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Master Thesis

REASONS FOR BANK PRIVATIZATION IN THE EUROPEAN UNION:

EVIDENCE FROM THE EU-25 MEMBER STATES

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Abstract

The scope of our research is to delve into the topic of bank privatization and disclose possible reasons for bank privatization among the EU-25 member states. More specifically, we are researching elements that can have an effect on a government's decision- making process towards bank privatization. The development of the theoretical framework revealed three factors that could affect the triggering of the privatization process. Those factors are i) the economic, ii) the political and iii) the external factor. Respectively, they are being tested in the thesis as i) the size of the central government debt, ii) the preference of right-wing governments as compared to the rest for privatization and iii) the influence of the multilateral organizations. As far as factor (i) is concerned the findings of the research are the following ones. The size of the central government debt seems to hold a significant role in triggering the bank privatization process. In regard of factor (ii) we conclude that generally, the political color of the government does not affect the occurrence of bank privatization in the European Union and that this factor does not hold particular power in our research. As far as factor (iii) is concerned, we conclude that the influence of the multilateral organizations did not play any intrinsic role in the occurrence of bank privatization in the European Union.

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Table of Contents

1. Introduction

Without any doubt, the privatization of state- owned enterprises all over the world constitutes a significant economic phenomenon. In a broad sense, privatization could be defined as a situation, where belongings, staff and responsibility are being transferred from the public to the private sector. As a matter of fact, privatization's first signs have been made apparent after World War II. Various services related to housekeeping and general support sector were contracted by the local governments. The evolution of privatization through the years has been rather dramatic. Franchises, mergers or even service shedding are just some methods, which constitute significant aspects of it. Actually, it would not be strange to say that there is a powerful trend observed, which strongly implies the entirely complete privatization of crucial health services or infrastructure facilities (Pool and Fixler, 1987).

Privatizing state property needs definitely a cautious and detailed survey prior. A string of measures and large- scale operations is absolutely required. Nonetheless, even such seemingly extended plans are not anymore a cause of major debates- at least, not in the same degree as before- since privatization belongs to a contemporary and famous stream, which is believed to bring greater efficiency and quicker solutions. Apart from this, privatization managed to convince the majority of the citizens that the state property was not accessible only to the managerial-administrative 'elites', but also to them (Nikitenko, 1993).

Moreover, privatization has always been a topic of major importance and especially sensitive. It has affected various aspects of the relationship between private and public sector. It is a fact that the role of it has been increasingly important during the last years in terms of enterprises' contracting or direct purchase of state enterprises on national and international levels. However, the constantly globalized character of privatization activities harming the interests of vulnerable social groups and at the same time providing short- term economic gains to public sector interest groups is currently on the center of the attention. In general, broadly accepted trade-offs happening during privatization procedures can cause an imbalance of benefits between some parts of the workforce and community members (Prizzia, 2001).

Apart from this, the fact that almost every country's government transfers a part of the state enterprises to the private sector or involves private initiatives in financing and managing of former public enterprises, is also a sign of the crucial, contemporary role of privatization. The reasons are well- grounded and are mostly related to the inefficiency and incompetency of various public services. Evidence mainly from developing countries has shown that those enterprises were often overstaffed, sheltered from competition and rather cost consuming, reporting sometimes losses even bigger than 6% of the country's GDP annually. Those losses were treated by governments in form of money provision through the state banking systems. That way private sector's access to credit was restrained and the reliability of the financial systems was in danger since many governments were no more able to finance even profitable state enterprises (Kikeri and Nellis, 2004).

In turning to the bank industry, signs of privatization are also very significant and diverse. In fact, during the last 15 years more than 250 commercial banks have been privatized by governments of 59 countries either publicly or by direct asset sale. Almost every single case was defining a new status quo on the banking industry scene, apart from the perception of the constant interdependence of commercial banks and central governments and the prominent role of commercial banks in national planning. (Megginson, 2005).

1.1 Thesis overview

The scope of our research is to delve into the topic of bank privatization and disclose possible reasons for bank privatization among the EU-25 member states. More specifically, we are researching elements that can have an effect on a government's decision- making process towards bank privatization. However, it would be an omission not to mention that the major similarities between privatization and bank privatization have given us the chance to base the theoretical part of the thesis mostly on writings concerning privatization as a broad socioeconomical phenomenon and not only limited to banks. Nonetheless, as we mentioned above and also in the upcoming chapters, bank privatization is actually a sort of privatization sharing identical characteristics thus, the reliability of our research cannot be harmed by the use of the term 'privatization' instead of 'bank privatization'.

In order to be able to perform this research, we should be able first to formulate the main research question that would reveal the research object and clearly state the problem.

Main research question: Which factors lead to privatization of the banks in the European Union?

Having this question as guide for the rest of the thesis we constructed a database of 204 bank privatizations among the EU-25 member states during the time period 1985-2009. We were mostly depending on Privatization Barometer databases in order to construct ours, but also to other kind of sources, which are thoroughly described in the respective chapter. The ‘newcomers’ in the European Union, namely Bulgaria and Romania were excluded due to lack of bank privatization data regarding them.

The scanning of the relevant literature led us to the formulation of a theoretical framework that would be able to assist us with the choice of the proper independent variables. Consequently, we were led the development of the following empirical implications:

- *H1. Countries with higher debts are more likely to privatize state- owned banks.*
- *H2. Governments consisting of right- wing parties are more likely to privatize state- owned banks.*
- *H3. The bigger the influence of the multilateral organizations the more likely governments are to privatize their state- owned banks.*

1.2 Purpose statement

Privatization is a multidimensional phenomenon with various aspects. It has invaded our daily life and it is affecting us directly or indirectly. On the other hand, banks as the most important financial institutions play a rather crucial role on the overall stability of global economy. Those two statements combined gave us a major incentive to come up with this particular research project. Moreover, the fact that the reasoning behind of the privatization of the banks has not been studied so extensively made the idea even more lucrative to us. Apart from this, the European Union perspective affected us significantly too. Namely, the outstanding expansion of the Union starting in 2004 with the accession of many former Soviet Union countries with transition economies. Additionally, the fact that none previous research was associated with bank privatization in the European Union along with the aforementioned reasons has given us the idea of conducting this research. All those facts make us believe that this project could have a beneficial impact both societally and theoretically.

1.2.1 Societal relevance

The social relevance of our research is identified under some certain terms. As Lehnert, Miller and Wonka (2007) have stated: "Socially relevant research furthers the understanding of social and political phenomena which affect people and make a difference with regard to explicitly specified evaluative standards. First, privatization as a phenomenon constitutes a modern, hotly debated issue concerning a great number of people all over the world. Its size is not inspected only under the prism of financial resources, number of researches or engagement of international organizations, but it contains also significant humanitarian aspects due to wealth redistribution, job positions' reallocation and effects on provided services' quality. Second, the privatization of the banks has been used as an evaluative standard allowing us to proceed deeper in our research based on solid terms, while the reader is also allowed to assess societal relevance in a more comprehensive way.

1.2.2 Theoretical relevance

'Theoretically relevant works helps us to arrive at a better understanding of the phenomena that we study theoretically or empirically' (Lehnert et al, 2007). The theoretical relevance of our research can be certified due to several reasons. First, we insisted on basing on absolutely relevant literature keeping in mind not to produce theoretically useless material. Second, we aim to contribute also to the creation of new theoretical concepts, which are going to provide the research community with an enhanced informational background in regard of the occurrence of bank privatization in the European Union. Second, we investigate the reasoning behind bank privatization in EU, which does not hold a great part of the literature insofar. Besides that, we are testing several hypotheses that were so far untested in regard of the inspected sample. Moreover, we also seek to apply existing theories to this new empirical domain and at the same time provide alternative explanations by integrating old and new theoretical approaches.

1.3 Chapter overview

In Chapter 2 a literature review regarding privatization and the privatization of banks is provided. Chapter 3 is devoted to the revelation of the theoretical background that has eventually led us to the development of a theoretical framework and the formulation of our research hypotheses. In Chapter 4 we are providing information regarding the research design, operationalization and measurement. Chapter 5 supplies a clear overview of our data sources and the data collection methods. In Chapter 6 we are presenting our research findings. After the descriptive analysis of the results an explanatory one takes place, where we are interpreting and providing comments on them. Finally, Chapter 7 is dedicated to concluding remarks, explanations about research limitations, recommendations about further research and policy implications.

2. Literature Review

As Chapter 1 was assigned to illustrate the skeleton, the basic concepts involved as well as to provide a clear overview of this thesis, it would be wise to proceed with the revelation of the status quo and its development through the decades in regard of privatization and privatization of the banks. Therefore, chapter 2 consists solely of a review of the relevant literature aimed basically at shaping the reader's mind concerning the rather intense and broad phenomenon of privatization. In fact, the literature associated with banks' privatization, the theories explaining it and the factors, which obviously contribute to its presence, is very rich and highly diverse. We will try to categorize and sum up the different opinions of the authors in order to guide the reader safely through the topic and build a 'theoretical conscience' about it. However, before moving to the purely technical part of the literature review it would be very useful to clear up some vital issues. Firstly, despite the fact that the topic of this particular thesis is the bank privatization and its causes, we found it right to quote also rich literature concerning privatization in general. The broadness of the phenomenon and its constantly contemporary nature make the theories of it generally applicable. Secondly, our initial intention was to use this literature review as a searchlight for the exploration of privatization and we intend to rely on that in order to determine the theoretical concepts of our research and eventually construct the theoretical framework of it. So, the review is going to be divided into the following parts. The first one regards privatization, methods of implementation and factors that contribute to its occurrence. Afterwards, we draw our attention in specific aspects of privatization and bank privatization, namely the economic and the political one as well as the influence of international actors like the European Union, the International Monetary Fund and the World Bank on the appearance of the phenomenon. The scope of this literature review is to enhance significantly the knowledge of the reader of the rather diverse nature of privatization, inform him about the political and the economical side of privatization and bank privatization and finally, assist us in the construction of the theoretical framework, as we stated also above.

2.1 Privatization and implementation methods

Pool and Fixler (1987) claim that the privatization of state- owned enterprises all over the world constitutes a significant economic phenomenon. In a broad sense, privatization could be defined as a situation, where belongings, staff and responsibility are being transferred from the public to the private sector. As a matter of fact, privatization made its first appearance on the policy agenda as a small-scale sanction after World War II. Various services related to housekeeping and general support sector were contracted by the local governments. The evolution of privatization through the years has been rather dramatic. Franchises, mergers or even service shedding are just some methods, which constitute significant aspects of it. Actually, it would not be strange to say that there is a powerful trend observed, which strongly implies the entirely complete privatization of crucial health services or infrastructure facilities (Pool and Fixler, 1987, p. 612). Berg and Berg (1997) go deeper into the implementation methodology of privatization and divide the methods of that into five certain categories, namely 'sales of shares or assets', 'capital dilution', 'management- employee buy-outs', 'broad- based or mass privatization' and 'indirect or partial privatizations via management contracts'. Respectively, they give the following explanations for each separate category. The first one means the placement of the share hold of the enterprise as a whole or partially on the stock exchange market in order to be sold [also known as *Public Offering (PO)]* (Berg and Berg, 1997, pp. 360-361) The second one is simply the act of the government to allow a private investment in the enterprise reducing at the same time its own share (p. 372). The third way of privatization by Berg and Berg refers to the power of the employees either by de facto holding of the highest share of specific 'nominally open' enterprises or by buying shares of the enterprises (most commonly through voucher programs) (pp. 374-375). Broad- based privatization was very popular in the transition countries during the 1970s and 1980s and included the privatization of hundreds or thousands of state owned companies at a certain time period combined with one or more of the above mentioned methods, such as free disposal of shares and assets, vouchers etc (pp. 378-379). The fifth and last method of privatizations refers generally to a set of various techniques, where the two contracting parties, namely the State and the private investor build a partnership by dividing the responsibilities either by defining who is going to hold the management or through fees by the investors to the State for using public facilities (p. 385).

2.2 A Brief Overview of Privatization in EU member states

Early signs of privatization in the countries of the European Union have been noticed in Italy and in UK during the early 1950s and in Western Germany in 1959. However, it was implemented by the governments – UK's privatizations during the 1950s were a partial exemption- not under a certain policy aiming to contract the public sector; this trend became actually obvious in the 1970s and afterwards. In fact, it was the conservative government of Margaret Thatcher in 1979, which implemented privatization of state assets on a systematic basis. During the 1980s the occurrence of privatization was not so intense in EU except of France, where the Chirac government sold 14 major state- owned companies; the most notable examples were the sales of Paribas in 1987 and of Alcatel- Alsthom in the same year (Parker, 1999, pp.10-11).

1990s was the decade with the most active privatization programs. Especially the developing countries had shown a great interest in the implementation of public property sales. Their primary focus has been infrastructure privatization such as electricity, water, telecommunication and transportation (Parker and Kirkpatrick, 2005). In France under the Privatization Law of 1993, twenty-one public companies were completely or partially sold with the most notable being BNP, Renault and a partial sale of France Telecom. In Italy the first major privatization occurred in 1993 with the sale of 67% of Credito Italiano bank's shares. Until 1996 up to 300 Italian public companies were involved in complete or partial privatization programs. Other countries of the European South such as Spain and Portugal implemented systematic denationalizations. In fact, Portugal managed to raise more than £5 billion through an intense privatization programme between 1990 and 1997. The Spanish government sold more than 30 companies between 1984 and 1986 like the automobile factory of Seat to Volkswagen, but also later on more Spanish SOE's were privatized such as Repsol (1989), Telefonica (partial sale in 1995) and Argentaria banking group (1999). Other countries like Belgium and Luxembourg have been quite cautious towards privatization. Actually, the extent of their economies has not required implementation of broad privatizations in order to address market failures. Indeed, the demands of the

different EU member states could not be possibly identical. Consequently, their views towards privatization were respectively diverse (Parker, 1999, pp.10-17).
Moreover, countries of the Central and Eastern Europe like Hungary focused on semi-scale privatization of telecommunication, power and gas companies in the mid 1990s. The transfer of a vast number of SOE’s to the private sector was implemented through ‘vouchers’, which fact eventually transformed the former Soviet economies from centrally planned to market economies. Bank privatization was also quite obvious from the 1980s and even after 2000 especially in Poland, Czech Republic and Slovakia (Kikeri and Kolo, 2005).

2.3 Bank Privatization

Drawing our attention to the bank industry, signs of privatization are also very significant and diverse. In fact, during the last 15 years more than 250 commercial banks have been privatized by governments of 59 countries either publicly or by direct asset sale. Almost every single case was defining a new status quo on the banking industry scene, apart from the perception of the constant interdependence of commercial banks and central governments and the prominent role of commercial banks in national planning. Of course, this trend of selling state- owned banks had an explanation. It was more than obvious that the influence of the State was inefficient and that the development of the financial system could definitely lead to an economic growth (Megginson, 2005, p. 1936). The answer to the incompetency of the governments to promote the prosperity of the banking sector even under the assumption of a benevolent state official could have various answers. Firstly, the managers of the state- owned banks will not show the same motivation for their jobs nor will they be so highly committed to revenue maximization and cost minimization. Secondly, monitoring of state- owned banks is being regarded both not adequately efficient and incapable of bringing results. The owners are not so willing to check the progress of the bank managers, because they bear the responsibility to do so, but they are not the only awarded persons at the end. Moreover, there is a lack of measures to be taken in order to discipline bank managers, where underachieving of targets is observed. Finally, the politicians, who are in charge of supervising the operation of those institutions, would rarely be considered as trustworthy individuals to guide underperforming public enterprises to a controlled bankruptcy or assure the extra influx of public money in form of government subsidies. Consequently, soft budget restraints are occurring. Indeed, the initial design of the majority of the state- owned enterprises shows that they are made as a tool in hands of politicians, who are using them in favor of their supporters and at the expense of other groups (Megginson, 2005, pp. 1936-1937).

In addition to this, Andrews (2005, p. 3) affirms the regular inefficiency of the state-owned banks claiming that the tendency of the government to privatize them – especially after a situation of systemic instability proves that they are not trustworthy institutions. Thus, the governments in order to compensate for the constantly increasing fiscal costs and productivity gaps, were taking the decision to sell them as a whole or partially. Of course, countries suffering from such severe crises were enforced to take a not just a single measure but a string of them to protect their economies. Privatization of state- owned banks was one of them. More specifically, Andrews (2005, p.16) states that bank privatization actually shares almost every single common characteristic with privatization and generally recognizes the diverse nature of bank privatization by quoting a list of its causes. Namely, the first one is raising revenue for the state, where the author actually highlights this as a cause for bank privatization not only in developing countries but also in these, which were seeking to meet the Maastricht criteria. In fact, the British privatizations of the 1980's were a good example. Another reason driving countries to sell their banks was their intention to achieve greater economic efficiency and undermine state intervention in the economy. While state- owned banks are considered in general to be less capable to achieve high efficiency, the privatized ones are expected to be more successful in that (p.16). Consequently, higher efficiency equals in that case to less spending of public money on underperforming institutions and it gives the leeway to the government to prioritize its budgeting and achieve debt reduction eventually. Thirdly, the promotion of a competitive market through the wider possession of SOE's shares from private investors has been also an objective leading a country to privatize its state-owned banks. Governments in order to promote the creation of capital markets and encourage ownership by individual domestic investors, take some precautions such as Public Offerings (PO), where shares of public assets are sold in small portions or they apply limitations of participation on foreign investors. Nonetheless, a 'strategic partner' is almost always preferred to hold the management or just a significant part of the bank's sharehold notably in cases, where the overall way of operation of the banks and their leadership are being disputed. In the fourth place, Andrews suggests the development of competition as another reason. As a matter of fact, he uses the examples of Poland and the Russian Federation –two transition economies-, which not only privatized their major state- owned banks, but actually they divided them into smaller ones before or during the privatization process. That way the foreign bank entry is urged whereas the management capability of bank directors can get generally reinforced. Finally, Andrews quotes that governments desiring to enjoy more efficient public enterprises should first bring them under the domination of the market discipline. Bank privatization can be proved as a rather useful tool in that mission. Indeed, private banks are less prone to biased, preferential financing to state- owned enterprises. Money purchase will be executed on commercial terms and eventually the overall efficiency and reliability of the SOE's will be enhanced. This series of causes and objectives leading to bank privatization have made the author to express his opinion that the trend of bank privatization will probably continue to exist.

A more recent study of Boehmer, Nash and Netter (2005) focused exclusively on bank privatization and the causes of it, discloses even more factors that can lead a country to sell public property. Purely economically speaking, Boehmer et al recognize the widely accepted 'fiscal pressure' as a reason to privatize. Countries face budget deficits and the countries seek to fill them by raising revenue through privatizations. Apart from this, the authors present a number of diverse factors always related to the economic aspect of bank privatization. In fact, they state that a country's desire to privatize its state- owned banks is affected also by the 'quality of the banking sector' meaning primarily the performance and the overall efficiency of the banks. When they are regarded as inefficient the government is willing to sell them. 'Banking crises' do also play a significant role in influencing the state to sell public banks. Especially in cases of systemic crises, where a nation's bank capital gets exhausted, governments are less reluctant to privatize the state- owned banks in order to decrease budget deficits and prevent a new banking crisis (see also Andrews, 2005). Furthermore, 'capital market development' is considered to be another factor of bank privatization. In fact, Boehmer et al quote that the privatization of the banks is a useful tool for the governments to revive their domestic markets and improve the national equity markets' liquidity (see also Parker, 1999; Bortolotti et al. 2003). Finally, the authors state that the 'size of the private banking sector' matters as well. They claim that by privatizing the state- owned banks, first of all they enhance the private banking sector as well as the access to the private capital markets and secondly, they achieve the minimization of state interference in resources' allotment.

