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Selling the jewels: patient capital, state-business relations, and the privatization of strategic utilities in Italy and Spain

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ABSTRACT

The privatization of public utilities marked a turning point in European capitalism, reshaping the relationship between the public and private spheres of the economy. However, the extent of state disinvestment varies greatly from country to country. While in some countries direct state ownership has disappeared, in others the state still acts as a reference shareholder in strategic companies. Despite their institutional similarities, Italy and Spain provide a puzzling example of this divergence. While Spain completed the privatization of all public utilities, the Italian state retains a controlling stake in many of them. Through historical case studies based on official documents, legal texts, archival research of newspaper articles, secondary sources and memoirs, this paper explains this divergence. Contributing to recent debates on patient capital and state-business interactions, it is argued that Spain completed the privatization process because the state was able to *orchestrate* the creation of shareholder alliances among private investors. Crucially, these investors were willing to ensure that management prioritizes long-term investment plans over the distribution of short-term financial profits. In the absence of domestic private providers of patient capital, the Italian state had to keep the role of *anchor investor* for itself after unsuccessfully experimenting with various privatization strategies.


KEYWORDS

Privatizations; informal networks; patient capital; state-business relations; utilities; Italy; Spain

Introduction

State-owned monopolists active in sheltered public service industries played a decisive role in the recovery of the European economy after World War II. Charged with providing essential services such as electricity and gas distribution and managing the telecommunications network, state-owned ‘national champions’ faced limited competition in the domestic market (Zohlnhöfer et al., 2018). Given the central importance of these sectors, their progressive marketization and opening to

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cross-border competition led to a radical rethinking of the role of the state in the economy (Majone, 1997).

In Europe, the restructuring of public service industries was encouraged by the deregulatory zeal of the European Commission. Between the mid-1980s and the early 2000s, the Commission gradually opened up protected industries such as telecommunications, oil and gas, electricity, and public transport to competition (Thatcher, 2007a). Market opening in turn led to a wave of cross-border consolidation with the emergence of a handful of EU-based global multinationals (Bulfone, 2019, 2020; Clifton et al., 2010). This paper focuses on another aspect of this transformation: The withdrawal, or lack thereof, of the state from ownership of large public service enterprises. While EU regulations have mandated the transformation of public administrations tasked with the provision of public services into for-profit companies under private law (Obinger et al., 2016), the EU has no legal mandate to impose the sale of state-owned companies to private investors (Clifton et al., 2011). As a result, despite the progressive erosion of state-ownership due to the growing budgetary needs of European states, many of the largest and most successful energy and telecommunications companies are still partially state-owned (Colli et al., 2014).

In an era of growing state activism in advanced and developed economies, studying the transformation of public service industries in Europe sheds light on the factors leading to the emergence of new hybrid and flexible forms of state ownership in interdependent global markets (Babić, 2023, p. 205). In doing so, this paper builds on works observing the growing impatience of financial investors and the resulting chronic shortage of patient capital (Deeg & Hardie, 2016; Kaplan, 2016). This patient capital crunch poses a fundamental industrial policy challenge for state actors, as the availability of patient capital is a necessary condition for the implementation of transformative industrial policy strategies. To address this issue, state actors need to develop creative industrial policy strategies (Clift & Woll, 2012, pp. 309–311) to attract or retain patient capital in their domestic economies (Kaplan, 2016). While the existing International Political Economy (IPE) literature has mainly focused on the *transnational dimension* of this dynamic, tracing patterns of cross-border provision of patient equity investment by state-led economies, sovereign wealth funds, or state-owned enterprises (Babic et al., 2020; Kim, 2022), this paper focuses on strategies to secure the provision of patient capital by *domestic investors* for local development goals.

This is no trivial issue in international markets characterized by growing geopolitical tensions (Abels & Bieling, 2023; Babić, 2023; Schneider, 2023; Seidl & Schmitz, 2023), as state actors are called to strike a difficult balance between the domestic ownership and international success of strategic companies. By reviewing the privatization trajectories in Italy and Spain, this paper identifies two strategies state actors can implement to solve this puzzle. First, they could play the role of *orchestrator* (Katzenstein, 1985, p. 68) and fully privatize strategic companies by entrusting their ownership to an alliance of private patient investors. Private providers of patient capital must agree to invest with a long-term horizon, thereby insulating the management of strategic companies from market fluctuations while ensuring that management focuses on the long-term profitability of the firm. Alternatively, in the absence of domestic providers of patient capital, government actors can play the role of *anchor investor* by directly

providing patient capital to strategic companies (Bergami et al., 2012; Felice, 2010).

A cursory look at the ownership structure of the privatized energy and telecommunications utilities in Italy and Spain reveals how the two Mediterranean economies have chosen radically different strategies to deal with this issue. While Spain has fully privatized all of its public utilities and orchestrated an alliance of domestic private providers of patient capital, in Italy the state is still the anchor investor in the former energy monopolies ENEL (electricity) and ENI (oil and gas), with stakes of 24% and 30%, respectively. In addition, the state-owned National Development Bank (NDB) Cassa Depositi e Prestiti (CDP) is the second largest shareholder in the telecom incumbent Telecom Italia (TI) with a 10% stake. The latter case of direct state ownership is noteworthy as it is the result of a partial renationalization (for a comparative overview of the ownership structure of privatized companies in Italy and Spain, see Table 1 in the annex). The divergence between Italy and Spain is puzzling because it occurred despite the many institutional similarities between the two countries (Molina & Rhodes, 2007; Schmidt, 2002), and despite the similar pressure to privatize profitable companies they were subject to in order to meet the Maastricht criteria. To explain this divergence, the paper develops a theoretical framework based on the interaction between the state and private shareholders (Massoc, 2021), which could be applied to the privatization—or renationalization—of strategic companies in other sectors or countries. In doing so, it contributes to the debate on the emergence of new forms of state-market hybrids in advanced and developing economies (Alami & Dixon, 2020; Kim, 2022).

The remainder of the paper is organized as follows. Section two presents the theoretical framework based on the study of informal interactions between the government and private investors, while section three details the methodological approach of this research and the rationale for selecting Italy, Spain, and public utilities as case studies. A subsection is devoted to the analysis of the different patterns of interaction between government and business actors in the two countries. This factor deserves a thorough discussion as it explains the divergent privatization strategy in the two countries. Sections four and five follow the privatization process in Italy and Spain. In doing so, they empirically illustrate the different roles played by the state in the two countries, as an *orchestrator* of private shareholder alliances in Spain and as an *anchor investor* in Italy. Section six tests the external validity of the argument developed here and briefly extends its application to privatizations in the manufacturing sector. The concluding section suggests avenues for future research.

