The Privatisation of Infrastructures in the Theory of the State:  
An Empirical Overview and a Discussion of  
Competing Theoretical Explanations

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1 Introduction

During the last three decades, infrastructural sectors of advanced industrial societies have changed in an unprecedented way. Not only becoming larger and larger in scale, their interdependence and the dependence of economies and societies on the various large technical support systems have increased significantly. In less than one generation, the information revolution and the introduction of computer technology into virtually all segments of modern society have changed how economies function, how governments provide internal and external security, and how everyday life is organized. Whether we are simply turning on the lights at home, boarding a train or plane, or making a phone call, we all rely on nested infrastructural systems providing energy and computing power. As recently shown in California, without electricity no information and communications system will function. Without computers and telecommunications networks most business activities will stop.

The change in law institutional organization of many infrastructures that has occurred over the last two decades is closely related to the increasing importance of infrastructures to modern societies. Up until the last quarter of the past century, most of them were governed by monopolistic structures tightly controlled by the state. In the meantime, in an increasing number of countries many areas of infrastructures have opened for market competition, and some of them have been finally privatized. These changes, starting during the late 70s, came about in several waves and became stronger and stronger during the last decade. Most dramatic were changes in telecommunications. Initially restricted mainly to the most advanced industrial countries, the shock wave of these transformations are now reaching the developing world. Recent data from the ITU shows that in the last two decades the traditional telecommunications provider has in more than 80 countries been – at least partially – privatized. In most of the countries markets have been opened, competition has been introduced, and new independent regulatory agencies have been created.

In order to understand the significance of this institutional transformation we have to bear in mind that in almost all countries the control over communications infrastructures had been an exclusive prerogative of the state. These arrangements had lasted for centuries. Since the rise of the modern nation state in 16th century continental Europe, the state had played a key role in the provision of communication infrastructures and the control of communication contents. During these ages postal and telecommunications systems had been highly relevant for military purposes as well as for internal security. The provision of long-distance communication facilities was considered to be a major component in the ”logistics of power” of the state (Mann 1984). Especially in geopolitical contexts
such as those found in continental Europe, where the system of nation states originally was based on the military control of increasingly large territories, communications was a key aspect of growing state power. In almost all countries the provision and operation of communications systems became legally protected state monopolies, and the respective administrations and public enterprises had been important components of the public sector.

However, this institutional division of labor between state and society, which had been immutable for centuries, began to change radically within only two decades. Many observers in the social and political sciences understand this "retreat of the state" (Strange 1996) as a manifestation of the process of globalization and its negative effects on the erosion of state sovereignty. The general argument in this discourse is rather simple: Competitive pressures are pushing nation states to compete, with industrial, infra-structural and tax policies used to attract investment by multinational companies. The power of nation states to set autonomous political goals and priorities is increasingly being limited. While the political left is dramatizing this decline in autonomy and is suddenly discovering the nation state as, "the coldest of all monsters" (Nietzsche), as the last fortress against the terrorizing world market, neo-liberal economists welcome this development, because it promises to lead to more economic freedom. Some neoliberals even see revolutionary aspects in this development. They expect that system competition could reverse the hypertrophy of the public sector in advanced industrialized countries, thus break up the "tyranny of the status quo" (Friedman 1983).

Indeed, a number of developments seem to point in this direction. The public sector saw a dramatic expansion up until the 80s, although this trend has been reversed during the last decade.

Current worldwide initiatives to redimensionalize the public sector, to ‘reinvent government’ and to privatize former public services are thus largely seen as necessary adaptations to cope with global pressures. In the meantime, most of the industrialized countries, as well as an increasing number of the developing nations, have launched some kind of reform programs to restructure their public sectors, with core initiatives in most cases are targeting infrastructures.

In this paper we will deal with the theoretical question, of why the state is retreating from one of its key functions in modern society, i.e. provision and control of infrastructures. To give an impression of the size and magnitude of the problem, we start with an empirical map of liberalization and privatization processes in some infrastructural areas (telecommunication, air transport, posts and electricity) within OECD countries – except the eastern countries. Much of the overview is based on the regulatory reform data collection of the OECD and the ITU. The paper presents some preliminary results of a research project funded by the German Research Society. The project finally aims to
provide a complete empirical overview on privatization processes in key infrastructural sectors, and to evaluate various theoretical explanations on the basis of statistical tests (i.e. multiple regression and time series analysis). In the second part of the paper we raise the question of why these restructuring processes take place and why they vary among the different countries. We will enter into this debate by first investigating the relationship between State and network bound infrastructures in general. In the subsequent section different reasons for the state’s responsibility in infrastructures will be sorted out. In addition, we also will deal with the question of co-evolution of the state and infrastructures and the evaluation of state’s changing role in this area. In the final part we discuss different explanatory approaches for the re-dimensionalization of the states role in the infrastructure sectors that we have observed in section 2.3.

2 From public to private control of infrastructures

Before entering the description of the different changes in the provision and management of infrastructures and the related repositioning of the state, we will first clarify some important notions we use in this paper. The first is the concept of infrastructures, the second is the notion of privatization and its different meanings and forms.

2.1 The Concept of Infrastructure

The term infrastructure has its origins in the military and describes the totality of those buildings, installations and communication networks necessary for supplies, especially in regard to the sending of goods and messages. The term is borrowed from the Romance Languages, where it refers to the immovable parts of the transportation system, such as the substructure of railways (track) and the network of air routes (airports) (Jochimsen 1966: 100). Infrastructure as ‘sub- or basis structure’ refers to support structures and basic resources. Infrastructures form necessary preconditions for private investment and consumption, and are hence conceived as an important locational factor.

The broad definition of the term infrastructure distinguishes material and immaterial infrastructures. The latter can be further divided into personal (skills and human capital) and institutional (legal norms and traditions) infrastructures. A more limited notion of infrastructure focuses on material infrastructures, like buildings, installations, equipment and setting-up especially for transportation, communication and energy supply. Network bound infrastructures such as energy, transportation and telecommunication are regarded as infrastructure sectors in the classical sense (Wille 1993: 17).
Lately the term ‘complex technical systems in the infrastructure sector’ has appeared more often in the social sciences with respect to extensive techno-structures like transportation-, communications- and energy supply systems etc. (Mayntz/Schneider 1995: 73ff.; cf. Mayntz 1988; Mayntz/Hughes 1988). This term refers to large and complex systems, in which multiple actors and artifacts, that are often geographically spread, are acting in combination in a structured and a highly complex manner. It should also be pointed out that these systems are increasingly computerized and coupled with technology (Schneider 2001: 31-34).

