

## Consolidating Neoliberalism through Privatisation: The Case of the EU after the Eurozone Crisis

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# Consolidating Neoliberalism through Privatisation: The Case of the EU after the Eurozone Crisis

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## ABSTRACT

This article offers an inquiry into the increasing importance of privatisation policies in the European Union (EU). It evaluates the emphasis on international competitiveness and market efficiency to offer a comparative analysis of commodification, marketisation, liberalisation and privatisation policies in the pre- and post-crisis EU. It states that the EU introduced new mechanisms to explicitly promote privatisation policies in its member states after the Eurozone crisis. The article concludes that the EU's lead in privatisation has functioned as a disciplinary mechanism for the member states to introduce and implement extensive privatisation policies. The EU has tended to consolidate neoliberalism through privatisation after the Eurozone crisis.

**Keywords:** Competitiveness, Economic Crisis, European Union, Privatisation, Neoliberalism

## Neoliberalizmin Özelleştirme Yoluyla Pekiştirilmesi: Avro Alanı Krizi sonrasında AB

### ÖZET

Makale, Avrupa Birliği'nde (AB) özelleştirmenin artan önemine odaklanmaktadır. Uluslararası rekabet ve piyasa verimliliğine verilen önemi değerlendirmekte; Avro Alanı krizi öncesi ve sonrası dönemde AB'nde metalaştırma, piyasalaştırma, liberalleşme ve özelleştirme politikalarını karşılaştırmalı olarak analiz etmektedir. Bu kapsamda, AB'nin kriz sonrasında üye ülkelerde özelleştirme politikalarını teşvik etmek amacıyla yeni mekanizmalar sunduğunu belirtmektedir. Makale, AB'nin özelleştirme konusundaki öncülüğünün, üye ülkelerin kapsamlı politikalar sunması ve uygulamasında disiplin edici bir mekanizma işlevi gördüğünü öne sürmektedir. AB'nin kriz sonrası dönemde özelleştirme politikaları yoluyla neoliberalizmi pekiştirme eğilimi gösterdiğini ifade etmektedir.

**Anahtar Kelimeler:** Rekabetçilik Ekonomik Kriz, Avrupa Birliği, Özelleştirme, Neoliberalizm

## Introduction

The 2008-2009 global economic crisis posed a severe challenge to the world economy. As a quick response to the devastating effects of the crisis in the Eurozone, the European Union (EU) increased its emphasis on international competitiveness to tighten its economic integration and become a stronger economy in the world market. It introduced new mechanisms to promote competitiveness, market efficiency and private enterprise in public goods and services. In striking contrast to the pre-crisis practice, the EU put greater emphasis on privatisation in debt repayment, revenue collection and economic restructuring.

This article scrutinises how the EU put privatisation policies at the top of the agenda in the post-crisis era. It presents an analysis of the origins of privatisation with reference to methodological individualism, commodification and free market capitalism. It discusses the increasing importance of privatisation policies within the paradigm change in economic policy from Keynesianism to monetarism in the late 1970s. Within this framework, it analyses the increasing importance of liberalisation and marketisation based on data on the increasing privatisation activity in the 1980s and the 1990s.

The article elaborates on the impact of the Eurozone crisis in the promotion of liberalisation and privatisation policies in improving the economic indicators in the member states. It offers a comparative analysis of the neoliberal market values in the pre- and post-crisis periods in the EU with a precise focus on privatisation. It argues that, following the emergence of the economic crisis in the Eurozone, the EU started to *explicitly* promote liberalisation, marketisation, deregulation and privatisation policies by a) introducing new policy mechanisms for its own restructuring, and b) setting conditionalities in economic recovery programmes and international bailout packages. It concludes that the Eurozone crisis served to consolidate the neoliberal market values in Europe.

## Origins of Privatisation

The intellectual roots of privatisation go back to the very initial stages of the capitalist mode of production – when “product becomes a commodity”.<sup>1</sup> By definition, privatisation is a very broad concept describing the transfer of various economic activities from the public to the private sector.<sup>2</sup> It denotes the “displacement of the public sector by the private sector along four modes: ownership, financing, management, and service/product delivery”.<sup>3</sup> Withdrawal of the state from the economic arena opens the market to wider opportunities of capital accumulation in the private sector. It implies direct transfer of capital resources from the public to the private sector, and hence, connotes more than just to the change of ownership from the state to the market. Contrarily, it signifies a transfer of certain responsibilities, ownership, assets, services and rights. Privatisation alters the society’s relationship to commodities, services and rights in that it introduces “a social intensification of capitalism and a shift in state-society relationships”.<sup>4</sup>

1 Karl Marx, *Grundrisse*, New York, First Vintage Books, 1973, p. 165.

2 Asha Gupta, *Beyond Privatization*, London, Macmillan, 2000.

3 Julien Mercille and Enda Murphy, “What is Privatization? A Political Economy Framework”, *Environment and Planning*, Vol. 49, No 5, 2017, p. 1041.

4 David A. McDonald and Greg Ruiters, “Rethinking Privatization: Towards a Critical Theoretical Perspective”, *Public Service Yearbook 2005/2006*, Amsterdam, Transnational Institute, 2006, p. 9.

Privatisation is highly related to the concept of commodification, which, in turn, requires an analysis of use-value and exchange-value. Marx presents a detailed inquiry into how use-value transforms into exchange-value in the capitalist market economy, converting a product into a commodity: whereas use-values are “realized in use or in consumption”, exchange-value is characterised by commodities’ abstraction from their use-values.<sup>5</sup> Put plainly, a commodity is distinct from a non-commodified good or service such as a pure public good or public service: a non-commodified good or service has no exchange-value but only use-value.<sup>6</sup> Hence, as Mandel summarised in his contribution to the introduction to *Capital*, “the contradiction between use-value and exchange-value [is] inherent in every commodity”.<sup>7</sup>

The transformation of a product into a commodity, i.e. commodification, is “a process integral to capitalist expansion and central to the marketisation of all aspects of life”.<sup>8</sup> It describes a process in which “use values are subjugated to exchange values” and brings along strict obedience to market dependency.<sup>9</sup> Privatisation, in this sense, is peculiar to the capitalist mode of production with strong emphasis on market competition, efficiency, productivity and private sector enterprise. Proponents of privatisation suggest that private sector enterprises bring greater competitiveness and efficiency to the economy by undertaking innovations, offering diversity of products and decreasing costs.<sup>10</sup>

On the other hand, there is also important research relating privatisation with transfer of capital from the public to private sector – a number of scholars claim that the existing evidence “does not allow us to conclude that privatization per se has been the key in boosting the financial and operating performance of firms”.<sup>11</sup> Critical research on the transfer of public goods and services to the private sector enterprise states that privatisation does not necessarily lead to better operating performances.<sup>12</sup>

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5 Karl Marx, *Capital: A Critique of Political Economy*, Aylesbury, Penguin Books, 1976, p. 127.

