

**From Public Enterprises to Supranational “Services of General Economic Interest”:
The Changing Logics of European Integration.**

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Paper presented at the EBHA 2004 Conference

Barcelona 16-18 September 2004

Universitat Pompeu Fabra.

Session 1C

Public Utilities and State-Owned Enterprises

ABSTRACT

From the 1980s, the privatization of public enterprises became a global fashion in most countries world-wide. Most EU Member States were enthusiastic players accounting for two thirds of total OECD privatization proceeds during the 1990s. As EU privatization evolved, two dominant, yet contradictory, explanatory paradigms appeared: the ‘British paradigm’ and the ‘multiple logics approach’. While the former assumed that market-friendly ideology played a significant part in a lineal path dependency towards an (implicitly) inevitable privatization led by the UK experience, the latter observed that the UK was more of an anomaly than a leader, since privatization in EU countries was a diverse programme with few, if any, common rationales. From the mid 1990s, attention has turned to the importance of Europe when explaining EU privatization. Using comparative data on countries and sectors, it is argued that privatization was motivated by similar pragmatic concerns connected to integration requirements, the need for internationally competitive markets and a common regulatory policy for ‘services of general interest’. Europe is thus a powerful explanatory factor when considering EU privatization.

Keywords: privatization, public enterprises, European Union, integration, Europeanization, services of general interest.

I. INTRODUCTION¹

At the end of the 1970s, the prospect of privatising the public enterprises that operated in sectors such as water, telecommunications, railways or air transportation seemed a thoroughly unappealing one in political terms. Not even the future privatization 'champion', the British Conservative Party, envisaged this kind of reform when it came to power in 1979. Only two decades later, however, privatization had become a global fashion. Certain industrial and service sectors were more deeply affected than others. Telecommunications had been totally or partially privatised in most countries, as had selected companies operating in the airline industry, electricity generation and distribution. Privatization had also affected other public utilities such as gas and water, as well as important parts of the public sector including hospitals and prisons. Privatization had penetrated so deeply into some economies that, much to the chagrin of privatization promoters, in some regions, such as the EU, it was claimed there were few companies left to privatize (*Privatization International Yearbook* 1999, OECD 2002).

The policy of privatization has attracted a great deal of attention from academics as well as business analysts and the literature on the topic is now vast. In an attempt to categorise it, some general observations must be made. Since a review of the privatization literature is beyond the aims of this article (for a recent review see Megginson and Netter 2001), for the purposes of this article, privatization literature has been divided into three main sub-literatures: the 'British paradigm', the 'multiple logics approach', and the 'European paradigm'.

The 'British paradigm' stresses the British experience in privatisation in general by emphasising the characteristics of the experience such as an ideological preference for 'market solutions' (which are often associated with a centre-right political outlook) and a corresponding distaste for state intervention. Privatization is often treated in a 'deterministic' way: it is conceived as being a worldwide trend which 'swept' across the globe, and is implicitly inevitable, since all countries must embrace its logic sooner or later if they are to be included in the modern global market economy. Though there have been different routes chosen to privatization across the world, in terms of chronology, motivation, rationale, scale and scope, this perspective interprets privatization as a single, homogenous process that can be implemented in diverse countries and yet have the same kinds of results. One of the main reasons for the emergence of the 'British paradigm' was that much of the early privatization literature was 'reactive' to the contemporary privatization experiences. For instance, the British and French privatization experiences strongly marked the 1980s privatization literature such as Vincent and Wright (1989) and, as a consequence, some of the hallmarks of these experiences were engraved into the literature. Kay and Thompson (1986) criticised this early literature for the pro-market ideology embedded within it, pointing out that there was an inherent belief in

¹. This research has been funded by the Spanish Ministry for Science and Technology (National Plan of Scientific Research SEC 2002-00278).

the superiority of private ownership, that is, that profit-maximising behaviour of new owners would, in itself, ensure efficiency and an adequate social provision of services, neglecting other concerns such as strengthening competition. This 'British paradigm' is alive and well in the contemporary period. Two recent examples taken from an international industry magazine and a leading influential international business magazine must suffice to make the point:

'When Margaret Thatcher became PM of the UK 20 years ago, she immediately began privatising state owned enterprises. Since then, nearly every government of the world has sought better economic performance by selling SOE. By the mid-1980s, other European governments beginning to follow the UK lead and privatise as part of their effort to break out of economic stagnation'. (Privatization International Yearbook 2000: 7).

'A decade or so ago it seemed that privatization would provide the cure for part of continental Europe's economic ills. Government of all hues were following the trail blazed by Margaret Thatcher in Britain after 1979. By shifting assets from the public-sector control to the disciplines of private ownership and the capital markets, huge economic efficiencies could be unleashed –and, not incidentally, large sums of money be raised for state coffers'. (The Economist 29 June 2002: 71-73).

This approach also continues to characterize much of the contemporary policy prescriptions about privatization by the World Bank and the International Monetary Fund, where recommendations insist on the superiority of private ownership for efficiency plus the need to avoid the 'deadly disease' of public ownership (Kikeri, Nellis and Shirley 1994, Shirley and Walsh 2000).

