



Privatisation Experiences in the EU

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**Privatization in Austria and other EU
Countries: Some Theoretical Reasons and
First Results about the Privatization Proceeds**

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Privatization in Austria and other EU countries: Some theoretical reasons and first results about the privatization proceeds *)

by

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1. Introduction

Privatization has been a key element of structural policy reforms in most European Union countries including Austria during the last decade. Governments undertaking privatization have pursued a variety of objectives: achieving gains in economic efficiency, giving the extensive prevalence of poor economic performance of public enterprises in many countries and limited success with their reform; and improving the fiscal position, particularly in cases where governments have been unwilling or unable to continue to finance deficits in the public enterprise sector. In addition, budgetary-constrained governments, facing fiscal pressures have sometimes privatized mainly for the reason to finance fiscal deficit with the privatisation proceeds.

The issues of privatization (and sometimes deregulation) have been reviewed in a large literature on the various aspects of privatization, that has emphasized the potential efficiency gains.¹⁾ Hence, the goal of this paper is twofold: First to provide some theoretical reasoning why privatization is useful as well as profitable for an economy and second to empirically present the extend of privatization in Austria and other European Union countries. Therefore, in section 2, the reasons why privatization is necessary are elaborated. Then, in part 3, the privatization proceeds for Austria and other EU countries are presented. Finally, in part 4, a short summary of these findings and some policy conclusions are given.

¹⁾ Surveys of the privatization literature is provided in Megginson and Netter (1999), Heller (1990), Boes und Schneider (1996), Bartel und Schneider (1991) and a summary for the earlier discussion is given in Borchering, Pommerehne and Schneider (1982).

2. Reasons for Privatizing Public Enterprises

For at least the last century, economists have employed a positive economic theory to explore the implications of profit maximization by private firms operating in private property contexts. Only since the late 1960's have empirical studies been undertaken dealing the behaviour of publicly operated firms been undertaken.²⁾ Since then a large number of studies of a variety of activities of public or private enterprises now exists and their main focus is the question of how public firms differ from their private equivalence.

Basically two approaches are employed. The first, explored in part 2.1, is the property rights approach. It concentrates on the differences in the ease of captureability of economic surplus of a resource and the rights to direct an asset's use, alter its form or transfer its claims among existent and potential owners. In short, this approach explores the differences in incentives between public and private agencies caused by variation in the ability of owners to monitor management and the problems that emerge when the goals of "owners" and their agents, "managers", diverge.³⁾ The second one is called "Public Choice approach" (elaborated in part 2.2) and concentrates on political coalitions and their effect on input usage and reward and/or product characteristics. The Public Choice approach also includes the theory of bureaucracy (see Niskanen (1971, 1975)).

²⁾ Compare e.g. Borchering, Pommerehne, Schneider (1982) and Boes and Schneider (1996).

³⁾ The first approach has been developed by Alchian (1961, 1965) and more recently Baron and Myerson (1982), Grossman and Hardt (1983) and MasColell, Winston and Green (1995).

2.1. The Property Rights Approach

The property rights approach points out one crucial difference between private and public firms. The practical difficulties in transferring ownership rights among individuals in the public sector and the relative ease of such transactions with private assets which includes, of course, the ability of owners (citizens) to monitor their agents (elected officials' and bureaucrats') behaviour. Up to now, this approach pioneered by Armen Alchian is well known, but it is useful to recall his predictions: government managers will not organize the inputs under their direction in such a way, as to maximize the wealth of the tentative owners, the general citizenry. Alchian predicts, therefore, that public firms will be less efficient, their management will enjoy "quieter lives" and because of this the public will give them lower levels of discretion than their colleagues in private firms. To put it in another way, the property rights approach is concerned with any type of cooperation in which ownership and management fall apart. The arising principal-agent problem may be virulent in private enterprises as well, but to a much lesser extent! Numerous studies have been undertaken, which have tested this proposition and the results that public enterprises are less efficient than private ones, is confirmed in most of them.⁴⁾

To sum up the results so far: the property rights approach seems to indicate that (1) private production is cheaper than production in publicly owned and managed firms and (2) given sufficient competition between public and private producers (and no discriminative regulations and subsidies) the differences in unit cost turn out to be insignificant. From this, one may conclude that it is not so much the difference in the transferability of ownership but the lack of

⁴⁾ Compare the study by Boes and Schneider (1996), Schneider (1997, 2002), Schneider and Hofreither (1990). As these results are so well known, they are not reported here.

competition which leads to the often observed and less efficient production in public enterprises.

2.2. The Public Choice Approach

The public choice approach appears to provide a broader analyses than the property rights one. The public choice approach assumes that politicians, bureaucrats, managers of public enterprises are selfish utility maximizers subject to constraints.⁵⁾ In this approach it is, f.e. for a politician, assumed that he acts selfish in order to reach his ideological or personal goals under the constraint not to lose the next election. As for a politician to stay in power is the most important constraint (or even sometimes a goal), he will also use public utilities for his own selfish goals. One reason for this is evidently the lack of incentives for politicians and tax payers to exert effective control of an efficient use of public enterprises or resources in the economy as compared to a political sense. This argument seems especially valid for the case of public utilities or enterprises. Public utilities offer excellent opportunities to reach the selfish re-election goals of governments like an additional employment and the stabilization of purchasing power of certain regions.⁶⁾ If such a “misuse” of public utilities or enterprises leads to full employment and higher income at least for a certain time span than it is easier for a government to win an election without such a “misuse” of public utilities. The costs of such popular policies can be made invisible for several years (or even 1 or 2 legislative periods) as the deficits of the public enterprises can be hidden in the general budget deficit.

As the public choice approach is more concerned with micro-economic aspects, De Alessi claims that public managers are growth not wealth orientated. He

⁵⁾ Compare Schneider and Frey (1988), Bartel and Schneider (1991) and Pardo and Schneider (1996) and Schneider (2002).

argues and finds supporting evidence that this leads to larger staffs and, higher capital labour ratios since excess capital makes managers and their subordinates' productivity appear higher to their monitoring agents, the legislature. Already Borchering, Busch and Spahn (1977) argue that public employees effectively coalesce through their organizations and "capture" civil service commissions over time, altering rules in such a way that effective suppliers competing labour to public firms becomes less wage elastic than a free market buyer would otherwise face. This public employee market power is enhanced, they claim, by the fact that public service employees contribute to the election of the ultimate "bosses", definitely not an option for a private sector union. In some sense then, public employees can alter the position of the derived demand schedule for their services by (a) "nudging" the final demand schedule for public services to the right and (b) specifying rules which lower both the elasticity of substitution between themselves and rival factors and the elasticity of supply of these close substitutes. Both (a) and (b) will tend to raise wages, but they may raise employment too, since, in effect, the budget and tie-in effects may offset the usual substitution effects one might derive out of the neoclassical models of labour demand in the presence of a simple monopoly. De Alessi (1974) in another paper argues that given the relative loose monitoring of public enterprises by the political review authorities, a rational position for the latter given the gain-sharing results of assiduous monitoring, managers will indulge their taste for security rather more than in private firms. He finds evidence consistent with the risk-avoiding hypothesis. Public managers' tenures are more secure, of a longer duration, and their fluctuations in real wages are lower than their private counterparts.

In conclusion, according to the public choice scholars, governmental agencies and firms have distinct biases leading to higher production costs, just as the

⁶⁾ E.g. in Austria, the states Upper Austria and Styria, compare Schneider (2002) and Bartel

property rights literature suggests, but excessive outputs as well. The latter obtains because the bureaucracy can affect demand more readily under monopoly public ownership by the strength of its members' votes and/or lobbying efforts. The absence of a civil service and the constraint on strong unions under more competitive types of supply, public or private, is thought to reduce the ability of members of such bureaucracies to offer their services to the legislature on disadvantageous terms compared to potential competitors. On the other hand, the bureaucracy is not likely to have sole "capture" rights over the bureaus, but share the ownership claims with other interests.