6 Christoph Hermann, “Commodification, Consequences and Alternatives: Lessons from the Privatization of Public Services in Europe”, *2011 IIPPE Annual Conference*, İstanbul, Turkey, 20–22 May 2011, p. 5.

7 Ernest Mandel, *Introduction to Capital: A Critique of Political Economy*, Aylesbury, Penguin Books, 1976, p. 37.

8 McDonald and Ruiters, “Rethinking Privatisation”, p. 9.

9 Hermann, “Commodification, Consequences and Alternatives”, p. 10.

10 For further theoretical discussions and empirical research, see Thomas E. Borcherding et al., “Comparing the Efficiency of Private and Public Production: The Evidence from Five Countries”, *Zeitschrift für Nationalökonomie*, Vol. 89, No 2, 1982, pp. 127–156; Robert Millward and David Parker, “Public and Private Enterprise: Comparative Behaviour and Relative Efficiency”, Robert Millward et al. (eds.), *Public Sector Economics*, London, Longman, 1983, pp. 199–276; Dieter Bös, “A Theory of the Privatization of Public Enterprises”, *Journal of Economics*, Vol. 46, No 1, 1986, pp. 17–40; Emanuel S. Savas, *Privatization and Public-Private Partnerships*, New York, Seven Bridges, 2000; Belén Villalonga, “Privatization and Efficiency: Differentiating Ownership Effects from Political, Organizational, and Dynamic Effects”, *Journal of Economic Behaviour and Organization*, Vol. 42, No 1, 2000, pp. 43–74; William L. Megginson and Jeffrey M. Netter, “From State to Market: A Survey of Empirical Studies on Privatization”, *Journal of Economic Literature*, Vol. 39, No 22, 2001, pp. 321–389; Isaac Otchere and Zonglan Zhang, “Privatization, Efficiency and Intra-industry Effects: Analysis of China’s Privatization”, *International Review of Finance*, Vol.2, No 1-2, 2003, pp. 49–70; John Bonin et al., “Bank Performance, Efficiency and Ownership in Transition Countries”, *Journal of Banking and Finance*, Vol. 29, No 1, 2005, pp. 31–53.

11 Bernardo Bortolotti and Valentina Milella, “Privatization in Western Europe: Stylized Facts, Outcomes, and Open Issues”, Gérard Roland (ed.), *Privatization: Successes and Failures*, New York, Columbia University Press, 2008, p. 58.

12 Mercille and Murphy, “What is Privatization?”, pp. 1041–1042. For further discussion, also see John Vickers and George K. Yarrow, *Privatization: An Economic Analysis*, Cambridge, Cambridge University Press, 1988; Joseph Stiglitz, “Foreword”, Gérard Roland (ed.), *Privatization: Successes and Failures*, New York, Columbia University Press, 2008, pp. ix–xix; Donal Palcic and Eoin Reeves, *Privatisation in Ireland: Lessons from a European Economy*, London, Palgrave Macmillan, 2011.

Strikingly, liberalisation and privatisation policies lead to a fundamental transformation in employment and working conditions so that higher levels of competitiveness are based on the reduction of wage costs rather than the improvement of quality and innovation.<sup>13</sup>

Intellectual deliberation on methodological individualism and free market capitalism also are revived with arguments promoting privatisation in the market. The three processes of privatisation, liberalisation and marketisation are often evaluated together, despite carrying certain analytical distinctions. These mutually reinforcing processes transform non-capitalist spaces into capitalist ones, which is also defined as accumulation by dispossession.<sup>14</sup> It describes the absorption of public goods and services by capitalism, creating profitable opportunities for the private sector.<sup>15</sup> In this respect, privatisation is also tightly related with the processes of liberalisation and marketisation.

Accumulation by dispossession became central to neoliberalism,<sup>16</sup> and the three processes of privatisation, liberalisation and marketisation became explicitly interconnected. Economic breakdown in the early 1970s triggered a “paradigmatic change” in economic policy from Keynesianism to monetarism, replacing protectionist state-interventionism with competition-based market capitalism in favour of “less government and more market freedom”.<sup>17</sup> The origins of privatisation trend lied in this “paradigm change” in economics as the start of neoliberal thinking.<sup>18</sup> The “ideological shift [towards] efficiency and market-led economic policies”<sup>19</sup> by “faster growth, higher efficiency and wider competition”<sup>20</sup> prioritised active privatisation policies. It altered the balance between the public sector and the private sector by commodification processes to achieve four main purposes: managing public enterprises more efficiently, making markets more competitive, offering new opportunities to invest, and assisting the growth of enterprises.<sup>21</sup>

Privatisation played a significant role in the process of commodification in an intensified and extended capitalism.<sup>22</sup> It changed the outlook of the economy and industrial relations by introducing new disciplinary mechanisms – it altered the attainability of commodities.<sup>23</sup> Privatisation reversed the common property rights won through years of class struggle, and hence, represented a new wave

13 FP6-2004-CITIZENS-5, Privatisation of Public Services and the Impact on Quality, Employment and Productivity (PIQUE), 2006–2009, [https://cordis.europa.eu/project/rcn/79917\\_en.html](https://cordis.europa.eu/project/rcn/79917_en.html) (Accessed 1 October 2018), cited in Sol Trumbo Vila and Matthijs Peters, “The Privatising Industry in Europe”, Working Paper, *Transnational Institute*, 2016, [https://www.tni.org/files/publication-downloads/tni\\_privatising\\_industry\\_in\\_europe.pdf](https://www.tni.org/files/publication-downloads/tni_privatising_industry_in_europe.pdf) (Accessed 1 October 2018), p. 13.

