

“Between Growth and Exclusion in Technopolis: Managing Inequalities in Toulouse, France”¹

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ABSTRACT:

As high technology development has created important resources and opportunities for some residents of cities, they have also introduced a new set of barriers and constraints for others. The new inequalities resulting from this pathway of economic development presents local public officials with important challenges for managing their cities. This paper argues that local strategies to confront inequalities in high technology cities are dependent on how individual states have undertaken restructuring reforms over the last 30 years. In France, the state has ceded important control over the allocation of economic resources to markets while retaining its control over the allocation of welfare resources. The rising importance of markets and the continued centrality of the state in French cities have resulted in the formation of distinct types of policy communities in the areas of economic development and welfare. The former community operates according to an entrepreneurial logic and the latter community continues to operate according to state-centric logic. These communities are like two ships passing in the night, embedded in and responding to distinct structural forces that lead them in very different directions.

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INTRODUCTION:

Toulouse stands out as one of France’s premier high technology cities. Within 30 years, the city has become a center of intellectually-intensive functions in Europe’s aeronautics, space, and electronics industries. As the city has benefited in terms of job growth and tax revenue, it has also had to attend to the social consequences of economic development, i.e. new inequalities. In particular, the restructuring of the local economy has created broad opportunities for skilled residents and reduced opportunities for unskilled and semiskilled residents. Low skill has intersected with ethnicity, immigration status, and segregation to create a sizable population of structurally excluded residents. Thus, growth and social exclusion stand as the two central challenges facing local officials in this high technology city.

The purpose of this paper is to explain for the policies and practices of the two principal ‘policy communities’ responsible for social inequalities, i.e. welfare and economic development. In Toulouse, there has been much activity in both these policy communities in recent years. As policy communities in the area of economic development have embraced the goals of growth and competition, those in the area of welfare and poverty management have mobilized state resources to treat excluded people and places. However, there have been no efforts by policy communities in economic development to broaden opportunities to less skilled members of the population, or by welfare policy communities to link clients to burgeoning economic opportunities. While both policy communities are needed to create an effective approach to inequalities, they both pursue goals and actions in relative isolation of one another. Consequently, economic policies have contributed to widening the skill divide and welfare policies have aimed to reinforce the safety net rather than close the skill divide. In spite of this mutual exclusion, there is a degree of functional complementarity that was not the original intent of policymakers: As economic policies succeed to draw in higher end firms, the divide between the skilled and unskilled widens, increasing the importance of welfare to ensure social and political stability.

To explain for this policy outcome, the paper draws on the ideas and work of several Weberian urban sociologists (Pahl 1968, 1970; Szelenyi 1981, 1983; 1996; Mann 1993; Harding and Le Galès 1998; Le Galès 2002). States are neither internally coherent nor are they underlain by the same social contracts. Different types of states provide dramatically different bases for structuring the goals and power relations of a city’s principal policy communities. In countries where the economy has been liberalized but welfare has not (as is the case in France), the goals of policy communities operating in the same city are likely to vary accordingly. Policy communities charged with economic development are likely to reflect goals that are consistent with market forces and to rank stakeholders according to their abilities to achieve market goals. By contrast, the goals of welfare policy communities are likely to be centered on acquiring state resources for their localities. Those who contribute most to the achievement of this goal are likely to enjoy dominant positioning within the policy community. Thus, local officials in Toulouse pursue policy and practices *not* because they consciously attempt to satisfy the institutional requirements of a neoliberal mode of accumulation, as neo-Marxists would have it, or because of the short-sightedness of local policy makers. They pursue practices and policies because their individual policy communities are embedded in distinct structural forces (market or state) which produce divergent goals, stakeholders, and power relations. This particular structural context generates discordant strategies across policy communities, resulting in a string of partial measures that function to aggravate rather than reduce inequalities.

The paper depends on three general sources of information. First, secondary information on the local economic system has been furnished by researchers from two local research centers: *Laboratoire d'Etude et de Recherche sur l'Economie, les Politiques et les Systèmes Sociaux* (LEREPS) and *Centre Interdisciplinaire des Etudes Urbaines* (CIEU). Second, the paper also uses census data from *Institut National de la Statistique et des Études Économiques* (INSEE) to describe the city's changing occupational structure. Finally, information on local strategies in the areas of economic development and welfare depends on 68 semi-structured interviews performed with functionaries, politicians, and neighborhood associations.

I. Inequalities and the Structure of Policy Communities : Between States and Markets

It has been argued that the policy options facing urban officials in core nations have significantly narrowed. David Harvey (1989) introduced the concept of 'entrepreneurialism' to describe ruling coalitions that generate policies aimed at competing with other cities for the investments of footloose firms. "The new entrepreneurialism has as its centerpiece the notion of public-private partnership in which a traditional local boosterism is integrated with the use of local governmental powers to try and attract external sources of funding, new direct investments or new employment resources" (Harvey, 1989: 7). Although entrepreneurialism is not necessarily new (Elkin 1987; Logan and Molotch 1987; Stone 1989; Fulton 1997), enhanced capital mobility and reduced state subsidies have sharpened competition for increasingly scarce resources (Jessop 1997; Jewson and MacGregor 1997). To attract mobile investors, local officials employ several common tactics including: tax abatements; attractive spaces for work, residence, and leisure; boosterism; firm incubators; etc. Other scholars have added that neoliberal state reforms have also contributed to reinforcing the importance of markets for the management and growth of cities (Peck and Tickel, 1994, 2002; Brenner and Theodore 2002). Many of these reforms have been directed at improving the competitive advantages of cities and regions. To these ends, cities have been encouraged to provide hard (technology parks, telecommunication upgrades, transport improvements) and soft (private-public partnerships; metropolitan agencies; etc.) infrastructure to improve the economic performance of their places (Brenner and Theodore 2002).

According to this position, both neoliberal state reforms and enhanced capital mobility have increased the importance of markets for allocating scarce resources to and within cities. Policy options have narrowed significantly, requiring public officials of all political persuasions to pursue an agenda centered on competition and growth. This conjuncture has also contributed to re-arranging local power relations, providing those with greater abilities to exercise control over the market (capitalists) more influence to select the strategies and practices of policy communities (Stone 1986; Logan and Molotch 1987). As a consequence, decision-makers 'choose' to embrace competition and growth rather than viewing such options as a set of unfortunate constraints imposed by external forces. As the economic policies of cities converge on the twin goals of growth and competition, so too do their policies in the domain of welfare. Spending priorities are established according to potential contributions for economic development. Welfare is not a priority because it does not contribute to growth, it maintains a population that repulses rather than attracts investors, and it competes with other priority areas. Inequalities flourish within this context because rather than the public sector attempting to mitigate market-based inequalities, it redistributes resources upwards to businesses and their most talented employees.

