LA CIRCULATION DU CAPITAL

CORPORATE GOVERNANCE: A TERRITORIAL APPROACH

Olivier Crevoisier and José Corpataux

Université de Neuchâtel unine

Autors

José Corpataux worked many years in the field of Regional Economics/Economic Geography and he was particularly interested in the relationships between finance and space. He works today as a Central Secretary, in Bern (Switzerland), for the Swiss Federation of Trade Unions.

Jose.Corpataux@sgb.ch

Olivier Crevoisier is professor in territorial economy at the institute of sociology, University of Neuchâtel. His main research interests are on the one hand the causes and consequences of the financialisation on the economy and society of regions and nations, and on the other hand the innovation and knowledge economy considering their territorial and social contexts.

Olivier.crevoisier@unine.ch

© 2010 by the author

ISSN : 1662-744X

Contact:
MAPS - Maison d'analyse des processus sociaux
Faubourg de l'Hôpital 27
CH - 2000 Neuchâtel
Tél. +41 32 718 39 34
www2.unine.ch/maps
maps.info@unine.ch

Abstract: Until the 1980s, the finance industry was geographically and institutionally contained. The financial economy was relatively stable, and moreover, dependent upon the real economy. Now however, the increasing power of the financial markets is institutionalising the emergence of shareholders whose focus is increasingly narrowly upon the sole aim of financial return and who have less and less involvement in the social and territorial aspects of corporate activity. In short, the finance industry has managed to create a functional and spatial separation between business investors and owners, thereby laying the foundations of what is now referred to as corporate governance. This article posits that the elements which have made this separation possible are the growth of capital mobility/liquidity, the assertion of the principle of diversification and the growing complexification of financial channels. This puts investors at a remove, rendering them short-sighted and passive when it comes to businesses' real (local) characteristics. At the same time, at this point of separation between the real and financial economies, the finance industry is becoming autonomous, gradually outstripping the real economy through a functional geography which enables it to short-circuit the spatial constraints of the real economy and defer the costs of competition onto local or national companies.

Keywords: Territorial governance, institutional investors, short circuits, sustainability.

Corporate governance theories have developed in tandem with the financial markets and with the growing power of institutional investors. Indeed, the power of the financial markets can be specifically measured by the ability of its shareholders (foremost amongst which are these same institutional investors) to influence businesses and their managers. Nevertheless, these theories do not take into account one crucial consideration: they ignore the social and territorial situations of companies and investors. The increasing power of the financial markets is institutionalising the emergence of shareholders whose focus is increasingly narrowly upon the sole aim of financial return and who are less and less involved in social and/or territorial issues. This separation of business and financial functions allows the latter to distance themselves from the multi-faceted nature of territorial or social issues, following the example of those who deal with training, public research, renewal of resources, working conditions or even sustainable development.

These questions need to be viewed in the context of the larger issue of globalisation. The latter is typified by the rapid growth of economic relationships beyond the traditional boundaries between nation states, led by multinational companies and the major financial players. This is leading to an increasingly integrated and interdependent "globalised economy" (Dicken 1998). Finance has played a leading and central role in this movement. The practical issue being explored here concerns how financial globalisation is currently connecting with those businesses and territories which characterise the real economy.

To understand the connection between the real and financial spheres from a geographical perspective, this article posits that corporate governance is a spatial construction between both business and financial functions which separates, distances, abstracts and hierarchically stratifies. This governance institutionalises exit strategies (Hirschmann, 1970), and this corresponds to a territorial construction.

Separation is a clear division of labour between, on the one hand, investors who are primarily concerned with investing, disinvesting and reinvesting their capital, and, on the other hand, a business person or entity which controls production and innovation.

Distance is the geographical, institutional or social space which now separates the investor and the business person, the business and the territory in which it is based. This distance is made up of the financial relationships between companies, world-scale financial markets and end investors.

Abstraction is a process carried out by the financial players. It consists on the one hand of reducing any economic activity down to two quantitative criteria, namely expected profit and calculated risk, two ideas abstracted from a far more complex reality. On the other hand, it renders capital holders either partially or entirely anonymous by the separation of share-capital from the circulation of shares.

And finally, spatial hierarchisation, as this creation of distance goes hand-in-hand with the investors' ever-available opportunity to exit thanks to the liquidity of the financial markets. This hierarchy defines on the one hand those tightly-knit central regions known as the global city (Sassen, 1991), and on the other hand a mosaic of territories which are increasingly subject to the management standards of global, liberalised finance. The latter are competing amongst each other within the real economy, with cost driving quantitative competition, and innovation driving qualitative competition.

What we are arguing here is that the institutionalisation of recourse to third parties and defection strategies has, over the last twenty years, led to investors gaining a privileged position thanks to the spatial and sectoral expansion of finance and its management model. This financialisation

benefits them as it allows them to temporarily transfer the responsibility and costs of competition to local and national societies.

However, has this model not now run its course? On the one hand, do the instability and system risks borne by a financial-market dominated economy not outweigh the advantages of a more detached approach? On the other hand, in the closer relationships between investors and other players in the territories' real economy do we not rediscover the virtues of negotiation and long-term involvement (or "loyalty" as Hirschman would say)? Several indicators seem to suggest so.

Part I briefly covers the transformation of capital accumulation spaces between the post-war growth period and that starting in the mid 1980s and extending to the present. Financial channels were largely confined within nation states. Now, accumulation spaces intersect with networks based around the global city and which extend upstream via savings institutions to households throughout the world, and downstream via subsidiaries controlled by large listed companies.

Part II outlines how the finance industry is gradually creating a functional and spatial disparity between business investors and owners, thereby laying the foundations of what is now referred to as corporate governance. We see that the elements which have made this separation possible are the growth of capital mobility/liquidity in line with Markowitz's observations (1959), the assertion of the principle of diversification and the growing complexification of financial channels. This paradoxically puts investors at a remove, usually rendering them short-sighted and passive when it comes to businesses' real (local) characteristics. Finally, this transformation leads to investor behaviour which is no longer focused on businesses, but on the management and weighting of their financial portfolio, making them passive with regard to the companies themselves.

Parts III and IV demonstrate how, at this point of separation between the real and financial economies, the finance industry is becoming autonomous, gradually outstripping the real economy through a functional geography which enables it to short-circuit the spatial constraints of the real economy and transfer the costs of competition onto local or national societies. It concludes with a consideration of the limits of such a system and attempts to rethink the relationships which exist between the real and the financial spheres.

1. The transformation of accumulation spaces

Since time immemorial, finance has taken the spatial form of a network, and one which largely develops at a transnational scale. With regard to financial activities, states and infra-national authorities have always sought to contain these flows within the bounds of their own borders or to profit from flows coming from other spaces (Palan, 2002) If this interaction between different spatialities is very old, it has, over the last twenty years, transmuted to exceed or to bypass the borders of the nation state through a transnational system of accumulation, at the centre of which is the finance industry.

1.1. A view of the past: an institutionally and geographically constrained financial system

Between the Second World War and the 1970s and 1980s, financial borders were relatively circumscribed, both institutionally and geographically. At an international level, and following the monetary problems of the inter-war period, the Bretton-Woods Agreements which were signed in 1944 instituted a currency exchange regulatory system to ensure a certain stability and order between currencies. During this post-war period, it took a while for all the major currencies to become interchangeable and for exchange controls to be lifted [1] limiting considerably the movement of international capital.