From the end of the 1980s, cross-country comparative work on privatization started to emerge in response to the growing diversity of experiences. The lineal and mono-motivational perspective of the British paradigm was gradually rejected by many observers as new experiences and unfolding practices were analysed. The diversity of experiences resulted in more subtle understandings of privatization. Based on the cases of the UK, the US and France, Feigenbaum *et al* (1998) constructed three models (systemic, tactical and pragmatic) of privatization. Clarke (1993) indicated the pitfalls in trying to 'transplant' privatization experiences from Western Europe onto other countries. Parker (1998) enriched the theoretical debate and challenged the linearity of the 'British paradigm' by highlighting the different practices around Europe. The UK was not a privatization leader but a privatization anomaly. Experiences were so diverse, it was concluded, that there was no single, common rationale or objective for privatization in Western Europe, but instead 'a confusion of rationales in search of a common policy' (1998:6). Moreover, the neoliberal ideology associating private ownership with optimum performance which underscored the 'British paradigm' was contested by post-privatisation results: Parker (1998) pointed out how narrow definitions of efficiency as financial gains produces

radically different results when performance is measured. The relationship between private ownership and efficiency is contested and inconclusive: results often differ because radically different definitions of efficiency are being deployed. Narrow, financial definitions tend to produce different results than broader definitions including public interest criterion. As Héritier (2002) demonstrated in the case of rail transport before and after reform, if safety, reliability of service provision and affordability are included as indicators, the evidence on performance is far from clear. Indeed, Stiglitz (2002) labels the blind belief in private ownership 'market fundamentalism'.

A third main approach to privatization could be loosely labeled a 'European paradigm'. Here, there is a consensus that Europe, located in a changing global context from the 1970s, is an important force for policy reform, including privatization. This paradigm includes a diversity of approaches including neofunctionalist and intergovernmentalist approaches to integration as well as the newly emerging body of literature on Europeanisation. Amongst the contributions to the 'European paradigm' are those that foreground the role of the European Commission as 'policy entrepreneur' in order to implement market reform at a global juncture characterized by economic, political and technological change in the backdrop (Sandholtz and Zysman 1989, Sandholtz 1993). Majone (1994, 1996, 1997) argued that, in Europe, a 'regulatory state' was replacing a 'positive state'. Privatization was a key part of this new regulatory state, along with the creation of regulatory agencies and new rules ending monopolies. This was leading to changes in state functions focusing on correcting market failures via rule-making rather than budgetary allocations. There was thus a general trend across Europe, with some cross-national variations, which would require further analysis. Thatcher (2002) took up Majone's (1997) challenge, refining the argument to claim there are several 'regulatory regimes' emerging rather than a single 'regulatory state', since countries and sectors respond to reform in distinct ways. Attention is then directed to explaining these differences: variables include different points of departure within the 'positive state' (Schmidt 2002), technical differences (Héritier 2002), different policy styles (Richardson 1982), various degrees of international pressure and so on. Europeanisation scholars are further enriching the theoretical debate by building models in order to identify the variables that explain the diversity of outcomes (Featherstone and Radaelli 2003). Indeed, so much attention is being placed on the power of Europe to transform that there is a danger of assigning reform to Europe without considering other alternatives (Radaelli 2003). By analysing diversity in policy outcomes, such as the reform difference in the telecoms and electricity sectors, analysts seek to separate out the role of Europe, the consequences of technical change and the impact of global forces. Bartle (1999) explains the faster pace of liberalisation in the telecoms sector than the electricity sector during the 1990s by pointing to greater pressures to globalise in the former and technical differences in the networks rendering electricity more territorially bounded, resulting in a more vigorous interest organization response in the telecoms sector. Levi-Faur (2004) insists on the need to separate out globalization from Europeanisation, no matter how complicated and daunting this task may seem. In a study of liberalisation of the same two sectors, he argues that there were so many similarities between

Europe and other regions that the question needs to be addressed: does Europe actually matter in the face of global forces, and if it does, how?

This article seeks to identify the motivations for privatization across the EU. Relatively few scholars of European integration or Europeanisation have isolated privatization for study, instead analyzing it with other, distinct but associated, policies such as liberalization or on a host of policy reforms including privatization. This may be because privatization is not, and must not be, a EU policy: the EU is obliged to remain entirely neutral on issues of ownership, and must restrict its remit to ensuring effective competition and public service delivery. The quest to understand EU privatization is approached by enquiring which of the three existing paradigms (British, multiple logics or European) best explain this process. In order to do this, basic hypotheses can be set up to test each approach. First, if the 'British paradigm' is a useful model in helping to understand European privatization, it would seem reasonable to state *that if the core characteristics of this experience were emulated across the EU, such as a clear preference for private ownership and a corresponding distrust of the state, an emphasis on efficiency gains, accompanied by variants of a neoliberal discourse, the answer would be positive.* To test the 'multiple logics' approach, the hypothesis would be that *the motivations behind EU privatization are so diverse that it is hard to find much common logic, if any.* If, however, common logics are detected, it is important to determine whether privatization is driven by Europe (associated with the process of European integration or by the more general processes of Europeanisation) or by other global forces. The hypothesis here is that *Europe is indeed important if privatization in the region is shown to have its own defining features, patterns, hallmarks and even 'values', setting it apart from privatization elsewhere.*

In order to attempt to answer these questions, it is necessary to examine the EU privatization experience from the 1980s to the beginning of the twenty-first century using a combination of quantitative and qualitative methodology. There already exists quite a large body of literature on privatization in the EU. Most of this has been written by country or sector experts, and has the advantage of a wealth of information about the domestic experiences. There is much less comprehensive comparative data across countries and sectors, so this had to be developed for this research. To summarize the results, certain key variables were selected for analysis: proceeds generated, timing, sequence, rhythm and sectors affected. This quantitative approach is supplemented by qualitative research based on analysis of the privatization experiences by national policy makers in from interviews, reports and secondary material. The main qualitative question presented here focuses on political discourse. However, rather than analyzing how individual member states justified their privatization programme, the single question is, how important was neoliberal discourse in justifying EU privatization in the various domestic contexts? This in turn is used to test the 'British paradigm'.