14 David Harvey, *The New Imperialism*, Oxford, Oxford University Press, 2003 and David Harvey, *A Brief History of Neoliberalism*, Oxford, Oxford University Press, 2005, cited in Mercille and Murphy, “What is Privatization?”, p. 1041.

15 *Ibid.*, p. 1043.

16 David Harvey, *The New Imperialism*, p. 67.

17 Volker Schneider and Frank M. Häge, “Europeanization and the Retreat of the State”, *Journal of European Public Policy*, Vol. 15, No 1, 2008, p. 12.

18 *Ibid.*, p. 16.

19 Kate Bayliss, “Privatization Theory and Practice: A Critical Analysis of Policy Evolution in the Development Context”, Jomo KS and Ben Fine (eds.), *The New Development Economics: Post Washington Consensus Neoliberal Thinking*, London, Zed Books, 2006, p. 144.

20 Gupta, *Beyond Privatization*, p. xiii.

21 *Ibid.*, p. 23.

22 McDonald and Ruiters, “Rethinking Privatisation”, p. 13.

23 Mansfield, “Privatization”, pp. 394–398.

of “enclosing the commons”.<sup>24</sup> Dozens of governments across the globe implemented comprehensive privatisation programmes in the last two decades preceding the recent economic crisis.<sup>25</sup>

The emergence of the US-originated 2008/2009 global economic crisis<sup>26</sup> in the Eurozone operationalised the opening up of “new fields for capital accumulation” in the EU.<sup>27</sup> Commodification played a central role in capital accumulation by “creat[ing] the conditions for goods and services to be captured by the logic of the market”.<sup>28</sup> Under the unique circumstances of the Eurozone crisis, which highlighted the promotion of capitalist expansion for overcoming the economic bottleneck, there existed an increased focus on competitiveness and market efficiency in the EU.<sup>29</sup> Economic recovery policies prioritised privatisation for commodification purposes, i.e. conversion of public goods and services to products with exchange-values, to minimise the burden on the public sector by debt reduction and revenue collection. This also served to consolidate neoliberal market values in the economy.<sup>30</sup>

Based on this, an empirical analysis of how the EU responded the Eurozone crisis in terms of its privatisation policies provides some hints about the role of privatisation in economic recovery and its impact on the consolidation of neoliberal values in Europe. The next section will provide a comparison of privatisation policies before and after the economic crisis in the EU with some empirical evidence from its member states.

## Privatisation in the EU

The process of agenda setting for competitiveness and liberalisation is two-way in the EU:<sup>31</sup> top-down and bottom-up. Similarly, the EU’s acts and the member states’ commitment to privatisation policies have been mutually reinforcing. The EU’s initiatives have shaped the free market policies whereas

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24 Harvey, *The New Imperialism*, p. 148.

25 Judith Clifton et al. “Privatizing Public Enterprises in the European Union 1960-2002: Ideological, Pragmatic, Inevitable?”, *Journal of European Public Policy*, Vol. 13, No 5, 2006, p. 736.

26 For further discussions on theories of economic crisis, overaccumulation and the tendency for the rate of profit to fall, see Özgün Sarımeşmet Duman, “A Theoretical Framework for the Analysis of the Current Global Economic Crisis: The Financial Market and the Real Economy”, *The Economic and Labour Relations Review*, Vol. 25, No 2, 2014, pp. 240–252; Simon Clarke, *Marx’s Theory of Crisis*, New York, St. Martin’s Press, 1994.

27 Harvey, *A Brief History of Neoliberalism*, p. 160.

28 McDonald and Ruiters, “Rethinking Privatisation”, pp. 14–15.

29 For a detailed analysis on the repercussions of the post-2008 global economic crisis on the EU and the Eurozone, see Costas Lapavistas et al. “Eurozone Crisis, Beggar Thyself and Thy Neighbor”, *Journal of Balkan and Near Eastern Studies*, Vol. 12, No 4, 2010, pp. 321–373; Matthias Kaelberer, “Sovereign Debt or Balance of Payments Crisis? Exploring the Structural Logic of Adjustment in the Eurozone”, *Journal of Balkan and Near Eastern Studies*, 16(4), 2014, pp. 419–436; Leila Simona Talani, “Stopping the Run on the PIIGS! EMU Structural Imbalances, the Sovereign Debt Crisis and the Response of the EU”, *Journal of Balkan and Near Eastern Studies*, Vol. 17, No 4, 2015, pp. 353–372; Özgün Sarımeşmet Duman, “The Political Economy of the Eurozone Crisis: Competitiveness and Financialization in PIIGS”, *Journal of Balkan and Near Eastern Studies*, Vol. 20, No 3, 2018, pp. 211–229.

30 Özgün Sarımeşmet Duman, “The Rise and Consolidation of Neoliberalism in the European Union: A Comparative Analysis of Social and Employment Policies in Greece and Turkey”, *European Journal of Industrial Relations*, Vol. 20, No 4, 2014, p. 368; Julien Mercille and Enda Murphy, *Deepening Neoliberalism, Austerity and Crisis: Europe’s Treasure Ireland*, London, Palgrave Macmillan, 2015.

31 Claudia Major, “Europeanization and Foreign and Security Policy: Undermining or Rescuing the Nation state?”, *Politics*, Vol. 25, No 3, 2005, p. 177; Michael Emerson and Gergana Noutcheva, “Europeanisation as a Gravity Model of Democratisation”, *Centre for European Policy Studies*, No 214, 2004, p. 5.

the leading privatisers in the EU such as the UK, France, Italy and Germany have been influential in the design of economic competitiveness in Europe. Admitting the difficulty in drawing a line between the EU and national competences on the preference to introduce privatisation policies, this paper supports the argument that being a member state is “associated with a positive and statistically significant effect” in pro-market liberalisation and privatisation policies.<sup>32</sup>

Privatisation has been an important policy instrument promoting economic restructuring in the EU and its member states since the early 1980s. The EU has “supported privatization institutionally prior to and during the recent financial crisis”,<sup>33</sup> but using different tools. Before the emergence of the Eurozone crisis, the EU did not have any particular agenda for privatisation, except from the promotion of competitiveness and free market capitalism. European integration requirements played the key role in encouraging member states to introduce and implement privatisation policies.<sup>34</sup> The EU has “orchestrated and coordinated liberalization and privatization measures” among the member states.<sup>35</sup> In the aftermath of the economic crisis, the EU has started to explicitly promote privatisation. Austerity measures including expenditure cuts and privatisation policies have constituted the main motive behind the increasing privatisation activity in member states.

