Partisan Politics, Globalization, and the Determinants of Privatization Proceeds in Advanced Democracies (1990–2000)

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The 1990s have witnessed unprecedented attempts at privatizing state-owned enterprises in virtually all OECD democracies. This contribution analyzes the extent to which the partisan control of the government can account for the differences in the privatization proceeds raised by EU and OECD countries between 1990 and 2000. It turns out that privatizations are part of a process of economic liberalization in previously highly regulated economies as well as a reaction to the fiscal policy challenges imposed by European integration and the globalization of financial markets. Partisan differences only emerge if economic problems are moderate, while intense economic, particularly fiscal, problems foreclose differing partisan strategies.

Introduction

One of the most salient political developments of the twentieth century was the rise of the modern intervention state. Framed by a growing influence of Keynesian ideas in the wake of World War II, a consensus emerged across the advanced democracies that public intrusion in economic affairs could help in coping with the market failures to which decentralized coordinated market economies were inherently prone. One aspect of this development was that airlines; railways; postal services and telecommunications; the supply of electricity, gas, and water; as well as a broad range of local services, such as waste disposal, were directly provided by public enterprises in many countries. In addition, large parts of heavy industry and even banks were nationalized in a number of countries. A multiplicity of reasons exists for the emergence and expansion of public enterprises. Some nationalizations were pursued for military reasons (steel industry, ship building, and mining), others were ideologically motivated, whereas still others emerged in the context of historical junctures such as the Great Depression, World War II, or the transformation from authoritarianism to

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democracy in Southern Europe (Clifton, Comin, and Diaz Fuentes 2003; Toninelli 2000). In the era of the interventionist state, state-owned enterprises (SOEs) were often politically utilized as employment buffers, social laboratories, or as instruments for promoting regional economic development, whereas public utilities became, in a sense, and to varying degrees in different countries, an "outer skin" of the welfare state (Leibfried 2005, 271; Schwartz 2001), encasing and supporting the direct cash transfer programs of the income maintenance state.

In the 1970s and early 1980s, the optimistic faith in the beneficial effects of big government came to a halt. Deteriorating economic performance in the wake of the oil shocks and the failure of many governments to cope with emergent stagflation led to skepticism concerning the involvement of government in economic affairs and finally to a realignment in economic policy. The experience of the 1970s triggered a major rethinking of the role of the state in economic and social affairs. In the early 1980s, with the first moves occurring in the English-speaking countries, the state increasingly became seen as part of the problem rather than as a tool for overcoming macroeconomic imbalances. Rolling back the state to its core functions was more and more seen as the appropriate response to economic stagnation and mounting public debt.

The resulting changes in the economic role of the state have been discussed vividly in both normative and empirical terms for some time now. One of the normative prescriptions *and* empirical diagnoses figuring prominently in this debate was a move toward the "disinvesting state" (Wright 1994b, 127). In the 1980s, however, major privatizations of public enterprises were restricted to few countries such as Britain, New Zealand, Germany, and France (OECD 2003, 24). Privatization was one of the key elements of what became known as Thatcherism (cf. Abromeit 1988; Richardson 1994) and—with the exception of New Zealand—all governments that engaged in large-scale privatizations in the 1980s were of a center-right complexion. Thus, in the 1980s, privatization was mainly a project of bourgeois parties while some left parties still clung to the idea of nationalization—symbolically as in the case of the British Labour Party's Clause IV, or even substantially as in the case of the Mitterrand/Mauroy governments in France after 1981. Not surprisingly, therefore, comparative research focusing on the 1980s has shown that the extent of privatizations was significantly influenced by the partisan complexion of government with right parties in favor of and left parties opposed to selling off SOEs (Boix 1997; cf. Schneider, Fink, and Tenbücken 2005).[1]

In the 1990s, by contrast, the situation has changed dramatically: The idea of privatization now has spread around the globe and has become a large-scale phenomenon almost everywhere. This run into privatization coincided with major geopolitical and economic transformations. More specifically, this period not only has witnessed the collapse of communism, which has further accelerated the ongoing process of economic globalization, but also a major progress in European integration with the completion of the single market in 1992 and the formation of the European Monetary Union (EMU) in 1999 as the most salient occurrences. Moreover, technological changes along with the theory of contestable markets contributed to the notion that a monopoly provision of goods and services in network-based sectors such as telecommunications, energy, and transport can no longer be justified. These remarkable changes have undoubtedly led to new challenges for public governance. Hence, this article seeks to examine whether these changes in the international political economy have triggered a retreat of public ownership and investigates to what extent domestic politics has structured this process. In particular, the adoption of comprehensive privatization programs throughout the world in the 1990s raises the question of whether or not political parties still make a difference with regard to public ownership in an era of remarkable political and economic changes.

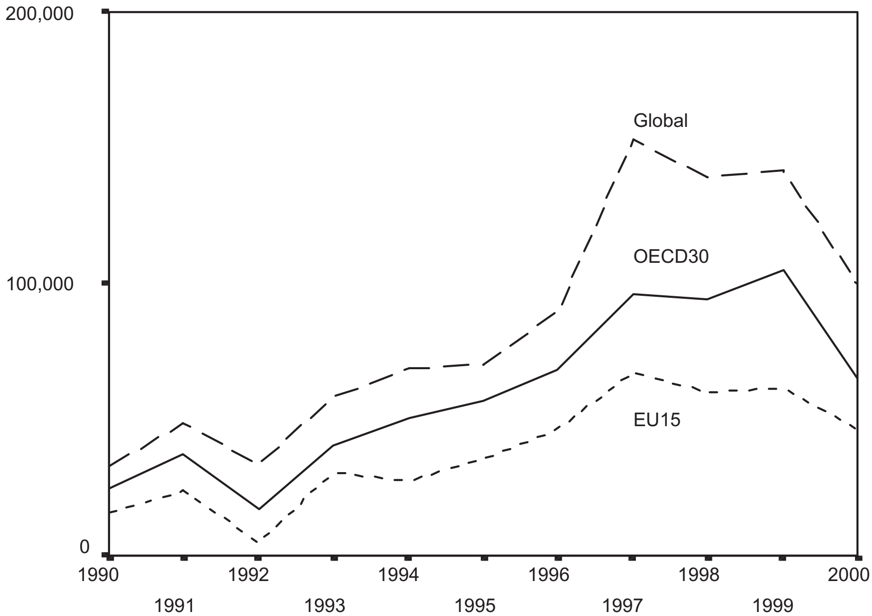
The remainder of this article proceeds as follows: We commence our analysis with a brief discussion of different forms of privatization and map the scope of privatizations in 21 Organisation for Economic Co-operation and Development (OECD) countries in the 1990s. After a brief review of the existing literature, the partisan hypothesis is discussed with regard to privatization, and different arguments are put forth concerning the effects of globalization and European integration on the feasibility of partisan economic policy. In addition, the control variables and their expected effects are introduced. The following section discusses the measurement of the dependent and independent variables and the respective data sources, which is followed by a section in which the empirical evidence is presented. In a first step we analyze the determinants of privatization proceeds in those countries that were members of the EU at the end of our period of observation. Next, we extend our sample to the long-term members of the OECD. The final section concludes.