Selective results are summarized and presented in the next two sections. In the second section, an empirical analysis of select features of privatization in the EU is presented in order to summarise the processes. Limited qualitative analysis is provided to suggest explanations for these trends. In the third section, we argue that the 'British paradigm' was useful for early

privatization experiences in the EU, but much less useful for 'late' privatization, that is, privatization which occurred during the 1990s. While the 'multiple logics approach' is rich in historical detail, it fails to identify common privatization trends. Thus the findings here concur with variants of the 'European paradigm': Europe was indeed an important force for privatization. European integration, both in its positive and negative forms (Scharpf 2002) helped filter and shape privatization experiences in terms of timing, sequence and sectoral trends.

2. EMPIRICAL EVIDENCE ON PRIVATIZATION IN THE EU.

In this section, selected findings of an analysis of EU privatization are presented with the aim of ascertaining which of the existing theoretical frameworks best explains the processes. The timing of privatization measured by proceeds generated is one of the most common approaches to analyzing this policy development (OECD 2002). The timing of privatization in the EU is first contrasted with that in the OECD, then, the EU results are disaggregated by country in order to assess country sequence, that is, the order in which EU countries embarked on privatization. Sequence is measured in two ways here. First, by global proceeds per country, and second, by global proceeds per country according to the size of the economy. This second method helps avoid biased versions of privatization that ignore the smaller economies that made relatively greater efforts to privatize. Examination of rhythm reveals whether privatization activity was smooth, continual, and relatively long-term, concentrated, sporadic or otherwise. This sheds light on whether privatization was linked to specific company sales, to particular political or market opportunities, or whether it was a part of a long-term policy objective.

1. i. Timing, sequence and rhythm.

Privatization in the UK is often associated with the Conservative Party which was in power between 1979 and 1997. Though the UK was not the pioneer nation to embark on privatization policies, since Adenauer should be credited as the true European privatization pioneer, the British programme has become a point of reference due to its radical, ambitious and experimental nature, as well as the nature of its broad application. The policy of confrontational privatization pursued by Margaret Thatcher represented a rupture with the tradition of tripartite consensus that had characterised post-war governments (Heald 1989, Hulsink 1999). State intervention and public enterprises had been subject to long standing criticism in Britain, particularly since the 1950s (Millward 2000: 175). However, the Conservative government from 1979 was particularly enthusiastic in its condemnation of public enterprises and its attack contained strong ideological elements (Yergin and Stanislaw 1998). There were also a mix of pragmatic economic and political aims behind the

privatization programme, including the wish to ease fiscal pressure, to create 'popular capitalism', and to roll back the power of trade unions and political opposition.

Most other European governments embarked on privatization programmes before the 1990s. These included the programme in France between 1986 and 1988 and the '*privatizations silencieuses*' undertaken by François Mitterand. In addition, IRI and ENI privatized some Italian companies (Segnana 1993), the INI sold Spanish enterprises, (Comín and Martín Aceña 1993), and the Labour Party sold a stake in British Petroleum in 1977 (Vickers and Yarrow 1988, Wright and Thompson 1994). However, these combined sales did not represent a continuous or highly significant political programme. In fact, until the late 1980s, the only significant instance of privatization in the EU was Britain. Although often cited, the French privatization programme between 1986 and 1988 was more of a reaction against the nationalisation programme undertaken by the previous Socialist government. Privatization in France really became significant only during the 1990s in line with the rest of Europe. During the second half of the 1980s, many countries, such as Austria, Denmark, the Netherlands, Spain and Sweden, started to define their programmes and privatization strategies, in particular, through restructuring and corporatisation. It was not until 1993, however, that the majority of EU countries undertook ambitious programmes, principally through public share offerings of public enterprises as shown in Table 1. Indeed, the year 1993 marks an unequivocal landmark for the launch of most EU privatization, begging the question of timing.

TABLE 1 ABOUT HERE

On examining the overall financial trends of resources generated by privatization in EU countries during the 1990s, there is a pattern of almost continuous growth, from US\$ 16 billion in 1990 to US\$ 71.8 billion in 1998, followed by a decline to just US\$ 11 billion in 2001. This trend correlates with the proceeds generated in the OECD and the rest of the world, in which EU countries made up 65 per cent and 45 per cent respectively of each total. In financial terms, privatization proceeds world-wide quadrupled in volume between 1990 and 1999, although there were oscillations due to declines in EU levels in 1992, 1994 and from 1999 onwards. Between 1990 and 2001, in current dollars, the main EU countries that generated resources were Italy, France, the UK, Spain and Portugal. Indeed, these five countries made up three-quarters of the EU total, as shown in Table 2.² This dominance helps to explain the numerous studies on privatization in these countries (particularly the UK, France and Italy). The UK's pioneering role in privatization, plus the fact it was overall most

² The UK figures may be underestimated here when compared with the rest of the EU results in current terms, because the sequence of privatization was earlier in the UK than in the rest of the EU.

important privatiser in the EU, is key to explaining the fact that much of the literature on privatization is heavily influenced by the UK experience.