Several scholars have questioned whether markets have actually become hegemonic in European cities, and consequently, ask whether local policy makers face the same pressures as their counterparts in more market-centered cities. Public spending as a percentage of GDP is one of the most important indicators of the continuing importance of the state in Western European countries. In 2000, nonmilitary public expenditure as a percentage of GDP was 40% in France, 45% in Denmark, 48% in Sweden and 23.1% in the United States (Le Galès 2002: 117). Le Galès

suggests, “Welfare states are undergoing major internal reorganization, but, as far as the mass of their populations is concerned, cuts and job losses have not been substantial as yet...” (2002: 117). If states have retained their centrality as mechanisms for the allocation of scarce resources, how might local policies to treat inequalities differ from those in more market-centered cities? Such differences can be identified along two distinct lines: 1) policy options available to local officials, and 2) the structural basis of power relations in cities. Whereas the first determines a set of possible options, the second determines the interests that have more influence in selecting from possible policy options.

First, the structural importance of the state has presented local policy makers in Europe with a significantly different set of options than those in market-centered cities. State contributions to welfare remove it from local budgetary constraints thereby, easing tensions with other priority areas (Harding and Le Galès 1998; Le Galès 2002). This stands in sharp contrast to the United States where federal contributions to municipal revenue fell from 22% in 1980 to 6% in 1989 (Davis 2000), and where there is little political support for welfare by the general population (Skocpol 1995). Commenting on these differences, Harding and Le Galès assert,

There is a strong contrast here with the American situation, with the European system being characterised by a stronger role for the state and lesser reliance by city governments upon the market – through business taxes or local incomes for their expenditures. (T)he stricter the financial constraints are the more brutal are the choices between economic development and social policy (1998: 9).

The structural importance of the state makes it more possible for local officials to pursue policies that reduce market induced inequalities. This is not to deny the increased importance of competition and growth in defining the economic goals of European cities, but it provides a structural basis to counter market hegemony in the area of welfare.

Second, how have local power relations (influence in selecting policies and practices) been affected by the state’s continued centrality in European cities? I suggest that the degree of market and state domination determines not only the options available to local officials but also, it affects who has the power to influence the actual policies selected. Neo-Weberian urban sociologists have provided important concepts that can help us understand how state structures affect local power relations (Pahl 1968, 1970; Szelenyi 1981, 1983, 1996). Pahl argues that because states played a central role in post-war Western European cities, actors with greater abilities to influence the state (urban managers and planners) assumed important roles in determining how resources were distributed to competing local interests (Pahl, 1970: 215). In other words, urban managers played a causal role (independent variable) in determining how goods get distributed to different populations (dependent variable) in cities.² Managers are comprised of all those who control or manipulate scarce resources and facilities, including special agencies, political officials, service providers, neighborhood associations, etc. Because cities compete for scarce state resources, managers are compelled to form coalitions that improve their chances of attracting resources to their localities. With cooperation comes coordination, and with coordination comes hierarchy (Mann 1986). Ranking in the coalition depends on one’s abilities to influence how the state allocates resources. As a consequence, politicians and public functionaries tend to enjoy more elevated positions, local capitalists and functionaries can occupy mid-level positions, and neighborhood associations occupy subordinate positions. Those ranked at the top have more influence over selecting actual policies, and in determining who the primary

² Pahl argues, “I am urging that a truly urban sociology should be concerned with the social and spatial constraints on access to scarce urban resources and facilities as dependent variables and the managers or controllers of the system, which I take as independent variables” (1970: 224).

beneficiaries of such policies will be. In contrast to market-centered cities, political capital plays a more important role than economic capital in ranking actors and in determining who gets what and how much of scarce public resources.

Policy outcomes across areas (economy, welfare, transportation, etc.) tend to be more consistent in cities dominated by either states or markets. However, in recent years, Western European nations have undertaken a series of market reforms in some policy sectors while maintaining the centrality of the state in others. In France for example, the state has ceded much of its power over the economy (top-down planning, 'dirigisme') to the market (Le Galès 1993; Levy 1999a, Levy 1999b; Hancke 2002), leaving local governments to directly engage with market forces. Consequently, the options and agendas of local officials in the policy area of economic development have become distinctly entrepreneurial and growth oriented. Though local economic development has been liberalized, the state has not ceded much ground in the area of welfare (Jobert and Théret 1994; Ullman 1998). As Le Galès has stressed, welfare spending as a percentage of GDP has remained unchanged over the past 20 years in France and most Western European countries. In terms of local politics, this has resulted in the continued importance of public and political coalitions that aim to secure the flow of state welfare resources into their territories. Thus, the centrality of both the state and the market not only present local officials alternative options for engaging with inequalities, but also it has functioned to differentiate the goals and power relations of policy communities within the same cities. In this instance, the differentiation and fragmentation that characterizes the public sector (Alford and Friedland 1985; Laumann and Knoke 1987) is aggravated by a process of structural bifurcation, where different policy communities are embedded in contrasting sets of institutional constraints.

Following from this analysis, one can identify five distinct qualities that characterize the policy environment of French cities in general and Toulouse in particular. These characteristics combine to shape how local officials treat local inequalities.

(1) Alternative Options: At an aggregate level, local public officials face more options for contending with inequalities and poverty than their counterparts in market dominated cities. The resources provided by the state in the domain of welfare reduce the zero-sum calculation that might otherwise pit welfare against other priority areas (Harding and Le Galès 1998).

(2) Differentiation of Policy Communities:

In order for local stakeholders to respond to these options effectively, they must cooperate and form policy communities (Rhodes and Marsh 1992; Rhodes 1997; Pierre 2000). These communities are differentiated by the structural logic underlying the particular policy area (state or market). Markets play an important role in shaping the goals, stakeholders, and power relations of policy communities in the area of economic development. The state plays an equally important role in structuring the local communities operating in the domain of welfare.

(3) Goals of Policy Communities Reflect Underlying Structures (State/Market):

The goal of economic development communities reflects the centrality of the market. The goal is to accelerate the growth of their places through strategies aimed at increasing the productivity of their places and/or at attracting investors from other places (Cox 1997). With regards to inequalities, leaders of economic development communities embrace an ideology that fuses trickle down and public choice theories. They argue that their actions lead to increased wealth (in general) and investments in entry level activities (in particular). By contrast, the goal of welfare policy communities is to secure resources from the central state to their places, and to allocate those resources according to legal and political criteria. Securing state resources is achieved through lobbying state functionaries and politicians and by supporting representatives with

significant levels of political capital. The *official* goal of this community is to reinforce a safety net, reinforce social stability, and reduce inequalities through the provision of services and the redistribution of surplus.

(4) Power Relations Structured by State or Market:

Stakeholders in each policy community tend to be ranked internally according to their abilities to achieve its specific set of goals. In the domain of economic development, business interests are likely to have more influence in the decision-making process, and are consequently more likely to reap a greater part of the rewards. In France, capitalists have historically showed little interest in local politics, however, there is considerable evidence that this trend is beginning to change (Mabileau 1991; Dumont 1993, Le Galès 1993; Estèbe and Le Galès 2003). In the domain of welfare, political actors and functionaries with access to state resources enjoy more influence in these policy communities. Competitive political environments compel politicians to make local allocation decisions on the basis of maintaining their position in the local power structure (clientelism), which can actually reinforce market generated inequalities. For example, local politicians may favor the expansion of the bureaucratic apparatus which disproportionately benefits middle class functionaries. They may also favor maintaining a network of dependent clients in impoverished neighborhoods, which weakens social capital while only marginally improving the life chances of residents (Estèbe 1999; Nicholls 2003; Sintomer and de Maillard 2004).

