front. President Jacques Chirac called the National Front “racist and xenophobic by nature” and urged the newly-elected regional leaders to resign. President
Chirac also vowed to institute electoral reform to dismantle the proportional representation system originally implemented at the regional level by Former President François Mitterrand precisely to divide the right electorally (Reuters, March 21, 1998; Le Monde, March 18, 1998).

Leftist regional party strength was found in the previous chapter to hurt the regions economically, which is consistent with the experience of the two case studies. Pays de la Loire has continuously had a weak left, averaging about 47.18% of the regional seats, while Picardie’s collective left (RPR-UDF) has been stronger over this time period averaging 63.64% of seats. The 1998 regional elections should only reinforce this trend, with Pays de la Loire’s leftist representation declining from 38.71% of the seats to 35.48%, while Picardie’s parties of the left grew in strength at almost the same proportion, going from 42.11% to 45.61% of the regional seats. In fact, in Picardie, the mainstream right only held onto regional leadership in 1998 by accepting support from the far right National Front, in order to keep the left from forming a government. However, with the right’s continued 1998 hold on Pays de la Loire, economic growth relative to the other regions is expected to continue in that region.

Vivien Schmidt suggests that political elites at the regional level are clearly developing their own “rules of the game” as much a result of their view of political parties as of their unique electoral structure. Particularly on the right, where candidates have been recruited on the basis of socioeconomic status rather than party militancy or associational ties, officials see the party as a cue for local notables who rely for power on their network of clientelistic relationships (Schmidt 1990, p. 278; Dion 1986, pp.2-6).
Clearly the timing of the first set of regional election coinciding with national ones and the fact that party lists are generated at the departmental level have served to link regional party politics with those of French party politics writ large. Regional elections are often seen not so much as a statement on their own behalf, but rather a referendum on how the French public views French party politics. Proposals for reforms to regional party politics are dependent on how one views the goals. Allowing regional lists to be drawn up at the regional level might move the regions toward a more independent political identity, but not necessarily a more coherent party landscape. My research suggests that governing from the right is conducive to regional economic growth, something that could be facilitated by majoritarian voting rules (i.e. a first-past-the-post system) as opposed to proportional representation. Once derided as anti-democratic, such reforms may be considered by the current government in response to electoral gains by the National Front.

Policy

I’ve discussed the construction of political institutions, the infiltration of partisan politics, and the backdrop of political culture. Ultimately, however, our interest is in what politics accomplishes – in this case, what policy actions have the regions taken to promote their own economic growth? In asking this question to the regions of Pays de la Loire and Picardie, I emphasized taxing and spending priorities. A glance at Figures 1-2 reveals their 1995 revenue information. Their revenue prerogatives look remarkably similar – with both regions financing 55-60% of their actions through taxation. Picardie receives a slightly greater proportion of its funding from the state (23% to Pays de la
Loire's 19%), while both regions only borrow 13% of their funds. In what I expect is a nationwide trend, interviewees in both regions expressed reluctance to depend too heavily on the state to pay for regional operations.

Figure 1: Pays de la Loire Receipts 1995

- Direct Taxes: 42%
- Indirect Taxes: 17%
- State Funds: 19%
- Borrowing: 13%
- Other Receipts: 9%

Figure 2: Picardie Receipts 1995

- Direct Taxes: 41%
- Indirect Taxes: 14%
- State Funds: 23%
- Borrowing: 13%
- Other Receipts: 9%

Regional tax revenue comes from both direct and indirect sources. The French government does not allow the regions to institute new taxes; however, the 1982 decentralization laws transferred to the regions indirect taxes in addition to the same direct tax bases as the other local governments, enabling them to meet their new financial obligations. While prior to 1986, regional direct taxes were subject to a ceiling imposed by the central government, regional councils are now free to vote separate rates for each
of the four direct taxes. The four taxes include: *taxe d’habitation* (TH), a housing tax based on rental income; *taxes foncières sur les propriétés bâties* (TFPB) and *taxes foncières sur les propriétés non bâties* (TFPNB), two property taxes based on the official market value of buildings and the land; and *the taxe professionelle* (TP), a business tax based on the value-added by businesses and professionals. Indirect tax revenue include: the *carte grise*, a registration paid on vehicles; *permis de conduire*, a drivers license tax; and additional tax on property transactions and related registration fees (Gilbert 1995).