Privatizations in the 1990s: Some Empirical Evidence

Privatizations may occur in various forms that do not necessarily imply a retreat of the state, since privatization may only change the form of government intervention concerning service provision, regulation, and financing (Feigenbaum, Henig, and Hamnett 1998; Levi-Faur 2005). In the literature, three forms of privatizations are distinguished (cf. Mayer 2006, 19–21): *Formal privatizations* refer to a change in the legal form of a company that is not accompanied by the sale of shares. The main aim is to free the company from certain administrative or budgetary constraints. *Substantial privatizations* imply the complete or partial sale of SOEs. *Functional privatizations* or contracting out, in contrast, involve the funding or execution of formerly public responsibilities by private companies.

In this contribution, we focus exclusively on substantial privatizations, that is the sale of SOEs, and try to explain the differences in privatization proceeds. We thus neither investigate the methods of privatization (cf.

FIGURE 1
Privatization Proceeds 1990–2000 (Million U.S. Dollars)



Source: OECD Financial Market Trends, No. 79 June 2001.

OECD 2003) nor the utilization of the privatization proceeds or the after-sale regulation. Proceeds are not the only theoretically possible indicator of a state's privatization efforts, and their use might cause problems because proceeds are influenced by the state of the economy or the general attractiveness of an economy for foreign investors. Nevertheless, we would hold that these problems are not as severe as they may seem because both potential influences can be controlled for. Moreover, alternative dependent variables like the change in the output of SOEs as a percentage of gross domestic product (GDP) pose other problems—apart from problems of data availability. If one accepts the possibility that governments may use privatization as a means of consolidating their budget—a rather frequent claim in the literature as we will see later—the political actors themselves are interested in the proceeds. Moreover, privatization proceeds as a percentage of GDP are the most commonly used indicator in order to compare the level of national privatization efforts internationally (cf. Boix 1997; Bortolotti and Siniscalco 2004; Schneider 2003), which is a benefit in itself because it makes the comparison of the results of different studies easier.

As shown in Figure 1, total privatization proceeds in more than 100 countries between 1990 and 2000 amounted to $937 billion (OECD 2003, 7)

TABLE 1
Privatization Revenues in 21 OECD Countries 1990–2000

Country	1 Privatization Proceeds 1990–2000 (Million US$)	2 Proceeds per Capita 1990–2000 (US$)	3 Proceeds in % of GDP (1990–2000)	4 Rank (Proceeds/GDP)
Australia	69,661	3,764	15.94	2
Austria	10,439	1,293	5.87	11
Belgium	9,611	946	4.44	13
Canada	10,583	366	1.64	18
Denmark	6,048	1,146	4.64	12
Finland	11,000	2,137	10.00	4
France	75,488	1,263	6.14	9
Germany	21,711	265	1.22	20
Greece	12,329	1,172	8.50	8
Ireland	7,613	2,046	9.22	5
Italy	108,642	1,889	9.03	6
Japan	37,670	299	1.26	19
Netherlands	13,641	882	4.19	14
New Zealand	9,413	2,656	15.89	3
Norway	2,900	656	2.57	17
Portugal	25,292	2,544	18.24	1
Spain	37,660	957	5.93	10
Sweden	17,295	1,956	8.81	7
Switzerland	6,422	903	3.55	16
United Kingdom	42,808	735	3.92	15
USA	6,750	25	0.8	21
Mean	*25,856*	*1,329*	*6.72*	–

Source: OECD Financial Market Trends No. 82 (2002); Heston et al. (2002), own calculations.

of which about 70 percent accrued in the 30 member states of the OECD. In turn, 62 percent of OECD members' proceeds were generated by the 15 states that were members of the EU in 2000.

Table 1 displays two indicators of national privatization proceeds between 1990 and 2000. To guarantee comparability, the absolute privatization proceeds (in million U.S. dollars) presented in column 1 are expressed in relation to population size (column 2) and as a percentage of GDP (column 3). Both indicators are strongly correlated ($r = 0.94$). The fourth column ranks the countries according to their privatization proceeds in relation to GDP. It turns out that Portugal, Australia, and New Zealand have been front-runners of privatization in the 1990s, while the laggards are Japan, Germany, and the United States.

Even though the privatization of public enterprises was a common phenomenon throughout the OECD world, Table 1 also reveals considerable cross-national variation in privatization proceeds raised in the 1990s. Before we derive hypotheses about the factors accounting for the cross-national differences in revenues raised from privatizations, we provide a brief overview of basic findings presented in previous empirical studies.

Previous Research

Most previous research on privatizations in political science has focused on the temporal sequence and regional spillovers of privatizations. Earlier studies emphasized the pioneering role of Thatcherism in the United Kingdom in the 1980s that was seen as inducing policy diffusion to many other countries (Wright 1994a, 5; also Bortolotti and Siniscalco 2004). More recent studies are preoccupied with the direct and indirect effects of European integration. Specifically, the liberalization efforts launched by the European Commission in the 1980s and the fiscal policy constraints imposed by the Treaty of Maastricht are discussed as catalysts of privatization (Clifton, Comin, and Diaz Fuentes 2003; Scharpf 1999; S. Schmidt 1998).

In contrast, quantitative analyses of the determinants of differences in privatization proceeds are rare. An important exception is the pioneering contribution by Carles Boix (1997). He resorts mainly to political variables to explain the differences in privatization policies in the OECD between 1979 and 1992. According to Boix (1997), parties of the Right have a significant positive impact on privatization proceeds, while social democratic governments are more reluctant in their privatization efforts. In addition, the internal fragmentation of the cabinet and the status as minority government inhibit privatizations, whereas a weak economic performance prior to the period of observation was found to stimulate the sale of SOEs.

Schneider, Fink, and Tenbücken (2005), in a study on the privatization of three infrastructure sectors (aviation, electricity, and telecommunications) between 1980 and 2000, find partisan effects only for the 1980s. In the 1990s, these effects disappear as privatization becomes a common phenomenon. The main reason for the decreasing importance of partisan control of the government for privatization policies according to Schneider, Fink, and Tenbücken (2005, 719) is globalization, specifically the openness of an economy to capital flows, which they identify as "the sole driving force behind privatization."

Bortolotti, Fantini, and Siniscalco (2004) and Bortolotti and Siniscalco (2004) compare the privatization record of 48 countries between 1977 and 1999. These authors also find evidence that political parties significantly influence privatization policies. Specifically, privatization proceeds increase with a governing party of the Right (measured with a dummy variable). Moreover, revenues from privatization are higher in majoritarian democracies than in polities characterized by horizontal and vertical fragmentation of power. Political regime types are also important as privatization revenues in autocracies are significantly lower compared with democracies (Bortolotti and Siniscalco 2004, 55). Furthermore, these authors find a significantly lower propensity to privatize in German civil law countries.[2] Restricting the analysis to the OECD countries only, they still find significant effects of political institutions, but their 10-scale indicator of the partisan complexion of government fails to reach statistical significance. Nevertheless, Bortolotti and Siniscalco (2004, 56) suggest that "a more proper test of the partisan dimension of privatization should be carried out in the context of wealthy and established democracies." This article attempts to fill this void by using a new data set measuring the partisan complexion of governments. At the same time, we investigate whether the partisan effects found by Boix (1997) for the 1980s still existed in the 1990s, a period of marked divestiture of public enterprises, or whether the conclusions drawn by Schneider, Fink, and Tenbücken (2005) that parties failed to make a difference in the 1990s can be generalized within a broader framework of analysis.