It is important to note that the EU has not imposed privatisation policies on the member states. Nevertheless, the EU’s lead in privatisation has functioned as a disciplinary mechanism to confine class struggle and an instrument to persuade the masses that “many EU governments used privatization as a tool to facilitate and accelerate liberalization in the face of European legislation”.<sup>36</sup> In this respect, the EU has shaped the European market prioritising the market-driven principles and the member states could have introduced complimentary policies to safeguard a European standard in political economy. A comparative analysis of privatisation policies in the EU and its member states before and after the Eurozone crisis offers an inquiry into its increasing role in economic recovery and consolidation of neoliberal market values.

### ***Before the Eurozone Crisis***

The EU institutionalised neoliberal market values in Europe with the adoption of the Single Market (1985), the Treaty of Maastricht (1992), the Financial Services Action Plan (FSAP, 1999) and the Lisbon Strategy (2000 and 2005).<sup>37</sup> Being “legally required to maintain a neutral stance on the question of ownership”,<sup>38</sup> it did not *explicitly* promote privatisation policies until the emergence of the economic crisis. Instead, it promoted free market capitalism, liberalisation, deregulation and

32 Filippo Belloc et al., “Disentangling Liberalization and Privatization Policies: Is There a Political Trade-off?”, *Journal of Comparative Economics*, Vol. 42, 2014, p. 1046.

33 Mercille and Murphy, “What is Privatization?”, p. 1041.

34 Clifton et al. “Privitazing Public Enterprises in the European Union 1960-2002”.

35 Marica Frangakis and Jörg Huffschmid, “Privatisation in Western Europe”, Marica Frangakis et al. (eds.), *Privatisation against the European Social Model: A Critique of European Policies and Proposals for Alternatives*, London, Palgrave Macmillan, 2009, pp. 9–29, cited in Mercille and Murphy, “What is Privatization?”, p. 1041.

36 Clifton et al. “Privitazing Public Enterprises in the European Union 1960-2002”, p. 752.

37 Marica Frangakis et al., “Introduction: Privatisation and the Crisis of Social Europe”, Marica Frangakis et al. (eds.), *Privatisation against the European Social Model: A Critique of European Policies and Proposals for Alternatives*, London, Palgrave Macmillan, 2009, p. 3.

38 European Economic Community, *Treaty Establishing the European Economic Community*, Rome, European Economic Community, 1957, Art. XX, cited in Charlotte Burns et al., “Explaining Policy Change in the EU: Financial Reform after the Crisis”, *Journal of European Public Policy*, Vol. 25, No 5, 2018, p. 8.

competitiveness of the economy, all of which turned privatisation into a pivotal policy instrument in the 1980s and the 1990s.

Encompassing privatisation at its very heart, neoliberal values first penetrated into European integration with the 1985 White Paper on Completing the Single Market and the 1986 Single European Act,<sup>39</sup> and turned European integration into a “market-driven” act.<sup>40</sup> The Single European Market (SEM) reinforced market competition by proposing the removal of physical, technical and fiscal barriers to trade. Later, the Maastricht Treaty created the Economic and Monetary Union (EMU), which transferred the member states’ monetary control to the European Central Bank (ECB). The single currency overthrew the alternative of national control on exchange rate policy<sup>41</sup> in “adjust[ing] productivity growth to globally competitive levels”.<sup>42</sup> The EMU targeted “an open market economy with free competition ... [as] the primary aim of monetary policy”.<sup>43</sup> Both the SEM and EMU aimed to “integrate national markets into the European market through harmonisation strategies”<sup>44</sup>, which constituted a “part of a set of policies that shifted the EU towards a neoliberal and financial ... model of capitalism”.<sup>45</sup> Integration of national markets boosted the emphasis on competitiveness and market efficiency, leading to prioritisation of privatisation policies in economic restructuring.

The FSAP underlined liberalisation of financial markets and opening borders for financial investors. It generated “a strong thrust towards privatisation of public goods and services, more shareholder orientation in the management of private and public firms and increased pressure on governments to shape the economy and society according to the interests of financial investors”.<sup>46</sup> This engendered an impulse to convert public goods and services into commodities. Financial investment in public enterprises, in this sense, promoted commodification in the European market.

The Lisbon Strategy was an important action and development plan enacted by the EU. It had a set of policy initiatives to address “low productivity, unemployment and economic stagnation throughout the EU”.<sup>47</sup> It delineated the strategic goal of “becom[ing] the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.<sup>48</sup> To achieve this, it embraced three important structural reforms: further market opening and deregulation, macroeconomic discipline, and the modernisation

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39 Robert R. Geyer, *Exploring European Social Policy*, Cambridge, Polity, 2000, pp. 41–42.

40 Alan W. Cafruny and Magnus Ryner, *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe*, N/A ed. Lanham, Md: Rowman & Littlefield, 2003, p. 3.

41 Owen Parker and Dimitris Tsarouhas, “Causes and Consequences of Crisis in the Eurozone Periphery”, Owen Parker and Dimitris Tsarouhas (eds.), *Crisis in the Eurozone Periphery: The Political Economies of Greece, Spain, Ireland and Portugal*, Switzerland, Springer, 2018, p. 11.

42 Werner Bonefeld, “European Integration: The Market, the Political and Class”, *Capital & Class*, Vol. 26, No 2, 2002, p. 133.

43 Bernard H. Moss, “The EC’s Free Market Agenda and the Myth of Social Europe”, Werner Bonefeld (ed.), *The Politics of Europe: Monetary Union and the Class*, Basingstoke, Palgrave, 2001, p. 115.

