Jnl Publ. Pol., **21**, *3*, 283–309
DOI: 10.1017/S0143814X01001155

The Political Benefits of Corporatization and Privatization

JØRGEN GRØNNEGÅRD CHRISTENSEN AND THOMAS PALLESEN *Political Science, University of Aarhus*

ABSTRACT

In recent years Denmark has seen a huge corporatization and privatization program. As it is an unlikely reformer, the policy shift makes the country an interesting test case for the analysis of public sector changes. The paper argues that the Danish corporatization and privatization program fits into a general pattern. The program has been successfully implemented because it has allowed the governing coalition to reap important short-term political benefits without compromising a long-term quest for political control. However, these radical changes that together constitute a virtual wave of reforms have been initiated because politicians belonging to the governing coalition have come to the knowledge of new theoretic and empirical insights that open their eyes to short-term political benefits formerly unacknowledged.

During recent decades Western governments have shown a strong interest in new forms of public sector organization. Traditional state enterprises have been reorganized as government corporations. Similarly, former state enterprises or agencies have inserted a board between the departmental minister and the daily management, thus creating a hybrid form of government organization. Finally, corporations, enterprises and, to some extent, government organizations with agency status have been partly or fully privatized as their assets have been sold to private investors.

The phenomenon is general and has occurred in all OECD countries. With the breakdown of communism, these changes became part and parcel of the strategy to reform the economies of the former Soviet Union and Eastern Europe. Similarly, reform-minded governments in the third world have introduced corporatization and privatization as part of their strategy to modernize emerging economies.

The literature overflows with explanations for this change in public sector organization (see e.g. Dorado and Molz (1998), Feigenbaum, Henig and Hamnett (1998), Schmidt (1996), Vickers and Wright (1988): (1) Governments introduce them to improve efficiency, especially productive efficiency; (2) the reforms are the result of a learning process where politicians and public managers realize the potential of importing private business models into their field; (3) the changes follow from the ideological shift from collectivism to neo-liberalism; (4) this shift paved the way for strong governments committed to pro-market and anti-statist policies; (5) national governments are subjected to new constraints as international and supra-national institutions have started to regulate activities that were formerly undertaken by government monopolies; (6) the changes result from the diffusion of models and experience that has been facilitated by international cooperation, e.g. within the OECD; (7) the changes are an integral part of loadshedding strategies.

There are problems with these accounts. Many plausible variables are brought into play with little discussion of how they relate and how they fit into a theoretical model, although empirical studies have uncovered a more complex pattern than many of the existing accounts realize (Clarke and Pitelis (1993); Feigenbaum et al. (1998)). The pioneering countries have not always been as radical as their proponents express; the conservative stragglers are not as far behind as conventional wisdom would have it, and the development is neither as uniform nor as novel as one might think (Boston, Martin, Pallot, and Walsh (1996), Kay (1999), Schneider (1996)). Finally, the literature fails to distinguish between countries with a tradition for nationalized industries (like Austria, Britain and France) and countries with limited or no governmental engagement in industry or financial services (The Netherlands and the Nordic countries) (cf. Andeweg (1988), Christensen and Pallesen (2001), Müller (1988)).

The huge, but diverse literature leaves us with a double puzzle: First, corporatization and privatization have been undertaken under unlikely political circumstances (by socialist governments, by minority and coalition governments, in strongly corporatist systems, and presumably against strong vested interests). Second, if corporatization and privatization are novel phenomena, the change in policy calls for an explanation. The ambition of the present paper is to contribute to the solution of this puzzle, by subjecting the corporatization and privatization policies of an unlikely radical reformer (Denmark) to analysis. As Table 1 demonstrates, Denmark, on any of the dimensions normally assumed central to successful and radical corporatization and privatization policies, scores low. So, if – despite the bad odds – our case study shows that Denmark has pursued a fairly consistent policy of corporatization

TABLE 1: *Danish corporatization and privatization policies*

	C&P reforms to be expected	C&P reforms unlikely	Denmark
Ideological bent of regime	Liberal-Conservative	Socialist-Social Democratic	1975–82: Predominantly Social Democratic 1982–93: Predominantly Liberal-Conservative 1993–2001: Predominantly Social Democratic
Parliamentary strength of government	Majority	Minority and/or coalition	Throughout the period minority and coalition
Strength of corporatist institutions, integration of public sector unions	Weak	Strong	Strong

and privatization, it has the potential to discriminate among some of the explanations and thus to deepen our general understanding.

In the pursuit of this ambition, we start out from the assumption that politicians use corporatization and privatization to safeguard political interests. It is one among many options, ranging from minister and budget-governed organizations through government corporations and corporate look-alikes to fully privatized, but government-regulated corporations. In this perspective politicians prefer corporatization and privatization to traditional public sector organization, if they can reap political benefits that outweigh the political costs involved. With this point of departure, five questions are posed: (1) What is the extent of the new forms of organization and privatization? (2) What are the implications for the organization of public sector tasks, and to what extent is this new? (3) What explains the balance between continuity and innovation? (4) What are the effects of the changes with regard to democratic governance and economic efficiency? (5) What lessons does this case study allow us to draw in a comparative perspective?

Data

To answer these questions, we have collected data from 1975, 1985, and 1995. They contain information on the prevalence of corporate forms of organization before the alleged wave of reforms took off. Data also give information on the managerial structure of the corporations and corporate look-alikes. Finally, data have been collected on the fiscal consequences of movements from agency and state enterprise status to corporate or quasi-corporate status and from governmental ownership to partial or full privatization. In the database a distinction is made between: (1) *Government corporations* that include organizations in the corporate form (corporations (A/S), partnerships (I/S), cooperatives (amba), and special corporations (e.g. Post Danmark) in which the Danish state owns at least 10 percent of the invested capital and (2) *corporate look-alikes* that include organizations (among others state enterprises, enterprises governed by binding net-budgets, independent institutions and trust funds[1]) which have a board of directors and earn income through sale of services exceeding DKK 10 million annually. The latter criterion excludes several institutions under the Ministries of Culture and Education. For both government corporations and corporate look-alikes it is registered whether separate subsidiaries have been set up, if the parent corporation owns at least 10 percent of the capital stock.

For corporate look-alikes a defining criterion is the existence of a board of directors. The distinction between boards of directors on the one hand and councils and executive committees on the other involves some discretion. The criterion for a board of directors has been its possession of managerial authority as opposed to purely advisory and oversight responsibilities. As an example, the Danish Broadcasting Corporation with the former Radio Council is included in the database for the entire period, while the Royal Theater, the postal services, and the State railways have been excluded in the 1975 and 1985 databases although they had advisory boards and oversight committees. However, they are included in the 1995 database. The database, including code book, is documented in a separate paper, *Undersøgelsesrapport. Statslige selskaber og andre bestyrelesesledede organisationer, 1997.*

Innovation or renaissance?