2.2 Meanings and forms of privatization

Until the 80s, most infrastructures in most of the countries of the developed world had been controlled by the state. In Europe and former European colonies this generally happened by either integrating the provision and operational functions into state bureaucracy itself (i.e. as part of public administration) or in the form of public enterprises. In the United States, on the other hand, a specific model of public control had been developed in the beginning of the 20th century. This combined the acceptance of private property with some form of political control. In terms of regulation, this model contained independent regulatory agencies where controlled firms became constrained in investment and pricing behavior. Thus in the United States providers and operators of infrastructural systems always kept their private status and regulation did not replace economics by politico-administrative decision-making. Regulation has only had the effect of placing external behavioral restrictions on private business management. Regulatory reform in the United States therefore means something quite different then privatization in Europe.

Under such a perspective, privatization has to be understood on the one hand as a transformation of property rights regimes, and on the other hand also as a reduction of public control. In the study of economics, property rights are conceived as an enforceable authority to undertake particular actions in a specific domain (Commons 1968, Coleman 1990). Property rights define possible actions that individuals can take in relation to other individuals regarding some “thing” or “good”. A given property regime is therefore a specific combination or “bundle of rights” to act with regard to a given object (Coleman 1990: 45-64; Schlager/ Ostrom 1992; Ostrom 2000). With respect to these different rights Coleman (1990: 45-64) distinguishes between the right of use, right of consumption, and right of disposal. Ostrom (2000) includes rights of access, rights of withdrawal, management rights, rights of exclusion, and rights of alienation.

Specific ownership regimes depend on the specific combination of these different rights and the allocation of these rights among actors. Rights may be concentrated or distributed on social actors. If
all different rights to a given good are held by the same single actor, we have a complete private property regime. If all are distributed on all actors, we have a public or common property. In complex regimes, such as in the American case of regulation by independent agencies, most of the rights that are associated with private property may be concentrated on private actors, but some rights – e.g. to set prices for services – are distributed on political actors in a public decision-making structure.

Ownership also can be expressed in more abstract terms as the right to control the outcomes of events that are connected to or embodied in a given good. Ownership implies a given structure of rights of control (Coleman 1990). From such a perspective public property is a structure of “rights of control” in which control is distributed among public decision makers representing the people as the ultimate sovereign. Outcomes in infrastructures governed by public property systems are thus determined by public decision-making systems (as complex systems of decisions rules; cf. Scharpf 1997).

Privatization from this perspective then, is a transformation of the property regime in the sense that rights of control are reallocated. Rights of control, which more or less have been dispersed in a public decision-making structure, now become concentrated on a single private person, private organization or a collectivities of share holders partially controlling such a private organization.

Such a transformation can be achieved by explicit and implicit privatization. Explicit privatization means that the structure of property rights of the whole infrastructural system will be transformed towards private control. This can be done in different degrees and levels of effectiveness. By mere formal legal privatisation, by which, for instance, a public administration or state enterprise gets a private law status, public control would not necessarily be abolished or significantly reduced. Control could just be exerted in a different form. However, if rights of control are re-alloacted in the sense that public control would actually be substituted by control through private actors, this transformation would be called material privatization. There are further arrangements besides this in which the whole complex of infrastructure provision and operation is divided among several actors and sequences in an infrastructure’s value chain (e.g. franchising and contracting out).

2.3 Patterns of change in three infrastructural sectors

In the following section we will describe in more detail the development towards implicit and explicit privatization and the enhancement of private control in the major infrastructure sectors in 26 OECD countries. We have already clamed in the introduction, that this process of “re-dimensionalizing” the role of the state in infrastructures started during the late 70s and has developed and spread through several waves. The first wave of liberalization and deregulation had been triggered by the deregulation
movement in the US, which first affected the telecommunication and the aviation sectors in particular. The most significant changes in these areas occurred during the 1980s and 1990s. A second wave of liberalization and privatization had now started in the mid 1990s, now affecting the railway, postal, and electricity sectors. In the following section we will give an overview on these transformations.

2.3.1 Telecommunications

Telecommunications was the first sector in which the provision and operation of infrastructural systems had been privatized. Telecommunications is also the sector in which this restructuring process has been most radical, and where the broadest social and economic implications of this process can be observed. This is perhaps the reason why it is up to know the best researched sector, containing the most complete data for our analytical purposes.

The transformation in telecommunications started in the form of implicit privatization through liberalization by the removal of regulatory constraints and burdens (deregulation) in the USA. Most of the key decision during the 70s leading to such market openings had been made by either the American Federal Communications Commission or by various Courts challenging existing entry barriers and other regulatory constraints in the telecommunications domain. In the early 1980s this process culminated in the well known divestiture of the former private monopolist AT&T. In the following years Britain and Japan followed the American example. Since the late 1980s and the early 1990s most of the other countries in our data set liberalized their telecommunications domains, with many of them also formally and materially privatizing their incumbent operator organizations. As shown in Figure 1, the privatization process showed the pattern of typical bandwagon diffusion process in which an increasing number of countries choose to follow this strategy.
The current situation with respect to the control structure in telecommunications is shown in Table 1, where the most relevant information on the current shape of the sector is put together. The different data show the degree of explicit and implicit privatization: How far the incumbent infrastructure provider and operator is privatized (formally, materially; how strongly a privatized firm still is controlled by the state and how large the market share of the incumbent organization of the most important markets in this sector is.