To sum up this part, the public choice approach not only recognizes the differences in behaviour between publicly owned and managed firms and private ones due to the limited transferability of ownership. It also considers the likely oversupply of public services due to the lack of competition in their provision and production. This oversupply is then quite often used for selfish re-election goals of politicians and can result in higher employment and higher wages in certain regions for a certain time.⁷⁾

2.3 Summary of Main Findings

If one summarizes the two approaches one clearly comes to the result that as already said in the introduction, there are various reasons to privatize public utilities or enterprises in order to stop the misuse of such policies. In the next section I will investigate to what extent privatization have occurred in the European Union and in Austria.

and Schneider (1991).

⁷⁾ The Austrian type of Keynesian policy used the public enterprises and state owned firms for such purposes quite successfully over the period 1971-1986. Compare part 3.3 and Schneider (2002) and Schneider and Bartel (1992).

3. The Amount of Privatization in the European Union and in Austria

3.1. Wide Privatization in OECD Countries⁸⁾

Privatization and proceeds from privatization have been substantial all over the world. Since the beginning of the 80s numerous privatization efforts in market orientated industrial countries, but also in transition and developing countries, have been taken place. According to Sigmund (1998) 100000 large public utilities have been privatized between 1980-1996 and more then 500,00 small and medium sized public enterprises (compare table 3.1).

Table 3.1

These privatizations are lower bound figures as privatization of financial institutions, interstate utilities are not counted here. Considering table 3.1 one clearly sees that obviously the largest share of privatization has been taken place in transformation countries over the period 1990-1996. In figure 3.1 the revenues from privatizations between 1990-1998 for the 15 European Union, OECD and other countries are shown. In total, privatization proceeds of 22.9 billions USD occurred in the year 1990, which rose to 153.8 millions USD in the year 1997 and for the first time they decreased to 114.5 millions USD in the year 1998. The privatization proceeds (revenues) of the 15 European Union countries were in the year 1990 15.7 billions USD and rose to 66.6 billions USD in the year 1997, with a decline to 58.6 billions USD in the year 1998.

A detailed picture of the privatisation proceeds of single countries is given in Table 3.2.

⁸⁾ Compare also Schneider (2003).

Table 3.2

In the beginning of the 1990s a real wave of privatisation began to develop. In most countries the wave peaked in the second part of the 1990s. Austria, for example, obtained proceeds from privatisation in 1990/91 of only \$80 million, but in 1996/97 it was \$3.9 billion. Germany started with proceeds of \$325 million in 1990/91, but obtained \$14.3 billion in 1996/97. An exception is the United Kingdom, where in 1990/91 already a peak of privatisation proceeds had been reached (\$34.7 billion). But also the later revenues from privatisation have been substantial.

If one considers standardised figures of privatisation of state-owned enterprises as a percentage of GDP in the year 2000 (column 9 of Table 3.2), the figures presented there cover a wide range. Apart from Hungary, which was a non-market economy with a large state sector, it is Portugal which has reached by far the highest amount of privatisation proceeds over the period, namely 20.2% of GDP in 2000. Considering some developed OECD countries, New Zealand reaches 13.9%, followed by Greece with 8.8%, Italy with 8.2% and Ireland with 7.2%.

If one looks at the highest amounts of privatisation proceeds during the 1990s, Italy ranks first with \$98 billion, followed by Australia with \$79 billions, by France with \$74 billions, the United Kingdom with \$64 billion and Japan with \$61 billion. In general, Table 3.2 clearly shows that privatisation in OECD countries of the Eastern and Western type was a major issue in the 1990s.

A special method of privatisation is through public share offerings. In Table 3.3 figures for a longer time perspective and for a special privatisation issue, namely

privatisation of state-owned enterprises through public share offerings, are given.

Table 3.3

Over the years 1961-2000, the largest amount of privatisation of state-owned enterprises through public share offerings happened in Japan with \$146 billion, followed by Great Britain with \$98 billion, by Italy with \$85 billions and France with \$84 billions. Germany had only an amount of \$46 billions of privatisation proceeds of state-owned enterprises through public-share offerings. Finally, in table 3.4 the number and names of enterprises, which were privatized through public share offerings over the period 1961-2000 are shown.

Table 3.4

Among them are mostly banks, air lines, telecom and energy plants.

In general, Tables 3.2 and 3.3 clearly demonstrate that privatisation was a major issue, especially in the 1990s.

3.2 Privatization in Small Open Economies

If one considers 11 small open economies in Europe the results are presented in table 3.5 and figure 3.1.

Table 3.5 and Figure 3.1

Table 3.5 shows that in the beginning of the 90s the amount of privatization was quite moderate with the exception of Belgium. The Belgium government

privatised in the year 1993 public utilities and got proceeds of 956 millions USD, which are roughly 30% of all privatization proceeds of the small open economies in table 3.3 and figure 3.2. The second highest privatization proceeds in this year come from the Netherlands with 780 millions USD, followed by Portugal, which had a quite ambitious privatization program over the years 1993-1998, with privatization proceeds over 12 billions USD over the 1993-1998. A lot of well known public utilities in Portugal have been privatized like the power plant EDP, the highway system BRISA and cement factories ZINPOR. Also in Austria the privatization proceeds have been quite large. In the year 1998 in Austria the government privatized firms with proceeds of 2.94 billions USD. In Austria the selling of 25% share of the public telecom was the biggest deal, where proceeds of 2.33 billions USD have been achieved.

In general the amount of privatization proceeds in small open economies increased over 1993-1998. In the year 1993 it was 3.26 billions USD and in the year 1998 20.246 billions USD. In figure 3.2 the privatization proceeds of small open economies are shown in relation to GNP.

Figure 3.2

One clearly realises the dominant position of Portugal, followed by Denmark and Finland. But only in Portugal we have privatization proceeds of over 4% of GNP. If one compares the privatization proceeds of small open economies with the larger ones (always in % of GNP) Portugal is still the leading country in privatization effects, followed by Greece, Spain, Italy. In general, one realises that the privatization issue and the proceeds from privatization have been a considerable and policy relevant issue in the 90s.

3.3. Privatization in Austria

The Austro-Keynesian era of stabilization policy lasted from the beginning of 70s to the mid 80s can be viewed as an attempt of “direct employment policy” in the public utilities and the public industrial sector, mainly in the basic (e.g. steel) machinery and chemical industry. The primary goal of this type of short-term policy in private goods markets was to stabilize employment and real income in the nationalized industry and, by way of interindustrial relations and the multiplier process, in the private sector as well. To achieve this political target various steps were taken by the public management:

- the maintenance of the greatest possible level of production in the face of diminishing prices and demand;
- the greatest possible hoarding of employees even in situations when rationalization measures (dismissals) were required (resulting in unemployment on the job);
- an over-dimensioned propensity to invest (primarily with regard to the income effect of investment);
- an expansionist wage and fringe benefits policy with respect to buying power (causing high labour costs); and
- the financing of the firms’ deficits out of the federal budget.

