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**Europeanization and the Retreat of the State\***

by

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**Abstract**

Is the state on the retreat? We examine this question through an analysis of changing patterns of government involvement in infrastructure provision, which is generally considered to be one of the primary functions of the modern state. Based on an analysis of the extent of privatization of infrastructure companies between 1970 and 2000 across twenty-six OECD countries, we find that there is indeed a general trend towards less public infrastructure provision visible in all of the countries and that the main factors associated with the extent of privatizations are EU membership and government ideology. We argue that the trend of privatizing infrastructure companies was triggered by a change of the prominent economic discourse in the 1970s and that a rightist party ideology and EU membership fostered the adoption and implementation of these ideas in domestic settings.

**Keywords:** Privatization, Infrastructure, State, Europeanization, Party Government, Discourse

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## 1. Introduction

Few other topics in political and social science are currently as hotly discussed as the changing position of the state in a world where markets and production processes become increasingly global and new centers of political power emerge above and beneath the nation-state. Some scholars point to “power shifts” (Mathews 1997) and “post-national constellations” (Habermas 2001) or even herald the end of the nationstate (Guéhenno 1995, Ohmae 1995). Others relegate such alarmist accounts to the realm of fables and myths (Weiss 1998). Research on “the state of the state” therefore appears as an “uncertain science” showing some parallels with the dispute on global warming: on one side of the spectrum there are scholars who strongly believe in big changes and derive far-reaching conclusions. On the other side, there is deep skepticism about whether this phenomenon exists at all. There is even a broad dispute about the factors contributing to this disturbing development among the believers in the theory of the decline of the state. The literature here is exhaustive and reviews fill long lists (Berger 2000, de Vries 2001, Genschel 2004, Guillén 2001, O’Riain 2000, Schulze and Ursprung 1999).

The present paper aims to investigate whether the presumed transformation of the state is real, and what role Europeanization plays in this process. We understand the latter as a regional pooling of supranational power, an expanding internal market and related policy harmonization among the members of this community (Schneider and Werle 2007). Is Europeanization one of the major contributing factors? Is it rather an attenuating force? Or is the “net effect” negligible after all? We conceive changes in state ownership of important social and economic infrastructures as an important indicator for a changing position of the state. Many scholars measure the size of the state by government expenditure as a percentage of GDP -the “ratio of the state” (*Staatsquote*), as it is called in German (Blais *et al.* 1993, Miller and Moe 1983). However, to remain with the analogy of global warming, this is somewhat like measuring a society’s “average temperature.” In contrast, to measure the state’s property space would correspond to observing the expansion and contraction of polar ice caps. This implies that we regard the provision of infrastructure as a traditional stronghold of the state, and major changes at this level as important evidence for a changing position. In more technical terms, we are conducting a statistical analysis of the extent of public property in the area of key infrastructures in the time period between 1983 and 2000 for twenty-six OECD countries.

The article is structured as follows: in a first section the evolution of state activities in general, and state ownership of infrastructures in particular, will be described by two statistical indicators. Subsequently we shall discuss different theories of privatization and market expansion, Europeanization and globalization. In the final part we introduce an integrated explanatory model to be tested by multiple regression analysis. The results of our analysis nourish serious doubts about the validity of the widespread hypothesis that the current transformation of the state is a direct and inevitable consequence of globalization. Instead, our findings attribute a decisive role for the retreat of the state from public infrastructures to the diffusion of ideas and policy models.

## 2. The State of the State

How can we obtain systematic evidence that the position of the state in modern society is really weakening? To measure the state is not an easy task, since it is an enormously complex object of investigation. In modern societies the state has become an encompassing “metaorganization” (Lehman 1988) including not only a broad variety of components and organizational levels, but also multiplex internal structures and complex dependencies in its social environment (Leibfried and Zuern 2005). Although the forms and structures of contemporary states vary considerably, in modern societies it is still the core of the political system and the backbone of a country’s social organiza-

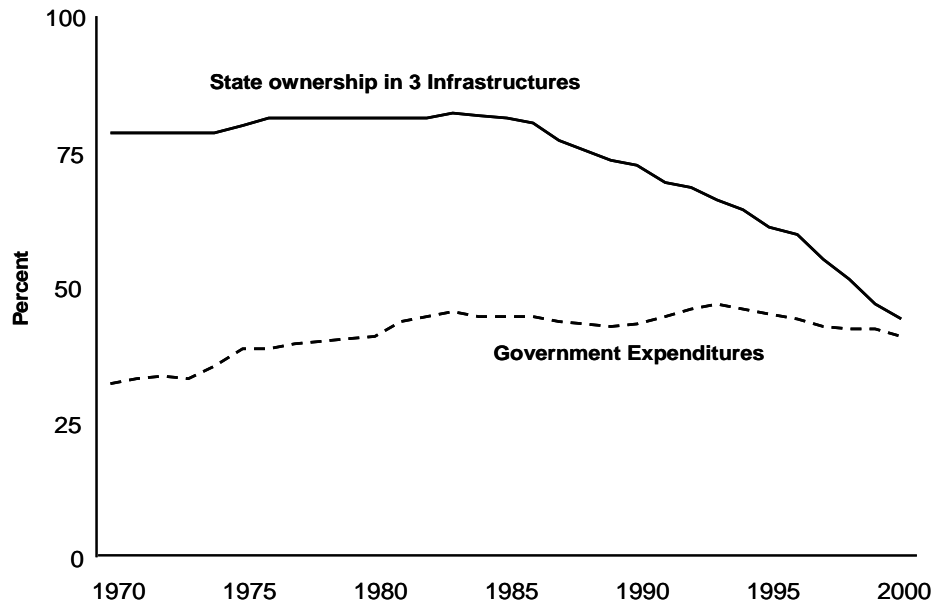
tion. To claim that this central political institution would decline or even dissipate in a rather short period implies a heavy burden of proof. This would suppose that we can measure at least three instances of “state power” and its changes over time:

- 1) The power of nation states vis-à-vis other competing centers of power (e.g., international organizations, multinational companies, etc.). Such measurement would be extremely difficult and does not yet exist on a broad basis in social science. A proxy measure could be power reputation and centrality (as it is often used in social network analysis) of various categories of public and private actors in inter-and transnational policymaking processes. However, such measures also only exist for very few areas and cases.
- 2) The weight of state activities within the overall transactions and interactions conducted in a given society. Since such a “panoptical” measurement is impossible, an indicator that comes close to this measure is the above mentioned “ratio of the state.” It measures economic processes that “go through” the state (expenditures) as a proportion of the GDP. Related indicators would be public employment or the number and scope of regulations that are issued and implemented by the state.
- 3) The number of societal key areas that the state is controlling through its capacity to make binding decisions. This is also difficult to measure, but our analysis of public property in key infrastructural sectors comes close to such a positional indicator.

### *2.1 State size and control of key infrastructures*

In the following, we will describe the evolution of the state’s position using two indicators: government expenditures and public infrastructural property. The latter measures the average percentage of state ownership of the main airline and the dominant enterprises in the telecommunications and electricity sector of a country – we call this the *public infrastructure ratio*. It is evident that this is only a proxy measure for a state position in the provision of infrastructural services in general. In addition, the indicator points solely to the direct involvement of the state in this function, it does not mean that direct state control could not be replaced by other means of more indirect state influence such as regulation, for example (Grande 1994, Majone 1997, Vogel 1996).

Based on this approach we constructed a comprehensive data set of twenty-six OECD countries for the period from 1970 through 2000 (Schneider *et al.* 2004). The data were described in detail in recent publications of the research group (Schneider *et al.* 2005, Schneider and Tenbücken 2004). For reasons of comparability, the countries include the most developed industrial nations without the transformation countries where infrastructure privatization is largely over-determined by a transformation of the overall political and economic system. Data on governmental expenditures are based on OECD statistics (OECD 2002a, b).