In Danish government there is nothing new in the discussion about the corporate form of organisation. The difference is that the model was earlier considered an exception to the departmental hierarchy, also when business was funded by user fees. The solution then was the state-owned enterprise (SOE) which combined a more liberal budgetary status with agency organization (Andersen (1963 74–81), Meyer (1967), Ministry of Economics and Budgetary Affairs (1972)). The novelty is that corporatization gives rise to explicit policy considerations. The same is true for the full and partial privatization of government equity interests. A report from the Ministry of Finance is a good example of how the new praxis has triggered public reflection (Ministry of Finance (1993)).

This new discourse has a natural explanation: in contrast to many other Western countries, the Danish state has never conducted business through nationalized industries. Therefore, a systematic privatization policy calls for a new rationale to demarcate the border between the public and the private sectors and government and market regulation. The historical absence of a policy discussion over the use of corporate forms should not be interpreted as a lack of interest in alternative forms of organization that broke with central government solutions. Instead, the focus was on completely different aspects of public sector activities and on solutions based on either increased municipal responsibility or corporatist practices.

In the past 20 years, the number of government corporations and corporate look-alikes has more than doubled. As Table 2 shows, 57 percent of corporations and 31 percent of the corporate look-alikes registered in 1995 were established in their current form within the past decade. This is a significantly larger share than in 1985 and1975. Equally remarkable is the organizational dynamic of the preceding decades, so it is not a new trend in the 1980s and 1990s, but rather a development that has picked up speed since the 1980s.

The break with the past is, however, more profound than the numbers indicate. First, the table does not show full privatizations which have been effected since the 1980s and which have led to a reduction in the number of corporations included in the basis for the table. Second, the table does not take into account the qualitative leap in the development. Thus, many relatively small enterprises (e.g. regional railways) have always been organized as corporations; likewise, it is

TABLE 2: *Government corporations 1975–1995*

	Ownership structure (%)				
Legal status	Purely governmental	Government + private investors	Subsidiaries	N = 100 pct.	Percentage of corporations established in current form within the past decade
1975					
Corporations	27	46	27	26	17
Corporate look-alikes	100			15	9
1985					
Corporations	23	34	43	35	18
Corporate look-alikes	94		6	18	18
1995					
Corporations	37	21	43	58	57
Corporate look-alikes	96		4	27	31

Source: The corporation database.

a historical tradition that the organization of, for instance, cultural institutions include a board inserted between management and minister and the departmental hierarchy. The qualitative novelty is that large SOEs like the postal service, the state railways and Copenhagen Airport have been converted into either corporations or enterprises with structures that are highly reminiscent of the corporate form. Third, SOEs with binding net-budgets are only included if they are governed by a board. Nonetheless, these SOEs represent a break with the departmental hierarchy, and their number has grown tremendously since the last budget reform in 1985.

Organization and control

The growing political popularity of corporations says nothing about what the new forms of organizations mean, but the management structure in the government corporations and corporate look-alikes can shed light on this. The hypothesis is that the management structure is one way to influence the distribution of power and responsibility in relation to a given organization.

Tables 3 and 4 present information about recruitment of board chairmen and of the membership of the boards of directors and which qualifications were emphasized when the top management of corporations and corporate look-alikes was composed. It also indicates which interests control or influence their operation. Like Table 2, the tables cover a long period, making it possible to examine whether the growing use of corporate organization reflects a new practice compared to earlier. A common claim is that the corporate form is preferred to the departmental hierarchy, because the objective is to approximate public sector organization to the organization of private business. This is based on, among other things, the assumption that it ensures a higher degree of managerial professionalism and thus greater efficiency. The question is whether the 1990s increased the representation by professional business people in the boards.

There has always been a world of difference between government organizations organized as corporations and the mixed group of institutions, enterprises and other corporate look-alikes with a board inserted between minister and the CEO. Business executives were board chairmen in government corporations much more frequently than in corporate look-alikes where, in contrast, many civil servants have chaired the board. In both types of organizations, it is rare that current or former national politicians or representatives of organized interests are board chairmen. This is also true for independent experts recruited among lawyers, accountants and academics.

TABLE 3: *Professional background of board chairs (per cent)*

	National politicians	Civil servants	Organized interest reps	Experts	Business executives	No information	N
1975							
Corporations	4	15	15	12	42	12	26
Corporate look-alikes	13	80	–	7	7	–	15
1985							
Corporations	6	23	20	11	52	6	35
Corporate look-alikes	17	56	–	17	17	17	18
1995							
Corporations	7	19	26	7	55	7	58
Corporate look-alikes	15	33	22	22	37	7	27

Source: The corporation database.
Note: Due to multiple coding, percentage distributions exceed 100.

Although the basic pattern is the same in 1995 as in 1975, recruitment of board chairmen has still changed significantly for both types of organizations. First, board chairmen are increasingly recruited among business executives: in 1995, they made up 55 percent of the board chairmen for government corporations compared to 42 percent in 1975. In 1995, also chairmen of corporate look-alikes were recruited to a great extent among business executives, a rarity 20 years earlier. In an equally remarkable development, civil servants, who 20 years ago nearly monopolized the chair in corporate look-alikes, are now being squeezed out and only occupy one third of the chairs.

The picture is different for the recruitment of rank-and-file members of the boards. First, business executives are significantly less prominent, and their share is almost constant throughout the period. Second, experts, civil servants and politicians play a limited role on the boards. Third, representatives for organized interests and employees enjoy a strong position in the boards. Fourth, overall stability is remarkable. While the profile of board chairmen in the 1990s differs completely from the situation in 1970s, the composition of boards has remained almost the same since the 1970s. The only significant change is that employee representatives have greater influence in current government corporations and corporate look-alikes.

One preliminary conclusion is that the boards basically serve as representative institutions; they are fora in which representation by certain interests is desired, or fora in which it is impossible to get around certain interests. This has not changed, although corporate forms of organization were significantly more common in the 1990s than they were in the 1970s. Both government corporations and corporate look-alikes are still strongly integrated in a political-administrative system with strong corporatist traits. In that regard, they do not distinguish themselves from government organizations which belong to the departmental hierarchy. But the political-administrative integration occurs in two different and subtle ways discussed below.

First, an altered recruitment pattern for board chairmen has changed the profile of government corporations. They are recruited among business executives to a much greater extent than earlier. This may reflect that the government and individual ministers want to import business and management experience from the private sector to government corporations and, in part, to corporate look-alikes. However, board chairmen often have broad experience: they combine administrative experience with experience as business executives, or experience from national politics and interest organizations with their business experience. In other words, a business background is not the only qualification for chairmen of the board in government corporations and corporate look-alikes. Consequently, also the recruitment of board chairmen emphasizes the degree to which corporations and board-supervised organizations remain integrated in the political-administrative system. This conclusion gains further support if we look at the general composition of boards and at the appointment of board chairmen in large government corporations and corporate look-alikes like Post Danmark, the state railways and its subsidiaries, The Royal Theater, Copenhagen Airport and TDC (the former telecommunications monopoly) before – and partly after – privatization.