With regard to the social and re-election problems arising from unemployment and low incomes the direct employment policy in public industrial firms intended to smooth the inevitable adjustment process to the rising requirements of global competitiveness in the long run. Naturally the pursued type of stabilization policy immediately caused substantial effects on the public industrial firms’ productivity, thriftiness and profitability, thus reducing international competitiveness and augmenting deficits in the short run

(Nowotny, 1982). Nonetheless, production and employment could not be maintained permanently at a high level, because the rationalization measures could not be postponed any longer. Since the mid 80s, the Austro-Keynesian stabilization policy has been increasingly criticized for what concerns its long-term efficacy. Finally the troubling rise of the financial losses of the state-owned firms in the iron and steel, chemical, machinery and vehicle industry caused a turn in public opinion and economic policy. The amount of subsidies to public industrial firms covering the deficits and financing investment was limited to a fixed total and to the period until 1989. This change of policy emerged when the government realized that, due to the critique of the opposition, mass media and private entrepreneurs as well as to the people's fear of tax increases, a majority of voters would not tolerate any longer further subsidies to public industrial firms. Prior to this change of mind politicians had formed coalitions with the management of the relatively big and locally concentrated public firms in order to secure the subsidies which rendered inefficiencies possible and served the local constituency. Moreover there have been powerful shop stewards who were at the same time members of the legislating National Council and therefore succeeded in financing the expansionist enterprise policy out of the federal budget.

From the end of the 80s there was a turn around in the Austrian policy with respect to the public industrial sector and public utilities. Not only took place quite a considerable privatization in the 90s but also these enterprises were much less used for re-election purposes partly due to the fact that after joining the European Union and the deregulation of former monopolies into competitive markets it was much less attractive to use the public utilities and industries for re-election purposes. In the 90s the privatization of Austrian state owned industrial firms and state owned utilities has reached over the period 1993-1998 over 6 billions USD (compare figure 3.3). But still the privatization potential in

Austria in the mid 90s is quite large, considering the federal, the state and community level and including all public utilities, there is a privatization potential of 45 billion Euro from which the federal government owns 62%, the city or state of Vienna 13%, all other states (e.g. Upper and Lower Austria) 14% and the communes (without Vienna) 11%. The latest privatization proceeds of the federal government over the years 1999 up to 2001 are presented in table 3.6.

Table 3.6

In the year 1999 a part of the Austrian tobacco (9.4%) has been privatized, which brought 6.8 billions Euro. In the year 2000 100% of the postal bank has been privatized and the proceeds were 970 millions Euro. Also 24% of the state owned Telecom utility has been privatized with the proceeds of 763 millions Euro. In sum in the year 2000 1.742 billions Euro of privatization proceeds have been achieved. In the year 2001 41.1% of the Austrian tobacco state owned utility has been privatized, which brought privatization proceeds of 582.2 millions Euro. In sum, over the years 1999-2001 2.455 billions Euro privatization proceeds have been achieved. This is quite sizeable and helped the Austrian government to reduce the federal debt.

4. Summary and Conclusions

Privatization has certainly been a key-element of structural reform in the European Union countries including Austria and proceeds from privatization have been substantial in most of these countries. Gross receipts that can be transferred to the budget are effected by actions prior to sale, the sales process and the post-privatization regime. An evaluation of the potential uses of

privatization receipts or proceeds should reflect the implications for government net worth and their macroeconomic impact. In so far as government net worth is concerned, proceeds from privatization do not often themselves indicate that the government is better off. Privatization has longer term implications in terms of revenues forgone and/or expenditures that will not be made in the future and government decisions on the use of proceeds should reflect these intertemporal effects. Government net worth will rise to the extent that private sector ownership leads to an increase in efficiency and the government shares in this gain.

The macroeconomic effects of privatization depend, in part, on whether receipts/proceeds are from domestic or foreign sources, the degree of capital mobility and the exchange regime. Broadly the effects of a decrease in the deficit financed by privatization receipts would be similar to those resulting from a debt financed fiscal expansion. Use of proceeds to reduce external debt provides for an automatic sterilization of what may be substantial capital inflows associated with privatization. The reduction of domestic debt may impact domestic stability.

Both, the microeconomic and case study data are supportive of the positive effects of privatization over time on growth and employment (compare IMF occasional paper 194, Washington, D.C., 2001). These results hold for the European Union countries, but are less pronounced for transition and developing countries. The microeconomic evidence indicates that private firms are operationally more efficient than those, held by the state, particularly in competitive industries.⁹⁾ A strong correlation is also found for European Union countries between privatization and growth. However, and consistent with the growth literature, privatization is likely serving as a proxy in the regressions

⁹⁾ This was especially the case in Austria.

for one or more missing variables that may proudly be characterized as a favourable regime change. Public enterprises often seek to maintain employment, and benefit from staff budget constraints. Consequently, there is a concern that privatization may lead to increased unemployment. Also empirical evidence suggests that aggregate unemployment tends to decrease following privatization, particularly groups of workers may still be adversely effected. In general, this paper has tried to show that there are good theoretical reasons for privatization and that the proceeds from privatization, if used clever, can increase the welfare of such countries.

Table 3.1: Worldwide Privatizations between 1980 and 1996

Source	Region	Number of Enterprises		Years
		Large Enterprises	Small Enterprises	
EBRD (1996)¹⁾	Transformation countries	51.500	274.700	1990-96
OECD (1996)¹⁾	Transformation countries	44.600	253.200	1990-96
THA (1994)	East Germany	13.800	35.000	1990-94
Kikeri, Nellis, Shirley (1994)	World	4.000	-	1980-92
Sader (1993)	World	1.800	-	1980-92
In sum	World	> 65.000	> 300.000	1980-96

¹⁾ Without East Germany and China.

Source: Siegmund (1998).

Table 3.2: Privatisation of State-owned Enterprises: Global Amount Raised from Privatisation, 1990-2000

	1	2	3	4	5	6	7	8	9	10	11
	1990/91	1992/93	1994/95	1996/97	1998/99	2000	Total 1990-2000 (sum of 1-6)	GDP 2000	Total 1990-2000 in % of 2000 GDP ^{c)}	Investment of SOE in % of total investment 1978-1991	Privatization intensity (9:10)
	Million USD	Million USD	Million USD	Million USD	Million USD	Million USD	Million USD	Billion USD			
Austria	80	191	1,735	3,954	2,564	2,083	10,607	266.3	3.9	6.2	0.62
Belgium	n.a.	956	3,297	3,039	2,277	n.a.	9,569	316.1	3.0	8.8	0.34
Denmark	644	122	239	411	4,521	111	6,048	205.6	2.9	13.5	0.21
Finland	n.a.	229	1,529	1,746	5,713	1,827	11,044	165.8	6.6	n.a.	n.a.
France	n.a.	12,160	9,615	13,288	22,460	17,438	74,961	1,755.6	4.2	14.5	0.29
Germany	325	435	240	14,353	7,098	n.a.	29,549	2,680.0	1.1	11.6	0.09
Greece	n.a.	35	117	1,953	8,772	1,384	12,261	138.1	8.8	17.9	0.79
Ireland	515	344	157	293	4,846	1,458	7,613	104.8	7.2	n.a.	-
Italy	n.a.	1,943	13,927	33,984	39,230	9,728	98,812	1,204.9	8.2	12.5	0.66
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.7	n.a.	n.a.	-
Netherlands	895	780	7,759	2,070	1,816	310	13,630	494.6	2.7	8.1	0.33
Portugal	2,390	2,826	3,557	7,932	5,884	3,256	25,845	128.0	20.2	16.6	1.22
Spain	172	4,043	4,399	15,201	12,582	1,079	37,476	702.4	5.3	10.7	0.50
Sweden	n.a.	630	3,165	1,840	2,243	8,082	15,960	276.8	5.7	16.0	0.35
United Kingdom	34,731	9,127	8,032	12,154	n.a.	n.a.	64,044	1,294.4	4.9	11.0	0.44
EU 15	39,752	33,821	57,768	112,218	120,006	46,756	410,321	9,758.1	4.2	n.a.	-
Norway	73	n.a.	639	695	454	1,039	2,900	170.5	1.7	22.7	0.07
Switzerland	n.a.	n.a.	n.a.	n.a.	4,426	n.a.	4,426	337.0	1.3	n.a.	n.a.
Turkey	730	989	1,973	758	1,816	2,712	8,978	205.1	4.3	35.7	0.12