(5) Mutual Exclusion and Functional Complementarity of Policy Communities:

The structurally distinct goals and power relations underlying these communities present mutually exclusive ways for treating inequalities. Each community is structured in a way to pursue policies and practices in relative isolation of the other. Such conditions increase the difficulty of developing comprehensive strategies that draw upon the instruments and resources of both policy communities. That being said, there is a degree of functional complementarity between them. As the economic development community is more successful in attracting high end investors, the importance of exerting control over marginal people and places by the welfare community increases as well.

Thus, the rising importance of markets and the continued centrality of the state in French cities have resulted in the formation of distinct types of policy communities in the areas of economic development and welfare. The former community operates according to an entrepreneurial logic and the latter community continues to operate according to state-centric logic. These communities are like two ships passing in the night, embedded in and responding to distinct structural forces that lead them in very different directions. Consequently, there is little probability of creating a comprehensive strategy which draws on the resources of both communities. In spite of the tendency for the divergence of policy communities, there has been a degree of functional complementarity between the two, as the economic development community enjoys increased success, there is greater need for the welfare policy community to maintain stability on the city's margins. Thus, this policy context has played a crucial role in mediating how public officials have treated new inequalities in French high technology cities like Toulouse.

II. New Economy/New Inequalities in Toulouse

This section describes how the city's incorporation into a global network of high technology activities contributed to new forms of inequalities. These new inequalities are not reflected

through income polarization³ but through divergent life chances resulting from the different skill levels of residents.

The New Economy in Toulouse: High Technology Development and Globalization

The pillars of the high technology economy are the aeronautics, space, and electronics industries, on the one hand, and university and public research facilities, on the other. High technology activities have changed in two important ways over the past 30 years. First, the principal firms engaged in these industries have undergone a process of globalization in terms of the capital constituting them and in terms of their investment strategies. Second, as a consequence of globalization, Toulouse's specialization within the international division of labor has shifted from fulfilling manufacturing functions to intellectual functions.

Following the Second World War, the state's strategy of regional modernization rested on the deconcentration of strategic Parisian industries and services (Grémion 1976; Keating and Hainsworth 1986; Preteceille 1991; Wakeman 1997). Toulouse benefited from these efforts in several important ways. First, the Ministry of Air transferred the production of the *Caravelle* passenger line to its Toulouse affiliate in 1956, consolidating the city's position as the preeminent aeronautics pole in southwestern France (Wakeman 1997: 195). Second, the government rationalized its administrative and distribution functions by creating administrative regions (22 regions in all), naming a city within the region as its capital, and organizing the distribution of public goods and services through the regional capital (Keating and Hainsworth 1986; Mazey 1989). Urban hierarchies at the regional level were institutionally fixed, with the regional capital becoming the gateway of state resources to the hinterland. State planners designated Toulouse as the capital of the Midi-Pyrénées region in 1956 (Coppolani et. al. 1984; Jalabert 1994). Third, *Délégation à l'Aménagement du Territoire et l'Action Régionale* (DATAR) was created in 1963 to coordinate the territorial development projects of different state ministries. It designated 13 cities as economic development poles (*pôles d'équilibre*), directing ministries to provide supports to industries in the designated territories. DATAR designated Toulouse a pole for aeronautics, electronics, and research in the 1960s (Grossetti 1995).

As an aeronautics pole, Toulouse continued to receive prestigious and lucrative projects including the Concorde. As an electronics pole, DATAR provided international firms such as Motorola, Siemens Electronics and *Compagnie Internationale pour l'Informatique* with financial incentives to locate in the city (Savary 1994: 226). As a research pole, the city was provided with 600 million francs by the Ministry of Education (in conjunction with DATAR) to build a US style campus for the applied sciences. In addition, the state relocated several important research and educational centers from Paris to the city's new scientific complex (Grossetti 1994), of which the *Centre Nationale d'Études Spatiales* (CNES) was the most important.

By the 1970s, all the basic pieces were in place for a high technology take-off. The onset of economic globalization in the 1970s ignited the take-off by channeling investments into the most advanced sectors of the local economy. The city's ties to the global economy were first developed through Aerospatiale's integration into several multinational consortia, including Airbus International in 1971 and Avion de Transport Régional (ATR) in 1984 (Talbot 2000). Airbus has targeted its European facilities primarily for intellectually-intensive activities, contracting out low valued-added activities to clients, manufacturers located in the dollar zone, and low wage manufactures in the developing world (Kechidi and Panadero 1994; Talbot, 2000). By 1990, international subcontractors accounted for a third of Aerospatiale's total subcontracting relations,

³ National minimum wage policies and entitlement programs have for the most part contained income polarization (Castel 1995).

up from zero in 1970. As a consequence, the occupational structure of the local aeronautics industry has changed dramatically, with a steep decline of manual workers (53% in 1962 to 20% in 1985) and a sharp increase of technicians and engineers (30% in 1962 to 64% in 1985) (Lucas 1990: 324).

A series of investments by multinational corporations in the space industry helped to further consolidate the city's position as a center of high technology activities (Dupuy and Gilly 1993, 1999; Gilly 1994). Large scale investments by *Matra Marconi Space* and *Alcatel Espace* in the early 1980s played a role in spurring the development of a local space industry. While the headquarters of both firms remain in Paris, satellite design, conception, and assembly occur in Toulouse, leading to strong relations between these firms, public research facilities, and local subcontractors. Employees, most of whom are engineers, technicians, and managers, increased from 1,500 in 1980 to 9,000 in 1995. Toulouse has now become a key node in Europe's space industry, respectively accounting for 35% and 15% of the national and European workforce (Dupuy and Gilly 1999).

Up to the 1970s, the local electronics industry consisted of branch assembly plants for international and national firms (Savary 1994). The plummeting cost of overseas labor led Motorola and Siemens to shift their European activities away from assembly and towards intellectually-intensive functions. Referring to the company's Toulouse operations, the director of Motorola Europe notes, "The plant was a factory for manufacturing goods where a lot of people worked. We transferred these very expensive manufacturing activities to East Asia, keeping here the activities adapted to more value added goods, hiring technicians and engineers instead of factory workers" (Director of Motorola Europe 1988, in, Grossetti 1995: 139). Changing investment strategies have resulted in changes in occupational structure of this industry. Between 1982 and 1999, manual occupational category declined from 36% to 13% while the high skilled category increased from 14% to 40%.

The New Inequality: Skill Divides and Social Exclusion

Between 1969 and 1999, Toulouse's nonprofessional workforce (low skilled white collar and manual) declined from 62% of the employed population to 44%. The professional workforce (high skilled and medium skilled) grew from 25% to 50%. Of the 97,000 jobs added to the local economy between 1982 and 1999, 78% were professional jobs (high skilled 37%; medium skilled 41%). While medium skilled professional jobs accounted for most of the growth during this time, the high skill category (engineers, researchers, managers, etc.) enjoyed the most accelerated rate of annual growth (7.6% compared to 4.9%). Businesses services, aerospace, and electronics accounted for 60% of growth of the high skill category. This resulted from both a positive *shift* of these activities (general growth), and an increased *share* of high skilled occupations.