Second, business executives and former civil servants dominate among the CEOs, cf. Table 5. The displacements implied in the table

TABLE 4: *Professional background of board members (per cent)*

	National politicians	Organized interest reps	Civil servants	Employee reps	Experts	Business execs	No infor	N
1975								
Corporations	7	20	16	10	11	30	7	207
Corporate look-alikes	13	34	31	5	9	5	3	112
1985								
Corporations	6	19	14	33	5	21	3	281
Corporate look-alikes	15	40	19	11	6	6	3	133
1995								
Corporations	2	15	16	28	3	28	8	386
Corporate look-alikes	8	35	20	14	10	11	2	247

Source: The corporation database.
Note: Due to multiple coding the percentages may add up to more than 100.

https://doi.org/10.1017/S0143814X01001155 Published online by Cambridge University Press

Table 5: *Professional background of CEOs (per cent)*

	Civil servants	Business executives	National politicians	Experts	No information	N
1975						
Corporations	4	85	–	4	12	26
Corporate look-alikes	67	7	7	7	20	15
1985						
Corporations	14	80	–	–	11	35
Corporate look-alikes	44	15	11	–	11	18
1995						
Corporations	19	66	2	5	10	58
Corporate look-alikes	56	19	22	19	19	27

Source: The corporation database.
Note: Due to multiple coding, percentage distributions exceed 100.

should be interpreted with care, due to the combination of dynamics and inertia that characterizes the organizational development in this area. Thus, when former SOEs or similar organizations are converted to corporations or corporate look-alikes, former managers with status as civil servants stay on as managing directors. At the same time, a circle of business executives has formed who make careers in that special segment of government corporations and corporate look-alikes. The different becomes really pronounced when a government corporation is partly or fully privatized, in which case CEOs are recruited from the business world. But it is equally remarkable that TDC's American owners, after taking control of the corporation, hired a former minister of finance as CEO, while another former minister of finance remained chairman of the board. The conclusion is that the government prefers managers who are comfortable in the political-administrative environment, and that private investors look, to a certain degree, for similar qualifications when they take over a formerly public monopoly that now has to compete in a regulated market.

Privatization, corporatization, and government organization

It is a common conception that conversion of SOEs into corporations or corporate look-alikes has revolutionized the Danish public sector within a few years and that a wave of privatizations has altered the profile of the public sector. This description is not completely correct. On the one hand, government corporations and corporate look-alikes have always existed. On the other hand, not only are there more of them now, there has also been a qualitative change. Venerable SOEs organized as directorates general or agencies have been converted into government corporations or corporate look-alikes; other enterprises have been partly or fully sold off after the conversion.

This gives rise to three questions: One, why do government and parliament sometimes prefer a corporate form as organizational framework for government tasks? Two, why has the political preference for this form of organization grown? Three, why have government and parliament since the 1980s decided to privatize historically state-run enterprises?

Murray Horn (1995) has formulated a prominent theory claiming that *form follows function*; in other words, the tasks determine the form of organization. Horn thus expects organizations that are partly or fully financed through sales proceeds to be organized as government corporations, and organizations that solve public service tasks based on appropriations to be organized within the framework of a politically governed and quite centralized hierarchy. In contrast, he expects the administration of public regulatory tasks to be carried out by regulatory commissions like the American *independent regulatory commissions*. Horn's hypotheses are anchored in transaction cost theory. He argues that politicians (the parliamentary majority) choose institutional arrangements that minimize the political transaction costs associated with supervision and control of the administrative apparatus (so-called *agency costs*) and with credible fulfillment of their commitments to their voters and the interests that support them (so-called *commitment costs*).

Horn's theory has attracted great attention, and despite its complexity, it is elegant and can be read as a theoretical account of the much publicized and apparently radical reforms in New Zealand's public sector. However, the theory runs into problems when it meets reality: For how does it cope with the great organizational variation that characterizes the handling of very uniform tasks in different countries? How does it explain historical deviations? And how does it explain deviations among countries where the political-institutional constraints are very similar? The model is, in other words, too deterministic.

The political economy and rational institutional theory provide a related, more modest, yet still more powerful explanation for the choice of forms of organization and institutional arrangements in the public sector. There are two necessary elements in the explanation, neither of which, however, can explain the specific choices. The first element is based on an expectation that those politicians who decide how a public sector task should be solved seek to maximize their own long-term control over the task after passage of the legislation and the budget that specifies the character of the task. One mean is the design of the organization and the institutional arrangement of which it is part

(Moe (1990), Hammond (1996)). Institutional choice in government is thus a matter of which interests to secure influence on operations and which interests to keep away. This assumption lets us explain why form of organization is politically important when new organizations are established, just as we can explain the great organizational variation in the public sector. In contrast to Horn's theory which says that function determines choice of organization, this hypothesis allows variation for tasks with similar character. This is more consistent with reality, whether we compare the public sector within one country or make cross-national comparisons. But even allowing for institutional variation, it cannot predict the specific choices.

It is much more difficult to explain why form of organization changes for a given task. Of course, this may happen if we assume that the existing solution was never based on a political-institutional equilibrium, or if we assume that the equilibrium is disturbed, for example because of a shift in the distribution of power (Hammond and Knott (1999)). However, this can hardly explain the emergence, within a short period, of general reform waves that change the form of organization and the institutional arrangement around many different public organizations which were originally organized according to their respective political basis. This requires, at least, a strong central political body which, as opposed to earlier, is able to force such a general reform through, and we might imagine a (very) strong ministry of finance in this role.

The limitation of the control hypothesis is its assumption about the political actors' long-term objectives and thus its disregard of the fact that political decisions are made here and now. Therefore, a sufficient explanation must take into account that the organizational choice may incur short-term political costs. The incumbent politicians have to trade them off against the short- and long-term benefits associated with the choice. This is true when a new organization is established and especially when an existing organization is changed. In that case, the politicians can only be expected to proceed if a political-institutional disequilibrium is in effect and if the short-term political costs are offset by benefits that the politicians can collect here and now. This is even more pertinent as the change may produce losers who, because of their position, can obstruct a reorganization, unless they receive political or economic compensation (Bös (1999), Kay (1999)).

The interaction between long-term control on one side and short-term cost and benefit calculations on the other explains, to a large extent, the choices made since the 1970s in connection with establishing new government organizations or reorganization of existing organizations to corporations or corporate look-alikes. They also explain why SOEs in some cases have been partly or fully privatized. But they cannot explain the rapid emergence of a wave of reorganizations involving increased use of the corporate form combined with many privatizations. If these choices were based exclusively on the distribution of power between control-maximizing political actors and on their calculations of the short-term political costs and gains, it is difficult to explain why the question of reorganization has not come up earlier. So, when a reform wave is triggered over a few years, pulling everybody in the same direction, there has to be another explanation.

Such a reform wave may be triggered by a new paradigm of governance that challenges the classical hierarchic paradigm which has been the theoretic-normative rationale for most considerations about the organization of the public sector. Such a shift implies, per definition, that new political preferences replace previous political conceptions of the right way to solve public tasks. Such preference shifts certainly occur, but as explanation it borders on tautology. The logic is that politicians and other political actors replace previous organizational models because they now prefer others. Still, it is obvious that the political actors have maintained a certain form of organization because alternative solutions, according to orthodox thinking, would have undesirable consequences, a conclusion nobody has questioned up to now. This was the case, for instance, with the organization of public utilities: everybody saw them as natural monopolies and consequently nobody considered alternatives to public ownership and monopoly status.