TABLE 2 ABOUT HERE

Privatization proceeds should also be considered in proportion to the size of an economy and, more particularly, in terms of the size of the public enterprise sector prior to the onset of privatization. This could be called 'privatization effort'. From this perspective, the cases of Portugal, Greece, Ireland and Finland become important, since their privatization programmes generated double the average financial income across the EU as shown in Table 3. Nonetheless, much less attention has been paid to these countries in the privatization literature. In a second group, comprising a range from the EU average to US\$2000 were Italy, Sweden, Austria, Greece and France. These countries had a large public enterprise sector relative to GDP before the 1990s, and all made enormous efforts to de-invest. In the last group are the countries that generated the least amount of capital per head, the Netherlands, Belgium, Denmark, Spain and the UK. Germany generated the lowest amount of privatization proceeds per head, despite the fact the public enterprise sector was of average size at the beginning of the 1990s. So, although Germany was an important privatizer in overall terms, the privatization effort was the lowest in the EU.

TABLE 3 ABOUT HERE

The UK made up for nearly all the global privatization revenue generated before 1993, leaving Portugal some way behind in second place. After 1993, privatization extended to all EU countries. Between 1993 and 2001, each of the three countries Italy, France and Spain generated more than the UK from privatization. The UK gradually became less significant in terms of privatization and, in 1998, its revenue was virtually negligible. In specific years (1993, 1995 and 1996), however, the UK was still the second most important privatiser in the EU. This leads us to a related point connected to the sequence of privatization. The UK was a privatization pioneer that became gradually less important as the process started to really take in the rest of Europe, that is, from 1993. In 1993, the most important programme was the French one, which represented 41 per cent of the total privatization revenue that year, followed by the UK, which accounted for 29 per cent. The French experience was not an exception, rather, it was indicative

of the emergence of privatization programmes in the rest of the EU. Between 1994 and 2001, the single most important programme was the Italian one, which generated one third of total proceeds. Next in importance was France, followed by Spain. In 1999, as privatization proceeds peaked, smaller countries such as Greece and Ireland contributed significantly to total volumes. In eleven EU member states, privatization revenue peaked between 1997 and 1999.

In terms of rhythm, there were various scenarios in the EU from 1993. In Italy, France, Austria and Portugal, the effects of privatization were quite evenly distributed, and annual proceeds never exceeded 23 per cent of the accumulated national resources for the whole period from 1990 to 2001. These countries enjoyed some of the largest public enterprise sectors in the EU. Privatization took off in Italy and France from 1993, though in Austria and Portugal this occurred earlier, in 1987 and 1989 respectively.

In smaller economies with relatively large public enterprise sectors, such as Finland, Greece and Ireland, extensive privatization programmes were postponed: privatization revenue was concentrated in Finland between 1997 and 2000 (75 per cent), in Greece from 1997 (nearly 92 per cent) and in Ireland after 1999 (nearly 85 per cent). There were different reasons for these delays, including a lack of political consensus and the postponement of opening up certain designated activities for the EU market, such as telecommunications, in the cases of Greece and Ireland. In the case of Finland, public enterprises were associated with independence and efficient, flexible management. Here, privatization was driven by the pragmatic need to face European integration in the specific sectors of telecommunications (Sonera), energy (Neste) and airlines (Finnair).³ (Tapio 1997, Kalliomaki 1999, Bonar and Elo 1998).

In the third group are countries that had a relatively small public enterprise sector at the beginning of the 1990s, and privatization was rapid and concentrated in an early period. This includes the Netherlands, (where 62 per cent of proceeds was generated between 1994 and 1996), Belgium (84 per cent between 1995 and 1998) and Spain (70 per cent between 1996 and 1998). The main explanation for this trend was the adherence of these countries to EU sectoral liberalisation. Countries including Denmark, Germany and Sweden, which also had a relatively large public enterprise sector, generated proceeds in an irregular, even sporadic manner. In these countries privatization is best explained by a 'tactical' or 'opportunistic' strategy, choosing to sell large company tranches when financial market conditions were attractive. Thus, privatization revenues from countries in these last two groups were guided by tactics to maximise revenue, and by relative importance of public offerings of telecommunications companies in countries in those countries with a relatively small public enterprise sector.

II. ii. Sectoral Trends.

Privatization across the EU was far from even: certain sectors were much more affected than others. In this section, public enterprises will be considered in four groups: industrial, financial, transport and communications, and network industries including water, gas and electricity. These are broadly representative, though not fully comprehensive, of public enterprise activities.

II. ii. a. Industrial.

Historically, in various countries, specific industrial companies had been established and/or controlled by the State for fiscal purposes, such as the tobacco and alcoholic drinks industry in Austria, France, Germany, the Nordic countries, Spain and Portugal. Governments also undertook the management of various manufacturing activities, or nationalized industrial companies, based on arguments such as market failures, natural monopolies, strategic interests, defense and so on in sectors such as steel making, metallurgic industries, shipbuilding, automobiles and sugar. Industrial public enterprises practically disappeared in all EU countries at the end of the twentieth century, as shown in Table 4. At this time, they represented a mere 1.7 per cent of employed wage earners. Most of the countries that, in the 1980s, had a proportion of employment of 5 per cent, (France, Italy, Portugal, Austria, Greece, Germany and Spain), had reduced these proportions to less than 2 per cent. The only exceptions were the two Nordic EU latecomers, Finland and Sweden, whose governments followed a different approach based on deregulation and a strategy of value creation with the State as 'active owner'. When these governments emphasised the value generated by the public investment portfolio they flew in the face of the general EU trend. As a general rule, it could be argued that, in manufacturing sector, deregulatory competition in the single European market has led to the disappearance of public owned enterprises.