Job growth for nonprofessional workers has been concentrated in the low skilled white collar category. Of the 97,000 jobs added to the local economy between 1982 and 1999, the low skilled white collar category accounted for 21.8%. This category contributed fewer jobs than professional categories but more jobs than the manual category (a paltry 300 jobs). The public sector – long the bastion of 'good' jobs for this category – has continued to be an important employer but less so now than in the past. Between 1982 and 1999, 1,722 low skilled white collar jobs were shed in spite of strong growth of the public sector (14,590 jobs added to this sector⁴). As a result, the low skilled category's share of public sector employment declined sharply from 44% in 1982 to 31% in 1999.

⁴ 10,397 of these were medium-skilled posts and 6,756 were high-skilled posts.

Job growth for the low skilled population has therefore been concentrated in the low wage and contingent private sector. 32% of low skilled white collar workers receive low wages (lowest quintile) (Devlamynck 2000). Low wage employees are concentrated in commerce and services to individuals, with 47% and 53% of employees respectively receiving low wages. In addition, many of the jobs facing this category are also contingent. In 1999, this category was over-represented on the unemployment rolls, accounting for 60% of the unemployed while making up only 28% of the workforce. In addition, 35% of jobs were based on short-term (usually six month) contracts (*contrats de durée déterminé* CDD) compared to 25% of the metropolitan workforce (INSEE 1998).

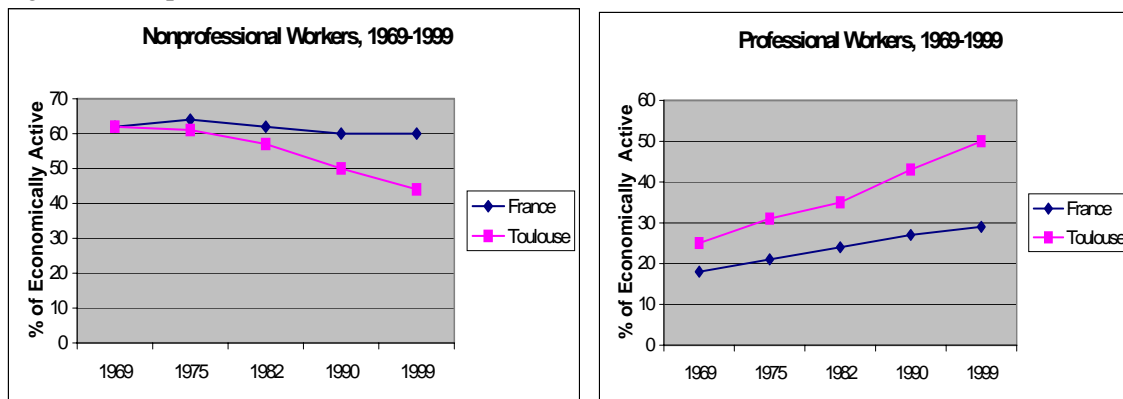
Table1: Occupational Structure of Toulouse, 1969-1999

	1969	1975	1982	1990	1999	Annual rate of growth
Owners	11%	8%	7%	7%	6%	.2%
High-skilled	9	11	13	18	21	7.6
Medium-skilled	16	20	22	25	29	4.9
Low-skilled white collar	24	31	33	29	28	1.9
Manual	38	30	24	21	16	.04

Source: INSEE: Census 1969 to 1999

The rate of occupational professionalization tends to be more advanced in Toulouse than at the national level. In 1999, the high-skilled category accounted for 12% of the employed population of France and 21% of Toulouse. Moreover, professional categories in Toulouse accounted for 50% of those employed in 1999 while accounting for 29% in France. Whereas the manual category was similar to the national average in 1969, the same category 30 years later accounted for 16% in Toulouse and 30% in France.

Figure 1: Nonprofessional and Professional Workers in France and Toulouse, 1969-1999



Source: INSEE: 1969-1999

With fewer jobs for low skilled residents, the population of the unemployed and structurally excluded has remained high. In 1999, unemployment for metropolitan Toulouse stood at 11.3%, 2.5% higher than the national average. The so-called 'socially excluded' population, calculated on the basis of recipients of 'social minimum' public benefits, stood at 14.7% for the city of Toulouse.

Economic segregation has made accessing good jobs more difficult by denying residents in high poverty neighborhoods useful social and cultural capital, stigmatizing residents, and reducing accessible jobs (Mingione 1996; Wacquant 1996). There are strong concentrations of skilled professional employees in the historical center and southeast corner of the metropolis, with concentrations of 68% and 56% respectively, compared to the metropolitan average of 50%. There is a high concentration of low skilled residents in the southwest corner (55% compared to 44% metropolitan average). Within these areas, there are neighborhoods and municipalities where occupational concentrations are particularly pronounced. For example, the area of Belle-Reynerie (combined neighborhoods of Bellefontaine and Reynerie) in the southwest has a very high concentration of unskilled residents (65%) and an unemployment rate twice the metropolitan average (22%). With the labor market unable to satisfy the needs of many residents, there is a strong dependency on public housing (56%) and income supports (50% receive social minimum benefits). By contrast, the municipality of Ramonville in the southeast has a high concentration of professional workers (65%) and a low rate of unemployment (7.2%). As a consequence, there is a low level of dependence on public welfare, with the labor market providing residents with the resources needed to satisfy most of their consumption needs.

Table 2: Comparing Two Areas: Belle-Reynerie and Ramonville

	Skilled	Unskilled	Unemployed	Public housing	Social Minimum
Belle-Reynerie	20%	65%	22%	56%	50%
Ramonville	65	31	7.2	6.5	7
Metropolis	21	29	11.3	15%	14

INSEE Census Data 1999; Département Régional d'Équipement and CAF (2000)

Thus, economic globalization has contributed to introducing powerful inequalities in the life chances of Toulouse's residents. Residents with higher skills face more employment opportunities, better income, fewer risks of unemployment, and less dependence on the public sector for support. Residents with fewer skills, by contrast, face low wages, an unstable and contingent labor market, risk of serial unemployment, and, as a consequence of these factors, much greater dependency on public sector supports.

III. Restructuring Policy Communities: Market and State

How local officials confront new inequalities depends to a large extent on the set of structural constraints underpinning the policy communities of cities. As mentioned in Section I, the underpinnings of French cities have undergone important changes over the past three decades as a consequence of a process of uneven state restructuring. Prior to the mid-1970s, the French state played the central role in allocating economic and welfare resources to cities (Keating 1991, 1993). During this period, policy communities in different areas (economic, welfare, housing, etc.) shared many common characteristics in terms of goals, stakeholders, and internal power relations. In the 1980s, the state undertook several reforms to cede responsibilities over the allocation of economic resources to markets while retaining control over welfare. As a result, local policy communities have become increasingly differentiated according to their underlying structures (state/market).

Local Economic Development: The Increased Importance of Markets

Local authorities in France did not face strong incentives to pursue robust economic agendas in the postwar period (Keating 1991; Le Gales 1993; Levy 1999). In the years following the Second World War, the primary concerns of local officials were to exert a degree of control over rapid urban development and to meet the consumption needs of a growing population (Lorrain 1989; Keating 1993). Moreover, politics also discouraged public officials from the right and left to

forge in robust economic strategies. Right wing municipal councils feared that manufacturing added to the base of their Communist and Socialist rivals by increasing the population of the working class while the left did not want to be seen as providing subsidies to capitalists (Levy 1999a). Thus, most local officials were content on ceding their economic fates to the state.