At a national level, finance was tightly compartmentalised and regulated, including within the USA. Indeed, although the latter now seems to be at the avant-garde of financial capitalism, a whole range of measures had been implemented in order to regulate the financial system in the 1930s, following the 1929 financial crash. Finance had on the one hand been compartmentalised into functions, which were on the other hand evolving primarily on a national, even, regional, basis. The Glass Steal Act, for instance, strictly separated the banking, insurance and share-dealing professions. Then there was the McFadden Act, which instituted a regional basis for the American financial system, avoiding the strong integration/concentration of the financial system at national level by forbidding banks to open deposit collection branches anywhere other than the state in which they were registered.

Thus, and following the "re-regulation" of the 1930s and the Bretton-Woods Agreements, financial systems, movement of capital and exchange rates were regulated at both national and international level. There was little competition between financial institutions, or at least, considerably less so than is now currently the case. Moreover, the connections between banking and industry were generally close. Indeed, to cite the traditional classification which distinguishes between banking-oriented and market-oriented systems (Allen and Gale, 1999), until this period, in continental Europe in particular there was a predominance of largely banking-dominated systems: financial channels were exceptionally "short", linking bankers to customers in a private long-term relationship, often based on actual face-to-face meetings and built up over many years. Bankers could therefore maintain a close, long-term relationship with a customer's business.

In short, until the 1970s-1980s, finance was institutionally constrained and geographically contained [2]. Investment channels – between the real and financial spheres – were relatively short and direct, whilst from a spatial point of view, savings collection spaces more or less

[1] For the United Kingdom, for example, did not occur until 1979.

[2] The emergence of the euro-dollar market in the 1950s-1960s nevertheless constituted the first rift, as it allowed national legislation to be bypassed for the first time.

geographically coincided, or were even embedded in investment spaces. To put it simply, accumulation spaces were regional and national, and were contiguous spaces in relative national and regional proximity to holders of capital and to businesses.

Now, however, financial players are increasingly working on a global scale. Various reforms have led to the disappearance of both institutional and geographical boundaries (Chavagneux, 2007). Finance is now at the heart of the workings of contemporary economies. It has become autonomous in relation to the real economy.

1.2. The emergence of a new regime based on a financial system free from national constraints

With the increasing (if fluctuating) power of the financial markets within contemporary economies and the globalisation of financial flows, relationships between the real and financial spheres have undergone a radical change. Some writers (Aglietta 1998; Orléan, 1999; Boyer 2000; Lordon, 2000a; Chesnais, 2001) sympathetic to or affiliated with the *Ecole de la Régulation* have been quick to herald the arrival of a new financialised accumulation regime based on a financial system which has managed to impose its institutions and operational principles on the rest of the economy and society. Indeed, the transition from administratively-managed financial systems to liberalised financial systems (Aglietta, 2008) indicates an increasingly autonomous force at work within contemporary finance. To borrow the regulationists' phrase, it might even become the "dominant institutional form", and thus control the practices and pace of accumulation. Thus, as Orléan put it (1999: 214), "contemporary economies are defined by the fact of having taken financial power to a previously-unattained level and placed it at the very heart of their accumulation system". This assumes that financial profitability, i.e. the continuing expansion of stock market values is henceforth the principal accumulation criterion, to the detriment of the accumulation of real capital whatever the criteria (the formation of fixed capital, operating margins, focusing on the real markets, etc) by which it may be measured.

Although real capital (machines, buildings, communication and transport infrastructures, as well as skills, product branding, etc.) has little or no mobility, thus making those who hold it subject to the social constraints of proximity, the development of the financial markets and the growth of the mobility/liquidity of financial capital attenuates the risks inherent in capital's immobility by offering holders of capital the possibility of being able to withdraw at any stage. This growth of mobility/liquidity seems to encourage the more widespread recourse to third parties and exit strategies. According to Dembinski (2009), contemporary finance makes it possible to detach oneself from the issue of timescales, the various parties' commitment and the negotiation of compromises between them. The system allows detachment from these issues whilst selling and collecting capital gains. Although the multidimensional links which existed between the real and financial spheres during the Fordist era seem to some to be disintegrating, we must at the very least admit that they are undergoing a radical transformation. Whatever the case may be, under this new system, investors are focused on financial profitability – which relies upon the financial markets – and are less and less involved in the economic, social and environmental aspects of their investments. Are we, then, witnessing the emergence of a system in which the recourse to third parties for investment purposes and in which an exit strategy for corporate governance purposes predominate? This is the argument which we will be defending in the forthcoming chapters.

2. The functional and spatial separation of the real and financial spheres: financialisation

This historic change from the pre-1990 system to the contemporary system is characterised by different institutional and spatial rifts which today form a new system in which accumulation is financialised. Whether this system takes the form of a genuine system of financialised accumulation, bringing unifying institutional coherence and overall stability or whether it is a straightforward financialised growth system, incomplete and subject to instability, (for more on this issue, see Clévenot, 2008) matters little. These changes and rifts can nevertheless be traced back to various levels and in this paragraph we seek to demonstrate how there is a growing separation between investors and the financial markets on the one hand, and business owners and territories. We shall return to the financial industry's creation of capital mobility/liquidity, modern financial theory and the principle of diversification, the concomitant genesis of transparency and opacity, etc., all of which elements have combined to promote this separation.

Ultimately, we can only acknowledge the institutionalisation of defection. Shareholders distance themselves from the actual means of production and thus base their behaviour on an abstract vision of companies (reduced to the two criteria of risk and return) and on the defection strategy in favour of investments offering the likelihood of higher profits in the very short term.

2.1. A history of creating capital mobility/liquidity

Two types of reforms have been undertaken in most countries in order to create capital mobility/liquidity. On the one hand there are those reforms which aim to remove regulatory barriers to the free and complete movement of capital (e.g. the removal of exchange rate controls in the UK in 1979, the partial opening up of the Japanese financial market in 1983-4, the liberalisation of the movement of capital in Europe under the Single European Act (Bourguinat, 2000)), and to thereby encourage the spatial mobility of capital. On the other hand are those reforms which aim to improve the operational and informational efficiency of the financial markets, .i.e. aiming to encourage their liquidity and transparency as well as guaranteeing good quality public information. This is what we have termed the growth of capital mobility/liquidity (Corpataux and Crevoisier, 2005a) since the liberalisation of the movement of capital goes hand in hand with the development of the financial markets and their liquidity. This mobility/liquidity has thus been boosted by a number of factors relating to national legislation (deregulation, the big bang, the lowering of stamp duty, relaxing the rules governing pension fund investments, etc) and particularly the machinations of those political and economic players in a position to support these legislative changes. In the USA, the last vestiges, the "safety net", which had been implemented in the 1930s to regulate the financial system (the McFadden Act and the Glass Steal Act), were removed completely throughout the 1990s, in 1994 and 1999 respectively.

Let us not forget, however, as Orléan pointed out (1999), that what defines the financial markets (in contrast with real capital) is their liquidity. Real capital has little or no mobility, and consequently confines those which hold it to the social constraints of proximity and anchorage. Liquidity mitigates the risk that capital's immobility carries by giving capital owners the possibility of divesting themselves of their investments at any stage (Orléan, 1999; Lordon, 2000). From a geographical point of view, what is liquidity, if it is not the mobility of the property of securities (Billaudot, 2001) between increasing numbers of players who participate in this expanding space in which securities are traded? This is what we have referred to as growth of capital mobility/liquidity (Corpataux and Crevoisier, 2005a). This growing mobility of the movement of capital in space –between regions and between nations- goes hand in hand with the development of the financial markets and of their

liquidity. The finance industry's creation of capital mobility/liquidity gives investors the ever-available opportunity to withdraw their assets from a given space…to immediately invest it elsewhere. Elsewhere is not, however, synonymous with "anywhere": we remain permanently enclosed within the sphere of financial activities and financialised businesses.