**Figure 1: Average state expenditure and infrastructure ownership, 1970-2000**

An overview of the evolution of both indicators of state development is offered in Figure 1. Its most important message is that there was an end of state growth in the early eighties. After the two ratios reached a climax at that time, both declined during the following years, with the negative expenditure trend being less clear-cut. Although it would be premature to speak of a clear reversal of the expenditures' growth trend, it is very characteristic that, despite a further increase in the early 1990s, the average expenditure rate in 2000 fell back to the level of the early 1980s. However, the reduction of the infrastructure ratio is unambiguous. It sank continually from 82 percent in 1983 to under 41 percent in the year 2000, which corresponds to a relative decline of 50 percent. An examination of the developments in individual countries confirms this view. All states withdrew at least partially from their infrastructural sectors by the year 2000. No country substantially expanded its infrastructure property since the mid-eighties and nineties.

In Figure 2, the development for the three different sectors is depicted. It shows that change in telecommunications was the most profound, but we can also see a remarkable decline in the other two sectors. The retreat-of-the-state hypothesis thus can be maintained at least with respect to this specific societal domain. However, the importance of this transformation should not be underestimated. It happened in key sectors which even economic liberals – such as Adam Smith – have taken for granted as core functions of the state.

But state *retreat* (Strange 1996) does not necessarily mean state *decline* in the sense that the nation-state has become powerless. With less control over infrastructures, less involvement in the economy, and a smaller workforce, the state still can have significant monitoring, regulatory and coercive powers. Interestingly, the same technology which drives globalization is also enhancing state power. New communication and information technologies undoubtedly contributed to the "control revolution" (Beniger 1986, Schneider 2004b). Diverse technologies have evolved (remote sensing, biometric identification, data mining technologies, etc.) that provide security apparatuses with a spectrum of new surveillance technologies which undoubtedly increases the power of the state (the "surveillance state," see Brzezinski 2004).

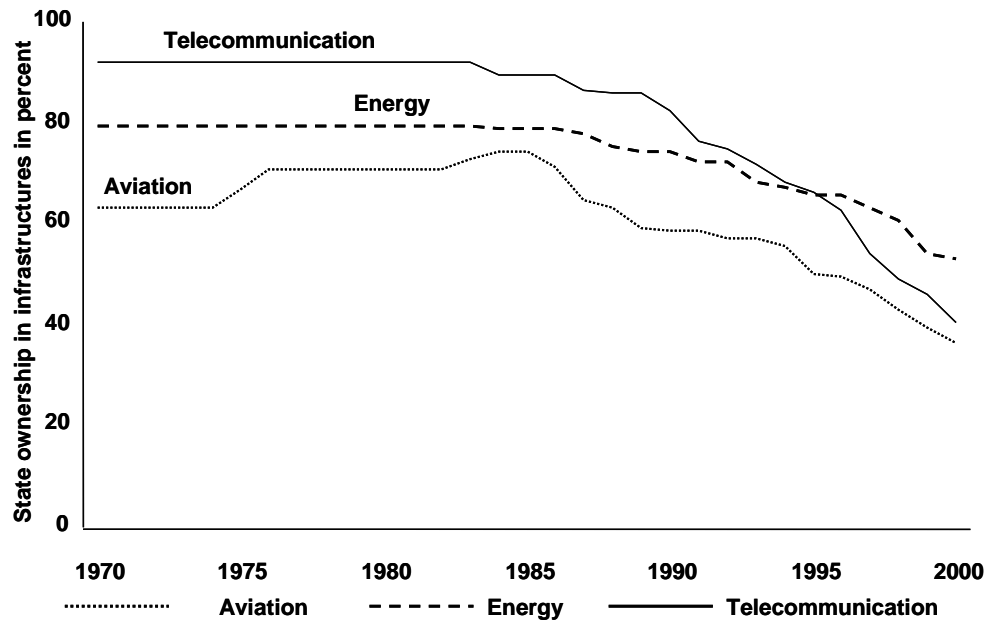
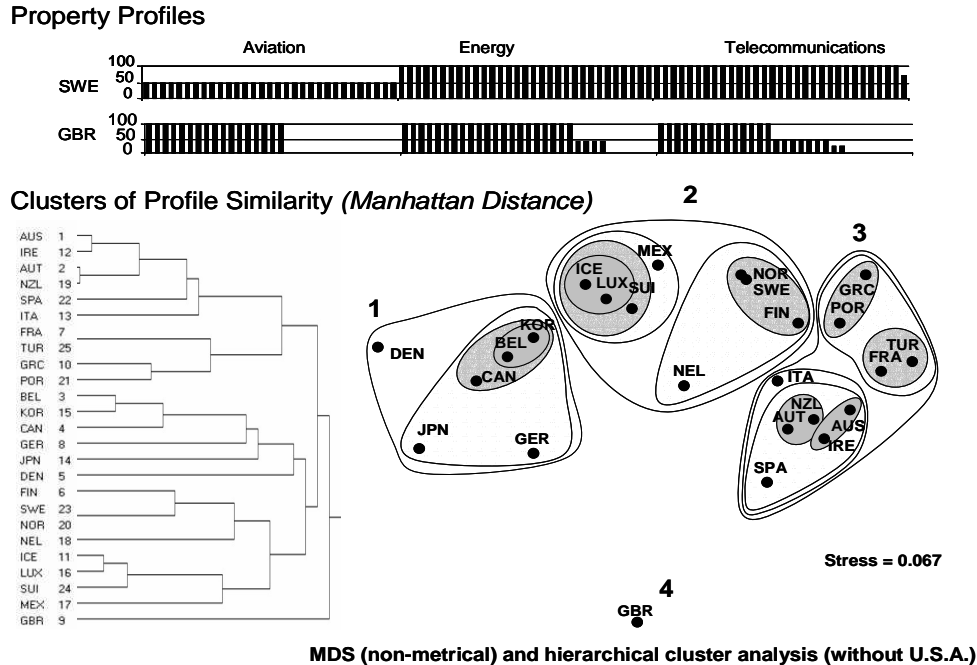


Figure 2: Infrastructure ownership by sector, 1970-2000

In a more indirect way digital technology allowed for the development of new control technologies that facilitated the assignment of private property rights into new areas. But property rights are not self-enforcing, they depend on authoritative capacities. While self-regulatory arrangements are also imaginable within certain businesses, some functional advantages of public regimes in property protection may speak for a stronger governmental engagement at this level. It is quite plausible that giant corporations, which often appear as the antagonists of nation-states, are not interested in being surrounded by “dwarf states” from a long-term perspective (Evans 1997).

## 2.2 Privatization profiles

So far we have looked at the big picture. If we follow the changes of state activity in individual countries, however, we find very different “fever charts.” A comparison of our three sectoral developments among the countries shows that there is only one pair of countries that has experienced an almost identical development (Sweden and Norway). This form of similarity analysis is carried out with two methods of data reduction. An initial step is the pair wise computation of profile similarities on the basis of Manhattan Distance (sum of absolute differences). Hierarchical cluster analysis then allows us to classify the countries with respect to their profile similarity (Everitt et al. 2001). A non-metrical version of multidimensional scaling (MDS) locates the countries in a two-dimensional landscape in such a way, that the rank order of geometrical distances represent the similarity of their property profiles (Borg and Groenen 2005). Figure 3 represents a combination of both methods: on the left side, the clusters are depicted in a dendrogram, on the right side by combining MDS with a Venn diagram (see for instance Everitt, 2001: 31-3). In the latter points (countries) are located by MDS whereas circles represent clusters.