However, new theoretic and empirical insights come to the knowledge of politicians, e.g. through international diffusion. This draws their attention to the fact that functions so far performed by natural monopolies and often run within the public sector as SOEs or government corporations could be organized in a different way, perhaps even in a market context. The new insight then turns into a mental model that becomes part of the frame of reference for political actors' analysis of the situation they find themselves in (Denzau and North (1994)). This does not in itself lead to a replacement of traditional organizational models with others; but the insight created by the new paradigm can make political actors aware of political benefits they were unable to realize under the traditional institutional solutions. Yet, the hypothesis is still that organizational and institutional choices are linked to specific public tasks and organizations; choices are determined by the political actors' desire to maximize their control in the long term, although the short-term political costs are not allowed to exceed the political benefits. When we still see a rapidly emerging wave of reorganizations and privatizations, it is due to the fact that the insight on which the new paradigm is based encourages the political actors to consider the institutional set-up in areas that for long, perhaps forever, have been organized differently.

All three factors played a role in the changes that, since the 1970s, have led to a wave of corporatizations and privatizations. The interaction between the three factors is obvious. Table 6 shows, first, that it has been possible for politicians to let a long-term control maximization strategy play together with their need for short-term minimization of political costs associated with the organization of new public sector tasks or the reorganization of existing functions. Control maximization is generally a matter of management structure and, thereby, political-administrative integration. The choice is between a solution based on the departmental hierarchy and a solution in which the supervision of the CEO is delegated to a board. Which interests are privileged in that connection depends on the procedure for appointing the board and which interests the members represent. This is once more illustrated by Table 6. Corporatist and business representation was thus combined when the bridge and tunnel corporations were established, while a parliamentary oversight group was simultaneously installed. Finally, the table also shows that when the postal service and the state railways were reorganized, the SOEs supervised by departmental ministers were replaced by a corporation in which the minister acts as sole proprietor on behalf of the state. In contrast, the Royal Theater has gone from budget-governed state institution with a parliamentary oversight board to a corporate look-alike with its own board of directors and a binding net-budget.

The politicians' short-sighted cost-benefit calculations are many-sided. They range from uncertain assessments of, e.g. possible voter reactions or reactions from employees or other affected interests to extremely specific calculations of the fiscal consequences of alternative forms of organization. While precision is hard to reach in the first type of considerations, the latter type is easy to settle. Politicians often face the political dilemma of having to assign priorities to the initiatives they want to take and financial constraints resulting from the economic policy they have announced. In operational terms these constraints are often phrased as an intended reduction of the growth in public expenditure combined with a reduction of the budget deficit, ultimately a balanced budget. It is difficult to make these priorities, and the politicians tend to look for solutions that let them protect and expand costly programs all the while respecting their own quest for a responsible economic policy, e.g. meeting their commitment to the convergence criteria in the Maastricht Treaty. A breach would cost dearly in terms of political credibility, but abandoning prospective popular projects

TABLE 6: *Interaction of political strategies, political cost-benefit calculations, and new organizational paradigms*

	Creation of new organizations	Reorganization of existing organization	General institutional reforms
Long-term control maximizatoin	Government corporations responsible for bridge and tunnel construction are formed as corporations rather than as state enterprises; corporatist representation in management; political oversight groups	Postal services and state railways reorganized as corporate look-alikes. The Royal Theater is changed from a minister and budget-governed institution to a corporate look-alike with a binding net-budget	Regulatory legislation, subjection to regulatory supervision and market competition replace state ownership and natural monopoly status
Short-term political cost minimization/benefit maximization	Off-budget investment does not burden the central government budget	Depoliticization of day-to-day operations reduces pressure on minister and limits ministerial accountability; possible one-shot proceeds at reorganization cashed by the governing majority	One-shot proceeds, increased indirect tax yield, former government subsidies passed over to consumers
New governance paradigm	New regulatory bodies, e.g. National Telecom Agency, National Railway Agency, and Energy Board replace government controlled monopolies	Liberalization of the telecommunications sector, the electricity and gas sector. Expansion of the competition authorities' authority to encompass former natural monopoly areas	General reassessment and reorganization of SOEs, previously considered natural monopolies

TABLE 7: *Fiscal effects of corporatization and privatization*

Year	Privatizations	Corporatizations	Off-budget infrastructure investments by government corporations	Total	Fiscal effect*
	Million DKK in current prices				
1985	712			712	2.70/0.38
1986					
1987			19	19	0.52/0.01
1988	10		63	73	0.54/0.03
1989			119	120	0.64/0.05
1990	4263	2317	167	6747	29.13/2.19
1991		2463	182	2645	6.90/1.07
1992		713	212	925	2.63/0.35
1993	803		255	1058	2.18/0.38
1994	1552		285	1837	4.62/0.61
1995	72	2600	283	2955	9.46/0.97
1996	2162		279	2441	8.28/7.48
1997	461	210	2384	3010	14.86/1.0
1998	31128	744	No data	31872	74.31/10.32
Average fiscal effect as percent of total central government expenditure (1985 prices)					1.9

* Fiscal effect: The figure before the slash is total revenue and off-budget expenditure in percent of the balance, disregarding the sign; the figure after the slash is total revenue and off-budget expenditure in percent of total central government operational expenditure, investments, and loans.

Sources: Privatizations: Proceeds from the sale of shares, Statsregnskabet 1985–1998; Corporatizations: Proceeds from reorganization of SOEs to government corporations etc. Statsrevisorer (1995a) and Statsregnskabet 1985–1998. Off-budget expenditure: Annual reports from A/S Storebaelt and A/S Øresundsforbindelsen (1987–1997).

because they cannot be financed without breaching self-imposed economic restrictions would also ruin the chances of reaping political benefits.

Table 7 shows how privatizations since the 1980s have developed into a scattered, but for the period as a whole, significant source of revenue. The table also shows proceeds earned through reorganization of previous state enterprises, for example the conversion of postal giro and later the entire postal service from SOE to government corporation. Both conversions released billions which were credited to the budget. The same thing happened in smaller reorganizations, e.g. in the merger of the Danish State railways' shipping company (Scandlines A/S) and the German Federal Railways' ferry company (Deutsche Fährgesellschaft mbH). Finally, the table shows how placing the bridge and tunnel investments in government corporations has relieved the central government of big off-budget expenditure. This also happened in the late 1970s when construction of the natural gas network was delegated to the state-owned oil and gas utility.