In short, to go from real to financial capital, a certain number of transformations are therefore required, transformations which relate to territory (e.g. borders, institutions, networks, nodes). Firstly, it is imperative that the control of real capital through securities (equity, shares in funds, etc) be formalised. The mobility and profitability of these activities should then be encouraged by setting up an institutional framework (removal of boundaries, taxation legislation supporting transactions, etc.) , technologies (financial markets are amongst the main consumers and promoters of IT and telecoms integration (O'Brien, 1992)) and, of course, specialised agents (finance sector businesses, stock exchanges, specialist media, training and research institutes, consultants, etc). These transformations allow the financialisation of economic activities, i.e. the continuous evaluation of economic investments by the financial markets (Orléan, 1999). It becomes possible to compare systematically financialised financial assets, as well to disengage from the inner financialised space of the economy at very short notice.

The financial markets have therefore been configured so as to ensure exceptional mobility, providing, in governance terms, an exit strategy which has no parallel in the history of capital commitment. Certainly, in principle, entry into the financial markets does not exclude an in-depth understanding of businesses and the environments in which investments are made. However, we are arguing that working through the financial markets coupled with the principles of portfolio theory (a theory which structures contemporary financial theory and practice) does not encourage a detailed knowledge of businesses and their backgrounds as it focuses investor attention on an abstract vision which is strictly quantitative, financial and decontextualised.

2.2. Portfolio theory: an exclusively financial vision (which excludes the business owner)

If the free movement of capital in space and the existence of sufficiently liquid financial markets are essential prerequisites for the finance industry's development, the combination of these possibilities and the trend for portfolio diversification as introduced by Markowitz (1959) characterise modern financial theory and practice. The diversification principle itself is, fundamentally, "do not put all your eggs in one basket". In financial practice this boils down to investing in statistically unrelated financial assets. The agent's selection procedure is increasingly down to simply quantitative, statistical and comparative analysis.

Whilst this diversification principle can be seen as a major landmark in contemporary finance, its enactment in theory and practice marks an almost paradigmatic turning point as it goes against all hitherto-taught rules of financial theory, of the prudent man in portfolio investment which states that portfolios should be selected on the basis of the individual risk and return calculations for each share, as considered in isolation (Simon and Mannai, 2001). From a geographical point of view, this traditional principle of prudence comes down to investing your money where there are fewest risks over the long term, i.e. where there coexist a range of stability and growth conditions.

Nevertheless, although the diversification principle seems unavoidable today, there are still several "die-hards" who refuse to comply with it. Warren Buffet, a financial investor seen as emblematic of the last two or three decades, has failed to be seduced by this principle. Buffet's portfolio shows remarkably little diversification in terms of modern portfolio selection theories. What he does is continue to invest in a limited number of companies whose "qualities" he knows intimately and in

which he often holds a considerable stake. Although his method effectively links quantitative criteria/ratios of good financial management, it does not ignore qualitative considerations linked specifically to the company and its environment. We have to acknowledge here the opposing nature of these two approaches and their underlying philosophy. Buffet maintains a traditional analytical approach. He is primarily focused on companies' long-term profitability. This focus takes into consideration a huge range of parameters, first amongst which are such issues as corporate structure, management, the competitive environment, demand levels, predicted technological developments, etc. As Sauvage (1999) observed, he manages a portfolio of industrial holdings rather than a straightforward diversified portfolio of stocks and shares.

Conversely, for those who believe in diversified portfolio management and who, moreover, believe in the efficiency of the financial markets, qualitative and detailed analysis is of little value. Indeed, as far as this group are concerned, the most efficient portfolio is one made up of shares which represent, on a small scale, the market structure, as it is impossible to improve on this without incurring greater risk. In short, advice from industry professionals and detailed analysis of listed companies is worthless. To yield the maximum gain from the market, what is needed is a diversified portfolio which mirrors the market structure, taking into account the level of risk which the financial market itself represents. The latter is so efficient that no-one can beat it, that is to say, cannot hope to achieve a better performance over the long term!

In short, in the light of portfolio theory, greater attention is paid to the risk a given security represents to the portfolio than is paid to the risk that the security itself represents (Rainelli-Montagner, 2003) In other words, greater attention is paid to the degree of correlation between one security and all the others than to the security itself! Although this diversification strategy now seems predominant amongst financial players, it doesn't necessarily help these same players to build up any detailed knowledge of the businesses (or products) in which they are investing or in developing an active interest in shareholders' rights. The next section will demonstrate that the developmental dynamic of the financial system does not help the players within it get a better view of it.

2.3. Increasingly long and complex channels: the simultaneous growth of transparency and opacity.

Financial players have a basic need for transparency in order to make their calculations and to compare different asset classes to assess their returns and risks Thus, using information gathered, financiers may compare investments between a Russian mining company and a Swiss chemicals company, and an investment fund made up of a selection of bonds and equity with a real estate fund. Although the definition of transparency is not entirely clear-cut, it is proving fundamental in keeping the markets operational and developing their liquidity. All comparability presupposes, in effect, the permanent creation/construction of *transparency*, i.e. comparative data in space which is both standardised and publicly-available. Moreover, it is typical of market-oriented financial systems that they do not take into account close bilateral or private relationships, as these are not public and are therefore considered opaque.

Now, varying and often contradictory forces are now at play in the finance industry and are, paradoxically, sources of *opacity* for certain players (Corpataux, Crevoisier and Theurillat, 2009). Such opacity does not encourage players to be either active shareholders or to understand better the businesses and areas in which they are investing.

Let us then briefly summarise the three defining characteristics of the current finance industry dynamic. Firstly, the growth of capital mobility/liquidity and the principle of diversification both seem

to favour the *internationalisation of investments*. Now, new countries in which these investments are made are increasingly less well understood by investors. Secondly, the emergence of *new sectors* such as urban infrastructures or property (Torrance) requires new skills in addition to those required for traditional industrial investments. Finally, and in common with most business sectors, finance is also being transformed by both the process of product/service standardisation and *the process of innovation/complexification of these same products/services*. Now, new products (derivative products, composite products, etc.) are especially complex and it is extremely difficult, if not impossible, to determine what exactly one is investing in.

Moreover, with the emergence of *new players*, the structure of the financial system is becoming more complex. Upstream of the sector, we are seeing pension funds and other mutual funds, sovereign wealth funds, etc., appearing, managing what are now colossal sums of money and which are mostly invested in the financial markets. Downstream, ratings agencies have become key players as the move towards a financial market-dominated economy demands public, external and discrete evaluation systems, based on standardised information. In the face of increasing complexity and opacity, the finance industry seems moreover to be creating its own developmental drive as information agencies and the experts in charge of handling those “top” experts to whom the management of their money has been delegated are multiplying (Corpataux et al., 2009).