Theoretical framework: privatizations as informal interactions between governments and domestic blockholders

The literature on the political economy of privatizations in Europe identifies two factors that influence the pace of sales (for a comprehensive review, see Zohlnhöfer et al., 2018): The ideological affiliation of privatizing governments (the so-called partisanship explanation); or the pro-privatization bias inherent in the process of European economic integration (the Europeanization explanation) (Clifton et al., 2006).

Proponents of the partisanship explanation argue that conservative governments will be more eager to dispose of state-owned companies than their progressive counterparts (Zohlnhöfer et al., 2018, pp. 547–548). While the Spanish trajectory seems to fit the predictions of the partisanship explanation, with the conservative Partido Popular (PP) privatizing more and faster than the Socialists (PSOE), the partisanship explanation does not hold water when applied to Italy. In fact, the only full privatization of a public service company (TI) was carried out in 1997 by the progressive Centre-Left coalition. Instead, the conservative Centre-Right did not supersede to any full privatization of strategic companies. Furthermore, a careful analysis of the Spanish privatization process allows us to identify a further element that is difficult to reconcile with the partisanship explanation. In fact, there is considerable continuity between the PSOE and the PP in terms of the *design* of privatizations with the reliance on the same network of domestic banks as reference shareholders of the privatized companies.

The Europeanization explanation starts from the assumption that European integration creates pressure on member states to privatize strategic companies (Clifton et al., 2006; Thatcher, 2007a; Zohlnhöfer et al., 2018). The argument is as follows: Although the EU lacks the legal authority to impose specific ownership structures on member states, the process of market integration forces them to curb public spending. Since public service enterprises are typically large and profitable, their sale generates large revenues that can be used to shore up public finances. This was particularly true in the late 1990s, when many member states were struggling to qualify for the Economic and Monetary Union (EMU) membership. Italy and Spain make no exception, with privatization revenues peaking in the late 1990s. But while the Europeanization explanation helps make sense of the pace of sales, it fails to account for the different levels of residual state ownership in the two countries. Indeed, Italy's notoriously high levels of public debt and deficit required a much larger fiscal consolidation effort than Spain's. Thus, if exogenous pressures alone explained the privatization outcome, we would expect Italy to fully privatize its strategic companies and Spain to retain a controlling stake, while the opposite is what we witness.

Given the limitations of the partisanship and the Europeanization explanations, this paper proposes an alternative framework to explain privatization outcomes based on the informal interaction between the government and large private investors. This framework builds on the findings of a recent qualitative analysis comparing the privatization of defense companies in the UK and Germany (Weiss, 2021). Weiss argues that the privatization of strategic companies takes the form of a series of informal interactions between the government and a handful of large domestic investors, the outcome of which will be influenced by the legacy of past interactions between the two actors. However, this paper focuses on public service network industries, which have specific characteristics that distinguish them from the defense sector, the subject of Weiss's study. Indeed, despite liberalization processes, public service network industries are still characterized by limited market access, with domestic markets typically dominated by a few large players (Colli et al., 2014). Given these oligopolistic tendencies, controlling a public service company often means controlling an important source of *financial rents* (Florio, 2007; Kern & Gospel, 2023). For this reason, while the government may consider transferring a defense company to a single private investor, this should be avoided in the case

of a public service company, as the value-maximizing investment strategy of a single private owner may lead to excessive rent extraction. This, in turn, can have a negative impact on both the quality-of-service provision and the industrial performance of the company. These features, combined with their strategic importance, make the privatization of public service enterprises a particularly delicate operation (see Table 2 in the annex for an overview of the advantages and disadvantages of different privatization designs).

The government could approach this delicate issue by playing the role of *orchestrator* (Katzenstein, 1985, p. 68), entrusting the ownership of non-controlling shareblocks to a stable alliance of domestic investors. From the government's perspective, this alliance would shield the company from the short-term fluctuations of financial markets (Deeg & Hardie, 2016, p. 629), thereby ensuring the ownership and managerial stability necessary to complete the transition from domestic monopolist to multinational corporation (Thatcher & Vlandas, 2016; Weiss, 2021). Prospective private patient investors must be willing to take a large stake in these companies and hold it for a relatively long period of time. This long-term investment horizon is crucial because, after privatization, the company typically needs to go through a period of deep internal restructuring to be ready to compete in the international market (Deeg & Hardie, 2016). These long-term investors also need to be engaged, willing to argue with management that long-term investment plans take precedence over the pursuit of short-term financial gains (Bulfone, 2020; Colli et al., 2014; Thatcher & Vlandas, 2016).

This very delicate balance requires the government and large private investors to adapt their preferences to each other in a cooperative manner. This mutual adaptation is often the result of long-term patterns of coordination and interaction between the state and business actors (Naczyk, 2022, pp. 1650–1651). The state-centered political economy literature provides important insights into the factors that can facilitate or hinder the emergence of state-business cooperation. These works start from the observation that, in capitalist economies, state actors are structurally dependent on the financial resources of private capital holders to achieve development goals (Evans, 1995; Skocpol, 1985). However, state actors often lack the formal power to force capital holders to cooperate. Therefore, private capital holders must voluntarily finance development projects (Katzenstein, 1985). The willingness to participate in development projects in turn depends on the existence of a relationship of trust between state actors and business leaders (Weiss, 2021, pp. 672–674). When capital holders trust state actors, they are willing to financially support public policies, even at the cost of short-term costs, because they know that cooperation will allow them to reap long-term benefits (Massoc, 2021, p. 687). The literature has identified three factors that can foster the emergence of mutual trust between state and business actors: Social cohesion between private and public elites, often the result of a common educational or professional background (Evans, 1995, p. 49; Jabko & Massoc, 2012; Massoc, 2021, p. 675; Massoc, 2022), the centralization of policymaking among a small number of private and public actors (Katzenstein, 1985; Jabko & Massoc, 2012), and the presence of long-standing informal networks linking state and business actors (Evans, 1995, p. 59; Katzenstein, 1985, p. 34).