Regional budgets have consistently grown over the course of decentralization—particularly between 1982-1991, when the rate of increase in regional budgets was three times that of departmental budgets. However, in the early 1990s serious budget disputes emerged in many regions, which suggests a less rosy revenue future for the regions. In particular, proposals for tax increases met with widespread opposition, particularly on the part of right-wing leaders and business representatives who argued that the steady expansion of regional budgets must stop (Le Gâles 1995, pp. 77-78). Political factors surely played a role in this taxation backlash. So while the right controlled all but two of the councils during most of this period, even some trade union leaders and Socialist regional councilors objected to tax increases put forward by their opposition. In some regions powerful regional presidents were still able to get their budgets accepted, as in Pays de la Loire. However, Picardie’s political fragmentation limited the persuasive power of its president, and forced it to limit its taxation. All indications are that the citizens in most French regions, upset with the current European economic crisis, have put their foot down to cap taxation, and thus the revenue-potential of the regions.
However, a recent article on taxation and democracies suggests that the institutional incentives lead to higher taxation in dominant coalition governments, as are found in the French regions (Steinmo and Tolbert 1998). According to this study, the need to compromise with other parties leads to institutional incentives toward higher spending, and hence higher taxation.

Figure 3: Rate of Growth in Regional Taxation

Figure 3 illustrates the yearly change in total direct and indirect revenue collected. Both regions maintained a consistently growing rate of taxation during this period. In Pays de la Loire, regional taxation revenue was consistently increasing 20-25% per year in the early years following decentralization, slowing somewhat in the early 1990s. Picardie had a large spike with over 100% growth in revenue collected between 1986 and 1987, but maintained more modest increases of under 5% revenue growth per year thereafter. Both regions jump back up to a 20% growth between 1992 and 1993. At least over this time period, the data suggest that Pays de la Loire has a greater commitment to consistent growth in taxation than Picardie. However, political considerations appeared
to have an impact here. Two regional councilors from opposition parties in Picardie explained that changing taxation rates was a particularly divisive issue, with the majority party frequently forced to compromise its wishes (in this case, to keep the rates lower than it preferred).

The statistical analysis from the last chapter tracked regional per capita investment spending as surrogate for development policy in general. The "investment" measure included spending on education, professional training, rural development, transportation and communication, and economic actions. Examining the entire time frame, one discovers that both regions had set up aggressive investment policy trajectories in the 1985-94 period. As Table 1 indicates, Pays de la Loire's investment budget jumped 310% in this period, from 142.1 FF per inhabitant to 582.6 FF. Picardie's investment increased at a slightly less dramatic rate (285%), but started and ended at higher overall levels — from 179.9 FF per inhabitant to 691.8 FF per inhabitant.

More variance in their budgets appears when we examine total spending priorities for 1995, seen in Figures 4 and 5. Repeatedly, comments were made to me in both regions regarding the importance of education in the regions. Pays de la Loire had a clear priority for spending in secondary education (lycées), with 35% of its budget earmarked for that area. Since the lycées fell under the jurisdiction of the regions in 1985, 13 new high schools have been built, with several others having been beneficiaries of improvements. The strength of the Catholic religion in this region has allowed expenditures to be earmarked for both public and private (Catholic schools), thus driving
up the total secondary education budget. However, aid to private schools is more controversial in Picardie, with the Socialists often voting against or abstaining on such

Figure 4: Pays de la Loire Expenditures 1995

Figure 5: Picardie Expenditures 1995
proposition. The emphasis in Picardie has focused on what is known in France as
*formation*, or technical training for young people (note that expenditures for this area
make up 26% of the budget). Picardie has constructed 17 “apprentice centers” where
students with a vocational education background can be matched with companies in need
of apprentices. According to one regional council member on the education committee,
such action accomplishes two goals. “We hope to ameliorate the outmigration of our
young people by ensuring that they can find good jobs right here at home, at the same
time as we empower the small and medium firms in our area by providing them with a
strong labor force.”