Thus, contemporary financial channels are generally becoming longer and longer, remaining opaque and difficult to manage, particularly for “small” investors at the end of the chain; moreover, it is not even clear whether ratings “professionals” or even major banking and financial players such as UBS and the large American banks who got bogged down in the “subprime” crisis are managing this opacity any better. Economists working with the IMF, that fervent champion of financial liberalisation, were already worrying about this opacification well ahead of the 2007-2008 financial crisis (see Schinasi, 2006).

This is something of a paradox, for, as Watson (1999) observed, the channels within the finance industry can be extremely short. Considerable sums, (and sums which have been constantly increasing over the last two or three decades), change hands every day on the financial markets between financial players. Conversely, those channels linking finance and the real world seem to be following an opposing trend and are constantly lengthening!

In summary, liquidity/mobility offers investors the option to pull out at any time. The implementation and the widespread acceptance of the diversification principle have led to an eclectic approach to portfolios, investors, sectors, countries and financial products. The distance, (whether geographic, social, technological or otherwise), between investors and the end point of their investment has grown exponentially, creating complexity and opacity. None of this encourages, indeed it may even prevent, those who hold capital from developing a detailed knowledge of the businesses and areas in which they are investing. They are increasingly divesting themselves of an entrepreneurial role to take on a “purely” financial role. This has led to a whole raft of reforms to rebuild links which both empower and engender a sense of responsibility in shareholders. Will such initiatives lead to the rebuilding of relationships between investors, business owners, businesses and local communities? Is it possible to restore this active role to investors, or does the current system condemn them to mere passivity?

2.4. Institutional investors: the rise of the exit strategy?

In the US, institutional investors have been managing the majority of financial assets for over two decades now. The managers of these supposedly organised and professional funds can be said to have considerably altered the system as they are in a position to influence business managers, or

at the very least, to keep a closer eye on management decisions (Harmes, 1998; Boubel and Pansard, 2004). This is in strong contrast with the Fordist era in which managers were dealing with an amorphous, largely disorganised mass of individual shareholders. These institutional investors are therefore often linked to the emergence of a new form of corporate governance (Orléan, 1999). This aims to reduce the inequality of information flowing between shareholders and managers and bring the interests of the latter in line with those of the former. The financial markets and their liquidity are thus becoming the instruments of various powerful minority shareholders, namely institutional investors. Their aim is perfectly clear: to maximise shareholder wealth whilst ensuring the highest share price and thus increasing dividends. This is what Lordon (2000b) termed "creating shareholder value". Listed companies are henceforth treated as a set of liquid assets, which can be traded at any time in accordance with a set of standardised criteria. The increase in shareholder power, particularly through institutional investors and the financial standards which they usher in, has only served to increase the allure of liquidity.

In continental Europe, certain capital holding and management models have undergone considerable transformations with the rise of institutional investors' power. Thus, in France, the appearance of institutional investors, Anglo-Saxon investors in particular, has considerably reshaped the shareholder model over the last decade (Morin and Rigamonti, 2002). Moreover, we are now seeing the emergence of new management standards which favour shareholders. These have a definite impact on companies' operational management and strategic planning (Morin, 1998). Therefore, whilst it is clearly the case that financial structures are changing as institutional investors' power increases and that new industry standards which favour corporate governance are proliferating, do these go hand-in-hand with genuine shareholder activism? Theoretically speaking, positions vary.

a. Voice or…exit?

Theoretical opinion varies on the degree of institutional investors' activism. Firstly, it is worth pointing out that if shareholders are not satisfied with a business investment, they have two options: sell their shares (what Hirschman (1970) called the *exit* strategy), or encourage the business to change its behaviour by exercising the voting rights which their shares confer upon them (the *voice* strategy). The latter approach is referred to as shareholder activism.

This issue has been examined by various writers, who have reached various conclusions. Clark and Hebb (2004) very optimistically describe a scenario in which institutional investors, particularly those in pension funds, will use their shareholding power to make their voices heard. In fact, this group, despite being minority shareholders, reincorporate previously disparate property rights, and form a new power coalition which is strong enough to influence corporate management. These players are however in a less powerful position when it comes to their *exit* strategy. In fact, on the one hand, pension fund management tends to be index ratings-led leaving them little room for manoeuvre. On the other hand, a mass withdrawal might lead to a company's stock market collapse, which funds do not want. As far as Clark and Hebb are concerned, this situation does not greatly favour exit strategies and pension funds prefer to make their voices heard. Moreover one might speculate whether, properly speaking, this constitutes *voice* or more specifically, loyalty, to borrow Hirschman's term, thus summarising the passive attitude of players who are unsatisfied and who could defect, but who feel that change would be too costly.

Taking the opposite view, Clark and Hebb (2004) and Aglietta and Rebérioux (2004) believe that such a system does not encourage shareholder activism. Whilst the spread of the shareholder value principle may increase the rift between the ownership and control of a business, it does not lead shareholders to take a voice rather than an exit strategy. Both writers consider that

shareholders nowadays tend in fact to abandon their right to control a business in favour of the benefits of accessing liquidity, i.e. the opportunity to divest oneself of one's securities at any moment on the stock market.

Orléan (1999) is equally strenuous in defending the idea that liquidity prevails, and to the detriment of genuine shareholder activism. This position is supported by various arguments. Firstly, holding a significant stake in a single company's capital contradicts modern financial theory's principle of portfolio diversification, as this would result in an increased risk of loss without a sufficient compensatory increase in potential return. Moreover, to improve returns, fund managers would need to get involved in managing the business and develop genuine managerial skills. According to Orléan, they often possess no such talent (on the practical inability of investors -and institutional investors' in particular- to behave as owners/shareholders and not just as "traders, see the paper by Hendry et al., 2006). Finally, holding a large stake in a company's capital also runs contrary to the aim of maintaining an easily and rapidly traded portfolio. Such shareholding could in reality not be quickly resold without destabilising the market for the shares in question. What does corporate governance theory and practice have to teach us about this latter issue? Large institutional funds are now major players on the financial markets, but do they take their shareholding role seriously? What do empirical studies on the subject show? Are we currently seeing a revival of shareholder power?

b. Evidence of shareholder activism and conclusions thereon.

Shareholder activism amongst institutional investors started in the US in the early 1980s when some of them began to submit recommendations to the Shareholders' General Meetings of various companies (Gillan and Starks, 2003). Nevertheless, and as Golding (2003) has pointed out, this was primarily an American phenomenon, linked specifically to the presence of a small number of large mutual investment funds (such as Fidelity) or public pension funds (such as CalPERS). From this one might conclude that shareholder activism in the US is largely illusory and merely the preserve of a few large funds. In fact, although reforms to support shareholder activism have been implemented in a number of countries, does this exercise not simply seem the product of an impossible challenge, wishful thinking, or even a fairy tale (Engelen, 2003)?

In Switzerland, despite an egalitarian system which involves both employers and employees and which might result in original decisions, pension fund policies regarding assets and liabilities seem particularly uninventive at shareholder level. We might suggest a whole list of reasons: numerous small funds managed by non-professionals with unsophisticated financial skills, multiplication and dissipation of shares, opacity, etc. Thus, with the exception of a few large funds (which moreover belong to large listed companies and public, cantonal or federal banks) they are entirely dependent upon a country's major banking and financial players. In short, they have neither the time nor the skills to discover exactly which companies they have a stake in, or to gather the relevant information to speak out at AGMs, preferring instead to put themselves in the hands of industry "experts" (Corpataux et al., 2009). In a recent survey, the OECD (2007) looked at measures taken in various countries to encourage genuine shareholder commitment and concluded that whilst a certain number of reforms have been implemented which aim to improve shareholder rights, they seem, in reality, to have had little effect.