44 Sarimehmet Duman, “The Rise and Consolidation of Neoliberalism in the European Union”, 2014, p. 370.

45 Stephen Gill, “Constitutionalising Capital: EMU and Disciplinary Neo-liberalism”, Andreas Bieler and Adam D. Morton (eds.), *Social Forces in the Making of the New Europe: The Restructuring of European Social Relations in the Global Political Economy*, Basingstoke, Palgrave, 2001, pp. 49–50.

46 Frangakis and Huffschmid, “Privatisation in Western Europe”, p. 25.

47 Bill Paterson, “Questioning the Common Sense: Was Scottish Independence Really an Alternative to UK Neoliberalisation?”, *Capital & Class*, Vol. 39, No 3, 2015, p. 507.

48 Eurofound, “Lisbon Strategy”, 2007 <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/lisbonstrategy.htm> (Accessed 1 February 2017).

of social systems.<sup>49</sup> The increased focus on competitiveness generated a solid step towards attaining market efficiency, which led to comprehensive policies for further liberalisation, marketisation and privatisation in Europe.

All these plans and acts have made an increasing emphasis on competitiveness – one of the key parameters of which is privatisation. On the promotion of privatisation in member states, the EU relied on membership conditionality and quasi-legal instruments in enforcing its requirements: “in the accession partnership documents, which officially outlined the necessary steps for the candidates to take, further privatization and the promotion of foreign capital inflows appeared as key economic conditions of membership”.<sup>50</sup> The accession partnerships included short-term economic criteria of membership (4.1) and mid-term economic criteria (4.2), which prescribed the completion of the privatisation process and also indicated sectoral preferences in certain cases.<sup>51</sup>

Within this framework, European integration has been one of the main drivers of privatisations in EU member states.<sup>52</sup> Privatisation policies have been widespread not only to enhance the efficiency, productivity and competitiveness of public goods and services, but also to promote further liberalisation of the financial market and to create “new terrains of capital accumulation”.<sup>53</sup> Hence, these moves have strategically driven both the EU and its member states towards the “establishment of a neo-liberal zone of liberalisation and privatisation”.<sup>54</sup> European integration processes have constituted a commitment device and a legitimacy ground for the member states to introduce and implement extensive privatisation policies.

The main motivations of the member states for implementing privatisation policies were promoting efficiency, increasing competition, developing a national capital market, reducing the public debt, and promoting a culture of equity ownership.<sup>55</sup> The first privatisation attempts in the EU came from the United Kingdom (UK) under the Thatcher government in the early 1980s. It started with the sale of minor shareholdings or small manufacturing companies. These were followed by larger privatisations expanding to telecommunications and railway sectors.<sup>56</sup>

With the transition to the market-based monetarist economic policy, Western Europe became the area mostly involved in privatisation processes by fulfilling the greatest volume of privatisations; it raised 48% of global revenues in the period of 1977–2004.<sup>57</sup> EU-15 privatisation proceeds were led by Italy with €105 billion, the UK with €95 billion, Germany with €74.5 billion, France with €68.2 billion

49 Frangakis and Huffschmid, “Privatisation in Western Europe”, p. 24.

50 Gergő Medve-Bálint, “The Role of the EU in Shaping FDI Flows to East Central Europe”, *Journal of Common Market Studies*, Vol. 52, No 1, 2013, p. 42.

51 *Ibid.*, p. 42.

52 Clifton et al. “Privitazing Public Enterprises in the European Union 1960-2002”.

53 Harvey, “The New Imperialism”, p. 149.

54 Frangakis et al., “Introduction”, p. 3.

55 Marica Frangakis, “Privatization vs the European Social Model: A Critique of European Policies and Proposals for Alternatives”, *PRESOM*, Ljubljana and Brussels, 2007, [http://www.raumplanung.tu-dortmund.de/irpud/presom/fileadmin/docs/presom/external/Rome\\_Conference\\_March\\_2008/Frangakis.pdf](http://www.raumplanung.tu-dortmund.de/irpud/presom/fileadmin/docs/presom/external/Rome_Conference_March_2008/Frangakis.pdf) (Accessed 1 February 2017), p. 2.

56 *Ibid.*, p. 7.

57 Bortolotti and Milella, “Privatization in Western Europe”, p. 34.

and Spain with €38.6 billion in a total amount of €497 billion.<sup>58</sup> Top privatisers ranked as Luxembourg with 19.64%, Portugal with 12.51% and Finland with 11.87% in terms of privatisation proceeds as a percentage of GDP.<sup>59</sup>

The Lisbon Strategy further highlighted the importance of economic competitiveness, which motivated and enabled member states to increase the volume of privatisations in the early 2000s. European governments introduced new privatisation agendas, which boosted privatisation revenues to near-record yearly totals.<sup>60</sup> However, in 2007, Western Europe had a sharp slowdown in privatisation revenues, reaching only a total of €33.1 billion in France, Germany, Finland, the UK and Sweden, and €39.99 billion in EU-26.<sup>61</sup> The decrease in privatisation revenues mainly resulted from two reasons: there were only a few untouched industries left to sell, and the industries in state hands were the most problematic ones politically and economically; privatisation of even small stakes in partially privatised companies was highly controversial in political terms.<sup>62</sup> The economic crisis, in this regard, offered a fertile ground in the market and the political arena for further privatisations.

### **After the Eurozone Crisis**

Integral complications of tight economic integration constituted the origin of the rapid diffusion of the economic crisis in the Eurozone.<sup>63</sup> As recently argued by Parker and Tsarouhas, the single currency “designed in accordance with neoliberal ‘efficient market’ ideas” lay at the heart of the Eurozone crisis.<sup>64</sup> An in-depth case study analysis by Neil Dooley on the origins of the Eurozone crisis in the periphery stated that the European periphery was forced to adapt to a “one size fits all” project of European integration, which faced them to be hit hardest by the economic crisis.<sup>65</sup>

As the crisis further revealed the shortcomings of EMU,<sup>66</sup> there existed a growing emphasis on international competition and “*continual ‘adjustment’ of labour*”.<sup>67</sup> The crisis offered a significant prospect for re-evaluating the course of neoliberalisation in Europe.<sup>68</sup> Under these conditions, the

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58 V. Pignatti Morano, “The Future of Privatization in Europe”, *PRESOM, Background and history of liberalisation and privatisation in the EU*, Rome, 2005, <http://www.privatisationbarometer.net> (Accessed 1 February 2017), cited in Frangakis, “Privatization vs the European Social Model”, p. 4.

