3
PUBLIC POLICY AND ADMINISTRATION IN AN ERA OF PRIVATIZATION

Carina Schmitt

Introduction

Public enterprises, especially public utilities, played an important role in economic and social policy particularly during the first three decades after the Second World War. With the rise of the neoliberal paradigm in the 1980s, state involvement in economic affairs was challenged and the privatization of state-owned firms moved to the top of national political agendas. Almost all countries around the globe privatized public enterprises. While privatization in rich democracies has been extensively studied, we know less about privatization and its determinants in developing countries. Do the pathways of privatization differ between rich democracies and low- and middle-income countries? Which similarities and differences can be identified when comparing privatization trajectories in developed and developing countries? Were the same forces driving the retreat of the state or do the determinants of privatization differ between the OECD world and beyond?

This chapter answers these questions by describing privatization pathways in rich democracies in a first step, followed by a brief discussion of the results on the driving factors of privatization processes provided by the empirical literature. The subsequent section addresses the privatization trends in developing countries and highlights region-, period- and sector-specific differences. Furthermore, the factors discussed in the literature to push privatization policies in developing countries are presented. The next section summarizes the main similarities and differences between rich democracies and developing countries with respect to the pathways and determinants of privatization. A final section concludes.

Privatization pathways

Privatization has been a very popular instrument within rich democracies from the beginning of the 1980s onwards. Figure 3.1 illustrates the average development of public entrepreneurship in 20 OECD countries from 1980 until 2007. The y-axis indicates the value added by public enterprises (SOEs) owned by the central government in relation to the GDP. The x-axis refers to the timeline.1

When looking at the general trend in the last 30 years, the figure clearly shows that the state retreated from entrepreneurial activities in nearly all countries over the past decades.
Governments throughout the OECD world launched comprehensive privatization programs and divested public enterprises to the private sector. On average, the turnover of public enterprises amounted to 6.3 per cent of GDP in 1980, whereas the respective share was only 3.0 per cent in 2007.

Despite the common downside trend, there are remarkable differences in privatization intensity across countries (see Table 3.1). First, the involvement of the state in the national economy in 1980 looked quite different when comparing OECD countries. While Canada (2.4 per cent of GDP) and Australia (3.6 per cent) had comparatively low starting values of public entrepreneurship at the national level in 1980, Ireland’s initial value of public entrepreneurship was 13.6 per cent, and Great Britain had a value of 7.6 per cent of GDP in 1980, indicating that many big companies were publicly owned in the post-war period. The initial size of the state-owned enterprise sector of these countries is comparable to France with its well-known state interventionist tradition. The Southern European and most of the Scandinavian countries range in between. Germany is also an interesting case as the initial size of the public enterprise sector was rather small and similar to that in Canada and Australia. Rather surprisingly, countries with a large public enterprise sector in 1980 did not necessarily privatize the most. For example, all English-speaking countries launched comprehensive privatization programs even though the public involvement in the economy differed widely in 1980. An extremely marked decline of public entrepreneurship can be observed in the United Kingdom. The value added by British SOEs of almost 8 per cent of GDP in 1980 is today close to zero. Countries in Southern Europe such as Spain and Portugal also relied strongly on privatization. In both countries the involvement of the state in the economy declined by about 85 per cent. However, not all countries divested themselves of public enterprises on such a grand scale. Particularly in Scandinavia, the rollback of the state was only moderate and in countries such as Norway and Sweden the state is today even more involved in the national economy than in the 1980s. Norway is an extreme case as the value added by SOEs rose from 6.8 per cent of the GDP in 1980 to 13.4 per cent in 2007. This is an increase of almost 100 per cent. However, this development is mainly driven by a few big oil companies that significantly raised their turnover during the 1990s. For example, in
companies such as Norsk Hydro the state was still the majority stakeholder in 2007. Between the extreme examples of the United Kingdom on the one hand and Norway on the other we find countries such as Switzerland and Denmark, where governments privatized only to a moderate extent. Table 3.1 summarizes the starting values in 1980 and the end values in 2007 as well as the changes over time.