Table 3.2- Continued: Privatisation of State-owned Enterprises: Global Amount Raised from Privatisation, 1990-2000

	1	2	3	4	5	6	7	8	9	10	11
	1990/91	1992/93	1994/95	1996/97	1998/99	2000	Total 1990-2000 (sum of 1-6)	GDP 2000	Total 1990-2000 in % of 2000 GDP ^{c)}	Investment of SOE in % of total investment 1978-1991	Privatization intensity (9:10)
	Million USD	Million USD	Million USD	Million USD	Million USD	Million USD	Million USD	Billion USD			
Czech Republic	n.a.	n.a.	2,282	1,436	1,176	544	5,438	54.0	10.0	n.a.	-
Hungary	508	2,562	4,830	3,123	441	66	11,530	54.4	21.2	n.a.	-
Poland	194	806	1,826	3,485	5,501	5,993	17,805	163.3	10.9	n.a.	-
Slovakia	n.a.	63	1,419	497	n.a.	n.a.	1,979	22.5	8.8	n.a.	-
Australia	1,061	3,950	10,144	36,011	22,366	6,239	79,771	465.2	1.3	16.4	0.08
Canada	2,312	2,004	4,488	1,768	11	n.a.	10,583	694.4	1.5	n.a.	-
Japan	n.a.	15,919	13,773	10,388	21,497	n.a.	61,577	5,639.5	1.1	8.2	0.13
New Zealand	3,912	1,597	293	1,839	1,772	n.a.	9,413	67.6	13.9	n.a.	-
United States	n.a.	n.a.	n.a.	3,650	3,100	n.a.	6,750	9,076.6	0.07	3.7	0.02
Total OECD-30	62,423	107,332	133,873	249,562	275,804	65,063	0,2	27,708.6	0.2	n.a.	-

Note: Column 10: Figures about investment of SOE in % of total investment are not available after 2001. An alternative, to take employment of SOE in % of total employment, is only available for a small group of countries.

Sources: OECD, Financial Market Trends, No 79, June 2001; OECD Main Economic Indicators, December 2001; World Bank, Bureaucrats in Business, 1978-91. CESifo calculations.

See also for privatisation through public share offerings: DICE database Tables ‘Privatization of State-owned Enterprises Through Public Share Offerings 1961-2000: Issue Size per Country’ and ‘Privatization of State-owned Enterprises Through Public Share Offerings, 1961-2000: Number and Names of Enterprises’ (www.cesifo.de/DICE).

Table 3.3: Privatisation of State-owned Enterprises Through Public Share Offerings, 1961-2000: Issue Size per Country (Million USD)

	1961-1989	1990-1991	1992-1993	1994-1995	1996-1997	1998-1999	2000 ^{a)}	Total 1961-2000	Total 1990-1999 (only PSO)	OECD ^{b)} 1990-1999 (all priv.)
Austria	662	n.a.	211	1,086	733	n.a.	n.a.	2,692	2,030	8,524
Belgium	n.a.	n.a.	n.a.	2,571	1,100	n.a.	n.a.	3,671	3,671	9,569
Denmark	n.a.	n.a.	n.a.	3,006	n.a.	n.a.	n.a.	3,006	3,006	5,937
Finland	367	n.a.	214	800	285	5,573	1,900	9,139	6,872	9,217
France	15,478	780	9,695	19,263	12,261	24,982	1,770	84,229	66,981	57,523
Germany	4,536	n.a.	n.a.	730	13,300	10,624	17,460	46,650	24,654	22,415
Greece	n.a.	n.a.	33	n.a.	2,365	2,794	n.a.	5,192	5,192	10,877
Ireland	n.a.	136	n.a.	n.a.	n.a.	4,300	n.a.	4,436	4,436	6,155
Italy	1,157	695	2,481	10,220	34,462	36,190	n.a.	85,205	84,048	89,084
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands	2,278	n.a.	n.a.	11,632	n.a.	n.a.	n.a.	13,910	11,632	13,320
Portugal	434	1,829	2,375	2,255	6,428	5,998	n.a.	19,319	18,885	22,589
Spain	2,326	n.a.	3,193	3,950	13,432	21,652	n.a.	44,553	42,227	36,379
Sweden	165	n.a.	364	3,765	n.a.	n.a.	8,800	13,094	4,129	7,878
United Kingdom	51,766	27,908	7,360	6,200	5,649	n.a.	n.a.	98,883	47,117	64,044
EU 15	79,169	31,348	25,926	65,478	90,015	112,113	29,930	433,979	324,880	363,511
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	5,600	n.a.	5,600	5,600	4,426
Japan	82,402	n.a.	7,312	3,400	6,440	46,500	n.a.	146,054	63,652	61,577
United States	1,650	n.a.	n.a.	n.a.	n.a.	1,425	n.a.	1,425	1,425	6,750

Note: PSO = Public Share Offering.

(a) Till August 2000. (b) Total Amount raised from Privatisation; these figures are supposed to be bigger than those of the amount raised only from privatization through PSO. This is the case for most countries, but not for all.

Compare with DICE database table: Privatization of State-Owned Enterprises: Global Amount Raised from Privatization (www.cesifo.de/DICE).

Sources: W.L. Megginson, Sample Firms Privatized Through Public Share Offerings, 1961-Aug. 2000, 2000; <http://faculty-staff.ou.edu/M/William.L.Megginson-1/>; J.D'Souza, B. Bortolotti, M. Fantini and W.L. Megginson, Sources of Performance Improvements in Privatized Firms, 2000; <http://faculty-staff.ou.edu/M/William.L.Megginson-1/>; OECD-Figures: OECD, Financial Market Trends No. 76, 07-2000; CESifo calculations.

Table 3.4.: Privatization of State-owned Enterprises Through Public Share Offerings, 1961-2000: Number and Names of Enterprises

	Number of enterprises privatised	Names of enterprises privatised
Austria	10	Austria Mikro Systeme, Austria Tabak, Austrian Airlines, Bohler Uddeholm, Flughafen Wien, ÖMV Aktiengesellschaft, VA Technologie, Verbund Energie- Versorgung Niederösterreich (EVN), Voest- Alpine Eisenbahnsysteme, Vorarlberger Kraftwerke (VKW).
Belgium	2	Belgacomm, Credit Communal de Belgique.
Denmark	2	Copenhagen Airport, Tele Danmark AS.
Finland	8	Finnair, Fortum, Kemira, Outokumpu, PT Finland Group, Sonera, Rautaruukki, Valmet.
France	34	Aerospatiale, Agence Havas, Air France, Alcatel Alsthom, Assurances Generales de France [AGF], Banque Nationale de Paris, Banque de Batement et des Travaux Publics, Banque Industrielle & Mobiliere Privee (BIMP), Banque Paribas, Caisse Nationale de Prévoyance, Compagnie Financiere de Suez, Compagnie Generale D'Electricite, Credit Commercial de France, Credit Local de France, Credit Lyonnais, Elf Acquitaine, France Telecom, Machines Bull, Matra, Pechiney, Renault, Rhone- Poulenc, Saint Gobain, Seita, SGS-Thomson, Societe Generale, Sogenal Mar, STMicroelectronics, Television Francaise, Thomson-CSF, Total S.A., Union Des Assurances De Paris, Usinor Sacilor, Wanadoo.
Germany	10	Deutsche Siedlungs- und Landesrentenbank (DSL), Deutsche Telekom, Deutsche Verkehrs- Kredit- Bank, Industrie Verwaltungsgesellschaft (IVG), Jenoptik, Lufthansa, T-Online, VEBA AG, VIAG, Volkswagen AG.
Greece	6	Athens Stock Exchange, General Hellenic Bank, Hellenic Petroleum, Hellenic Sugar Industries, National Bank of Greece, OTE:
Ireland	2	Greencore (formerly Irish Sugar Corporation), Telecom Eireann.
Italy	20	AEM, Aeroporti die Roma, Alitalia May, Autostrade, Banca Commerciale Italiana, Banca di Roma, Banca Nazionale de Lavoro, Bando di Napoli, Credito Italiano, Enel, Eni, Enimont, Istituto Mobiliare Italiano, Istituto Bancario San Paolo, Istituto Nazionale D.Assicurazioini, Istituto San Paolo di Torino, Saipen, Societa Finanziaria, Telecom Italia, Telefonica (STET).
Luxembourg	-	
Netherlands	5	KLM Royal Dutch Airlines, Koninklijke PTT Nederland, KPN, Naamloze Venootschap DSM, NMP Postbank.
Norway	1	Christiana Bank.