Following the 1970s, several factors heightened the importance of the market for cities. First, the massive economic crisis of the 1970s and the apparent inability of the central state to resolve it led many residents to hold local officials accountable for the health of the economy (Le Galès 1993). Most local officials responded to the crisis by lobbying state ministries to help ailing enterprises (so-called 'lame ducks') in their areas (Levy 1999a: 117). However, in 1984 the government of Laurent Fabius stopped providing subsidies for ailing firms and industries and made efforts to reduce the state's role in allocating economic resources, marking the end of *dirigisme* in French industrial and economic policy. For local officials, this meant that economic resources would have to be acquired through their engagement with markets rather than the state.

Further motivating officials to engage with markets was the introduction of the local business tax (*taxe professionnelle*) by the Giscard-Barre government in 1976. By allowing municipalities to tax businesses, dependence on state grants and subsidies decreased. By the late 1980s, local taxes accounted for 54% of municipal spending.⁵ The corporate tax has been particularly lucrative because it accounts for approximately 40% of all local tax receipts while businesses account for only 15% of expenditures (Preteceille 1991: 135). As a consequence, "The fiscal logic makes shaping the locational decisions of private enterprises the top economic priority of municipal authorities" (Levy 1999: 141).

With the end of a command economy and the increased importance of locally generated tax revenues, the central government also introduced several measures that increased the powers of local authorities to directly engage the market economy. First, the Deferre Laws of 1982⁶ lifted the constitutional ban on local engagement in economic development. Regional councils were granted powers in the area of economic development while municipalities were given wide latitude to provide indirect subsidies, including adjustable tax rates, subsidized loans, the provision of undervalued properties, the development of industrial and technological parks, etc. (Dumont 1993: 149). Second, the Deferre Laws increased the autonomy of localities by abolishing the veto powers of the state prefect (*tutelle*) over locally conceived development projects. The role of the state prefect has shifted from that of overseer to project facilitator (Donzelot and Estèbe 1993). Also, new block grants in the form of *Dotation Globale de Fonctionnement* (DGF) and *Dotation Globale d'Équipement* (DGE) have reduced the financial powers of state ministries over municipalities. These reforms have provided local authorities with new powers to engage more directly with the market.

Other reforms provided local officials with better instruments to engage market forces. For example, Local Mixed Economic Corporations (*Société d'économie mixte locale* SEML) were created in 1926 to help localities better administer the distribution of public goods and services (Caillosse et. al. 1997). The Law of July 7, 1983 modernized the SEML, making it a favored instrument to organize economic interventions by local authorities. Caillosse et. al. (1997) note, "The SEML became the preferred tool of elected officials, a key instrument for local public

⁵ Other sources of income are state grants and loans, accounting for approximately 30% and 15% of the local budget. The other important tax is the housing tax (*taxe d'habitation*) which accounts for approximately 25% of local tax receipts.

⁶ The Law of March 2, 1982 on 'the rights and liberty of municipalities, departments, and regions'.

policy that, above all, offers the advantage of efficiency in the face of greater subtlety and complexity in urban management” (1997: 35). Also, there have been several important reforms of inter-municipal governance structures (*Etablissements Publics de Coopération Intercommunale* EPCI) throughout the 1980s and 1990s. While first conceived as a means for neighboring municipalities to pool resources and provide single or multiple services, they have increasingly been used as vehicles for coordinating economic development strategies amongst municipalities (Baraize and Négrier 2001).

The increased importance of the market (less state control, more dependence on local taxes) has combined with new powers and better policy instruments to spur a flurry of local development activities, most of which center on the twin goals of growth and competition. Extreme territorial fragmentation has sharpened economic competition between emerging growth machines. Despite efforts to fuse municipalities into larger metropolitan structures, there remain approximately 36,000 autonomous municipalities in France, each facing increased dependency on markets and each enjoying more powers and better instruments to compete for mobile investors. Such factors have led to the general embrace of short-term place-marketing tactics and sharp inter-municipal competition. Commenting on this tendency, Levy remarks,

Although it is tempting to blame shortsighted politicians for the municipal real estate bias, the essence of the explanation lies with deeper structural factors. The fragmentation of French municipalities and centrality of corporate tax revenues bias local policies toward real estate operations that are designed to lure mobile investors – often from neighboring communities. In the current climate...municipal authorities are unable to make strategic or endogenous development concerns a central feature of policy (Levy 1999a: 152).

Local Welfare: The Continued Importance of the State

As the state has ceded some control over the allocation of economic resources to the market, it has not ceded control in the area of welfare. The welfare state has not been scaled back in any significant way but it has undergone several internal reforms that have increased opportunities for local officials to participate in the policy making process (Jobert and Théret 1994; Castel 1995; Ullman 1998; Autès 1999; Le Galès 2002).

The welfare state in France reflects a Christian Democratic model whereby access to entitlements has traditionally been based on employment rather than citizenship rights (Scandinavian model) or need (United States model) (Castel 1995; Esping-Andersen 1990, 1996a, 1996b). The objective of the modern welfare state was to insure economically active members of the population and their families against job injury, unemployment, and old age (Castel 1995). With the expansion of the post war modernist state, economic planners increasingly viewed welfare not only as a means to insure the workforce against risks but also as a means to incorporate the workforce into a system of mass consumption (Castel 1995: 611-12). The welfare apparatus was centralized and divided into several sectors which proved efficient in the production of standardized goods. “The development of the welfare state was characterized by intense production activities achieved through standardized norms. One produced highways in the same way one produced entitlements” (Duran and Thoenig 1996: 590). This factory-like apparatus produced and distributed entitlements to the households of employed male breadwinners (Esping-Andersen 1996a). The service component of this state remained rather weak, accounting for only 11% of all welfare spending in France compared to 25% in Denmark and Sweden (Esping-Andersen 1996a: 72). Thus, a highly centralized and bureaucratic state apparatus formed to produce and allocate welfare resources to a ‘homogenous’ population.

Local governments and branches of the state functioned as points for delivering centrally produced goods. While central-local relations were officially asymmetrical, the ability of the central state to achieve its goals depended upon the active consent and cooperation of local officials (Grémion 1976; Mabileau 1991). This system of ‘mediated regulation’ (*régulation croisée*) was built around a series of relations between local officials and different elements of the central state (state prefect, local state administrators, ministries and agencies, parliament, etc.) (Grémion 1976; Keating 1993; Duran and Thoenig 1996; Michel 1999). Local political officials (mayors in particular) were important intermediaries in this system, functioning as territorial gatekeepers of scarce public resources (Dion 1986; Mabileau 1991). Their privileged position vis-à-vis the central state provided them with a structural base to build powerful political machines. Skilled local leaders could build political fiefs that crossed class boundaries, using housing to forge a client base amongst the working class and public sector jobs to gain the support of the middle classes. Thus, the goal of local officials was to acquire scarce state resources and allocate them on the basis of a group’s legal eligibility and their level of political importance to the ruling coalition (Mèny 1992).