Figure 1 and the data in the Tables 1 and 2 point towards interesting developments. On the one hand it is shown, that there is a clear trend and convergence towards a privatized and liberalized structure (measured by government ownership in the incumbent or largest operator and by measures of market concentration). On the other hand, one can see that there is still significant variation between the different countries in the way in which liberalization has really materialized. An immediate expression of this variation is given by Figure 2, where the ownership patterns of the operator(s) are depicted. Here the picture is mixed: In about one third of the countries, the operators are almost completely privatized, and in another third of the countries the respective companies are still under full governmental control.
<table>
<thead>
<tr>
<th>Country</th>
<th>Equity (in%) of incumbent PTO owned by public authorities</th>
<th>Year of privatisation</th>
<th>Share of the incumbent PTO: Basic voice</th>
<th>Share of the incumbent PTO: Digital mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUS</td>
<td>67 100</td>
<td>1996/97</td>
<td>99.4</td>
<td>82.13</td>
</tr>
<tr>
<td>AUT</td>
<td>100 100</td>
<td>1998</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>BEL</td>
<td>51 100</td>
<td>1995</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>CAN</td>
<td>0 0</td>
<td>Always private.</td>
<td>100</td>
<td>.</td>
</tr>
<tr>
<td>DEU</td>
<td>61 100</td>
<td>1996</td>
<td>98</td>
<td>.</td>
</tr>
<tr>
<td>DNK</td>
<td>0 89</td>
<td>1992</td>
<td>100</td>
<td>95</td>
</tr>
<tr>
<td>FIN</td>
<td>100 100</td>
<td>No privatization</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>FRA</td>
<td>62 100</td>
<td>1997</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>GBR</td>
<td>0 22</td>
<td>1984</td>
<td>89</td>
<td>76.2</td>
</tr>
<tr>
<td>GRC</td>
<td>65 100</td>
<td>No privatization</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>ICE</td>
<td>100 100</td>
<td>No privatization</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>IRL</td>
<td>80 100</td>
<td>1996/97</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>ITA</td>
<td>5 &gt;50</td>
<td>1998</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>JPN</td>
<td>65 &gt;66</td>
<td>1986</td>
<td>97</td>
<td>64</td>
</tr>
<tr>
<td>KOR</td>
<td>71.2 &gt;71</td>
<td>1987</td>
<td>100</td>
<td>90.6</td>
</tr>
<tr>
<td>LUX</td>
<td>100 100</td>
<td>No privatization</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>MEX</td>
<td>0 0</td>
<td>1990</td>
<td>100</td>
<td>81.2</td>
</tr>
<tr>
<td>NLD</td>
<td>43.8 100</td>
<td>1994</td>
<td>99.7</td>
<td>80</td>
</tr>
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<td>NOR</td>
<td>100 100</td>
<td>No privatization</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>NZL</td>
<td>0 0</td>
<td>1990</td>
<td>99</td>
<td>77</td>
</tr>
<tr>
<td>PRT</td>
<td>25 100</td>
<td>1995</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>SPA</td>
<td>0 35</td>
<td>1997</td>
<td>100</td>
<td>97</td>
</tr>
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<td>SWE</td>
<td>100 100</td>
<td>No privatization</td>
<td>93</td>
<td>83</td>
</tr>
<tr>
<td>SWI</td>
<td>100 100</td>
<td>1998</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TUR</td>
<td>100 100</td>
<td>No privatization</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>USA</td>
<td>0 0</td>
<td>Always private</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: OECD Regulatory Database
Figure 2: Governmental ownership of largest operator

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TUR</td>
<td>100</td>
</tr>
<tr>
<td>SWI</td>
<td>100</td>
</tr>
<tr>
<td>SW</td>
<td>100</td>
</tr>
<tr>
<td>NOR</td>
<td>100</td>
</tr>
<tr>
<td>LUX</td>
<td>100</td>
</tr>
<tr>
<td>ICE</td>
<td>100</td>
</tr>
<tr>
<td>FIN</td>
<td>100</td>
</tr>
<tr>
<td>AUT</td>
<td>100</td>
</tr>
<tr>
<td>IRL</td>
<td>80</td>
</tr>
<tr>
<td>KOR</td>
<td>71</td>
</tr>
<tr>
<td>AUS</td>
<td>67</td>
</tr>
<tr>
<td>JPN</td>
<td>65</td>
</tr>
<tr>
<td>GRC</td>
<td>65</td>
</tr>
<tr>
<td>FRA</td>
<td>62</td>
</tr>
<tr>
<td>DEU</td>
<td>61</td>
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<tr>
<td>BEL</td>
<td>51</td>
</tr>
<tr>
<td>NLD</td>
<td>44</td>
</tr>
<tr>
<td>PRT</td>
<td>25</td>
</tr>
<tr>
<td>ITA</td>
<td>5</td>
</tr>
<tr>
<td>USA</td>
<td>0</td>
</tr>
<tr>
<td>SPA</td>
<td>0</td>
</tr>
<tr>
<td>NZL</td>
<td>0</td>
</tr>
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<tr>
<td>DNK</td>
<td>0</td>
</tr>
<tr>
<td>CAN</td>
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</tr>
</tbody>
</table>

2.3.2 Airlines

The privatization in the airline industry is an example of institutional changes in the area of transport infrastructures. Although the actual degree of private control in this sector is currently greater than in telecommunications, the transformation was less radical here because most of the incumbent operator organizations had already had a private legal shape, or at least the structure of a relatively independent public corporation. In telecommunications, on the other hand, most of the operator organizations were public administrations.

The transformations in aviation have also been triggered by policy changes in the United States at the end of the seventies. At that time the industry resembled a public utility, organized either as a regulated industry or as a state company. A turning point was the American Airline Deregulation Act of October 1978, which first lead to wide-ranging deregulation during the Ronald Reagan presidency.
Table 2: Private and public control in the airline industry

<table>
<thead>
<tr>
<th>Country</th>
<th>Government Ownership of largest Airline firm</th>
<th>Domestic deregulation</th>
<th>Concentration of Airline industry (Herfindahl Index)</th>
<th>Open Sky agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Domestic</td>
<td>International</td>
<td>Domestic</td>
<td>International</td>
</tr>
<tr>
<td>Australia</td>
<td>0</td>
<td>•</td>
<td>0,5</td>
<td>0,88</td>
</tr>
<tr>
<td>Austria</td>
<td>52</td>
<td>•</td>
<td>0,97</td>
<td>0,50</td>
</tr>
<tr>
<td>Belgium</td>
<td>34</td>
<td>•</td>
<td>1,00</td>
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<tr>
<td>Canada</td>
<td>0</td>
<td>O</td>
<td>0,52</td>
<td>0,52</td>
</tr>
<tr>
<td>Denmark</td>
<td>50</td>
<td>•</td>
<td>1,00</td>
<td>1,00</td>
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<td>60</td>
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<td>France</td>
<td>95</td>
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<td>0,92</td>
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<tr>
<td>Germany</td>
<td>0</td>
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<td>0,7</td>
<td>0,96</td>
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<tr>
<td>Greece</td>
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<td>O</td>
<td>1,00</td>
<td>1,00</td>
</tr>
<tr>
<td>Iceland</td>
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<td>Ireland</td>
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<td>•</td>
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<td>0,97</td>
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<td>Italy</td>
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<td>0,35</td>
<td>0,59</td>
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<td>Japan</td>
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<td>O</td>
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<td>0,63</td>
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<td>Korea</td>
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<td>0,39</td>
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<td>1,00</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7</td>
<td>O</td>
<td>1,00</td>
<td>1,00</td>
</tr>
<tr>
<td>Turkey</td>
<td>98</td>
<td>O</td>
<td>0,26</td>
<td>0,68</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0</td>
<td>•</td>
<td>0,12</td>
<td>0,19</td>
</tr>
<tr>
<td>United States</td>
<td>0</td>
<td>•</td>
<td>0,12</td>
<td>0,19</td>
</tr>
</tbody>
</table>

Legend: O no  • yes


During the 1980s, almost all airline companies formally privatized their organizational structures. In the following years the majority of our 26 countries also sold significant shares of capital in the stock market (column 1 in Table 2). By the year 2000, only the less developed EU member states, Greece, Ireland, and Portugal, still had full governmental control of their airline sectors.