II. ii. b. Finance.

As in the manufacturing sector, public enterprises in the financial sector have declined dramatically and appear to be on the verge of extinction, as shown in Table 5. In the majority of countries that had a significant specialization in certain financial activities, such as France, Portugal, Italy, Austria, Finland, Ireland and Greece, banks and insurance companies were among the first important enterprises to be privatized. In other countries, such as the UK, the Netherlands, Denmark and Spain, the state had played a minimal role in the financial sector. The countries in this first group have approximated the second: in the EU as a whole, the participation of employment in the public financial sector during the 1990s declined by 10 per cent. The exceptions are Germany, Belgium, Luxemburg and Sweden. In Germany, Belgium and Luxemburg, this was related either to the fact the entities belonged to regional authorities, or to the relative size of the economy. In Sweden, a different approach of value created was pursued, through the diversification of the state's investment portfolio and the supervision of financial markets under competition. The decline in the public financial sector can be partially explained by capital market deregulation in the light of EU integration from 1992. The percentage of public enterprise employment in the financial industry had been reduced to 9 per cent by the end of the 1990s, with the most dramatic changes taking place in France, Greece, Portugal, Austria, Italy and Spain. The EU common market has facilitated capital movement between countries, and the European Central Bank has developed monetary surveillance functions.

II. ii. c. Transport and communications.

Among the classic traditional justifications for state control in the transport and communications sectors were defense and strategic interests, compounded by the networks reflecting elements of a natural monopoly. In the case of transport and communications, as can be seen in Table 6, in 1999, the participation of public enterprises fell to 41 percent of wage earners from 56 percent in 1990. According to the data available, the importance of public enterprises in these economies was stable from the beginning of the 1970s until 1990. The UK was the only country where there was a significant reduction from 1980. In the 1990s, all countries reduced the participation of public enterprises but, even in 1999, half the EU countries still had majority public participation, and only in the Netherlands, the UK and Spain was this level less than 25 per cent. This persistence of participation can be partly explained by the fact that railways were still publicly owned in most countries. The UK result should be considered in the light of the renationalisation of the railway network from 2001. In the telecommunications sector, though most European governments have opened up the sector, there are still significant differences. Apart from the UK, in 2000, a completely private dominant operator could only be found in Spain, Italy, Portugal, Ireland and Denmark, while

state ownership remained dominant in Austria, Germany, Finland, France and Sweden. Despite technological changes bringing about a convergence in the broadcasting and computer industries, the privatization of public service broadcasters has remained contentious throughout the EU, with privatization in France being the major exception (Humphreys 1996).

II. ii. d. Gas, Electricity and Water.

Some of the sectors or industries which operate in networks, such as water, by the end of the 1990s, continue to be characterized mainly by public or mixed ownership, with the exceptions of England and Wales, and the partial exceptions of France and Spain. In other sectors, such as the generation, transmission and distribution of electricity, or the transmission and distribution of natural gas, ownership also remains public or mixed in most countries. The UK was the only country in which all of these were privatized. In Germany, Austria, the Netherlands, Belgium, Denmark and Sweden, the regional or local public companies still fully or partly control these activities. There are many explanations for this. The privatization of national, centralized public companies represented fewer restrictions and required less legal reforms than in multiple decentralized enterprises owned by federal or local governments. By the end of the 1990s, public enterprises in electricity, water and gas represented less than a quarter of public enterprise employment in Spain, Belgium and the UK. However, in the EU as a whole, this represented 46 per cent of wage earners in the sector in 1999. Although this percentage has fallen by 17 per cent in terms of the EEC12 average in 1990, the basic fact remains that these activities have resisted wholesale privatization, and are still publicly owned in most EU countries.

III. Explaining Privatization in the EU

These findings on privatization analysed by proceeds, timing, sequence, rhythm and sector are now used to return to the question at hand: to assess which of the existing explanations for EU privatization is most useful. According to the British paradigm, privatization in Britain was a pioneering development which other countries were expected to emulate. Emphasis was placed on the virtues of private ownership and its associated superior efficiency, combined with an aversion to state intervention. In terms of the timing of EU privatization from the 1980s, the UK was the leader, starting, albeit hesitantly, with the sale of council houses. Gradually, the programme gained momentum, becoming one of the hallmarks of Conservative policy. Most other governments in the EU, however, did not embark seriously on privatization until 1993. Given this marked country sequence, it would appear that, more than copying a British model at different points in time, EU governments embarked on a privatization programme for common reasons. This privatization programme, however, did not take the same form in terms of rhythm

nor sectors affected. While some programmes were, like the British model, steady, continuous and long-term, others were concentrated and short-term. In the cases of countries such as Denmark, Germany and Sweden, privatization was pursued in an opportunistic manner. The British experience went further than most in terms of sectors affected by privatization.