Hypotheses

Privatization, the Effects of Governing Parties, and the International Economy

Theoretically, it is highly plausible to assume a greater readiness of center-right parties to sell off SOEs because partisan theory essentially argues that these parties favor market solutions in economic policy anyway (M. Schmidt 2002). Moreover, political parties' positions on public ownership used to be a core dividing line between bourgeois and left parties. As a matter of fact, conservative governments like Prime Minister Margaret Thatcher's in Britain or—earlier still in the 1960s—Federal Chancellor Konrad Adenauer's in Germany dominated among the early privatizers.

Moreover, parties of the Right may have an electoral incentive to implement privatizations: Insofar as they succeed in allocating substantial parts of the shares of privatized enterprises among a large part of the electorate, thus establishing some kind of "popular capitalism," the economic interests of many voters may change in favor of more market-friendly policies, which might promise to maximize the value of their shares (Bortolotti, Fantini, and Siniscalco 2004, 308). This change of economic policy interests would in turn benefit bourgeois parties, which will most likely be seen as the parties delivering these kinds of policies.

Social democratic parties, in contrast, for a long time lacked confidence in the stability of the private sector. As a consequence, nationalizations of key industries figured prominently in these parties' economic strategies. SOE were used as "employment buffers" during recessions as well as important instruments of macroeconomic governance. The importance social democratic parties attached to SOE until the 1980s (and occasionally even longer) can be seen from the nationalization policies of the French socialist government after 1981, as well as from the difficulties the leadership of the British Labour Party encountered when amending the party program's notorious "Clause IV." Besides, social democratic parties also faced electoral incentives to oppose privatization because employees in SOE belong to their core clientele and were most likely to lose some of their privileges in case of privatization. Thus, bourgeois governments were traditionally expected to be positively associated with privatization proceeds, whereas social democratic government participation should result in lower privatization revenues.

Nevertheless, changes in the international political economy, particularly the globalization of financial markets and European integration, are argued to put pressure on nation states' economic policies, which in turn are expected to converge. Susan Strange (1995, 291), for example, contends "that the political choices open to governments these days have been so constricted by those forces of structural change often referred to as 'globalization', that the differences that used to distinguish government policies from opposition policies are in process of disappearing." According to this line of reasoning, the economic policies of nation states are increasingly monitored, and eventually punished, by international financial markets under the conditions of high capital mobility. As a consequence, credibility becomes a major issue for governments, particularly for left-of-center parties, which suffered from a deficit in economic policy credibility as late as the 1980s (Freitag 2001, 281). Thus, governments of either partisan complexion may feel obliged to switch to orthodox economic policies, which might include the selling of SOEs that above all improves a government's budgetary position. A country's budgetary position, in turn, is of central importance for actors on the international capital markets (Mosley 2000).

Furthermore, increasing competition among countries to attract capital may put pressure on governments to dismantle inefficient structures and regulations (Schneider, Fink, and Tenbücken 2005, 715). Privatization may also play a key role in this respect because many economists have shown privately owned firms to be more efficient than SOE (cf. Megginson and Netter 2001). This is because SOEs lack clearly defined goals due to government intervention and are thus confronted with sharp trade-offs between profit maximization and more general objectives of government policy, such as employment or industrial policy, which may result in efficiency losses. In addition, the absence of a "hard" budget constraint and the capture of SOEs by utility-maximizing politicians and bureaucrats who exploit public enterprises to secure influence and power can lead to inferior efficiency of SOE. Insofar as privatization is associated with increasing market competition, further efficiency gains of privatization can be expected. This run into privatization becomes even more likely if other countries have already started to privatize, so policy laggards feel strong pressures to adjust in order to succeed in the competition for capital (cf. Simmons and Elkins 2004).

Moreover, privatization proceeds could be positively related to the general attractiveness of an economy for foreign investors. Thus, interventionist countries might be forced to sell their shares below market value just to get them sold, depressing their proceeds, while countries attractive to foreign investors are likely to earn higher proceeds.

European integration can also yield an impact on privatization policies, rendering the partisan complexion of governments irrelevant. At least two ways influence can be distinguished: First, it can be an "unintended consequence" of the single market program (Clifton, Comin, and Diaz Fuentes 2006, 752), which led to the liberalization of many sectors (cf. Clifton, Comin, and Diaz Fuentes 2003; S. Schmidt 1998). Many of the respective services were provided by SOE prior to liberalization. Once liberalization had taken place, the legitimacy of state ownership vanished. Thus, privatization became the natural option, if it was not required for the success of the liberalization in the first place. Increasing competition on these markets provided another rationale for privatization: If the enterprises that had controlled or monopolized the national market prior to liberalization were to succeed under conditions of more intense competition on the home market or as a "global player" in world markets, they had to be freed from the restrictions, which public enterprises more often than not are subject to for political or administrative reasons (Wright 1994a, 4).

Second, the Maastricht deficit criteria play an important role (Mayer 2006; OECD 2003, 22). European governments aspiring to join monetary union had to present a public deficit of less than 3 percent of GDP and public debt below 60 percent of GDP in 1997. As the latter criterion allowed for some exceptions, European governments, above all, focused on the deficit in the 1990s. Therefore, the deficit criterion (and its follow-up in the Stability and Growth Pact) put at least those governments under intense fiscal strain that ran the risk of failing. These governments in turn seem likely to resort to privatizations, given the political difficulties tax increases and spending cuts can cause in the political arena.[3] The challenges from the international and supranational level might thus lead to economic policy convergence, which in turn would also mean that differences in privatization proceeds could not be attributed to differences in the partisan complexion of government.

In contrast to these arguments, Boix (1997, 1998) makes the opposite claim with regard to privatization policies. He argues that parties, unable to pursue distinct macroeconomic policies any more because of international financial markets, now turn to diverging supply-side policies. While both left and right parties aim for economic growth, their ways to achieve this goal differ distinctly. According to Boix (1997, 479), nonsocialist parties responded to the slowdown in economic growth after 1973 by again favoring "an unimpeded market economy and a small public sector," thus also opting for the privatization of SOEs. In contrast, he expects left-wing parties to employ the public sector to improve productivity of capital and labor and thus remain committed to the "existing public business sector as a way to ensure high levels of public spending in capital formation and to channel this investment to the less advantaged workers and regions" (Boix 1997, 480).

Control Variables

Before we examine the importance of partisan differences under the conditions of globalization and European integration empirically, we have to consider some control variables, since partisan differences and the challenges of the international economy are unlikely to fully explain the differences in the EU and OECD countries' privatization proceeds in the 1990s. At least four other groups of variables need to be controlled for, namely the initial level of state ownership, socio-economic challenges, political institutions, and interest groups.