A double indicator is used for the fiscal effect. As political attention is concentrated on the effect on the government balance, one indicator is total privatization proceeds as a percentage of the current balance. As this is an unstable yardstick, the other indicator is total proceeds as a percent of total central government operational expenditure, investments, and loans. But whatever the indicator, the fiscal effect has fluctuated from almost nothing to considerable contributions in several years, and for the period as a whole, the effect is increasing. On average, the annual proceeds equal 1.9 percent of total central government expenditure. This is not a specifically Danish phenomenon: the accumulated privatization proceeds are for New Zealand 14.1 and for Great Britain 11.9 percent of GNP for the 1981–90 period (Clarke and Pitelis (1993, 8)). For the 1990s the OECD (2001, 48) has calculated the accumulated revenues from privatizations to 3 percent of the aggregate GDP of the OECD countries. The fiscal gains from privatizations are so common in Western countries that Feigenbaum et al. (1998, 44–58) actually see fiscal motives as some of the main motives for the wave of pragmatic privatizations they identify in such different countries as France, Great Britain and USA. This political rationale even seems important in the New Zealand case. The revenue raised from corporatizations and privatizations after 1984 served the goal of debt reduction, while at the same time contributing additional funds for health and education (Duncan and Bollard, 1992, 172–173).

The same pragmatism characterizes most Danish privatizations and corporatizations that were almost all implemented with broad majorities and without any theoretic or even ideological discussions. Since 1993 when the Social Democrats returned to power, the corporatization and privatization program has been consistently expanded. The fiscal effect has more than covered the average growth (1.1 percent per year in constant 1985 prices) in central government expenditure during the 1985–98 period. The pragmatism is further emphasized by other reorganizations that raise money for the central government. So, Hypotekbanken, that manages government loans has changed status from a bank to an agency; as a result the reserves that the bank held according to banking regulations will from 1999 and onwards be credited the government budget (Act 903 (1998)). Similarly, the port of Copenhagen that has enjoyed legal and financial autonomy for centuries is reorganized as a government corporation according to a recent bill. As a result the government will be able to cash the revenue from selling off its property (Bill 163 (1999)).

The interaction between long-term control maximization and short-term political costs and benefit strategies cannot, as mentioned, explain the increased interest in corporate form and in privatization of former public enterprises we have witnessed since the 1980s and especially during the 1990s. The hypothesis is that a new paradigm has opened the politicians' eyes to organizational and regulatory models which no one had considered before. The new models have also revealed potential political benefits which have always existed, but remained unrealized, obstructed as they were by the conventional institutional solutions. This is demonstrated by the Danish energy reform. It requires a separation of the sector's production and commercial functions from transmission and general system management, which again is a precondition for opening the market for electricity. The 1999 budget and the parliamentary agreement together provide the political basis of the reform. They presuppose an improvement of government finances by approximately DKK 2 billion per year. To realize this fiscal gain the reform introduced a new distribution tax, opened for taxing power utilities and passed on the subsidy to renewable energy sources from the government to the consumers and private business (Energistyrelsen (1999), Ministry of Finance (1998)).

In this case the government and the parties behind the agreements on the budget and on the regulation of the electricity sector thus indirectly realize the state's fiscal gains through regulatory reform. This is due to the fact that neither the power stations nor the former distributors were owned by the state. Owned either by a municipality or by the consumers, they are run according to the principle of self-financing and have until now been tax exempt (Konkurrencestyrelsen (1998, 54–62)). However, the case is a strong manifestation of how government and opposition, through the annual budget agreement, formulate a common fiscal goal that then, with a minimum of political costs, can be realized via an institutional and regulatory policy reform of a public utility. This political rationale finds a general expression in a report prepared by the Ministry of Finance in cooperation with, among others, the Ministry of Justice. The report maps the occurrence of funds of so-called 'public interest'. As basis for the formulation of a government fund policy, property rights are reviewed, and it is discussed how future policy considers government fiscal interests (Ministry of Finance e. a. 1998).

At the same time, the new paradigm's breakthrough requires a solution to the control-related concerns, either by exploiting a disequilibrium or by accommodating interests behind the old institutional structure by transferring them to the new structure. The latter solution will contribute to minimizing the political costs associated with the change, because it will ensure continued influence by established interests. The continuity in the management structures of Danish government corporations and corporate look-alikes supports this interpretation.

The introduction of a new paradigm involves changes that reach far beyond the actual change in the organization and control of the public enterprise. As Table 5 shows, changes in organization and ownership of the utilities have been accompanied by an equally radical reform of regulatory policy. New administrative agencies have been established (the National Telecom Agency, the Danish National Railway Agency, the Energy Board), just as existing regulatory policies have been replaced by new ones.

Democratic Governance and Economic Efficiency

When corporatizations and privatizations figure prominently in political actors' efforts to realize very concrete interests for themselves, it is relevant to question the consequences of this policy. Two effects are of particular interest, namely the implications for: (1) democratic governance of organizations that solve public sector tasks and (2) economic efficiency. Both involve basic normative issues in market democracies. The democracy issue is a question of whether citizens' opportunities to influence and control the enterprise are weakened or strengthened during the transition from departmental hierarchy to solutions based on corporate organization and privatization. This issue may be solved directly, by leaving the choice to individual citizens, or indirectly, in which case the citizens' opportunities to influence public sector tasks rest on the efficiency of those mechanisms through which their demands are communicated to managerial decision makers. Likewise, the efficiency issue is a question of whether corporate organization and privatizations have a positive or negative effect on the efficiency of individual organizations and aggregate economic welfare.

Both are complex issues and presently there are few in-depth analyses of them (Durant, Legge and Moussios (1998), Dnes and Seaton (1999)). Table 8 captures the interaction between these issues under varying economic and regulatory constraints. The main claim is that corporate organization and privatization of public enterprises may strengthen democratic governance and economic efficiency, but it may as well have negative consequences in both regards. There are also contingencies in which the consequences for democratic governance and economic efficiency are on a collision course. This argument follows from the hypotheses developed above about the politicians' choice between alternative institutional solutions. One implication is that these are problems that can be solved, in principle, under the one condition that politicians have an incentive to do so. Another is that the reforms may have notable effects in terms of both democracy and efficiency, even though the politicians who initiated them were motivated neither by a concern for democratic governance nor micro-economic efficiency. Below, the policy relevance of all four contingencies will be demonstrated.

In the ideal situation, corporatization and privatization have positive consequences for democracy and efficiency. The preconditions are present. If there are several competing suppliers, it is more likely that citizens' demands to suppliers will be met. Competition between a plurality of suppliers might even be decisive, both in giving citizens' preferences a strong and direct impact and in improving economic efficiency. If this is true, competition is more important than organization and ownership (Clarke and Pitelis (1993), Durant et al. (1998), Feigenbaum et al. (1998), Konkurrencestyrelsen (1999)). For the traditional public utilities, the condition for competition and free choice is specific regulatory provisions combined with general competition regulation that allows for effective government inspection of the suppliers' market behavior. Parliament is probably in a better position to influence the suppliers through legal regulation of a competitive market than through operation of an SOE or a government corporation with monopoly status. In the latter cases, there is a greater risk that politicians will suffer under the negative effects of asymmetrical information and cooptation than in a market subjected to competition through general regulatory provisions. At the same time, transition from SOE to corporate status may contribute to a higher degree of openness and stricter regulation of managerial decisions. This is due to more precise rules in corporate legislation, e.g. for accounting principles and bankruptcy. These rules are simultaneously legally binding and subject to independent control, in the final instance by the courts. There is some evidence of a similar beneficial effect of an expansion of the ownership of privatized enterprises to include foreign investors and employees (Smith, Beom-Cheol Cin and Vodopivec (1997)). The same does not apply to the provisions laid down in the Ministry of Finance manual on government budgeting. Clearly corporate regulation does not remove opportunities to manipulate, but comparatively it allows for less ambiguity than normally characterizes the departmental hierarchy and interdepartmental regulations.