In spite of the ‘fiscal crises’ of the 1970s and 1980s, no politician possessed the political capital to roll back the welfare state (Jobert and Théret 1994; Lipietz 1996; Ullman 1998; Levy 1999b). Instead, new programs have been rolled out to address the failure of the market to fully integrate large sections of the labor force⁷ (Castel 1995; Lipietz 1996; Ullman 1998; Carnoy 2000). The most prominent of these measures have been the Minimum Income Benefit (RMI) and the *politique de la ville*. The Rocard Government (1988-1991) created RMI as a minimum income for those whose regular unemployment benefits had run out. It requires recipients to participate in job training programs, counseling, and other programs to assist their re-insertion into mainstream activities. The *politique de la ville* is a set of measures to treat neighborhoods with high concentrations of poverty, unemployment, and other social ‘handicaps’.

These measures call upon local officials to participate as partners in both decision-making and implementation processes. While the department (equivalent to a county) has assumed control over the RMI, the municipality has assumed control over many aspects of the *politique de la ville*. In terms of financing, for the RMI program, the state covers 80% of the cost and the department is responsible for the remainder. For the *politique de la ville*, financing depends on a system of co-financing (*financements croisés*), with the state providing matching funds for local initiatives. At a time when services have increasingly been financed by local taxes and poverty remains stubbornly high, authorities have responded favorably to state measures that offer supplementary resources to treat poverty.⁸ “Elected officials integrate these additional financial means into their normal operational budgets, considering them as an opportunity to access extra national credits for local problems” (Estèbe and Donzelot 1999: 323). The specter of riots has provided further incentives to mobilize state resources to treat local problems.⁹

⁷ Between 1983 and 1998, the proportion of part-time jobs went up from 9% to 15% and temporary jobs from 3% to 13% (Carnoy 2000:119). Lipietz (1996) estimates that up to 30% of households can be considered as either precarious or excluded.

⁸ State investment in the *politique de la ville* increased over this period of time: 3.2 billion francs in 1986, 3.8 billion in 1989, 7.2 billion in 1993, and 12 billion in 1996 (Chaline 1997: 187).

⁹ Between 1982 and 1989 there were 5 large scale riots in the French suburbs. Between 1990 and 2000, there were 48 large scale riots and 250 ‘mini-riots’ (Dikeç 2003: 18).

The central state's involvement in the *politique de la ville* increased as the program expanded from the 22 neighborhoods in 1984 to 546 in 1993 and to 1,300 in 1998. The Rocard Government created two national level agencies (Inter-ministerial Delegation to the City DIV and the National Council of Cities CNV) and a new ministerial post to reinforce the state's steering capacities. A new division of labor was also introduced in which the central state was responsible for identifying broad objectives and local officials for devising strategies for attaining them. In an attempt to create metropolitan-level solutions for neighborhood poverty, the state broadened partnerships to include adjacent municipalities and department and regional councils. Neighborhood associations were also designated as partners in the implementation of specific programs but they were not granted the authority to participate in the decision making process.

Thus, rather than rolling back the welfare apparatus, reforms have aimed at extending its reach to cover socially excluded people and places. The rolling out of new welfare programs and resources has reinforced the structural centrality of the state in local welfare policy communities. Facing concentrated poverty, unemployment, and an elevated risk of riots, local authorities of both the right and left have responded positively to these state initiatives (Le Galès 1995; Estèbe 1999). In addition, these state reforms have provided more resources and powers for local political elites to extend their political bases in difficult to reach areas of the city. Thus, the general goal of local officials involved in welfare has largely remained unchanged: acquire state resources for the purposes of both satisfying the welfare needs of the local population and of building local political power.

The principal policy communities responsible for treating inequalities have followed rather different structural trajectories over the last thirty years. As markets have increased in importance for cities, economic development communities have embraced entrepreneurial and growth-oriented goals that aim to attract investors to their places. At the same time, the state has maintained its centrality in producing and allocating welfare resources. Welfare policy communities have consequently developed goals that aim to draw in state resources to treat local poverty while simultaneously using these resources to bolster the positioning of dominant political actors.

IV. The Practices of Policy Communities:

The following section describes how the structural changes described above have impacted policy communities in Toulouse.

Making a European Technopolis: Economic Development Strategies

Local officials in Toulouse have responded to the increased importance of markets with a flurry of activities. With over 100 municipalities for a metropolitan population of approximately 700,000, the entrepreneurial spirit of local officials has been forged in a context of extreme competition. This has contributed to placing the goal of growth at the center of local policy communities charged with economic development.

Surprisingly, the first group of local officials to respond to the market was not the central city but a cluster of municipalities on the southeastern perimeter of the city. In the late 1960s and early 1970s this part of the metropolis attracted a new population of residents made up of highly trained intellectual workers employed in nearby university and public research facilities. The municipalities receiving this flow of people offered services designed for a rural population and not for cosmopolitan intellectuals. The inability to provide appropriate services sparked efforts by these newcomers to take control of the municipalities (Tomas 1997; Garès 1998). Following their success, the leaders of these movements found that the lack of revenue was responsible for the absence of decent services in these suburban municipalities. In 1975 mayors from six

municipalities formed an inter-municipal syndicate (*Syndicat Intercommunal de la Vallée de l'Hers SICOVAL*) in order to pool their collective resources. Their first collective venture was to attract large retail outlets, which would provide residents with convenient shopping opportunities and municipalities with a strong tax base.

With tax revenue generated from the new shopping complex, SICOVAL created metropolitan Toulouse's first high-technology park in 1982. Naming the zone 'Innopole' (innovation + technopole), members aimed to create a technology park that was aesthetically attractive, functional, and service intensive. Olivier Delcour explains the logic behind the strategy:

The quality of services and the ability to welcome clients and personnel in very good conditions is what attracts firms to SICOVAL. The question of welcoming employees is important especially in industries with competitive labor markets. This is certainly not the case for those businesses with minimum wage employees and 50 people waiting for jobs outside their doors. The businesses we try to attract, find themselves in competitive labor markets and they like to have good conditions to attract the best employees (Delcour 2002: interview).

Although SICOVAL representatives used the language of synergies and local innovation systems, these were deployed as place-marketing techniques rather than real components of an 'endogenous' development strategy (AFPA-CIEU-SICOVAL 1995; CIEU 1991; Grossetti 1995). Innopole eventually became one of Toulouse's most successful technology parks, housing over 350 small, medium and large (mostly) high technology firms in less than 10 years after its debut.

By the mid 1980s, the city of Toulouse finally responded to the outflow of capital and people. While all areas of metropolitan Toulouse enjoyed positive job growth between 1975 and 1990, suburbs gained 44,482 jobs and the central city 36,482. The job ratio between center and periphery favored the latter: 4.4 to 1 in 1975, 3.28 to 1 in 1982, and 2.57 to 1 in 1990. Estèbe and Jaillet remark, "Competition became real between a central city that had reason to believe that it was slowing down, and peripheral municipalities that were increasingly sure of themselves and interested in attracting not only residents but also economic activities, wishing to diffuse the riches of the metropole away from the center" (1999:7). SICOVAL represented the most successful of the suburban contenders.