<u>The Legacy of the Past.</u> The level of state ownership at the beginning of our period of observation certainly needs to be considered in order to explain differences in privatization proceeds. The differences in the pre-existing stock of state ownership are likely to define the policy leeway a government enjoys with respect to privatization policies. Obviously, a government can only privatize as many SOEs as it owns in the first place. Therefore, privatization proceeds will be particularly low in countries where public ownership was small in 1990—either because governments traditionally owned only very few enterprises, as is the case for the United States, or because governments had sold most of their SOEs before 1990, as is the case for the front-runners of privatization, particularly the United Kingdom, where the Thatcher governments had already sold most of the "family silver" in the 1980s. On the other hand, we expect countries with a large SOE sector like Austria, Greece, or Portugal to privatize more, and thus, to have higher privatization proceeds. In sum, it is imperative to control for the level of public ownership prior to 1990 in the regressions.

<u>Socioeconomic Challenges.</u> Privatization may also represent a reaction of governments to pressing economic challenges. Confronted with high unemployment, dismal economic growth, and excessive public debt, governments might resort to the recommendations of supply-side economists who have dominated the economic policy discourse since the 1980s. According to this view, it is imperative to roll back the state's influence on the economy as far as possible to create incentives for economic activity, which in turn will result in stronger growth and increasing employment. Governments will most likely be more inclined to follow this advice if they are confronted with an awkward economic performance (Zohlnhöfer 2005). Hence, we expect a negative effect of economic growth on privatization proceeds—low growth will increase a government's willingness to launch growth-stimulating measures, including privatization. By the same token, a positive correlation between unemployment and privatization

revenues can be imagined. In addition, it is often hypothesized that the general density of state regulation of the economy is an important source for a weak economic performance. In heavily regulated economies suffering from low growth, an economic policy approach of deregulation and privatization could help break up encrusted structures and initiate impulses for growth and employment. We thus expect a positive effect of the initial level of political regulation of the economy on privatization revenues.

The state of public finance may also have direct effects on privatization policies. A government confronted with a high level of public debt or—more importantly—a high budget deficit will search for options to tackle this problem. Most measures that aim at budget consolidation, namely; expenditure cuts; and tax increases, are unpopular among the voters, however. In consequence, reducing the deficit is politically difficult. Privatization of SOEs could help governments solve this dilemma at least in the short run by generating revenues, reducing subsidies for SOEs, and eliminating the need to cover their deficits (cf. Boix 1997, 477; Wright 1994a, 20). Thus, privatizations can improve the budgetary situation without burdening taxpayers or curbing spending. In sum, privatizations should be positively related to budget deficits.

Political Institutions. The decision to privatize is mostly the result of legislative processes. Therefore, it is likely that political institutions are of major importance for the politics of privatization. According to veto player theory (Tsebelis 2002), it can be argued that a change of the status quo will become more difficult if the number of veto players increases. The reason is that the transaction costs increase with the number of veto players involved in policymaking and it becomes more likely that at least one of the actors vetoes the privatization decision, either because of programmatic dissent or because important political allies, interest groups, or decisive parts of the electorate oppose a privatization. Empirically, one could think of powerful second chambers, strong presidents, or direct democracy as veto players. The procedures for changing the constitution may affect the politics of privatization, too, because SOEs were protected by the constitution in some countries. Thus, it can be hypothesized that privatization proceeds will be inversely related to the number and power of veto players like second chambers, presidents, and referenda. In addition, the more difficult it is to amend the constitution, the lower privatization proceeds will be.

The fragmentation of governments as well as their status as majority or minority governments might also be hypothesized to have an effect (cf. Boix 1997, 481–482). The direction of the respective impacts is not entirely clear in these cases, however. According to the logic of veto player theory discussed previously, the number of parties in a government coalition should correlate negatively with privatization proceeds. In the same way, minority governments that have to look for legislative support from other parties may find it difficult to get their policies (including privatizations) adopted. Thus, one may expect that privatization proceeds will be lower when governments lack majority support in (at least one chamber of) parliament.

Nevertheless, there are also arguments making the opposite hypothesis plausible: If coalitions and minority governments aspire to reduce budget deficits—which many of them have to, given the Maastricht criteria in the EU—they could resort to a "lowest common denominator solution," that is, they might agree on the least controversial consolidation path available. Given the political problems associated with expenditure cuts or tax increases, privatization might in fact be that path.

The distribution of responsibilities between different levels of government may also be relevant for the politics of privatization. SOEs are not necessarily owned by the central government in federal states. This might lead to low privatization proceeds of central governments keen on privatizing if SOEs are held by local or regional authorities reluctant to sell their holdings. However, this effect might just as likely run the other way around: A central government hostile to privatization could also be incapable of preventing regional or local authorities from selling their SOEs. Therefore, this effect of federalism is theoretically indeterminate. A consistently negative effect of federalism on privatizations can only be expected if a central government intends to sell off an enterprise of high regional significance but is facing regional authorities that are opposed to the privatization and have formal or informal ways of influencing the decision-making process at the federal level. Therefore, a weak negative effect of federalism on privatization proceeds can be expected.

<u>The Role of Interest Groups.</u> The interests of the associations of capital and labor concerning privatization policies diverge sharply. Most enterprises will probably support the privatization of public utilities like telecommunication, energy, and transportation because they can hope for lower charges resulting from efficiency gains. In addition, they might act as buyers of shares of privatized former SOEs. Nevertheless, because of diverging interests on the part of these associations, they are unlikely to show strong dedication in favor of privatization policies.

In contrast, labor unions, particularly those of affected employees, are likely to oppose privatizations because employees of SOEs enjoy particularly safe and well-paid jobs along with exemplary working conditions (cf. OECD 2003, 41; Schwartz 2001). Moreover, union density is much higher in the public sector compared with the private sector. Privatization seriously challenges the privileges of the SOEs' employees as can be seen from the experiences of the telecommunications sector, which was liberalized and privatized throughout Europe in the 1980s and 1990s. In the former SOEs, an enormous number of jobs was shed, which the newly established competitors failed to compensate for. Moreover, the new jobs were less secure and worse paid than the ones lost (Héritier and Schmidt 2000).

Unions therefore had every reason to mobilize against the privatization of SOEs and it is likely that privatization revenues decrease as union strength or militancy increase.

Measurement, Data, and Method

The dependent variable of this study is the sum of the privatization proceeds raised in each of 20 OECD member states between 1990 and 2000. The data are taken from the OECD's Financial Market Trends No. 82 (2002). Unfortunately, the statistical series does not go back further than 1990. Therefore, earlier privatizations cannot be accounted for. They are, however, taken into account by including the initial size of the SOE sector in the empirical analysis. Furthermore, for the better part of the OECD, privatization only started to play a major role in the 1990s (Schneider, Fink, and Tenbücken 2005, 707; cf. also Clifton, Comin, and Diaz Fuentes 2006). Therefore, our data capture the relevant developments quite accurately. In addition, our restriction to the 1990s allows a comparison with Boix's (1997) findings for the 1980s. We thus can check for changes in policy-making patterns in the 1990s, which would otherwise be lost. Theoretically, given the fiscal strains imposed by the EU convergence criteria, it at least seems plausible to expect changed patterns in the 1990s, which Schneider, Fink, and Tenbücken (2005) indeed find for public infrastructures and which make a limitation to the development in the 1990s appropriate.

As the revenues from privatization vary according to country size, standardization is necessary. Therefore, the privatization proceeds of each country are divided by that country's average GDP in the period between 1990 and 2000.