2.4 Reasons for privatization

2.4.1 Efficiency Improvement

The survey of Parker (1999, pp.17-18) on privatization among the member states of the European Union reveals the privatization's role in solving the problem of state-owned enterprises inefficiency. In fact, it is stated that privatization could liberalize the market, diminish the interference of the government and the creation of state monopolies and eventually bring higher operating efficiency for SOE's (Parker, 1999, p.18).

Analyzing the causes of privatization Haque (2000) seems to follow the mainstream by stating that privatization contributes variously to the economic and social growth of a country. He also shares similar views with Parker. Promotion of economic efficiency is especially underlined by him as well. The 'efficiency argument', which describes the situation, where the state- owned enterprise performs poorly and privatization is suggested as the best possible solution, is supporting his thoughts Furthermore, the 'property - ownership argument', which implies that managers in public enterprises do not have the right incentives to seek the optimal gains for those companies, cause there is nothing at stake for themselves and introduction of the 'distortion argument' according to which the government is blamed to create distortion in the sharing of the resources are expressing his opinion that privatization had a positive impact on the economic efficiency of SOE's (Haque, 2000, p.5).

Apart from this, the fact that almost every country's government transfers a part of the state enterprises to the private sector or involves private initiatives in financing and managing of former public enterprises, is also a sign of the crucial, contemporary role of privatization. The reasons are well- grounded and are mostly related to the inefficiency and incompetency of various public services. Evidence mainly from developing countries has shown that those enterprises were often overstaffed, sheltered from competition and rather cost consuming, reporting sometimes losses even bigger than 6% of the country's GDP annually. Those losses were treated by governments in form of money provision through the state banking systems. That way private sector's access to credit was restrained and the reliability of the financial systems was in danger since many governments were no more able to finance even profitable state enterprises (Kikeri and Nellis, 2004).

The 'efficiency hypothesis' has been part of the work of Guo and Yao (2005). In few words, the authors state that governments privatize in order to enjoy economic gains along with minimal output losses through efficient privatization programs. However, it is interesting that Guo and Yao highlight also the political aspect of this scenario. They assume that in a political system, where the politicians seek to protect the interests of particular groups and not those of the median, the privatization can be efficient either through the formulation of a 'corruption coalition' between politicians and managers or when the taxpayers are strong enough to express their opinions (Guo and Yao, 2005, pp.215-216).

The budgetary condition of a country is affecting significantly the likelihood of privatizations to occur according to Guo and Yao (2005). As a matter of fact, they have formulated a series of arguments, which are trying to investigate a linkage between budget deficits and the occurrence of privatization. Firstly, the 'soft budget hypothesis', which implies that when governments face serious budget constraints they have also bigger incentives to privatize. Indeed, when the budget is limited, the government may ask the banks to finance the SOE's in order to preserve them in life. Nonetheless, private banks are more likely to lend money to private companies since they report higher success rates. Consequently, SOE's can lose their value and the government gets more willing to sell them.

Secondly, the 'financial liability hypothesis' is directly linked to the financial situation of local governments. In fact, it is implied that when governments are in need of revenue raising or abolishing a loss- making enterprise, they are prone to selling them.

The final one is called the 'constraint hypothesis', which implicates that even in cases, where local governments are positive towards privatization, they first have to overcome severe constraints such as debt invasion, unemployment and high inflation. Of course, the fiscal adequacy of the governments can prove crucial. A financially strong government can make discounts and hasten the privatization process whereas low- budget local governments can experience problems with the new owners especially in cases, where the total value of the SOE's assets is negative and compensation is due (Guo and Yao, 2005, pp.216-219).

2.4.2 Financial constraints

Inspecting the economic aspects of privatization and bank privatization, Ramamurti (1992) formulates a set of interesting hypotheses and at the end draws some rather important conclusions. First of all, he suggests that budget deficit, domestic public debt and external debt as a share of GDP will be higher for the privatizing countries (Ramamurti, 1992, p.227-228). In addition to his, the author sets forth the hypothesis that countries tend to privatize, when the share of SOE's in gross national investment is enormously high. In that case, the governments commonly are experiencing market failures and budget issues due to the overinvestment in SOE's and are more likely to sell them. Finally, the author accents the role of privatization in the overall economic growth as he supposes that the long- term GDP growth of a privatizing country will be increased (Ramamurti, 1992, pp.229-231). Indeed, Ramamurti concludes that countries facing high debt invasion have also greater odds to privatize. Apart from this, he also states that countries tend to sell SOE's in cases, where they are considered to be less efficient and at the same time less competitive as compared to the country's private sector enterprises. Finally, he recognizes a slightly positive linkage between privatization and GDP growth of privatizing countries, but still the available data and the study as a whole cannot guarantee the validity of this assumption.

Apart from this, Parker (1999) claims that selling state property is the appropriate way to decrease governments' debt and it also minimizes the risk of money injection into detrimental for the economy enterprises. In fact, privatization operates as a less strict measure to decrease budget deficits as compared to increased taxes or decreased spending (Parker, 1999, p.20-21).

The 'fiscal argument', which means that the government and its over-the-limit interference is the primary responsible for occurring budget deficits is formulated by Haque (2000, p.5); it is another piece of evidence that lack of resources can be a primary reason for a government to privatize.

Besides that, Bortolotti, et al (2003) are highly affirmative towards the fact that countries suffering high debts are also very keen to dissolve SOE's in order to address the matter of the deficit. More specifically, they posit that privatization can operate as a means of balancing the public finances of a country. Firstly, by cutting off the supply of subsidies to SOE's the governments manage to stabilize and gradually improve the financial position and the overall credibility of the country.

Secondly, revenue raised by privatization can assist in the decrease of the public debt by generating low interest payments. Finally, in countries, which are highly indebted, public sector debt instruments such as debt- equity swaps are being accepted as form of payment for shares of privatized companies (Bortolotti et al, 2003, pp.308-309).

2.4.3 Competition boost, market liberalization and market liquidity

Parker (1999, p.17) claims that privatization can contribute to the development of domestic capital markets. As a matter of fact, countries like Spain, Portugal and Austria were using privatization in order to ensure the fortification of their domestic capital markets and at the same time attract foreign investors and promote international activity by the domestic banks. Moreover, it has been used as a means to captivate small investors to own shares and replace other kinds of bonds like taxation, which were broadly applied in Europe. A good example is the privatizations in UK during the 1980s, which were implemented by the conservative governments in order to stimulate wider share ownership (Parker, 1999, p.20).

Moreover, Bortolotti, Fantini and Siniscalco (2003) highlight the importance of the market's liquidity. As a matter of fact, the authors claim that liquidity of the market can contribute to the creation of diversification, accumulation of information, better controlling of the managers and better administration of the companies. Moreover, when stock market liquidity occurs during the privatization process, then the major state monopolies are more likely to be privatized. Except from this, a liquid stock market can assure higher revenue for the government since it diminishes the chances of the new investors to ask for discounts. Furthermore, the information aggregation gets activated securing higher revenues for the privatizing country. In that case, the liquidity of domestic stock markets operates as a great incentive for governments to privatize. Consequently, those economic factors trigger the privatization process (Bortolotti, Fantini and Siniscalco, 2003, pp.311-312). Indeed, a positive linkage between the high sovereign debt of a country, its stock market liquidity and privatization reaffirms the aforementioned conclusion of the authors (Ibid, p.331).

Besides that, Guo and Yao (2005, p.212) have formulated the 'market liberalization hypothesis', according to which the influence of the state is decreased and consequently its incentive to privatize gets increased. Therefore, privatization brings competition, which usually is accompanied by financial and informational gains for both the enterprises and the governments (Guo and Yao, 2005, p.216).

2.4.4 International actors' pressure

Ramamurti underscores the role of the international organizations enforcing countries to privatize. As a matter of fact, he quotes that the higher the dependency of a country on IMF or the World Bank as a share of GDP, the higher the likelihood for them to privatize (Ramamurti, 1992, p. 228). Actually he affirms the fact that dependency on international institutions such as the International Monetary Fund and the World Bank increases the possibility of privatizations to occur (p. 241).

Parker (1999) states that privatization in Europe was necessary so that the member states could comply with the mandates of the European Union asking liberalization of the domestic markets. However, Parker quotes that there was not a 'single voice' in regard of privatization issues in the European Union. The member states were selling public property for different reasons. Some of them were seeking to achieve higher efficiency gains while the preference of others was to broaden the internal capital markets desiring to meet the Maastricht criteria for the monetary union. There were also cases, where all the above mentioned objectives were pursued even if they were not totally compatible to each other. Apart from this, the European Union has been always opposite to trade limitations imposed by national regulations. This factor has contributed to the cultivation of the idea that ownership issues among the member states should be reconsidered on a brand new basis. Thus, the governments were likely to be more skeptical towards the retainment of public ownership and to thoroughly inspect this issue. Their major concerns were that state-owned enterprises could be in a very disadvantageous position while experiencing the competition from big private companies, recognized in the markets and having better access to external resources. Moreover, competition could have detrimental effect on the economic efficiency and the overall financial operation of the SOE's creating an extra burden to budget if the country in form of public money injection. Therefore, privatization can be used as armor by the governments against financial threats during the liberalization of previously dominated by SOE's markets (Parker, 1999, pp.22-24).

Additionally, Haque (2000) affirms the influence of international organizations on privatization as he claims that those are often applied due to external factors of global nature such as international organizations, which are getting involved due to countries' high external debts. The International Monetary Fund (IMF), the World Bank or the International Bank of Reconstruction and Development (IBRD) have influenced policy making of those countries plenty of times by enforcing the national governments to accept such 'neoliberal' market- centered reforms like privatizations. International organizations are not the only ones, who can push countries to privatize. In fact, multinational companies, consultancy firms, political parties, bureaucrats on the top level, business elites and lobbyists have in almost every single case own interests at stake and can manipulate countries to accept the reforms and especially privatizations (Haque, 2000, pp. 5-6).

Further inspecting the role of international actors in privatization processes, Boockmann and Dreher (2003) have conveyed a survey regarding the contribution of the aforementioned institutions to the long- term market liberalization of the countries. Actually, they identify a link between economic liberalization and the existence of an IMF or a WB program. More specifically, Boockmann and Dreher (2003, p.635) state that countries are enforced to comply with the imposed sanctions, which are aimed at privatization, liberalization of the market and domestic debt relief through minimization of the public expenditure. Thus, the loan installments are being paid only when countries follow the policies of those international institutions. As far as banks are concerned, they claim that it is very commonly observed that the IMF encourages the recipient countries to privatize their state- owned banks in order to ensure the stabilization of the inflation rate and at the same time that the biggest of deposits will be held in private banks (Boockmann and Dreher, 2003, p.646).

The contribution of international institutions and namely, the IMF to the occurrence and spread of privatization is stressed also by Brune, Garrett and Kogut (2004). In fact, they suggest that the mere presence of the IMF as a contracting party accompanied, of course by its conditionality are enhancing the credibility of the recipient country towards foreign investors and actually can make them to pay more money for privatized assets in those countries (Brune et al, 2004, p.195). Indeed, the authors claim that the presence of the Fund has urged privatization programs in the recipient countries associated with also high revenues. The IMF's conditionality enhances the credibility of the other contracting party and therefore assists it in gaining the commendation of its privatization projects by the global capital markets (Brune et al, pp.197-198).

On the other hand, a negative or at least not so strong linkage between the International Monetary Fund and privatization can be also observed. As a matter of fact, Dreher (2006, p.773) claims that despite the fact that IMF disbursements are aimed at the reconstruction of the recipient country's economy; this is not always the case. Namely, the disbursed capital offers to the government more options to borrow money making the officials more prone to pursuing wrong and inefficient policies for a longer time. Consequently, this abundance of resources –even in short term- discourages the government to sell public property in order to raise revenue through this action. Moreover, the author states that IMF's conditionality seems rather weak and is often ignored by the borrowers, which fact is enormously obvious in privatization programs, where the implementation rate of them is just 45% (Dreher, 2006, p.771).

In addition to this, Dreher and Rupprecht (2007) go further with a newer study, which also considers the linkage between the IMF and the occurrence of privatization as a negative one. They claim that despite the fact that the presence of the Fund matters in regard of reforms, the impact is negative. Indeed, the size of the public factor is not influenced nor does the exchanging with foreign private investors – actually they tend to be delayed (Dreher and Rupprecht, 2007, p.324).

2.4.5 Political ideology and political orientation

In turning to the political side of privatization and more specifically to the political ideology of the governing parties, which implement the privatization programs, the relevant literature is quite dense and rather interesting too. In fact, Boycko, Shleifer and Vishny (1996) claim that privatization is a tool in the hands of politicians used by them so that they fulfill their objectives rather than achieving maximum efficiency for the SOE's. As a matter of fact, the authors give as an example the conservative government of Margaret Thatcher in UK during the 1980's, which not only was extremely positive towards privatization, because they needed to satisfy demands of their voters (eg. better prices and service quality, wider market, higher salaries etc), but they were actually using privatization program as an obstacle for policy implementation of future Labour governments.

Apart from this, Feigenbaum and Henig (1997) recognize that privatization can be investigated through various prisms and the political aspect of it should be marked as highly important. Especially, in cases of 'tactical' privatizations, which were a sort of privatization prescribed to assist the government achieve short- term goals. They were extremely popular in the 1980's and they were always linked to certain political ambitions of the ruling parties (see also Boycko et al, 1996). This policy was a good way to distinguish the Conservative from the Socialist side since the latter were not so eager about privatization and market liberalization (Feigenbaum and Henig, 1997, pp.342-343). This inclination to privatization by the Conservatives was observed in Europe mainly, when Margaret Thatcher was the Prime Minister of the United Kingdom in the 1980's and at the same period in France during the Jacque Chirac's office. The parties of them – the British Tories and the French Conservatives- were claiming that they were pursuing the creation of a 'people's capitalism' in the two countries based mainly on privatization programs and its gains (Feigenbaum and Henig, 1997, pp.350-351).

The research of Haque (2000) pinpoints the importance of the political orientation of the privatizing governments. In fact he seems to conform to the argument of Feigenbaum and Henig that the ruling parties use privatization in order to persuade the voters and eventually win the elections. They also claim that the rhetoric of privatization is aimed primarily at the supporters of conservative parties. This is probably the reason for calling this particular trend in policy making as 'neoconservative', 'neoliberal' or 'new right' position, which briefly implies the broad liberalization of the market through the main path of privatization, but also through foreign direct investment, lessening of the subsidies, establishment of free trade and deregulation. Indeed, Haque states that privatization is an '*ideologically charged phenomenon'* and it is promoted by the neoconservative political leaders (Haque, 2000, pp.6-7).

Moreover, the linkage between political ideology and privatization is regarded as positive also by Bortolotti et al (2000). They quote that conservative parties are less reluctant than socialist or Christian- democratic parties towards privatization. Actually, 'right- wing' politicians are commonly associated with large market-oriented reforms that in most of the cases are based on privatization. The rationale behind this policy is that conservative governments seek to ensure that they will be able to preserve the trust of their voters in the next elections by relying on market-oriented platforms, which will be enforcing new privatization programs. Of course, the support of the voters might be their primary concern but not their only one. They are also interested in gaining the future support of the newly privatized companies' officials. The establishment of a solid partnership with the managers of those companies can have only a positive impact to the government and constitute an extra ‘weapon’ in the battle of the elections (Bortolotti et al, 2000, p.308).

Furthermore, the survey of Biglaiser and Danis (2002) accents as well the political side of privatization. Their study might not be focused on the political orientation of the governing side; however, they draw their attention to the existing regime type of the privatizing countries. Their evidence reports that democratic countries tend to privatize more than countries with authoritarian regimes, because they are more concerned of gaining the trust and the support of the voters (Biglaiser and Danis, 2002, pp.98-99).

Finally, Opper (2004) focuses on privatization programs among transition countries in the Central and Eastern Europe and seems to accept the opinions of the above mentioned authors, who obviously recognize a positive correlation of the occurrence of privatization with the political orientation of the governing parties. As a matter of fact, she states that the political preferences of the government have an impact on the quality of the reforms. More specifically, the author finds that when the ruling party belongs to the right- wing side then privatization programs have greater odds to be planned and at a fast pace implemented. Opper quotes that the neoconservative perspective of privatization is perceived as more realistic as compared to the perspective of the left- wing parties, which is regarded as more ‘ideological’ and not pragmatic at all. This is happening because leftist parties have closer partnership with the national trade unions, thus their election is dependent on how efficiently they will promote the interests of their voters, namely the working class. On the other hand, conservative politicians are more prone to liberalizing the market and implementing regulatory reforms and this is the reason for being proved to be rather open towards privatization projects and quite willing to conclude them in due time, as Opper also claims (Opper, 2004, p.568).

2.5 Conclusion

Without any doubt, privatization as phenomenon is quite complex and with multiple dimensions. We focused the center of our attention on the economic and the political aspects of it. The review of the relevant literature revealed interesting notions regarding the history of privatization, the ways of its implementation and the causes of it with a specific accent on financial objectives pursued by the countries through privatization programs and the political orientation of the privatizing countries' governments. As far as the privatization methods are concerned, the most common are either the direct sale of public assets' shares or the Public Offering (Pool and Fixler, 1987; Berg and Berg, 1997). The causes of privatization have been investigated by various researchers and basically can be classified into the following categories. Efficiency either financial or managerial, debt relief of the state through revenues raised by privatization programs, creation of a liberalized, competitive market and establishment of partnership with foreign investors, which fact can lead to a better access to capital markets (Haque, 2000; Kikeri and Nellis, 2004; Guo and Yao, 2005). The most important economic factors that can lead to privatization are budget deficit, domestic public debt and external debt as a share of GDP as well as the domestic stock markets' liquidity, which operates as a great incentive for governments to privatize. Moreover, the role of the international organizations is equally important as the biggest part of the literature shows that the occurrence of the International Monetary Fund and the World Bank increase the odds for a country to sell public property (Ramamurti, 1992; Haque, 2000; Bortolotti et al, 2003; Boockmann and Dreher, 20003; Brune, Garrett and Kogut, 2004). However, this link is still ambiguous according to other authors (Dreher, 2006; Dreher and Rupprecht, 2007). In regard of privatization of banks and its causes, the nuances that are disclosed by the literature are the following ones: Achievement of higher economic efficiency for the banks and the state as a consequence, better controlling of SOE's managers, influx of money through bank sales, minimization of state intervention, improvement of national markets' liquidity and enhancement of the private banking sector (Andrews, 2005; Megginson, 2005; Boehmer et al, 2005). One of the most important aspects of privatization is the political one and particularly the political orientation of the governing parties of privatizing countries. In point of fact, the main idea erupting from the literature is that privatization is an '*ideologically charged phenomenon'* and it is promoted mainly by conservative, right- wing parties. Indeed, those 'neoconservative' politicians are more likely than the leftist ones to implement market- oriented reforms chiefly based on privatization in order to achieve market liberalization and prepare the ground for such similar future reformations (Boycko, Shleifer and Vishny, 1996; Feigenbaum and Henig, 1997; Haque, 2000; Biglaiser and Danis, 2002; Bortolotti et al, 2003; Opper, 2004).