A breakdown by sector reveals similarities as well as differences across countries. In terms of the industrial sector, the notion about what is considered as a strategic sector and where the state should intervene differed widely between nations. For example, while the French state was and still is highly engaged in the aerospace industry, the Austrian government was heavily involved in basic and heavy industry. Public utilities such as railway services, electricity and water supply as well as telecommunication services, in turn, were publicly controlled in almost all rich democracies for strategic and political reasons. Yet the rise of the neoliberal paradigm and technological change even challenged the public service provision in these network-based industries. Figure 3.2 shows the privatization trajectories in three main public utility sectors operated at the national level: the telecommunications, the postal and the railway sectors. The horizontal line displays the time axis and the vertical axis the cumulative number of countries that have begun the divestment of shares.

Table 3.1 Value added by public enterprise in relation to the GDP

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Australia</td>
<td>3.55</td>
<td>0.48</td>
<td>−86.48</td>
<td>2.42</td>
<td>1.04</td>
</tr>
<tr>
<td>Austria</td>
<td>7.75</td>
<td>3.03</td>
<td>−60.90</td>
<td>6.22</td>
<td>2.09</td>
</tr>
<tr>
<td>Belgium</td>
<td>4.70</td>
<td>1.92</td>
<td>−59.15</td>
<td>3.51</td>
<td>1.13</td>
</tr>
<tr>
<td>Canada</td>
<td>2.41</td>
<td>0.55</td>
<td>−77.18</td>
<td>1.45</td>
<td>.85</td>
</tr>
<tr>
<td>Denmark</td>
<td>4.38</td>
<td>2.74</td>
<td>−37.44</td>
<td>3.41</td>
<td>.79</td>
</tr>
<tr>
<td>Finland</td>
<td>8.63</td>
<td>6.93</td>
<td>−19.70</td>
<td>7.67</td>
<td>1.36</td>
</tr>
<tr>
<td>France</td>
<td>9.55</td>
<td>5.38</td>
<td>−43.66</td>
<td>8.32</td>
<td>1.99</td>
</tr>
<tr>
<td>Germany</td>
<td>3.21</td>
<td>1.41</td>
<td>−56.07</td>
<td>2.32</td>
<td>.73</td>
</tr>
<tr>
<td>Greece</td>
<td>5.21</td>
<td>1.28</td>
<td>−75.43</td>
<td>2.90</td>
<td>1.30</td>
</tr>
<tr>
<td>Italy</td>
<td>6.45</td>
<td>2.17</td>
<td>−66.36</td>
<td>4.58</td>
<td>2.00</td>
</tr>
<tr>
<td>Ireland</td>
<td>13.71</td>
<td>1.83</td>
<td>−86.65</td>
<td>6.30</td>
<td>3.74</td>
</tr>
<tr>
<td>Japan</td>
<td>4.30</td>
<td>1.20</td>
<td>−72.09</td>
<td>2.75</td>
<td>.90</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7.83</td>
<td>2.20</td>
<td>−71.90</td>
<td>4.61</td>
<td>2.34</td>
</tr>
<tr>
<td>New Zealand</td>
<td>7.63</td>
<td>3.78</td>
<td>−50.46</td>
<td>3.95</td>
<td>2.37</td>
</tr>
<tr>
<td>Norway</td>
<td>6.82</td>
<td>13.36</td>
<td>95.89</td>
<td>11.66</td>
<td>1.62</td>
</tr>
<tr>
<td>Portugal</td>
<td>5.57</td>
<td>.90</td>
<td>−83.84</td>
<td>2.82</td>
<td>1.70</td>
</tr>
<tr>
<td>Spain</td>
<td>5.24</td>
<td>.71</td>
<td>−86.45</td>
<td>2.61</td>
<td>1.70</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.10</td>
<td>7.89</td>
<td>29.34</td>
<td>6.36</td>
<td>1.36</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.35</td>
<td>2.74</td>
<td>−37.01</td>
<td>4.23</td>
<td>1.01</td>
</tr>
<tr>
<td>UK</td>
<td>7.65</td>
<td>.44</td>
<td>−94.25</td>
<td>2.45</td>
<td>2.53</td>
</tr>
<tr>
<td>Sample</td>
<td>6.25</td>
<td>3.05</td>
<td>−51.20</td>
<td>4.53</td>
<td>1.63</td>
</tr>
</tbody>
</table>