The data for the partisan composition of governments, the principle independent variable of the study, are taken from Schmidt et al. (2000).[4] These data provide the cabinet participation of 10 party families on a daily basis. We use two different indicators of partisan complexion of government: The cabinet share of left parties and that of bourgeois parties. Social democratic, socialist, and (post-)communist parties were classified as left parties, while liberal, conservative, Christian democratic, and right parties, as well as parties of the center that are not Christian democratic were categorized as bourgeois parties. Note that these indicators do not consider the cabinet shares of agrarian, regional, and green parties as well as unaffiliated cabinet members.

The hypotheses concerning the international determinants of privatization policies are tested with Quinn's (1997) indicator of economic openness (provided by Armingeon et al. 2004), which depicts different aspects of financial openness. In addition, we estimated the effects of trade openness (i.e., exports and imports as share of GDP; source: Armingeon et al. 2004) and the inward foreign direct investment (FDI) stock as a percentage of GDP in the first year of each period of observation (source: UNCTAD:

World Investment Report).[5] To examine the effects of the Maastricht treaty's 3% criterion, an indicator was calculated that reflects the number of years a country's deficit has exceeded 3% of GDP.[6] The 3% threshold played an enormous symbolic role in the EU member states since the adoption of the Maastricht Treaty and its convergence criteria, but may also have spilled over to countries outside the EU as a benchmark. Finally, we included a dummy variable to estimate the effects of EU membership.

The level of state ownership at the beginning of the period of observation must be controlled for as a measure of how much could actually be privatized in the different countries in the 1990s. To measure this concept is not an easy venture, however. The "European Center of Enterprises with Public Participation and of Enterprises of General Economic Interest" (CEEP 2000) provides an index that includes the number of salaried employees, gross added value, and gross capital formation of enterprises with majority public participation in the nonagricultural merchantable economy. This indicator seems to be well suited to depict the level of state ownership. It is only available for EU member states, however, and equivalent data for the other OECD countries are lacking. For the analysis of the OECD sample, we used the indicator "Government Enterprises and Public Sector Investment as a share of the economy" of the "Economic Freedom of the World Report" (Gwartney and Lawson 2000) instead.[7]

The indicators mapping economic problem pressures are taken from the OECD's Economic Outlook Database except for the economic growth data, which are based on Maddison (2003). To measure the impact of economic growth performance, we use the national deviation from the average rate of economic growth in the OECD.

As a further indicator for economic challenges, we test the general level of state regulation of the economy at the beginning of the period of observation, measured by the Economic Freedom Index developed by Gwartney and Lawson (2000). This index had to be modified, however, because in its original version, it included the variable "Government Enterprises and Public Sector Investment as a share of the economy," which is already used as an indicator of the original level of state ownership.

For the institutional variables, the indicators developed by Colomer (1996); Huber, Ragin, and Stephens (1993); and Schmidt (2000) are employed to check for the effects of institutional barriers against privatization (source: Schmidt 2000). In addition, the impact of specific institutions like federalism, bicameralism, and constitutional rigidity is of interest. To examine their effects, data compiled by Lijphart (1999) are used. Moreover, his indices of federalism, bicameralism, and constitutional rigidity were standardized and, on that basis, two additive indices have been calculated. The indicators of government fragmentation (number of coalition partners in a given government) and minority government (time a minority government held office as a percentage of the relevant period of observation) are calculated from Schmidt et al. (2000).

The strength and militancy of labor unions is measured via union density at the beginning of the period (data from Castles 1998) and the average number of working days lost per 1,000 employees because of industrial conflicts[8], respectively (data from Armingeon et al. 2004).

In the following statistical analysis, the hypotheses generated previously are tested using multiple regression analysis. We use two samples, first the member states of the EU[9] and second the long-term members of the OECD.[10] It would have been preferable to analyze both samples in a panel design with annual measurements. Unfortunately, this is impossible because of restricted data availability. For the smaller EU sample, we created a panel by splitting the period of observation into three subperiods (1990–1994, 1995–1997, and 1998–2000). This periodization is attributed to two reasons: On the one hand, the CEEP's (2000) data for the level of state ownership are only available for 1991, 1995, and 1998. On the other hand, this periodization allows for identifying temporal effects connected to the convergence criteria of the Maastricht Treaty and the European Stability and Growth Pact. For the OECD sample, annual data for the size of the public enterprise sector do not exist. Therefore, we have to content ourselves with cross-section regressions. Admittedly, the number of degrees of freedom is strained a little in these models.[11] Despite these limitations, we are nevertheless convinced that given the larger number of cases, a cross-sectional analysis of the OECD sample can offer fruitful insights provided that the findings are interpreted carefully and that the problems characteristic of small-N samples are controlled for. Arguably, the most salient problem is that single cases have a strong leverage on the findings. In order to address this problem, we have jackknifed all equations by removing each case in turn, thereby establishing whether the results are dependent on the inclusion of particular countries.

Empirical Findings

European Union

Table 2 summarizes the panel regression results for the 14 EU member states. The results do not lend support to the partisan hypothesis according to which nonsocialist parties should produce significantly higher privatization proceeds than left parties. The signs of the coefficients show the theoretically expected direction of influence, but both coefficients remain statistically insignificant (models 1 vs. 2 in Table 2). Even if they were significant, the projected effect of a government consisting wholly of bourgeois cabinet members in a fictitious country with otherwise average properties (i.e., average values in all other independent variables) would

TABLE 2
Determinants of Privatization Proceeds in 14 EU Member States

	Dependent Variable: Privatization Proceeds in % GDP (Period Means)					
	Panel (1990–1994, 1995–1997, 1998–2000)					Cross-Section (1998–2000)
	(1)	(2)	(3)	(4)	(5)	(6)
Intercept	1.63	2.64*	2.09	1.56	1.81	3.63***
	(1.49)	(1.41)	(1.82)	(1.59)	(1.38)	(1.07)
Initial size of SOE sector	0.14**	0.14**	0.17**	0.14**	0.16**	0.37***
	(0.06)	(0.06)	(0.07)	(0.06)	(0.06)	(0.08)
Cabinet share of bourgeois parties	0.007		0.01	0.007		0.032**
	(0.01)		(0.01)	(0.01)		(0.1)
Bicameralism, federalism, and constitutional rigidity	–1.58***	–1.66***	–1.70***	–1.59***	–1.45***	–4.75***
	(0.52)	(0.51)	(0.54)	(0.53)	(0.50)	(0.71)
Budget deficit > 3% of GDP	0.40**	0.38**	0.50**	0.40**	0.42**	
	(0.18)	(0.17)	(0.19)	(0.19)	(0.16)	
Number of working days lost	–0.002**	–0.002**	–0.002**	–0.002**	–0.003***	
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	
Cabinet share of left parties		–0.012			–0.015	
		(0.01)			(0.01)	
Government debt as % GDP			–0.014			
			(0.013)			
Inward FDI stock as % of GDP				–0.0008		
				(0.02)		
Minority Government					0.014**	
					(0.01)	
Dummy (1995–97)	0.10	0.16	0.31	0.11	0.03	
	(0.74)	(0.73)	(0.78)	(0.76)	(0.69)	
Dummy (1998–00)	2.25***	2.36***	2.59***	2.26***	2.34***	
	(0.79)	(0.77)	(0.88)	(0.81)	(0.73)	
R^2	0.47	0.49	0.51	0.47	0.56	0.87
Adj. R^2	0.36	0.37	0.37	0.33	0.44	0.84
N	39	39	38	39	39	14