The bankruptcy and the subsequent closing of a government garment manufacturer is one example (Statsrevisorer (1995b)); the financial troubles of the government bus corporation is another. The latter case led to severe criticism of both the company's and the minister of transport's decisions. Simultaneously it was demonstrated that corporate regulation ensures critical scrutiny to a much higher degree than the central government's budgetary system. Further, it became clear that the difficulties were triggered by the corporation's inability to control

Table 8: *Consequences for democratic governance and economic efficiency*

	Efficiency benefits	Efficiency loss
Democratic benefits	More suppliers create freedom of choice and competition Specific regulatory legislation combined with general competition regulation increase the opportunities for political (parliamentary) influence on the enterprise and protects against political cooptation The corporation act and the accounts act ensure more efficient regulation against opportunism than the budget instructions etc. from the Ministry of Finance	Directly elected user boards combined with appropriated budget increase the political costs of reallocating appropriations and securing efficiency
Democratic loss	The corporate form reduces openness, but minimizes political costs of critical economic decisions The corporate form effectively establishes protection against interference in the operation by politicians who maximize political short-term benefits	Board/chairman of the board/ management may act politically with greater freedom than administrative management of institutions/enterprises supervised by departmental ministers Corporatist boards combined with vaguely defined organization and regulation lead to closed decisions and economic decisions based on political criteria

costs in a situation where competition among suppliers of bus transportation from 1994–97 led to a price reduction of 15–17% in real terms (Rigsrevisionen (1999, 45–46), Konkurrencestyrelsen (1999, chap. 5), Magid (2001)). The case must be compared with the situation before the state railways' bus service was converted to a government corporation and before regular, collective bus services were required to be put on competitive tender. The national bus service was then part of an SOE which was neither subject to the same relatively clear financial rules as applies to a corporation nor to regulations that aimed at competition on equal terms with private suppliers (Ministry of Transport (1994)). Eventually, the corporation's troubles were brought to an end when in 2001 it was sold to a British corporation for 1 DKK (0.1 £).

In a worse case scenario, both democracy and efficiency suffer. This situation is likely to arise under two conditions, which may very well interact. First, the management of a public enterprise or other public sector organizations that operate outside the departmental hierarchy has a broad political scope of action. Whereas the behavior of department and agency heads is controlled by strong institutional constraints, these constraints are of little relevance to the chairman of a board of directors. A conspicuous case has been the strategic maneuvers of the chairman of the Royal Theater in relation to government and parliament to mobilize political support for the expansion of the theater (Drachmann (1999)). Two risks are involved: the political-democratic decision making process is manipulated and the favorite solution is deficient in terms of both productive and allocative efficiency. Second, these risks are aggravated in situations where public sector tasks are managed by organizations that are integrated either in the corporatist system or joint ventures of central government and local governments (Christensen (1993)). The latter form of organization is common and constitutes a muddy area on the border between the public and the private sector (Ministry of Finance (1998)). These problems compare with the political strategies pursued by e.g. the former executive of the Italian state energy corporation, Enrico Mattei and British concerns with Quango-managerial practices (Adonis (1997)).[2]

Some situations could probably generate a trade-off between the consequences for democratic governance and for economic efficiency. Thus, directly elected user boards would make it easier for users to be heard by the suppliers of public services. But unless other changes are made to the institutional arrangement, the boards will be able to increase the political costs associated with reallocating appropriations to other purposes (Ministry of the Interior (1998)). While the model is common in local government, it is only known in national government in the form of student representation in the governing bodies of the universities; but here the model is combined with activity-linked financing that moderates its negative economic effects.

The opposite trade-off exists where corporate organization reduces openness in decision making. This entails a democratic loss, because the citizens' opportunities to follow the decision making process are reduced. However, closed decision procedures reduce the political costs associated with financial measures. In this connection, it is extremely pertinent whether it is the citizens who suffer a democratic loss or whether it is the employees and their organizations that lose the means to put pressure on the political executive and politicians in general. The integration of the Danish National Hospital into the Copenhagen Hospital Corporation is such an example. Likewise, it is important to note that corporate organization can establish an effective shield against specific political interference. Politicians – a minister or a parliamentary majority – may feel encouraged to interfere in operational measures that maximize their political gains in the very short term.

Comparative Perspectives

The corporatization and privatization of state-owned enterprises is an international phenomenon. Especially, the 1980s and 1990s experienced a general upsurge of privatizations, a pattern in which the Danish policy during the 1990s fits perfectly. This supports interpretations that emphasize governments' fiscal concerns as an important driving force. For the countries in the EU this is further emphasized by the demand that they meet the Maastricht-convergence criteria. The apparent slow-down in further privatizations among the OECD countries can be ascribed to maturing of the national programs, leaving few prospects for further spectacular privatizations (OECD (2001, 46)).

Considerable variation remains behind this pattern. This calls for in depth analysis of the causes and consequences of national corporatizations and privatization policies. Two issues are particularly intriguing here. First, are the variations observed to be attributed to factors that operate at the national level? This is the *prima facie* assumption behind much comparative politics analysis and comparative public policy analysis. It draws attention to such variables as constitutional and institutional differences, ideological and partisan differences, and the distribution of political power. This interpretation gains sufficient support from the notable differences observed between for example British and French policies that its contribution should not be entirely ignored. Still, it is questionable how fruitful this level of analysis is when it comes to improving our ability to account for variations in policies within this field. Countries with otherwise similar institutional and political traits have approached the issues involved in corporatizing and privatizing public enterprise rather differently. Telecommunications reform in the Nordic countries offers an appropriate illustration. Regulatory reform has been enacted in all four countries, but only in Denmark has this reform been accompanied by rapid and full privatization. In both Norway and Sweden the governments have retained their majority control of the former monopolies, while the Finnish government has followed an intermediate strategy that has been subject to subsequent adaptations (OECD (2001, 51)). But if reforms within this area are compared to the reforms of the electricity utilities the pattern is reversed, with Finland, Norway and Sweden moving well ahead of the Danish reforms when it comes to opening the markets for electrical power to competition.