**Figure 3: Patterns of infrastructure privatization (MDS and Cluster Analysis)**

In this figure it is shown that the country profiles differ with respect to each other in various degrees. If the United States, having private structures from the very beginning, is excluded from the analysis, the country that shows the most dissimilar development profile to all other countries is the United Kingdom. It transformed the property structures in all three sectors in a very short time.

### 3. Theories and Hypotheses

How can this spatial retreat of the state be explained? Which theories provide convincing interpretations of this transformation process? In our opinion, there are at least four relevant theoretical perspectives that explain the phenomenon by rather different mechanisms:

1) The Marxist perspective conceives privatization as *commodification*, the transfer of non-commodities such as common or public goods into commodities, money and capital. In this case infrastructures become integrated into the capitalist mode of production, which tries to absorb all other co-existing modes of production into the circuit of capital accumulation, thus subsuming all social activities under the “logic of capital.” This mechanism was outlined in detail by Marx (Marx and Engels 1887) and by Luxemburg (1964). A new version of this perspective has recently been presented by Hardt and Negri (2000). It is important to note that not only economic but also political processes – persuasion, coercion, etc. – are involved in the expansion process of the logic of capital from this perspective. The state plays an active complementary role – either as stabilizing mechanism or as an instrument of expansion into areas not yet integrated.

2) The transaction-cost perspective views privatization, when combined with liberalization (i.e., removal of market restrictions), as an expansion of market-coordination. Markets are conceived as specific social coordination mechanisms beyond authority or hierarchy, and their expansion or contraction is nonpolitical and primarily driven by transaction cost efficiency and relative cost advantage (North 1981, Williamson 1985). Markets expand because their coordination function is – under certain conditions – less costly and functionally superior. “Conditions” are the nature of

goods, production and transaction processes, but also the dynamics of environmental changes (Williamson 1991). In such a theory, the extension of the more efficient market-coordination to infrastructures became possible through technological advances saving production but also transaction costs. From this perspective, the state is conceived as a kind of background support structure, guaranteeing some important general conditions of market exchange (North 1981).

3) The property regimes approach conceives privatization as the reconfiguration of property rights from public property to private assets. Property rights theorists generally assume that common ownership with open access means that individuals lack exclusive rights for the use of resources and therefore have less incentive to use them efficiently. The main argument then is that whenever it is technically possible to assign private property rights to a thing or resource, it will be more efficiently produced, exchanged and used (Alessi 1987). A more refined version of the property rights approach emphasizing that property is a complex bundle of rights, which can be configured quite differently with each regime creating different incentive structures, has been presented by E. Ostrom (Ostrom 2003, Schlager and Ostrom 1992). Some property forms create negative externalities or even perverse unintended effects, which again could be averted by a specific division of rights through some form of public regulation. With respect to the state, this implies that the latter is conceived not only as a more or less passive support structure in the background, but also as an important inventor and designer of efficient and effective mixed property structures (Schneider 2004a).

4) A more diverse and theoretically less coherent group of political approaches sees the shrinking of the state as tactics or strategies of powerful actors (groups, classes, alliances) to redistribute political power and control. In this case privatization is used by a societal group or class as an instrument to strengthen itself and its supporters and to weaken its opponents (Feigenbaum *et al.* 1999). Such explanations often refer to the large privatization program of Britain's Thatcher government, which was interpreted either as a grand strategy to change political culture or ideology (i.e., promote popular capitalism) and to change social structures (i.e., increase the number of shareholders) to broaden the basis of groups that vote rightist or conservative (Dobek 1993). A related interpretation was that privatization served to weaken trade unions. However, a recent "political alliance" based explanation of the Spanish privatization process may also be grouped under this theoretical roof (Etchemendy 2004).

Whereas the first and the last explanation see the retreat of the state – fully or partly – as a political process, a commonality of the other two approaches is the apolitical nature of this development. History in this view is largely efficiency driven and more efficient market-coordination and private property regimes will crowd out less efficient systems. Globalization and the expansion of a common market are conceived as apolitical "debordering" processes, where different coordination mechanisms and property regimes peacefully compete with each other in an ever enlarging and inclusive selection environment.

### 3.1 Globalization

In the globalization debate this efficiency idea reemerges in a specific form. The argument states that intensified international competition over production locations directs capital flows to countries where political interference into private property rights and market-coordination is minimal. Under this pressure, the nation-state minimizes regulation (in particular of the labor market) as well as the tax burden for its companies. As a consequence, the state withdraws from all forms of political interventions, and the power of nation-states to set and achieve autonomous political goals becomes increasingly limited (Scharpf and Schmidt 2000, Strange 1996).

The compensation hypothesis, in contrast, expects that economic openness does not lead to a reduction of the state to its classic basic functions, but rather to an increase in state activity, in particular when it comes to welfare state policies (Cameron 1978, Rodrik 1998). The deregulation of the labor market, which is crucial for international competitiveness, particularly leads to an increased demand by a wide array of social groups for protection by the state. This protection occurs by means of public employment, unemployment benefits or other social services. The efficiency hypothesis, on the other hand, contends that possibilities of taxation to finance such measures are extremely restricted by international capital mobility. Which of these processes actually gains the upper hand, i.e., the increasing demand for social security or the dwindling capacity of the state to satisfy this demand, ultimately remains an empirical question (Verdier and Breen 2001).

### 3.2 *Europeanization*

In the literature on Europeanization, there also exist competing theories with respect to the explanation of governmental involvement – even very different perspectives about what Europeanization really is. In the discussion, various concepts with multiple meanings to describe this phenomenon have gained support. A recent overview is given by Bulmer (2007). In this context we suggest a distinction between four variants (Schneider and Werle 2007): (1) A significant engagement of supranational EU actors/institutions in a given policy field, the establishment of genuine European institutions, and the adoption and execution of European rules in this area. (2) Adjustment and adaptation of domestic actors and institutions in EU member states to policy processes and goals at EU level. (3) Institutional convergence among EU countries and adjacent non-member countries (e.g., Switzerland or Norway) through horizontal bargaining and interaction. (4) Institutional convergence through passive, unilateral policy diffusion, where member states and non-member states simply copy or emulate policy programs.

Europeanization may also be seen as a regional and more intense form of globalization, where tighter market integration additionally increases external economic pressure. Economic market integration (so-called negative integration) not only leads to competition over national production locations, but also indirectly to competition between regulatory systems and regulation standards (Scharpf 1999). Just like the efficiency hypothesis, this theory implies a “race to the bottom” and a general reduction of state intervention.

An opposite trend is predicted by Vaubel (1995). According to his perspective, the national governments of the EU can counter the “mutual underbidding” induced by market integration by cooperation or majority decisions on the supranational level. Countries with a high level of regulation or taxes attempt to impose their standards on countries with a lower regulatory level by pursuing a “raising rivals’ cost” strategy. Although this hypothesis, like the compensation thesis from the globalization literature, assumes a rise of or at least a steady level of state activity, both theories significantly differ in terms of the postulated mechanism. This approach postulates that the outcome is not necessarily a reduction of social regulation, which in turn would trigger the demand for state protection according to the compensation hypothesis. Equally, a dilemma between securing competitiveness and the provision of social protection does not necessarily emerge for governments, because they are ultimately able to finance this by means of supranational agreements on taxation without endangering the competitiveness of their countries.