Notes: Unstandardized regression coefficients, OLS-standard errors in parentheses. **Panel:** On the basis of a Langrange-Multiplier test, a classic OLS-regression has been computed. With the exception of the level of public debt and the size of the SOE sector, which are measured at the beginning of each period, all independent variables are averages over the periods 1990–1995, 1995–1997, and 1998–2000. The budget deficit variable is lagged by one period (for the first subperiod [1990–1995] the period 1989–1991 was used) to avoid endogeneity problems.
$*p \leq 0.10$; $**p \leq 0.05$; $***p \leq 0.01$.

only amount to additional privatised assets worth about 0.35% of GDP throughout the 1990s compared to a situation with average bourgeois cabinet shares. This effect is rather small if we consider that the average privatization proceeds amount to 7.15% of GDP. Note that the respective number for a leftist government would be 0.6% of GDP less. As discussed previously, the weakness and lack of significance of the partisan coefficients might indeed have to do with the leveling effects of the challenges of the international economy because the variables measuring economic challenges have a major impact on privatization revenues. Particularly, a frequent violation of the 3% deficit criterion yields a catalyzing effect on privatization proceeds: The projected privatization proceeds of an otherwise averagely propertied country breaching the deficit criterion every year as opposed to the average is 1.6% of GDP higher.[12]

Some of the control variables also turn out to be significant. As expected, the coefficient of the initial level of state ownership shows a positive sign and is significant at the 5% level. The level of industrial conflict is significantly and negatively related to privatization proceeds as is the variable measuring the effect of bicameralism, federalism, and constitutional rigidity. Furthermore, minority governments produced higher proceeds than governments that commanded a parliamentary majority (model 5). All other variables discussed previously do not gain statistical significance. This applies to the level of public debt at the beginning of the period of observation (model 3), the inward FDI stock (model 4), unemployment, economic openness, economic growth, union density, and government fragmentation (not reported).

With regard to temporal-specific effects, only the dummy for the final subperiod turns out to be significant. One reason for this could be that in contrast to the two preceding subperiods, significant partisan differences have appeared in the period 1998–2000. This interpretation is supported by the results of cross-section regressions for each of the three subperiods. While the effects of the other variables discussed remain robust in all three regressions and the partisan complexion of the government fails to reach statistical significance in the first two subperiods, we estimated a significant positive impact of bourgeois parties on privatization proceeds for the period 1998–2000 (model 6).

OECD

We were not able to replicate the empirical findings for the EU members in a cross-section analysis of 20 OECD countries. Only a negative effect of a heavily regulated economy on privatization proceeds turned out to be significant, whereas neither the political nor the other economic variables reached statistical significance (not shown in Table 3). However, this result is exclusively driven by the Australian case and we were able to identify the partisan complexion of government as the variable causing the model to collapse. In Australia, just as in neighboring New Zealand, the Labour Party had adopted rather far-reaching market-oriented economic policies since the 1980s. The reasons for the singular path chosen by these Labour Parties lie in the remarkable crises both political economies experienced in the early 1980s, which were not resolved by the respective conservative

TABLE 3
Determinants of Privatization proceeds in OECD member states

	Dependent Variable: Privatization proceeds in % GDP *Cross section (1990–2000)*					
	(7)	(8)	(9)	(10)	(11)	(12)
Intercept	44.80*** (8.17)	51.49*** (8.63)	46.52*** (7.89)	44.83*** (9.51)	56.97*** (9.90)	45.20** (16.29)
Initial size of SOE sector	0.22** (0.08)	0.16* (0.08)	0.21** (0.08)	0.22** (0.09)	0.18** (0.08)	0.29* (0.16)
Economic freedom 1990	–5.40*** (1.00)	–4.80*** (1.08)	–5.79*** (0.99)	–5.40*** (1.11)	–6.80*** (1.18)	–6.23*** (1.98)
Cabinet share of bourgeois parties	0.11*** (0.03)		0.11*** (0.03)	0.11*** (0.03)	0.11*** (0.03)	0.16** (0.06)
Bicameralism, Federalism and Constitutional Rigidity	–5.17*** (0.93)	–5.04*** (1.01)	–4.90*** (0.91)	–5.16*** (0.99)	–4.61*** (0.90)	–4.13** (1.83)
Budget deficit > 3% of GDP	0.77*** (0.21)	0.62** (0.23)	0.77*** (0.20)	0.77*** (0.22)	0.70*** (0.20)	0.81* (0.42)
Average number of working days lost (1989–1995)	–0.01*** (0.001)	–0.01*** (0.002)	–0.01*** (0.001)	–0.01*** (0.002)	–0.01*** (0.001)	–0.007** (0.003)
Cabinet share of left parties		–0.10*** (0.03)				
Fragmentation of government			0.52 (0.36)			
Financial Openness (1989–1993)				–0.004 (0.52)		
Economic growth 1985–1995 (deviation from OECD-mean)					–1.03* (0.55)	
R^2	0.91	0.90	0.93	0.91	0.93	0.68
Adj. R^2	0.87	0.84	0.88	0.85	0.89	0.53
N	19	19	19	19	19	20

Note: Unstandardized regression coefficients, OLS-standard errors in parentheses. *p ≤ 0.10; **p ≤ 0.05; ***p ≤ 0.01.

parties that governed both countries for most of the 1960s and 1970s (cf. Schwartz 2000, 92, 110). As Australia and New Zealand belonged to the most heavily regulated economies in the OECD, a turn to even more state intervention may not have seemed plausible (cf. Castles, Gerritsen, and Vowles 1996; Quiggin 1998). The New Zealand Labour Party (NZLP), however, was voted out of office in 1990 and suffered the split of its right wing around the former Finance Minister, Roger Douglas. When the NZLP resumed power in December 1999, its economic policy position had come close to the social democratic mainstream again, and its singular programmatic position in the 1980s thus does not pose a problem for our analysis. The Australian Labour Party (ALP), in contrast, remained in power until March 1996 and its deviant programmatic position thus heavily influenced the politics of privatization in Australia.[13] Therefore, we excluded Australia from our sample even though the results reported in the succeeding discussions do not change substantially if Australia is included and the ALP is coded as a center party, as can be seen from model 12.

The empirical findings for the thus modified sample are summarized in Table 3 and largely coincide with the results for the EU sample reported in Table 2.[14] Nevertheless, for the OECD sample, we find significant partisan influences on privatization proceeds, which failed to reach statistical significance in the EU sample: Right parties opted for privatization more extensively than left parties did (cf. models 7 vs. 8). According to these models, the projected difference between the effects of a fully bourgeois and a fully leftist government (in otherwise average countries) is equivalent to the difference between privatizing assets worth 10% of GDP or hardly privatizing at all. Even though partisan differences thus reappear in the OECD sample, the challenges of the international economy continue to play an important role, as can be seen from the fact that high budget deficits operate as a stimulus for privatizations. According to our simulations, breaching the criterion in all the years between 1990 and 1995 increases privatization proceeds by 1.6% of GDP once again.