The revelation of the basic nuances regarding the causes of privatization and bank privatization is considered to be highly important and absolutely essential for the creation of a theoretical framework for this thesis. The literature review has been the basis for this. Actually, we have recognized the lack of cross-sectorial research about bank privatization. The vast majority of the existing surveys is focused either on the political causes of it or on the economic ones. Even in cases, where both aspects are included, the most attention is paid to the separate effects of economy or political ideology and not to the combined result of them. Therefore, we conclude that there is a need to employ qualitative methods of research in order to investigate the complex processes of the phenomenon in thorough, but also quantitative so that we will be able to support our findings with empirical evidence. This observation along with the identified omissions throughout the literature will serve as a basis for our research project, but firstly for the construction of the theoretical framework that will be presented in the following chapter.

3. Theoretical background

As we have seen in the previous chapter the literature review has been able to supply the most important and widespread notions in regard of the topic of privatization. Nonetheless we should not get limited only to scanning and summarizing the relevant literature, but also exploit it in order to construct a theoretical framework able to assist us in the selection of the suitable independent variables, the investigation of any causal relationship between them and the dependent variable as well as the formulation of our research hypotheses. Hence, this is the purpose of existence of this particular chapter.

3.1 Economic factor

Prior research has shown that generally, governments are more positive towards privatization when economical incentives are also apparent. Indeed, according to the principal- agent theory, the state holds the role of an economic agent while it is ruling the allotment of the resources, taking part in investment procedures or generating goods and services. As far as the production of goods and services is concerned the state can replace, contest or co- exist with the private sector. Therefore, the state-owned enterprises are the only means to allow the state to involve in economic activities. It is also stated that the state is operating as a regulatory agent. As a matter of fact, this is observed when the state is intervening in the activities of other than public sector companies. Thus, privatization could be closely related to the function of the state as an economic agent, because in some sense it has been designed to decrease the economic agency of the state and enhance its regulatory one (Jiyad, 1995). Contrary to the principal- agent approaches to privatization, Yarrow (1999) stated that the 'increasing cost of government finance' seems to be rather important in explaining the occurrence of privatization. This is happening according to Yarrow since the increased state expenditure causes a raise of the government finance's cost and delays the growth by increasing budget deficits. The Economic perspective on privatization dictates privatization incentives to be related with major values like ownership, competition and the alignment of benefit to price. By selling state property multiple targets are achieved such as the reduction of the public sector deficit, the contraction of the governmental mechanism, better coordination with the open markets and more opportunities for the promotion of economic growth (Feigenbaum, Henig and Hamlett, 1998).

The 1980s proved to be a difficult period for poor and rich countries, because of the large budget deficits they encountered. As a consequence of the oil and debt crises that followed, governments faced severe issues in raising money from taxes and foreign borrowing, so privatization turned into a plausible method of short- term cash inflow for governments (Ramamurti, 1992). As far as loss- making SOE's were concerned, the privatizing government could save funds and 'alleviate' its budget deficit through the cutting of subsidies and grants. On the other hand, selling profitable public enterprises had a positive impact on national accounts since the companies could be acquired by private investors in prices much higher than their annual earnings. In light of these facts, it was obvious that through privatization policies a short- term cash inflow could be easily achieved. The example of Great Britain with privatization revenues reaching 17 billion pounds between 1979 and 1988 was rather characteristic (Ramamurti, 1992, p.227).

The Maastricht criteria that had to be met by the EU member states in order to join a single currency (euro) has been also a paramount factor in triggering privatization policies in Europe. The profit made by privatizations could be used as tool in hands of the – mostly highly indebted- European governments of reducing state debts. A lower government debt equals with less interest payments by governments and a consequent reduction of the budget deficits. Indeed, 80 per cent of the privatization revenues in Portugal between 1990 and 1993 were spent as a means of state debt reduction, while Italy in 1993 established by law a special fund, where the funds raised by privatizations would be gathered and eventually, they would be solely exploited in order to buy back outstanding loans of the government (Parker, 1999, pp.20-21).

It is more than obvious that the vast majority of the prior relevant research is considering the financial constraints that a government encounters as a major factor for privatization. In particular, the size of the governments' debts constitutes a major cause of the phenomenon and many researchers have chosen to test the extent in which it affects the privatization process (see also Ramamurti, 1992). In that case, we could not ignore the significance of this specific factor. Consequently, we have decided to retest its linkage with bank privatization based on our own data.

Therefore, we can state the following empirical implication: *H1. Countries with higher debts are more likely to privatize state- owned banks*.

3.2 Political factor

Privatization as a phenomenon with various aspects could not be affected by political elements. Research on this aspect however, reports mainly ambiguous results implying that the political status quo of a country can have an impact on the triggering of privatization programs, but not in the extent of other factors like the economic ones, which are described above. Without any doubt, the political factor cannot be regarded as insignificant and this is also the reason for being analyzed in the vast majority of relevant research.

According to the supporters of the liberal theory the impact of the voters and pressure groups on wealth redistribution is highly important. Since the election results are most usually determined by the majority's will and as it consists mainly by voters whose income is below the average, there is a pressure towards wealth redistribution by them and the consequent implementation of respective policies. Apart from this, the politicians' behavior is similar with the behavior of the firms in market conditions. Namely, as the firms seek to maximize their profit, politicians are seeking their re-election. Consequently, the politicians follow a 'customer- agent' relationship with their voters by trying to satisfy them through money inflows in their districts. Moreover, Marxism as a theory supports that one crucial factor for the re- election of the politicians is the good performance of the national economy. However, critical situations such as rise of unemployment require also drastic measures of reformative character. The regularly high cost of those reforms, which have usually the form of subsidies and the enhancement of the welfare state, is likely to push governments to profit- making policies like privatization programs in order to raise extra revenues (Feigenbaum and Henig, 1997, pp.343-347).

Additionally, Haque (2000) states that policies such as privatization are usually reflecting the underlying 'neoconservative' ideology of the state. This particular outlook, which is also called 'neoliberal' or 'new right' position support market- oriented reforms like privatization, deregulation, foreign direct investment, free trade and subsidy cuts. In fact, it is claimed that the distinct position of privatization on the policy agenda has been endorsed primarily by the neoconservative political leaders, who shared the belief that the private sector is better than the public one (Haque, 2000, p.6).

The Political Business Cycle (PBC) implies that political parties have as their utmost goal the maximization of their received votes and consequently, they are more likely to implement favorable to the voters reforms soon before the Election Day. The Partisan Theory complies with this notion stating that 'parties have electoral ambitions in order to implement policies favoring their core constituencies' (Hibbs, 1992). Actually, the partisan theory argues that center- right parties are more positive towards privatization, because they prefer market- oriented policies. In fact, the issue of the public ownership has been always been a criterion in distinguishing conservative and left parties. The conservative government of Margaret Thatcher holds a distinct position among the earliest and most prominent privatizers. Furthermore, the pursuit of 'popular capitalism' for the voters, namely the allotment of privatized companies' shares to them, can also affect their economic interests making them to be in favor of market- friendly policies that could possibly increase the value of their shares. This turn of the voters to this kind of policies could profit the conservative parties, because they are broadly perceived as the most appropriate for implementing those strategies. On the contrary, social democratic parties had reasons to be against privatization. As a matter of fact, a major part of their electoral power consists of employees in state- owned enterprises, thus privatization could harm some of their privileges as well as their turnout as voters towards the above mentioned parties. Consequently, governments consisting of conservative parties have been essentially perceived as more positive toward privatization, while a social democratic one could be associated with lower privatization revenues (Zohlnhöfer, Obinger and Wolf, 2008).

Hence, the following empirical implication can be formulated in light of the aforementioned theories: *H2. Governments consisting of right- wing parties are more likely to privatize state- owned banks.*

3.3 The external factor

The external factor that contributes to the occurrence of privatization can be translated into the influence of multilateral organizations. The literature review has revealed that a respected group of authors regard the pressures by international organization such as the IMF, the World Bank, the European Union and aid agencies to the governments of the receiving countries as a crucial factor of privatization. In fact, market- centered policies like deregulation and privatization have been regularly prescribed by those organizations as a remedy to market failures.

As a matter of fact, this kind of large- scale reforms and policies could be explained by the thesis of institutional isomorphism pressures, which roots from sociological institutionalism. According to this argumentation, organizations –even the state- appear to share gradually common characteristics in their missions and in the way they are structured. In fact, 'coercive isomorphism', 'mimetic isomorphism' and 'normative isomorphism' are the three instruments that can cause a convergence of the countries' structures. The first one is based on dependence on materials and implies that an organization –a nation-state in our case- inclines to the resemblance to other organizations on which it is depending. The second one stresses the fact that decision makers are seeking solutions from abroad, when they face critical situations. Moreover, they are trying to act rationally and gain time. Thus, the imitation of abroad policies allows them to act quicker. The normative isomorphism works under experts and technocrats, who dominate the policy making procedures. More specifically, scientific communities and consultants promote policies that are broadly accepted; in case of their successful implementation the reasoning behind their choice cannot be disputed. This means that the drive to universal solutions is resulting to the creation of an affiliated group of technocrats sharing common world theories (Fink, 2011, p.115).

Indeed, since the early 1980s many mostly developing countries have faced a similar transformation in regard of their ideology concerning state policies. This shift was partly explained by the recruitment of British- or American- trained neoliberal economists as consultants of the government or as high- profile advocates in international organizations such as the IMF, the WB, USAID and UN. Of course, the promotion of neoliberal policies was their primary target. Furthermore, the famous 'Washington consensus' supported by multilateral agencies, distinct bank directors, the ministers of Finance of the G-7 countries and the U.S monetary authorities had a great impact on the enforcement of neoliberal policies –especially privatization- to the developing countries. This particular ideological shift enhanced the legitimacy of policies like privatization and gave the incentives to many political leaders to implement it. Additionally, a 'hegemonic global economic structure' was the cause of the intense privatizations in the most developing countries. International agencies and multinational banks have been the main source of influence towards privatization programs. They were mainly counting on the fact that those countries were highly dependent and with severe external debts. Thus, it was easier for them to be persuaded to implement market- friendly policies and particularly privatization. This kind of mission was mainly undertaken by senior officials of organizations like the IMF, the Asian Development Bank, the Inter-American Development Bank and the World Bank. Especially USA has played an important role in influencing the preferences of aid agencies and international financial institutions since they were using them as means to achieve their own foreign policy targets. The officials in those organizations were instructed by the USA administration to encourage the governments of the debtor countries to adapt a market- oriented approach and implement a host of privatization programs. The 'hegemonic global agenda' of the capitalist countries, which was regularly expressed through international actors associated with the provision of foreign aid, technical assistance and expertise has been related with the occurrence of privatization in many developing and developed countries. In addition to this, various consultancy firms and groups consisted of so- called 'privatization experts', who usually were related to international actors like multinational banks, aid agencies and financial institutions that were propagating in favor of privatization (Haque, 2000, pp.11-14).

Hence, the role of the international actors in the occurrence of privatization can be summarized as follows: *H3. The bigger the influence of the multilateral organizations the more likely governments are to privatize their state- owned banks.*

4. Research Design

A scientific research could be also expressed as a 'dialogue between theory and data'. The researcher constructs a theory, scrutinizes evidence in order to test the theory, reshapes her theory according to the newly acquired data and eventually she proceeds with the testing of the new theory having in hand new evidence as well. Of course, she can have the alternative of moving on the opposite direction making first the observation of the phenomenon, developing a theoretical framework in order to explain it, make use –if necessary- of additional evidence and finally, reconstruct her chosen theory at the end of the research project (Gscwend and Schimmelfennig, 2007).

Thus, this chapter is dedicated to revealing the design of this particular research project by providing the reader with a clear view of the analysis' structure, the operational definitions of the chosen variables and in general, the characteristics of the preferred research method as well as the reasons for choosing that. As a matter of fact, our research project intends to explain the causes of *bank privatization* in EU-25. In order to explain the factors that affect governments' decisions towards privatization of state- owned banks, we are testing three different hypotheses. Those independent variables as well the dependent one are going to be thoroughly present in the next subchapters. Consequently, our research design could be distinguished as 'outcome- centric'. This kind of research design is aimed at 'explaining outcomes' through the consideration of vast independent variables, which variously affect the dependent variable. This kind of correlation between dependent and independent variables is the primary focus of 'outcome- centric' research designs. (Gscwend and Schimmelfennig, 2007, p.8).

4.1 Structure of the analysis

Paragraph 4.1.1 gives an overview of the dependent and the independent variables, which are engaged in this research project. In that point, it would be useful to remind that the dependent variable was an outcome of our main research question, whereas the three independent variables had been estimated through the construction of the thesis' theoretical background in Chapter 3.

Additionally, paragraph 4.1.2 describes the unit of our analysis.

4.1.1 Specification of the variables

Our main research question is: '*Which factors lead to privatization of the banks in the European Union?*'. In that case *bank privatization* is our dependent variable. However, as the scan of the relevant literature has shown that almost every characteristic of privatization and bank privatization are in common, we will name *privatization* as the dependent variable. As far as the independent variables are concerned, they are the following ones:

- *Central government debt [H1. Countries with higher debts are more likely to privatize state- owned banks]*
- *Right-wing parties [H2. Governments consisting of right- wing parties are more likely to privatize state- owned banks]*
- *Multilateral organizations [H3. The bigger the influence of the multilateral organizations the more likely governments are to privatize their state- owned banks]*

4.1.2 Unit of analysis

Our research project investigates the causes of bank privatization among the EU-25 member states. Our case selection has not been driven by a preference for a specific country. On the contrary, we are focusing on the effect of the above mentioned independent variables to the set of those countries as a whole. Moreover, we are investigating a number of bank privatizations, which have occurred in the aforementioned countries. Consequently, the units of our analysis are two. In fact, the first one is the group of countries, which constitute the EU-25 and the second one is the bank privatizations among the EU-25 member states.

4.2 Operationalization and measurement

Subchapter 4.2 is divided in two parts. Paragraph 4.2.1 is supplying the reader with the operational definitions of our independent variables and paragraph 4.2.2 is describing how we are trying to ensure and how we finally assess our project's reliability and validity.

4.2.1 Operational definitions

- The operational definition for *central government debt* is: 'Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future. This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable' (IMF, 2011). In our case, we are going to use the *central government gross debt as a percentage of GDP* as an indicator.

- *Right-wing* parties are defined as 'social movements whose stated goals are to maintain structures of order, status, honor, or traditional social differences or values' as compared to left-wing movements which seek 'greater equality or political participation.' In other words, the sociological perspective sees preservationist politics as a right-wing attempt to defend privilege within the social hierarchy' (Smith and Tatalovich, 2003). Moreover, after the Great Depression and World War II right-wing parties started to vividly support the Keynesian model of growth and the limited intervention of the public sector. The 'post- war consensus' which implied a balanced cooperation of the private sector and the governments, was abandoned by right- wing parties when the economy was underperforming. In that case, it became clear to them that they should go after policies capable of monitoring the public sector and improve the efficiency of the economy following different methods than demand expansion (Boix, 1997). Nonetheless, we should stress one thing on that point. Within the boundaries of political science there is not anymore an indicator to show any substantial differences between the right- wing and the rest of the parties. This situation has become even more obvious during the last thirty years, where a significant convergence in the policies of the most European parties has been noted. In our case, we have tried to classify the parties according to their ideology based on their names mainly (Christian Orthodox, Socialist party, Communist party etc).

- *Multilateral organizations* consist of three or more members and they are committed to working on matters related to all the members of the organization. In our case, we are referring mainly to the *Development Assistance Committee (DAC)* as a multilateral organization. DAC is attached to OECD, it contains 24 members and it promotes development cooperation. IMF, the World Bank and UNDP are also participating as observers (OECD, 2011). The *influence of multilateral organizations* could have the following operational definition: i) '*Net official development assistance (ODA)* consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent)' (World Bank, 2011), ii) *Net official aid* refers to aid flows (net of repayments) from official donors to countries and territories in part II of the DAC list of recipients: more advanced countries of Central and Eastern Europe, the countries of the former Soviet Union, and certain advanced developing countries and territories. Official aid is provided under terms and conditions similar to those for ODA' (World Bank, 2011). We are using *Net official development assistance and official aid received* measured in USD current prices as an indicator.

4.2.2 Measurement reliability and validity

It is a bare fact that in most political science research projects the validity and the reliability of it can be openly criticized due to the fact that most of the concepts that are being used can have more than one description and consequently they won't satisfy every reader's perception of them. In that case, the researcher is obliged to gather the necessary data in order to support her measures and convince the reader about the project's reliability and validity (Buttolph- Johnson and Reynolds, 2005).

Central government debt is going to be measured on ratio level since the numbers are the means of measurement and their full mathematical properties are applicable. Ordinal measurement in terms of high/medium/low debt could be also used, but ratio is preferred since it can provide us with more reliable outcomes. The content validity can be regarded as high since the indicator contains all those factors that constitute a nation's debt. At the same time, someone could dispute the validity of the measurement because of the same reason, namely the omission of an important to the debt factor. In order to diminish this possibility we have engaged more than one statistical source (databases) ensuring that the used indicator is finally valid. Reliability of measurement can be also considered as high since the data we are using, are the most up-to-date.

Furthermore, we are measuring *right- wing parties* on the nominal level, because this specific variable could be classified into distinct categories and have very particular values. In fact, *conservative* and *liberal conservative* parties will constitute the means of characterizing a party into a *right-wing* one. The face validity of this measurement could be decent since noone can deny that the above mentioned parties belong to the right- wing spectrum of politics. The reliability could be disputed in sense of the actual political orientation of the parties. Nonetheless, we have executed an intense and rather deep research in datasets, archival records of newspapers and the official websites of them, in order to justify their political beliefs through the times. As we have stated also above, a real operationalization of right- wing parties cannot take place since we are talking about political institutions, which are naturally hard to be operationalized. However, because of the needs of the research we should be able to identify parties' orientation. We got based mainly on their official websites, where a declaration of their beliefs has been most of the times available. Furthermore, we researched older archives of newspapers and sometimes even speeches of MP's of certain political parties. Those methods have been extremely useful in cases, where a party was no more in existence or its name had been changed. Apart from this, making use of well- known databases concerning election results we have made sure that none statistical errors have occurred in our measurement. Hence, reliability could be considered to be relatively good.

Apart from this, we are using the ratio level of measurement while measuring the *influence of the multilateral organizations*. This is happening, because our selected indicator is purely economical and it is associated with monetary assistance, which can be measured only with numbers. Internal validity could be high since face validity is accurate and content validity as well provided the good levels of the former. The measurement could be also regarded as reliable, because of making use of the most contemporary available evidence and the cross- checking through diverse sources.

4.3 Cross-sectional study

A cross- sectional design can be characterized by the following: i) the absence of the time factor in it, ii) it is primarily based on actual differences rather than 'change following intervention' and iii) the groups involved are also based on existing differences rather than being randomly allotted (De Vaus, 2001). Moreover, a cross-sectional allows the measurement of dependent and independent picked at the same time. It is a matter of great importance for the researcher to pick the correct variables in order to meet the demands of her research and at the same time decide which ones should be left out. The internal validity of the research is considered to be rather weak, if one important variable is missing. However, the selection of an unimportant variable can constitute the final results insignificant and lead to a statistical problem (Buttolph Johnson and Reynolds, 2008).