Table 3.4. – Contin.: Privatization of State-owned Enterprises Through Public Share Offerings, 1961-2000: Number and Names of Enterpr.

	Number of enterprises privatised	Names of enterprises privatised
Portugal	22	Banco Espirito Santo e Comercial de Lisboa, Banco Fomento Exterior, Banco Fonseca & Burney, Banco Pinto & Sotto Mayor, Banco Portugues do Atlantico, Banco Totta & Acores, Brisa- Auto Estradas, Centralcer, CIMPOR, Companhia de Seguros Bonanca, Companhia Maceira Pataias, Crédito Predial Portugues, Electricidade de Portugal, Imperio, Mundial Confianga, Petrogal, Portugal Telecom, SECIL, Sociedad Financeira Portuguesa, Tranquilidade, Uniao de Bancos Portugues, Unicer.
Spain	11	Aceralia, Argentaria Corp., Endesa May, Gas Natural, Gas y Electricidad de Espana (GESA), Indra, Red Electrica Espanola, Repsol May, Retevision, Tabaclera, Telefonica.
Sweden	6	Assi Domän, Pharmacia, Procordia, Stadshypotek, Svenskt Stal AB (SSAd), Telia.
United Kingdom	44	AEA Technology, Amersham International, Anglian Water plc., Associated British Ports, BAA plc (British Airpots Authority), British Aerospace, British Airways, British Energy, British Gas, British Petroleum, British Steel, British Telecommunications, Britoil, Cable and Wireless, East Midlands Electricity plc., Eastern Electricity plc., Enterprise Oil, Jaguar plc., London Electricity plc., Manweb plc., Midlands Electricity plc., National Power, North West Water Group plc., Northern Electric plc., Northumbrian Water Group plc., Norweb plc., Power Gen, Railtrack May, Rolls Royce, Scottish Hydro- Electric, Scottish Power, SEEBOARD plc., Severn Trent plc., South Wales Electricity plc., South West Water plc., South Western Electricity plc., Southern Water plc., Southern Electric plc., Thames Water plc., Welsh Water plc., Wessex Water plc., Yorkshire Electricity Group plc., Yorkshire Water.
Switzerland	1	Swisscom.
Japan	7	Japan Airlines, Japan Railroad East, Japan Tobacco, JR West, KDD, Nippon Telegraph and Telephone, NTT DoCoMo.
United States	3	AT&T, Consolidated Rail Corp., United States enrichment Corp.

Sources: W.L.Meggison, Sample Firms Privatised Through Public Share Offerings, 1961-Aug. 2000, 2000; <http://faculty-staff.ou.edu/M/William.L.Megginson-1/>; J.D'Souza, B. Bortolotti, M. Fantini and W.L. Megginson, Sources of Performance Improvements in Privatized Firms, 2000, <http://faculty-staff.ou.edu/M/William.L.Megginson-1/>; CESifo calculations.

See also tables: "Privatization of State-owned Enterprises Through Public Share Offerings, 1961-2000: Dates and Amount", "Privatization of State-owned Enterprises: Global Amount Raised from Privatization, 1990-1999".

Table 3.5.: Privatization proceeds in small open economies in the years 1993, 1995, 1997, 1998, 1998 and 2000

Country	Privatization proceeds in small open economies														
	1993			1995			1997			1998			2000		
	\$ Mio	in % of Total	Rang	\$ Mio	in % of Total	Rang	\$ Mio	in % of Total	Rang	\$ Mio	in % of Total	Rang	\$ Mio	in % of Total	Rang
Austria	142	4%	7	1.035	9%	4	2.020	17%	2	2.935	12%	5	2.083	11%	3
Belgium	956	29%	1	2.681	22%	2	1.562	13%	3	1.467	6%	7	-	-	-
Denmark	122	4%	8	10	0%	9	45	0,5%	8	4.502	18%	2	111	1%	8
Finland	229	7%	6	363	3%	7	835	7%	5	1.999	8%	6	1.827	10%	4
Ireland	274	8%	4	157	1%	8	293	3%	7	4.864	19%	1	1.458	8%	5
Island	10	0%	9	6	0%	10	4	0%	10	129	0,5%	10	-	-	-
Netherlands	780	24%	2	3.993	33%	1	831	7%	6	335	0,5%	9	310	2%	7
Norway	-	-	-	521	4%	6	35	0,5%	9	28	0%	11	1.039	6%	6
Portugal	500	15%	3	2.425	20%	3	4.968	43%	1	4.271	17%	4	3.256	18%	2
Sweden	252	8%	5	852	7%	5	1.055	9%	4	172	1%	8	8.082	44%	1
Switzerland	-	-	-	-	-	-	-	-	-	4.426	18%	3	-	-	-
Total	3,265	100%		12,043	100%		11,648	100%		25,128	100%		18,166	100%	

- = Null or insignificant

Source: Own calculations with the help of table 3.2.

Table 3.6: Latest Privatization proceeds in Austria (Federal government) over 1999-2001

Year	Public Enterprise	Proceeds (Mio. Euro)
1999:	Privatization of 9,4% of the Austrian Tabacco AG	6.8 Mio. Euro
2000:	100% PSK (Postal Bank)	969.5 Mio. Euro
	24.4% Telecom	763.8 Mio. Euro
	100% State Printing Office	2.2 Mio. Euro
		<u>1,742.3 Mio. Euro</u>
2001:	17.38% Airport Vienna AG	54.1 Mio. Euro
	41.1% Austrian Tabacco AG	582.2 Mio. Euro
	100% Dorotheum	55.6 Mio. Euro
	100% Strohal Rotary Printing	21.1 Mio. Euro
		<u>713.0 Mio. Euro</u>
Sum	1999-2001	2,455.3 Mio. Euro

Source: Ministry of Economic Affairs, Vienna, 2002.