The empirical section shows how the presence of these elements in Spain led to the development of a long-term relationship of trust between the government and

the national banks. This, in turn, allowed the Spanish government to fully privatize strategic utilities by transferring their ownership to bank investors. Comparing the Spanish trajectory with that of Italy, where these elements are absent, this paper adds a power dimension to this pattern of state-business coordination (in line with Culpepper, 2015 and Skocpol, 1985), by arguing that the cooperation of private investors is also conditional on their dependence on the regulatory protection of state actors in their main sector of activity (Bulfone, 2019). Indeed, in order to ensure the loyalty of private investors, the government must also have a bargaining chip to offer them in exchange for their commitment (Deeg & Hardie, 2016, p. 635). This, in turn, creates a situation of interdependence, with the government relying on large investors to provide long-term equity investment, and private investors relying on the government's regulatory protection in their primary sector of activity. In the absence of trustworthy private providers of patient capital, the Italian state maintained a controlling stake in privatized companies, playing the role of *anchor investor*. This second scenario also involves a hybrid ownership structure. In order to avoid the clientelist practices and inefficiencies traditionally associated with direct state ownership, the government floats the majority of the privatized company's shares on the stock exchange. This allows the stability of patient equity investment to be combined with market discipline.

Cases and methods

This paper provides detailed historical case studies of the privatization process in Italy and Spain, drawing on official documents, legal texts, archival research of newspaper articles, secondary sources, and memoirs. In the literature on comparative capitalism, Italy and Spain are often grouped together as part of a Mediterranean cluster because of their many similarities. This section focuses on two institutional and political spheres particularly relevant to the present analysis: The role played by the state in economic policy-making and the characteristics of the corporate governance system.

Italy and Spain share a long history of state activism in the economy (Schmidt, 2002), with the state traditionally combining the role of *owner* of strategic companies and *mediator* between the conflicting demands of fragmented interest groups (Molina & Rhodes, 2007). In line with this tradition, both countries have adopted a dirigiste approach to the privatization of strategic firms (Etchemendy, 2004, pp. 626–628), with the direct involvement of the central executive, particularly the prime minister, the ministries of economy and industry in Spain (Chari, 2015, p. 4) and the Treasury in Italy (Clò et al., 2016), in defining the ownership structure of privatized utilities (Etchemendy, 2004). As in other countries (Jabko & Massoc, 2012; Weiss, 2021), the leading role played by an informal consortium between the core executive and business leaders led to the marginalization of other members of the cabinet, party leaders, and parliament (Chari, 1998).

In line with their statist tradition, Italy and Spain pursued an activist industrial policy during the restructuring of public services. Regardless of their ideological affiliation, the governments of both countries shared a concern for the global competitiveness of domestic strategic companies. In other words, Italy and Spain approached the re-regulation of public services by prioritizing the creation of

internationally competitive *firms* over the creation of internationally competitive *markets* (Thatcher, 2007b, p. 1037). This in turn led both countries to delay and limit the liberalization of domestic energy and telecommunications markets in order to protect domestic utilities from foreign takeovers,¹ while pursuing industrial policies to promote their internationalization (Thatcher, 2007b). In addition to restricting competition in the domestic market, this strategy also included promoting a process of domestic consolidation that would lead to the emergence of firms large enough to compete abroad, promoting the introduction of profitability criteria in the management of firms, granting them direct and indirect financial support, and engaging in diplomatic negotiations with foreign countries to encourage their internationalization (for a detailed analysis of this industrial policy effort in Spain, see Arocena, 2004; Etchemendy, 2004; Pérez, 1997; Toral, 2008, pp. 540–541); (for Italy, see Bergami et al., 2012; Oddo & Pons, 2006); (for a comparison, see Chari, 2015).

Italy and Spain also share important similarities when it comes to their corporate governance systems. In fact, in the 1990s both countries were characterized by a continental corporate model in which banks played a key role in the provision of credit, and there was a highly concentrated ownership pattern among listed firms (Deeg, 2005; McCann, 2000; Pérez, 1997), with a dominant role for a small group of closely related corporate insiders (Perez, 1997; Deeg, 2005). Given the limited development of the stock exchange, corporate insiders have been the only domestic investors with sufficient financial resources to acquire a large stake in privatized public utilities. Therefore, in both countries the privatization of strategic companies was shaped by the pattern of interaction between the government and corporate insiders. Given these similarities and the divergent outcomes of the privatization process, this research lends itself well to the Most Similar Systems Design (MSSD).

The electricity, oil and gas, and telecommunications sectors provide an ideal lens through which to study privatization due to their size, strategic importance, and the broader economic and security implications of their operations. These sectors have historically housed the largest state-owned enterprises, commonly known as the ‘jewels in the crown’ or the ‘commanding heights of the economy’ (Weiss, 2021, p. 663), whose sale has therefore reshaped the relationship between states and markets in advanced economies (Chari, 2015, pp. 25–26).

State-business relations in Italy and Spain

In line with the MSSD, this paper argues that the different outcomes of the privatization process in the two countries can be explained by looking at long-term patterns of interaction between the state and corporate insiders. While the Spanish government established a relationship of mutual accommodation based on trust and interdependence with large domestic banks and later construction companies, the absence of such trust in Italy forced the government to retain control of privatized utilities.

In line with the literature on state-business power relations (see Massoc, 2021 for an overview), three factors favored the emergence of this ‘symbiotic relationship’ (Chari, 1998, p. 177) between the state and private bankers in Spain: The

social cohesiveness between public and private elites, the centralization of policy-making and the presence of long-standing informal networks linking business and state actors.

First, the interpenetration between the government, banking elites and the Bank of Spain dates back to the 1970s, when the Bank of Spain gained prominence within the Franco administration. This close link between state and banking elites was not challenged after democratization, with both the PSOE and the PP assigning key economic portfolios to former bankers or central bankers, who often alternated government appointments with stints in the private sector (Chari, 1998; Pérez, 1997; Garcia-Calvo, 2016). Second, banking in Spain is characterized by a high degree of concentration, having been historically dominated by seven credit institutions, collectively known as the Big Seven. Centralization has increased over time, to the point that today three banks control a large share of the domestic market. This in turn leads to a *centralized* pattern of policy-making in which privatization policies and other key measures are designed in informal meetings between a handful of bank and government leaders. Third, the close relationship builds on informal networks based on *mutual accommodation* between state and banking elites (Pérez, 1997; Garcia-Calvo, 2016).

On the one hand, the Franco dictatorship and later democratic governments allowed banks to operate as state-sanctioned private cartels. This dynamic was not challenged after the transition to democracy, as the PSOE and PP negotiated with the main domestic banks the gradual opening of the domestic market to competition (for a detailed analysis see Garcia-Calvo, 2016; Pérez, 1997). This regulatory tolerance is crucial in sectors such as banking, where state regulation affects profit margins and state supervision shapes the outcome of industrial consolidation (Pérez, 1997). On the other hand, the success of key economic policies implemented by the Franco dictatorship and later democratic governments depended on the provision of capital and planning expertise by the private sector (Garcia-Calvo, 2016; Pérez, 1997).