The 'British paradigm' stresses the importance of pro-market ideology in the justification for privatization. This pro-Market ideology had an international reach, and originated during the 1970s, when an important change in political discourse marked a rupture with that of the post-war period. Firstly, there was a transition towards a 'market-engendered, spontaneous order', located in the World Bank and the IMF, which is often referred to as the 'Washington Consensus'.¹ Secondly, policy discourse was increasingly depoliticised.² In this style of discourse, policy is explained in objective and value-free terms, and the rationality of decision-making is emphasised. This, in turn, widens the gap between citizens and politicians, since policy makers are released from accountability to citizens because the decisions they make are ostensibly logical, rational and thus inevitable (Sutton 1999). Even areas of national and regional policy such as broadcasting, which were previously discussed largely in terms of values, morals, language, identity, culture, citizenship and democracy, and which had largely escaped economic rationality, became framed in this new economic, neutral language (Tracey 2000). This shift had huge implications for the public enterprise sector. Hostile critics saw public enterprises as cosy monopolies, bureaucratically managed, inefficient and wasteful, and unresponsive to the needs of costumers. The public image of nationalised enterprises in most countries was that of large, monolithic public utilities, protected from competition, with customers at their mercy, and with evident collusion between managers and the workforce to maintain an easy and undisturbed life.³ These views are still powerful amongst World Bank analysts, especially Shirley (1999).

How important were these neoliberal discourses in the implementation of privatization in the EU? Analysis of policy-making documents and political statements reveals that pro-market ideology did have some relevance beyond the UK case: it was influential during another of the few cases of ideological privatization in Europe, during the Thatcher-style Swedish Conservative administration of Carl Bildt (1991-1994), whose administration coincided with one of the country's worst economic crises in the twentieth century (Richter 1994: 152). With the exception of the Bildt administration, however, Swedish politicians have implemented a policy of 'active management' whereby emphasis is placed on value creation through the professionalisation of public enterprise management and the need to serve societal goals.⁴ Another case of neoliberal discourse is Spain where the Popular Party's programme of 'total privatization' from 1997 also justified its policies via pro-market ideology. However, in the EU, centre-right governments were not always the most enthusiastic implementers of privatisation. Indeed, privatization programmes were pursued by

⁴ The quite dramatic, though short-lived, turn towards neoliberalism might be partly explained by Marcussen *et al*'s discussion of varying effects of Europeanisation which includes the explanation that acceptance of new discourse at the domestic level is more likely in times of crisis or political change due to the reconstitution of domestic discourse (Marcussen et al 1999).

governments and coalitions of different political hues: it was frequently centre-left governments which were the dynamic privatisers (such as Simitris in Greece, Jospin in France, D'Alema in Italy and Guterres in Portugal during the 1990s). In Italy, privatization was used as a means of transforming the political and economic system. There were initial (though, in the end, futile) efforts to break Italian 'crony capitalism' using privatization (Toninelli 2000). The policy of privatization was not associated with any one political party or any overriding ideology. Overall, few programmes were associated with an over-riding pro-privatization ideological element. Indeed, the policy priorities of most EU governments were pragmatic, and aimed to maximise revenues and improve the corporate, technological, financial and competitive capabilities of enterprises in a sustainable way. Pro-market rhetoric was not, therefore, irrelevant: it played a part in justifying privatization in the EU. However, its significance is patchy and transitional, at best.

On some occasions, this pro-market rhetoric jarred with, or was irrelevant to, national circumstances. Finland is a case in point. Finnish public ownership was associated with independence and quite high levels of efficiency. Industrial public enterprises had historically been guided by private criteria and value creation, thus rhetoric about the virtues of private ownership had little resonance. France is another interesting case. The issue of ownership did not take centre stage since there had not been marked differences in terms of organization, management, behaviour and objectives of public/private enterprise. Privatization in France was accompanied by the creation of *noyaux durs* for national shareholders, so that certain national groups could be favoured and cross-holdings established (Chadeau 2000:202, Morin 199X). This system prioritised national business interests and did nothing to promote the British idea of 'bottom-up popular capitalism'. Indeed, in France, the stress was on budgetary problems not ownership. Thus the pro-market discourse was mediated by national factors that affected the success of its reception.

The 'multiple logics' approach suggested the rationales for privatization were so diverse that a common explanation was elusive. The marked timing and country sequencing of privatization, however, and the clear sectoral logic to the experiences, are all indicators that there were indeed common logics to privatization. The next step is to determine the nature of these forces and how they operated, accounting both for common logics and the diversity of privatization outcomes by country and sector. In regard to pressures from Europe, there are at least three possible explanations as to their form. Firstly, they could be explained as a set of conjunctural factors, such as the process of macroeconomic stabilization resulting from convergence policies oriented to the EMU. Secondly, they could be considered to be a result of systemic factors. These would include economic and political transformation of the European capitalist system, with the development of a stock market as the source of enterprise capitalization, the promotion of a shareholder culture and, hand in hand with this, the improvement of a corporate government system of large companies, as well as the setting up of a homogenous supranational regulatory framework. In the third place, they could be attributed to a range of structural factors, such as European market integration, which

demanded deregulation and sectoral liberalization in finance, energy, telecommunications and air transportation.

With regard to conjunctural factors, the argument about the importance of adjustment policies in the light of the EMU is quite helpful in the cases of Italy, Spain, Portugal and Greece as well as other EU latecomers, such as Austria and Finland. However, when analyzing from this perspective, it is important to remember that, according to EU Directives, from 1994, income derived from privatization could be used only to offset losses or debts of certain public enterprises, but not towards financing budgetary deficits (even though in practice some countries ignored this restriction). The logic of macroeconomic stabilization in the light of the EMU helps to partially explain the motivation for privatization in some, but not the majority of EU countries.