The regional council in Pays de la Loire has strongly emphasized economic
development (11% of 1995 spending vs. 8% in Picardie). The reconversion of its
economy away from traditional industries such as shipbuilding, and into more productive
areas has been a painful one for the Loire region. Long considered the most
industrialized of France’s agricultural regions, Pays de la Loire has had to offset job
losses in the agricultural sector, with agri-food industries remaining overrepresented in
the regional economy. Recognizing that the region has long over-relied on areas of the
market with low value-added and has not been very quick to adapt to new technologies,
the region has made overcoming these weaknesses an investment priority. In particular,
Pays has been active in establishing three technopoles near the three university sites of
Nantes, Angers, and Mans. One councilor proudly claimed that the efficacy of regional
research is such that Pays de la Loire is situated in fourth place in terms of patents,
benefiting largely from regional innovation grants.
The sense of competing in an international environment is very keen in the Pays de la Loire region, although it continues to have a low level of economic internationalization (contributing only 3.6% of France's exports), which does not bode well for its role in the single European market. Recognizing this, the regional council has established three principal funds for encouraging exports -- FREX (Regional Funds for Exportation), FRAME (Regional Funds to aid Exterior Markets), and FRAII (Regional Funds to aid Ailing Investments in agroindustry). A sense of international market ambition was less pronounced in Picardie, where many of my discussions centered around protection of traditional small industries -- such as textiles and clothing, glassware, and metalworking -- rather than competition in the global arena. In fact, one Picard official in the regional Cabinet office lamented that the region, "gives away too much aid to small enterprises with a local focus." Later that same day a Picard regional bureaucrat confidently informed me that "clearly the primary role of the regional council is to promote small enterprises."

![Figure 6: Economic Development as a Percentage of Regional Spending, 1986-93](image)

Some French regional scholars have claimed that despite their apparent flurry of developmental activity, regions have not yet become important policy actors. In strict
financial terms, economic development budgets have definitely increased, but not as much as other types of regional expenditure and not when compared with the economic intervention of other localities (municipalities and departments). Regions have gone from representing 10-15% of all local authority expenditure to only 5-10% (Morvan 1992). Figure 6 indicates that for Pays de la Loire and Picardie, economic development did not become a higher overall budget priority from 1986-93. Pays de la Loire devoted almost 8% of its budget toward economic development overall, with a sharp decline in the late 1980s to around 4%. Picardie’s economic investment remained lower but relatively constant at about 4.7% overall.

The preferred types of regional investment intervention have changed over time. In particular, regions have gradually abandoned the practice of giving direct grants to firms. Initially anticipated to be the tool of choice for regions, they have increasingly been seen as inefficient and vulnerable to political pressure and clientelism. While all 22 regions initially utilized their authority to give direct grants to firms, by 1992 only six regions still used them (Kukawka 1992). Today the regions are more likely to promote the economy through indirect means. First, the regions have worked to improve the operating environment for firms by supporting research and technology and the development of technical expertise. In all of the regions, much of the aid has been redirected through public-private development agencies which counsel business owners on running small and medium-sized firms, provide technical training and investment information. There exist today an average of 7.76 such agencies per region. In particular, Pays de la Loire has embraced such private initiatives, with the implantation of nine
agencies; while Picardie has the smallest number of such organizations in France (4). Regional support of technological development also differs across the regions. Pays de la Loire has embraced high technology as a growing economic arena and a way to ease economic conversion from away from traditional heavy industry and toward a higher value-added sector. Three technopoles have been developed near the three university sites in Nantes (specializing in agri-foodstuffs, health, urban engineering and the environment), Angers (focused on plant vegetation and biological engineering), and Le Mans (specializing in materials mechanics, and robotics).