This in turn created a long-lasting relationship of mutual dependence between the government and private banks. The three housing bubbles that underpinned the economic booms of the 1970s, 1980s and early 2000s provide a perfect example of this dynamic (Charnock et al., 2014, pp. 92–93). While banks made large profits thanks to the construction boom, the government used the bubbles to increase its support among the population (Charnock et al., 2014). From this perspective, the provision of patient capital to strategic utilities is just the latest iteration of a long-standing pattern of state-business interactions (Cabrera & del Rey, 2007). In addition to strengthening their ties with the executive, banks were happy to acquire stakes in fast-growing companies that provided important financial returns to their shareholders (El País, 1996c). However, the banks were not interested in defining the management strategy of the privatized utilities (Etchemendy, 2004, p. 625). This, in turn, meant that even after full privatization, they would allow the state to exert direct influence on key corporate decisions such as mergers, acquisitions, dividend policy, and managerial appointments.

In Italy, on the other hand, the only large investors with sufficient financial resources to buy stakes in privatized public service companies were family groups active in manufacturing. Hegemonic since the interwar period, by the 1980s this small group of families had diversified their activities across a wide range of sectors

(Deeg, 2005). By creating complex ownership structures, family blockholders were able to extract enormous private benefits from control at the expense of weakly protected minority shareholders (Goldstein, 2003). Family blockholders had a confrontational relationship with the government, especially the center-left coalition that carried out most of the privatizations analyzed here. The lack of trust between the government and business insiders was the result of three features of the state-business relationship: Family blockholders did not need the government's regulatory protection, they had a distant relationship with the government, and the government's reformist agenda was incompatible with their preferences.

First, family blockholders such as Pirelli or Benetton operated in liberalized manufacturing sectors and generated a large share of their revenues in foreign markets. Therefore, the Italian government had limited regulatory influence over their activities (Bulfone, 2019). Second, family blockholders historically maintained a distant relationship with the government and sought to minimize state interference in their businesses (Deeg, 2005, p. 527). Third, and relatedly, the coming to power of the center-left coalition in the 1990s made this relationship even more distant. Indeed, the center-left had won office in 1996 on a promise to open up the corporate system and bring Italy closer to the Anglo-American shareholder-value model. This reformist agenda included the implementation of corporate liberalization measures explicitly aimed at challenging the power of family blockholders (Barucci & Pierobon, 2007; Deeg, 2005). For their part, manufacturing families, operating in sectors characterized by growing international competition and declining returns, were interested in diversifying their activities into protected public service industries (Colli et al., 2016; De Cecco, 2007). Therefore, instead of supporting the long-term investment plans necessary for the industrial development of public service companies, they were interested in maximizing the extraction of short-term financial rents. This investment strategy was not compatible with the government's plan to promote the emergence of internationally competitive multinationals (La Repubblica, 1994a; La Repubblica, 1998). In the absence of domestic providers of patient capital, the Italian government had to play the role of anchor investor, directly providing patient equity investments to the privatized companies (Bulfone, 2020; Thatcher & Vlandas, 2016).

The state as anchor investor: from the failure of full privatization to partial privatization and re-nationalization in Italy

1992–1994: full privatization with public offerings

Burdened by rapidly growing public debt and home to an oversized state sector, Italy was a prime candidate for privatization in the late 1980s. In 1991, the state-owned conglomerate IRI posted losses of €191 million, while in the same year the manufacturing conglomerate EFIM accumulated losses equivalent to 1% of Italy's GDP (Corte dei Conti, 2010, p. 14). Despite the dramatic impact of these losses on public finances, privatization was not politically feasible. In fact, the ruling parties opposed large-scale privatization because they used employment in the oversized public sector to feed political clienteles. As a result, the sale of large companies had to wait until the early 1990s, with the coming to power of the center-left coalition, an alliance of progressive parties and

liberal-minded technocrats from the Bank of Italy and the Treasury (Deeg, 2005; Goldstein, 2003).

In 1992 Italy was plunged into a deep political crisis by the revelation of a widespread bribery system involving the main traditional parties. The resulting political vacuum was filled by two technocratic executives. While the technocrats agreed on the urgent need to accelerate the privatization campaign, both executives were internally divided over the best formula for the sales (La Repubblica, 1994c). Some ministers wanted to give priority to POs aimed at creating public companies with diffused shareholding, others instead supported the idea of selling large share blocks to selected domestic investors through private auctions (Il Sole 24 Ore, 2000). The 1992 Framework Document, which set the guidelines for the privatization of state-owned companies reflects these divisions within the executive (Goldstein, 2000). While the document transforms ENI, ENEL and other state agencies into private law joint-stock companies (Corte dei Conti, 2010), it is more ambiguous about the transfer of public ownership to the private sector mentioning different privatization techniques (Chamber of Deputies, 1992). The document is more explicit about the objectives of the privatization process, explicitly mentioning the need to prepare public service companies to compete with European rivals in order to promote the emergence of four or five new internationally competitive national champions (Chamber of Deputies, 1992, pp. 16–17, 66–68).

It was not until 1993 that the proponents of public offerings, led by the Treasury, gained the upper hand and launched the first phase of the privatization campaign (Goldstein, 2000; McCann, 2000, p. 54). The main operation completed during this first period was the privatization of Credito Italiano (Credit) and Banca Commerciale Italiana (Comit), two large state-owned commercial banks. Although this work does not cover the banking sector, these sales are still relevant because the two banks had historically played a critical role in providing long-term credit to manufacturing companies. As a result, both the government and the family blockholders considered Comit and Credit to be highly strategic. In a leaflet distributed to Italian households to encourage them to invest in privatized companies, the government presented the sale of Credit and Comit as the first step on a path that would lead to the full privatization of ENEL, ENI and Stet (the forerunner of TI) (Presidency of the Council of Ministers, 1988). However, despite the government's imposition of strict ownership limits to avoid excessive concentration of ownership, shortly after the privatization family blockholders and their allies used share purchases and informal alliances to gain de facto control of both Comit and Credit (Goldstein, 2003; McCann, 2000).