With respect to systemic factors, privatization, like nationalization, has been used as part of a nation's strategy to transform the development of capitalism. In most instances, privatization strategies were aimed at forcing a bottom-up consensus, packaging privatization as a way of 'democratising' economic power (Germany in the 1960s), or as a means of attaining a 'popular capitalism' or a 'shareholders' democracy' by diffusing the culture of shareholding (the UK during the 1980s). But this concern has been only to complement, rather than to substitute, the dominant top-down strategies. The administration and management of privatization processes can be better understood from this perspective, not just in Britain, but also in France, a good example of which is the *privatizations administrées*. In both cases, privatization was used in order to forge a change in industrial relations to promote a redefinition of the political order. Thatcher achieved this in the UK, but Jacques Chirac failed in France between 1986 and 1988, and attempts failed also in Italy after the measures adopted by Giuliano Amato in 1992.

It is the pressure of structural factors, however, in particular the pressure to liberalize and prepare for European market integration, which acted as the most important overall factor for the deregulation and, in particular, the privatization of public enterprises. The timing and sequence of liberalization according to countries and sectors best explains these observations in the privatization experience.

In terms of sectors, privatization was far from homogenous, and claims about its effects have sometimes been exaggerated. While privatization in competitive sectors such as manufacturing and finance was quite straightforward, enabling the sectors to be privatized quickly and deeply, in non-competitive sectors, it was more complex, since the privatization process required, in first instance, industrial restructuring and corporatisation and, later, the establishment of a regulatory framework. Other sectors remain largely in the public sector across most of the EU such as electricity. One important reason for this intransigence is that certain public services require specific sectoral regulation because it is perceived they provide services that are in the 'general interest'. Though the historical and legal importance attached to public services differs in various member states, public services have played a central role in all the EU economies, in contrast to the United States for example. France is a country where the

concept of public service is central. Here, social movements and organizations protested against what was perceived as their wholesale reform and demands increased for social regulation of 'services of general interest'. This demand was 'uploaded' to the EU's agenda (Héritier 2002, Bauby 2003) by various social partners such as the CEEP and the ETUC in the form of demands for a Charter for public Services as part of its efforts to promote positive integration via the European social model (Clifton, Comín and Diaz 2004). So, the European process of integration via social dialogue and consensus enabled the policy of privatization to be accompanied by concerns as to protecting the social role that public services played. These concerns helped shape and limit, the reach and extent of privatization in some sectors such as postal services, broadcasting and water which were associated with providing public goods. Thus it could be argued that although privatization was a policy implemented by governments world-wide, the influence of 'Europe' broadly understood as individual member states' historical trajectory of institutions, the legal content of their constitutions (written or unwritten) and the idea of citizenship, and certain 'values' shaped the approach to privatization. These were important because privatization, as well as deregulation and liberalization, were connected to supranational developments, which were conducted via dialogue and consensus.

Though all countries were subject to these structural pressures this does not mean that all responded in a mechanical way. Privatization is not a necessary consequence of liberalization, nor was it imposed on member states by the EU. If, at the beginning of the 1970s, predictions had to be made about the country that would launch a privatization revolution, some might have pointed to the Federal Republic of Germany (FRG), where privatization in the form of the sale of shares on public enterprises to ensure greater efficiency, cut tax, slim down state intervention and promote a shareholder democracy was born. Nevertheless, Germany resisted privatization more than most other member states. The first phase of privatization in Germany was largely restricted to privatizing former East German firms after reunification. Resistance to privatization in the second phase can be explained by the facts that: the FRG had a relatively small public enterprise sector, particularly in the industrial sector; it had only moderate public debt; it experienced less political pressures on the state budget and it was governed through political consensus due to the federal configuration of the state (Esser 1989, Woll 1987).

IV. CONCLUSIONS

During the 1980s, privatization was often conceived as being part of the ideological programme of centre-right parties. However, during this decade it was only actually implemented in drastic terms in Europe by the British government and the French government within the period 1986-1988. In the EU, the bulk of privatization activity occurred after 1993. Much of this was implemented for an assortment of pragmatic reasons, which can be connected to the EU competition laws for the Single Market, or to the aim of strengthening domestic capital markets and promoting equity culture. The policy options selected and the sequence followed

depended on the size of the enterprises and the regulatory reform in place in the EU market in the 1990s. Of the three main explanatory paradigms available, the British paradigm, the multiple logics approach and the European paradigm, the most useful is a variant of the latter. Structural requirements to liberalise sectors was perhaps the most important of all the common pressures which led governments to privatize. This occurred in a non-mechanical way, however, and was mediated by a host of other factors including historical legacy of public enterprises in the member state, the dominant discourses concerning ownership and performance, the political system (centralized or decentralized), degree of pressure placed upon the governments by external forces, the form of capital markets and need to create capital markets. These factors help account for the fact that privatization has been quite uneven by country and sector within the EU (Clifton, Comín and Díaz 2003).