Further to a study of Swiss pension funds (Theurillat et al., 2008, Corpataux et al., 2009), it seems to us that this is an acute and ongoing problem, as the financial system does not encourage active shareholder policies. Efforts made to resolve this problem are doomed to failure, as investors either wish to become involved in company management and have no need of the financial

markets, or they do not want to get involved and are thus using the facilities which the markets offer in terms of diversification.

In short, functionally speaking the links between the real and financial spheres are now starting to loosen. Moreover, whilst those standards which encourage them are becoming more widespread, financial investors are struggling to grow into an active shareholding role.

2.5. The functional and spatial separation of the real and financial spheres:

This separation of the real and financial spheres is territorial. The financial industry is fundamentally spatial: in creating and exploiting capital mobility/liquidity in space, it allows capital to be invested over increasingly long distances and through channels which are increasingly complex and opaque. This reinforces the trend for simply considering the narrow criteria of financial risk and return. Put simply, one might say that in the context of proximity or at least at a time when a more compartmentalised financial system was structured on a national or regional basis, it was difficult for investors or bankers to isolate themselves from the different aspects of that local or national society. Now, as investments are becoming internationalised, the growing complexity and opacity of financial channels (and the sums of money involved) are accordingly leading the identity and skills of both investors and players within the real economy to be reduced to the two qualitative considerations of financial risk and return.

We return to the debatable difference between *space* and *place*, between a circumscribed territory and a multi-location and multi-scale network. The finance industry, by providing recourse to third parties, has finally completed the separation of the financial and business functions thanks to the spatial separation between savings spaces, capital management spaces (the global city) and investment spaces. In 21st century capitalism, the boss's house was the first to be plundered at the first sign of social unrest. The former solution was the development of paternalism or social security; this security, it should be noted, was not only aimed at workers but also at preserving the value of capital and its related property ownership rights. Under financial capitalism, this spatial separation allows investors to distance themselves from multi-faceted economic and social issues, the latter being largely organised on the basis of either local or national proximity. The value of capital is evaluated on the financial markets by players who are not subject to social control or who are poised for exit.

Moreover, with this functional and spatial distance comes an increasing autonomy within the financial sphere. Far from being an accurate reflection of performances within the real economy, as posited by standard financial theories, the finance industry is now developing its own autonomy, expanding and developing in a unique way; in short, developing its own power in relation to the rest of the economy and society.

3. Increasing autonomy, expansion of the financial sphere and domination of the real economy

In this section we will examine the idea that the development of the financial industry's autonomy over the past twenty years has been due to a certain number of separations between the real and financial spheres. The financial sector has gradually developed a self-referential manner of functioning, expanding through a permanent expectation of price increases, thus continually creating new growth bubbles. These growth bubbles have themselves been absorbed over this same period owing to the expansion of the financialisation process in new spaces and sectors In this way, the financial sector has been able to overcome the general trend of falling profits and remain lucrative (see Harvey (1982) and more recently Aalbers (2008) or Zeller (2008a) and

(2008b) for similar views on the increasing autonomy/expansion of the finance industry). This increasing autonomy/expansion goes hand-in-hand with the spatial and functional separation described earlier.

3.1. The Increasing Autonomy of Finance

Finance, as defined in general financial theory, is merely a reflection of evolution in the real economy (Orléan, 1999; 2000; 2004) and its actions, in an unfettered world, constitute the efficient allocation of productive capital within the economy without disrupting it. In our sense, finance is not this passive reflection as defined by general financial theory. We are not in a balanced position which would reflect, in a similarly neutral and unilateral manner, the states of 'nature' (Rorty, 1979). As highlighted by Orléan (2008), we are based on a balance of beliefs and expectations which can, in this era of financial markets, become ever more easily cut off from the real economy and shape themselves in a manner increasingly independent from the that of the real economy. Moreover, the financial markets and the real economy maintain increasingly complex links, which, at times, are *contradictory*. Tensions between the two can occur as a result. Here are three such examples:

- In periods of significant uncertainty, share prices represent nothing more than the beliefs of the traders. This opinion is mirrored in the valuation of financial assets, which brings us back to Keynes' famous "beauty contest" metaphor, where no-one acts in accordance with what they believe, rather they act in accordance with what they think others believe. As such, this copycat behaviour forms the prevailing basis for conventions which go on to exert a strong influence over the actions and decisions of the financial community. From here, financial players can go on to develop increasingly autonomous and self-referential patterns of behaviour which are also at an increasing remove from the real economy. From the point of view of industry sectors and spaces these players can thus have representatives or conventions which *a priori* exclude certain regions and sectors.
- Furthermore, the financial industry can impose short-term performance targets which can lead to businesses following perilously short-sighted plans. In effect, the risk is that certain businesses issue dividends to keep shareholders happy rather than making the necessary investments to support their levels of innovation. In this way, the timescales for finance and production can also be contradictory. Financial markets continually value businesses on the basis of their short-term profitability, whereas a certain time period is required for a firm to reorganise its means of production, to innovate, develop, etc., or simply to enhance the value of its productive capital.
- Finally, a conflict of interest can develop between those financial players who only consider profitability and risk from a financial point of view and other parties involved who wish to factor other either less financial or entirely different criteria into decision-making, such as sustainable development for instance.

If the financial industry's representatives and investment choices/behaviour continue to achieve more and more autonomy, its control over the rest of the economy and society will thus increase. The liberalised global financial system seems to be entering a period of new expansion into financial capitalism, a new 'spatial fix' to quote Harvey (1982), signifying the implementation of means to resolve, or thwart, capitalism's inherent crisis tendencies and its endless, increasingly ingenious pursuit of new sources of profit. This expansive drive is what fuels the permanent creation of new growth bubbles.

3.2. The permanent creation of new growth bubbles and the expansion of financialisation

Over the last fifteen years, the financial industry has become increasingly autonomous, governing the economy and society. If, at the end of the 1990s, the system of financialised accumulation appeared to be based on the continued growth of stock markets (Lordon, 2000a), the crash of these markets at the start of the year 2000 seems to have somewhat changed the state of play. At the time, new sectors of the economy (real estate, urban infrastructure, alternative investments, etc.), which had previously attracted little attention from those in the finance industry, became the new focus. Faced with the 'temporary' depression in the share markets, (which recently recovered to relatively high levels before crashing again with the 2007-2008 financial crisis), financial investments, like communicating vessels, all started to shift towards traditional products (commodities, gold, oil, etc.) or new sectors of the economy, such as real estate or urban infrastructure, which had, until that point, remained to a greater or lesser degree, independent from the financial markets. This lead to an increase in their stock market value and the gradual financialisation of the economy. The financial markets subsequently focused on a succession of specific assets/sectors: real estate, raw materials, renewable energy, etc. These assets, their choice driven by speculation, often benefited the latest innovations. This expansion of the financial sphere on the rest of the economy takes place in two different ways.