1994–1998: full privatization with private auctions to form shareholder alliances

The unexpected outcome of the sale of Comit and Credit led to a rethinking of the privatization strategy (La Stampa, 1997). As a result, between 1994 and 1999, the government carried out the most important operations combining POs for small shareholders with private auctions in which large share blocks were sold to domestic shareholder alliances. In 1994, the future Centre-Left Prime Minister Romano Prodi explained the rationale behind this privatization strategy, arguing

that the ownership of privatized companies should be ‘similar to that of the large American telephone companies, with millions of small shareholders and a substantial group of financial investors whose shareholding will be limited within extremely low thresholds... the group of reference shareholders will be particularly large and this will determine a considerable internal dialectic... ensuring the transparency as well as the effectiveness of the choices made by the company’ (La Repubblica, 1994b). In 1995 the Minister of the Budget Rainer Masera explicitly linked this change of approach to the privatization of Comit and Credit: ‘We must be extremely cautious about floating a public utility on the market without establishing a stable control structure... I am against formal hypotheses of public companies which, in reality, create a vacuum in which there is someone who tends to gain control’ (La Repubblica, 1995). It is worth noting that while the government changed its approach to the preferred ownership structure, Prime Minister Prodi still considered it a priority to create strong ‘national champions’ (La Repubblica, 1997) in strategic sectors such as telecommunications and energy.

The new approach to privatization was formalized in 1994 with the adoption of Law 474, which stipulated that public service companies should be privatized through a combination of private auctions aimed at creating stable shareholder alliances with public offerings targeted at small investors. The members of the shareholder alliance would commit to holding their shares for a long period of time, thus providing stability to the ownership of the company while supporting the long-term investment plans of the management (Corte dei Conti, 2010; Ministry of Grace & Justice, 1994, pp. 66–69).

The most important operation completed in this phase was the full privatization of TI, at the time one of the world leaders in the telecommunications sector (Florio, 2007). The government intended to sell the Treasury’s 40% stake in TI partly through a public offering and partly through a private auction, with the aim of creating a stable alliance of shareholders owning 15–20% of the shares (Presidency of the Council of Ministers, 1997). To prevent TI from falling into the hands of a single owner, each member of the alliance could own only a limited number of shares (between one and three percent). For the same reason, in 1993 and 1995 the government rejected two bids by the Pirelli family and Mediobanca to acquire control of TI’s predecessor, STET (Goldstein, 2000).

According to the privatization plan, to ensure ownership stability, the members of the shareholder alliance would accept to hold TI’s shares for at least three years (Ministry of Treasury, Budget & Economic Planning, 2001). The executive explicitly framed the sale of TI as a model privatization for the future disposal of other national champions like ENEL and ENI (Oddo & Pons, 2006). In fact, in 1995 Masera engaged in informal talks with private investors potentially interested in forming a shareholder alliance in ENEL. The negotiations involved family blockholders like the Agnelli and Falck as well as the electricity company Edison (Il Sole 24 Ore, 1995).

In the run-up to TI’s privatization, the government had similar informal bilateral meetings with selected family blockholders. However, these efforts proved vain as family blockholders were interested in gaining full control of TI, not in providing patient capital as part of a shareholder alliance. As a result, only banks, insurance companies and banking foundations decided to invest in the shareholder alliance. However, these financial investors lacked the resources to buy

large stakes in TI (Goldstein, 2000). Consequently, while the PO was a success with demand from small investors largely exceeding the offer of TI's shares, the shareholder alliance ended up controlling only 6.6% of TI's shares (Bulfone, 2019, pp. 759–762). The weakness of TI's ownership structure opened to a phase of ownership instability with two takeovers and frequent changes in the managerial team.

In 2001, two manufacturing families, the Benetton and the Pirelli, gained control of TI through a leveraged buyout. In the years that followed, the Pirelli and Benetton families embarked on a campaign of layoffs and sales of profitable assets aimed at extracting financial rents for the controlling shareholders (Kern & Gospel, 2023)—as a result of which TI became a marginal player in the European telecommunications sector. TI's failed transition from a state-owned monopoly to a successful private multinational supports the view that the family blockholders were interested in gaining full control over the privatized companies in order to maximize the extraction of short-term financial rents, a goal not in line with the government's ambition to transform TI into a global player.

Since 1999: partial privatization and re-nationalization

The failure of the TI privatization and the consequent weakening of the company led to a gradual rethinking of the privatization approach, with the state opting to play the role of anchor investor. In 1998, the Minister of the Treasury, Carlo Azeglio Ciampi, made it clear that, 'For ENI we will not do as we did for TI, we will maintain a clear and distinct prevalence of the State in the shareholding' because 'we do not want to cede the baton of command to the private sector' (Il Sole 24 Ore, 1998). Until the early 2000s, however, this view was still challenged by some key figures within the executive. For example, in 1999 Industry Minister Pierluigi Bersani declared that the government planned to fully privatize ENEL and ENI by relying on public offerings (La Repubblica, 1999), while in 2001 Treasury Minister Vincenzo Visco expressed the intention of 'selling the residual shareholdings in ENI, ENEL and Alitalia, as well as planning the exit of the State from any other participation in productive activities' (Ministry of Treasury, Budget & Economic Planning, 2001, p. 12). However, these plans remained dead letter. In fact, since the early 2000s governments of both political persuasions have gradually recognized that the lack of private providers of patient capital left no alternative but to rely on the state as the reference shareholder (Il Sole 24 Ore, 2004; La Repubblica, 2002). Center-right Prime Minister Silvio Berlusconi explicitly linked the maintenance of direct state ownership of ENI to the strategic nature of the sector: 'Today, with the needs of energy supply, no one can think of privatizing a company as fundamental to the energy sector as ENI' (Il Sole 24 Ore, 2001). In 2009 this new approach was formalized and explicitly linked to the objective of creating national champions in strategic sectors by the Centre-Right government as part of the Economic and Financial Planning Document for the period 2010–2013. In it the executive expressed for ENEL, ENI and the defense multinational Finmeccanica the intention to 'maintain the current controlling share in order to oversee strategic sectors for the country' (Corte dei Conti, 2010, pp. 37–38). This scheme will be followed by all successive

governments, regardless of their political affiliation (Commissioni Congiunte di Camera e Senato, 2006). This rethinking is part of a more general trend with privatizations involving the cession of state control becoming less common after 2002 (Barucci & Pierobon, 2007).