Notes: REST Database, SD = standard deviation
The figure shows that the telecommunications sector is by far the sector where privatization has advanced the most. Common law countries, such as Great Britain and New Zealand, privatized their national telecommunications providers very early while countries such as the German-speaking nations did not start the material privatization process until 1996. By 2000, the divesture of enterprises had begun in all 21 OECD countries, and by now, some states have retreated completely from service delivery by divesting all public shares. In contrast, railway and postal service providers have been privatized to a much lesser extent and the divesture of SOEs operating in these sectors also began later. Precisely, only seven out of 21 countries have divested public shares in the postal sector and only the Netherlands entirely sold its former postal provider. In the railway sector, the extent of material privatization is similarly low but the selling off started earlier. English-speaking countries have been among the first countries that sold their railway operators. Some countries, such as the UK and New Zealand, have at least partly revoked their privatization decision. However, in most countries the railway operator is still fully owned by the government (Schmitt 2013).

Overall, we can summarize that countries differed highly in the size of public enterprises on the eve of privatization. From the 1980s onwards almost all developed countries launched major privatization programs. However, there is more heterogeneity than expected. While the state has almost completely withdrawn from public enterprises in Anglo-Saxon countries, governments remained highly involved in entrepreneurial activities or even expanded their role in Northern Europe. Continental Europe falls in between. Furthermore, there are sector-specific trends. For example, the state typically has retreated from the industrial sector as well as from telecommunications and power services while remaining involved in the railway and postal sector.
Explaining privatization trends

International comparative studies emphasized domestic and external factors as being relevant for the timing and the extent of privatization processes. With regard to domestic factors, Boix (1997) finds in one of the first international comparative studies for a sample of OECD countries that right-wing parties are more inclined to privatize than left-wing parties. This result is supported by a recent study analyzing the effects of partisan differences on privatization in times of globalization for 20 rich democracies (Obinger et al. 2014). Regarding institutional effects on privatization, Zohlnhöfer and Obinger (2006) find for a sample of 14 European and 21 OECD countries that institutional pluralism hampers privatization. Furthermore, Schmitt and Obinger (2011) show that particularly constitutional provisions regarding privatization are decisive constraints for governments when planning the divesture of major public enterprises. One further factor that has been identified by empirical studies to be highly relevant for privatization decisions is the financial pressure. Empty public coffers or the budgetary constraints that arose from the Maastricht Treaty clearly pushed governments to divest SOEs. Privatization has been one central instrument to mitigate budgetary crises without the political costs related to alternative unpopular measures such as cutting social expenditure or increasing taxes (Zohlnhöfer and Obinger 2006; Belke et al. 2007; Obinger et al. 2014). However, privatization is not always and necessarily an effective instrument to raise revenues. For example, before privatizing public enterprises in Eastern Germany after reunification, the German government expected revenues amounting to 300 billion EUR. The reality was a loss of 100 billion EUR, since most of the nationally owned companies have not been found attractive by private investors.

Some studies examine the influence of Europeanization on privatization policies. In a sample of 20 OECD countries between 1970 and 2000, Schneider and Häge (2008) find that European integration accelerated the reduction of public involvement in the infrastructure sectors in the EU member states. In contrast, Thatcher (2004) states that governments have used European policy to justify and legitimate change rather than change itself being fueled by EU policy-making. Schmitt (2012) find that the influence of the European Union differs by sector. While the privatization in telecommunication services is a global trend, the postal and railway sectors are highly influenced by regulations at the European level. Furthermore, studies have analyzed the impact of globalization on privatization and mainly come to the conclusion that the pressure to implement privatization policies is higher in open-market than in closed economies (e.g. Obinger et al. 2014).

In recent years, scholars have begun to consider policy diffusion when analyzing privatization processes. Research on privatization focusing on policy diffusion concludes that privatization has “diffused rather than [been] reproduced independently as a discrete event in each country and sector” (Levi-Faur 2005: 28). There is strong empirical evidence that governments emulate the strategies adopted by trading partners and neighboring countries (Fink 2011; Schmitt 2011, 2014).