Parallel to this development, domestic and international markets have been increasingly opened. However, as the columns 3 and 4 in Table 2 indicate, there is great variation: On the one side there are still monopolistic market structures in most of the European countries, on the other hand there is intense market competition in countries such as the US, UK, Canada, Japan and Korea.
During the 1990s, the international aviation markets have also been increasingly liberalized. The USA was also playing an active role in this process. The Americans convinced more and more countries to engage into bilateral and multilateral “Open Skies” agreements (Table 2, column 5). These contracts essentially consist of the exchange of traffic rights and the provision of liberal pricing regimes. Whereas the formal liberalization of international aviation markets may be indicated by the existence of open sky agreements, to describe the degree of factual liberalization we can also use the concentration measure (Herfindahl index), too (Table 2, column 4). Here it can also be seen that the overwhelming number of countries still have highly concentrated markets.

2.3.3 Electricity

The last infrastructural sector that will be presented here is electricity. Major structural changes of this sector belong to the second wave of privatization. The first transformations began at the end of the 1980s and the beginning of the 1990s. As it is shown in table 3, the “first movers” in this development are clearly the Netherlands, Norway, the UK, New Zealand and the United States. Late comers in contrast are mostly the less developed EU countries such as Portugal, Greece and Ireland, but also France, Belgium, Canada and Italy.

Table 3: Liberalization in the electricity supply industry (1998)

<table>
<thead>
<tr>
<th>Liberalization: country and year</th>
<th>In 1998</th>
<th>Not yet liberalized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>1989</td>
<td>Belgium</td>
</tr>
<tr>
<td>Norway</td>
<td>1990</td>
<td>Canada</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1990</td>
<td>France</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1992</td>
<td>Greece</td>
</tr>
<tr>
<td>Sweden</td>
<td>1992 (passed 1996)</td>
<td>Ireland</td>
</tr>
<tr>
<td>United States</td>
<td>1992</td>
<td>Italy</td>
</tr>
<tr>
<td>Australia</td>
<td>1994</td>
<td>Portugal</td>
</tr>
<tr>
<td>Spain</td>
<td>1994</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>1995</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>1995</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>1996 (implemented 1998)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1998</td>
<td></td>
</tr>
</tbody>
</table>

Source: Steiner (2000: 27)

Explicit privatization is less visible in this sector than in telecommunications and aviation. As Table 4 shows, before this transformation the property rights regimes in the electricity sector had also been much more diverse than in the other sectors. Up until 1998 there were only very few changes towards
more private regimes (UK and Portugal). Curiously, changes in Canada and Australia took place in the reverse direction from mostly private control to a more balanced private/public mix.

Table 4: Ownership regimes and changes in the electricity supply industry (1986-1998)

<table>
<thead>
<tr>
<th>Private</th>
<th>Mostly Private</th>
<th>Mixed</th>
<th>Mostly Public</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Belgium</td>
<td>Germany</td>
<td>Denmark</td>
<td>France</td>
</tr>
<tr>
<td>United States</td>
<td>Sweden</td>
<td>Finland</td>
<td>Greece</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Norway</td>
<td>Ireland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>Australia (since 1994)</td>
<td>Australia (since 1994)</td>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>Canada (since 1992)</td>
<td>Canada (since 1992)</td>
<td>Netherlands</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>Portugal (since 1989)</td>
<td>Portugal (since 1989)</td>
<td>Netherlands</td>
<td></td>
</tr>
<tr>
<td>United Kingdom (since 1995)</td>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom (1990-1994)</td>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: OECD International Regulation Database

Our preliminary overview of explicit and implicit privatization processes in many countries and various infrastructures has shown, that are remarkable changes which transform the traditional role of the state in infrastructures significantly. In addition, it has been shown, that these changes are different across countries and across sectors. In the following sections we will discuss relevant literatures dealing with these questions. However, prior to the discussion of the state’s stepwise withdrawal from infrastructural functions, we first will discuss the relationship between state and infrastructures at a general level.

3 The Theoretical “Problematique” of Public Infrastructures: Approaches and Explanations

3.1 Infrastructures as Blood Circulation and Nervous System of the State

In state theory the metaphor of the state as ‘body’ is very common – just think of the famous copper engraving of Hobbes’ Leviathan. The network based infrastructures are often adapted to this body picture, by referring to the blood circulation as structure of transportation (Gudme 1824: 1; Ratzel 1903: 503, 529, 1925: 335) or the nervous system as telecommunication (cf. Haubold 1995: 8). This picture of transportation and communication routes as lifelines of a federally organized state and a
society based on the division of labor (Hermes 1998: 334) lets network based infrastructures seem vital for the state. There is no state without infrastructures (cf. Krüger 1969: 4). Hence, the basic function of infrastructures is seen in the social, economic and political integration of communities (Hesse 1979: 9; Hermes 1998: 352; Krüger 1969: 5-6).

3.2 Reasons for infrastructure responsibility

The reasons for state commitment within the infrastructure sector can be divided between a) technical efficiency aspects, b) military, state and integrationist motives, c) the demand of state resource ‘expropriation rights’ and fiscal motives, d) correction of market failure and public control, e) guarantee of extensive supply (socio-political motives) and finally f) democracy-political, legal and environmentalist considerations (see also Hermes 1998: 271).

Technical efficiency aspects can be explained, for instance, by looking at the railway system. Through state engagement into infrastructure provision the parallel building of tracks might be avoided. In addition locomotive and car switching is more tightly coordinated. Economy and society thereby gain full advantages of unified technical standardization, unified tariffs and coordinated timetables. The same is true for telegraph- and telephone systems (Hermes 1998: 271; Mayntz/Schneider 1995: 96). While organizational centralization might be sufficient for these functions, state commitment is not indispensable. A private monopoly would be equally conceivable.

It is frequently emphasized that the control over transportation, communication and energy systems, and their security as well as quality, is of great importance for military issues (Mayntz/Schneider 1995: 96). A fast and reliable communication, just like frictionless transportation of troops has often been a decisive factor for the outcome of war. In addition, the geopolitical interest of a state for social and economical integration of the national territory appears through sufficient possibilities for mobility and communication (railway system, postal service, telegraph system).