However, partial privatization did not mean that the ownership structure of ENI and ENEL remained unchanged. In fact, the ownership of both companies was gradually opened to private investors through successive public offerings, reducing the state's shareholding to 25%. Given the highly dispersed ownership structure of both companies, this stake is sufficient for the state to act as a controlling shareholder. This hybrid ownership structure makes it possible to combine market discipline with ownership stability. On the one hand, having a majority stake ensures that the government selects a qualified management team, thereby limiting the scope for the clientelist practices prevalent in the old state-owned conglomerates. On the other hand, the presence of the state as an anchor investor limits rent extraction (Commissioni Congiunte di Camera e Senato, 2006) and protects the management during market downturns, allowing the development of long-term internationalization strategies (Bergami et al., 2012; Felice, 2010, pp. 627–629). This ownership structure has helped ENEL and ENI to become global leaders in their sector of activity, and has also proved to be financially profitable, as their good performance has allowed the state to collect generous dividends. In 2018, for example, ENI and ENEL paid dividends of more than 1.5 billion euros to the state shareholder (Commissione Imprese e Sviluppo, 2020, p. 17). Since the early 2000s, the shares owned by the Treasury have gradually been transferred to the state-owned National Development Bank CDP (Bulfone & Di Carlo, 2021). And it was always CDP that, between 2018 and 2020, acquired a 10% stake in TI, becoming the second largest shareholder in the company. This partial renationalization confirms the strategic importance of direct state ownership in the Italian context. This importance goes beyond the privatized utilities, as six of the ten largest Italian companies are still state-owned, and state-owned companies account for about 29% of the total capitalization of the Milan Stock Exchange (Commissione Imprese e Sviluppo, 2020, p. 3).

The state as orchestrator: the creation of shareholder alliances of patient private investors in Spain

1982–1996: partial privatization with domestic shareholder alliances

Spain's privatization trajectory differs markedly from Italy's. While in Italy the state retained a controlling stake in many utilities, in Spain direct state ownership of strategic companies has essentially disappeared (Chari, 2015). Suffice it to say that between 1992 and 2001 the share of state ownership in total market capitalization fell from 16.6 to 0.21% (Arocena, 2004, p. 10). As far as the design of the sales is concerned, Spain stands out for the considerable continuity in its approach to privatization. In fact, all public service companies were privatized through a combination of public offerings aimed at small investors and private auctions in which large stakes were sold to domestic banks and later to construction companies. Thus, the state orchestrated the creation of shareholder alliances among domestic private investors. This strategy depended on the willingness of private investors to acquire stakes ranging from 5% to 20% with a long time horizon and

a commitment to support the long-term investment strategy of the management team appointed by the government.

As in Italy, the Spanish state sector accumulated large losses in the early 1980s. Its restructuring was one of the main tasks of the PSOE government that took office after winning the 1982 elections (Arocena, 2004). State-owned enterprises could be broadly divided into two categories: Loss-making manufacturing companies operating in sectors such as air transport, car manufacturing, steel production, and shipbuilding, and profitable public service companies operating in regulated monopolistic or oligopolistic markets. The PSOE took a very different approach to the privatization of these two groups of companies. Loss-making companies were restructured, with many layoffs, returned to profitability, and sold to foreign investors (Chari, 1998; Šćepanović, 2020). Instead, in the case of public utilities, the government opted for gradual privatization with the formation of shareholder alliances among domestic investors (Etchemendy, 2004; Arocena, 2004). This gradual approach also reflected the PSOE's desire to make these companies the leaders of a new generation of Spanish multinationals. In the words of Industry Minister Juan Manuel Eguiagaray, 'The objective is to have an industrial portfolio with a sense of the future, because the public company, as a lever of a certain industrial policy, can contribute to the creation of viable and competitive companies.... [for example] Repsol is a company with public participation and in a strategic sector, what matters to us is that we create an important oil company' (Quoted in Serrano Robles, 2013, pp. 197–198).

It was not until the early 1990s that the executive began systematically to privatize profitable public service companies (Bel & Costas, 2001, pp. 115–120). These sales were mainly motivated by the need to shore up public finances in order to qualify for the EMU membership (Charnock et al., 2014). In approaching these operations, the PSOE adopted a strategy of partial privatization, gradually reducing the state's stake in Endesa, Repsol and Telefonica without relinquishing control over the companies (Etchemendy, 2004). In designing the sales, the PSOE combined public offerings aimed at small investors to promote 'popular capitalism' with private auctions in which large blocks of shares were offered to the largest domestic banks. Thus, it was the PSOE that placed domestic banks in a central position in the ownership of privatized utilities. From the government's perspective, four characteristics made domestic banks the ideal reference shareholders in privatized public service companies. First, by entrusting large stakes to domestic banks, the government protected public utilities from the threat of foreign takeovers (Arocena, 2004; El Pais, 1996a; Etchemendy, 2004, p. 628). Second, because of the long-standing relationship of reciprocity and mutual dependence between the government and the banks, the latter would agree to provide patient capital to the privatized companies without interfering with the state-appointed management. The Minister of Industry and Energy Luis Carlos Croissier explicitly stated that the government wished to sell large stakes to domestic banks and other institutional investors because they 'barely interfere' with the management of the company (quoted in Etchemendy, 2004, p. 638). The terms of the purchase as well as the role of the new shareholders were agreed upon during bilateral negotiations between the government and the banks (El Pais, 1995). Finally, the government hoped that the entry of financial investors into the ownership of privatized companies and their listing on the New York stock exchange would improve managerial efficiency (Bel & Trillas, 2005, pp. 28–29).

When the PSOE left office in 1996, the shareholder alliances revolved around the banks BBV, Banco Santander, Banco Central Hispano, La Caixa and Argentaria, while the state retained an absolute majority of the shares in Repsol and Endesa and a 21% controlling stake in Telefonica (Etchemendy, 2004, p. 639).

1996–2001: full privatization with domestic shareholder alliances

The PP's rise to power in 1996 changed the privatization narrative. Whereas the PSOE had pursued sales half-heartedly and without developing an explicit plan, the PP embraced privatization for ideological reasons, explicitly rejecting the role of the state as entrepreneur (Murphy, 1999, pp. 73–74). This renewed ideological zeal, coupled with the need to shore up public finances in the run-up to EMU, led to an acceleration in the pace of sales. Between 1996 and 1999, privatization revenues totaled €265 million, more than twice as much as between 1988 and 1996 (Comín, 2008, 714). Much of this extra revenue was due to the full privatization of Repsol, Endesa and Telefonica (Chari, 2015, pp. 9–10).

In 1996 the PP adopted an official privatization program setting 2001 as the deadline for completing the privatization process (Comín, 2008, p. 713), and the government was true to its word, reducing direct state ownership among listed companies to negligible levels by the early 2000s (Arocena, 2004).

