

Changing strategies in new contexts: The governance of European State-Owned Enterprises in the 21st century

Roberto Cardinale

The Bartlett Faculty of the Built Environment
University College London

European SOEs' transformations

- Rise and expansion (1950s-1970s)
- Privatization and decline (1980s-1990s)
- Current revival (2000s-2010s)
- SOEs in the 20th century
 - Full public ownership
 - Vertically integrated supply chains
 - Monopoly
- The UE-led (partial) liberalisation
 - Privatisation
 - Unbundling
 - Market opening



- SOEs in the 21th century: The emergence of a hybrid (public-private) model
- Privately managed
 - Operate in competitive markets
 - Reconcile profits and policy objectives

Contribution to literature (1): An historical-theoretical perspective

- Literature that focuses on specific phases, but not on overall change
- Literature that focuses on longer periods, but not in the light of economic theory (Millward, 2011)
- This chapter's aims
 - provide a framework to understand the policy role of SOEs across different phases
 - interpret their transformations through suitable theoretical approaches

Contribution to literature (2): The systemic role of SOEs

- Literature on the systemic importance of SOEs
 - to boost economic growth (Bance and Bernier, 2011)
 - as providers of services of general interest (Florio, 2013)
 - to pursue national security (Millward, 2011)
- This chapter's focus
 - sectoral interdependences and how they affect the economy
 - the strategic role of intermediate sectors in which many SOEs operate (natural resources, technology, transnational infrastructure)

The rationale for SOEs' transformations across historical phases

	Competitiveness of strategic sectors	Policy priority	Level of public ownership
Rise and expansion (1950s-1970s)	Domestic: low International: low	Domestic: Development International: Development	High
Decline and privatisation (1980s-1990s)	Domestic: high International: high	Domestic: efficiency International: efficiency	Low
Revival (2000s-2010s)	Domestic: high International: low	Domestic: efficiency International: development	Mixed

SOEs' rise and expansion (1950s-1970s): A structural viewpoint

- Policy priority: domestic development
 - Public ownership → overcome private sector's risk-aversion, to exploit the systemic relevance of intermediate sectors
 - Theoretical lens: structural economic dynamics theory
 - Investigates long-term economic dynamics through a sectoral approach
 - Conceives of (structural) changes as the result of changes in the proportions among sectors
 - Emphasis on sectoral interdependencies
 - High interdependence of intermediate sectors: natural resources (Quadrio Curzio, 1986), technology (Pasinetti, 1980) machine tools (Lowe, 1976)
- intermediate sectors play a systemic role, strategic for domestic development

SOEs' privatization (1980s-1990s): A neoclassical viewpoint

- Policy priority: allocative efficiency
 - Strategic enterprises are competitive enough
 - Theoretical lens: neoclassical theory
 - Economic change conceived as the result of individual choices (consumers and producers)
 - Microeconomic approach that emphasizes allocative efficiency and market failures (Pigou, 1920)
 - Privatisation and market competition maximise allocative efficiency (Stiglitz, 1989)
 - In domestic markets through market opening (Stiglitz, 1989)
 - In international markets through trade liberalisation (Krugman, 1981)
- Trade liberalisation is strategic to maintain or increase comparative advantages vis-à-vis international competitors

SOEs' revival (2000s-2010s): A geoeconomic viewpoint

- Policy priority: reduce loss of economic competitiveness vis-à-vis international competitors
 - Public ownership in strategic sectors helps overcome increasing international competition
 - Theoretical lens: geoeconomics
 - Investigates the relations between control of strategic markets and political influence (Lorot, 2000)
 - Increasing the control of strategic markets (natural resources, technology, international infrastructure) has political and economic implications (Luttwak, 1990)
 - Political: these goods are scarce and strategic for national economies
 - Economic: implications for international competitiveness, as these goods are key inputs for national economies
- Public ownership in internationally competitive and strategic industries makes it possible to face international competition at the political and economic level

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SOEs as a tool of economic policy: the case of energy sector

- Public ownership in different phases of the supply chain has different policy implications
- Midstream (national grids) → efficiency
 - Avoiding costs deriving from regulation of private monopoly (Posner, 1975)
- Downstream → Public service obligations
 - The private sector does not guarantee the maximisation of consumers' welfare (Florio, 2013)
- Upstream → Economic competitiveness and development
 - Production and/or provision from abroad of cheap and abundant energy has large-scale beneficial effects for all sectors in the economy



For increasing international competitiveness of the national economy, this is the key aspect

The strategic role of public ownership in intermediate sectors

	Decrease the costs of key inputs	Increase the supply (availability) of key inputs
Technological improvements	✓	✓
Economies of scale and scope	✓	✓
Diplomatic support in negotiations with foreign suppliers	✓	✓

Contributions (1)

- Approach: An historical-theoretical perspective
 - Provide a framework that makes it possible to organise our understanding of SOEs' transformations through suitable theoretical approaches
- Finding: the current (hybrid) governance of European SOEs reflects domestic and international changes and the need to reorient SOEs' policy role
 - Private management
 - Major public shares in strategic enterprises

Contributions (2)

- A systemic approach
 - Focus on sectoral interdependences and how these affect the economic system
 - Emphasis on the role of intermediate sectors for enhancing economic competitiveness
- Finding: Public ownership in firms that produce domestically whilst sourcing critical inputs from abroad helps face increased international competition
 - Critical inputs are scarce and their markets highly competitive globally
 - Public ownership provides both financial and political backing to overcome such competition
 - This sheds light on the different policy implications of public ownership, depending on the sector and segment of the supply chain

Thank you

roberto.cardinale.14@ucl.ac.uk