Besides the perspectives that hypothesize positive or negative effects, there is a third variant which assumes that the “net effect” of Europeanization is close to zero (Levi-Faur 2004). According to this argument, European policies are just one of the possible mechanisms through which countries adjust to growing international competitive pressure. Therefore, in the long term, all countries liber-

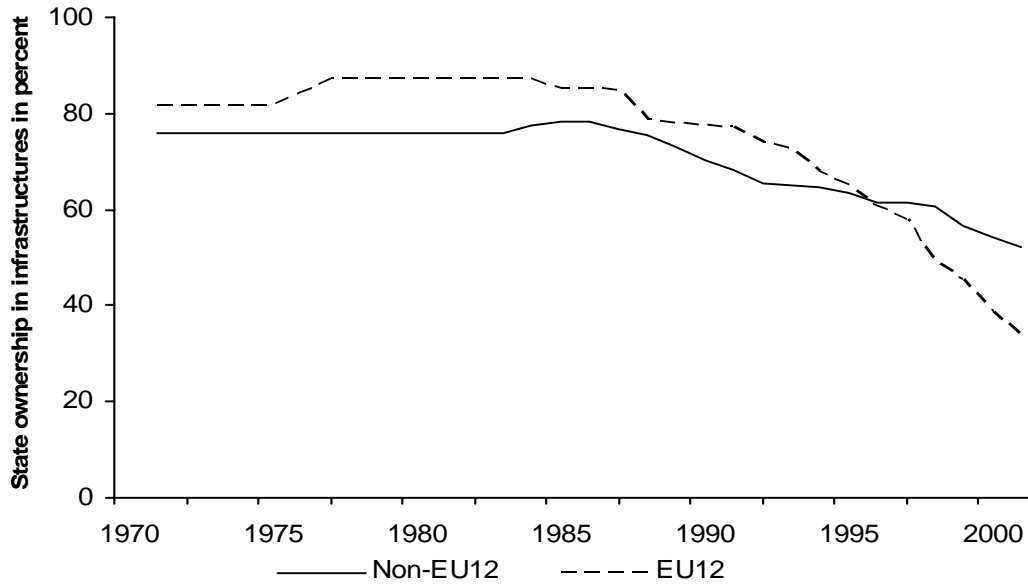


alize and privatize. In a comparison of regulatory reform, Levi-Faur (2003, 2004) shows that similar transformation processes also have taken place in Latin America, where all countries challenged by international pressure converged to similar institutional configurations. Levi-Faur's conclusion is that major features of liberalization would have diffused to most if not all European member states even in the absence of EU-level policymaking. A similar position is held by Bartle (2005), who stresses globalization and technical change as major transformative forces and emphasizes that institutional factors would affect only pace and timing, not the direction of policy change.

In general, institutionalist approaches make more conditional claims. Similarly to Bartle (2005), Schmidt (2002b), for example, suggests that domestic institutional structures, policy styles, preferences and discourses play an important role in structuring domestic responses to external pressures. However, rather than discounting EU policies as one among many mechanisms through which countries adjust to increased international economic competition, she treats both as independent causal factors and identifies their relative importance in accounting for the observed variation in her comparative case studies. Many cross-national studies support the institutional hypothesis by highlighting national differences in the various structural reform areas (Thatcher 2004, Vogel 1996). For instance countries such as the UK, in which political power is more concentrated, transformed their systems more rapidly and more deeply than countries like Germany and Italy, where political power is more dispersed.

In concluding this theoretical reflection, we can derive the following testable hypotheses. According to the efficiency hypothesis, globalization and Europeanization force national governments to transform the infrastructures in private markets because of efficiency considerations. As the EU countries are exposed to both regional as well as global economic integration, it is supposed that this effect would have been greater in member states than in non-EU states (Verdier and Breen 2001). The same effect is predicted by the compensation hypothesis, but in reverse direction. The demand for social protection is said to lead to more public employment and thus to greater state involvement in infrastructures. In turn, this effect is allegedly more pronounced in EU-countries. The "raising-rivals' costs" hypothesis would also predict a general increase of state activity in the infrastructural areas in EU states, which, however, is independent of the extent of economic integration.

Whether Europeanization has a positive, a negative or no effect at all on state activity is thus a question that should be answered by statistical analysis. Before doing so, we will shed more light on the differential development of state activity in our sectors between EU and non-EU countries. First insights are offered by Figure 4, depicting the evolution of the averages of the infrastructure ratio for EU and non-EU countries in the three sectors. The graphs demonstrate a clearly higher level of state activity among the EU12 countries at the beginning of the 1980s, but the reduction is considerably greater than that of other countries in the following years. If we were to take the year 1983 as a reference point, we would find a relative reduction. In the EU states, the infrastructure quota had declined by 57 percent up to the end of the time period of analysis, in the non-EU states only by 40 percent. This leads to an average EU infrastructure ratio of 38 percent in the year 2000, which is nine percentage points under the average of the non-EU countries. Thus there are some indications that Europeanization did indeed intensify the effects of globalization that are forecasted by the efficiency hypothesis. At least for the infrastructure sector, the retreat of the state took place more rapidly in EU countries than in non-EU countries.



**Figure 4: Extent of infrastructure ownership by EU and non-EU countries, 1970-2000**

Our aggregate data therefore agree with the efficiency hypothesis and the “race to the bottom” thesis in the Europeanization debate. Our measurements show that the role of the state in society has been declining since the early to mid-1980s, but the decrease was particularly severe with regard to infrastructure ownership. The EU thus seemed to play – at least in our sectors – a very different role in this transformation than it did at Europe’s relaunch in the early 1980s. Contrary to expectations, especially with regard to France, the EU was no neomercantilist fortress against the challenging world market, but rather supported and amplified global and European market expansion.

#### 4. An Integrated Explanation

In this section we take a closer look at the factors that weakened or intensified the withdrawal of the state from key infrastructures with the help of statistical methods. After a description of the sample of countries, the time frame, and the variables, the results of the regression analyses are presented. This is followed by a discussion of the conclusions we can draw from the analysis.

##### 4.1 Data and research design

The statistical analysis is based on twenty developed democracies in the time period from 1983 through 2000. Mexico, South Korea, and Turkey, as well as Luxembourg and Iceland, are excluded from the analysis because there were no data available for these countries on at least one of the independent variables. While we would have preferred a larger sample size, the exclusion of these countries also has its advantages in terms of an increased homogeneity of the cases pertaining to economic development and country size. The United States is not taken into account because its infrastructural services have always been rendered by privately organized enterprises: it would make little sense to incorporate the country into an analysis of the factors that enhance or hamper privatization.

In considering the time period, we found the early 1980s to be an appropriate starting point because it represents a period when the effects of globalization supposedly began to intensify (Scharpf and Schmidt 2000). The first steps towards reducing state control in the three infrastructure sectors were undertaken in 1984. Up to this time, the infrastructure ratio had either remained on a constant

level since 1970 or had even increased slightly (only in Portugal and Greece). Data for the dependent variable was collected up to the year 2000. At this point, all the countries had initiated at least the first few steps towards privatization. On the other hand, it is likely and in some cases even obvious that the privatization process was not completed in all the countries in the year 2000. For the question at hand this is of secondary importance, however, because we aim to determine which factors prompted some countries to privatize early and extensively, while others initiated late and quite hesitant privatizations.

We will apply cross-sectional regressions to answer this question. The data structure of our dependent variable is not appropriate for a pooled time-series, since it remained constant over long periods of time. Similarly, several of our independent variables are constant or nearly constant over extended periods of time. In short, much of the variation in our independent variables is cross-sectional, which is in line with our interest in identifying country factors that account for the differing developments in infrastructure ownership across countries. Despite its current popularity, pooling observations across countries and time raises many conceptual and methodological questions (Kittel 1999, Kittel and Winner 2005), which are hardly reflected upon in many applications. The use of cross-sectional regressions on the relatively small number of cases evidently demands a restriction of the number of independent variables, but this disadvantage is compensated for by more transparency in the interpretation of the results.