The expansion of the financial markets occurs through its increased involvement with household savings accounts. Nowadays, these kinds of savings are, in effect, increasingly 'financialised'. In banking-oriented financial systems, individuals would deposit their savings with a bank, which would then replace the savings with bank credits or the value of real estate. Withdrawals were protected through a system of distribution, more often than not guaranteed by the State, and the funds barely entered the financial markets, if at all. However, with the institutionalisation of collective savings, (done, *inter alia*, through funded pension funds), and the accompanying increase in power of institutional investors which we are now seeing, an increasingly substantial portion of these funds are entering the financial markets. Furthermore, this increasing drain on new resources is often facilitated by the periodic 'reformatting' of the legal framework, becoming more 'malleable' in line with the principles and criteria of the finance industry (for the transformation of the institutional framework in Switzerland, see Theurillat et al., 2008).

On the investment side of things, the involvement of financial markets in the real economy also tends to grow. Until recently, fairly large swathes of the economy managed to escape the influence of the financial markets, either owing to the fact they could function independently or because they were only partially integrated into them. Subsequently, all of the state-run and state-controlled businesses, as well as traditional artisan industries, and a considerable proportion of agriculture, tourism, SMEs etc., continued to conduct themselves either entirely or partially according to different principles. As a result of the privatisation of the large public service industries (telecommunication, transport, electricity, etc.) in Europe at the end of the 1980s and throughout the 1990s, there was a sharp increase in the number of business quoted on the stock exchange and subject to its rules. In addition, the logic behind this expansion is theoretically valid, given that the principal of diversification which provides the framework for a substantial part of modern financial theory directs financial traders to invest in new sectors/markets etc.

In summary, the institutionalisation of collective savings has renewed the flow of capital into the financial markets and is, in part, responsible for the growth of the financial industry. This has resulted in many businesses and areas of activity, which had previously functioned more or less independently of the financial markets, becoming controlled by them from that point onwards. This

process of expansion and increasing autonomy is particularly noticeable on a spatial level since it implies new, different spatial scales and directions. We will thus seek to explain how *financial globalisation* is based on a different spatial horizon: it is starting to crush geographical scales which are at a remove from the real economy, the latter being more influenced by a traditional structuring of these different scales.

4. The spatialities of corporate governance

Globalisation should be seen as the superimposition of two systems of governance and thus of two geographical systems. Today, the financialised accumulation system defines on the one hand a regionally, nationally and internationally-based real economy, and on the other hand a financial economy organised into networks around the *global city*.

Moreover, financialisation does not affect all spaces to the same degree, nor at the same pace. This *disparity* is the key to the financial industry having maintained over a number of years a largely higher rate of return on financialised investments compared with real investments. In fact, the spread of globalisation has happened gradually by spatial expansion (new countries and regions are regularly opening up to financialisation) and sectoral expansion (new sectors have been either privatised-such as telecommunications- or financialised –such as real estate), and towards SMEs (Corpataux, Crevoisier and Theurillat 2009). Thus, the rates of return offered on stock-market traded shares did not only depend on the actual profitability of the activities they covered, but also on how much confidence there was in the listed companies, based on their expansion policies and their promises of future profits. Thus, various operations (mergers and acquisitions, restructuring exercises, share repurchasing, etc.) were all automatically financed and de facto approved based on analysis of past performance, thanks to the rise in the value of their share price.

Which area of space and the economy still remains to be conquered by financial globalisation? Sooner or later, it seems that financialisation will run up against decreasing returns. Is this limit to be found in the saturation of the planet's space, the impassable limit of the financial accumulation system?

4.1. Financial globalisation and the short-circuiting of traditional levels of governance.

We are seeing financial channels changing considerably. From a spatial point of view, savings collection spaces intersect less and less with investment spaces, whilst traditional channels and financial premises are on the wane, only leaving room for national and global channels.

Indeed, although savings are collected in a decentralised way, they are increasingly being managed centrally in the few major financial areas of the *global city*. The latter is controlling an increasing proportion of financial investments and has seen its work in the financial domain increase. Moreover, financial institutions based in global cities and the headquarters of large companies which automatically gather there find themselves ahead of the globalised economy. The international opening-up of the capital and goods and services markets has paved the way for deterritorialisation/reterritorialisation movements on a planetary scale. The existing institutional framework allows them to simply *short-circuit* the traditional scales at which nation-state economies operate.

According to Yeung (2002), generally speaking, globalisation can be defined precisely as the ability of certain players, large multinational companies and the main financial players in particular, to

operate at any spatial scale [scalar switchability, p. 290]. It is worth noting that the ability to select the scale at which one operates should not be confused with the ability to select other places whilst remaining at the same spatial level. One can relocate certain operations without however affecting the traditional operation of scales. Multi-location strategies are not necessarily defined by the gradual emergence of a new operational scale. In short, a business can decide to build a factory in Switzerland or in China by considering the local characteristics of each site. On the other hand, it will optimise its production on a global scale by rationalising the various sites according to a global plan. Only a global player, with a global vision, can carry out the latter. Global does not mean worldwide: it is not another stage along the traditional local, national, international succession. It is a way of short-circuiting this hierarchy of traditional scales and borders and consequently places and nations, no longer in a simple system of competing places or nations, but one which plays Kunming against France, the City against the Argentine peso, etc.

According to Yeung (2002), it is a matter of explaining how this scale has been set up over different periods of history. Today, these processes differ from those which characterised the industrial revolution, but they always bring into play the ability of certain players to short-circuit the existing operational scales and prompt their own operational scale to emerge, distinct from that of more traditional players.

In this article, we assert that over the last twenty years, the financial industry has controlled this short-circuiting process by taking to previously unseen levels the integration into the financial markets of large listed companies, their subsidiaries and investors. We are therefore seeing the superimposition of two governances with entirely separate spatialities. On the one hand, the real economy, with businesses largely dependent upon their production and market situation, must, in concert with the local and national authorities, draw up rules governing the employment market, environmental regulations, etc. On the other hand, financial regulation, in an advantageous position thanks to its exit capacity and the distance it has created between investors and businesses, links subsidiaries directly to groups listed on distant financial markets and brings demands in line with constantly-forming growth bubbles.

New accumulation spaces, centred on the global city, no longer correspond to operational spaces within the real economy. With increasing financial autonomy, the real economy is torn between, on the one hand, the demands of the financial sphere, following those of the stock markets, and on the other, the actual production conditions dependent upon local conditions. By transferring this pressure onto business, finance only has to worry about local competition conditions.

4.2. Disconnecting local competition conditions

Over the last twenty years, this disconnection between the financial and real spheres has benefited holders of capital, the finance industry and managers of listed companies. This can be interpreted as a reversal of the power relationships between these players and local and national societies, with the latter forced to subject their public policies on such issues as taxation, training and research, the employment market, the environment etc, to the criteria of corporate financial risk and return. Put simply, due to the financial industry's development, the region and the nation are no longer capital accumulation spaces, they are henceforth spaces focused on the global city, incorporating savings collection channels and business control channels. All corporate governance theories are simply expressing this separation in operational terms.

Now, a company's competitiveness is only partly dissociable from the places in which it is physically established. Over the last twenty years, studies on the competitiveness of nations as well as regions (clusters, innovative environments, regional production systems, etc.) have

generally shown this hypothesis to be valid. Indeed, what ensures competitiveness is the local ability to link different aspects of development as well as reconciling quantitative issues (such as returns) and qualitative issues (such as innovation) in a practical way. From this point of view, it is not businesses which are competing, but territories.

In economic terms, it would be a matter of (re)producing skills, developing innovation, managing costs, developing infrastructures, etc. In social terms, labour relations, social security, etc. also relate to the local ability to strike a compromise. Finally, in environmental terms, it is also local societies which are in the firing line as far as the (re)production of resources, or conversely, the lack of them, is concerned.