Figure 3.1.: Privatization Proceeds in percent of GNP in small open economies in the years 1993, 1995, 1998, 1998 and 2000

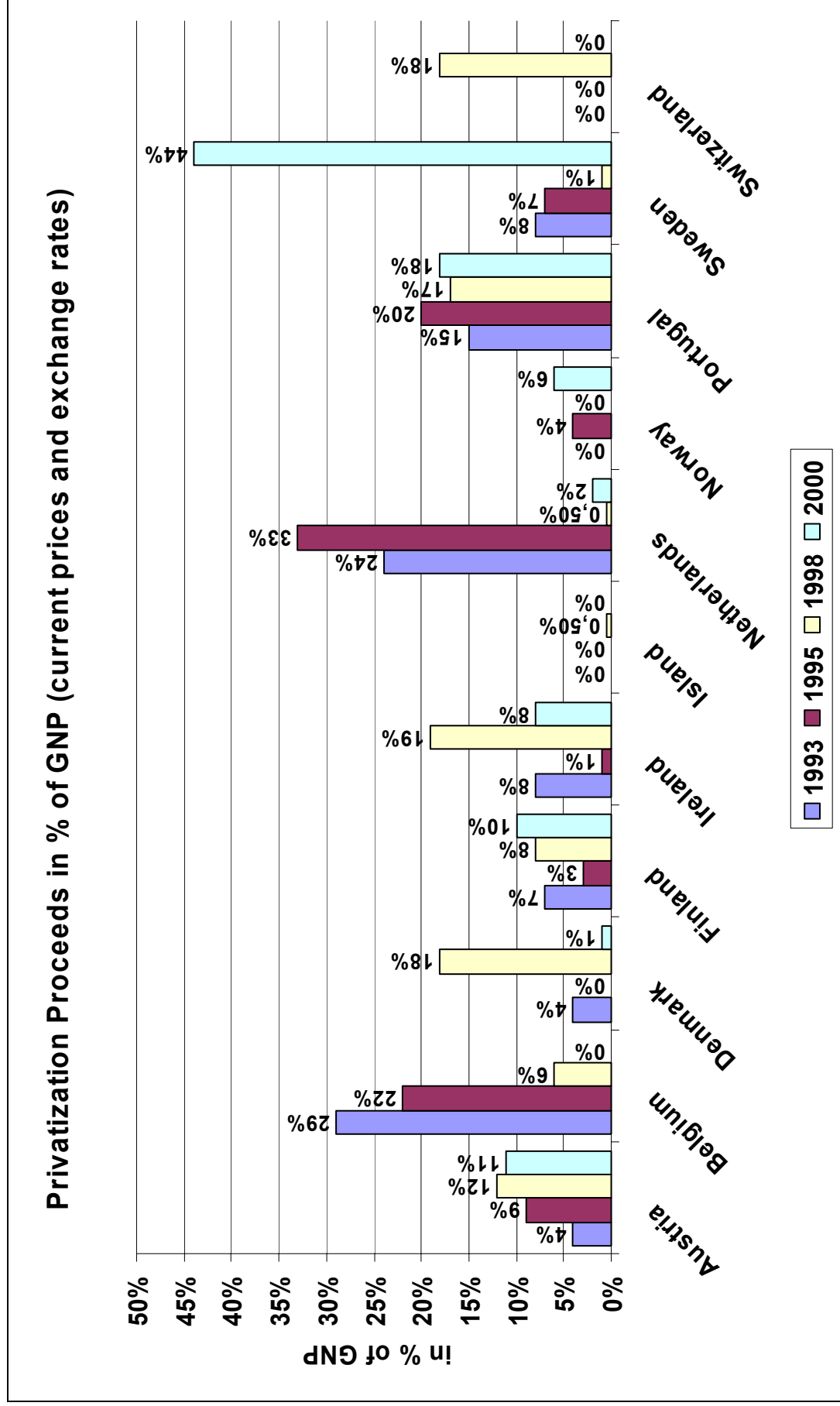
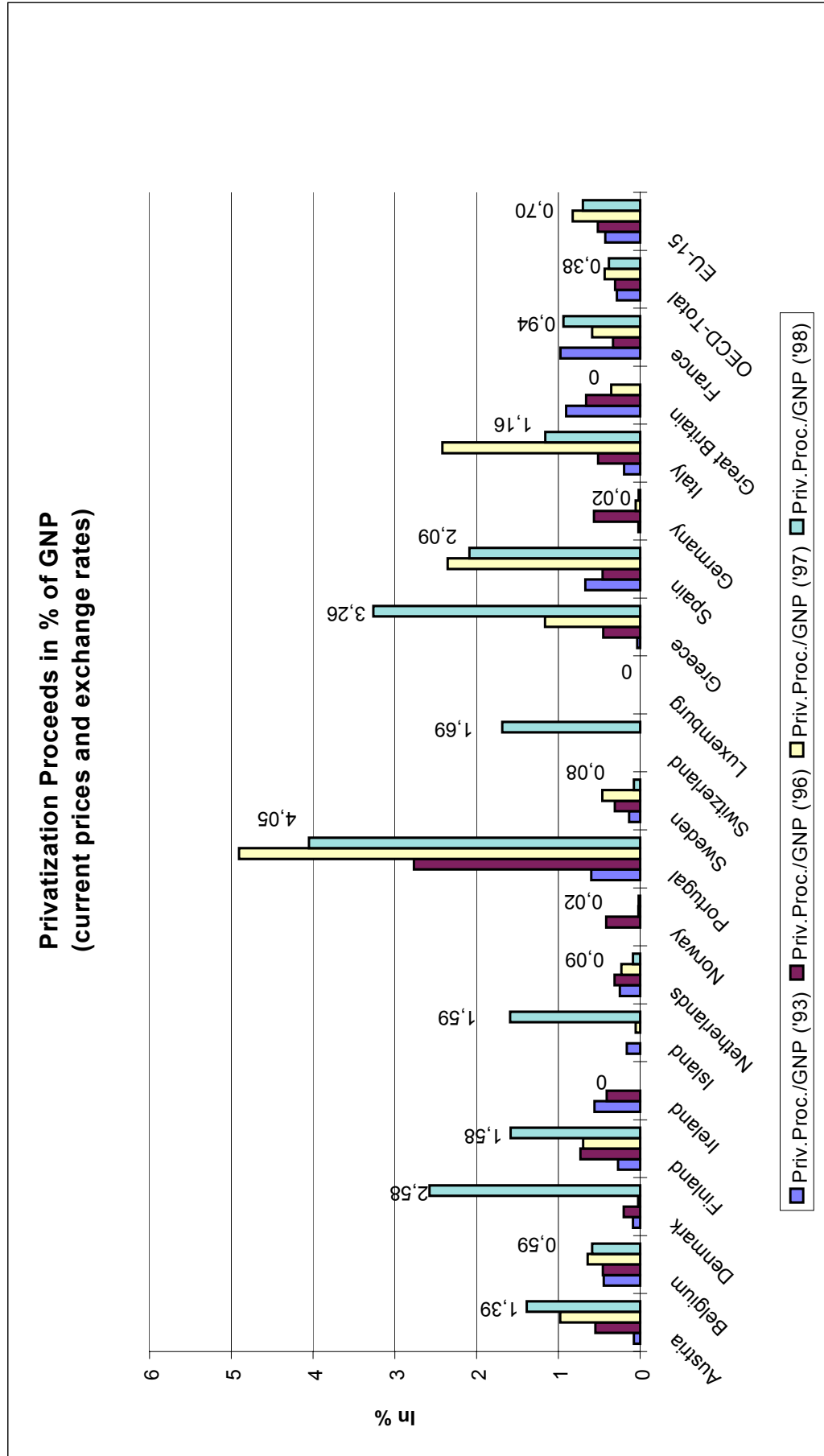


Figure 3.2.: Privatization Proceeds in percent of GNP in European countries, in EU 15 and OECD countries



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Comments on Friedrich Schneider ,Privatization in Austria and Other EU Countries'

by Ansgar Belke, University of Hohenheim

We plan to melt these comments with the main paper after the conference!

This will result in a joint paper by Belke and Schneider.