Overall, privatization in rich democracies is shaped by the political partisanship of political actors. Left-wing governments have more reluctantly privatized than their conservative counterparts. Moreover, there is strong evidence that a restrictive policy-specific institutional environment effectively decelerates privatization processes. Furthermore, privatization is fueled by empty public coffers. Governments faced with high public debt used privatization to encounter fiscal pressure. Regarding inter- and supranational factors, economic globalization and the European integration process seem to put pressure on governments to reduce the public intrusion in economic affairs. And lastly, privatization is not only a national phenomenon. Countries privatize when economically related countries and closely located countries do so.
Privatization pathways beyond the OECD

Privatization pathways

Privatizations are not only a phenomenon in rich democracies but have been also launched in developing countries. Figure 3.3 shows the privatization trends in more than 70 low- and middle-income countries from 1988 to 2008. The bars represent the annual number of privatization transactions (left y-axis) while the solid line displays the annual sum of proceeds from privatization transactions across countries from 1990 onwards in million USD (right y-axis).

The figure clearly indicates that major privatizations in developing countries in terms of revenues took place in the late 1990s and in the second half of the past decade. Privatization proceeds in 1997, for example, reached around 65 billion USD and in 2007 about 130 billion USD, compared to 13 billion USD in 1990 and 16 billion USD in 2001. Interestingly, this does not necessarily correspond with the number of privatization transactions, which was the highest in 1998 with 1,796 privatization transactions, whereas the number of privatization events in the 2000s was on the level of the early 1990s. This surprising evidence becomes clear when looking at the size of single transactions. In the second half of the past decade, particularly China and Russia divested huge energy companies and financial service providers. For example, in 2007 China privatized Shenhua Energy CO and PetroChina Co Ltd for around 18 billion USD. In the same year, Russia divested Vneshtorgbank and Sberbank, two big banks, for 17 billion USD. Together, China and the Russian federation account for 100 billion USD of all privatization revenues in 2007. Hence, even though the number of transactions was comparatively low in the early 2000s the revenues per transaction clearly have increased over time.

Apart from this general pattern, privatization differed strongly across countries and over time. Figure 3.4 shows the revenues from privatization separated by region and period. It can be observed that the lion’s share of privatizations over the whole period took place in Asia. This

Figure 3.3 Revenues from privatization transactions in developing countries
finding is driven particularly by China but also by the Russian federation. Even though China only privatized 7.4 of the average annual GDP between 2000 and 2008 and therefore only ranks in place 17 regarding this indicator in the sample, the absolute value of revenues in this period is enormous, equalling 171.5 billion USD. China is therefore clearly on the top with regard to privatization revenues in the 2000s.

In European middle-income countries, the revenues from privatization only marginally exceed those in the Americas. Obviously, the lowest efforts toward privatization occurred in African countries, where many companies are still in public hands. “In Algeria, for example 65 percent of all value-added is still produced by public enterprises, and 90 percent of all banking is state owned and operated” (Nellis 2006: 9).

When looking at the period-specific developments in the different regions, it turns out that most of the revenues have been generated in the first decade of this millennium rather than in the last decade of the past century. This is most obvious in Asia. However, also in the European middle-income countries, the privatization revenues in the 2000s are more than 100 per cent higher than in the 1990s. For example, the privatization revenues of Bulgaria and Serbia from 2000 to 2008 range between 14 and 16 per cent of the average annual GDP. In Romania, the divesture of SNP Petrom (2004), the Romanian gas transmission company (2007) and the Banca Comerciala Romania, brought 9 billion USD. Only in the American region were privatization revenues higher in the 1990s, when Latin American countries in particular launched huge privatization programs. For example, while Argentina privatized around 20 per cent of the annual national GDP (e.g. divesture of Yacimientos Petrolíferos Fiscales for 18.5 billion USD), the amount of privatization dropped to 0.1 per cent in the period from 2000 to 2008.

There are not only region-specific but also sector-specific differences. Table 3.2 summarizes the number of privatization events as well as the average revenues raised per transaction differentiated by sector. It shows that most of the privatization transactions have taken place in the manufacturing sector. The number of transactions in this segment is larger than in all other

![Figure 3.4](chart.png)

**Figure 3.4** Revenues from privatization by region and period

Notes: p1 =period from 1988 until 2000, p2 = period from 2000 until 2008
Public policy and administration in an era of privatization

Table 3.2 Sector-specific privatization transactions

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Transactions</th>
<th>Revenue per Transaction (Mean)</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>290</td>
<td>399.64</td>
<td>15,400</td>
</tr>
<tr>
<td>Financial</td>
<td>650</td>
<td>286.74</td>
<td>22,041</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1419</td>
<td>219.94</td>
<td>6,550</td>
</tr>
<tr>
<td>Manufact. and Services</td>
<td>3600</td>
<td>30.25</td>
<td>4,800</td>
</tr>
</tbody>
</table>

Notes: Revenues per Transactions in million USD

sectors put together. Manufacturing is followed by the infrastructural, the financial and the energy sector. However, when comparing the average revenues per transaction, it becomes obvious that even though most of the privatization events took place in manufacturing, it is not the most attractive sector for private investors. The average divesture in the energy sector brought almost 400 million USD into the public coffers, in comparison to only 30 million USD in the manufacturing sector.