Now, these territorial entities are defined by specific and qualitatively discrete organisations and specialisations. At the same time, they are subject to the same quantitative pressure for financial returns. How then is competitiveness, which is largely regional and national (Carrincazeaux et al., 2007), to be reconciled with businesses which these days tend to mainly be large listed companies and which cover dozens, even hundreds of sites across an extremely diverse range of countries?

Financial globalisation gets around this issue very effectively. The financial markets demand very high returns on capital (the figure of 15% is regularly bandied about, whilst the world economy is growing at a rate of around 4%), and this applies to all businesses, regardless of which sector they are in. Such profitability can only be sustained if there is expansion into new sectors, and under threat of investor defection. This mobility of capital means that in practical terms, responsibility for real competitiveness is *delegated* to regions and nations. On the other hand, financial competitiveness, understood to be the ability to maintain profitability through a defined rate of return on the financial markets, comes within the global city space, namely the network of the world's foremost financial markets as well as the networks formed by major listed companies reaching out to establishments controlled throughout the world.

Some commentators believed that the strong growth of *private equity* prior to the market collapse would overcome this financial markets/real competitiveness dichotomy, and were already trumpeting the victory of the unlisted over the listed and the stock market. In short, the system had partly pushed its own solution to certain operational limits. Very briefly, these private equity activities can take two distinct forms. In the most important, the leveraged buy-out (LBO), private equity funds take control of a business through leverage (borrowing). Through the company they have purchased, the private equity fund then recoups most of the cost of acquisition through the payment of generous dividends. In such models, governance is improved as there is a direct relationship between the providers of capital contributions and business managers. The financial markets nevertheless play a key role by intervening at various stages in the process. First of all, they lend the necessary capital for the purchase of a business. They then impose a discipline on this same business as the weight of debt and the expected repayments are such that there is immense pressure on the business and its management to succeed. Finally, the stock market provides a natural outlet through which businesses can escape from the clutches of private equity.

Although some see this new relationship as promising, others see it as merely creating a new alliance between fund providers and managers, as exemplified by what has happened on the financial markets, and to the detriment of all other parties involved, particularly employees who are henceforth treated as balance sheet items.

Then there is venture capital, the second major form of private equity, which provides financial assistance to start-up businesses. Venture capital remains however a partial solution, from both a sectoral and regional point of view. It is expanding both selectively and unequally. Venture

capitalists or business angels generally only look at “fashionable” sectors such as dot.com or high tech businesses, and, moreover, those whose expected future returns are especially high (Dubocage and Rivaud-Danset, 2006). A similar situation can be seen in the regions. Looking at this issue in the UK, for instance, Martin et al., (2005) show that being based in south-east England is a serious advantage when it comes to attracting venture capital. The various forms of private equity therefore have their limits.

In summary, the spatial separation between business and financial functions (very slightly reduced with the increased power of private equity) allows the latter area to distance itself from the multi-faceted nature of competition and sustainable territorial development.

5. Conclusion: towards the rediscovery of short channels and the virtues of loyalty?

Let us first of all remember that a liberalised financial system should only have a positive impact upon the real economy. A financial system which has gone global, outstripping the economy, should not only allow the more efficient distribution of capital but also play the role of “keeper of the flame”, i.e. ensuring that businesses and states have sane and sensible financial policies (Lordon, 1997). This financial market discipline was considered positive as it encouraged rational and efficient investments and avoided them falling into networks of individual influence (whether local or national) or into the hands of politicians whose only ambition is to get re-elected. In short the financial markets were not only there to ensure the most efficient distribution of financial resources but also, in Foucaultian terms, to “discipline and punish”. Nevertheless the links between finance and the real economy are not as straightforward, unilateral and virtuous as orthodox theory would have us believe. In reality, it is mobile, liquid investments and those using long and complex financial market channels which have been most popular, and to the detriment of real, local and long-term investments. Moreover, these long-term investments are now considered risky, particularly if they concentrate a large proportion of capital in the same place. Yet this fragmentation/dissemination of risk should, at least according to diversification theory, reduce the likelihood of financial crisis! The proliferation of financial instruments and innovations should also provide better protection for economic players. Now, these very instruments and innovations are sources of increased instability at the level of the overall financial system (Morin, 2006).

What is more, direct and short channels remain indispensable for all those who are seeking to expand and who are not connected to the financial markets. Indeed, investments are now being made primarily within the financialised space. A certain number of players, sectors and spaces are therefore, a priori, excluded, in spite of the fact that the financialised space is expanding (Theurillat et al., forthcoming). In short, the financial system which has been developing over the last twenty years is based on the accumulation of financial capital through the gradual expansion of liquidity and return and risk criteria, towards new economic activities and new spaces. At a macro-economic level, this system worked by the permanent creation of bubbles, implying corresponding periods of crisis, resulting from the intrinsic instability of the financial markets (Minsky, 1992). At a micro-economic level, this system is characterised by a marked *separation* between the investor and the business owner (and beyond this, the business and its context), by an ever-increasing *distance* between these two parties and by an *abstraction* in the sense that for investors, the business is reduced to two criteria of risk and return, and finally, by a *hierarchicalisation* in the sense that financiers always have an exit route open to them.

The system has now entered a period of severe crisis, very probably indicating the end of an era. We believe that current salvage operations are doomed to failure as they essentially deal with the

financial sphere, without addressing the fundamental issue examined in this article, namely that of relationships between the real and financial spheres. How, from now on, and current salvage operations aside, do we see the future of the financial system? There are several possibilities.

Firstly, it is necessary, and certainly sane, to dispense with the notion that market finance will continue to be as central to the economic system and to society as it has been over the last twenty-five years. Finance should no longer continue to develop in opposition to the real economy, or in any case, not in the way it has been doing. Consequently, we now need to rethink the relationships between the real and financial spheres. Now, this reconnection can only be achieved by setting up institutions which contrast sharply with the governance described in this article. A good pact with the local society guarantees stable long-term returns with even relatively limited management initiatives. The timescale for pension funds, for instance, corresponds to that for the payment of benefits to those covered. For some, investments over the very long term (20 or 30 years) are therefore planned.

Generally speaking, financial power resides in the mobility/liquidity of capital and its permanently-available exit capacity. Shareholders and particularly capital managers now need to rediscover the virtues of what Hirschman called “loyalty” to a company, as well as to the regions and nations in which they reside, and in which they can flourish.

This loyalty can be summarised in three main points:

- Firstly, investors must agree not to resort to exit strategies. Players in the real economy no longer have any confidence in the financial markets and this confidence can only be regained in a relationship which from the outset posits the interdependence of both spheres.
- It then requires that the way in which financial players get involved in schemes in the real economy needs to be rethought. This involvement should firstly be sustainable. It also needs to identify more clearly which parties are involved.
- Finally, it should in one way or another, take into account the real economy’s regional and national conditions.

Territory is in fact the bearer of loyalty (Frigant, 2000). Territory bears the scars of the past and forms the basis of well-understood, shared experiences and ideas for the future. It is thus necessary on the one hand to re-discover where the challenges for the real economy lie; on the other hand, capital managers need to relearn how to deal with multi-faceted production issues, issues which require a long-term approach with a timescale of several years.