Second, the idea that individual countries should display characteristic policy styles that are stable over longer periods also finds limited support in this area. France, often mentioned for its state-centered and mercantilist policies, has pursued markedly different policies from sector to sector. Today, state-ownership is hardly found in the financial sector, and through a series of restructurings its role has strongly been reduced in telecommunications. However, as a recent survey notes 'in contrast to many other OECD and European countries, public utilities such as electricity and gas continue to remain largely under state-ownership, and there are no current plans to sell assets in these sectors' (OECD (2001, 50)). The Danish experience as accounted above shows similar contrasts between a fully privatized telecom-sector and an energy sector that remains under public control. But a notable difference is that the electricity sector is under the control of a mixture of local government and consumer-owned utilities (OECD (2000)). As noted above it is exactly this difference in property-rights that explains why privatization has not been a politically attractive option in the energy sector.

Third, even if history clearly matters, policy inheritance does not manifest itself in national path dependencies. Rather policy-makers have to cope with specific aspects of a policy inherited from the past. They have therefore been confronted with new challenges that were sometimes sector specific and at other times specific to a particular SOE. Experience from the OECD countries shows that national policy-makers have been remarkably creative and entrepreneurial in overcoming vested interests that would be adversely affected in case of corporatizations and privatizations. The difficulties to be overcome have sometimes been purely political (e.g. how to avoid resistance from employees that could result in a *de facto* veto?); in other contexts they have been the result of specific regulatory regimes, especially legal provisions protecting property rights; the Danish government's survey of trust funds 'in public interest' is highly illustrative in this case, as was the French government's handling of the pension funds in the partly privatized French Telecom. These contradictions lend support to the analytic approach used in this paper, i.e. to a focus on meso- and micro-level variables. Only by directing the analysis toward the sector and enterprise-level is it possible to catch the components that enter into the political calculations of policy-makers making the organizational and regulatory decisions concerning the future of public enterprises.

There is ample evidence that fiscal concerns have been important to the policy-makers who have been responsible for the decisions that during the 1980s and 1990s led to the international corporatization- and privatization rush. This is strong support for the pragmatic interpretation favored by numerous authors (e.g. Feigenbaum et al. (1998)). Simultaneously, it supports another observation according to which concerns for economic efficiency hardly provide a strong motive for politicians engaging in organizational and governance reforms within the public sector.[3] This, however, in no way implies that such governance reforms as exemplified by corporatizations and privatizations have no impact on economic efficiency. This raises three additional problems discussed in the preceding paragraph on the basis of the Danish experience. Yet, also these issues call upon comparative analysis.

One issue is whether the large-scale privatizations of the late 20th century have generally led to efficiency gains at both the corporate level and the macro-economic level. There are few systematic analyses of this problem, and the evidence cited in support of one or another interpretation has often been anecdotal (Duncan and Bollard (1992, 173)). But an in-depth study of 12 large-scale privatizations in four countries has shown that in all cases except one (Mexicana de Aviacion) privatization resulted in efficiency improvements while contributing to welfare gains in Pareto-terms (Galal, Jones, Tandon and Vogelsang (1994, 540)). Thus, the reforms may have positive implications in terms of efficiency and social welfare, but the road to such gains neither follows from the policy goals, nor is it straightforward.

An important part of the rationale behind public enterprise and especially forms of organization that integrate these enterprises into the governmental hierarchy has traditionally been that this is an effective way to ensure that the management pays sufficient attention to public interest concerns. The problem with this solution is that it makes the management vulnerable to short-term political considerations that prompt the government owners to interfere without regard to e.g. consumer interests; a related problem may be that the integration of a public enterprise into the governmental hierarchy may provide the management with an exclusive channel for playing bureaucratic politics, e.g. pressure to obtain concessions not available to private sector competitors. So, this risk of capture was one important reason for the New Zealand reforms (Boston, Martin, Pallot and Walsh (1996)). The argument in this paper is that corporatization and privatization do not remove an enterprise from political influence provided that a general regulatory framework replaces public ownership and direct political control. A change in this direction may even result in a governance regime that results in more transparent political control and in a higher degree of political and administrative credibility, both preconditions for the establishment of a level playing ground for all enterprises in a specific sector. A number of studies support these conclusions (see e.g. Dnes and Seaton (1999) on British telecommunications regulation and Levy and Spiller (1996) on telecommunications regulation in a comparative perspective). But comparatively there is also evidence that policy-makers continue to weigh the concerns for credibility and equity against strong incentives for setting up governance and regulatory regimes that allow immediate political contingencies to be considered. Political concerns of this kind have opened for debate the ability of the British Directors General that were established to ensure independent regulation of the privatized utilities (OFTEL; OFGAS; OFWAT, etc.) to take into consideration a broad range of concerns before making their decisions; therefore the idea has been advanced to replace them with commissions that allow for the representation of several kinds of expertise and interests (Baldwin and Cave (1999)). Similarly, Gilardi (2001a and b) has found that concerns for credible and equitable regulation tend to be given less weight than concerns for the political framework within which the regulation is undertaken. Insights like these give considerable support to our finding that even if the corporatization of former public enterprises removes them from the governmental hierarchy, this does not exclude institutional integration into the political-administrative system. These studies further indicate that even after privatization there may be considerable political incentives to set-up a regulatory regime that allows for political bargaining over specific cases (Christensen (2001)). Therefore, the interest in delegating regulatory authority to autonomous agencies that operate on the basis of general rules seem to be heavily circumscribed by political concerns.

NOTES

1 Independent institutions (selvejende institutioner) have a trust fund-like status. In legal terms they are equally ill-defined by both private and public law. Property rights over their assets are often ambiguous as they are often financed from a mixture of government subsidies, sales proceeds, and private funds. Still, they are a frequently used form of organization that allows policy-makers to tailor the legal regime of a public or semi-public institution to situational contingencies.

2 The scope for such strategic moves may have been reduced as e.g. IRI, the Italian government holding company, in 2000 was dissolved (OECD (2001, 48)).

3 See, e.g. Moe (1990); the same assumption is implicit in Horn's (1995) transaction-cost analysis of these issues.

REFERENCES

Act 903, 1998, Lov om afvikling af Kongeriget Danmarks Hypotekbank og Finansforvaltning. *Lovtidende*.

Adonis, A., 1997, The UK: Civic Virtue Put to theTest. In D. Della Porta and Yves Mény (eds.) *Democracy and Corruption in Europe*. London: Pinter.

Andersen, P., 1963, *Dansk forvaltningsret*. Copenhagen: Gyldendal, 4th ed.

Andeweg, R. B., 1988, Less than Nothing? Hidden Privatisation of the Pseudo-Private Sector: The Dutch Case. *West European Politics*, 11, 117–128.

Baldwin, R. and Cave, M., 1999, *Understanding Regulation. Theory, Strategy, and Practice*. Oxford: Oxford University Press.

Bill 163, 1999, *Forslag til lov om Køben havns Havn*. www.folketinget.dk.

Bös, D., 1999, Privatization and Restructuring: An Incomplete-Contract Approach. *Journal of Institutional and Theoretical Economics*, 155, 362–382.

Boston, J., Martin, J., Pallot, J. and Walsh, P., 1996, *Public Management: The New Zealand Model*. Auckland: Oxford University Press.