Regarding the control variables, the estimations for the OECD sample resemble the ones of the EU sample. We again find a positive relation between the initial size of the SOE sector and privatization proceeds. In line with the EU findings, high levels of industrial conflicts exert significant effects on revenues from privatization, that is, strikes tend to inhibit privatizations. Furthermore, an initially high density of regulation of the economy is associated with higher privatization proceeds.[15] Unlike in the EU sample, a dismal growth performance, measured as the deviation from the average growth rate in the OECD between 1985 and 1995, turns out to be significant at the 10% level in the OECD sample. According to the sign of the respective coefficient, countries with growth rates below average have privatized more than economically flourishing countries (model 11). Regarding political institutions, we find the same negative effect of institutional pluralism on privatization proceeds we already reported for the EU. All indicators used to measure institutional pluralism turn out to be significantly and negatively related to privatization proceeds. We also tested Lijphart's indices of federalism, constitutional rigidity, and bicameralism separately and again detected a statistically significant negative impact (not presented in Table 3). In contrast to the EU sample, the coefficient for minority status of governments is far from being statistically significant (not presented in Table 3).

Finally, the control variables, which yielded insignificant results in the EU sample (unemployment, public debt, union density, economic openness, inward FDI stock, and the number of governing parties) also turned out to remain insignificant in the OECD sample. Model 9 reports the results for the fragmentation of government. In contrast to Boix (1997), we find a positive, but insignificant effect of government fragmentation on privatization proceeds. In terms of financial openness, in line with our expectations, the estimated coefficient suggests that open economies, other things being equal, show greater propensity to sell off public enterprises (model 10). The coefficient is highly insignificant, however. The same is true for the EU dummy, which is also positively but highly insignificantly related to privatization proceeds (model not presented).

Discussion and Conclusions

Which conclusions can be drawn from the empirical evidence? Apparently, the differences in privatization proceeds of Western democracies can primarily be traced back to varying economic problem loads these countries face. However, partisanship also helps explain the national variation in the revenues from the sales of SOEs. At least the findings for the broader OECD comparison suggest that the partisan complexion of government still matters. In this respect, the findings of Boix (1997) could be replicated in principle, although strong qualifications are necessary. Our analysis did not uncover significant partisan differences in the EU while Australia had a substantial leverage on the estimated impact of political parties in the broader OECD comparison. Therefore, our findings suggest that the impact of the partisan complexion of government on privatization policies has become more fragile in recent years.

More specifically, partisan differences only occur if economic problems leave room for maneuver. That is to say that parties confronted with intense economic—particularly fiscal—problems, adopt similar policy responses—at least in the case of privatization policies. We have identified three economic challenges, which have prompted privatizations, irrespective of the partisan orientation of the government of the day, namely, initially high regulatory density, a frequent violation of the (symbolic) deficit threshold of 3% of GDP, and an inferior growth performance, although the latter effect is restricted to the OECD sample. Privatizations thus can be seen as part of a policy of economic liberalization in previously highly regulated economies as well as a reaction to the fiscal policy challenges imposed by European integration and the globalization of financial markets. This result underscores the growing importance of supranational and transnational influences on national policymaking.

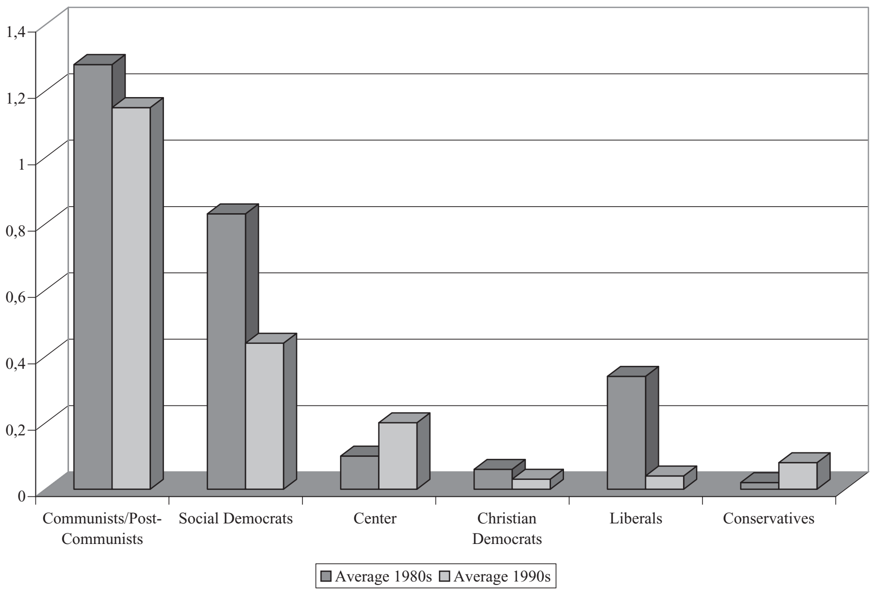
Yet, globalization and European integration do not catalyze privatizations per se as can be seen from the fact that the variables measuring globalization and European integration remain insignificant. Both phenomena only exert effects on those countries that are confronted with considerable economic problem loads, which actors perceive to be caused by a previous failure to adjust to globalization. Put differently: Governments do not change policies simply because globalization becomes more important or because they are members of the EU. Rather, even under conditions of economic openness, governments only feel compelled to introduce reforms to adapt to the challenges of the international political economy when economic problems are profound (cf. Zohlnhöfer 2005). By the same token, governments might fail to react to the pressures of globalization or European integration if the economic performance is satisfactory and the government therefore does not perceive a need for reform—even if the country takes part in the European integration process and is highly integrated into the international economy. Take the Maastricht criteria as an example: We would not expect all governments that aspired to participate in EMU to engage in privatization; rather we would only expect those governments to respond to the fiscal corset of the Maastricht Treaty by means of large-scale privatizations that struggled to pass the deficit test in the first place, that is, we would expect the 3% deficit variable to be significant rather than the EU membership dummy. This is exactly what we find.

On the other hand, privatization or economic liberalization more generally is far from being the only possible reaction to deteriorating economic performance one could think of; if governments nevertheless react in the same way, this may indeed demonstrate that they perceive an adaptation to international competition as the most reasonable answer to economic troubles. Thus, (the perceived need to adjust to) globalization and European integration indeed triggered privatization efforts in the 1990s (a result that is corroborated by the case studies in Mayer [2006]), but more so in countries that faced severer problems, which were interpreted as indicating a greater need to adjust. This is the reason why indicators of economic problems turned out to be significant instead of indicators of globalization and European integration in the regressions.[16]

The differences we found between the EU and the OECD samples can apparently be explained by the fact that the single market program and particularly the Maastricht criteria have set in motion a strong process of convergence within the EU, which has leveled partisan differences in this policy field. Therefore, Boix's (1997) claim that parties turn to diverging supply-side policies under the conditions of open world markets has to be modified. Evidently, in times of austerity, even social democratic parties prefer the political advantage of gaining extra revenues without major political conflicts via privatization to the opportunity of utilizing the public sector to improve the productivity of capital and labor as Boix (1997, 479) would argue.