Another reason for state involvement in infrastructure provision is the rights of way problem. Network bound infrastructures depend very much on control over geographical scope. In most cases routes cannot be arbitrarily chosen and depend on “rights of way”. The comparative advantage of state involvement in these situations is that state legislature provides the possibility of expropriation. Finally, in many cases considerable profits have been made by nationalized railways, which played an important role for the state budget (Hermes 1998: 277).
In a bourgeois-liberal view of society, which starts from the autonomous and self-interested economy-based citizen, government responsibilities can only be legitimized by the failure of mechanisms of societal self-control. In this respect a central argument among others for state involvement in the development and operation of network based infrastructures, is that the market could not provide them on equally favorable terms. The particular competence of governments to manage these specific systems thus directly results from market failures\(^2\) in this sector.

Adam Smith already includes additional state obligations besides (firstly) defense and (secondly) judiciary: “The third and last duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain.” (Smith 1812 [1776]: 570-571) This also includes “the public works and institutions for facilitating the commerce of the society […], such as good roads, bridges, navigable canals, harbors, etc.” (Smith 1812 [1776]: 571).

Because of the significance of infrastructures in the planning for professional and private life (Mayntz 1988: 233; Mayntz/Schneider 1995: 74), it is often pointed out, that it is the responsibility of the state to provide a wide-spread basis supply on favorable, respectively favorably priced terms, is often being pointed out. Hereby regional as well as social aspects play an important role. Besides the connection and supply of rural areas (even if it does not seem advisable under profitability terms), the critical dependence on all infrastructure based goods, just like a sufficient supply of energy, is interpreted as a welfare function. A core idea is that the state has the responsibility to provide or at least to guarantee the provision of “means of living”\(^3\) for its people (Bull 1973: 224, 240; Hermes 1998: 92-93; Wesener 1986: 134 ff.).

A link between state and infrastructure can also be established under a democracy theoretical perspective. Since modern mass democracies no longer correspond to the small and easily manageable democracy model of the Greek ‘polis’, they require media and intermediary institutions. Institutions of representative democracy reflect this issue. In addition, space integrating structures of communications

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\(^2\) With respect to the problem of market failure we refer to public good (non-exclusiveness) aspects, external effects and natural monopolies.
and transportation remain necessary for the development of a democratic public. These structures are supposed to guarantee that the center of power remains easily attainable for citizens.

Certain *fundamental rights* can only be claimed under particular preconditions. There is a link between a democratic state under the rule of law and the existence of network based infrastructures. The German *Grundgesetz* (constitution) explicitly names ‘*communicative*’ basic rights such as the right for freedom of speech (Art. 5 I), freedom of assembly (Art. 8) and freedom of association and to form coalition (Art. 9) as well as privacy of the post, secrecy of the post and of telecommunications (Art. 10). The personal physical freedom of movement (liberté d’aller et de venir) is included in the personal freedom term of Art. 2 II. This means that a state which could not guarantee the provision of infrastructures would also – in some sense – harm the state of law as the “critical infrastructure for fundamental rights”. As a democratic state, under the rule of law, has to respect and to protect the fundamental right of informational self-determination (data protection) and the right on privacy, it also has to have a vital interest on the constitution of the communicational infrastructures.

### 3.3 Co-evolution of modern sovereign states and network based infrastructures

Mayntz/Schneider emphasize the co-evolution between modern states and large technical infrastructures. Both were extraordinarily formally organized and hierarchically structured and were also mutually stimulated each other’s growth and showed increasing degrees of centralization. Through their equally high potential of utility and risk the technical infrastructure systems are supposed to have provoked state regulation and thereby promoted the strong, the intervention-state (Mayntz/Schneider 1995: 96). Looking back in history, the development of the modern nation state can be seen as a ‘response’ to the development of early commercial society and its prerequisites (lowering of transaction costs; abolition of feudal political and legal fragmentation). It is as reaction to the tendencies to spatial and functional removal of boundaries. Hence, the first indications of infrastructural development were already present before the nation state (Ratzel 1903: 500, 502), but only bloomed after its arrival (see also Bernauer 2000: 41).

According to Michael Mann the state distinguishes itself as social configuration by its territoriality and centrality: ‘Unlike economic, ideological or military groups in civil society, the state elite’s resources radiate authoritatively outwards from a center but stop at defined territorial boundaries. The state is,

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3 What belongs to infrastructural basic supply is dependent on a given state of technological, economic, and also societal development.
indeed, a place – both a central place and a unified territorial reach.’ (Mann 1984: 198) Only territories that are covered by infrastructures are in the end also ruled territories (Krüger 1969: 6-7). The existence of network based infrastructures, spreading across wide areas with the function to integrate exactly these, is thus the basis (Hermes 1998:341) for this particular power of the state, the form of “territorial power”. The greater the infrastructural powers of the state are or have become, the greater is the territorialization of social life (Mann 1984: 208). Territorialization corresponds to a specific model of the state compared to the model of the (Italian) city states and city unions (e.g. South Germany and Hanse) (cf. Bernauer 2000: 40 ff.).

3.4 The Market decides – the State provides

Different theoretical and ideological perspectives don’t see the ‘infrastructural power’ of contemporary states as an unchallengeable sign of state power to dominate society, but see its role as serving to dominant economic interests. Michael Mann (1984: 189) writes: “All infrastructurally powerful states, including the capitalist democracies, are strong in relation to individuals and to the weaker groups in civil society, but the capitalist democratic states are feeble in relation to dominant groups – at least in comparison to most historical states.” The view that state responsibility for infrastructures under advanced capitalist conditions does not necessarily create and support specific action capacities of the state, is shared by neomarxist scholars as well as authors from the tradition of the German Staatsrechtslehre, who believe it is a problem when the state is driven out of the position of a ‘higher third party’, and instead becoming a servant and ‘accomplice’ for the industrial and economic processes, which only has security functions, i.e. to provide for Ausfallbürgschaft. (Böckenförde 1991:240; Forsthoft 1971). From this perspective, obviously ‘the state is supposed to give without taking anything’ (Böckenförde 1991: 242). It has to provide important preconditions for economic development in form of infrastructures, however, without having any influence on investment decisions.

Because of this basic function which infrastructures fulfill as a preconditions for all other economic activities, an interesting argument that has been brought up within the current discussion in globalization. In times of increasing locational competition for mobile capital and human resources, it is argued, the infrastructural function of the state would get more and more important, and might even become its remaining core function (next to the provision of security). According to Wolfgang Streeck under the condition of regime competition public policy must increasingly follow a tendency to limit its substance to a business-like provision of an internationally attractive infrastructure supporting the profitability of economic activities. In addition, this policy seems to switch of from the mere use of
sovereign state power to the production of incentives and rewards to fairly expected investment (Streeck 1998: 34-35; see also Schulze/ Ursprung 1998: 32, 33). The terms of ‘provision’ and ‘limitation’ seems to agree with the above mentioned fears of some conservative observers such as, for instance, Ernst-Wolfgang Böckenförde.