Since cross- sectional designs require the engagement of a few variables we found it right to select the *influence of multilateral organizations*, the *size of the central government debt* and the *political orientation of the government* as relevant variables. The relevance of those indicators could be examined through the literature review and the inspection of the theories explaining the *causes of privatization among EU-25 member states*. Therefore, variables such as 'unemployment rate', 'inflation rate' or the political beliefs of the President of the European Commission could be regarded as incompatible with the scope of our research and any use of them -or similar with them variables- could lead us to false results.

As compared to experimental designs, the cross- sectional ones can be more easily generalized. In other words, their external validity is higher. This is due to the fact that the large number of the inspected cases can make the research to seem more representative and more easily applicable to other similar cases, whereas the measurement takes place in real life situations. Naturally, is being given the leeway to generalize on different populations. However, as we mentioned also above, the internal validity of such designs could be harmed if a crucial variable was missing from the model. Therefore, the selection of the important variables as well as the maximization of the analyzed cases is prescribed to minimize internal validity threats (Buttolph Johnson and Reynolds, 2008, p.158).

The investigation of such a contemporary phenomenon like privatization demands a flexible and multidimensional research design. The cross- sectional one allows us to delve into the selected aspects of the phenomenon in full depth as well as to generalize on different populations provided that the occurrence and the intensification of privatization are becoming more obvious nowadays.

5. Data Collection

In this chapter we are presenting the methods we used in order to gather all the required data. Furthermore, we delve deeper into the selected research method; we distinguish the data into distinct categories while at the same we strive to provide the reader with a clear overview of the sources we used. Thus, subchapter 5.1 is about the research method we have followed and paragraphs 5.1.1, 5.1.2 and 5.1.3 supply an analysis of our data.

5.1 Desk research

Performing a desk research means an intense exploration of already available sources, which can be available in printed or electronic form. The researcher after the definition of her research subject proceeds with the gathering of the already existing data; she investigates any correlation between them and creates a new synthesis, which is supposed to be applicable to her research issues. Therefore, aiming to gather a bulk of data in order to construct the empirical part of our study, an extensive desk research was required. This means that we used mostly secondary data, which were already collected and published. Therefore, political evaluation took place and an extensive use of reports of international organizations, independent agencies and multilateral organizations provided us with a solid knowledge background, capable of helping us to support our research. However, the selection of the relevant information was a demanding and rather strict procedure and we were obliged to hold a cautious approach in data collection and the integration of them in our research, always having in mind our research question and research goals as well as the theoretical framework, which is presented in previous chapters.

5.1.1 Primary literature

Primary literature consists mainly of original material. They have been published at the time period involved and usually they are the basis of a future research. The main characteristic of primary literature is that it consists of documents with original character, which cannot be distorted by any assessment or interpretation efforts

(Maryland University, 2011). In our research project, primary literature as a data source is represented by privatization reports written by experts that work for international organizations such as the World Bank and the International Monetary Fund, newspaper articles written at this specific time and proceedings of conferences relevant with privatization and bank privatization.

5.1.2 Secondary literature

On the other hand, secondary literature consists primarily of material, which is prescribed to analyze, evaluate or amalgamate already existing evidence. Presenting and commenting existent data contains always the threat of distortion since the human factor is involved (Walliman & Baiche, 2001). Consequently, the researcher should be able to ensure that she is keeping an objective, unbiased position during the interpretation of such material. Secondary data constitute the main source of this research project's information. We have made extensive use of scientific journal articles, which have been written by highly esteemed and recognized authors. Moreover, monographs and articles published on news portals have been also used providing us with an even clearer view of our phenomenon.

5.1.3 Databanks and datasets

The major part of this thesis' empirical evidence originates from specific databanks and datasets. This paragraph intends to provide a brief overview of the main ones, which have been used.

- Privatization Barometer: It was established in 2003 by an Italian research institution with an expertise on sustainable development and global governance. It aims to create an independent source in regard of privatization by reporting not only contemporary data but also trends of the past (Privatization Barometer, 2011). This particular database provides accurate data concerning privatization projects among the EU-25 member states from 1985 since 2009. The information regards all the sectors of the countries' economies, but we have focused on 'Finance & Real Estate Industry' category given the fact that our study concentrates on bank privatization. The database contains also a rich archival record as well as plenty reports, which have enhanced the reliability of our empirical evidence.

- NSD European Election Database: The Norwegian Social Sciences Data Services (NSD) has created this database, which supplies information regarding election results in 35 European countries and it covers the time period from 1990 till 2011. Evidence is not limited only to parliamentary elections, but also presidential, EP elections and EU referendums. Moreover, except of the figures per country it also provides significant facts that may have occurred during specific elections such as coalitions or resignations of Presidents or Prime Ministers. The exact names of the political parties are included. This particular database has been a valuable source for us in order to support our empirical evidence regarding *political ideology* and how it affects privatization processes.
- World Development Indicators (WDI): It is a dataset of development indicators aggregated by the World Bank. It contains the most updated information about developing and high- income economies in regard of financial, economical, fiscal, social and in general, development facts and figures. It entails 213 different economies and it covers the time period between 1960 and 2010 (World Bank, 2011). This particular dataset has been absolutely helpful to us throughout the process of gathering economic facts concerning the EU-25 member states.
- World Economic Outlook: It is a database attached on the IMF official website containing reports written by IMF staff regarding global economic developments and selected macroeconomic data series. As a matter of fact, information like national accounts, unemployment rates, balance of payments etc can be easily reached through it. The available data originate from 1980 since 2010 and they can be analyzed either on country- level or on country-group level (IMF, 2011). The use of this specific database has added diversity to our accrued empirical evidence regarding the financial position of EU-25 countries.

This was a brief overview of the used databanks and datasets. Of course, the above presented ones were not the sole signs of this specific data source. Databanks like *Parties and Elections in Europe* or the *Statistics Portal* of OECD have been also exploited. In general, our primary target was to ensure the validity of our empirical data, enhance our project's reliability by using diverse sources and diminish the threat of distortion. An efficient way to succeed in that is by using various updated and scientifically recognized evidence.

6. Analysis of the results

This chapter is devoted to the description and interpretation of the empirical evidence that came out of our research. Since our analysis is primarily based on the description of the aggregated on tables data, we found right to include the discussion of the findings in the same chapter. The integration of the results' discussion could assist the reader with the easier and quicker interpretation of the results.

Thus, the structure of this particular chapter is the following one: In subchapter 6.1 we are describing the findings concerning our dependent variable. It is divided in two paragraphs. Indeed, paragraph 6.1.1 provides our descriptive analysis and 6.1.2 the explanatory one. In subchapter 6.2 we are providing the analysis in regard of the effect of the three selected independent variables. Again, the analysis for each independent variable takes place in separate paragraphs, which are also split in a descriptive and an explanatory part.

6.1 Description of the dependent variable

6.1.1 Descriptive analysis

Table 1 reports the evidence concerning the number of bank privatizations –partial or full- and the revenue raised by them. The data is collected from the Privatization Barometer. The findings are classified into five distinct time periods, namely from 1985 till 1989, from 1990 till 1994, from 1995 till 1999, from 2000 till 2004 and finally, from 2005 till 2009. Moreover, on the top there is an extra column, where the privatization earnings' sum for each country is presented in concern of the time period 1985-2009. The privatizations have been also separated depending on the method of their implementation, namely either through Public Offering (PO) - also known as Initial Public Offering (IPO) - or Private Sale (PS). PO is 'the first public offer involving the company shares. At IPO, the company shares are first listed in a stock exchange' (Privatization Barometer, 2011) and PS is 'an equity placement to one or more strategic investor of the company' stock' (Privatization Barometer, 2011). Finally, the number of the privatized banks per country is also reported in the final right column of the table.

The most active bank privatizer seems to be Italy with 35 bank privatizations. 11 of them have been implemented through PO and 24 through PS. The total banks privatized in Italy have been 20. France is following having a record of 21 banks privatized through 22 privatizations, namely 11 through PO and 11 through PS. On the other hand, Western

Table 1. Bank privatizations[1] and revenues in EU-25 (1985-2009)

Country	1985/89 Million USD	1990/94 Million USD	1995/99 Million USD	2000/04 Million USD	2005/09 Million USD	Total 1985/2009 Million USD	PO	PS	Total Banks privatized
Austria	N/A	19,5	2.251,5	1.170,1	N/A	3.441,1	1	6	6
Belgium	N/A	N/A	1.003,1	N/A	N/A	1.003,1	1	1	2
Cyprus	N/A	N/A	N/A	N/A	N/A	0,0	-	-	-
Czech Republic	N/A	28,3	N/A	1.626,8	N/A	1.655,1	0	9	7
Denmark	N/A	102,3	N/A	N/A	N/A	102,3	1	0	1
Estonia	N/A	N/A	58,0	23,9	N/A	81,9	0	2	2
Finland	N/A	243,2	810,6	1.549,4	5.150,0	7.753,2	0	4	4
France	2.551,8	4.155,3	4.294,5	3.955,5	24.430,9	39.388,0	11	11	21
Germany	11,1	3.017,2	1.587,4	1.879,0	2.703,4	9.198,1	4	8	11
Greece	N/A	47,2	1.529,9	1.758,0	5.503,6	8.838,7	11	7	12
Hungary	N/A	75,9	889,9	627,1	357,0	1.949,9	6	10	12
Ireland	N/A	N/A	N/A	529,1	N/A	529,1	0	2	2
Italy	623,2	4.892,2	11.117,3	1.615,1	4,3	18.252,1	11	24	20
Latvia	N/A	N/A	210,9	N/A	108,5	319,4	3	3	4
Lithuania	N/A	N/A	N/A	65,5	N/A	65,5	0	3	3
Luxembourg	N/A	N/A	N/A	N/A	N/A	0,0	-	-	-
Malta	N/A	N/A	198,5	N/A	N/A	198,5	2	0	2
Poland	N/A	320,0	3.524,4	2.534,5	23,5	6.402,4	12	6	12
Portugal	192,6	3.487,2	1.627,4	14,4	N/A	5.321,6	14	9	12
Slovenia	N/A	N/A	N/A	973,8	491,7	1.465,5	1	4	4
Slovakia	N/A	N/A	15,0	1.067,5	N/A	1.082,5	0	6	5
Spain	N/A	N/A	194,1	N/A	2,4	196,5	0	2	2
Sweden	N/A	N/A	1.913,8	425,1	197,8	2.536,7	2	2	3
The Netherlands	1.154,1	N/A	N/A	N/A	7.203,0	8.357,1	1	2	3
UK	99,0	N/A	N/A	N/A	4.300,2	4.399,2	0	2	2

PO: Public Offering
PS: Private Sale
N/A: Not available
Source: Privatization barometer, 2011

European countries like the United Kingdom, Ireland and Belgium have been less active with only 2 banks privatized. PS was the preferred method in UK and Ireland, while in Belgium the two privatizations were implemented through PS and PO. However, the country with the least bank privatization activity is Denmark with only one privatization through PO. There is no bank privatization record available for Cyprus and Luxembourg.

In a sum of 204 bank privatizations and 152 banks partially or fully privatized, 81 of them have been implemented through Public Offering (PO) and 123 through Private Sale (PS). More specifically, PO has been extremely popular in Portugal, where 14 privatizations have been implemented through this particular method. Speaking with facts and figures, the Portuguese government sold 40 per cent of Banco Espirito Santo for 387.8 million USD in 1991 and the remaining 60 per cent for 627.5

[1] For full details regarding bank privatization facts and figures please see Annex 1

million USD in the next year. The privatization of this bank has been also the largest in Portugal. PO has been also the preferred privatization method for the Polish governments too. In fact, 12 bank privatizations through PO occurred in the country between 1985 and 2009. The biggest one has been the PO privatization of 38.5% of PKO Bank Polski SA' shares for 2.35 billion USD in 2004. PO bank privatizations occurred also intensively in Italy, Greece and France, which have a record of 11 PO privatizations. As a matter of fact, the biggest PO privatization was done in Italy in 1998, when the Italian government sold 68.27% of Banca Nazionale del Lavoro for 4.2 billion USD. The second biggest happened in France in 1999, when 50% of Credit Lyonnais SA was sold for 3.4 billion USD. The rest of the countries have hardly preferred PO as a sale method for their banks. The most characteristic is the example of Czech Republic with 9 privatizations and 7 privatized banks, but none of them through Public Offering.

Our above mentioned facts and figures regarding bank privatizations with the method of Public Offering can be also confirmed by Table 2, where PO privatizations and the revenues raised by them have been aggregated. In fact, we can observe that the intense activity of France and Italy with 11 bank privatizations each and the highest revenues among all the inspected countries. The similar activity of Poland with 12 privatizations is not accompanied by similar revenues as well, but with much lower. The same goes for Greece with 11 privatizations. Portugal has been the most active in PO privatizations with a record of 14, but with significantly lower revenues as compared to the aforementioned countries. The trend of PO privatizations is highly positive from 1985 till 1999. Namely, there is a 265% increase of PO privatization revenues from the period 1985/99 to the period 1990/94. An increase of 55% is reported also from 1990/94 to 1995/99. From then on, the trend is negative with a decline of 67% till 2000/04 and 55% from 2000/04 till 2005/09. The total revenue raised from the 81 PO privatizations equals with 44 billion USD.

Table 2. Bank privatizations and revenues in EU-25 through PO (1985-2009)

Country	1985/89 Million USD	1990/94 Million USD	1995/99 Million USD	2000/04 Million USD	2005/09 Million USD	Total 1985/2009 Million USD	PO
Austria	-	-	135,40	-	-	135,40	1
Belgium			950,50			950,50	1
Cyprus							-
Czech Republic	-	-	-	-	-	-	0
Denmark		102,30				102,30	1
Estonia	-	-	-	-	-	-	0
Finland	-	-	-	-	-	-	0
France	2.551,8	4.155,3	3.631,8	-	-	10.338,9	11
Germany	11,1	1.674,9	-	1.879,0	-	3.565,0	4
Greece	-	-	1.397,2	1.603,4	1.915,4	4.916,0	11
Hungary	-	18,0	450,5	133,9	357,0	959,4	6
Ireland	-	-	-	-	-	-	0
Italy	538,4	4.192,4	8.602,4	-	-	13.333,2	11
Latvia	-	-	148,0	-	-	148,0	3
Lithuania	-	-	-	-	-	-	0
Luxembourg	-	-	-	-	-	-	-
Malta	-	-	198,5	-	-	198,5	2
Poland	-	320,0	1.099,0	2.534,5	23,5	3.977,0	12
Portugal	192,6	2.461,6	169,5	14,4	-	2.838,1	14
Slovenia	-	-	-	-	455,0	455,0	1
Slovakia	-	-	-	-	-	-	0
Spain	-	-	-	-	-	-	0
Sweden	-	-	1.913,8	-	-	1.913,8	2
The Netherlands	242,9	-	-	-	-	242,9	1
UK	-	-	-	-	-	-	0
Total	3.536,8	12.924,5	18.696,5	6.165,2	2.750,9	44.074,0	81

On the other hand, in a sum of 123 bank privatizations through Private sale (PS), 24 of them have been done in Italy, which shows the greatest preference to this particular method among all the EU-25 countries. As a matter of fact, the Italian government privatized 100% of Mediocredito Centrale in 1999 raising revenues equal to 2.17 billion USD. France is lying behind Italy in PS privatizations showing a record of 11 such bank privatizations – as many as their PO privatizations-. It has to be mentioned that the sale of 35% of Caisse Nationale de Caisses d'Epargne (CNCE)'s shares for 9.1 billion USD in 2007 has been not only the largest PS bank privatization, but also the largest in our inspected time period 1985-2009. Hungary follows with 10 bank privatizations through Private sale. The most noticeable cases are the almost full privatizations of Postabank Rt. (96.76%) and Magyar Hitel Bank (89.23%), which brought to the country's Treasury 644 million USD.

Table 3. Bank privatizations and revenues in EU-25 through PS (1985-2009)

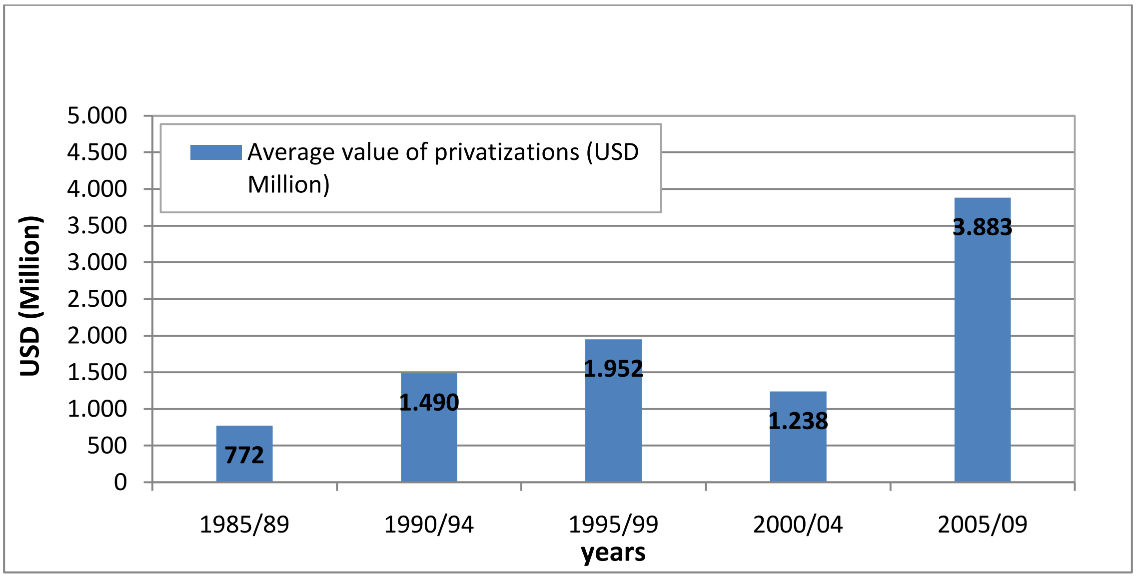
Country	1985/89 Million USD	1990/94 Million USD	1995/99 Million USD	2000/04 Million USD	2005/09 Million USD	Total 1985/2009 Million USD	PS
Austria	-	19,5	2.116,1	1.170,1	-	3.305,7	6
Belgium	-	-	52,5	-	-	52,5	1
Cyprus	-	-	-	-	-	-	-
Czech Republic	-	28,3	1.331,4	1.626,8	-	2.968,5	9
Denmark	-	-	-	-	-	-	0
Estonia	-	-	58,0	24,0	-	82,0	2
Finland	-	243,2	810,6	1.549,4	5.150,0	7.753,2	4
France	-	-	662,7	3.955,5	24.630,9	29.249,1	11
Germany	-	1.342,3	1.587,4	-	2.703,4	5.633,1	8
Greece	-	47,2	132,7	154,6	3.588,2	3.922,6	7
Hungary	-	57,9	439,5	493,2	-	990,7	10
Ireland	-	-	-	529,1	-	529,1	2
Italy	84,8	699,8	2.514,8	1.615,1	4,3	4.918,8	24
Latvia	-	-	62,9	-	108,5	171,4	3
Lithuania	-	-	-	65,5	-	65,5	3
Luxembourg	-	-	-	-	-	-	-
Malta	-	-	-	-	-	-	0
Poland	-	-	2.425,4	-	-	2.425,4	6
Portugal	-	1.025,6	1.457,9	-	-	2.483,5	9
Slovenia	-	-	-	973,8	36,7	1.010,5	4
Slovakia	-	-	15,0	1.067,5	-	1.082,5	6
Spain	-	-	194,1	-	2,4	196,5	2
Sweden	-	-	-	425,1	197,8	622,9	2
The Netherlands	911,2	-	-	-	7.203,0	8.114,2	2
UK	99,0	-	-	-	4.300,2	4.399,2	2
Total	1.095,0	3.463,7	13.860,9	13.649,7	47.925,4	79.976,9	123

Table 3 provides aggregated data in concern of bank privatizations through Private Sale. It is worth mentioning that Italy despite of being the most active PS privatizing country with 24 PS privatizations, they are not the top earners; they are not even among them. Italy is also the only country that shows PS privatization activity throughout the whole time spectrum inspected. France with 11 bank privatizations has raised the highest revenues of 29.2 billion USD. It is also noticeable that the Netherlands lies behind France in regard of raised revenue, despite of having executed only 2 PS privatizations. The total revenues raised through Private Sale are becoming higher after every distinct time period. On the contrary, this is not the case with PO bank privatizations. In that case, there is an increase in total revenues from 1985 till 1999 but also a significant drop from then on until 2009.. The biggest changes are observed from 1990/94 to 1995/99 with a major 300% increase and from 2000/04 to 2004/09 time period with an equally impressive 251% increase in privatization revenues. The total proceeds from 123 PS privatizations during the time period 1985-2009 were almost 80 billion USD.