#### *4.2 The variables*

As previously mentioned, the dependent variable constitutes the simple mean value of state ownership of the respective predominant enterprise in the three infrastructure sectors telecommunications, electricity, and aviation. In almost all cases privatizations went hand and hand with market liberalization and regulatory reforms. As for the Europeanization hypothesis, it is interesting to note that the EU never made formal specifications on the privatization of state enterprises for the nation states, but only on market liberalization and de-or re-regulation (Pelkmans 2001). National governments generally regard privatization as a prerequisite to guarantee the competitiveness of the previously state-run monopoly enterprises after the opening of the market.

The extent of the withdrawal of the state from the provision of infrastructures is operationalized as the decrease of the infrastructure ratio over the entire timeframe of analysis as a percentage of its 1983 level. The use of the simple difference between 1983 and 2000 would have had the advantage of being easily interpretable, but the base level of the infrastructure ratio is not taken into account by this measure. The latter could indeed be added to the statistical analysis as an additional independent variable, but in light of the limited number of cases, incorporating this information into the dependent variable seems more promising.

Our major hypothesis is that globalization and Europeanization drive privatization either by efficiency pressure or by political or ideological policy harmonization. We measure market pressure at global and European level by trade dependence and mobility of capital, as is customary in the literature. The sum of exports and imports as a percentage of the gross domestic product (GDP) serves as a measure of the international integration of product and service markets. With respect to capital mobility, we make use of the index on the extent of deregulation of the capital markets compiled by Quinn (1997).

We further assume that how the individual countries have reacted to this external pressure also depends on domestic political-institutional conditions. One classical theory of political economy links economic policy to the party orientation of the government. The party difference hypothesis

(Hibbs 1977, Schmidt 1996) generally states that left-oriented governments that are composed of social-democratic or other left-wing parties promote economic interventions by the state while right-wing governments, consisting of liberal or conservative parties, put more faith in market forces and are as a rule more critical of state “interference” in the economy (Imbeau et al. 2001), and consequently are more likely to be open to neo-liberal thinking. The drastic steps towards liberalization and deregulation taken by the neo-liberal conservative governments of Great Britain and the U.S. during the 1980s can be regarded as prime examples of this tendency.

However, the sectoral transformation processes described above shed doubt on the temporally invariant validity of the party difference hypothesis. All countries have ultimately taken initial steps towards privatization, and it can be assumed that countries with governing left parties were among these. Nevertheless, the party difference hypothesis provides some insights to help explain the course of privatization. We expect left governments to have sustained the external pressure to adapt for a longer period of time than right-wing governments, in particular because the latter had no reason to resist privatization or to force privatization on their own initiative. This leads to the prediction that the overall extent of privatization is less in those countries dominated by left-oriented governments than in those with predominantly right-wing governments.

The percentage of cabinet seats according to the classification by Schmidt (Schmidt 1996, Schmidt 2002a) is used as an indicator for the influence of left parties in the government. A disadvantage of this measure is the assumption that ideology is invariable over time and within families of parties. This can be justified by the fact that differences between different groups of parties outweigh the differences within these groups. Thus, the classification should only lead to minor measurement errors and since relative stability is a characteristic of ideology, changes over time should not carry too much weight either.

Along with pressure and motivation for reforms, a political system’s capacity for action must be taken into account. This is determined, in particular, by the structural and institutional context in which governments act. On the one hand, these are formal norms, which are codified in the constitution or in laws and lead directly or indirectly to restrictions in the governing parties’ ability to act. On the other hand, these are more informal structures of the interest group system and their relationships to parties and governmental bodies, which make certain policies possible, but also impede others (see e.g. Häge 2003).

Institutional restrictions are said to have a negative impact on the overall capacity for policy change (Schmidt 1996). Therefore, the privatization process should be of lesser magnitude as the institutional constraints of the government’s capacity to act become greater. An interesting formal theory about institutional restrictions was presented by Tsebelis (2002) in the form of the veto player concept. Its explanatory power in this context, however, is disputed (Bauer et al. 2004). In line with other comparable studies (Huber et al. 1993, Schmidt 1996) we will instead focus on institutional restrictions. An index developed by Schmidt (1996) takes into account the legal anchoring of the status quo, the autonomy of the central bank, policy making by referendum and the structure of the state. An additional constraining factor for Schmidt is EU membership, but this effect is examined separately in this analysis. The score for EU membership was thus taken out of the indicator.

With respect to the structure of organized interests, we distinguish between pluralist and corporatist systems (Schmitter and Lehmbruch 1979). Pluralist systems are characterized by a multitude of more or less weakly organized interest groups, which compete among each other for access to political decision makers. Strong societal opposition to governmental policies cannot be expected in such cases. Corporatist systems, on the other hand, are marked by a few tightly organized and powerful interest groups, which are linked to state actors by long-term exchange relationships. The ef-

facts of these systems are disputed. On the one hand, state capacity could be increased by policies that are aligned with interest groups. On the other hand, however, such concentrated actions are normally based on bargaining between state actors and interest groups, which often complicates the uncompromised pursuit of interests and preferences.

The fact that unions generally assume a very powerful role in such cooperative relations is also worth mentioning (Garrett 1998, Swank 2002). Their affiliation with the political left implies that corporatist systems hinder rather than enhance privatization. Thus, corporatist countries are expected to have privatized to a lesser extent than pluralist countries. As a measure of levels of corporatism, the index developed by Siaroff (1999) is used. It is based on a battery of indicators, which tend to even out individual measurement errors. Finally, we account for the possible effect of public debt, as it has been argued that governments of any partisan complexion are likely to respond to severe fiscal problems with “selling off the ‘family silver’” (Obinger and Zohlnhöfer 2005).

The independent variables are incorporated into the analysis in different ways according to theoretical and methodological considerations. Since a temporal relationship is predicted for the globalization variables, the change over the period of analysis was calculated. The scores for trade dependence and capital market integration demonstrate an increasing trend, such that the danger of an ecological fallacy through the use of the change in variables is relatively small. With regard to trade dependence, we also account for different base levels by using the percentage change of the measure. As for the variable for financial market integration, using the percentage change makes less sense. The index for the deregulation of financial markets (Quinn 1997) is a compilation of three components that each allow for only very few values. It is thus questionable whether the percentage change of this indicator allows for an interpretation at all. While the change over the general study period is calculated for trade integration, the change from 1980 through 1997 is used for financial market deregulation. On the one hand, this is done because data for financial market deregulation is only available for up to the end of 1997; on the other hand, the temporal shift reduces the danger that the values of this variable are themselves determined by other independent variables in the model. In the end, financial market deregulation is also an output-variable of the political system. A possible endogeneity problem is therefore omitted.

For the government ideology and corporatism variables, the mean values over time are calculated. As the scores of these variables fluctuate in both directions over the period, it does not make sense to use their change over time. The variable for the institutional constraints of the central government is constant over time and is thus taken into account in the analysis in its unchanged form. As an indicator for the ramifications of European integration, a dummy-variable was constructed, which takes the value one, if the country at hand was a member of the EU in the mid 1990s, and otherwise the score zero. The membership of the last three members of the EU 15 (i.e., Austria, Finland and Sweden) was in our view too short to have a noteworthy effect on their privatization records. To avoid a possible endogeneity problem with regard to privatization receipts and public debt, we used the maximum debt during the period between 1980 and 1997. Since it is unlikely that fiscal problems translate into privatizations in the short term, we restricted the time period for identifying the maximum debt to years before 1998.