While the stronger ideological commitment to privatization and the acceleration of sales under the PP would seem to support the partisanship explanation, there are important elements of continuity between the PP's and the PSOE's approach to privatization that are more difficult to reconcile with the partisanship explanation. First, during the last years of socialist rule, the liberal wing of the PSOE, led by the Ministry of Economy and Finance, had begun to openly advocate the full privatization of strategic enterprises (Bel & Costas, 2001, p. 118). Given the prominent influence of the liberal wing in economic matters in general, and the strong pressure on the executive to find additional revenues to qualify for the EMU, it is reasonable to assume that the PSOE would have opted for full privatization had it remained in office after 1996.

Second, there is considerable continuity between the PSOE and the PP in the design of the sales. Indeed, the PP also combined POs explicitly aimed at small investors with private auctions in which large share blocks were offered to selected domestic shareholders (El Pais, 1996b). In 1996 the Minister of Industry and Energy Josep Piqué stated that, 'To the extent that the government's position is to progressively privatize these holdings, it is always good that there are strong shareholder groups. If they are formed by serious investors, as is happening now, it is good for the country' (Pérez & Mota, 1996). At this stage, to keep up with the faster pace of sales, ownership of privatized utilities was opened to another group of investors that had historically developed close ties with the executive and private banks: Construction companies (Charnock et al., 2014). Third, there is continuity between the PP and the PSOE in the goal of protecting the independence of public service companies while promoting their internationalization in Latin America (Etchemendy, 2004).

Between 1996 and 1998, the PP completed the sale of Repsol, Endesa and Telefonica, reducing direct state ownership to a negligible level. In the months

leading up to the sales, Prime Minister Aznar and Economy Minister Rodrigo Rato held informal meetings with the heads of the main banks, asking them to increase their holdings in the privatized utilities (El Pais, 1996c; El Pais, 1996d). The banks quickly heeded the government's call and strengthened the shareholder alliances established by the PSOE. In Telefonica, the reference shareholders were the banks BBVA (the result of the merger between BBV and Argentaria) with 10% and La Caixa with 5% (Bel & Trillas, 2005, p. 29). In Endesa, the reference shareholders were the banks Santander and BBVA (Valdivielso Del Real & Goyer, 2012). In Repsol, the shareholder alliance consisted of the construction company Sacyr Vallehermoso with a 20% stake and the savings bank La Caixa with 15% (Repsol, 2008, p. 2).

The PP appointed the chairmen of Repsol, Endesa, and Telefonica prior to privatization. The appointed managers had previous professional experience in the financial sector, mainly in investment banking, and were given the mandate to strike a balance between the international expansion of the privatized companies and the creation of shareholder value (Bel & Trillas, 2005, p. 29). Representatives of the government and reference shareholders held a majority of board seats. State-appointed managers supported bank ownership and routinely called on the banks to further increase their stakes in the privatized utilities. For example, the chairman of Endesa affirmed: 'In Spain, we are used to the fact that large companies always have to have a financial institution....it would be good to have a presence of the savings banks in Endesa, and to increase the shareholding position and the leading role of La Caixa in our company. I would also like Caja Madrid to be part of the shareholding' (El Pais, 1999). The two savings banks heeded the call and each acquired a 5% stake in Endesa (Valdivielso Del Real & Goyer, 2012).

The loyalty of banks and construction companies allowed the Spanish government to act as a *de facto* controlling shareholder long after full privatization. In several cases, the government directly influenced key corporate decisions, including merger and acquisition plans, executive appointments, and the definition of dividend policy. The role of the executive in the failed merger between Telefonica and the Dutch KPN in the late 1990s is perhaps the most prominent example of this dynamic (Bel & Trillas, 2005, pp. 42–43). While Telefonica's chairman Juan Villalonga supported the deal, the PP did not see positively the prospect of Telefonica merging with a company still controlled by the Dutch state (Bel & Trillas, 2005, pp. 39–40), as this could threaten Telefonica's autonomy. For this reason, the government put pressure on Telefonica's bank shareholders to vote against the deal (El Pais, 2000c; El Pais, 2000a). The combined opposition of the bank shareholders and the state-appointed board members forced Villalonga to cancel the deal (El Pais, 2000b).

In other cases, banks and construction companies intervened in favor of acquisition plans supported by the executive. For example, in 2006 the PSOE government pressured the construction company Acciona to acquire a 21% stake in Endesa (Torral, 2008). Acciona's share purchase was aimed at preventing the acquisition of Endesa by the German electricity company E.ON, an operation that the PSOE did not view positively because it would have turned Endesa into a subsidiary of a foreign competitor (Chari, 2015, pp. 221–222). This outcome was not compatible with the executive's goal of creating an independent national champion, as Prime Minister José Luis Zapatero explicitly acknowledged: 'Markets are very important, but for this government the citizens are more important... I understand

that Germany wants to have a strong global energy company, but so does Spain' (The Times, 2006). The executive had leverage over Acciona because a large part of its profits depended on government procurement (Chari, 2015, p. 222). Acciona later formed an alliance with the Italian utility ENEL to acquire Endesa.

Finally, the managers of privatized utilities were sometimes forced to withdraw takeover bids that lacked political support because of the combined opposition of the government, banks, and construction companies. In 2000, for example, the chairman of Repsol, Alfonso Cortina, withdrew an offer to acquire the electricity company Iberdrola after a series of bilateral meetings with Finance Minister Rato and the reference shareholders (El Pais, 2000d).

Another sign of the government's continued influence over privatized utilities is the fact that state-appointed managers have remained at the top of the company long after privatization. More tellingly, banks and construction companies supported the removal of key managers when their investment preferences diverged from the executive's long-term plan to transform privatized utilities into independent multinational corporations. For example, BBVA and La Caixa supported the removal of Juan Villalonga from Telefonica after the attempted merger with KPN and his replacement by César Alierta, another manager close to the executive (Bel & Trillas, 2005). Similarly, in 2005 the reference shareholders of Repsol, La Caixa and Sacyr Vallehermoso, acted in coordination with the PSOE executive to promote the replacement of Alfonso Cortina with Antonio Brufau. Finally, the government's room for maneuver with reference shareholders led them to moderate their demands for dividends, thus freeing up resources that management could use to finance aggressive internationalization campaigns (Bel & Trillas, 2005, p. 39).

Since the mid-2000s the state's influence over the privatized companies has declined, mainly due to the erosion of two power resources as the shareholder alliances controlling Endesa and Repsol were progressively dissolved. In 2009, ENEL acquired Acciona's 25% stake and became the sole owner of Endesa, while La Caixa and Sacyr Vallehermoso gradually reduced their stakes in Repsol, transforming it into a widely held company. BBVA and La Caixa, while still among Telefonica's largest shareholders, have also dissolved their shareholders' pact, playing a more passive role in the company's ownership. In fact, it could be argued that this decline in influence is a consequence of the fact that the shareholder alliances have fulfilled their purpose of facilitating the transition of public utilities from protected monopolies to successful independent multinationals. Telefonica and Repsol are global leaders with a size that protects them from hostile takeovers, while Endesa failed to make the transition and is now a subsidiary of ENEL. The success of Repsol, Telefonica, and Iberdrola, a private electricity multinational with a similar ownership structure, attests to the important role played by the provision of patient capital by banks and construction companies during the transition (Charnock et al., 2014; Toral, 2008).