In general, PS reports a wider diversity among the EU-25 countries. Almost every single privatizing country has a record of PS privatizations. On the contrary, we have observed that PO is a less popular method of sale.

The observation of the bank privatization trends has been a major focus point of this research. Thus, we found it rather useful to express them through a short and understandable way. Chart 1 is reporting the trends of bank privatization among the EU-25 member states during the time period 1985-2009 based on Table 1. The values on each bar are the average revenues raised by bank privatizations concerning the respective time periods. By taking the average values for every period we managed to provide a quick overview of the trend without harming the validity of the results. The chart is reporting the trend taking into account both PO and PS as privatization methods and not separately like Table 2 and Table 3.

Chart 1. Bank privatization trends in EU-25 (1985-2009)



We can observe that the overall trend is constanly positive till the period 1995/99. Especially from 1985 till 1994 the value of the privatizations reported a 93% increase. Afterwards, a severe decline of 36% occurred between the 1995/99 and 2000/04 time periods. However, this decline has been followed by a significant increase of 213%. During the last inspected time period, namely 2005/09, there are reported the highest average privatization revenues, which equal to around 3.9 billion USD.

6.1.2 Explanatory analysis

By observing Chart 1 we are able to recognize a constant positive trend from 1990 since 1999. During 2000 and 2004, however the trend changed into negative. In fact, there is observed a 36.5% decrease of bank privatization revenues from 1995/99 to 2000/04 time period. This was the only time, when the trend has been negative and this seems as a paradox. The years between 2000 and 2004 have been extremely important for the European Union. The enlargement of 2004 with the accession of a number of former communist countries meant at the same time that they should be able to meet the standards of accession of the EU and mostly, the financial ones. In order to do that those centrally planned economies should be transformed into market economies. They were characterized by enormously large public sectors, which were not viable anymore and needed to be contracted. Privatization has always been useful for this purpose and, indeed half of the bank privatizations in that period occurred in the 'newcomers' in Central and Eastern Europe. This should be a reason to keep the positive trend for this respective period too. Nonetheless, this fact did not prove itself enough to balance the negative tendency. The grounds could vary. First of all, the global economy had been tested by a series of consequent crises in the previous years. The Eastern Asian crisis in 1997 and the Russian debt crisis in 1998 were the most notable. The impact of such crises is clearer after some years. Consequently, it could affect the situation in Europe as well by causing a slowing down of the markets' activity. Moreover, as we stated also above the situation in the EU would change radically after the decision for the enlargement in 2004. As always the markets seem to be very cautious in front of such situations. This could explain at some extent why the rest of the EU countries were not so active on the field during that period. Finally, we should not forget that market economies have been quite apparent in Western Europe for a long time. Privatization of their public sectors has been a quite popular and common policy for them. However, the recent crises could have discouraged them from spending much money on buying shares of banks (from other European countries) or make it difficult to find equally high offers for their banks as compared to the previous years.

By inspecting the remaining time periods we can observe several things. From 1985 till 1989 privatization of the banks has not been so common in EU countries. Only 15 of them occurred and the total revenues have been 4.6 billion USD. The scarcity in the occurrence of the phenomenon could be explained by the fact that still there was no trend to proceed to major shrinking of the state. Privatization was aiming more to fix inefficiency problems of the public sector. However, this was not always possible without minimizing the public sector. The French governments during this period preferred to sell 100% of the shares of five of their banks raising 2.3 billion USD. During the 1990s the privatization proceeds for the EU countries became much higher. This could have some different explanations. The Maastricht Treaty had set some criteria under which the EU countries could join the monetary union. They were implying lessening of the annual budget deficits, stabilization of the inflation and the long- term interest rates and the adaptation of a common exchange rate mechanism. The countries in order to decrease their deficits could become more open toward bank privatization. The recent financial crises in Mexico (1994) and Russia (1998) deteriorated the situation on the debt sector and made the countries to look for funds through the selling of their state- owned banks. Indeed, according to the findings of our research among 120 bank privatizations between 1990 and 1999, 59 of them occurred in countries with high (H) government debt and 23 in countries with a medium (M) one. However, we will elaborate on the specific effects of the extended public debts in the following subchapter. During the period 2005/09 the situation became even worse with the biggest financial crisis since the Great Depression. The governments were seeking to enhance the national income accounts and this is the main reason for having total bank privatization proceeds of 51 billion USD by 29 privatizations.

As far as the implementation method of bank privatization is concerned, the research has brought to light some rather interesting findings, which are in need of interpretation. The governments of the privatizing countries have been more in favor of privatization through Private sale (PS) rather than Public Offering (PO). The reason for that could be that the former method of privatization can offer some benefits to the sellers, which most of the times can be proved crucial. First of all, minimization of the transaction costs by reducing the threat of inefficiency. The strategic investors are usually technically capable experts on the field, who bring the know- how and are aiming to the maximization of their revenues. Thus, it is rational to believe that the governments are more likely to search and find such an investor rather than put the shares on the stock exchange market and wait for their sale. Moreover, through a Private Sale the governments can achieve a raise of more revenues as compared to PO. By making their banks available for sale –either partial or full- they also put the potential buyers/investors on a state of competitive bidding. They will have to present the best offer to the governments and hence they will have managed to maximize their revenues. Indeed, our research has shown that in general, the PS privatizations have been more expensive than the PO ones. The average value of transaction during a PS privatization for the time period 1985-2009 was 650 million USD whereas the respective value during a PO privatization has been 544 million USD. We have also observed that Private Sale has been far more popular than PO during the 2000s. 54 bank privatizations have been implemented through PS and only 15 through PO for the period 2000/09. The average proceeds raised by the former have been way higher. The average PS bank privatization has generated 1.1 billion USD contrary to the much less 594 million USD of a PO privatization. The explanation could be dual. First, the governments were in need of as much funds as possible in order to fill their budget deficits, which were caused by the financial crisis. Negotiating with the candidate investors could have maximized their chances to get a better offer and consequently more money. Apart from this, the seriousness of the situation was implying a swift and professional solution. As there was no time for waste the governments were in favor of quick solutions. As we also explained above, PS generally is considered as quicker in its implementation in comparison to PO.

6.2 The effect of the independent variables

In this subchapter we are presenting the findings of our research in regard of our selected independent variables and their connection with the dependent one. In order to provide an apprehensive picture of the results, we have divided the subchapter into three different paragraphs. Thus, paragraphs 6.2.1, 6.2.2 and 6.2.3 are devoted to presenting our findings in concern of each one of our three independent variables.

6.2.1 The size of the central government debt

6.2.1.1 Descriptive analysis

In Chapter 3 we revealed the size of the countries' debt as a factor directly related to privatization. In Chapter 4 we showed that the central government debt would be the most suitable indicator for the public debt. Hereby we are providing the findings of our research in regard of the connection of the central government debt's size and the occurrence of bank privatization.

Table 4 is providing the respective information. The blue columns regard privatization details, namely the number of the total bank privatizations per country regardless the method of their implementation. Moreover, the total revenues for the 1985/2009 time period in USD million per country are also supplied. The white columns are actually presenting in what extent the independent variable affects the dependent one. As a matter of fact, we have classified the countries' central government debt[2] as a percentage of their GDP into High (H), Medium (M) and Low (L) under the following criterion. Since there is no official rule to dictate the classification of the public debts in relation to their size we based our own classification on the European Community Treaty. More specifically, article 121 (1) of the Treaty states clearly that a country's 'ratio of gross government debt to GDP must not exceed 60% at the end of the preceding fiscal year'. Having that in mind we classified the debt as follows: i) Low: 0-20% of GDP, ii) Medium: 21%-59% of GDP, High: $\geq$ 60% of GDP.

[2] For detailed figures concerning the central government debt of the countries as a percentage of their GDP please see Annex 2

Table 4. The impact of central government debt's size on bank privatization

Country	Bank privatizations	Total 1985/2009 Million USD	Central government debt' s size		
			H	M	L
Austria	7	3.441,1	5 (71%)	2 (19%)	-
Belgium	2	1.003,1	2 (100%)	-	-
Cyprus	-	0,0	-	-	-
Czech Republic	9	1.655,1	-	-	9 (100%)
Denmark	1	102,3	1 (100%)	-	-
Estonia	2	81,9	-	-	2 (100%)
Finland	4	7.753,2	-	4 (100%)	-
France	22	39.388,0	13 (59%)	9 (41%)	-
Germany	12	9.198,1	4 (33%)	2 (17%)	6 (50%)
Greece	18	8.838,7	18 (100%)	-	-
Hungary	16	1.949,9	16 (100%)	-	-
Ireland	2	529,1	-	2 (100%)	-
Italy	35	18.252,1	35 (100%)	-	-
Latvia	6	319,4	-	1 (17%)	5 (83%)
Lithuania	3	65,5	-	3 (100%)	
Luxembourg	-	0,0	-	-	-
Malta	2	198,5	-	2 (100%)	-
Poland	18	6.402,4	4 (22%)	14 (78%)	-
Portugal	23	5.321,6	7 (30%)	16 (70%)	-
Slovenia	5	1.465,5	-	5 (100%)	-
Slovakia	6	1.082,5	-	6 (100%)	-
Spain	2	196,5	1 (50%)	1 (50%)	-
Sweden	4	2.536,7	2 (50%)	2 (50%)	-
The Netherlands	3	8.357,1	2 (67%)	1 (33%)	-
UK	2	4.399,2	-	2 (100%)	-

H: HIGH
M: MEDIUM
L: LOW

It is obvious that the most active privatizing countries such as Italy with 35 bank privatizations or Greece with 18 have been constantly under the burden of high central government debts. Especially for Italy the debt/GDP ratio had been over 100% since 1993. The ratio has been high for Greece too with its peak at 109.8% of GDP during the time period 2005/09. France is among the most active privatizers with 22 privatizations and the biggest revenues among all the countries. Again, all the bank privatizations have been done, when the country suffered a high or a medium government debt. The most characteristic example is the 35% sale of Caisse Nationale de Caisses d'Epargne for 9.1 billion USD in 2007. This has been the most expensive bank privatization and at that time France had a 72.4% central government debt as a share of her GDP. On the other hand, the Czech governments have privatized, when the country had a low debt. As a matter of fact, they performed nine bank privatizations raising almost 3 billion USD when the country's government debt was lying between 11.4% and 17.1% of her GDP only.

[3] See also Annex 2

6.2.1.2 Explanatory analysis

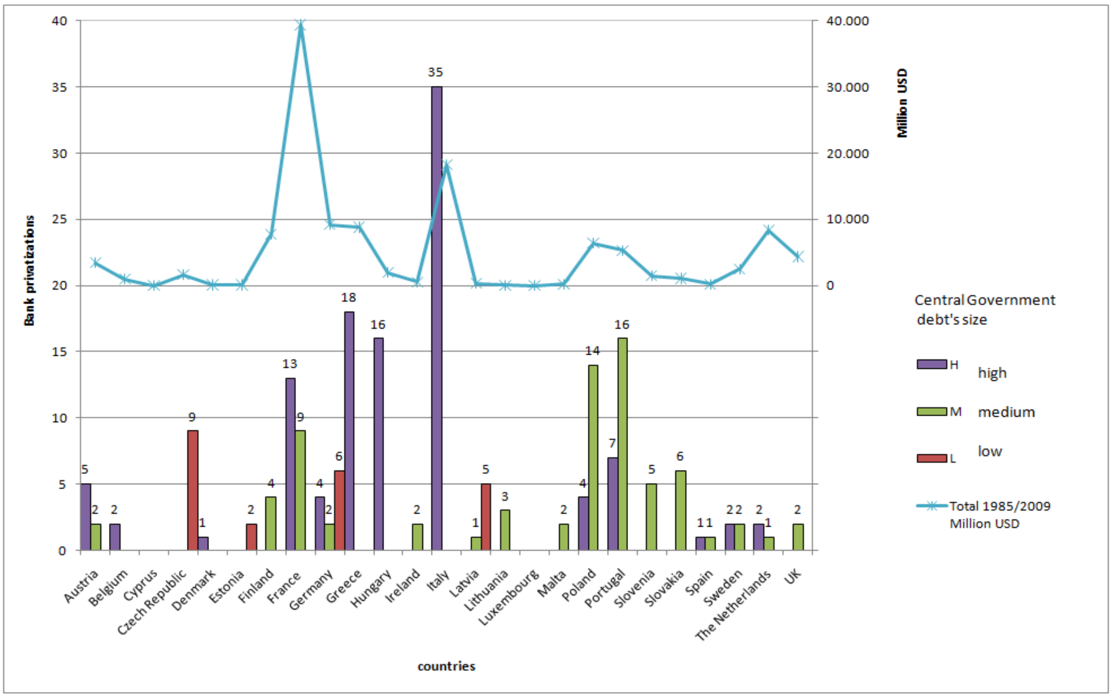
We have been able to test the effect of the size of the public debt on the frequency of bank privatizations in total 204 cases. We mentioned also above that the convergence criteria set by the Maastricht Treaty as well as the various financial crises all over the world have influenced the European economies. Europe had a poor record regarding the public debt of her countries and situations like the Russian debt crisis or the recent one made the situation even worse. In such cases the interest rates are becoming higher making the financing of the country problematic. The inflation rates play also a crucial role since an increase of them along with the high interest rates can put severe limitations to the governments' efforts for sustainable debt management. The Maastricht Treaty had set the terms concerning the size of the countries' debt in view of joining the European Monetary Union.

The cases of Italy and Sweden could be characterized as representative. Italy's average central government debt as a percentage of her GDP from 1985 till 2009 has been constantly over 100%. The period 1995/99 was extremely active for Italy regarding bank privatizations. The governments implemented the most bank privatizations as compared to the other time periods and managed to raise more than 110 billion USD. Till 1999 the average government debt for Italy was 127% of GDP. After this wave of privatizations the average fell into 113%. Sweden's case is quite similar. Sweden has a record of just four bank privatizations. However, the country faced severe debt problems from 1995 until 1999. It was then that they decided to proceed to the partial privatization of one of the major Swedish banks. The privatization proceeds for the 51.4% sale of Nordbanken Holding AB have been 1.9 billion USD. This equals to 79% of the country's total bank privatization revenues. After that the average Swedish central government debt had been 50.9% of GDP contrary to the 84.5% of the 1985/99 period.

On the other hand, we have observed that the cases of the transition economies had different characteristics. In a total of 65 bank privatizations in the countries of Central and Eastern Europe that joined the EU recently, only 16 of them have been implemented under the burden of a high (H) debt. This could have happened due to the fact that those countries were having centrally planned economies till the collapse of communism. No liberalization of the economy equals to less financial threats since everything operate under collective rules and not the 'rules of the market'. We should note by here that the sixteen bank privatizations under high government debt occurred in just one country, namely Hungary. Hungary encountered significant problems with her economy in the mid 1990s. 12 out of 14 Hungarian bank privatizations occurred between 1990 and 1999 bringing to the national Treasury 966 million USD and a decrease of the central government debt. Indeed, the average public debt for the period 2000/09 dropped to 67.4% of GDP while its average value for the period 1985/99 has been 75.5%.

Testing the hypothesis

Chart 2. Connection of bank privatization and central government debt



The hypothesis linked to the role of the countries' debt on the occurrence of bank privatization was the following one: *H1. Countries with higher debts are more likely to privatize state- owned banks*. As we can see in chart 2, the hypothesis has been tested in total 204 cases. As we see, 110 bank privatizations were implemented when the countries had high (H) central government debt, 72 with medium- sized debt (M) and only 22 under low (L) debt. Moreover, the L's are associated with only three countries out of 25. On a country level eight countries have privatized their state-owned banks under high indebtedness, whereas 13 countries did the same under high or medium indebtedness. On the other hand, bank privatization occurred in only two low- indebted countries and in four countries under medium and low indebtedness. Therefore, with only 22 L's and on the other hand, 72 M's and 110 H's this hypothesis is true.

6.2.2 The political orientation of the governments

6.2.2.1 Descriptive analysis

In Chapter 3 we stated that conservative governments should be more likely to privatize. In order to find out if our hypothesis was true, we researched the election results[4] in EU-25 and connected them to the occurred bank privatizations.

Table 5. The impact of the governments' political ideology on bank privatization

Country	Bank privatizations	Total 1985/2009 Million USD	Government type			
			CON	SOC	LIB	CEN
Austria	7	3.441,1	-	7 (100%)	-	-
Belgium	2	1.003,1	2 (100%)	-	-	-
Cyprus	-	0,0	-	-	-	-
Czech Republic	9	1.655,1	1 (12%)	8 (87%)	-	-
Denmark	1	102,3	-	1 (100%)	-	-
Estonia	2	81,9	-	-	1 (50%)	1 (50%)
Finland	4	7.753,2	-	2 (50%)	-	2 (50%)
France	22	39.388,0	9 (41%)	13 (59%)	-	-
Germany	12	9.198,1	9 (75%)	3 (25%)	-	-
Greece	18	8.838,7	7 (16%)	11 (84%)	-	-
Hungary	16	1.949,9	1 (6%)	15 (94%)	-	-
Ireland	2	529,1	-	-	-	2 (100%)
Italy	35	18.252,1	17 (49%)	18 (51%)	-	-
Latvia	6	319,4	2 (33%)	4 (67%)	-	-
Lithuania	3	65,5	3 (100%)	-	-	-
Luxembourg	-	0,0	-	-	-	-
Malta	2	198,5	2 (100%)	-	-	-
Poland	18	6.402,4	10 (56%)	8 (44%)	-	-
Portugal	23	5.321,6	13 (57%)	10 (43%)	-	-
Slovenia	5	1.465,5	2 (40%)	-	3 (60%)	-
Slovakia	6	1.082,5	6 (100%)	-	-	-
Spain	2	196,5		2 (100%)	-	-
Sweden	4	2.536,7	-	4 (100%)	-	-
The Netherlands	3	8.357,1	3 (100%)	-	-	-
UK	2	4.399,2	1 (50%)	1 (50%)	-	-

CON: CONSERVATIVE
SOC: SOCIALIST
CEN: CENTRIST
LIB: LIBERAL
Sources (election results): NSD EED (2011), Psephos database (2011)

Thus, this is the structure of Table 5. Again, the blue columns provide us with the same as in Table 4 privatization figures. The white ones report how many privatizations were performed under four certain types of government. The percentages in the brackets next to the number of bank privatizations per country reflect the the share of the total ones implemented by a particular government type.