Toulouse responded by attracting large high technology firms through subsidies, tax breaks, and discounted land. As the mayor's economic advisor Jean Barcellini remarks, "When a sector needs to be developed in Toulouse, we must begin by attracting an elephant and the SME's (small and medium enterprises) will follow" (Barcellini, in Constans 1993: 91). For example, in its competition with SICOVAL for the large American data processing firm Storage Tek, the municipality of Toulouse mobilized 150 million francs (approximately \$22 million) in services, subsidies, and tax breaks in 1995. These included the creation of a special entrance to the freeway, 5-year exoneration of the corporate tax, and a heavily subsidized loan to cover construction costs (Leriche 1998). In exchange, Storage Tek agreed to create 450 jobs which, it still has not done.

The city's strategy has also been based on creating attractive urban environments and boosterism. The Baudis government has aggressively pursued efforts to transform Toulouse into a 'world-class city' by participating in inter-urban promotional networks (Mediterranean City, Euro-City, etc.), promoting trade shows, investing in infrastructure (two metro-lines and a state of the art convention center), reinforcing the city's cultural infrastructure ('mediatheque', 'cinematheque', modern art museum, theater, and an orchestra), and creating several technology parks of its own (Billon 1996). Leriche notes, "These strategies are aimed primarily at attracting the technical branches of large groups. They are thus motivated by a vertical logic. Horizontal actions, that is,

the promotion of exchanges and interfaces between different actors in order to induce endogenous technological innovation, are rare” (1998: 13).

Efforts by Toulouse to reassert its economic dominance over the metropolis compelled SICOVAL to respond by incorporating more municipalities and expanding its authority over territorial development. During the 1990s, SICOVAL added 28 municipalities, 3 new technology parks including the highly successful *Le Parc Technologique du Canal*, and new competencies in the areas of economic development, environmental management, urban planning, poverty, waste management, culture and sports, and transportation. Today, SICOVAL manages a territory that includes 34 municipalities and four ‘technopoles’, combining to form the “Southeastern Technopole of Toulouse” (*La Technopole Toulouse Sud-Est*). The territory of SICOVAL houses approximately 800 firms, which provide 17,000 jobs. While no match for Toulouse in terms of wealth, administration, and population, SICOVAL’s broad tax base, its strong administrative and service capacities, and its organizational efficacy have made it an important force within the local political and economic field.

Entrepreneurial strategies have been embraced by economic development communities in both Socialist dominated SICOVAL and right-wing dominated Toulouse. Although the discourse of SICOVAL places greater emphasis on solidarity and the state’s role in steering economic development, its tactics and strategies do not differ significantly from those of Toulouse. In spite of the general embrace of entrepreneurialism, entrepreneurs (firms, business associations, etc.) have not assumed a central role in these policy communities as they have in equivalent communities in the United States. Rather than particular class interests expressing themselves directly in local policy communities, the general interest of capital expresses itself through market forces. As competition for scarce economic resources sharpens, efforts to satisfy businesses interests intensify and efforts to expand opportunities for low-skilled residents diminish. Consequently, officials in this policy domain have contributed to widening the skill divide of the city.

The Politics of Anti-Poverty Policy: La Politique de la Ville

In spite of the rising importance of the market, the continued centrality of the welfare state has presented local policy makers with the option of maintaining an active welfare agenda. The policy community in this area has as its primary goal the acquisition of state welfare resources to fund local anti-poverty initiatives and to exert control over problematic neighborhoods. Politicians have remained at the center of these policy communities, resulting in policies and practices that reflect political motives. Consequently, their efforts have helped to contain the further immiseration of the urban poor but they have not contributed to reversing new inequalities.

Public officials in the city of Toulouse responded favorably to the *politique de la ville* because it provided supplementary funding to treat the pressing issue of urban poverty. By 1990, the city contained four areas that qualified for this program. These areas contained 49,879 residents, that is, 14% of the city’s total population. The unemployment rate of these neighborhoods was 22% (11% for the city) and unemployment for youths was 31.7%. 62% of residents depended on public assistance in the form of housing subsidies, aid to families, and/or income supports, and/or social minimum benefits (RMI and other allocations). Immigrants were over-represented, accounting for 19.5% of residents (6.1% for the city). Facing these problems, local officials have responded favorably to *la politique de la ville*. One politician explains the response in the following way,

You must never forget that one of the key roles of the state is to provide heavy financial supports. Even those who might not be interested in these types of programs participate,

at least minimally, in order to take advantage of subsidies. This provides extra resources to finance services in neighborhoods that make great demands on local resources and that contribute little in the way of taxes (Cohen 2002: interview). Thus, facing persistent demand for welfare, *la politique de la ville* has provided local officials with an important opportunity to assist financing local programs and services.

Local officials from across the metropolis have formed a policy community to respond to *la politique de la ville*. Decentralization has provided the department of Haute Garonne with a sizable budget and important competencies in the area of poverty management and welfare. It has subsequently become an important partner in the policy community. However, the department council of Haute Garonne (Socialist) is also the city of Toulouse's principal political rival in the metropolis. The department has viewed participation in the policy community as an opportunity of extending its administrative and political reach further into the city's jurisdiction. "There is a double conflict here: one over territorial powers and the other over politics. They work off one another, inflaming the relations, making it difficult for any form of cooperation to be achieved" (Simon 2002: interview). Conflicts arising from positioning within the policy community stand at the center of the partnership. The director of urban planning for the department notes,

The dominant power (the city of Toulouse) has a difficult time sharing its power. There are frontiers to protect. This is the core of the quotidian 'violence' between the department and the city. The department wants to be a dominant actor but it is dismissed as exaggerated. As we (the department) are younger and less structured, we make more noise. We jump on the table like an adolescent who wants to be invited to the table of the adults (Delthil 2002: interview).

Thus, in order for local officials to respond to policy options in the domain of welfare, they have been required to cooperate and participate in a policy community. Participation has engendered conflict over which partner should assume a dominant position within the community. Position in the policy community is of vital importance because it determines which of these competing political machines has more influence over allocating scarce state resources, and consequently, who is to draw the greatest political benefits from their common efforts.

Most of the programs of the *politique de la ville* are carried out by neighborhood associations. Of 23 interviews performed with voluntary associations in the neighborhood of Reynerie, 20 received 25% to 100% of their funding from this policy community. Explaining the importance of these subsidies, the director of one association notes, "If one of the public partners does not want to fund the association, the association has to lay off its workers and the association begins a slow death" (Alawi 2002: interview). In exchange for a subsidy, associations perform most of the tasks outlined in the *politique de la ville*, from providing after school programs to job-training services. At a national level, associations provide 75% of the services associated with this program (Sintomer and de Maillard 2004)

Power struggles between rival politicians have directly shaped how associations have been integrated into this policy community. First, while competing political officials are constantly in search of new bases of support in poor neighborhoods, associations are in search of powerful political patrons to minimize the uncertainties of the funding process. Clientelistic relations are formed through a number of informal and formal exchanges between associations and public officials sitting directly on funding commissions. In exchange for consistent funding, associations are expected to reciprocate in a variety of ways, from offering a particular program to posting electoral literature. The director of one association recalls, "We received a letter from an elected official saying to us that they supported our project. This was not an official notification. He said, 'OK, I helped you, so...' This is common not just with the department but with the city as well.

