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Public Ownership and Public Services

by 2030

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The purpose of this paper is to study the path the public sector and public services may follow by 2030. This approach could nevertheless be questionable. Is it relevant to conduct a study on such a large and heterogeneous area, including both public sectors and public services in a worldwide perspective?

The public sector, which is commonly defined as the set of activities controlled by public authorities, is composed of very diverse organizations. These are directly or indirectly (notably as subsidiaries or sub-subsidiaries of public companies) public-owned organizations. They have diverse legal status: public firms, state-owned companies, public administrations. They can be commercial or non-commercial¹. Another distinction can be done between traditional 100% capital owned public companies and mixed firms both public- and private-owned. The sectors where public organizations are present are also very diverse: both industrial activities and services in a very large panel of sectors are concerned. They change from country to country. They are also very unstable. Public ownership has indeed encountered various degrees of reluctance. In some countries, like in the United States, reluctances against public ownership have been very strong as it has been seen as a reconsideration of private property. But these reluctances have been weaker elsewhere, where massive nationalizations have taken place, notably after WWII, followed by internal and external growth policies for public companies, which have nevertheless not prevented deep reconsiderations later, through sales to the private sector.

Public services should not be mixed up with public sectors. If they are indeed also activities which are supervised by public authorities because of their specificities, they can be managed by private companies. In other words, the management can be public or private. When the activity is managed by a private company, it is often called "delegation of public services". It can take various contractual forms linking private companies with public authorities: dealership, leasing, public-private partnership (PPP). American public utilities are a standard model of a regulated private management, long remained in monopoly, of commercial public services. The notion of universal service has emerged from this model. This notion is nowadays used in Europe, which imposes formalized public missions to private companies (to guarantee universal access to services considered as essential for individuals and the collectivity). This model is different from the public monopoly which characterized the heart of the so-called "French model" of public services after WWII. These models suffered deep transformations as public services have been opened to

¹ We define the commercial sector as activities where more than 50% of revenues come from production sold in the market.

competition. Yet economists have tried to define public services to specify its border, justify its specificities and the derogations of the common rules of competition because of sector specificities and more precisely of decreasing returns to scale. Contract theory, incentive theory and the theory of contestable markets have then deeply changed the way these activities were regulated, pushing the opening to competition. Public services present nonetheless very different characteristics from country to country as History has built specific social representations and local or national cultures. Depending on the location, public services thus present a lot of differences: various structures, more or less non-commercial concerns, variable degrees of competition opening, different management models and financing sources, market-dominant or tax-dominant revenues.

It is lastly important to underline the diversity of the authorities which control public sectors or define missions of general interest which qualify public services. These authorities can be local, national or even regional as in the case of the European Union. Their competence and the way they intervene are also changing through time and space.

Even if our analysis depends on the time and the location chosen, the unifying factor should not be forgotten: the specific linkage of these activities with public authorities. Beyond national differences, modes of representation, cultural specificities, size and sector configurations, a global analysis of public services and public sectors is absolutely justified given the specific control and influence of public authorities. Public organizations or private partners have to incorporate public missions because of their hierarchical or contractual relations with public authorities. Public missions are defined everywhere on the basis of general interest, which even if it can be discussed, is embodied by the appropriate public authority. General interest rather depends on the social construction. The economical weight and the way of doing business of these organizations thus depend on their common social representations and the mode of construction of general interest. The timeline and the associated dominant paradigm throughout the world are hence crucial. That is how public services and public ownership, as tools of intervention of public authorities, have played a major economic role during decades in several countries before a breakup in the 80's has appeared, caused by a reconsideration of the role of public services and public ownership. The crisis which has begun in 2008 thus questions the emergence of a new stage and its possible nature. Will we observe a new breakup characterized by a strong comeback of public ownership and general interest missions, of which nationalizations in the banking and some industry sectors which have been conducted in some countries are the beginnings? Or on the contrary, will the crisis radicalize the privatization and liberalization movements in response notably to the rising public debt levels?

In any case, to carry out a prospective analysis of public ownership and public services by 2030, it is necessary to begin with a retrospective study. Even if the characteristics of the future will be of course different from the past, it is important to understand, even roughly, the main trends in terms of weight, role and missions which have been given to public organizations and public services. A long term retrospective is necessary to understand that changes have not been linear, can be characterized by deep breaking points, without erasing local, national or regional particularities.

Focused on developed countries and widely based on European illustrations, this note will first elaborate the main characteristics of the rise of public intervention

through public sectors and public services (1). Then it will focus on the important transformations which have occurred since the 1980s (2). Finally it will introduce scenarios based on different representation of public intervention and the work of public sectors and services (3).