3.5 Privatization as Dispersion of Solidarity?

Fears relevant to a states withdrawal from infrastructure point towards another aspect. It has already been mentioned, that the commitment of the state in infrastructure provision also has a social function, based on the principle of justice. That a society, sets up an integrated network infrastructure through the state as a special form of its self-organization, insinuates to aspects of loyalty and solidarity (Willke 1992: 364-365). In this respect it is emphasized that privatisation of infrastructures could indicate a ‘dispersion of solidarity’. In this perspective the economically most successful parts of society creep towards a “secession” from the remainder of society: „they buy their own superior infrastructure in form of private jets, private security companies, (...) private communication media and, maybe the most serious, private educational system from kindergarten to elite universities.” In this development Willke fears the destruction of a nationally achieved consensus about societal loyalty and solidarity. If there is a parallel development of “inofficial” private infrastructures next to the official public one, not only is the privately invested money lacking, the political pressure needed to keep up high standards of public infrastructures weakens (Willke 1992: 365-366) Also Habermas (1992: 425) is referring to the aspect, that different social classes are being selectively affected by the withdrawal of collective goods.

With respect to the state’s function for supply or guarantee of infrastructures, Otto Hintze’s statement, that only relative, historically contingent and no absolute purposes for a state exist (Hübinger 1988: 156; Schneider 1999: 22, 244), also seems relevant. State activities neither can be derived from functional necessities following a technical or economic logic, nor are these functions invariably fixed in “ultrastable” institutional forms. Which kind of infrastructures and how much of them the state will provide and operate in which concrete forms is therefore a political question. It is the outcome of political battles and conflicts, of bargaining and deliberation processes, and of institutional arrangements structuring these interactions.
4 Theories explaining state withdrawal from the infrastructure sector

In this section we will discuss the spectrum of theoretical approaches which aim to explain the current developments, that in some countries the state is giving up the functions of provision and management of infrastructures. In order to get a clearer picture of the major theoretical camps, we propose a two-dimensional classification of the current discussion. In a first dimension we distinguish structuralist or functionalist theories of (socio)economical and technological determination versus actor-centered and institutionalist theories of political scope of action. In a second dimension static-comparative versus dynamic-comparative theories will be distinguished.

4.1 Static-comparative theories versus dynamic theories of diffusion and contagion

Dynamic-comparative theories stress the correlation between national and international developments and the embeddedness of national policy making into an international environment. Effects of diffusion and contagion are considered. National developments are not looked at as isolated and independent development courses (‘cases’), but are, on the other hand, seen as interconnected co-evolutions and interactions and of intertwinings of various kinds (Evans et al. 1993; Gourevitch 1978; Schneider 2001; Skocpol 1979). In this perspective intersectoral⁴ as well as general country⁵ ‘infections’ are conceivable.

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⁴ Sectoral waves of privatization and liberalization: first of all telecommunication and the aviation sector, then the railway sector, the postal and electricity sectors. That means that the sectoral contagion comes from the telecommunications sector. According to Eising (2000: 34) runs out from the liberalization of other net-bound sectors, mainly telecommunication, a demonstration effect, which undermines the hypothesis of the singularity and therefore special position of the line-bound economies.

⁵ According to Eising (2000: 33) has also the practice of direct pressure from the USA and international organizations contributed to reform diffusion. So the USA practiced in the relationships to the EU-states direct but limited pressure in the telecommunication and finance sector to improve the chances for market access for the US-companies (see also Woolcock et al. 1991: 4).
4.2 Structuralist and Functionalist theories of economical and technological determination

4.2.1 The Structuralist View of Neo-Liberals

Following structuralist and functionalist theories of economical\(^6\), respectively technological determination, state withdrawal from the infrastructure can be seen as a reaction on a more or less inevitable force to structural adaptation, mainly resulting from global economic integration (globalization) and technological development. From this perspective state activities are increasingly forced to orientate themselves towards efficiency conditions and requirements that are set by techno-economical processes. In this context, a direct supply of infrastructures through the state can no longer be financed. Since mobile production factors gain more and more significance compared to the immobile ones, nation states see themselves more and more exposed to locational competition. This creates pressures to reduce inefficiencies and – sooner or later – to follow the path of liberalization and privatization (convergence pressure). Modernization processes lead different societies through similar development paths. However in this perspective liberalization and privatization of infrastructures are not understood as negligence of this sector, but – on the contrary – it is assumed that this sector – on the basis of its critical function – is gaining increasing significance in the competition for mobile factors and thus – in the course of liberalization and privatization – has to be designed more efficiently and more attractive (Schulze/Ursprung 1998: 3). In addition to that transportation, communication and energy are all conceived as booming economy sectors, that are able to attract investment capital.

Especially neoliberal economists, such as Ohmae (1992), Sachs/Andrew (1995) and Klaus-Dieter Schmidt (1999), believe that states are exposed to an inevitable convergence pressure through globalization. This, however, is generally welcome, because it is assumed that this would lead to an elimination of inefficiencies and to increase overall welfare.

4.2.2 Critical Structuralism

The thesis of ‘economization’ – i.e. the increasing dominance of economic goals and values – is also supported by neo-marxist and neo-keynesian authors from the critical camp (Altvater/Mahnkopf 1996; Gill 1995; Gill/Law 1993; Gray 1998; Hirsch 1995, 1999; Narr/Schubert 1994; Scherrer 2000;)

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\(^6\) These approaches are basically in the tradition of theories that, already saw the increase of states activities as mostly economically determined. Most famous is probably ‘Wagner’s Law’ (1883) of a
Stopford/Strange 1991; Strange 1986, 1995, 1996; van der Pijl 1999). However, the different positions from which the increasing dominance of economic processes is evaluated, vary from skepticism to definite disapproval. It is assumed that State withdrawal endangers solidarity, stability and security. A noticeable increase of social disintegration (indicators are unemployment, social inequality/poverty, criminality etc.) in this perspective goes along with a creeping expansion of repressive state functions, of the police and security apparatus. Hence disintegration is dealt with in a authoritarian and simultaneously cost-saving manner (Fach/Simonis 2000; Jessop 1996: 373ff.; Junger-Tas 1999; Wacquant 1999). Indications for this development in the Federal Republic of Germany are seen in the so-called “asylum compromise” or in the “große Lauschangriff” (large scale bugging operation) and other technologies of political control.