#### *4.3 Modeling the impact of Europeanization*

In the following, we will present the results of our analysis. Table 1 illustrates the results of cross-sectional regressions of the extent of privatization using different combinations of the independent variables.

**Table 1: Determinants of infrastructure privatization**

Dependent variable: Privatization ( $\Delta$ 1983-2000 in %)						
Model	20 Countries				19 Countries (without Spain)	
	1	2	3	4	5a	5b
Ideology of the government ( $\bar{\emptyset}$ 1983-2000)	-0.369 (1.28)		-0.499* (1.92)	-0.381 (1.55)	-0.490** (2.40)	-0.662*** (3.73)
Corporatism ( $\bar{\emptyset}$ 1983-2000)	-4.906 (0.70)		-6.211 (1.06)	-4.183 (0.74)		
Institutional Constraints (constant)	1.751 (0.32)		0.488 (0.10)			
Public Debt (max 1980-1997)	-0.033 (0.15)		0.088 (0.41)			
EU Membership (Member before 1995)	25.148* (1.94)	30.596** (2.80)		23.979** (2.20)	24.571** (2.56)	18.297** (2.24)
Financial Market Deregulation ( $\Delta$ 1980-1997 absolute)	-1.931 (0.66)	-3.189 (1.44)		-2.078 (0.82)		
Trade dependence ( $\Delta$ 1983-2000 in %)	-0.042 (0.15)	0.062 (0.27)				
R-Square	0.49	0.35	0.31	0.48	0.45	0.59
Adjusted R-Square	0.19	0.23	0.13	0.34	0.39	0.54

Notes: Results of OLS-regressions, absolute t-values in parentheses; \* significant on the 10 percent level, \*\* significant on the 5 percent level, \*\*\* significant on the 1 percent level; all twosided tests; models 5b shows the results for models 5a without the outlying case Spain.

Model 1 contains the estimated results for all the explanatory factors discussed in the preceding section. Neither financial market deregulation nor trade integration show a statistically significant effect on the extent of privatization. Among the external factors, only the coefficient for EU membership corresponds with the expectations in terms of direction and statistical significance. As for the domestic factors, institutional constraints and corporatist arrangements can also be ruled out as explanatory factors. Political party orientation also does not show a significant effect, but its t-statistic is still of such a size that it warrants further investigation. Indeed, when we run two different models, one incorporating external (model 2) and another incorporating only domestic factors

(model 3), government ideology shows a significant effect in the latter, while the results for the former model are basically the same as for the full model, except that the t-statistic for financial deregulation increases to some extent. For the remaining models, we only retained those independent variables with a t-score greater than one. Due to the small number of cases, a maximally parsimonious model is desirable. This also provides us with insights about the stability of the remaining relationships. Model 4 shows an intermediate step and model 5a the most parsimonious model. While the coefficient of EU membership is slightly smaller, party influence shows a larger and clearer effect in the reduced model. The explanation of the extent of privatization can thus ultimately be reduced to two influential factors: the ideology of the government and Europeanization.

Further support for the influence of party ideology can be drawn from model 5b. This model replicates the regression for model 5a but excludes Spain from the calculations, which emerged as a severe outlier from the regression diagnostics. As the Spanish case is characterized by almost complete privatization through left wing governments (which is still a puzzle in political research where different explanations compete, see for instance Etchemendy 2004), this is clearly deviant from the overall pattern. Spain's privatization process thus exerted an unjustifiably strong influence on the results of the analysis. Indeed, the coefficients and t-statistics of all independent variables change when Spain is excluded, but most notably the party ideology of government shows a highly significant effect already in the full model. A comparison of the R-square statistics between the models based on all countries and those without Spain also makes it clear how sensitive this yardstick is towards individual outliers. The adjusted R-square of 0.39 in Model 5a increases to 0.54 in model 5b if Spain is left out, which reflects considerable explanatory power for a model with just two independent variables.

The results of the analysis are visualized in Figure 5. In view of the preceding discussion, the graph is based on Model 5b in Table 1. The essential factors of influence on the extent of infrastructure privatization are, accordingly, the ideological orientation of the government as well as membership in the EU. Figure 5 is a scatter-plot of the dependent variable against the average proportion of left parties in the cabinet. Non-EU-12 countries are abbreviated with lower-case letters and EU-12 countries with capital letters. The lines print the predicted values conditional on EU membership, with the upper line referring to the EU-12 and the lower line to the non-EU countries. The slope of the lines reflects the party effect and the vertical distance between the lines illustrates the effect of EU-membership.

As indicated by the difference in the height of the intercepts of the two lines, the extent of privatization was more than 18 percentage points higher in EU member states than in non-member states. Also, the extent of privatization in both groups of countries is approximately 0.66 percentage points less for each percentage point of cabinet positions that were on average held by left parties during the period. Of course, such estimates merit caution. The graph illustrates that individual cases deviate significantly from the predicted scores. For instance, Great Britain and Australia have privatized more extensively than the model would have led us to believe, whereas Switzerland experienced an unusually low level of privatization for its combination of values on the independent variables. This sheds some light on the uncertainties which must be taken into account in the interpretation of the statistical analyses. However, the objective of this analysis is not to offer point estimates for individual countries, but rather to identify empirical relationships which allow for limited generalizations.

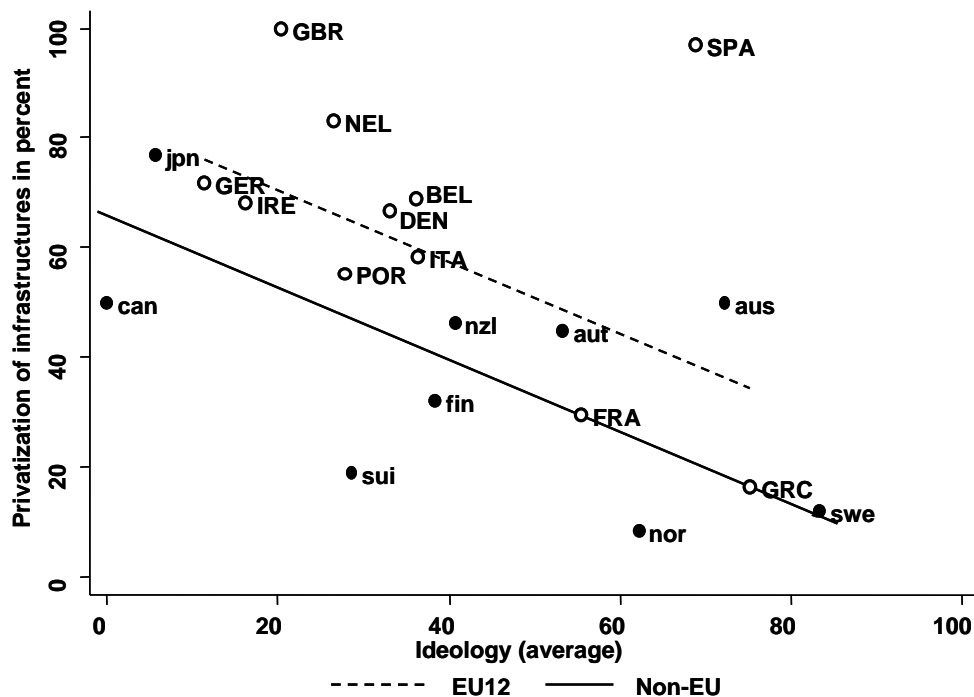


Figure 5: Graphic representation of the results of the regression

Even if the exact size of the effects depends on many circumstances, the relative robustness and clarity of the relationships seem to justify the conclusion that the privatization of infrastructures tended to be more extensive in EU states and countries in which the government consisted of right-wing parties than in non-EU states and countries with governments dominated by the left (for somewhat contrasting results see Obinger and Zohlnhöfer 2005). The clear difference between the privatization in EU and non-EU countries is also depicted in Figure 5 above, where the mean state ownership across the three sectors is plotted against time for EU member and non-member states. Both groups of countries began privatizing in the mid 1980s. Although the non-EU countries started on a lower level of state ownership, their privatization efforts were far less pronounced than those in EU countries. In the next section, we will discuss how these findings can be interpreted and possibly integrated into a wider empirical and theoretical framework.