59 Ibid. and European Commission, “Statistical Annex of the European Economy 2007”, 2007, [http://ec.europa.eu/economy\\_finance/publications/pages/publication10187\\_en.pdf](http://ec.europa.eu/economy_finance/publications/pages/publication10187_en.pdf) (Accessed 1 February 2017), cited in Frangakis, “Privatization vs the European Social Model”, p. 4.

60 Frangakis, “Privatization vs the European Social Model”, p. 3

61 Ibid., pp. 6–9.

62 Privatization Barometer, “Reporting on Privatization in the Enlarged Europe”, 2007, [http://www.privatisationbarometer.com/PUB/NL/3/3/PB\\_AR2007.pdf](http://www.privatisationbarometer.com/PUB/NL/3/3/PB_AR2007.pdf) (Accessed 13 June 2018), p. 3.

63 See Sarimehmet Duman, “The Political Economy of the Eurozone Crisis”, 2018 for a detailed analysis.

64 Parker and Tsarouhas, “Causes and Consequences of Crisis in the Eurozone Periphery”, p. 1.

65 Neil Dooley, *The European Periphery and the Eurozone Crisis: Capitalist Diversity and Europeanisation*, London, Routledge, 2018, p. 3.

66 Demosthenes Ioannou et al., “European Integration and the Crisis: Practice and Theory”, *Journal of European Public Policy*, Vol. 22, No 2, 2015, pp. 155–176.

67 John Milios and Dimitris P. Sotiropoulos, “Crisis of Greece or Crisis of the Euro? A View from the European ‘Periphery’”, *Journal of Balkan and Near Eastern Studies*, Vol. 12, No 3, 2010, p. 226, emphasis in original.

68 Sarimehmet Duman, “The Rise and Consolidation of Neoliberalism in the European Union”, 2014, p. 371.

EU's overall strategy towards the economic crisis was dominated by "market-oriented, competitive reorganization of almost every aspect of social life, the economy and politics".<sup>69</sup>

As a "radical policy departure" from the pre-crisis philosophy, the EU started to *explicitly* promote privatisation policies among its member states after the economic crisis.<sup>70</sup> It strengthened the emphasis on international competitiveness, liberalisation and deregulation by introducing new policy mechanisms for its own restructuring. It also put privatisation as one of the key conditionalities to negotiate and monitor international bailout programmes. Privatisation had increased importance in debt repayment, revenue collection and economic restructuring for attaining higher levels of market efficiency under the unique conditions of the economic crisis.

The EU launched a new growth strategy, Europe 2020, which aimed to improve growth and competitiveness by further liberalisation and privatisation in the EU. Europe 2020 highlighted the importance of creating "the conditions for a different type of growth that is smarter, more sustainable and inclusive"<sup>71</sup> and securing "the conditions for a more competitive economy with higher employment".<sup>72</sup> Europe 2020 increased the highlight on the importance of competitiveness set by the Lisbon Strategy, and provided a firm background for privatisation policies in member states.

The EU also adopted three legislative packages to strengthen the Stability and Growth Pact and enhance tight fiscal discipline: Six-Pack, Fiscal Compact and Two-Pack. These mechanisms were applied in the context of the European Semester, introduced in 2010, designed to provide a framework for the cooperation of economic policies across the EU. As one of the EU's responses to the economic crisis, the European Semester set its economic governance agenda, "which has too often been a by-word for neo-liberalism and austerity, including privatisation".<sup>73</sup> The European Semester published country-specific recommendations from 2011 onwards. It offered an important and controversial process undertaking surveillance of the budget and economy in the member states.

These mechanisms adopted in the context of the European Semester reinforced the EMU, aiming to coordinate the member states' budgetary commitments and also provide continuous monitoring to their progress towards Europe 2020.<sup>74</sup> They thoroughly increased the control mechanisms on the member states' policies towards economic growth, job creation, financial stability and public finances. Precisely, these three mechanisms enriched the EU's "neoliberal governance toolkit"<sup>75</sup> with increasing emphasis on macro-economic adjustment and reaching comparable levels of competitiveness throughout Europe. They regained access to financial

69 John Kannankulam and Fabian Georgi, "Varieties of Capitalism or Varieties of Relationships of Forces? Outlines of a Historical Materialist Policy Analysis", *Capital & Class*, Vol. 38, No 1, 2014, p. 66.

70 Burns et al., "Explaining Policy Change in the EU", p. 8.

71 European Commission, "Europe 2020 in a Nutshell", 2012b, [http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm) (Accessed 1 February 2017).

72 European Commission, "Europe 2020: Priorities" 2012a, [http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/index_en.htm) (Accessed 1 February 2017).

73 Corporate Europe Observatory, "Is the European Commission Preparing a New Privatisation Push?", 2017 <https://corporateeurope.org/power-lobbies/2017/11/european-commission-preparing-new-privatisation-push> (Accessed 1 October 2018).

74 Parker and Tsarouhas, "Causes and Consequences of Crisis in the Eurozone Periphery", p. 14.

75 Joseph Zacune, "Privatising Europe: Using the Crisis to Entrench Neoliberalism", *Transnational Institute*, 2013, <https://www.tni.org/en/publication/privatising-europe> (Accessed 1 February 2017), p. 7.

markets by “limiting the capacities of Eurozone governments to run budget deficits or stray from neoliberal social and economic policy”.<sup>76</sup>

The EU set an agenda for economic recovery including rescue packages, austerity measures and structural adjustment programmes with the intention to “drive the competitiveness of deficit countries in the periphery, facilitating the development of their productive economies and the expansion of exports to address deficits”.<sup>77</sup> It introduced new institutional mechanisms for executing crisis resolution/management policies, i.e. the European Financial Stability Mechanism (EFSM), the temporary European Financial Stability Facility (EFSF) and later the permanent European Stability Mechanism (ESM). The EFSM was institutionalised as one of the three loan programmes the EU offered to countries experiencing financial difficulties. Financial assistance was set *conditional* on the implementation of reforms in lending countries.<sup>78</sup> ESM, which turned EFSF into a permanent intergovernmental institution, was designed to provide financial assistance to Euro Area countries with severe financial problems, and its lending toolkit included loans within a macroeconomic adjustment programme, primary market purchases, secondary market purchases, precautionary credit line, loans for indirect bank recapitalisation, and direct recapitalisation of institutions.<sup>79</sup>

These new mechanisms have strengthened the relationship between austerity, conditionalities and privatisation policies by prioritising the introduction of extensive privatisation policies as a conditionality of austerity programmes. Memoranda of understanding and adjustment programmes agreed with bailout countries linked the disbursement of funds to progress in implementing policy conditionalities. Privatisations were presented as a conditionality for the release of following disbursements, by observance of quantitative performance criteria and a positive evaluation of progress.