They say, ‘we helped you, thus...’ Nothing is ever said directly but a repayment is what is expressed” (Firmiez 2002: interview).

Second, the highly politicized nature of the funding process has generated strong levels of distrust in the associational sector. As one commentator notes,

There is a ‘phantasm of competition’ that results from how things are financed. Things aren’t clear so there is a belief that each association is competing with each other for funds and that the institutions are manipulating us. Whether these things are real or not, the phantasm of competition is real which has strong effects upon the relations between the associations” (Firmiez 2002: interview).

‘Phantasm of competition’ is indicative of an atmosphere of distrust, however, many note that real competition is alive and well. The director of one association explains, “I might get along with those people but I don’t want to work in partnerships with them. I don’t want my kids going to their centers because that jeopardizes our funding” (Bonnet 2002: interview). A local politician directly links the existence of this competition to the funding criteria established by herself and her colleagues, “Many associations have been created in the past 10 years but our funding techniques have increased competition and conflict between them” (Touchefou 2002: interview).

Moreover, funding criteria have also contributed to the professionalization of neighborhood associations. Funding criteria require associations to reflect the qualities of professional service providers, and to maintain salaried employees capable of raising funds. One veteran of Toulouse’s associational sector remarks, “To fill out grant applications you have to have somebody who knows something about them. The small associations can no longer survive if they don’t have technicians, people who can fill out the applications, know accounting, know how the funding system works” (N’Gondy 2001: interview). A ‘project manager’ (*chef de projet*) has been designated for each neighborhood and is charged with monitoring the activities of associations. If the project manager observes that an association has failed to sufficiently professionalize, the association risks losing its subsidy.

Power struggles and funding criteria have therefore introduced clientelism, competition, and professionalism into the associational sector. This has ultimately transformed autonomous voluntary associations into dependent and passive service providers. This transformation has pacified unstable territories but at the cost of destroying local social capital. One association director notes,

This was a neighborhood that was always very difficult for the city to pacify. The associations were composed primarily of volunteers and militants. When the public sector started financing them in the late 1980s, there began to be fewer volunteers and more salary workers in charge of grant writing. Competition decreased much of the trust that once existed. The *politique de la ville* normalized the associational sector and in the process, much of the militantism that existed before was lost (Sarducci 2002: interview).

It is precisely the social capital of the associational sector – measured in terms of volunteers, trust, inter-associational connections – that prompted association-based approaches to fight urban poverty (Ullman 1998). However, in pursuing this strategy, the politically contentious partners of this policy community have ultimately compromised one of the only resources found in these neighborhoods. It can be argued that this has contributed to the *politique de la ville*’s failure to resuscitate a single neighborhood in its charge after 15 years of existence. A department councilor comments, “I think we have been able to contain the worst aspects of ghettoization. I think we put the brakes on a downward slide. The problem we face is that we have not been able to develop an effective mechanism to reverse this slide” (Touchefou 2002: interview).

As economic communities have developed policies to make their places more attractive to private high technology investors, they have done virtually nothing to address the issue of inequalities. At best, there is a belief that a rising tide raises all boats, and at worst, there is a belief that low skilled and excluded residents hinder economic expansion. These goals and actions are responses to the increased importance of the market for local economic development. While the increased importance of the market has infused economic development communities with the entrepreneurial spirit, the continued importance of the welfare state has meant that this spirit has not spilled over into this particular domain. Here, we find the continued importance of the state in structuring the goals of local welfare communities. We also find that politicians tend to enjoy great influence in selecting the policies and practices of these types of communities. As a consequence, state welfare resources tend to be mobilized out of an interest to assure social stability in difficult neighborhoods and to construct a network of dependent political clients. While these politically motivated practices and policies may provide a degree of stability by reducing the motive (material deprivation) and the means (associational networks) to rebel, they are not sufficient to reverse the new inequality.

CONCLUSION: State Restructuring and Urban Policy in Technopolis

The restructuring of the French state has played a crucial role in influencing how local officials in Toulouse have developed strategies to address new inequalities. We find that restructuring varies rather dramatically across state sectors. Whereas the state's involvement in economic development has been considerably liberalized, the state has retained an important role in allocating welfare resources. This process of state restructuring has contributed to the structural differentiation of policy communities. The goals and power relations of the principal policy communities charged with treating inequalities have diverged according to the structures that underpin them. Policy communities in the area of economic development are increasingly bound to the market, requiring them to mobilize resources and to create attractive investment environments for global investors. Policy communities developed in the area of welfare have mobilized state resources to strengthen the safety net and to expand their bases of political clients in marginalized neighborhoods. Combined, these efforts have done very little to address the skill-divide that remains at the root of the city's inequalities.

The paper embraces what Michael Mann has called an 'institutional statist' perspective of the state. The state is a differentiated set of institutions, agencies, and personnel which both penetrate, constrain, and shape the opportunities of parties and civic groups. In other words, these differentiated institutions generate autonomous (cannot be reduced to the market) effects that contribute to the patterning of group behavior. While state institutions shape the strategies and tactics of groups, they also depend upon actors in civil and political society to innovate and/or reproduce them. Mann captures this complex relation between central state and civil/local society in the following way, "States institutionalize present social conflicts, but institutionalized historic conflicts then exert considerable power over new conflicts – from state as passive place (as in Marxian or pluralist theory) to state not quite as actor (as in true elitism) but as active place" (1993: 52). Following from this, recent rounds of state restructuring have to be understood as highly uneven processes which produce varying effects upon the actors involved. In the case of France, state restructuring in the domains of economic development and welfare have varied considerably, generating rather distinct logics for structuring the activities and strategies of actors involved in these different policy domains.

The 'institutional statist' approach seems better able than neo-Marxist approaches to identify and explain processes involved in creating policies in high technology cities. Neo-Marxist approaches tend to view the state as a relatively unified set of institutions that ultimately function to provide the social and economic conditions that allow for continued capital accumulation. It is believed

that all the institutions conform to a structural mandate that requires them to achieve system maintenance functions. Though local state officials are presented with different means for achieving these ends (i.e. path dependency), the ends nevertheless remain the same. This approach would explain Toulouse policies by stressing that it is the result of a coherent plan to render the city more competitive while redeploing the welfare apparatus for the purposes of controlling those excluded from the new economy. This approach cannot explain for how a coherent strategy can result from such a highly fragmented policy arena nor can it provide empirical support that such coherency exists. Rather, causality relies on functional reasoning: institutions exist because they provide functional supports for an emergent regime of accumulation. This type of deductive reasoning is problematic because explanations of particular social phenomena are derived from how they conform to the needs of an abstract economic logic, freeing researchers from investigating 'actually existing' causal processes. This form of reductionism reduces the complexity of states and societies and thereby closes off alternative explanations. More importantly, it closes off the possibility for actors to examine opportunities within the state for advancing progressive social and economic goals. If everything the state does is functional or contributes to a neoliberal regime of accumulation, there remain no opportunities for advancing alternative projects through the state.

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