#### 4.4 Interpretation

A major result of our analysis is that we could not find any noticeable direct effects of globalization on the privatization of infrastructures. Although internationalization of the economy has greatly increased in general over the period of analysis, privatization was introduced only relatively late in the 80s and 90s. Our regression analysis shows that the extent of privatization did not systematically vary with the degree of trade integration or financial market deregulation. However, our results are largely in line with the Europeanization hypothesis: EU countries privatized their infrastructures to a greater degree. Yet the higher level of economic integration of the EU once again does not seem to be the factor that induced the member states to privatize through competition pressure. Rather, it seems to be political decisions on the supranational level, which are geared directly at institutional changes towards more market and competition in national infrastructure sectors that lead to privatizations.

However, our analysis only examined the factors that enhanced or hindered privatization. An explanation of how this wave of privatization came about cannot be provided by the statistical



analysis. A negative correlation between globalization and the extent of privatization could have been taken as evidence that the internationalization of markets not only pushed ahead privatization, but -in line with the theory -also triggered this development. However, since no relationship could be detected this explanation is not very plausible. Furthermore, international market integration was already continually increasing during the 1970s, which did not result in any privatizations at this time.

To arrive at a more encompassing explanation of infrastructure privatizations, we must turn to more subtle factors. The strong effect of government ideology suggests that norms, beliefs and cognitive policy models may play an important role. From such a perspective, the general retreat of the state from public infrastructures can only be traced back to changed conditions in foreign trade and investments in a very indirect way. Globalization constituted only one of the reasons to justify the spread of the neo-liberal model for the political economy. It seems plausible that the privatization wave was not triggered and enhanced by a certain degree of international market integration, but instead by changes in "belief systems" (Sabatier 1987), "policy paradigms" (Hall 1993) or "discourses" (Schmidt 2002a), as emphasized in the literature on the influence of ideas on public policies (for an overview see Campbell 2002).

A paradigmatic change in economics also played an essential role in the emergence of this new policy model. As a response to Keynesianism, theoretical arguments focusing on the difficulties or even the ineffectiveness of state intervention in the economy emerged during the 1970s. In short, alternative proposals demanded less state intervention and more market freedom. The absorption and often distorted adaptation of these ideas into policy (Henisz et al. 2005) led to the emergence of a new theoretical framework to conceptualize the overall political economy. We do not only argue that the discourse prevailing in a certain political system or changes therein affect the capability of governments to react to "objective" external economic pressures (see, e.g., Schmidt 2002a), but also that these economic problems are only recognized as such in the light of a certain policy paradigm. The international diffusion of this new paradigm is then the actual trigger of reforms of the state, not only a mediating factor affecting the extent and timing of transformations.

From a theoretical standpoint, it can be excluded that this was a purely rational or even bounded rational learning or lesson drawing process as theorized in the literature on policy transfer (Dolowitz and Marsh 1996, Rose 1993). Infrastructures are based on long-term investments whose effectiveness can only be judged on a long-term basis. However, very few reliable empirical studies on the effects of privatization over time and the transformation of infrastructural sectors in general exist at this point in time (Bauer 2003, 2004). For instance, systematic evaluations on the British privatization process had been published only in the early 1990s (Miller 1995). Thus, political actors usually privatized without the possibility to weigh the performance of the new policy model against the traditional mode of infrastructures being provided by the state. Enormous expenditures to auction off new telecommunications licenses, bottleneck in the energy supplies in the U.S., as well as security problems in the British railroad network are only a few examples that shed doubt on the long-term efficiency and overall superiority of privately organized as opposed to public infrastructure provision. From a long-term economic perspective, the possibility that an inferior path of institutional development was chosen cannot be ruled out entirely (Arthur 1994).

Accordingly, the extent to which political actors adopted these new rules of the game depended on how well they supported or could be brought into line with the existing cognitive frame and action orientation of the actors. A useful way to analyze this "ideational" level is offered by Sabatier (1987) with his concept of "policy belief systems" (see also Schneider and Janning 2006), which distinguishes between the main core, policy core and secondary aspects. The main core contains fun-

damental normative and ontological axioms, e.g., on the nature of human beings, an evaluation of the priority of different values or the characteristics of distributive justice. Furthermore, it spans all policy areas. The policy core comprises the strategies applied to implement the concepts of values of the main core within a certain policy area, while the secondary aspects refer primarily to the adequate pursuit of these strategies by means of concrete administrative and legislative measures. The extent to which elements of one's action orientation can now be changed depends on the abstractness of the structural category to which they belong. Change in one's core convictions is thus less probable than in the secondary aspects of the practical implementation of these objectives. Changes in the belief system are assumed to come about through instrumental learning. In practice, this means that information that sheds doubt on existing basic ideas is rejected and scientific analyses are primarily used to support one's own principles and beliefs or to attack those of one's political opponent.

For liberal and conservative parties, whose core convictions traditionally include the idea of a limited role of the state in the economy, adopting the neo-liberal infrastructure model was not a difficult task: it confirmed their assessment that the market is generally superior to the state as a coordination mechanism. They adopted the general idea of an infrastructure sector marked by competition very early into their policy core and forced their implementation by means of the instruments recommended by economists, which also entailed state regulation to create and safeguard competition. The radical forms of liberalization and deregulation by the so-called neo-conservatives under the Thatcher government in Great Britain and the Reagan administration in the United States in the late 1970s and early 1980s are the prime examples of this belief driven process.

Left parties, however, had and still have greater difficulties in conforming to this model because they generally exhibit more trust in state regulation than in economic self-regulation by means of market mechanisms. However, the more this policy model spread and the greater the consensus over its comparative advantages grew, the greater the pressure became on the remaining governments, who had yet to adopt this model in their countries. In other words, the diffusion of this policy paradigm was based on frequency-dependent "positive feedbacks" (Pierson 2004, Witt 1989). Ultimately, left governments also privatized, but more hesitantly and not as extensively. Due to the considerable difference between the core beliefs of left-oriented parties and the new structural constraints within global and European competition, it was difficult for them to accept neo-liberal proposals as a political strategy. The party effect on the extent of privatization, which was identified in the analysis, can therefore be traced back to the degree of consistency between the new policy model and the government parties' traditional action orientation.

The effect of EU membership can also be interpreted in a similar vein. The European Commission played a decisive role here. As early as the 1980s it had emerged as a motor for liberalization and deregulation of the infrastructure sectors (Bartle 2005, Grande 1996, Schmidt 1998, Schneider et al. 1994). Based on its institutional self-interest, it had a motive to adopt and spread the new economic model, as it entailed an enormous extension of its authority and thus consolidation of its position in the institutional structure of the EU. Cognitive restrictions did not pose a problem here, since the main task of the Commission since the end of the 1980s was the creation and completion of a common internal market according to the neo-liberal paradigm. Thanks to its role as an "agenda setter" in the policymaking process of the EU and its ability to lay down secondary law, it had the capacity to actively promote the implementation of these ideas in the member states (Schmidt 2000). Thus, the effect of EU membership can be attributed to a combination of the cognitive predisposition of the European Commission towards the new policy model as well as its institutional possibilities of supporting and enforcing policy transfer throughout Europe (Radaelli 2000).