Promoting international economic cooperation has been a goal of the regions as they adapt to the changing environment of the single European market. Cooperation between French and European regions has flourished, buoyed by EU support and programs. Examples include the Saarlorlux Euro-region (comprised of the regions Saar, Luxembourg, and Lorraine), and le quadriscope européen or the “four motors of Europe” (Rhône-Alpes, Catalonia, Baden-Württemburg, and Lombardy). The regional president of Pays de la Loire, Olivier Guichard, co-created the Arc Atlantique, an association of some 29 regions bordering the Atlantic Ocean from Scotland to Andalucia. Not only have these associations been important for their economic possibilities, but as one regional councilor suggested in Pays de la Loire, political notables like Guichard see in such interregional cooperation a political opportunity to extend their own personalistic influence beyond their regions. Encouraged by the European Union in its attempts to create a more coherent European regional policy, these associations have developed
economic and cultural cooperation and have promoted exchanges between firms on projects such as transportation and communications.

Conclusion

The institutions, political culture, party politics, and policies undertaken by regions interact to create different political environment. Untangling the web of causality has proven somewhat elusive. This chapter has re-examined the explanatory models for economic performance that I presented in earlier chapters, with an eye toward understanding how well they fit the individual regions. As should be clear by now, that fit is often neither tidy nor transparent. Going out into the field has given me an appreciation for the caution that must be inherent in our suppositions as researchers, particularly given the lack of consensus that often exists among the regional actors themselves. If they disagree about the transpiration of events or about their significance, how can we researchers presume to have comprehensive analytical wisdom regarding the regions?

While previous chapters presented Pays de la Loire as an economic “winner” and Picardie as a “loser”, regional-level observation suggests that this outcome is due less to a concerted effort on the part of regional actors than it is to the vagaries of circumstance, trial, and error. Whereas I anticipated that I would discover that regions were pursuing growth strategies which were more or less successful, the reality was much more reactive response than proactive tactic. Checking in with regional politics in Pays de la Loire and Picardie has reinforced the recursive relationship between economics, institutions, politics, and culture. Regions are constrained by geography, history, economics, their
position in the French system, and by their own uncertainty and inexperience as new political players.

As territorial entities, regions cannot escape their position in the French geographic and historic landscape. The spatial economic development of France certainly had much to do with resources and opportunities, and often less to do with politics. Thus, the arc stretching from northern France through to Brittany is home to the greatest concentration of arable farming land, and a rich peasant tradition. Viticulture occupies a significant proportion of the land in the southern regions of Languedoc-Roussillon and Provence-Alpes-Côte-d’Azur, along with the western areas of Poitou-Charentes and Aquitaine. Animal production has flourished in the Auvergne, Limousin and Franche-Comté grassland regions. In this century, industrial employment has been concentrated above all in Paris, and more generally in a broad arc centered upon northern and eastern France, extending from Haute-Normandie to Rhône-Alpes, but particularly pronounced in the regions of Rhône-Alpes, Nord-Pas-de-Calais and Lorraine. Industrial degradation has hit regions like Nord-Pas-de-Calais, which have witnessed a declining demand for labor in industries such as textiles, coal, and steel. Regions like Île-de-France have been hit less hard, with its greater emphasis on capital good production (cars, machines, electrical appliances).

French centralization is intimately bound up with nationalism (Keating and Hainsworth 1986, p. 6). The central locus of Paris and the Jacobin tradition of “one and indivisible republic” dampened local particularisms, which were historically seen as threats to the unity of the state and the sovereignty of the people. Over the centuries a
centralized administration molded society according to its own needs until an all-but-complete conformity between the many communities and the centralized state had emerged. This legacy has been difficult to overcome. Even today, many political observers refer to France as one of the most centralized countries of Europe (Lijphart 1984).

French centralization induced central government intervention to disperse the economic focus. The long history of government intervention in the economy attempting to achieve balance has both helped and harmed the regions. Intervention has been directed by a highly centralized administrative system, frequently reinforcing the dirigiste (state planned) and “imposed” nature of decisions and strategy. For many years, the government’s industrial policy was marked by sectoral development, or assistance to technologically promising “national champions”. In many cases, this led to inefficiency and protectionism in the computer field, the overextension of the steel industry, and the commercial failure of the Concorde. Major development programs have been characterized by the lack of consultation with local officials, let alone the French population at large. Since the 1950s and the first tentative steps towards a regional economic policy, state intervention in the economy has also been given a spatial dimension. One of the fundamental objectives of regional policy has been to reduce the weight of the capital within the French economy. Some success might be claimed, particularly with investment and jobs having been diverted away from Paris. However, the effectiveness of such action has often been questioned due to the contrasting lack of decentralization of decision-making power. There are signs now of a gradual change.
Although the political reforms I have described throughout this project were created
and implemented relatively rapidly, expecting to observe a corresponding clear and rapid
effect in the regions has proven overly ambitious.