Among those industrialized countries now awaiting further privatization, Austria is a special one characterized by historically strong interventions of government. Large parts of the manufacturing and the electricity sector had been nationalized after world war II, in part to safeguard the country's economic independence after German occupation and in part in order to finance the resurrection of destroyed large-scale industries. Jointly with public ownership in telecommunication, transport, and banking this generated one of the largest public sectors in Europe.⁹ Seen on the whole, Austria's economy has been characterized by a relative important state-owned industry, a lack of own capital funds due to the comparatively small company size, and a predominantly bank-based investment system. The globalization and Austria's accession to the EU have revealed the structural problems of this system. As a consequence, restructuring programs have recently been launched focusing on liberalization and privatization of Austria's economy. In addition, the author deserves some merits for mentioning (see p. 12 of his paper) that joining the European Union represents a structural break with respect to the incentives to delay necessary deregulation and privatization because it was now much less attractive to use public utilities and industries for re-election purposes.¹⁰

Seen on the whole, Schneider's paper does a good job in showing that there are good reasons for privatization in general although this strategy raises some opportunity costs (p. 14) and that the privatization proceeds are able under certain circumstances

⁹ See among others Aiginger (1999). Nowotny (1998), pp. 39 ff., discusses different meanings of privatization' more deeply in the context of Austria.

¹⁰ See Nowotny (1998), pp. 37 ff., on Austrian public enterprises as instruments of economic and social policy as a means of avoiding labor market hysteresis (Theory of Co-operative Economics or "Gemeinwirtschaft").

to enhance the welfare of these countries. With regard to Austria he is skeptic about whether Austria's privatization potential has been exploited up to now and whether the speed of privatization, although quite sizeable, has really been sufficient. Although I very much like the paper with its general focus on politico-economic considerations, I would like to express my feeling that some Austria-specific features deserve significantly more attention than in the current version of the paper on pages 11 to 13. In the following, I would like to give some reasons for this view.

1) Schneider is totally right in claiming significant backlogs of privatization in Austria. One very intuitive example in this respect is the privatization of the two largest Austrian Banks which became a long-lasting and cumbersome process, if not a tragedy, from 1987 on. The latter was mainly due to political quarrels and arguments of the usual 'too-big-to-fail' kind and would by itself justify a separate public choice analysis (Aiginger 1999, pp. 14 ff., Belke 2000a, EIRO 2002).¹¹ However, privatization gained momentum under Austria's centre-right coalition government which came into power in February 2000, and was mainly intended to help to balance the budget (the so-called "Nulldefizit"). Schneider correctly interprets this episode as showing that the democratic repercussions from the voter (fearing tax increases if privatization would have been postponed any longer) to the government functioned in Austria as well as in the past. Hence, one necessary condition for the emergence of political 'privatization' cycles, as I would like to call it, are still given in this country (see p. 12). Obviously, the new government including the FPÖ has initiated a comprehensive reform process, including extensive privatization. It claims that Austria has successfully privatized the majority of its large manufacturing firms and will continue privatization in order to consolidate the budget. Following the successful sales of the postal savings bank, Oesterreichische Postsparkasse AG (PSK) to the banking group BAWAG, and of stakes in Vienna

¹¹ Astonishingly and perhaps due to the specific Austrian phenomenon of politically motivated decision making even in business affairs, neither the unions nor the works council of the Bank Austria opposed to the takeover of the Bank Austria by the Bavarian HypoVereinsbank. See EIRO (2002).

airport, Vienna's famous auction house, the Dorotheum, and cigarette manufacturer Austria Tabak to Gallagher Group of the UK, and the privatization of all hospitals in Upper Austria in 2001 further privatization in 2002 was hoped to be successful. The biggest Austrian privatization in history was Telekom Austria to Telecom Italia for €1.979 billion for a 25% minority holding. A fourth mobile license was recently sold to Germany's Telekom Service GmbH & Co. KG for €98 million. Hence, a first comment from my side would be that for a deeper public choice analysis of privatization incentives it would almost certainly prove to be fruitful to list those sectors (jointly with their specific characteristics with respect to, e.g., the relevant pressure groups and the strength of their 'voice') in more detail which have been successfully privatized in Austria up to now and which were not.

2) The role of Austria's financial market, however, has remained marginalized up to now. Hence, the varieties of possibilities to sale public assets as a constitutional element of privatization are limited heavily (EIRO 2002). This leads me to another critical comment with respect to the current version of the paper. How is privatization defined in the context of Austria? To which kind of privatization processes does the author actually refer? Does he limit himself to an asset transfer from the public to the private sector, to a deregulation or liberalization of statutory monopolies (especially the removal of entry barriers), or to franchising or contracting out the provision of marketable goods and services to private firms? Or does he also consider indirect methods of privatization such as corporatization or activities to promote efficiency and competition within the government? The author should give a clear-cut answer on this key question because his politico-economic considerations hinge to a large extent on it. For instance, if the government de facto remains the owner of a company in the case of corporatization, the government might still have some leeway to follow re-election purposes by orchestrating employment cycles.

Hence, the author should have described the Austrian experiments of privatization more deeply, differentiating with respect to the character and form of privatization in terms of change in ownership, change in regulation, corporatization, liberalization to activities promoting efficiency and competition within the government, and change in competition (Nowotny 1998, pp. 41 ff.). It seems to be quite important to understand and, hence, to take into account already at this stage of analysis that the government's choice of the privatization method itself and the resulting effects on income distribution reflect policy priorities (OECD 2002, p. 52). From this perspective and analogous to the well-known 'opportunistic' and 'partisan' political business cycles, not only re-election (see, e.g., pages 7 and 11 f. of the paper) but also ideological purposes behind non-privatization or privatization come into play. For example, it should be taken into account that Austria has no history of buying and selling shares on the stock market at all. Until the midst of the nineties, Austrian managers dealt almost exclusively with banks (Aiginger 1999, Aiginger and Mooslechner 1997, EIRO 1999).

3) However, privatization has not only been relevant in the Austrian case, but has also been a key element of structural reform in many other developing and transition economies during the last decade, especially in Germany, Korea, Italy, Norway and the Czech Republic (OECD 2002, p. 44). Schneider carefully surveys the fiscal and macroeconomic issues involved in the privatization of non-financial public enterprises in these economies. He considers issues such as the factors determining the proceeds from privatization and the amount accruing to the budget, the uses of proceeds, the impact of privatization on the budget and macroeconomic aggregates, and the privatization component of IMF-supported programs (see, e.g., p. 14). The empirical evidence draws on a citation of case study by Davis et al. (2000) dealing with countries that reflect geographical diversity and are representative of a range of privatization experience in developing and transition economies.

4) The correctness of Schneider's diagnosis of significant backlogs in the Austrian process of privatization is underlined by the fact that Austria was not able to maintain its position in the top group in the current International Employment Ranking by the Bertelsmann Foundation. This source could be mentioned in the paper as it gives some additional support to the main hypothesis of the paper that governments always time privatizations with an eye on their impacts on the performance of the labor market and thus on re-election probabilities. It states that the Austrian economy and the labor market are burdened in particular by high state intervention manifesting itself in abundant government outlays and a still high degree of regulation. However, the new government is endeavoring an extensive trim-down of the state and the administration (Bertelsmann Foundation 2002). In the same vein, the Austrian reform commission ("Ausgabenreformkommission") has tested the performance of the government institutions and has recommended that the state confines itself to certain central tasks.