Sectoral extension: privatizations in manufacturing

To test whether or not the argument based on the different pattern of interaction between the state and private investors explains privatization outcomes beyond the

cases of public utilities, this section briefly extends the analysis to privatizations in the manufacturing sector.

In Italy, the state plays the role of *anchor investor* in three of the largest domestic manufacturing groups: The defense company Leonardo (formerly Finmeccanica), the shipbuilder Fincantieri and the chipmaker STMicroelectronics (co-owned by the Italian and French Treasuries). Like with ENEL and ENI, state ownership is combined with the floatation of part of the shares on the stock exchange. In an in-depth study of the trajectory of Leonardo, Felice highlights how this combination of patient equity investment and market discipline gave Leonardo's management the opportunity to design and implement an ambitious long-term plan of internal restructuring. This allowed Leonardo to refocus on the core aerospace and defense sectors while embarking on a successful campaign of foreign expansion, thus emerging as one of the global leaders in its sector of activity (Felice, 2010, p. 606).

In Spain, the privatization of loss-making state-owned manufacturers in sectors such as air transport, automobile manufacturing, steel production, and shipbuilding is another example of the long-standing relationship of mutual accommodation between the government and the major domestic banks. As noted above, after implementing a process of industrial restructuring of these companies, the PSOE sold them to foreign multinationals (for detailed analyses of the process see Etchemendy, 2004; Chari, 1998). The banks were directly involved in these operations, as the state-owned manufacturing companies were heavily exposed to them. As the sole owner of the manufacturing firms, the government could have written off these debts to facilitate the process of industrial restructuring. However, this would have resulted in huge losses for the banks. Instead, the government decided to repay the loaned capital, including the interest accrued by the banks, before selling the companies, allowing the banks to make a hefty return on their investment. As in the case of the privatization of strategic utilities, this agreement was the result of informal bilateral negotiations between the Ministry of Finance and major domestic banks, with limited oversight by parliament or other party leaders (Chari, 1998, pp. 171–172).

Conclusions

This paper compares the privatization trajectories of Italy and Spain, two similar countries characterized by a puzzling divergence in the level of direct state ownership in privatized energy and telecommunications utilities. While in Spain direct state ownership has disappeared, in Italy the state still plays the role of *anchor investor* in ENI, ENEL and TI. After demonstrating that factors traditionally identified in the literature, such as the party affiliation of privatizing governments and the impact of Europeanization, fall short of explaining the timing and extent of privatization in the two countries, the paper developed an alternative argument based on different patterns of state-business interactions (Massoc, 2022; Weiss, 2021). It was argued that the Spanish state fully privatized strategic companies *orchestrating* (Katzenstein, 1985, p. 68) the emergence of shareholder alliances of domestic banks. This strategy required the existence of a long-term

pattern of mutual accommodation and reciprocal trust between the government and domestic banks. Crucially, Spanish banks accepted to provide long-term patient investment to privatized utilities because the government had a bargaining chip to offer them in exchange for their commitment: Regulatory protection in the main sector of activity. In Italy, where manufacturing families did not need the regulatory protection of the state, they refused to provide patient capital to privatized utilities, seeking instead to gain full control of the privatized utilities in order to extract large financial rents. In the absence of private providers of patient capital, the Italian government had no choice but to act as an anchor investor, combining the direct provision of patient capital to privatized utilities with the sale of a majority stake to increase market control over management.

The final part of this concluding section presents three avenues of research to test and refine the findings of this study. The first relates to the functions of state ownership in transnational markets (Clift & Woll, 2012; Babić, 2023). While in Italy state equity investment is mainly used to ensure the long-term profitability and independence of corporatized state enterprises, in the Fordist era state-owned national champions were called upon to fulfill broader public policy mandates. Further research should clarify whether, where, and to what extent state ownership can still help fulfill public policy goals that go beyond profit considerations, such as promoting domestic employment, providing countercyclical investment to private firms and distressed sovereigns, supporting the green transition, or projecting state power abroad in pursuit of a geopolitical agenda (Massoc, 2021; Kim, 2022; Babić, 2023).² Second, the narrow scope of this analysis did not allow for an examination of the broader redistributive and sectoral effects of the industrial policy strategy implemented by Italy and Spain. Future research should unpack the coalitional politics of public service restructuring and identify winners and losers. In the Spanish case, for example, small and large domestic manufacturing firms appear to have paid the price for the close links between state actors and private bankers. Crucially, manufacturing firms endured decades of unfavorable credit conditions due to the government's decision to prioritize bank profitability over manufacturing development (Etchemendy, 2004; Pérez, 1997). Third, future work should extend the geographical scope of this analysis to other country cases. For example, the state continues to play the role of anchor investor in core European economies such as France, Germany, but also, more puzzlingly, the Netherlands. The logic of this involvement and the tension between market pressures and public service obligations deserve further attention. For example, companies such as *Électricité de France* (EDF), in which the French state retains a very large stake, seem to combine international success with the fulfillment of explicit public policy goals such as controlling energy prices or protecting domestic employment. The theoretical arguments developed here can also be applied to recent efforts in Poland and Hungary to increase the importance of domestic capital in telecommunications, energy, and banking (Naczyk, 2022). Both countries appear to have combined the direct role of the state as an anchor investor with efforts to orchestrate ownership alliances among private investors. The developmental effects and broader coalitional implications of these efforts warrant promising future research.

Notes

1. There is a large body of academic work linking the national champions policies of Italy and Spain, and the need to maximise privatisation revenues in order to qualify for EMU membership, to the limited scope of market liberalisation in public utilities. For the Italian case (Goldstein, 2003; Rangoni, 2011; Silva, 2004), for the Spanish case (Arocena, 2004, pp. 22–23; Etchemendy, 2004; Jordana et al., 2006; Jordana, 2014).
2. Even though Italian state-owned companies are not legally required to fulfill a public mission anymore, a recent comparative analysis seems to hint at the fact that they still play public policy roles like favoring domestic employment or cross-subsidizing loss-making state-owned companies via dividends (Clò et al., 2016).

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