**Figure 7: Economic Interventions by French Localities, 1994**

- Regions: 4346 MF (33%)
- Communes: 4851.4 MF (36%)
- Departments: 4097 MF (31%)

Regions have had less political and economic room for maneuvering than many
had originally hoped, and in some cases they have had little idea what to do with the
authority they do have. Despite the regions' special designation for economic
development, Figure 7 indicates that economic intervention by the other local
governments continues to rival that of the regions. Only one-third of total direct and
indirect aid to individuals and firms (in the form of subsidies, loans, and guarantees)
came from the regions in 1994 (Ministère de l’Intérieur et de l’Aménagement du
Territoire 1995).

Regions are particularly outflanked in their efforts by the departments. With their
longer history in French politics, departments often rightfully claim a closer relationship
with the French public. Departments resented the new powers given to the regions, and
had some fears of a regional *tutelle* (oversight), which would encroach upon
departmental jurisdiction in the area of economic development. Officials at both levels
eye the other with mistrust, which is particularly exacerbated when the levels are led by
different parties. Schmidt notes that some politicians felt compelled to serve on both the
regional and departmental councils just to preempt being excluded from decisions that
affect one's department (Schmidt 1991, p. 333). Several officials I met discussed the
problems inherent in disentangling regional and departmental responsibilities, although
one Socialist council member in Pays de la Loire claimed that in all areas of policy,
"personally, I feel that the department is being more and more overshadowed by the
region."

The heavy hand of the state continues to be felt by the regions. In all of my
interviews I only heard of isolated examples of the regions winning out in maneuvering
with the state. While the state-region budgetary planning contracts are negotiated
agreements, the state clearly holds financial veto power, which it can and has exercised
by simply refusing to fund the contract up to the amount pledged. This problem led a
French Senate commission to report in 1984 that, "regionalization appears to be the
means for the government to master and to orient the actions of the decentralized
collectivities," (Senate, no. 177, as reported in Schmidt 1991, p. 329). More insidious,
perhaps, is the pressure exerted by the state's prefect in each region. Although his powers
have been officially limited under the reforms to challenging regional actions after the
fact, the reality is that he is consulted and his opinion respected on all important issues
(according to several interviewees in both regions).
Power or lack of it notwithstanding, regional actors frequently exhibited a
dearth of leadership. I had anticipated finding more evidence of regional innovation and
primacy than I discovered. As one regional politician in Picardie explained, “we have
close to perfect relations with the French state, because, after all, we are its technicians.”
This sentiment was echoed by other officials who parroted the government line on
economic problems and potential solutions. One disgusted regional councilor in Picardie
claimed that no real autonomy exists at the regional level. His colleagues, he said, only
cared to be regional councilors to “add a feather to their political caps”, but had no
innovative ideas on how to solve the problems of the region.

With all of the geographic, historical, political, and institutional constraints that
remain, perhaps we should marvel at the efforts taken by the regions rather than lament
their lack of consequence. Certainly for some of the officials I interviewed in Pays de la
Loire and Picardie, hope springs eternal. The contradiction between constraint and
optimism on the part of regional actors that I encountered in my fieldwork is perhaps best
illustrated by the comments of a Socialist member of the Pays de la Loire regional
council. Early in our interview he lamented that, “de Gaulle’s vision of strong legislative
government in the regions is just not working, because in France, 22 regions is just too
many.” However, later in that same meeting he expressed encouragement in the
prospects for his region and regions in general, particularly vis-à-vis other administrative
levels. “I think that this region has a good future, because we will finish by evolving as
the primary level of local government. Surely we cannot maintain all of these structures,
and I believe that the departments are condemned. They are not so close to the French
public to enact their basic needs, and too small to make economic decisions or to negotiate with the state and Europe in these modern times.”