6. Bibliography

Aglietta M. (1998), *Le capitalisme de demain*, Notes de la Fondation Saint-Simon, no 101, novembre.

Aglietta M. (2008), *Macroéconomie financière*, 5e édition, La Découverte, Paris.

Aalbers M. B. (2008) “The Financialization of Home and the Mortgage Market Crisis”, *Competition and Change*, 12(2), pp. 148-166.

Aglietta, M. and Rebérioux, A. (2004), *Les dérives du capitalisme financier* (Paris: Albin Michel).

Allen F. et Gale D. (1999), *Comparing Financial Systems*, MIT Press, Cambridge.

Billaudot B. (2001), *Régulation et croissance, Une macroéconomie historique et institutionnelle*, L'Harmattan, Paris.

Boubel, A. and Pansard, F. (2004), *Les investisseurs institutionnels* (Paris : La Découverte).

Bourguinat, H. (2000), La finance mondiale, équilibre et turbulence, in Cabin P. (coordonné par), *L'économie repensée* (Auxerre: Sciences Humaines Editions).

Boyer R. (2000) "Is a finance-led growth regime a viable alternative to Fordism? A preliminary analysis", *Economy and Society*, 29(1), pp. 111-145.

Carrincazeaux C, Gaschet F, Becue M, (2007), "Typology of European Regions: Final Report", *working paper EURODITE*: regional trajectories to the knowledge economy: a dynamic model,

http://www.eurodite.bham.ac.uk/partners/WorkPapers/WP4/WP4b_typology.pdf

Chavagneux C. (2007), "Le bateau ivre", *Alternatives économiques*, Hors-série n°75 : " La finance", décembre.

Chesnais F. (2001), "La théorie du régime d'accumulation financiarisé : contenu, portée et interrogations", Article présenté au *Forum de la régulation*, 11-12 octobre, Paris.

Clark, G.L. and Hebb, T. (2004), Corporate Engagement: The fifth stage of capitalism, *Relations industrielles / Industrial Relations*, 59 (1): 142-171.

Clévenot M. (2008), "Les difficultés à nommer le nouveau régime de croissance", *Revue de la régulation*, n°3/4 | 2e semestre.

Dembinski P. (2009), *Finance : servant or deceiver? Financialization at the crossroad*, Palgrave Macmillan Basingstoke.

Engelen, E. (2003), *The Fairy Tale of Pension Fund Engagement*, Comments on Clark & Hebb "Understanding Pension Fund Corporate Engagement in a Global Arena" available at: http://www.fmg.uva.nl/amidst/object.cfm?objectID=45DF0517-EE71-4F5E-823E803B3AA8B6C8

Frigant V. (2000), *Coordination des relations verticales et proximité: une analyse des défaillances interfirmes selon le modèles défection / prise de parole*, Thèse de doctorat, Bordeaux : Université Montesquieu.

Golding, T. (2003) *The City: Inside the Great Expectations Machine*, 2nd ed. (London: FT/Prentice-Hall).

Harmes, A. (1998), Institutional investors and the reproduction of neoliberalism, *Review of International Political Economy*, 5 (1): 92-121

Harvey, D. (1982), *The limits to capital*, Chicago: University of Chicago Press.

Hendry J., Sanderson P., Barker R. G. and Roberts, J. (2006), "Owners or traders ? Conceptualizations of institutional investors and their relationship with corporate managers", *Human Relations*, 59 (8): 1101-1132.

Hirschman, A. (1970), Exit, *Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, MA: Harvard University Press).

Markowitz H. (1959), *Portfolio Selection: Efficient Diversification of Investments*, J. Wiley, London.

Martin R., Berndt C., Klagge B. and Sunley P.(2005), "Spatial Proximity Effects and Regional Equity Gaps in the Venture Capital Market: Evidence from Germany and the UK", *Environment and Planning A*, vol. 37, no 7, pp. 1207-1231.

Minsky H.P. (1992), "The Financial Instability Hypothesis", *The Jerome Levy Economics Institute Working Paper No. 74*, May.

Morin, F. (1998), *Le modèle français de détention et de gestion du capital. Analyse, prospective et comparaisons internationales* (Paris: Editions de Bercy).

Morin, F. and Rigamonti, E. (2002), Evolution et structure de l'actionnariat en France, *Revue Française de Gestion*, 28 (141) : 155-81.

Morin F. (2006), *Le nouveau mur de l'argent : essai sur la finance globalisée*, Seuil, Paris.

Lordon F. (1997), Les quadratures de la politique économique : Les infortunes de la vertu, Albin Michel, Paris.

Lordon F. (2000a), Fonds *de pension, piège à cons? Mirage de la démocratie actionnariale*, Editions Raisons d'Agir, Paris.

Lordon F. (2000b), "La création de valeur comme rhétorique et comme pratique : généalogie et sociologie de la valeur actionnariale", *L'Année de la Régulation*, vol. 4., pp. 117-165.

O'Brien R. (1992), *Global financial integration: the end of geography*, Royal Institute for International Affairs, London.

Orléan, A. (1999), *Le pouvoir de la finance*, Odile Jacob, Paris.

Orléan A. (2000), "L'individu, le marché et l'opinion : réflexions sur le capitalisme financier", *Esprit*, no 269, novembre, pp. 51-75.

Orléan A. (2004), "La bourse est-elle au service de la production ?", *Rapport Moral sur l'Argent dans le Monde* 2003-2004, pp. 51-58.

Orléan A. (2008), "Les croyances et représentations collectives en économie", in Bernard Walliser (éd.), *Économie et Cognition*, Éditions Ophrys et Maison des Sciences de l'Homme, coll. "Cogniprismes".

Palan R. (2002), "Tax Havens and the Commercialization of State Sovereignty" *International Organization*, Winter2002, Vol. 56 Issue 1, p151-176.

Rainelli-Le Montagner H. (2003), *Nature et fonctions de la théorie financière*, PUF, Paris.

Rorty R. (1979), *Philosophy and the Mirror of Nature*, Princeton University Press, Princeton.

Sauvage G. (1999), *Les marchés financiers, Entre hasard et raison : le facteur humain*, Seuil, Paris.

Schinasi G. J. (2006), *Safeguarding Financial Stability. Theory and Practice*, FMI, Washington DC.

Simon Y. et Mannaï S. (2001), "Titres (Évaluation des) ", in Jessua C., Labrousse C. Vitry L. et Gaumont D. (direction), *Dictionnaire des sciences économiques*, PUF, Paris.

Stark Gillan, S.L. and Starks, L.T. (2003) Corporate Governance, Corporate Ownership and the Role of Institutional Investors: a Global Perspective, *Journal of Applied Finance*, 13: 4–22

Torrance, M. (2006), The rise of a global infrastructure market through relational investing: unraveling the web of financial flows into urban geographies, *Working Papers in Employment, Work and Finance*, WPG 06-17, School of Geography, Oxford.

Watson M. (1999) "Rethinking Capital Mobility, Re-regulating Financial Markets", *New Political Economy*, 4 (1): 55-75.

Yeung-H.W.-C. (2002), "The limits to globalization theory: A geographic perspective on global economic change", *Economic-Geography*, 78(3): 285-306.

Zeller C. (2008a), "The power of finance and uneven development", Espace - Working Paper Series (Geographisches Institut der Universität Bern) (3).

Zeller C. (2008b): "Uneven financial flows in the global economy", Espace- Working Paper Series (Geographisches Institut der Universität Bern) (4).