5) Some questions not investigated in section 3.3 are the following: What were the motives for privatization in the Austrian case? Was the latter guided by the incentive to gain revenues or to balance losses which would mean that financial motives of the seller were dominant? What role do the aims of increasing productive efficiency, i.e. the reduction of average costs, and of enhancing allocative efficiency, i.e. the increase of the consumer surplus, play in Schneider's implicit politico-economic model of the privatization process in Austria?¹²

Schneider is totally right in stating that PBC considerations play an important role in explaining the existence and the slow speed of removal of oversupply of public services and that this is especially so in Austria with its former Austro-Keynesian type of stabilization policy (pp. 7 and 11 ff.). However, he should be careful in concluding that a slowdown in privatization efforts is necessarily in the interest of

¹² See, for instance, Aiginger (1999).

the government. The reason is that policy priorities like maximizing the value of proceeds from privatization might themselves be a function of re-election considerations. This is especially valid from a partisan theory of political business cycles point of view which is neglected by the author. Privatization can be considered as a right-wing party issue as demonstrated by Austria's younger history. However, the emergence of regular political business cycles, i.e. cyclical up- and downturns of macro variables, dependent on election dates is less likely. What has to be expected, instead, are different level of asset sales during privatization waves which are dependent on the ideology of the government (Belke 2000). It seems to be very interesting whether these considerations could lead, if developed further, to a revival of the opportunistic-ideological political business cycle à la Frey and Schneider in a different public economics context. Because of its still high topicality, I would have liked to see more of this kind of analysis in section 3.3.

6) Moreover, the author could have laid a special focus on the lessons from the Austrian experience with respect to the institutional framework needed for a successful privatization, stressing for instance the eventual role of a professional privatization agent monitoring the privatization process (Aiginger 1999). In Table 3.2 the data for Austria most probably refer only to privatizations by the central government (OECD 2002, pp. 46 f.). The general Austrian approach to privatization by the state (as opposed to privatization by state-owned banks) has generally been to downsize in terms of employment only very moderately by general social or pension plans. However, privatization enacted by state-owned banks like in the cases of the tyre maker Semperit AG and of Steyr-Daimler-Puch AG led to significant labor shedding (EIRO 1999). Hence, the choice of the privatization agent seems to matter for employment impacts of privatization and thus for the probability of re-election cycles.

7) With reference to my first remark, the author could have commented on why specific sectors were privatized and others were not. To which extent can this selection be explained by public choice considerations? Let me just give two examples in this respect. First, the autonomy and the financial basis of Austrian universities were strengthened in view of the problems in the education sector. Student fees that flow directly to the universities have been introduced. Why have the relevant pressure groups been able to prevent the long-awaited ‘privatization’ of this important sector until the start of the new century? What was the role of the ‘ideology’ of the new government and the proximity of elections for speeding up this development? What is the general perception about privatization in Austria, if it is connected with and initiated by the participation of the FPÖ in the Austrian government? Second, like in many other industrial nations, also in Austria the labor market suffers from a severe qualification mismatch. Hence, policy makers took some measures to promote a more efficient use of labor force potentials. Most remarkable, the Austrian government authorized the operation of the first private job placement services already in 1992 and expanded it to all sectors of the labor market only two years later. Private agencies in this field work under the same conditions as the Austrian labor market service (“Arbeitsmarktservice” or AMS). However, the share of private services in the overall number of providers is still extremely low. Is this due to the well-known and still highly relevant insider-outsider problem on the labor market? Or more generally speaking: How strong has the relative influence of external shareholders and employee representatives been over company restructuring in Austria? Most remarkably in this respect, recent evidence seems to demonstrate that privatization has had no impact on industrial relations in Austria (EIRO 1999, 2002). To summarize, it should have been spelled out more clearly which were the essential elements for success of privatization (ownership, regulation, and/or competition). The special features of the Austrian cases are not highlighted enough in the current version of the paper.

8) My last caveat relates to the treatment of certain changes in the institutional environment for the Austrian economy which might have had an important impact on the speed of privatization. Why can the date of Austria's EU entry (1995) serve as an important structural break with respect to privatization efforts? How has Austria reacted to EU-directives (Nowotny 1998, p. 38)? To what extent can the intensity of privatization be traced back to the specific exchange rate regime? Unfortunately, Schneider only touches upon this very interesting issue on p. 14. My guess would be that the increase of privatization might also be a facet of Austria's convergence to the Eurozone countries, since similar degrees of privatization might imply a higher correlation of country-specific business cycles. Hence, an interesting question would have been whether an accelerating speed of privatization in Austria represents one cornerstone on Austria's way to form an optimum currency area with the Eurozone (see, e.g., Hochreiter and Winckler 1995). However, one might even go further and ask what kind of impact Austria's intentions to become a first-wave member of European Monetary Union had on its privatization efforts (due to its close ties to the Deutschmark markets expected Austria to be in almost for sure).

In view of the examples of Germany and France and of the cumulation of privatization efforts towards the end of the nineties, it seems to me quite natural to ask how much of Austria's privatization efforts in the nineties was enacted in order to fulfill the (fiscal) Maastricht criteria and later on to obey the stability pact, or at least was sold to the public as such. Schneider himself points to the fact that in France privatization activities were highest in 1998 due to a privatization of France Telecom. The current government generally pursues a (in economic terms) liberal and market-oriented economic policy, which has focused on privatization and a reduction of state influence on business. In line with this, the electricity sector was opened to competition in September 2001 leading to lower prices for customers and more competitiveness of Austria's electricity industry, and bureaucratic procedures in doing business have been simplified. One of the government's main concern, however, has been to achieve a balanced budget in order to satisfy the EU's stability

and growth pact (SGP). In 1999 Austria's budget deficit exceeded the EU-set Maastricht criteria of a maximum budget deficit of 3 percent, which had drawn severe criticism from the EU. While aiming to reach a zero budget in 2002, the Finance Minister Grasser was able to announce achievement of this goal in November 2001. In my understanding, this had mainly been due to an unexpectedly sharp increase in tax revenue in 2001, as revenues from corporation tax and income tax rose significantly and debt servicing costs decreased. In addition, the states and municipalities assisted in balancing the federal budget as they accrued budget surpluses.

It would have been very interesting to hear from the author to what extent privatization proceeds contributed to this significant reduction of the budget deficit. Moreover, the above considerations stand in sharp contrast to the author's view that the main aim of privatizations is not primarily to lower the public budget deficits. Instead, as the author himself states elsewhere (e.g., Schneider 2002), the revenues from privatization should only be used for the creation of new assets in the areas of education, technology and infrastructure. Is this judgment compatible with the above 'Maastricht' and 'SGP' view?

This leads me to some final remarks. The above comments should have clarified that I totally agree with the main conclusions of the paper. However, I would prefer a shift of emphasis towards a focus on idiosyncratic Austrian experiences on the one hand and on political business cycle aspects on the other hand. In this respect, the author could easily draw on parts of his other contributions to this field (see, e.g., p. 7 and Schneider 2002). Following this line of reasoning, the sections 2 to 3.2 should be shortened. Instead, the passages on privatization in Austria in section 3.3 should be significantly extended. Whereas the author describes the privatization process quite properly in terms of numbers of privatization and the privatization proceeds, important performance measures (success and failure) as changes of cost

effectiveness, of prices (consumer benefits), and/or quality induced by privatization should be delivered by the author.¹³ However, with an eye on the cohesion of the paper, I would rate the latter as dispensable.

At last, I would like to give some minor remarks. There are still some misspellings left (e.g., p. 4, second paragraph, second line, p. 6, fourth line, p. 14, first paragraph, third line, p. 14, third paragraph, third line, the publication date according to the references must be 2000). In addition, some sources are missing in the References (e.g., IMF, p.14). Finally, it seems as if there are in some cases newer sources available for the Tables (e.g., Table 3.2, OECD Financial Market Trends 1999). Why are interstate utilities not counted in Table 3.1?

¹³ For the economic results of early privatization in Austria see, e.g., Nowotny 1998, pp. 43 ff.

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