Christensen, J. G., 1993, Corporatism, Administrative Regimes and the Mismanagement of Public Funds. *Scandinavian Political Studies*, 16, 201–225.

Christensen, J. G., 2001, Bureaucratic Autonomy as a Political Asset. In B. Guy Peters and J. Pierre (eds.), *Politicians, Bureaucrats and Administrative Reform*. London: Routledge.

Christensen, J. G. and Pallesen, T., 2001, Institutions, Distributional Concerns, and Public Sector Reform. *European Journal of Political Research*, 39, 179–202.

Clarke, T. and Pitelis, C. (eds.), *The Political Economy of Privatization*. London: Routledge.

Denzau, A. T. and North, D. C., 1994, Shared Mental Models: Ideologies and Institutions. Kyklos, 47, 3–31.

Dnes, A. W. and Seaton, J. S., 1999, The Regulation of British Telecom: An Event Study. *Journal of Institutional and Theoretical Economics*, 155, 610–616.

Dorado, S. and Molz, R., 1998, Privatization: the core theories and missing middle. *International Review of Administrative Sciences*, 64, 583–609.

Drachmann, H., 1999, *Konsgen og kejseren. En fortaelling om det politiske teater*. Copenhagen: Møntergården.

Duncan, I. and Bollard, A., 1992, *Corporatization and Privatization. Lessons from New Zealand*. Auckland: Oxford University Press.

Durant, R. F., Legge, J. S. and Moussios, A., 1998, People, Profits, and Service Delivery: Lessons from the Privatization of British Telecom. *American Journal of Political Science*, 42, 117–140.

Energistyrelsen (Energy Agency), 1999, Aftale om en energireform. www.mem.dk/faktuelt/fak20.ht *08.03.99*.

Feigenbaum, H. J., Henig, J. and Hamnett, C., 1998, *Shrinking the State. The Political Underpinnings of Privatization*. Cambridge: Cambridge University Press.

Galal, A., Jones, L., Tandon, P. and Vogelsang, I., 1994, *Welfare Consequences of Selling Private Enterprises. An Empirical Analysis*. New York: The World Bank/Oxford University Press.

Gilardi, F., 2001a, Policy Credibility, Independence, and Delegation of Regulatory Competencies to Independent Agencies: A Comparative Empirical Consideration. *Paper presented at ECPR Joint Sessions of Workshops*, Grenoble, 6 –11 April, 2001.

Gilardi, F., 2001b, Principal-Agent Models go to Europe: Independent Regulatory Agencies as Ultimate Step of Delegation. *Paper presented at the ECPR General Conference*, Canterbury, 6–8 September, 2001.

Hammond, T. H., 1996, Formal Theory and the Institutions of Governance. *Governance*, 9, 107–185.

Hammond, T. H. and Knott, J. H., 1999, Political Institutions, Public Management, and Policy Choice. *Journal of Public Administration Research and Theory*, 9, 33–85.

Horn, M. J., 1995, *The Political Economy of Public Administration*. New York: Cambridge University Press.

Kay, S. J., 1999, Unexpected Privatizations. Politics and Social Security Reform in the Southern Cone. *Comparative Politics*, 31, 403–421.

Konkurrencestyrelsen (Competition agency), 1998, *Konkurrence I energisektoren*. Copenhagen: Konkurrencestyrelsen.

Konkurrencestyrelsen (Competition agency), 1999, *Konkurrenceredegørelse 1999*. Copenhagen: Konkurrencestyrelsen.

Levy, B. and Spiller, P. (eds.), 1996, *Regulations, Institutions, and Commitment. Comparative Studies of Telecommunications*. New York: Cambridge University Press.

Magid, P., 2001, *Beretning om granskningen af COMBUS A/S*. Copenhagen: Jonas Bruun A/S.

Meyer, P., 1967, *De statslige erhvervsvirksomheders organisation. Betoenkning afgivet til Administrationsrådet af 1965*. Aarhus: Department of Political Science.

Ministry of Economics and Budgetary Affairs, 1972, *Budgetvejledning*. Copenhagen: Schultz.

Ministry of Finance, 1993, *Erfaringer med statslige aktieselskaber*. Copenhagen: Schultz.

Ministry of Finance, 1998, Aftale om finansloven for 1999. www.fsk.dk/locations/fm/ff199-aftale *03.12.98*.

Ministry of Finance, 1998, *Fonde med offentlig interesse*. Copenhagen: Schultz.

Ministry of the Interior, 1998, *Brugerbestyrelser. En undersøgelse af erfaringer*. Copenhagen: Statens Information.

Ministry of Transport, 1994, *DSB's økonomistyringssystem. Redegørelse 2 fra den af trafikministeren nedsatte arbejdsgruppe. Betoenkning 1263*. Copenhagen: Statens Information.

Moe, T. M., 1990, The Politics of Structural Choice: Towards a Theory of Public Bureaucracy. In

O. E. Williamson, 1990, *Organization Theory. From Chester Barnard to the Present and Beyond*. New York: Oxford University Press.

Müller, W. C., 1988, Privatising in a Corporatist Economy. *West European Politics*, 11, 101–116.

OECD, 2000, *Regulatory Reform in Denmark*. Paris: OECD.

OECD, 2001, *Financial Market Trends*, 79, June 2001.

Rigsrevisionen (National auditors), 1999, *Beretning til statsrevisorerne om nogle regnskabsmoessige og økonomiske dispositioner I Combus a/s*. RB1801/99.

Schmidt, K. K., 1996, The Costs and Benefits of Privatization: An incomplete contracts approach. *Journal of Law, Economics, and Organization*, 12, 1–24.

Smith, S. C., Beom-cheol, Cin and Vodipivec, M., 1997, Privatization Incidence, Ownership Forms, and Firm Performance: Evidence from Slovenia. *Journal of Comparative Economics*, 25, 158–179.

Schneider, J., 1996, *Die Privatisierung des deutschen Bundes- und Reichsbahn*. Cologne: Deutscher Universitätsverlag.

Statsrevisorer, De af folketinget valgte (Parliamentary audit board), 1995a, *Beretning omomdannelse af 8 statsstyrelser til aktieselskaber 1989–1994*. Beretning 5/94.

Statsrevisorer, De af folketinget valgte (Parliamentary audit board), 1995b, *Beretning om Statens konfektion I fri konkurrence*. Beretning 15/94.

Vickers, J. and Wright, V., 1988, The Politics of Industrial Privatization in Western Europe: An Overview. *West European Politics*, 11, 1–31.

Zahariadis, N., 1995, *Markets, States, and Public Policy. Privatization in Britain and France*. Ann Arbor: The University of Michigan Press.

Vickers, J. and Wright, V., 1999, The Rise and Fall of British State Ownership. Political Pressure or Economic Reality? *Comparative Politics*, 31, 445–463.

JØRGEN GRØNNEGÅRD CHRISTENSEN and THOMAS PALLESEN
Department of Political Science
University of Aarhus, Universitetsparken
DK-8000 Aarhus C. Denmark
Fax: 45-8613-9839
Email: ps@ps.au.dk