The interpretation that partisan differences disappear if governments are exposed to substantial economic problem pressure is compatible with the positive effect of bourgeois parties on privatization proceeds we found for the EU in a cross-sectional regression for the period 1998–2000. In the second half of the 1990s, the budgetary situation improved in all EU member states and after 1997, the decision concerning membership in the

FIGURE 2
Average Party Positions on Nationalizations, 1980s and 1990s



Source: Budge et al. (2001), own calculations.

EMU had finally been taken. As a result, governments might have resumed some leeway for realizing their distinct political objectives at the end of the decade.

This observation seems to indicate that the disappearance of partisan differences in the EU until 1997 was not caused by a fundamental change of the ideological positions concerning privatizations on the part of left parties. Even though data on the evolution of partisan ideologies with regard to nationalization and privatization are limited,[17] an analysis of the item "Nationalisation" (per 413) of the party manifesto data (Budge et al. 2001) shows that parties' programmatic positions have converged somewhat in the 1990s, but that they are still not identical (cf. Figure 2). Left parties in general and (post-)communist parties in particular tend to put more emphasis on SOEs than center and center-right parties. Thus, the evidence seems to suggest that social democratic parties are indeed inclined to sell off SOEs under circumstances of intense fiscal strain, but that they—in contrast to bourgeois parties—do not regard this policy as an effective vehicle to enhance economic growth and thus abstain from using this policy option in the absence of fiscal problems.

Finally, the run into privatization induced by economic challenges irrespective of the partisan control of the government might also explain why we were not able to replicate the impeding effect of multiparty coalitions reported by Boix (1997)[18] and why we found a positive effect of minority governments on privatization proceeds in the EU countries. It seems that the tensions resulting from a privatization decision within a coalition or among potential parliamentary supporters of a minority government have dramatically decreased during the last 20 years. According to the logic of blame avoidance, these actors might indeed find as many arguments for as against any given privatization once the necessity of budget consolidation is accepted.

In sum, globalization and European integration have significantly reduced the importance of partisan control of the government for the explanation of differences in privatization proceeds among the advanced democracies in the 1990s. Both processes may have induced countries facing serious economic policy problems to sell off major parts of their public enterprises. Nevertheless, for the time being, globalization and policy diffusion have failed to erase entirely the importance of who governs and it seems that once governments are able to solve the most pressing economic problems, there is still leeway for distinct partisan strategies in economic policy.

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Notes

1. Partisan differences can also be read off Laver and Hunt's (1992) expert survey conducted in 1989 that included a policy scale on public ownership (Promote maximum public ownership of business and industry [1] versus Oppose all public ownership of business and industry [20]). This scale yielded the expected results: right (17.53), conservative (15.79), and liberal parties (15.75), and to a lesser extent, also Christian-democratic parties (13.13) were in favor of privatization while social democratic parties (8.51) opposed it and communist parties (2.96) were seen as preferring outright nationalizations.
2. The theoretical relevance of the variable "legal origins" is based on the assertion that French and German civil law countries maintain a larger SOE sector than common law countries and that French civil law countries tend to have erected constitutional barriers against privatizations. Moreover, the legal protection for shareholders and creditors is less developed in the latter (Bortolotti and Siniscalco 2004, 49–50).
3. Note that the Maastricht definition of the deficit does not allow privatization proceeds to reduce the current deficit. There is, however, an indirect effect: Privatization proceeds reduce public debt, which in turn reduces interest payments.
4. All independent variables are averages over the respective periods of observation, unless mentioned otherwise.
5. Inward FDI stock data for Belgium refer to Belgium and Luxembourg.

6. We use time lags to rule out problems of endogeneity. For the OECD sample, we use the number of years between 1990 and 1995 in which a country's deficit has exceeded 3% of GDP.
7. The correlation between both indicators is $r = 0.67$ for the EU countries.
8. For the OECD sample, we use the number of working days lost between 1989 and 1995 to rule out problems of endogeneity. In the EU panel regressions, we used averages for the years 1987–1989, 1990–1994, and 1995–1997, respectively.
9. However, Luxembourg had to be excluded due to data restrictions.
10. The East European transition economies, the OECD periphery (Mexico, Korea, and Turkey), as well as Iceland, Luxembourg, and Switzerland, were excluded from the sample. We omitted the states of the first group because privatizations there were part and parcel of the transformation of centrally planned economies to market economies, which took place during the period of observation. The countries of the OECD periphery were not included because of considerable defects with regard to democracy and the rule of law, which would have made a most similar cases design implausible. Iceland, Luxembourg, and Switzerland could not be considered because of different kinds of data restrictions.
11. Technically speaking, a lower number of degrees of freedom is associated with more demanding *t*-values. Yet the multitude of significant results indicates that the comparatively small number of cases does not affect the robustness of our findings considerably.
12. The jackknife analysis reveals two cases in which the exclusion of single countries makes a difference: The effect of strike activity is largely dependent on Greece and the effect of left parties' cabinet share becomes significant once either Italy, the Netherlands, or Spain are dropped from the equation.
13. The ALP committed itself to privatization comparatively late (Quiggin 1998, 87). Nevertheless, the party acted as a pacemaker for Australian privatization policies, which had consequences far beyond its own term of office. First, the "National Competition Policy Act" adopted by the ALP government laid the groundwork for further liberal reforms, particularly in the SOE sector (Quiggin 1998, 81). Second, given the previous policies of the ALP, the Howard government's privatization program appeared without alternative. Thus, the tempering effects, which the competition with a traditional social democratic party might have yielded on Howard's privatization program, failed to materialize (cf. Greenfield and Williams 2003, 295f). A more detailed study of Australian privatization policies is needed, which is beyond the scope of this article, however.
14. The results are fairly insensitive to the effects of single countries. A jackknife analysis revealed only minor variations: One significance asterisk each is lost regarding the initial size of the public enterprise sector's effect with the exclusion of New Zealand, right parties' effects (New Zealand or Spain), and high budget deficits' effects (Ireland or Norway), whereas in a sample without Belgium, the effect of the initial level of the SOE sector becomes more significant. The effect of strike activity gains in substance when Greece is excluded, but fails to reach significance by a slight margin. There is no problem with multicollinearity in the models either. Of the 48 bivariate correlations between the independent variables, the largest value is $r = .67$ (and 42 values are smaller than .5), so we are nowhere near unity and definitely within the margins of tolerance established by standard reference texts (see, e.g., Tabachnick and Fidell 2000, 84).
15. Note that higher values of the index indicate a lower level of regulation of the economy.

16. Processes of policy diffusion (Simmons and Elkins 2004) and policy learning (Meseguer 2005) may also have played a role. The coexistence of budgetary problems and a widely shared policy paradigm emphasizing the role of privatization for gaining economic efficiency might have provided fertile ground for the widespread policy changes we indeed observe in the field of public ownership.
17. Unfortunately, in the replication of Laver and Hunt's (1992) expert survey conducted by Benoit and Laver (2006), the policy scale on public ownership is dropped and replaced by a question that focuses on deregulation instead of privatization. Thus, the two scales cannot be compared and we cannot use these data to analyze whether a shift in party positions actually has occurred.
18. Note that we used a different indicator of government fragmentation. The fact that we were unable to replicate the findings with our indicator and even the sign of the respective coefficient changed seems to put the robustness of the effect of government fragmentation on privatization proceeds in question. This is not too much of a surprise, however, because the effect is indeterminate at the theoretical level as well.

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