Europe was an important force shaping the outcome of privatization in the EU since there were certain hallmarks that defined the programme in terms of timing, sequence and sectoral trends. Both the processes of negative and positive integration in Europe shaped the outcome of privatization. Concerning positive integration, the EU policy of 'Services of general interest' arose as a direct response to fears about the impact privatization might have upon public service provision. The content and perspective of 'services of general interest' policy constituted a mix of existing European legislation and tradition, being particularly influenced by the French tradition of *service publique* (Héritier 2002). The timing of liberalisation measures helps explain the timing of privatization in certain sectors. Concerns about the need to protect public services in the face of competition requirements generated concerns about social regulation (of services of general interest). This is not to say that Europe was the only force and global forces were irrelevant. Requirements of international competitiveness were crucial in some sectors such as telecommunications. Yet Europe acted as a filter for these reforms, translating them into palatable outcomes for the EU member states. Thus, the EU model of integration offers an alternative to the North American one (NAFTA). For this reason, transatlantic dialogues are being established so that lessons can be learned from the different experiences. Moreover, EU privatization bore certain hallmarks, trends and values that point to a common European process and distinguish it from the experiences elsewhere (Belabed, 2003). Though, paradoxically, privatization is not an EU policy, privatization was an unintended consequence of the process towards EU integration. Though privatization is a distinct policy from liberalization and deregulation, in practice, governments often used privatization to facilitate these other policies. This is not to say that global forces were irrelevant. EU policy is often a complex set of responses to wider challenges. However, Europe was an important 'filter' for these other forces, helping shape privatization experiences, both in terms of positive and negative integration.

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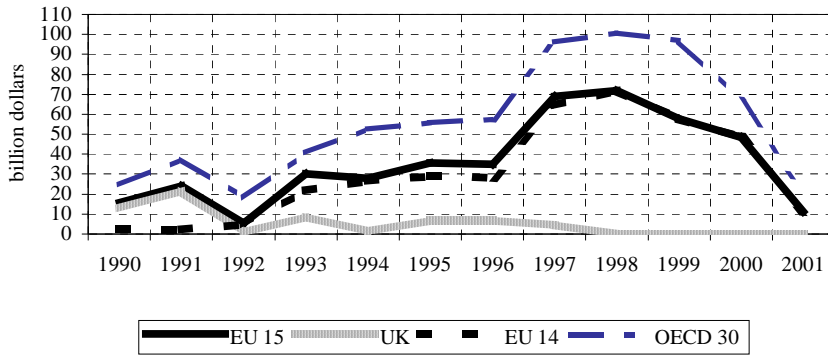
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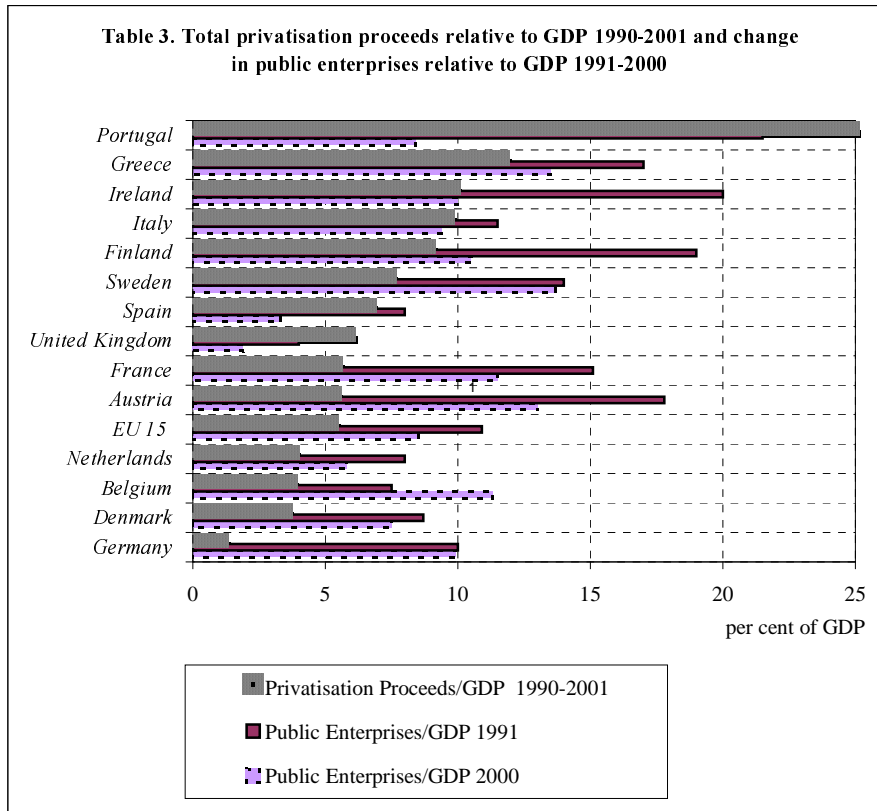
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Table 1: EU and OECD resources generated by privatization 1990-2001





1 The so-called Washington Consensus was a consequence of the Latin American debt crisis in the 1980. It assumed that sound economic performance required economic stability, trade liberalization, deregulation, privatization and getting prices right. Once the State was scaled back, the market would produce efficient allocations and growth. However, the Washington Consensus ignored or under-emphasized competition policy, transparency, financial regulation, policies for technological transfer, democratic and sustainable development and possibilities for corruption. The emphasis on privatization was to reduce fiscal deficits and macroeconomics stabilization. The assumption was that if one could create property rights then the profit maximizing behaviour of the owners would increase economic efficiency. Thus, privatising quickly and fixing the problems afterwards seemed a reasonable gamble. See Stiglitz (2002).

2 This de-politicisation can be understood in terms of Foucault's use of the term 'political technology' whereby an essentially political dilemma is removed from the realm of politics and reconstituted in more neutral, 'scientific' and economic language.

3 Posner (1987: 595).