Within this framework, it would be plausible to argue that the Eurozone crisis offered a suitable political and economic background for promoting privatisation policies in crisis economies. Privatisation activity had an upward trend that saw world annual privatisation revenues increase from \$110 billion in 2008 to \$266 billion in 2016.<sup>80</sup> Privatisation of public sector services and assets was set as a key conditionality in exchange for rescue packages. Moreover, market institutions promoted the performance of further privatisations “by proposing automatic procedures ... to disengage the process from local politics”.<sup>81</sup> They constituted a prime component of restructuring in the production market, financial market and labour market – in complying with ceilings on government debt and deficit, transfer of public sector goods and services to the private sector, and reframing of Europe in terms of capital ownership and labour relations.

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76 Kannankulam and Georgi, “Varieties of Capitalism or Varieties of Relationships of Forces?”, p. 66.

77 Parker and Tsarouhas, “Causes and Consequences of Crisis in the Eurozone Periphery”, p. 15.

78 European Commission, “European Financial Stabilisation Mechanism (EFSM)”, 2017, [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/loan-programmes/european-financial-stabilisation-mechanism-efsm\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/loan-programmes/european-financial-stabilisation-mechanism-efsm_en) (Accessed 1 February 2017).

79 European Stability Mechanism, “Lending Toolkit”, 2017, <https://www.esm.europa.eu/assistance/lending-toolkit> (Accessed 1 February 2017).

80 OECD, “Privatisation and the Broadening of Ownership of State-Owned Enterprises”, 2018, <https://www.oecd.org/daf/ca/Privatisation-and-the-Broadening-of-Ownership-of-SOEs-Stocktaking-of-National-Practices.pdf> (Accessed 1 October 2018), p. 7.

81 George Christodoulakis, “Privatization of State Assets in the Presence of Crisis”, George Christodoulakis (ed.), *Managing Risks in the European Periphery Debt Crisis*, Basingstoke, Palgrave Macmillan, 2015, p. 110.

This evidences that the economic crisis provided the EU and its member states with a legitimate excuse to introduce further privatisation policies following a downturn in the pre-crisis period. The EU legitimised privatisation policies based on their contribution to the reduction of public debt and subsidies, potential of increasing the efficiency of companies and the competitiveness of the economy as a whole, and likelihood of attracting foreign direct investment.<sup>82</sup> This opened the floor for commodification in various sectors and exposed them to private sector competition, reaching 47% of total revenues in financial and real estate sector and 26% of total revenues in public utilities in EU-25 countries in 2008-2016.<sup>83</sup> The 2015 and 2017 European Semester recommendations were extended to include recommendations on governance of state-owned enterprises and privatisation in five countries (Croatia, Italy, Portugal, Romania, and Slovenia in 2015 and Croatia, Italy, Portugal, Slovenia, and Cyprus in 2017).<sup>84</sup> So, in practice, the economic crisis functioned “as an opportunity to dictate certain economic policies”,<sup>85</sup> privatisation occupying a central place among them.

The policies promoting privatisation activity had noteworthy reflections in empirical terms. Following the emergence of the recent economic crisis, privatisation revenues had an upward trend in all over Europe. The year 2008 was historic in terms of negative global financial accounts, but the privatisation activity exceeded the expected levels with a total of €52.5 billion in the EU.<sup>86</sup> Privatisation revenues fluctuated between €19.5 billion and €33.1 billion in the period of 2009-2012.<sup>87</sup>

A momentous increase in privatisation revenues in the EU member states started in 2013. The EU total of privatisation revenues reached a five-year peak of €50.1 billion in 2013<sup>88</sup> and a nine-year peak of €58.34 billion in 2014.<sup>89</sup> According to the most up-to-date research on privatisation conducted by Privatization Barometer (2017), privatisation revenues in Europe reached a record-level of €80.0 billion in 2015.<sup>90</sup> It declined back to €34 billion in 2016, despite the world level of €241.4 billion as the second largest in history.<sup>91</sup>

82 Vila and Peters, “The Privatising Industry in Europe”, p. 7.

83 OECD, “Privatisation and the Broadening of Ownership of State-Owned Enterprises”, p. 9.

84 Corporate Europe Observatory, “Is the European Commission preparing a new privatisation push?”

85 Zacune, “Privatising Europe”, pp. 7–8.

86 Privatization Barometer, “Reporting on Privatization in the Enlarged Europe”, 2008, [http://www.privatizationbarometer.com/PUB/NL/3/7/PB\\_AR2008.pdf](http://www.privatizationbarometer.com/PUB/NL/3/7/PB_AR2008.pdf) (Accessed 13 June 2018), p. 4.

87 Privatization Barometer, “Privatizing America”, 2009, [http://www.privatizationbarometer.com/PUB/NL/4/1/PB\\_Annual\\_Report\\_2009.pdf](http://www.privatizationbarometer.com/PUB/NL/4/1/PB_Annual_Report_2009.pdf) (Accessed 13 June 2018), pp. 8–9; Privatization Barometer, “Here Comes Another Privatization Wave”, 2010, [http://www.privatizationbarometer.com/PUB/NL/4/7/PB\\_Report\\_2010.pdf](http://www.privatizationbarometer.com/PUB/NL/4/7/PB_Report_2010.pdf) (Accessed 13 June 2018), p. 3; Privatization Barometer, “Financial Crises and Declining Privatization”, 2011, [http://www.privatizationbarometer.com/PUB/NL/4/9/PB\\_Report\\_2011.pdf](http://www.privatizationbarometer.com/PUB/NL/4/9/PB_Report_2011.pdf) (Accessed 13 June 2018), p. 3; Privatization Barometer, “A Surprisingly Strong Year”, 2012, [http://www.privatizationbarometer.com/PUB/NL/5/1/PB\\_AR2012.pdf](http://www.privatizationbarometer.com/PUB/NL/5/1/PB_AR2012.pdf) (Accessed 13 June 2018), p. 3.