Regionalization – the finale

Both theoretical and substantive considerations commend a study of the politics and economics of regions. Social scientists from economists to political scientists to sociologists have tried to understand what promotes economic growth and decline. The vast majority of this work has focused on the level of the nation-state. Scholarly attention has understandably focused its explanations on national actors, institutions, and rules. However, a quick peek below the surface of a state of any size will reveal a spatially-based tapestry of economic differences. Just as national patterns of political economy flow from the interests, resources, capabilities, and actions of state actors, it stands to reason that subnational patterns, varying cross nationally, are ripe for detection and explanation. This study addresses an overlooked dimension of the political economy of industrial nations.

This is particularly salient in an era of decentralization, such as the one occurring in Europe and other advanced, industrial states in recent years. The modern European decentralization phenomenon provided a ripe domain in which to examine regional political economy. The wholesale emergence or significant fortification of an intermediate level of government between the European central government and municipalities has prompted the questions, “why now, and to what effect?” In particular, the traditionally-centralized French state elected a new Socialist government in 1981 which promptly created a new set of institutions at the regional level and endowed them
with the task of economic development. These 22 new sets of institutions provided a natural laboratory in which to investigate several phenomena – political rationales for decentralization, the impact of institutions, and the political economy of local government. What is the political rationale to explain the creation of these institutions, and what effect have they had on the political economy of France?

This project lies in the realm of scholarship investigating the impact of institutions on politics. New institutional studies in political economy have tried to specify the ways that governmental institutions affect economic growth, across states and increasingly within states (cf. Hall 1986; Immergut 1992; Levi 1988; March and Olsen 1989; North 1990; Sharpe 1993; Shepsle 1986; Skowronek 1982; Steinmo, Thelen, and Longstreth 1992; Tsebelis 1990; Steinmo and Tolbert; Weaver and Rockman 1993; Weir 1992). The central analytical point emphasized by new institutionalist studies is that institutions furnish the strategic context in which political actors make policy choices and shape public policy. This study has proceeded from that assumption to ask how regionalization occurred in France, and to what effect?

Chapter 2 describes how the position and power of the state, planners, the civil service, political parties, and local actors, structured the design and implementation of regional institutions in France, right up to the Socialist reforms. The rationale behind, and timing of the reforms are unsatisfactorily explained by existing conventional theories of institutional change. Welfare state, functional, sociocultural, and organizational perspectives are rejected in favor of an institutionalist explanation to explain French decentralization. The French state, central planners, the civil service, political parties,
and local actors emerge as players in a game with distributive benefits, which ultimately led to the Socialist decentralization experiment of 1981.

Chapter 3 examines the French economic landscape in order to understand whether or not *prima facie* spatial economies exist. In other words, are French regional economic variations simply a product of a history that harmed some geographic sector-based economies more than others? If so, it would preclude an examination of French regional policies to explain these variations.

Regions were classified as either agricultural, industrial, construction, or tertiary, and examined for patterns of change. While the economies of many regions dominated by the same economic sector have, in fact, moved together, enough of them do not to suggest that other factors may be at work. The statistically-significant differences suggest that regional economic performance is not being driven strictly by specialized sectoral economies, thus justifying further inquiry.

Chapter 4 asks two basic political economy questions. How autonomous are the French regions economically, and just how did decentralization affect their economies? The first part of the chapter indicates that the regions still have remarkably little economic autonomy. France remains a unitary state, with just over half of the regions exhibiting some form of statistically significant autonomy over the economic indicators measured. Particularly with respect to unemployment, the rate of new firm creation, and per capita GDP, regional economies closely resemble the state economy.

The second part of chapter 4 suggests that decentralization clearly occasioned both economic winners and losers. In particular, a group of eight regions experienced
both short- and long-term growth following decentralization. The expectation is
voiced that these regions have developed expertise, created effective institutions, and
taken an active policy role in fostering economic growth.

Chapter 5 presents four theoretical models rooted in institutions, culture, party
politics, and policy, to explain regional economic success. Statistical tests reveal none of
the models to adequately account for variations in regional economic performance,
however elements of each are found to promote economic growth. A regional economic
"success" is characterized by a large personnel force, a high incidence of multiple-
officeholding, regional optimism among its residents, rightist party control, party
coordination with the national government, and high taxation.