4.2.3 Techno-Determinism

State dominance in the governance of infrastructural systems over a long period of time often lead to techno-determinist and functionalist perspectives, that infer from (socio-technical) functions to (socio-institutional) form. A classical example for this is Karl August Wittfogels ’Orientalische Despotie’ (1962), in which the main thesis states that large technical irrigation systems in the old orient needed a centralized state as a functional prerequisite (Schneider 2001: 32).

In a techno-determinist structuralism perspective in the globalization debate, technology is the motor for the above mentioned convergence. Technological progress is supposed to generate similarly structured problems and solutions for the different nation states (Berger/Dore 1996; Kerr 1960). It is assumed that growing interdependence between nation states would accelerate the spread of new technologies around the globe. Growing interdependency across the borders favors the diffusion of technology and thereby reinforces the trend towards convergence (Bernauer 2000: 135).

Neofunctionalist integration theories, that have been referred to for the explanation of European Integration since the 1950s (Michelmann/Soldatos 1994), assume that integration of rather ‘technical’ sectors, like trade and finances, will spill-over into ‘political’ sectors (spill-over effects). Liberalization of the world economy and the accompanying intensification of international cooperation is thus leading to an increasing convergence of domestic institutions and problem solutions.

direct correlation between economic growth and increase of states activities. Broadening of the Wagner-Hypothesis can be found in Abramowitz (1986), Baumol (1986) and Durlauf (1996).
4.2.4 Normative Theories of Regulation

Normative theories of regulation (constitutional-economic view of states activities) also belong to the functionalist approaches. Out of this perspective the reduced role of the state in infrastructures can be interpreted as a reaction on the removal of ‘objective’ conditions. These conditions caused the state to supply material infrastructures until this point. It would be conceivable, that a public good becomes private through technological innovation. For instance, new technology enables the registration of individual consumption and therefore the ‘exclusion’ of potential free riders. Another possibility would be that technical changes are altering goods in such a way that they can be produced more efficiently and more profitably by private actors. The state does not have to fill-in this gap any more since the problem of incentive is solved. The conclusions thus is fairly simple and shows a functionalist undertone: the state will only act if the market fails and state withdrawal indicates that market failure no longer exists.

4.3 Actor-centered and institutionalist theories of political scope of action

In contrast to structuralist and functionalist theories of economical and technological determinism many authors (Boyer/Drache 1996; Busch/Plümper 1999; Drucker 1997; Evans et al. 1985; Evans 1997; Garrett 1995, 1998; Garrett/Lange 1991; Garrett/Mitchell 1995; Glyn 1995; (Katzenstein 1984, 1985); Krasner 1999; Mann 1997; (Ruggie 1983)) express the position that multiple political strategies and thus different national reaction patterns and various development paths are still feasible (persistence of national scope of action). The assumption that convergence pressures exists which force all states onto an identical withdrawal path, is denied. Within these ‘political’ approaches, which belong to the overall framework of “actor-centered institutionalism”7 in the broadest sense, three hypothesis can be further distinguished: a) the partisan approach/ideological factors, b) institutional approaches/factors and c) resource-dependence approaches/factors, which stress the organization and power of societal interests.

7 From this broad perspective (for a definition of the approach see Mayntz/Scharpf 1995, Scharpf 1997) states activities are explained through specific orientations, goals and strategies of actors as well as their capacities and resources, with consideration of the institutional environment.
4.3.1 Partisan Theory – Do parties matter?

“Partisan Theory“ says that the state’s actions are dependent on who the ruling party(s) is/are and that a difference exists between the parties (cf. the partisan theory of macro policy; Hibbs 1991). In general it can be said that left oriented parties tend to support the expansion of the public sector and government intervention (Cameron 1978: 1246; Davis/Dempster/Wildavsky 1966, 1974; Downs 1957: 116; Hibbs 1978; Wildavsky 1975; contrary Bell 1960; King 1969: 136-137; Lipset 1960: 439-56). New studies in the scope of globalization, namely by Garrett (1995, 1998) and Cusack (1997), concentrate on the significance of government ideology (partisan approach) and ask whether or not the strategic space has become tighter due to globalization, or if like earlier new paths around regulations have been found. Garrett thinks so, while Cusack more or less believes the opposite.

It can be shown that in some countries the withdrawal of the state from infrastructure had significance relevance for the ideological orientation of the ruling party. Only under this point of view may the famous radicalism in the privatization and liberalization process in Great Britain or the changeable course of privatization in 1980’s France be revealed. Yet the ideological partisan explanations still managed to push borders. In Sweden, for example, the conservatives parties nationalized troubled industries during the late 1970’s, while in Austria the SPÖ-led government began the privatisation of state industries in the 1980’s (Grande 1997: 580). During the 80’s it was seen in Australia, and even more so in Labour-ruled New Zealand and socialist Spain, that even leftist parties could cut down on their social spending and encourage liberal market reforms (Castles 1990; Merkel 1992; Schmidt 1993: 376). Only in the 1990’s with election victories by Tony Blair and Gerhard Schroeder in Britain and Germany respectively, has there finally been a wider movement for the adapting of more liberal policies in these two countries.

4.3.2 The Significance of Ideas and the Success of Neoliberal programmes

In this context neoliberalism is seen as a concept or doctrine of economic policy which is inextricably linked to the privatization and liberalization push of infrastructure during the 1980’s (Eising 2000: 30-34; Hall 1992; Müller 1994; Nordmann/Plehwe/Walpen 2000). An anglo-american phalanx of neoliberalism was suddenly created by the victory of the elections in 1979 by Margaret Thatcher and Ronald Reagan in 1980. Both governments were highly influenced by the monetarist programmes of the Chicago School. During the course of the 80’s and 90’s Social Democrats were increasingly adapting the new economic paradigm as their own – if not in official party rhetoric, then at least in practice. However it can be seen that each country adopted its own version of reform. The
programmatic new-orientation under the label ‘Third Way’ (Giddens 1997, 1999) resp., a ‘New Middle’ at least partially shows this integration of neoliberalism in the ideology of the Center-Left’s (Social Democrats) leadership.