In summary, privatizations in the infrastructure sector cannot be directly traced back to in-

creased international market integration, but rather to existing and changing attitudes towards the neo-liberal policy model. International competition over production locations is therefore only of significance to the extent that it is drawn on to support the claim that privatizing infrastructures is economically necessary. As the analysis has shown, ideological rhetoric plays a greater role than the actual extent of economic openness of a country. This also becomes evident when we take into account that there is hardly any empirical evidence of the supposed positive effects of the restructuring on the efficiency and the effectiveness of the infrastructure sectors (Bauer 2003, 2004). Thus, we can hardly speak of a rational reaction to changing structural conditions in the international economy.

The discussion has shown that the possibilities of changing action orientations through social learning processes and the diffusion of ideas cannot be neglected, particularly when analyzing political and economic contexts from a long-term perspective. The conceptualization and methodological investigation of such diffusion processes, particularly in quantitative studies, points to more questions still to be answered.

## 5. Conclusion

This paper set out to investigate whether the state is really undergoing a process of transformation as currently debated and if so, to what extent Europeanization is driving this process. First, we discussed some conceptual and measurement problems encountered when facing the question whether or not the state is on the retreat. We opted for two indicators for describing the changing power of the state over time: the state expenditure and the infrastructure ownership ratios. The latter measure is based on original data recently collected for twenty-six OECD countries over a time period of thirty years (1970 to 2000). Both measures showed that the role of the state in society has been declining since the early to mid-1980s, but the decrease was especially severe with regard to infrastructure ownership. This is particularly strong evidence for the transformation of the state, since infrastructure provision was long regarded as one of its core functions. However, while all countries made some steps towards privatizing infrastructure property, the extent to which this happened varied considerably across countries. Thus, the descriptive analysis showed that the state's role in society declined considerably over the last two decades, at least in terms of government spending and infrastructure ownership, although to different degrees across countries.

We then turned to the different approaches and theories advanced in the literature to account for this phenomenon. It is often argued that factors of the regional and international environment of states influence their roles and power positions; and that domestic political structure, beliefs and preferences mitigate this effect. Based on this theoretical review, we derived hypotheses about the effects of Europeanization and globalization, as well as domestic factors such as institutional constraints, corporatist arrangements, and government ideology. The statistical analysis showed that government ideology and Europeanization had strong and significant relationships to the extent of infrastructure privatization, while the coefficients for globalization and other domestic factors were insignificant. Therefore, the main conclusion from the statistical analysis is that Europeanization promoted infrastructure privatization while left parties in the government were rather reluctant to privatize state-owned infrastructure companies.

However, it is important to stress that any statistical analysis can at best demonstrate changes in a certain phenomenon, not for its origin. In this respect, our statistical results say something about the varying degrees of privatization, but not about what started the wave of privatization in the first place. We argued that its origin lies in a changing paradigm of economics, the advent of neo-liberal thinking in the seventies. The diffusion of these ideas among political actors is conditioned by their existing belief system. If a person has strong cognitive priors conflicting with a certain idea, it will be harder to convince them to adopt that idea. We argued that this explanation can account for our em-

irical findings that Europeanization and government ideology affect the degree of privatization of infrastructure companies. Right-wing politicians were happy to incorporate neo-liberal prescriptions into their policy views as it was providing them with ostensibly scientific justifications for similar ideas. A similar picture can be drawn for the European Commission. During the late eighties and the nineties, a primary way to advance its own institutional powers was to implement the economic program enshrined in the Single European Act, which is to a considerable extent based on neo-liberal ideas and therefore accounts for the positive effect of Europeanization on infrastructure privatization.

What does all this mean for the question set out in the beginning of the paper? Is the state really on the retreat? According to our indicators, the answer is yes. But as already mentioned, this does not necessarily mean a declining role of the state in society.

It could simply be the case that direct and obvious state interventions as reflected in public employment, expenditure and infrastructure provision are replaced by more indirect and less visible means of control such as regulation. And even if we take the current retreat of the state as granted, our analysis has pointed out that there is nothing inevitable and irreversible about this trend. It is all man-made. Coming back to our comparison with the global warming debate, there are still skeptics arguing that there were always long term cycles in temperature rises and falls and therefore it is too early to conclude that global warming really exists. A similar argument can be made with regard to the coming end of the state. We may simply be at the bottom of a long cycle of pro/contragovernment feelings at the moment and the trend could possibly reverse in future. Recent events, ranging from election outcomes in many South American states, mass-demonstrations of disillusioned youths at WTO and G7 meetings, to the rejections of the EU constitutional treaty in the Netherlands and France, might be indications that the neo-liberal consensus is crumbling indeed.

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## Data Appendix

### *Proportion of infrastructure*

Description:	Mean value of the proportion of state ownership of the respective predominant enterprise in the infrastructure sectors telecommunications, electricity and aviation.
Calculation:	Proportion of infrastructure = $(TSO7000 + ESO7000 + ASO7000) / 3$
Original name of variable:	TSO7000, ESO7000, ASO7000
Source:	Schneider et al. (2004)

### *Proportion of state expenditures*

Description:	Total expenditures of the state as a percentage of GDP
Calculation:	Proportion of state expenditures = YPGTO or 186 (only GBR, GRC, IRE, DEN), Switzerland extrapolated to 2000
Original name of variable:	YPGTQ, 186
Source:	OECD (2002, 2002a)

### *Privatization*

Description:	Change of proportion of infrastructure in percentage points between 1983 and 2000 in absolute scores
Calculation:	Privatization = $ (Proportion\ of\ infrastructure\ [2000] - Proportion\ of\ infrastructure\ [1983]) * 100 / Proportion\ of\ infrastructure\ [1983] $
Original name of variable:	Proportion of infrastructure
Source:	See proportion of infrastructure

### *Ideology of the government*

Description:	Percentage of left parties in the cabinet according to the classification by Schmidt (1996)
Calculation:	Ideology of the government = mean value for 18 years (1983-2000)
Original name of variable:	GOVLEFT
Source:	Armingeon et al. (2002)



### *Institutional restrictions*

Description: Additive Index for institutional restrictions cf. Schmidt (1996)  
Calculation: Institutional restrictions = IBEGR - 1 if the country was an EU-member for more than half of the timeframe 1960-1990  
Original name of variable: IBEGR  
Source: Armingeon et al. (2002)

### *Corporatism*

Description: Index for the economic integration according to Siaroff (1999)  
Calculation: Corporatism = INTEGR, in which scores between 1980 and 1990 and between 1990 and 1995 were interpolated (for SPA, POR and GRC, the scores of 1990 was used for scores before 1990), and for scores between 1995 and 2000, the score from 1995 was used.  
Original name of variable: INTEGR  
Source: Armingeon (2002)

### *EU-Membership*

Description: Member of the EU in the year 1995  
Calculation: EU-Membership = 1 if EUMG[1995] = 2  
Original name of variable: EUMG

### *Public Debt*

Description: Gross government debt as a percentage of GDP  
Calculation: Public Debt = maximum of debt[1980-1997]  
Original name of variable: Debt  
Source: Armingeon et al. (2005)

### *Deregulation of financial markets*

Description: Index for the extent of deregulation of financial markets according to Quinn (1997)  
Calculation: Financial market deregulation = OPENNESS[1997] - OPENNESS[1980]  
Original name of variable: OPENNESS  
Source: Armingeon (2002)

### *Trade dependence*

Description: Sum of exports and imports as a percentage of the gross domestic product  
Calculation: Trade dependence = (IMEX[2000] - IMEX[1983]) \* 100 / IMEX[1983]  
Original name of variable: IMEX  
Source: Armingeon (2002)