However, the picture becomes slightly different when looking at the overall revenues per sector and period. It is shown that most of the revenues come from the privatization of public enterprises operating in the infrastructure sector even though the average privatization in infrastructure yields less than in the energy and financial sectors. Within infrastructure, telecommunications and energy companies account for the lion’s share of privatizations (Parker and Kirkpatrick 2005). The revenues are the largest in both periods at a comparable level. In contrast, revenues from divesting banks and other financial services are only high in the second period, namely from 2000 until 2008. It is quite surprising that the revenues from selling off energy companies in both periods together are lower than in the infrastructure in one period and are comparable to those in the manufacturing sector. This clearly is a result of the comparable low number of transactions which is about 12 times lower than in the manufacturing sector. The lowest revenues come from privatizations in the primary sector.

Explaining the privatization trend

Which factors drive the privatization pathways in developing countries? Empirical studies typically do not exclusively explain privatization trends in developing countries. Most of the studies that include developing countries are based on a broad country sample also comprising developed countries. Furthermore, while Latin American countries are often included in these samples, the divesture of public enterprises on the African continent is far less analyzed. However, the results of these studies help to identify the factors driving privatization across the world. As in the case of studies focusing on developed countries, studies analyzing a larger sample of countries emphasize that domestic as well as international factors have been shaping privatization pathways.

For two large samples of 34 and 49 countries, Bortolotti et al. (2003) highlight the importance of the economic situation for privatization. They state that slow economic growth encourages the state’s retreat from entrepreneurial activities and that the liquidity of stock markets and government credibility is associated with high privatization proceeds. Regarding the influence of partisan politics, the evidence does not support the (strong) influence of partisan variables on privatization (e.g. Henisz et al. 2005). One reason for this result might be that particularly in developing countries, parties often do not cluster along the left–right divide. Strong empirical
evidence is given for the influence of the domestic economic and political environment. Functioning economic and political institutions increase the likelihood of privatizations as well the amount of privatization revenues. For example, when market-supporting institutions are underdeveloped, the preconditions for privatization are non-existent. Effective market supporting institutions are typically lacking in the poor African regions (Ramamurti 1999). Moreover, Bortolotti et al. (2003) find in their study that the legal protection of private investors strongly increases the incentives for privatizing public enterprises. “Privatisation requires suitable political and legal institutions to be set in motion” (Bortolotti et al. 2003: 331). This is supported by Chong et al. (2010), who find for a sample of 308 privatization processes around the world for the period form 1982 until 2000 that institutions effectively regulating political processes are highly important for privatization activities. One further crucial factor is the budgetary situation of a country. Ramamurti (1992) finds for a global sample of developing countries that financial pressure fosters the privatization of public enterprises, and this view is supported by Kogut and Macpherson (2010).

Apart from these domestic factors, international organizations have been identified as being important driving forces for privatization. Brune et al. (2004) examine a sample of 96 countries that have received support from the IMF and emphasize the relevance of the IMF for privatization activities. Ramamurti (1992) has also observed that a high dependence on the World Bank fosters privatization. Henisz et al. (2005) find for 71 countries and territories between 1977 and 1999 that countries succumb to international coercive pressure from the IMF and the World Bank.

In recent years more and more studies have analyzed the role of diffusion for privatization. In line with Levi-Faur (2003), Meseguer (2004, 2009) shows that privatization efforts in Latin
American countries are a result of diffusion processes and the emulation of regional experiences. Using a sample of 92 countries, Kogut and Macpherson (2008) show that the spread of American-trained economists in think tanks fosters the diffusion of privatization.