This project has not been without pitfalls, and I would like to acknowledge those
here. First, data limitations plagued much of the research. Missing data observations
precluded me from combining the four explanatory models of chapter five into a
multidimensional model encompassing institutions, culture, parties, and policies. I
simply did not have enough degrees of freedom for some of the dependent variables.

More generally, the data that I could collect to measure these concepts was
limited. Even obtaining basic economic data at the level of the regions turned out to be
much more difficult that I anticipated. The economic time series of chapter 4 illustrate
this – with the total range of years from 1975-1995, most series contain some subset of
those years. As mentioned earlier, public opinion data was the best proxy for culture that
I could find. In future work, I hope to collect “civic community” measures more akin to
those used by Robert Putnam (1993) in his definitive study of Italian regional economy,
such as measures of associational activity, referendum turnout, and newspaper readership. Policy activity was the other set of variables that I felt was much weaker than I would have preferred. Lacking the disaggregated data, I used an index for taxation created by the French government. This measure was rather uninterpretable on its own. I also think that the coding of my investment measure might have been too inclusive; again, this was a function of the data availability.

Second, trying to model a dynamic process like decentralization presented its own set of difficulties, not least of which was trying to determine when changes began. I chose 1986 as the interruption year in the time series analysis of chapter 4, for both theoretical and data-driven reasons; but one could credibly make the argument that the interruption took place in 1982 or 1984. I used lags to model in the effect of time in my equations, but one could still question the causality. Namely, how can I be sure that in fact rightist party control leads to economic growth, and not vice versa? The short answer is that I cannot be sure.

Third, generalizing from my interview data presented me with another set of concerns. Given the small number of interviews that I conducted and the lack of randomness, I am rightfully concerned about the accuracy of my depiction of the regions. Obviously, the image conveyed is only one out of an infinite number of portraits possible, gleaned from the particular interviews I conducted at that particular point in time. Interviewer bias, language discrepancies, or any of a number of other interpretive problems could have existed. A mail questionnaire that I conducted was largely unused for this study, due to my lack of confidence in its information. Namely, I suspected that a
consistent pattern of misinterpretation on the part of the respondents was actually due
to my own question miscommunication.

Rather than presenting a definitive picture of decentralization’s effects on French
regions, this research has shed just enough light on this complex political and economic
arena to indicate how much understanding still remains hidden. Institutions define the
context in which political competition and resource allocation take place. In this
research, new institutionalism has informed our understanding about French political
economy by illuminating the process and impact of regionalization.

A culture has developed among some observers that nothing ever really changes
on the French political landscape, “plus ça change, plus c’est la même chose”. This
sentiment severely understates the degree of change that the French politics and
administration has undergone in the last two decades. On the other hand, regions are not
the mighty players that some French observers had hoped. Particularly as economic
actors, they remain hampered by the centralized French state and the entrenched local
communes and departments. Unfortunately for regionalists, the current French
government under President Jacques Chirac appears unlikely to promote regionalism,
having proclaimed only in 1975 that the region was, “a dramatic element confronting and
challenging national unity,” (Caroux 1983, p. 112).
Appendix B: Interview sources

Pays de la Loire

1. Senior regional civil servant, Nantes, 30 October 1995.
2. Senior regional civil servant, Nantes, 30 October 1995.
5. Senior regional civil servant, Nantes, 2 November 1995.
7. Regional councilor (Ecologists), Nantes, 3 November 1995.

Picardie

2. Senior regional civil servant, Amiens, 23 October 1995.
5. Regional councilor (UDF), Amiens, 27 October 1995.
6. Regional councilor (UDF) and Vice President on Commission Permanente, Amiens, 27 October 1995.
8. Regional councilor (PS), Amiens, 26 October 1995.

Paris


Party abbreviations

(GM-UPL) Group de la Majorité-Union de Pays-de-Loire (coalition of the mainstream right)
(PS) Socialist Party
(FN) National Front (far-right)
(UDF) Union pour la Démocratie Française
Bibliography