4.3.3 The institutional approach: Westminster-Model versus Consensus Democracy

The institutional approaches can be seen as either critique of, or supplement to Partisan Theory. The theory states that the manoeuvring room of the parties or key players vary according to institutional structures. A paradigmatic comparison in this respect is the Westminster-Model versus Consensus Democracy. An earlier study by Swank (1997) focused on how the political reactions towards globalization are effected by the structure of the country’s democratic institutions: „Is international capital mobility systematically related to retrenchment of the public economy, (or do) democratic institutions and processes shape the ways in which globalisation affects national policies?“ (Swank 1997: 1) Swank uses “measures for social corporatism (union density, state involvement in wage bargaining, etc.), consensus democracy, and dispersion of authority (federalism, bicameralism, use of referendums)” and concludes that “capital market integration (maybe with the exception of FDI) does not have a significant influence on government growth, whereas trade integration has a positive rather than negative effect. Capital market integration however does have a significant positive impact on the government share in countries characterized by high corporatism (e.g. Norway, Sweden), high consensus democracy (e.g. Belgium, Netherlands), and low dispersion of authority (e.g. Denmark, Finland). The converse holds for countries with low corporatism, low consensus democracy, and a high dispersion of authority.” (Schulze/Ursprung 1998: 30)

As can be seen by the our preliminary overview in the initial section, Great Britain – next to the USA – took the leading role in the liberalization and privatisation of public infrastructures. The absence of a constitutional entrenchment of public infrastructure provision and operation\(^8\), along with a highly centralized political decision making process and the popularity of neoliberalism all contributed in making the passage of conservative privatisation policies considerably easier to achieve. The privatisation of infrastructure sectors (water, gas, electricity, telecommunications) were easily achieved through democratic processes (simple parliamentary majorities). The centralization and concentration of the decision-making bodies, shows among other things, the non-existence of a federal participation

\(^8\) For the concept of deepness of institutional entrenchment see Schneider 2001: 262. The deeper a the form of governance of an infrastructure is rooted in an institutional matrix, the more energy is required for an institutional change (See also Schneider 2001a: 74).
element and the strong position of the Prime Minister, who is allowed some influence in all
departments. During the 1980’s the British Conservatives could implement their goals unhindered by
cumbersome institutional arrangements (Moon 1995).

In Germany, on the other hand, the state’s capacity is limited by vertical (federalism) and horizontal
(departmental principle) fragmentation. Article 87 GG has created major constitutional hurdles in the
privatization of public infrastructure. Because of the required 2/3 majority, privatisation was
undermined in Germany by the logic of a Consensus Democracy more so than by any party-line
politics (Grande 1997: 581-582).

Schmidt (1993: 386) names – mainly based on Arend Lijphart’s work (1984; for a most recent version
see 1999) – five barriers against majority dominance: a more limited degree of centralization, a
stronger second chamber (or equivalent in the form of an institution, which is represented by the
executive in member states), an autonomous constitutional jurisdiction and major limitations in the
changing of the constitution, proportional voting system and a relatively independent central bank. The
barriers against marjoritarian decision-making are especially high in Germany (5), Switzerland (4) and
the US (4). On the other hand, they are especially low in the Westminster-Model countries – Great
Britain and New Zealand9 – and in France (each 0) (Colomer 1995: 20; Huber/Ragin/Stephens 1993:
728; Lijphart 1991, 1994a, 1994b, 1999; Schmidt 1997: 240-252; in this respect see also Tsebelis’
(1995, 1999) concept of ‘veto-players’).

4.3.4 The Resource Dependence Approach: Classes, Power, Interests and Organisation

The theory of power resources is of interest in a context, in which a state’s activity does not follow any
techno-economical nor institutional logic, but rather when it becomes concrete through political
interests (Grande 1997: 577). State activity is derived form the interests of social classes, their
organisations and ability to deal with conflict, the balance of power between different classes and their
organisations, the institutional conditions for governing the distribution of conflicts as well as the
strategic manoeuvring of the governing elite (Schmidt 1993: 377). Both Rent-Seeking Theory and the
rather critically oriented class theory approaches belong to this perspective (Cameron 1984; Esping-
Andersen 1990; Korpi 1991). Unlike in Normative Theory of Regulation, in which the state is free
from considerations of self-interests and is purely focussed on helping out in case of market failure,

9 However, New Zealand has started to move away from the Westminster Model since the introduction
of proportional voting rights (Nagel 1994).
emphasizing the Positive Theory of Regulation (Public Choice; Analytical Theory of Politics), the state’s activities are frequently influenced by self-motives. Furthermore, the state’s key-players use egoistic-rationalities for the purpose of rent-seeking and extending their domain. This in turn leads to perceptions of the state being inefficient, and inevitably, state denial. In relation to the Rent-Seeking Model, it would be expected that globalization would undermine such coalitions and cartels, and significantly weaken the strength of state bureaucracy in its attempt to achieve its pre-intended goals.

The Power Resource Theory is especially helpful in comparing countries with major class structure differences, where balance of power differences between classes and political parties are especially pronounced, such as Sweden and the US for example (Schmidt 1993: 377).

4.4 Conclusion

Our preliminary overview on the situation in key infrastructures in the 26 OECD countries shows that there exists an international diffusion process as well as adaptive pressures from globalization and europeanization. However, it can also be seen that the countries adapt to these pressures at different rates and manners, according to the respective organisation of their institutional systems and actor-constellations.

The two Westminster-Model States, Great Britain and New Zealand\(^\text{10}\), have become the forerunners in the field of privatization and liberalization of infrastructure due to the concentration of their decision-making processes. In the other anglo-saxon countries, the US, Australia and to a lesser-degree Canada, the development is quite similar, despite the more limited action possibilities (esp. in the US) for their respective political systems (governments, parliaments) (Schmidt 1993: 386). In the two original neo-liberal countries, Britain and the US, major breakthroughs in privatization and liberalization have been achieved despite their very different political structures. Among the Anglo-saxon countries in general, there has been widespread acceptance of privatization due simply to their perceived economic benefits, and despite the fragmented institutional conditions prevalent in some of the nations, such as the US (federalism, dived government, etc.). The movement has caught on significantly later in continental Europe, where there is a fundamental difference in how the state’s functions are viewed.

The long term goals of the privatization, liberalization, and deregulation movements have until now only partly been achieved (Berger/Dore 1996; Kitschelt et al. 1999). Furthermore, there are major

\(^{10}\) See footnote 9.
differences, between both different countries and different sectors, in the way in which the changes have evolved. According to Grande/Risse (2000: 244), in most cases „there is an interaction effect between convergence brought on by globalization pressures, and path dependency created by traditional national structures.“ In a kind of “Luhmannian” tendency of being sensitive to all kinds of paradoxes, they point to a phenomenon of “divergent convergence” where economic convergence of fundamental goals is combined with institution-based divergence of state’s functions. In reality this is not a paradoxical process, but a feature of all processes that are based on “form constraints”. The degree of convergence always is a function of both, varying pressures to adapt and inherent degrees of internal restrictions for the different “entities” (i.e. adaptive flexibility) that are forced to adapt to new environments (Schneider/Werle 1998).

5 References


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