1. The rise of public intervention through public ownership and of public services

The economic development in developed countries led to an increase of the economical weight of the public sector and public services, both commercial and non-commercial. The increasing role of public intervention is a response to new needs resulting from the economic development and urbanization. But it also reveals incremental and radical changes resulting from ideological shifts. It is therefore convenient to study the major trends of this expansion, notably concerning commercial activities in order to capture the main characteristics which led public authorities to intervene at this level.

A. The growth of public services and public ownership

A high growth of public services and often public sectors has been witnessed in most of the national economies from the second half of the 19th century until the 1970s. In most of the cases, these transformations were first progressive before a quantitative boom through nationalizations has occurred during the post WWII period.

The reluctances to public intervention in the economical field which have been expressed in several countries after the industrial revolution have indeed weakened, often under the constraint of necessity. Though most public services had known an initial development thanks to private initiatives, public authorities have rapidly found out that it was necessary to impose public service obligations, a control aiming at the achievement of specific missions. The existence of sectorial specificities and the necessity to produce crucial goods in the better conditions have henceforth widely justified public intervention. The existence of sectorial specificities is also the basis of the justification of public authorities by neoclassic economists who have exploited the Marshallian theory of increasing returns to scale on this occasion. It has also led jurists, and in particular the French school of public services² to justify the development of public services to guarantee the proper functioning of the society in a context characterized according to this school by increasing social interdependency. The elaboration of principles such as the continuity of service, equal treatment and non-discrimination and the adaptability of service have led to the specification of public service missions and the control of their implementation by public authorities. The transport sector, including the rail industry, the electricity sector, the water supply and sanitation sector, the phone industry have been very early at the center of public authorities' attention because of their central role in economic development and the malfunctioning of private activities in these sectors. The French model which consist

² Duguít was their leader. Cf. *Libertés publiques*, Editions Cujas, 1928. In this approach public services include "every activity which must be managed, regulated and controlled by the governors because the implementation of this activity is essential to the realization and the development of social interdependency"

in delegating public services or the “public utilities” model, coming from the American jurisprudence, have emerged during the second half of the 19th century to be consolidated during the first half of the 20th century.

But, beyond the specification in diverse sectors of activity involving public service missions, the role of public capital in public services has been progressively strengthening in several developed countries. Public authorities have had to intervene to overcome a lack of private investments in sectors where high growth has been needed because of economic development and urbanization. Thus the boom of local public organizations providing public services in Germany, even if driven by municipal socialism, resulted from a strong need of direct involvement of public communities and production of collective goods. This has for instance been the case in the water, sanity and waste treatment sectors under the impulsion of the hygienic movement. The creation of public firms, state-owned companies or other activities incorporated within public administrations aims at allowing the production of public goods seen as essential for the community and which were not or insufficiently supplied by private companies. This phenomenon has been notably witnessed in emergent industries such as electricity or telecommunications. Another consequence of this movement has been the acquisition of shares by public authorities in public services, in some cases nationalizations, which have occurred at the end of the 19th century and at the beginning of the 20th century, notably in the phone industry in the United Kingdom and in Italy, in the rail industry in France and in Italy. This was about making sustainable activities seen as essential to the community and which threatened to disappear without public capital. The mixed economy thus often emerges by capital contributions rather than the creation of ex-nihilo public companies. At this time, these public participations have for most of them stayed in minority position and punctual, but this has set the stage for the following stages of the development of public ownership. WWI has then reinforced this phenomenon of acclimatization to public intervention and ownership, notably in Europe. State or public communities intervention involves much less reluctances than in peace times because of the necessity to deal with issues seen as essentials. The French case shows the central role played by war periods in the shift of paradigm concerning public intervention (Delorme et André, 1983).

After WWII, massive nationalization waves have occurred in several countries. It has allowed states to control and try to impulse economic development. The massive use of public ownership henceforth consist in a paradigm shift for several occidental public authorities widely originated from the Great Depression and the growing power of Keynesian theories. A major role is given by the states to public sectors to ensure the economic recovery. In Europe, it is also about acquiring tools of intervention in strategic sectors, *i.e.* use public companies as a driving force for national economies (Mazier, 1984). The public sector becomes, especially in Europe, an important tool to boost material capital accumulation in ground sectors and to lead productive investment stimulation policies or sometimes contra-cyclic policies. Nationalizations have also led to the incorporation of entire industry into public sectors such as the rail industry, the gas industry and the mining industry. In the banking sector, the will to implement a public control and to submit finance to general interest has appeared very early as a major political issue³. Bank nationalizations (starting with central