[4] For details about election results please see Annex 2

The types are explained on the label of the table. 41.6% of the bank privatizations have been done under conservative governments (CON) whereas 53.9% of them occurred when socialist governments were in charge. Italy as the most active privatizer is reporting a balance between the types of her privatizing governments. In fact, 17 out of 35 bank privatizations in Italy occurred under a conservative government, while the remaining were imposed by a socialist one. Actually, the Italian Socialists have been proved more capable in achieving larger revenues through bank privatization. The total revenues for the Italian socialist governments have been 11.3 billion USD contrary to the conservative ones that managed to raise 7 billion USD only. Moreover, the most expensive bank sale in Italy happened in 1998, when the socialist government of Romano Prodi sold 68.27% of Banca Nazionale del Lavoro for 4.2 billion USD. France seems also to be quite balanced with 9 privatizations under conservative and 13 under socialist governments. The paradox here is that the Conservatives managed to raise 313% more funds than the Socialists despite the fact that the latter performed four privatizations more. In fact, the 35% sale of Caisse Nationale de Caisses d'Epargne for 9.1 billion USD under the UPM government of the Socialist Francois Fillion in 2007 has been the largest one in EU-25 during the period 1985-2009. Portugal, Poland and Greece as major privatizing countries report also a balance between socialist and conservative privatizing governments. On the contrary, Austria’s privatization record has been written only by socialist governments while six out of six bank privatizations in Slovakia occurred under conservative governments only.

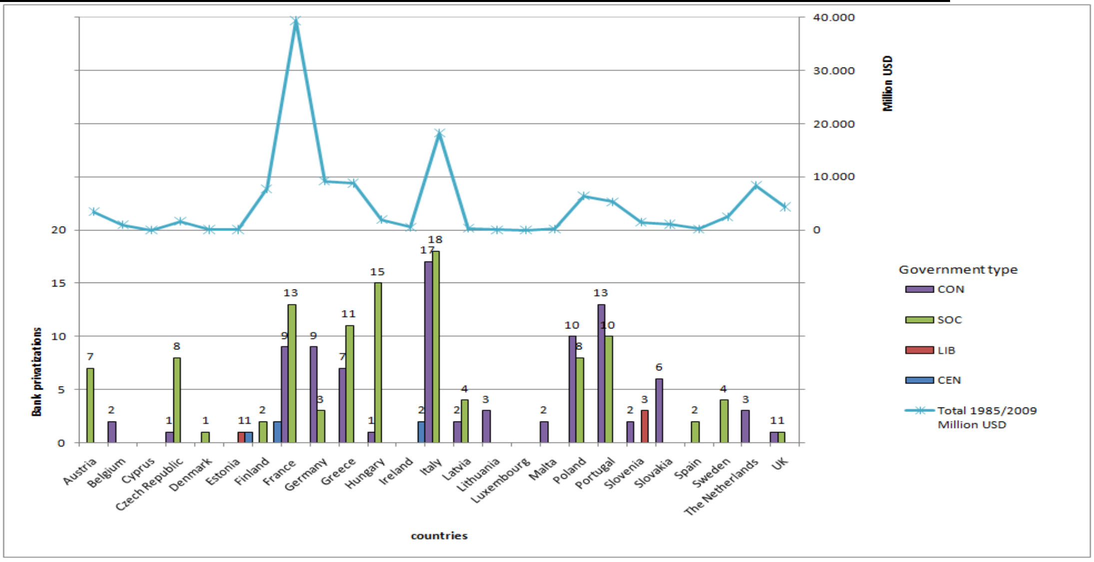
6.2.2.2 Explanatory analysis

The literature review led us to explore the link between the political ideology of the privatizing countries’ governments and the frequency of bank privatization in those countries. Our research findings have directed us to some conclusions. Before starting with them it would be useful to give an overview of what is lying behind the terms ‘conservative’ and ‘socialist’ since they are absolutely relevant to our research. We will focus on the economical aspect of their ideology. In few words, the conservative politicians adopt more easily market friendly policies. They are in favor of the market liberalization and prefer the ‘law of the market’ rather than collective solutions and central control. On the other hand, the socialists are more in favor of the preservation of the public property. They are closer to trade unions and the labor force and they seek to ensure their voters' rights by protecting, first of all their jobs. All those facts should imply that the majority of the bank privatizations should have been implemented under conservative governments.

However, this is not the case in our research. We have observed that especially in countries with an extended bank privatization record the political orientation of the government does not have any impact. The case of Italy is the most representative with 17 privatizations under conservative and 18 under a socialist government. The same balance is apparent also in the other active bank privatizers such as France, Portugal and Greece. This shows us that privatization in these countries is not just an attribute of certain political parties but a common policy tool used widely by all the governments regardless their political ideology. Apart from this, we have observed that the average bank privatization under socialist governments was worth of 441 million USD. The average bank privatization under conservative governments was worth almost the double, namely 807 million USD. This fact could be linked to the description of both ideologies above. Namely, the conservative governments were more likely to move under the market rules and seek for the highest possible revenue. At the end, they were achieving to sell for better prices in comparison to the socialists, who might be not so familiar with liberal economic policies. Moreover, we have observed that during the years of the current financial crisis, the voters have supported more conservative rather than socialist governments. In fact, during the 2004/09 period, twenty-one out of twenty-eight bank privatizations occurred, when a conservative government was in charge. This could be based to the voters' perception that conservative politicians are more likely and more capable to privatize.

Testing the hypothesis

Chart 3. Connection of bank privatization and political orientation of the governments



The hypothesis linking the political orientation of the governments with the occurrence of bank privatization is: *H2. Governments consisting of right- wing parties are more likely to privatize state- owned banks.*

As we can see in chart 3, 85 bank privatizations were implemented by conservative, 110 by socialist, 4 by centrist and 4 by liberal. Most of the countries do not seem to privatize, when only a conservative government is in charge. This is clearer if we observe the findings regarding the most actively privatizing countries. On country level, bank privatization under conservative governments has occurred in only five countries. On the other hand, in ten countries bank privatization has been implemented by both conservative and socialist governments. There are also seven countries, where none bank privatization was imposed by conservative governments. Our research shows that privatization is applicable widely regardless the ideologies of the governments. Therefore, we conclude that this hypothesis is false.

6.2.3. Influence of multilateral organizations

6.2.3.1 Descriptive analysis

As we stated also in Chapter 4 the influence of the multilateral organizations on the occurrence of bank privatization will be measured by inspecting the net official aid and the official development assistance[5] that were received by the EU-25 member

[5] For full details regarding aid facts and figures in EU-25 please see Annex 2

states during the time period 1985-2009. The structure of the table is similar with the structure of tables 4 and 5. Namely, the white columns represent the aid inflows to the countries as High (H), Medium (M) and Low (L). The N/A column includes the cases for which no correlation with aid inflows could be made either because they were not applicable to certain countries or due to the fact that the respective data were not available. The classification of the aid inflows into High, Medium or Low has been made with the following method. First of all, we gathered the aid data concerning the receiving countries.

Table 6. The impact of multilateral organizations on bank privatization

Country	Bank privatizations	Total 1985/2009 Million USD	Influence of multilateral orgs.			
			H	M	L	N/A
Austria	7	3.441,1	-	-	-	7
Belgium	2	1.003,1	-	-	-	2
Cyprus	-	0,0	-	-	-	-
Czech Republic	9	1.655,1	-	4	5	-
Denmark	1	102,3	-	-	-	-
Estonia	2	81,9	2	-	-	-
Finland	4	7.753,2	-	-	-	4
France	22	39.388,0	-	-	-	22
Germany	12	9.198,1	-	-	-	12
Greece	18	8.838,7	-	-	-	18
Hungary	16	1.949,9	2	3	10	1
Ireland	2	529,1	-	-	-	2
Italy	35	18.252,1	-	-	-	35
Latvia	6	319,4	5	-	-	1
Lithuania	3	65,5	3	-	-	-
Luxembourg	-	0,0	-	-	-	-
Malta	2	198,5	2	-	-	-
Poland	18	6.402,4	15	2	-	1
Portugal	23	5.321,6	-	-	-	23
Slovenia	5	1.465,5	-	-	3	2
Slovakia	6	1.082,5	-	6	-	-
Spain	2	196,5	-	-	-	2
Sweden	4	2.536,7	-	-	-	4
The Netherlands	3	8.357,1	-	-	-	3
UK	2	4.399,2	-	-	-	2

H: HIGH
M: MEDIUM
L: LOW
N/A: NOT AVAILABLE/ NOT APPLICABLE
Source (aid facts): WDI (2011)

Then, we did the same for their respective Gross National Income (GNI) figures[6]. Afterwards, we divided ODA flows with GNI of the respective country (the division

[6] See also Appendix 2 for full details

has been made by using the average values of both indicators for the distinct time periods, 1985/89, 90/94, 95/99, 2000/04 and 05/09). The values that came out had a range 0.3%- 2% of the countries' GNI. Thus, having a mean of 0.7%, we classified the aid inflows in Low [0- 0.39%], Medium [0.4%- 0.69%] and High [0.7%, +∞]. The aid assistance is applicable to 9 out of 25 countries, which means 62 out of total 204 cases.

Poland has been the most aid dependent country having performed 17 privatizations with high aid inflows and 1 with medium. In fact, the Polish governments raised 320 million USD for the period 1990/94, when the country's ODA/GNI ratio was equal to 2% and the total official aid received in that period was 8.1 billion USD. Moreover, it has to be mentioned that during the 1985/04 period Poland has received the most official aid as compared to the rest of the countries. Poland received in total 22.2 billion USD. However, the most profitable bank sale in the country took place in 2004, when the ratio was 0.5% and was considered as medium. It was the 38.5% sale of PKO Bank Polski for 2.4 billion USD, which brought more than 50% of Poland's bank privatization revenues. Hungary, on the other hand, had most of her bank privatizations under a low aid assistance impact. They were all during the period 1995/99 and the country raised 890 million USD by them. The most important of them has been the 25% sale of OTP Bank for 213 million USD in 1997. The ODA/GNI ratio of the country during that period was 0.3% and the average amount of official aid for that period has been 413 million USD. Hungary has been the second country in the list with the aid dependent ones. They have received in total 3.3 billion USD.

6.2.3.2 Explanatory analysis

The influence of the multilateral organizations has been measured by showing the degree of aid dependence of the privatizing country. 41 bank privatizations under official aid occurred during the period 1990/99. 25 have been classified as High (H). The high aid dependency in that period could be explained by the difficult financial situation globally with the consequent debt crises as well as the fact that those countries were experiencing the transition from central to market economies.

<u>Testing the hypothesis</u>

The hypothesis linking bank privatization with the influence of multilateral organizations is: *H3. The bigger the influence of the multilateral organizations the more likely governments are to privatize their state- owned banks.*

Chart 4. Connection of bank privatization and influence of the multilateral organizations

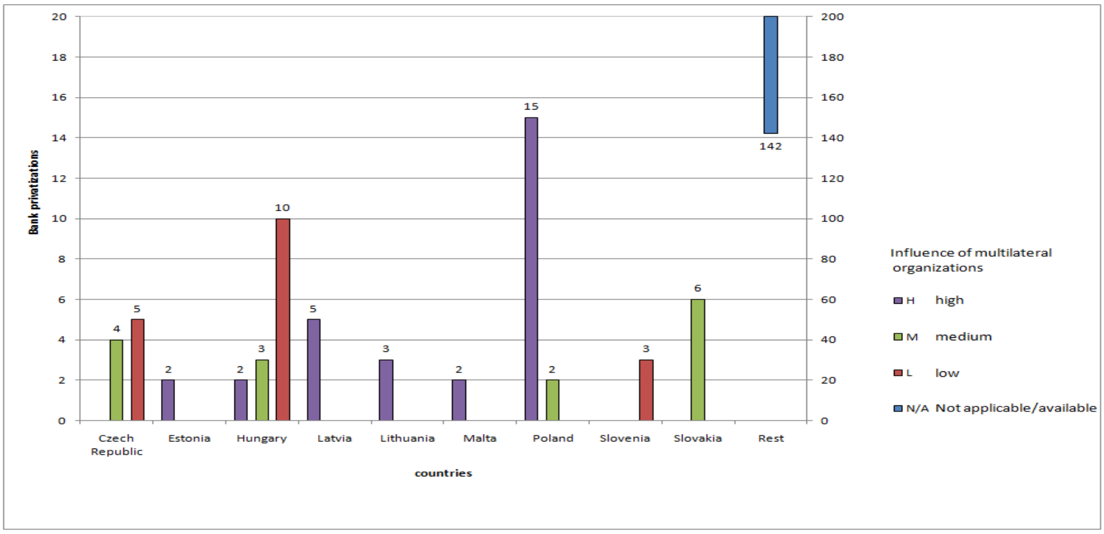


Chart 4 assists us with the testing of the hypothesis. As we can observe official aid and official development assistance is not applicable to most of our countries. In case we would like to test the hypothesis based on the 62 cases with the available aid-receiving countries, we would yield the following results. With 29 H's, 15 M's and 18 L's the power of the hypothesis does not seem sufficient. More than 50% of the selected cases have occurred under medium or low aid dependence. This would be enough to turn this hypothesis to be false. However, as it is clearly observed the cases with zero value constitute the majority. This fact along with the above mentioned findings makes us conclude that this hypothesis is false.

7. Concluding remarks & recommendations

In this research we focused on the exploration of possible factors for bank privatization in the European Union. Our sample was consisting of 204 cases among the EU-25 member states. After thorough scanning of the relevant literature we came up with three possible factors that may have affected the process of bank privatization. The influence of each factor separately as well as a final answer to the main research question of this thesis will be provided in subchapter 8.1. In subchapter

8.2 we are supplying an overview of the difficulties we experienced during this research. Subchapter 8.3 is about our future research implications. Finally, in 8.4 we are moving a step further and we offer some policy implications regarding the topic of the research and the implementation of it.

7.1 Answer to the main research question

The main research question is: '*Which factors lead to privatization of the banks in the European Union?*'. We have investigated the power of three particular factors. Those are: i) the size of the government debt, ii) the political orientation of the governments- conservative governments are supposed to be more favorable towards privatization- and iii) the influence of the multilateral organizations.

As far as factor (i) is concerned the findings of the research are the following ones. The size of the central government debt seems to hold a significant role in triggering the bank privatization process. In a sum of 204 cases, 110 of them occurred when the countries' debt was regarded as high. Moreover, on a country level eight countries have privatized their state- owned banks under high indebtedness, whereas 13 countries did the same under high or medium indebtedness. On the other hand, bank privatization occurred in only two low- indebted countries and in four countries under medium and low indebtedness. Therefore, we conclude that the factor '*size of central government debt*' seems to be significantly linked to the occurrence of bank privatization in the European Union.

In regard of factor (ii) and its influence on the privatization of banks in the European Union our research yielded the following findings. On European level, 85 bank privatizations occurred under conservative governments and 108 under socialist ones. On country level, bank privatization under conservative governments has occurred in only five countries. On the other hand, in ten countries bank privatization has been implemented by both conservative and socialist governments. There are also seven countries, where not even a single bank privatization has been imposed by conservative governments. We observe that privatization is not an attribute of particular types of government, but a common policy tool in the hands of any government regardless its orientation. Therefore, we conclude that generally, the political color of the government does not affect the occurrence of bank privatization in the European Union and that this factor does not hold particular power in our research.

Finally, the analysis about the influence of factor (iii) on bank privatization in the European Union supplied us with the following results. Only 62 out of 204 cases were valued –the rest was zero- since official aid was applicable only to specific countries. In case we wanted to test the hypothesis with the available cases only, we would see that the linkage between aid and bank privatization is not so strong. In fact, only 29 bank privatizations occurred, when the countries had received high official aid. The rest were imposed, when the countries received medium or low official aid. Therefore, we conclude that the influence of the multilateral organizations did not play any intrinsic role in the occurrence of bank privatization in the European Union.

To sum up, the size of the central government debt seems to be a crucial factor for the implementation of bank privatization. A higher debt equals to an increased privatization rate. The political orientation of the governments is not positively linked to bank privatization. Conservative governments are not more likely to privatize as compared to socialist and other types of government. Finally, the influence of the multilateral organizations on bank privatization in the European Union is considered to be rather low. It has been applicable in only few cases and even in them there is no sign of correlation of high official aid flows and respectively high bank privatization rates.

7.2 Research limitations

During our research we encountered various difficulties. First of all, no data regarding privatization of banks was available. Our main data feeder, namely the Privatization Barometer provides privatization details of financial institutions, insurance providers, real estate agencies and investment groups in one segment. Our task to locate banking institutions among them has been rather demanding. Sometimes it was extremely hard to distinguish a bank since it could be at the same time a shareholder of an insurance company or a brokers' office and also involved in a privatization under the name of the bank. Apart from this, we were not able to collect bank privatization data for some EU countries such as Cyprus, Luxembourg, Bulgaria and Romania. As a matter of fact, no signs of bank privatization have been located in Cyprus and Luxembourg. The explanation for the 'newcomers' of the Union, namely Romania and Bulgaria lies on the fact that due to their recent EU accession, Privatization Barometer does not cover their privatization history yet. This fact had a slight impact on the scope of the research. Apart from this, information concerning countries' debt details could not be easily reached. This was especially observed on the time period 1985-1994. Furthermore, since the gross central government debt involves various factors that must be taken into account for its measurement, the different databases we used for this specific data collection were sometimes presenting diverging figures. In that case, we had to make sure that we are using the most proper data from a sole source at a time. Another limitation we faced was the characterization of the political parties' ideology. In some cases there was no exact political orientation of the governing party; in other cases parties that had won older elections are not in existence right now. In both circumstances we had to be able to identify their beliefs through extensive research of older literature or other sources. Finally, we had planned a series of interviews in Greece and in Germany with senior officers of domestic banks. Unfortunately due to their congested schedules we were unable to meet them. Therefore, we could not enrich our evidence by using one more source of data.

7.3 Research implications

When a multidimensional phenomenon such as privatization is under inspection, there are definitely multiple explanations of it. Our research focused on three factors that have an impact on the occurrence of bank privatization however several recommendations for further research on the topic can be provided. First of all, we have looked into the influence of the multilateral organizations on EU-25 bank privatization. We have found that the impact of them could be considered as insignificant. Nonetheless, since we are talking about privatization in the European Union it would be interested to investigate the particular role of EU institutions like the European Parliament or the European Commission. After the Maastricht Treaty many new developments have occurred in the Union and a research on the impact of those actors could shed more light to the exploration of the phenomenon.

Moreover, the distinct role of Brussels could be also researched. Numerous interest groups like private sector unions, lobby groups and trade unions are involved in the decision making process that takes place in Brussels. Everyone is looking at privatization from his own angle and they are trying to promote or secure their interests. The privatization of banking institutions could be a way to accomplish their own missions, do some research on that direction could further contribute to the apprehension of the reasons for bank privatization.