88 Privatization Barometer, “Riding the Wave”, 2014, [http://www.privatizationbarometer.com/PUB/NL/5/3/PB\\_AR2013-2014.pdf](http://www.privatizationbarometer.com/PUB/NL/5/3/PB_AR2013-2014.pdf) (Accessed 13 June 2018), p. 4.

89 Privatization Barometer, “The Wave Builds”, 2015, [http://www.privatizationbarometer.com/PUB/NL/5/5/PB\\_AR2014-2015.pdf](http://www.privatizationbarometer.com/PUB/NL/5/5/PB_AR2014-2015.pdf) (Accessed 13 June 2018), p. 10.

90 Privatization Barometer, “Two Record Years Herald an Ongoing Privatization Wave”, 2017, [http://www.privatizationbarometer.com/PUB/NL/5/9/PB\\_AR2015-2016.pdf](http://www.privatizationbarometer.com/PUB/NL/5/9/PB_AR2015-2016.pdf) (Accessed 13 June 2018), p. 2.

91 *Ibid.*, pp. 2–6.

**Table 1** - EU Countries by Total Privatization Revenues, 2015 and 2016

Country	2015 Number of Deals	2015 Value (€ mil)	Country	2016 Number of Deals	2016 Value (€ mil)
United Kingdom	13	32,121	France	9	8,619
Italy	11	11,239	Netherlands	4	6,496
Sweden	6	8,548	Denmark	2	4,746
Netherlands	3	5,729	Italy	3	4,375
Ireland	6	5,231	Greece	4	2,443
Greece	3	3,086	Switzerland	2	1,526
France	7	2,781	Norway	2	1,158
Total EU, 16 countries	72	79,965	Total EU, 15 countries	45	33,958

Source: “Two Record Years Herald an Ongoing Privatization Wave”, Privatization Barometer, p. 11.

An overview of selected country experiences also shows that privatisation was an integral part of the economic recovery programme in Europe. Several European countries had significant privatisation plans for 2017 and beyond. In addition to privatisation of assets nationalised through bailouts during the economic crises, EU member states included significant sectors such as energy, transport, water, telecommunications and health in their privatisation plans. This constituted a striking importance in the conversion of public goods and services to market products with exchange-values, i.e. commodification of public goods and services. The economic crisis, in this respect, presented a fertile ground for the promotion of liberalisation and marketisation in significant sectors.

According to the newest data on privatisation, Greece, Portugal, Italy, Spain, Ireland and the UK put a renewed effort into privatising the last remaining state services.<sup>92</sup> Greece entered the bailout programme with €110 billion in 2010. It passed the Law 3986/2011 on privatisation, established Hellenic Republic Asset Development Fund and put privatisation at the top of the agenda in EU-level documents with full commitment, despite significant flaws in their implementation. Portugal requested a €78 billion bailout package in 2011. In the same year, it amended law on privatisation by Law 50/2011 and published a privatisation programme, which was evaluated as ‘on track’ in an IMF Country Report. Italy introduced a privatisation plan in 2011 under the technocratic government of Monti, aiming to reduce public debt and promote growth. It also proclaimed a detailed privatisation plan in 2017 expecting to collect revenues of annually 0.3% of GDP in the period of 2017-2020. Spain accepted a privatisation plan as a significant part of the €100 billion rescue package. Ireland entered into a €85 billion bailout programme in 2010 and agreed on a number of privatisations. UK has been one of the first and largest privatisers in the EU for a couple of decades and continued to pioneer privatisation activity after the economic crisis.

## Conclusion

This article offered a comparative analysis of the privatisation policies in the EU and its member states before and after the Eurozone crisis. Proceeding from the increasing emphasis on international competitiveness in policy mechanisms and privatisation in economic recovery programmes, it aimed

<sup>92</sup> Vila and Peters, “The Privatising Industry in Europe”, p. 5.

to respond to the need to thoroughly analyse the theoretical and empirical grounds of privatisation in Europe.

The article presented a comprehensive understanding of privatisation – transferring various economic activities from the public to the private sector; being peculiar to capitalism; and correlating with the processes of commodification and marketisation. It also highlighted the adjacent implications of liberalisation, competitiveness and privatisation with reference to the paradigm change in economic policy from state-interventionist Keynesianism to market-based monetarism in the late 1970s.

The article argued that privatisation policies and activity increased in Europe in the 1980s and the 1990s. The increasing emphasis on competitiveness, efficiency and productivity of markets and the growing highlight on liberalisation of the financial market put privatisation at the top of policy agenda in capitalist economies. This broad tendency in the world market also influenced the EU that introduced policy mechanisms to encourage international competitiveness and free market capitalism. Despite its reluctance to explicitly promote privatisation, the EU's policy agenda for competitiveness, marketisation and liberalisation indirectly highlighted the significance of privatisation policies among the member states. In a dialectical way, leading privatisers in the EU such as the UK, France, Italy and Germany also influenced the primacy of privatisation in the EU's agenda.

The Eurozone crisis was a milestone in Europe in that the EU started to *explicitly* promote privatisation policies in two ways: (i) introducing new policy mechanisms securing competitiveness and tighter integration for its own restructuring, and (ii) setting conditionalities in economic recovery programmes and international bailout packages. In contrast to the downturn just before the emergence of the recent economic crisis, privatisation activity reached at record levels among the member states in the post-crisis years. Based on this analysis, the article concludes that the Eurozone crisis presented a fertile ground for the promotion of liberalisation, marketisation and privatisation in significant sectors, and hence, consolidation of neoliberal market values in Europe.