Overall, economic and political institutions are decisive constraints for privatizations and determine whether the divesture of public enterprises is an attractive tool for policy-makers. Given favorable institutional preconditions and pro-market ideological orientations of the relevant policy-makers, privatization has been regarded as a possible policy instrument for raising revenues and to fill empty public coffers. Furthermore, international organizations such as the World Bank and the IMF are important promoters for launching privatization programs as a strategy to increase firm efficiency and productivity. In line with Doyle (2010), it can be concluded that international organizations rather explain the decision to privatize whereas the cross-national differences in privatization revenues are shaped by different domestic political and economic situation across countries.

Privatization across the world: comparing rich democracies and developing countries

Privatization pathways

Privatization has been a common phenomenon in almost all countries around the globe. When comparing the privatization pathways between rich democracies and developing countries, similarities and differences can be identified. One similarity is that some sectors, such as telecommunications and energy, have been popular targets for privatization activities in almost all countries. While the privatization of public enterprises operating in the manufacturing sector did not realize high revenues, telecommunications and energy providers as well as financial operators are the family silver and highly attractive for private investors. This holds for nearly all countries around the globe. A further common feature is that the lion’s share of privatization revenues came from the single transaction of specific companies; the above-mentioned divestures of a few large financial and energy providers in China and the Russian federation, but also single transactions in developed countries such as the privatization of Deutsche Telekom are cases in point.

However, the timing of privatization differs between high-income and developing countries. While the wave of privatization swept through the OECD world mainly in the late 1980s and early 1990s, the peak of privatization in developing countries was in the late 1990s with regard to privatization events, and in the first half of the past decade with regard to privatization revenues. Furthermore, even though revenues from privatization in developing countries increased significantly in the last decade, the total amount is much smaller than in rich democracies. For example, 952 billion USD of privatization revenues were raised in 25 European countries in the period from 1988 to 2008 in comparison with 773 billion USD in more than 70 developing countries in the same period.

Explaining privatization trends

In terms of the driving factors, we can observe that some account for privatization around the world while others seem to be more relevant in specific regions. There is a consensus that political institutions constrain the possibilities for launching privatization programs. However, in developing countries important institutions are the protection of private investors, the rule of law and effective market-supporting regulations. In rich democracies, these institutions are
typically more or less existent. Therefore, the timing of privatization rather than the decision per se is influenced by institutions, for example by the constitutional provisions for privatization (Schmitt and Obinger 2011). Apart from the national political and economic institutional arrangement, the budgetary situation is an important factor in privatization around the globe.

In terms of the influence of international factors, one factor that has influenced privatization processes all over the globe is policy diffusion. Countries follow international trends and emulate the privatization policies of neighboring countries or important trading partners. However, rich democracies and developing countries differ in terms of the relevance of single diffusion mechanisms. While in rich democracies competition and trade relations, and therefore horizontal interdependencies, are of particular relevance, in developing countries more coercive forms of policy diffusion arising from the pressure of international factors such as the IMF and the World Bank are highly prominent.

Overall, a comparison of determinants of privatization between developing countries and rich democracies suggests that differences can be found in the importance of specific explanatory factors rather than in completely different logics and motives driving the privatization process. Only one factor, namely the pressure from international organizations such as the IMF and World Bank, is almost exclusively present in developing countries, whereas in European countries, the European Union puts pressure on governments for privatization and liberalization.

**Conclusion**

Privatization has swept the world in recent decades. It is one of the most salient policy developments across the globe. This chapter has summarized the general privatization trends in high-income and developing countries. It has shown that privatization in rich democracies is very similar around the world. Differences exist in terms of timing, size and the importance of single causes of privatization.

This chapter has mainly analyzed the period from 1988 until 2008, and therefore ends at the peak of the financial crisis. Interestingly, developed and developing countries have reacted differently to the financial and economic crisis. While government interventions to rescue, for example, financial operators, mainly occurred in developed countries, this phenomenon in developing countries is limited to a few cases such as the Parex Bank in Latvia or the Alliance Bank in Kazakhstan (Kikeri and Perault 2010: 4). One reason might be that developing countries, in contrast to rich democracies, did not have the capacity to intervene in the economy when confronted with consequences of the crisis such as decreasing revenues and higher expenditures. Which reaction has been more effective in countering the crisis has to be answered by future research.

**Notes**

1. For details regarding measurement see Schuster et al. (2013).
3. The sum of privatization revenues in relation to the average annual GDP.

**References**