We have observed that generally the participation of the private sector in the economic developments is sought by the governments. The incentives are primarily financial or associated with efficiency improvement. However, it cannot be denied that through the intensive involvement of the private sector, governments are trying to reduce their own risks and put a share of them on the private investors. Therefore, we are suggesting the conduct of a research relevant with risk management and privatization policies. Particular risks taken by the governments such as investment risks could be correlated with bank privatization policies. A proper balance between them and the revelation of the best way to achieve minimization of the risk and maximization of the investment's performance could be the topic of the research.

It is our firm belief and we have stated it many times throughout this thesis that privatization has various aspects. One of them is the social one. Actually, it has been claimed that it aims to redistribute the wealth. Therefore, it would be useful to see a research that assesses the capability of privatizers in wealth redistribution. Of course, it could not be limited only to that. Namely, research regarding other possible social objectives of privatization like the contribution to the growth of particular communities (cities, towns etc.) or the impact on unemployment rates. Does it contribute to the decrease of unemployment or due to its occurrence more working force is becoming redundant?

Furthermore, we could propose a research that investigates the impact of corruption on the occurrence of privatization. As a matter of fact, corruption has been blamed for many flaws in the smooth operation of a country. It is associated with reduced efficiency of certain organizations and the staff of them as well as with the creation of financial burdens to the governments. This could be also a reason that makes governments more likely to privatize. Thus, it would be useful to see if there is any correlation of corruption with the triggering of privatization process and in what extent.

Besides, as we stated also in chapter 7 financial crises have played their particular role in the occurrence of privatization due to the problems they caused to the countries' economies. However, not every crises share the same characteristics. Additionally, not every crises affect countries in a similar way. Therefore, a research regarding the effects of particular crises –either on European country level or EU as a group of countries- and how they have influenced the governments towards privatization would be contributory to the body of knowledge.

Finally, since we are talking about privatization of banking institutions it seems interesting to evaluate the results of it. In other words, the revelation of the reasons that may cause privatization is equally important to the assessment of its implementation. In that case, we would like to suggest the conduct of a research relevant with bank efficiency in the European Union. There is no doubt that numerous prior researches looked into bank efficiency in other regions of the world or even in specific European countries. However, none of them was conducted on an EU level. In that direction, it would be rather useful to adopt a before-after approach, where the efficiency of the banks would be measured before and after the implementation of the privatization program.

7.4 Policy implications

Taking into account the findings of our research we can now provide some recommendations regarding privatization and its implementation. First, our research has revealed that when countries face critical financial situations they are more open towards privatizations. Excessive debts and budget deficits are some of the reasons. Those usually occur due to inefficient, loss- making SOE's. In that case a monitoring and reporting mechanism could be proved valuable. Governments should be able to develop such a system that observes and reports immediately possible flaws in the operation of state- owned enterprises. That way they could precede deterioration in its performance and avoid sustaining excessive losses due to this. This mechanism could be managed by an independent agency. A special agency that has the leeway to act independently could be also regarded as more transparent and credible.

Moreover, governments should bear in mind that privatization is not a universal solution. Every case has its own characteristics and privatization meets them in various ways. Therefore, the state officials should be able to sort their priorities. The goals and the objectives they are aiming to accomplish must be clearly stated before the implementation of the program and after thorough inspection of all its aspects.

After making clear what the problem is and how it could be solved by the implementation of privatization, governments should be able to attract the private investors. In order to make this happen there must be some incentives for the sought strategic partners. Lower taxation, productivity bonuses for the SOE, partial or –if necessary- total erase of the company's debt, offering of the company in competitive price and cultivating and environment where the future private sector can flourish, are some weapons in hands of the governments in order to persuade the private investors.

Without any doubt, the attraction of the private investments can contribute to the economy's growth through the creation of a more competitive market. Nonetheless, the state officials should not limit themselves in exploring possible ways to captivate private investors. They should be also able that the current managers of the SOE's are sufficiently capable of holding their positions. Thus, by adopting a series of stricter and more systematic controlling of their efficiency –similar to those of the private sector- they could ensure that the company is not generating any loss.

Finally, we have clearly observed that privatization can bring really high revenues to governments. As some may understand, a moral hazard is more than likely to occur in such cases. Therefore we come up with the following suggestion. The creation of standing committees consisting of privatization and public administration experts under the surveillance of the ministries of Economics and Interior Affairs. Representatives of both ministries could participate as observants and they would be also charged to make the committees aware of the national privatization goals. The committees would be distinguished according to the respective sectors (telecommunications, banks, transportation etc). The members of them should be able to work on the specified by the government targets, but also allowed to make their own recommendations. In that way we could ensure that privatization will be treated with professionalism by the most suitable persons. Moreover, we could achieve a regular maximization of privatization proceeds because of the experts' involvement. Apart from this, by establishing this kind of committees and setting two major ministries as their 'supervisors', privatization is becoming a major topic of the national agenda and receives the necessary attention. The type of the committee (standing) makes sure that they are to set and control pre-defined targets and reduces the danger of a moral hazard. Privatization would be meant as a policy to counter specific threats and not as an occasion to raise money for suspicious reasons.

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Annex

Annex 1. The 'mirror' of the research

Annex 2. Tables

Annex 1: The ‘mirror’ of the research

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Legend	
SOC: socialist	PS: private sale
CON: conservative	PO: public offering
LIB: liberal	N/A: not available / not applicable
CEN: centrist	

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
31.12.1992	1992	Sparkasse Schaerding	Austria	100	15,75	PS	SOC	M	N/A
16.09.1992	1992	Sparkasse Neumarkt	Austria	100	3,75	PS	SOC	M	N/A
20.10.1995	1995	Salzburger Sparkasse AG	Austria	70	189,95	PS	SOC	H	N/A
31.12.1996	1996	Bank Austria AG	Austria	19	135,40	PO	SOC	H	N/A
11.03.1997	1997	Creditanstalt-Bankverein AG	Austria	69,5	1.537,11	PS	SOC	H	N/A
18.02.1998	1998	Bank Austria AG	Austria	6,7	389,00	PS	SOC	H	N/A
19.08.2000	2000	Oesterreichische Postsparkasse	Austria	75	1.170,07	PS	SOC	H	N/A
08.09.1995	1995	SNCI-NMKN	Belgium	41,4	52,49	PS	CON	H	N/A
19.11.1996	1996	Credit Communal de Belgique SA	Belgium	50	950,50	PO	CON	H	N/A
11.02.1992	1992	Zivnostenska Banka AS (Czechoslovakia)	Czech Republic	52	28,30	PS	CON	L	L
	1998	Investicni Postovni Banka	Czech Republic	36	81,30	PS	SOC	L	L
01.06.1998	1998	CeskÃ¡ Sporitelna	Czech Republic	11,8	60,00	PS	SOC	L	L
22.06.1998	1998	Agrobanka Praha	Czech Republic	100	15,06	PS	SOC	L	L
25.06.1999	1999	CSOB	Czech Republic	69,09	1.175,00	PS	SOC	L	L
01.03.2000	2000	CeskÃ¡ Sporitelna	Czech Republic	52,07	527,91	PS	SOC	L	M
05.10.2001	2001	Komercni Banka	Czech Republic	60	1.058,93	PS	SOC	L	M
30.09.2001	2001	CeskÃ¡ Sporitelna	Czech Republic	5,81	26,87	PS	SOC	L	M
30.04.2002	2002	Prvni Mestska Banka	Czech Republic	78	13,08	PS	SOC	L	M
05.11.1993	1993	Girobank A/S	Denmark	51	102,30	PO	SOC	H	N/A
	1998	Uhispank	Estonia	44	58,00	PS	CEN	L	H
	2000	Optiva Bank	Estonia	50,4	23,98	PS	LIB	L	H
22.10.1993	1993	Suomen Saastopankki	Finland	100	243,18	PS	CEN	M	N/A
21.06.1995	1995	Skopbank	Finland	100	810,60	PS	SOC	M	N/A
31.12.2000	2000	Leonia Bank PLC	Finland	100	1.549,42	PS	SOC	M	N/A
02.01.2007	2007	Sampo Bank Plc	Finland	100	5.150,00	PS	CEN	M	N/A
31.01.1987	1987	Cie Financiere de Paribas SA	France	100	1.764,40	PO	SOC	M	N/A
12.06.1987	1987	Societe Generale SA	France	100	395,00	PO	SOC	M	N/A
05.10.1987	1987	Cie Financiere de Suez SA	France	41,49	255,70	PO	SOC	M	N/A

Annex 1: The 'mirror' of the research

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
24.04.1987	1987	Credit Commercial de France (CCF)	France	100	103,50	PO	SOC	M	N/A
24.04.1987	1987	Banque Industrielle et Mobiliere Privee (BIMP)	France	100	16,70	PO	SOC	M	N/A
10.04.1987	1987	Banque de Batiments et Travaux Publics	France	100	16,50	PO	SOC	M	N/A
19.11.1991	1991	Credit Local de France SA	France	27	365,60	PO	SOC	M	N/A
04.10.1993	1993	Banque Nationale de Paris (BNP)	France	73	3.056,30	PO	CON	M	N/A
25.06.1993	1993	Credit Local de France SA	France	17,25	733,40	PO	CON	M	N/A
26.09.1996	1996	Credit Local de France SA	France	7,53	236,30	PO	CON	H	N/A
28.10.1996	1996	Banque Layderneir	France	100	15,05	PS	CON	H	N/A
23.05.1997	1997	UIC SA (Union Industrielle de Credit)	France	NA	34,41	PS	SOC	H	N/A
05.05.1997	1997	Credit Lyonnais Bank Sverige	France	100	17,58	PS	SOC	H	N/A
27.10.1998	1998	Societe Marseillaise de Credit	France	100	1,80	PS	SOC	H	N/A
28.06.1999	1999	Credit Lyonnais SA	France	50	3.395,50	PO	SOC	H	N/A
11.02.1999	1999	Credit Lyonnais Belgium	France	100	593,81	PS	SOC	H	N/A
31.03.2001	2001	Banque Hervet SA	France	97,53	479,09	PS	SOC	H	N/A
30.06.2004	2004	Eulia	France	50,1	3.476,41	PS	CON	H	N/A
30.01.2007	2007	Caisse Nationale de Caisses d'Epargne (CNCE)	France	35	9.072,45	PS	CON	H	N/A
06.10.2009	2009	BNP Paribas	France	Preferred Shares	7.347,06	PS	CON	H	N/A
13.10.2009	2009	BPCE/Natixis	France	Preferred Shares	5.762,40	PS	CON	H	N/A
13.10.2009	2009	Societe Generale	France	Preferred Shares	2.449,02	PS	CON	H	N/A
31.12.1990	1990	Deutsche Handelsbank	Germany	64	202,83	PS	CON	L	N/A
07.03.1991	1991	Deutsche Pfandbrief und Hypothekenbank AG	Germany	46,5	240,70	PO	CON	L	N/A
10.02.1993	1993	Landesbank Rheinland Pfalz	Germany	50	492,90	PS	CON	L	N/A
17.01.1994	1994	Bankgesellschaft Berlin AG	Germany	NA	1.434,20	PO	CON	L	N/A
01.12.1994	1994	Bankgesellschaft Berlin AG	Germany	10	646,60	PS	CON	L	N/A
01.03.1988	1988	Deutsche Verkehrs Kredit Bank AG	Germany	25	11,10	PO	SOC	L	N/A
10.11.1997	1997	Hamburgische Landesbank Girozentrale	Germany	49,5	769,77	PS	CON	M	N/A
26.06.1998	1998	Landesbank Berlin	Germany	25	817,65	PS	SOC	M	N/A
23.06.2004	2004	Deutsche Postbank AG	Germany	33	1.879,00	PO	SOC	H	N/A
20.10.2006	2006	HSH Nordbank AG	Germany	24,1	1.604,87	PS	CON	H	N/A
09.06.2006	2006	Berliner Bank AG	Germany	100	860,00	PS	CON	H	N/A
14.10.2007	2007	Berlin-Hannoversche Hypothekenbank AG-Non-performing Loan	Germany	100	238,48	PS	CON	H	N/A
09.09.1991	1991	Bank of Chios	Greece	100	15,80	PS	CON	H	N/A

Annex 1: The 'mirror' of the research

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
14.01.1993	1993	Bank of Athens	Greece	66,7	31,36	PS	SOC	H	N/A
19.05.1998	1998	National Bank of Greece SA	Greece	10	87,20	PO	SOC	H	N/A
24.04.1998	1998	General Hellenic Bank	Greece	14,5	55,80	PO	SOC	H	N/A
16.04.1998	1998	Macedonia-Thrace Bank	Greece	36,98	74,33	PS	SOC	H	N/A
01.09.1998	1998	Bank of Central Greece	Greece	NA	58,39	PS	SOC	H	N/A
26.04.1999	1999	National Bank of Greece SA	Greece	4	553,30	PO	SOC	H	N/A
15.12.1999	1999	Hellenic Industrial Development Bank SA	Greece	25	398,00	PO	SOC	H	N/A
16.10.1999	1999	National Bank of Greece SA	Greece	2	302,90	PO	SOC	H	N/A
21.12.2000	2000	Agricultural Bank of Greece	Greece	7	300,80	PO	SOC	H	N/A
08.10.2003	2003	National Bank of Greece SA	Greece	11	577,10	PO	SOC	H	N/A
11.11.2004	2004	National Bank of Greece SA	Greece	7,46	725,50	PO	CON	H	N/A
05.03.2004	2004	General Hellenic Bank	Greece	50,01	154,62	PS	CON	H	N/A
31.05.2006	2006	Postal Savings Bank	Greece	35	793,03	PO	CON	H	N/A
12.05.2006	2006	Agricultural Bank of Greece	Greece	7,23	421,30	PO	CON	H	N/A
08.08.2006	2006	Emporiki Bank	Greece	36,56	2.233,99	PS	CON	H	N/A
10.07.2007	2007	Greek Postal Savings Bank	Greece	20	701,10	PO	CON	H	N/A
19.10.2009	2009	Alpha Bank	Greece	Preferred Shares	1.354,16	PS	SOC	H	N/A
28.05.1990	1990	Ibusz Bank	Hungary	36	18,00	PO	CON	H	H
15.07.1994	1994	Magyar Kulkereskedelmi Bank	Hungary	41,71	57,91	PS	SOC	H	H
06.07.1995	1995	OTP Bank Rt	Hungary	33,43	75,50	PO	SOC	H	L
19.12.1995	1995	Budapest Bank Rt.	Hungary	59,8	87,00	PS	SOC	H	L
18.12.1996	1996	Magyar Hitel Bank	Hungary	89,23	187,00	PS	SOC	H	L
17.10.1996	1996	Merkantil Bank	Hungary	100	7,51	PS	SOC	H	L
27.10.1997	1997	OTP Bank Rt	Hungary	25	213,00	PO	SOC	H	L
17.07.1997	1997	Hungarian Commercial and Credit Bank	Hungary	56	90,00	PS	SOC	H	L
11.11.1997	1997	Mezobank Rt	Hungary	88,6	25,23	PS	SOC	H	L
27.05.1997	1997	Takarekbank Rt	Hungary	60,98	23,91	PS	SOC	H	L
15.12.1997	1997	Penzintezeti Kozpont Bank	Hungary	61,6	18,84	PS	SOC	H	L
26.10.1999	1999	OTP Bank Rt	Hungary	14,1	162,00	PO	SOC	H	L
08.03.2000	2000	Hungarian Commercial and Credit Bank	Hungary	30,06	36,68	PS	SOC	H	M
24.11.2003	2003	FHB Bank Rt	Hungary	41,5	133,90	PO	SOC	H	M
19.05.2003	2003	Postabank Rt. (spin-off Magyar Posta Rt.)	Hungary	96,76	456,56	PS	SOC	H	M
30.08.2007	2007	FHB Bank Rt	Hungary	50	357,00	PO	SOC	H	N/A
20.04.2001	2001	TSB Bank	Ireland	100	382,48	PS	CEN	M	N/A
01.03.2002	2002	ACC Bank PLC	Ireland	100	146,61	PS	CEN	M	N/A
01.12.1985	1985	Banca Commerciale Italiana SpA	Italy	16	308,00	PO	CON	H	N/A

Annex 1: The 'mirror' of the research

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
18.11.1988	1988	Mediobanca	Italy	13,3	230,40	PO	CON	H	N/A
29.12.1989	1989	Banca Commerciale Italiana SpA	Italy	2	84,84	PS	CON	H	N/A
31.01.1990	1990	Banco di Santo Spirito SpA	Italy	51	523,26	PS	CON	H	N/A
31.10.1990	1990	Banco di Perugia	Italy	70,6	103,08	PS	CON	H	N/A
09.12.1993	1993	Credito Italiano SpA	Italy	54,8	989,80	PO	CON	H	N/A
	1993	Banca di Roma	Italy	1,92	68,47	PS	CON	H	N/A
10.03.1994	1994	Banca Commerciale Italiana SpA	Italy	51,3	1.629,90	PO	CON	H	N/A
08.02.1994	1994	IMI	Italy	27,45	1.572,70	PO	CON	H	N/A
	1994	Banca di Roma	Italy	12,76	4,96	PS	CON	H	N/A
31.07.1995	1995	IMI	Italy	14,03	820,00	PO	CON	H	N/A
07.07.1996	1996	IMI	Italy	6,94	326,20	PO	SOC	H	N/A
29.11.1997	1997	Banca di Roma	Italy	36,48	900,27	PO	SOC	H	N/A
24.05.1997	1997	Istituto Bancario San Paolo di Torino	Italy	3,36	251,54	PO	SOC	H	N/A
11.06.1997	1997	Banco di Napoli SpA	Italy	60	39,24	PS	SOC	H	N/A
	1997	Banco di Napoli	Italy	60	36,05	PS	SOC	H	N/A
	1997	Banca Commerciale Italiana	Italy	NA	27,47	PS	SOC	H	N/A
	1997	Credito Italiano	Italy	NA	9,88	PS	SOC	H	N/A
21.11.1998	1998	Banca Nazionale del Lavoro	Italy	68,27	4.207,73	PO	SOC	H	N/A
	1998	Banca di Roma	Italy	NA	203,06	PS	SOC	H	N/A
19.06.1999	1999	Banca Monte dei Paschi di Siena	Italy	24,3	2.096,70	PO	SOC	H	N/A
	1999	Mediocredito Centrale	Italy	100	2.172,14	PS	SOC	H	N/A
01.12.1999	1999	Credito Industriale Sardo	Italy	53,23	27,00	PS	SOC	H	N/A
	2000	Banco di Napoli	Italy	16,16	456,13	PS	SOC	H	N/A
	2000	Banca di Roma	Italy	NA	415,97	PS	SOC	H	N/A
	2000	Mediocredito Lombardo	Italy	3,39	35,75	PS	SOC	H	N/A
	2000	Meliorbanca	Italy	7,21	27,69	PS	SOC	H	N/A
	2000	CIS (Credito industriale sardo)	Italy	53,23	20,06	PS	SOC	H	N/A
07.02.2001	2001	COFIRI	Italy	100	423,15	PS	CON	H	N/A
	2001	San Paolo IMI	Italy	0,35	71,80	PS	CON	H	N/A
	2001	BNL	Italy	1,31	68,87	PS	CON	H	N/A
	2001	Mediocredito Centrale	Italy	0,3	1,41	PS	CON	H	N/A
30.10.2003	2003	Mediocredito Friuli Venezia Giulia Spa	Italy	34	74,96	PS	CON	H	N/A
	2004	Coopercredito	Italy	14,42	19,33	PS	CON	H	N/A
	2006	Capitalia	Italy	0,32	4,27	PS	SOC	H	N/A
	1995	Latvian Universal Bank	Latvia	38,3	57,52	PO	SOC	L	H
	1996	Latvian Universal Bank	Latvia	20,9	12,65	PS	SOC	L	H

Annex 1: The 'mirror' of the research

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
09.05.1997	1997	Latvijas Krajbanka	Latvia	21,76	67,95	PO	SOC	L	H
04.12.1997	1997	Latvian Universal Bank	Latvia	25,5	22,50	PO	SOC	L	H
	1998	Latvian Universal Bank	Latvia	7,8	50,24	PS	CON	L	H
16.04.2009	2009	Parex Banka	Latvia	25	108,53	PS	CON	M	N/A
28.12.2000	2000	Development Bank	Lithuania	99,99	10,08	PS	SOC	M	H
01.06.2001	2001	Lietuvos Taupomasis Banka	Lithuania	90	37,47	PS	SOC	M	H
19.03.2002	2002	Agricultural Bank of Lithuania	Lithuania	76,01	17,91	PS	SOC	M	H
	1995	Bank of Valletta	Malta	25	20,62	PO	CON	M	H
02.06.1999	1999	Mid-Med Bank plc	Malta	67,11	177,83	PO	CON	M	H
06.12.1989	1989	NMB Postbank Groep NV	Netherlands	27,9	242,90	PO	CON	H	N/A
04.10.1989	1989	Postbank NV	Netherlands	100	911,17	PS	CON	H	N/A
21.12.2009	2009	ING	Netherlands	Preferred Shares	7.203,00	PS	CON	M	N/A
31.07.1992	1992	Bank Rozwoju Eksportu	Poland	47,5	11,30	PO	CON	H	H
01.12.1993	1993	Bank Slaski SA	Poland	56	141,00	PO	SOC	H	H
07.05.1993	1993	Wielkopolski Bank Kredytowy	Poland	47,2	19,70	PO	SOC	H	H
09.11.1994	1994	Bank BPH	Poland	57	148,00	PO	SOC	H	H
09.12.1995	1995	Bank Gdanski SA	Poland	62,7	122,40	PO	SOC	M	H
15.03.1995	1995	Polski Bank Rozwoju SA	Poland	16,6	17,80	PO	SOC	M	H
01.01.1995	1995	Bank BPH	Poland	6,3	102,00	PS	SOC	M	H
29.07.1996	1996	Powszechny Bank Kredytowy SA	Poland	28,3	13,98	PS	SOC	M	H
16.06.1997	1997	Bank Handlowy SA	Poland	30	400,00	PO	CON	M	H
30.09.1997	1997	Powszechny Bank Kredytowy SA	Poland	41,7	297,10	PO	CON	M	H
10.06.1998	1998	Bank Polska Kasa Opieki-Pekao	Poland	15	261,70	PO	CON	M	H
22.10.1998	1998	Bank BPH	Poland	36,7	600,60	PS	CON	M	H
03.09.1999	1999	Bank Polska Kasa Opieki-Pekao	Poland	52,09	1.074,00	PS	CON	M	H
16.09.1999	1999	Bank Zachodni SA	Poland	80	583,13	PS	CON	M	H
01.07.1999	1999	Pierwszy Komercyjny Bank	Poland	99,9	51,72	PS	CON	M	H
27.10.2000	2000	Bank Polska Kasa Opieki-Pekao	Poland	4,79	182,00	PO	CON	M	M
10.11.2004	2004	PKO Bank Polski SA	Poland	38,5	2.352,45	PO	SOC	M	M
07.09.2009	2009	Bank BPH SA	Poland	3,68	23,50	PO	CON	M	N/A
24.03.1995	1995	Banco Portugues do Atlantico SA	Portugal	24,4	507,70	PS	SOC	H	N/A
06.11.1996	1996	Banco Totta e Acores SA	Portugal	13,3	136,00	PO	SOC	H	N/A
25.09.1996	1996	Banco de Fomento e Exterior SA	Portugal	65	897,60	PS	SOC	H	N/A
02.07.1996	1996	Banco Comercial dos Acores SA	Portugal	56	52,61	PS	SOC	H	N/A
07.02.1997	1997	Banco de Fomento e Exterior SA	Portugal	3,5	33,50	PO	SOC	H	N/A
28.11.2001	2001	Banco Comercial dos Acores SA	Portugal	14,48	5,50	PO	SOC	H	N/A

Annex 1: The 'mirror' of the research

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
04.03.2003	2003	Banco Comercial dos Acores SA	Portugal	15	8,90	PO	CON	H	N/A
01.07.1991	1991	Banco Espirito Santo	Portugal	40	387,80	PO	CON	M	N/A
28.08.1991	1991	Banco Fonsecas & Burnay EP	Portugal	80	240,87	PS	CON	M	N/A
07.05.1991	1991	Sociedade Financeira Portuguesa-Banco de Investimento	Portugal	95,5	106,16	PS	CON	M	N/A
25.02.1992	1992	Banco Espirito Santo	Portugal	60	627,50	PO	CON	M	N/A
25.05.1992	1992	Banco Portugues do Atlantico SA	Portugal	17,6	377,60	PO	CON	M	N/A
23.11.1992	1992	BANIF	Portugal	16	74,80	PO	CON	M	N/A
02.12.1992	1992	Credito Predial Portugues SA	Portugal	76,2	226,88	PS	CON	M	N/A
10.06.1993	1993	Banco Portugues do Atlantico SA	Portugal	17,5	331,50	PO	CON	M	N/A
03.02.1993	1993	Uniao de Bancos Portugueses	Portugal	44	126,62	PS	CON	M	N/A
22.12.1994	1994	Banco de Fomento e Exterior SA	Portugal	19,5	125,20	PO	CON	M	N/A
16.11.1994	1994	Banco Pinto & Sotto Mayor	Portugal	80	235,55	PS	CON	M	N/A
25.03.1994	1994	Banco Portugues do Atlantico SA	Portugal	7,5	89,50	PS	CON	M	N/A
30.06.1989	1989	Banco Totta e Acores SA	Portugal	49	147,90	PO	SOC	M	N/A
03.10.1989	1989	Alianca Seguradora	Portugal	49	44,70	PO	SOC	M	N/A
11.12.1990	1990	Banco Portugues do Atlantico SA	Portugal	33	382,10	PO	SOC	M	N/A
20.07.1990	1990	Banco Totta e Acores SA	Portugal	31	155,10	PO	SOC	M	N/A
	1996	Pol'nobanka	Slovakia	15	15,00	PS	CON	M	M
20.05.2000	2000	Pol'nobanka	Slovakia	62	27,52	PS	CON	M	M
04.07.2001	2001	VUB	Slovakia	94,47	550,00	PS	CON	M	M
11.01.2001	2001	Slovenska Sporitelna	Slovakia	87,18	425,00	PS	CON	M	M
31.12.2001	2001	Investicna a Rozvojova Banka	Slovakia	69,56	14,00	PS	CON	M	M
	2002	Istrobanka	Slovakia	100	51,00	PS	CON	M	M
01.04.2001	2001	SKB Banka	Slovenia	96	140,00	PS	LIB	M	L
06.09.2002	2002	Nova Ljubljanska Banka dd	Slovenia	39	446,82	PS	LIB	M	L
19.04.2002	2002	Nova Ljublijanska Banka - NLB	Slovenia	34	387,00	PS	LIB	M	L
10.12.2007	2007	Nova Kreditna Banka Maribor - NKBM	Slovenia	49	455,00	PO	CON	M	N/A
23.04.2007	2007	Banka Koper	Slovenia	8,3	36,73	PS	CON	M	N/A
17.06.1995	1995	Banco Simeon	Spain	99,21	194,06	PS	SOC	H	N/A
14.11.2006	2006	Aresbank	Spain	7,34	2,37	PS	SOC	M	N/A
23.10.1995	1995	Nordbanken Holding AB	Sweden	34,5	1.001,70	PO	SOC	H	N/A
09.12.1997	1997	Nordbanken Holding AB	Sweden	16,9	912,10	PO	SOC	H	N/A
31.12.2001	2001	Postgirot AB	Sweden	100	425,07	PS	SOC	M	N/A
19.05.2009	2009	Carnegie Investment Bank AB	Sweden	100	197,77	PS	SOC	M	N/A
16.05.1986	1986	Johnson Matthey Bankers Ltd	United Kingdom	100	99,00	PS	CON	M	N/A

Annex 1: The 'mirror' of the research

Date	Year	Company Name	Country	% for Sale	Value of Transaction in US$ million	Method of Sale	Government	Debt size	Int. Orgs influence
05.06.2009	2009	Lloyds Banking Group PLC	United Kingdom	Preferred Shares	4.300,19	PS	SOC	M	N/A

Annex 2: Tables

Annex 2: Tables

Table 1. Average GDP growth in EU-25 (1985-2009)

	1985/89	1990/94	1995/99	2000/04	2005/09
Country	**GDP growth (annual %)**				
Austria	2,5	2,4	2,7	1,8	1,6
Belgium	2,8	1,7	2,6	2,0	1,1
Cyprus	6,4	4,8	4,0	3,4	3,0
Czech Republic	NA	-2,5	1,9	3,2	3,5
Denmark	1,9	2,1	2,8	1,5	0,3
Estonia	2,2	-8,7	5,2	8,2	1,9
Finland	3,9	-1,2	4,5	3,1	1,1
France	3,1	1,3	2,4	2,1	0,8
Germany	2,7	2,9	1,7	1,1	0,6
Greece	1,8	0,8	3,0	4,5	2,2
Hungary	1,2	-3,2	3,2	4,7	0,6
Ireland	3,7	4,4	9,7	6,1	1,5
Italy	3,3	1,1	1,7	1,5	-0,4
Latvia	3,5	-11,1	4,1	7,5	2,0
Lithuania	NA	-13,3	4,5	6,9	2,6
Luxembourg	7,0	4,7	4,7	4,2	2,7
Malta	5,4	5,5	5,0	1,3	2,4
Poland	NA	1,2	6,0	3,2	4,7
Portugal	5,4	1,7	4,3	1,5	0,4
Slovenia	NA	-1,6	4,2	3,7	2,6
Slovakia	2,7	-4,3	4,8	3,9	5,2
Spain	4,2	1,7	3,7	3,5	1,7
Sweden	2,8	0,1	3,4	3,0	1,1
The Netherlands	3,0	2,5	3,9	1,7	1,4
UK	3,9	1,2	3,3	2,9	0,7

Table 2. Average central government debt in EU-25 (1985-2009)

	1985/89	1990/94	1995/99	2000/04	2005/09
Country	**Central government debt, total (% of GDP)**				
Austria	56,8	58,9	62,7	67,1	65,9
Finland	16,2	37,2	51,5	43,4	38,9
France	32,4	41,3	60,8	64,5	72,4
Spain	41,8	49,1	63,9	52,4	36,6
UK	43,1	35,5	46,7	38,9	49,9
Greece	52,7	85,5	99,7	100,1	109,8
Italy	91,8	107,1	117,8	106,4	107,7
Ireland	103,5	92,5	64,4	33,1	37,4
Belgium	121,5	129,5	118,6	100,1	87,6
Cyprus	NA	NA	46,6	60,9	59,7
Czech Republic	NA	13,6	11,4	17,1	26,3
Denmark	65,1	69,9	67,5	49,5	33,6
Estonia	NA	NA	7,4	4,8	6,3
Germany	19,0	20,2	58,9	61,7	68,1
Hungary	NA	79,9	75,5	62,0	72,8
Latvia	NA	NA	12,1	12,9	40,0
Lithuania	NA	NA	NA	25,0	22,8
Luxembourg	NA	1,7	7,1	6,3	9,5
Malta	NA	NA	46,9	63,9	64,9
Poland	NA	74,0	42,8	41,9	47,8
Portugal	53,8	53,9	60,5	62,7	73,0
Slovenia	NA	19,8	20,4	27,4	26,9
Slovakia	NA	22,5	41,2	45,2	31,5
Sweden	52,1	56,2	70,4	52,3	43,1
The Netherlands	54,0	59,2	67,2	51,9	52,7

Annex 2: Tables

Table 3. Winning parties in EU-25 (1990-2008)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	SPO	-	-	-	SPO	SPO	-	-	-	SPO	-	-	OVP	-	-	-	SPO	-	SPO
Belgium	-	CD&V	-	-	-	CD&V	-	-	-	OpenVLD	-	-	-	OpenVLD	-	-	-	CD&V	-
Cyprus	-	DISY	-	-	-	-	DISY	-	-	-	-	AKEL	-	-	-	-	AKEL	-	-
Czech Republic	OF	-	ODS	-	-	-	ODS	-	CSSD	-	-	-	CSSD	-	-	-	ODS	-	-
Denmark	SD	-	-	-	SD	-	-	-	SD	-	-	V	-	-	-	V	-	V	-
Estonia	-	-	RKEI	-	-	EK	-	-	-	EKe	-	-	-	EKe	-	-	-	ER	-
Finland	-	Kesk	-	-	-	SDP	-	-	-	SDP	-	-	-	Kesk	-	-	-	Kesk	-
France	-	-	-	RPR	-	-	-	PS	-	-	-	-	UMP	-	-	-	-	UMP	-
Germany	CDU/CSU	-	-	-	CDU/CSU	-	-	-	SPD	-	-	-	SPD	-	-	CDU/CSU	-	-	-
Greece	ND	-	-	PASOK	-	-	PASOK	-	-	-	PASOK	-	-	-	ND	-	-	ND	-
Hungary	MDF	-	-	-	MSZP	-	-	-	MSZP	-	-	-	MSZP	-	-	-	MSZP		-
Ireland	FF							FF	-	-	-	-	FF	-	-	-	-	FF	
Italy			DC-PSU-PSDI-PLI		FI-LN-AN		POLO	-	-	-	-	CDL	-	-	-	-	ULIVO	-	PdL
Latvia	LTF		SLC	SLC		DPS			TP				JL				TP		
Lithuania			LDDP				TS(LK)				Braz-SDK				DP				TS-LKD
Luxembourg					CSV					CSV					CSV				
Malta			PN				MLP		PN					PN					PN
Poland		UD		SLD				AWS				SLD-UP				PiS		PO	
Portugal		PPD/PSD				PS				PS			PPD/PSD			PS			
Slovenia			LDS				LDS				LDS				SDS				SDS
Slovakia	VPN		LS-HZDS		LS-HZDS				LS-HZDS				LS-HZDS				SMER		
Spain				PSOE			PP				PP				PSOE				PSOE
Sweden		SAP			SAP				SAP				SAP				SAP		
The Netherlands					PvdA				PvdA				CDA	CDA			CDA		
UK			CON					LABOUR				LABOUR				LABOUR			

Annex 2: Tables

Table 4. Political orientation of winning parties in EU-25 (1990-2008)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	SOC	-	-	-	SOC	SOC	-	-	-	SOC	-	-	CON	-	-	-	SOC	-	SOC
Belgium	-	CON	-	-	-	CON	-	-	-	LIB	-	-	-	LIB	-	-	-	CON	-
Cyprus	-	CON	-	-	-	-	CON	-	-	-	-	LEFT	-	-	-	-	LEFT	-	-
Czech Republic	LIB	-	CON	-	-	-	CON	-	SOC	-	-	-	SOC	-	-	-	CON	-	-
Denmark	SOC	-	-	-	SOC	-	-	-	SOC	-	-	LIB	-	-	-	LIB	-	LIB	-
Estonia	-	-	CON	-	-	LIB	-	-	-	LIB	-	-	-	LIB	-	-	-	LIB	-
Finland	-	CEN	-	-	-	SOC	-	-	-	SOC	-	-	-	CEN	-	-	-	LIB	-
France	-	-	-	CON	-	-	-	SOC	-	-	-	-	CON	-	-	-	-	CON	-
Germany	CON	-	-	-	CON	-	-	-	SOC	-	-	-	SOC	-	-	CON	-	-	-
Greece	CON	-	-	SOC	-	-	SOC	-	-	-	SOC	-	-	-	CON	-	-	CON	-
Hungary	CON	-	-	-	SOC	-	-	-	SOC	-	-	-	SOC	-	-	-	SOC	-	-
Ireland	CEN	-	-	-	-	-	-	CEN	-	-	-	-	CEN	-	-	-	-	CEN	-
Italy	-		CON		CON		SOC	-	-	-	-	CON	-	-	-	-	SOC	-	CON
Latvia	LIB	-	-	CON	-	SOC	-	-	CON	-	-	-	CON	-	-	-	CON	-	-
Lithuania	-	-	SOC	-	-	-	CON	-	-	-	SOC	-	-	-	CEN	-	-	-	CON
Luxembourg	-	-	-	-	CON	-	-	-	-	CON	-	-	-	-	CON	-	-	-	-
Malta	-	-	CON	-	-	-	SOC	-	CON	-	-	-	-	CON	-	-	-	-	CON
Poland	-	CON	-	SOC	-	-	-	CON	-	-	-	SOC	-	-	-	CON	-	CON	-
Portugal	-	CON	-	-	-	SOC	-	-	-	SOC		-	CON	-	-	SOC	-	-	-
Slovenia	-	-	LIB	-	-	-	LIB	-	-	-	LIB	-	-	-	CON	-	-	-	CON
Slovakia	CON	-	CON	-	CON	-	-	-	CON	-	-	-	CON	-	-	-	SOC	-	-
Spain	-	-	-	SOC		-	CON	-	-	-	CON	-		-	SOC	-	-	-	SOC
Sweden	-	SOC	-	-	SOC	-	-	-	SOC	-	-	-	SOC	-	-	-	SOC	-	-
The Netherlands	-	-	-	-	SOC	-	-	-	SOC	-	-	-	CON	CON	-	-	CON	-	-
UK	-	-	CON	-		-	-	SOC	-	-	-	SOC	-	-	-	SOC	-	-	-

Annex 2: Tables

Table 5. Net official development assistance and official aid received (current US$) in EU-25 (1985-2004)

Country	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Czech Republic	..	..	..	..	..	14	231	130	99	148	147	129	115	448	318	437	314	160	263	279
Estonia	..	..	..	..	..	..	15	104	42	44	58	59	66	91	84	64	69	54	85	135
Hungary	..	..	..	..	..	67	626	221	164	199	-245	203	176	239	249	252	422	162	261	302
Latvia	..	..	..	..	..	..	3	80	33	53	63	72	81	98	99	91	106	75	114	165
Lithuania	..	..	..	..	..	..	4	94	62	71	179	91	104	130	132	98	140	133	375	250
Malta	18	7	-1	-3	-5	5	22	5	28	42	9	72	22	22	25	21	2	11	9	6
Poland	..	..	..	..	..	1320	2507	1436	1072	1810	3789	1164	860	875	1179	1393	960	882	1186	1522
Slovenia	..	..	..	..	..	..	..	..	7	32	53	82	97	40	31	61	126	53	66	62
Slovak Republic	..	..	..	..	..	7	115	63	51	78	98	98	70	155	319	113	164	154	174	235
Austria	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Belgium	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Denmark	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Finland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
France	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Germany	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Greece	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Portugal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Spain	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sweden	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
UK	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Cyprus	37	35	41	44	40	38	40	26	34	44	21	23	42	35	53	54	50	34	14	60