³ Thus, in 1802 already, American president T. Jefferson wrote in a in a Letter to the Secretary of the Treasury Albert Gallatin « I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by

banks then deposit banks) have thus been led in diverse countries, often following a double logic: on one hand doctrinal, aiming at getting rid of the stranglehold of the financial oligarchy⁴, on the other hand to support the reconstruction and economic development. The aim is to use the banking sector as a driving force by assigning general interest missions to it. Besides, the acceptance of public intervention, public ownership and public services has become all the strongest after WWII that it has been about facing the rise of collectivist models by fighting against social inequalities in capitalist economies by guaranteeing universal access, including for the people without resources, to public goods judged essentials (including education and healthcare). The features of a citizenship based on universal access to public goods (through free access or social price setting) are thus central in the “French public service” model. This has gone with, at least during the post war years, a participative philosophy through tripartite management⁵.

In this context, the public monopoly becomes, notably in Europe, the standard market structure for public services, justified in the neoclassical current of thought by the Allaisian “maximum social efficiency” theory. The public monopoly embodies symbolically the “French public service” model even if the latter includes also public services managed by private operators through delegation of public services (in particular in the water industry), but also local firms, local public-owned companies and of course administrations which work in non-market activities. “Public utilities” represent the alternative model of public regulation of private activities in monopoly situation. Nevertheless after WWII several countries have equipped themselves with public services but also commercial public sectors which have gained a considerable weight in the economy and which are characterized by important specificities toward the private sector.

B. Weight and specificities of commercial public sectors and services after WWII until the 1970s

It is not easy to measure precisely and even harder to properly compare the weights and behaviors of public sectors in the different economies because of the lack of reliable and homogeneous statistics. These sectors are nonetheless sizable in a lot of developed countries. The background movement is of course not uniform: national traditions differ. For some countries, notably from the New World including the United States where the market has preceded the state (Saint Étienne, 2009), the strong reluctance to public ownership has stayed vigorous and has strongly limited the growth of the public sector’s weight in the economy. At a global scale, the centennial movement initiated during the second half of the 19th century has led in several developed countries to a strong presence of public capital in the economy.

In Western Europe, the weight of commercial public sectors in the domestic economies has become considerable after WWII until the 1980s, whatever the indicator used, be it added value (AV), distributed wages or investment (GFCF). In France, the share of national aggregates of the “Grandes Entreprises Nationales” (GEN) - Large National Companies - which is representative of monopolistic public

deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered ».

⁴ The nationalization of the Banque de France, only partial in 1936 then total in 1945 follows this logic.

⁵ Tripartite management was defined as the equal representation of users, employees and shareholders at boards of directors of public companies (Meynard, 1957)

companies providing public services⁶ in companies and associated bodies gives a quite precise idea of the evolution of the relative weight of commercial public services handled by monopolistic public companies.

Graph1 Relative weight of GENs as a share of total companies

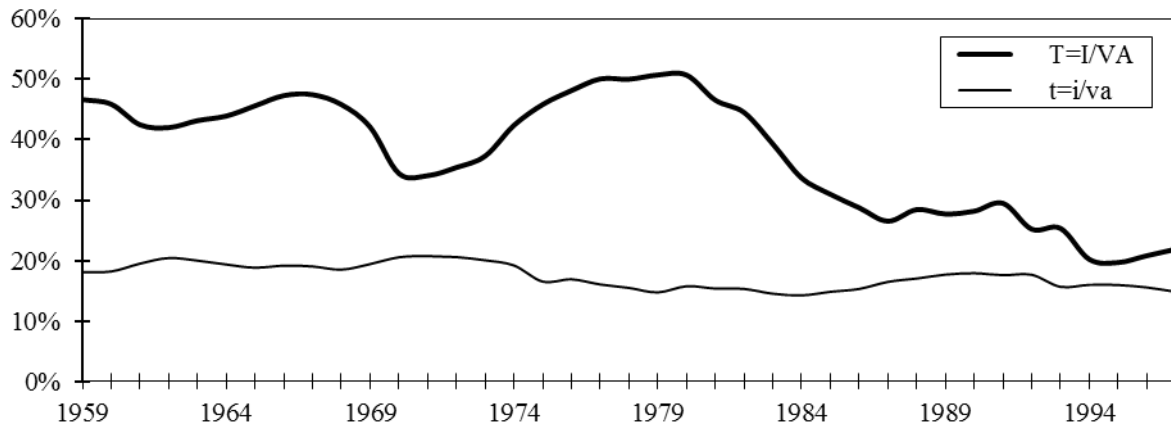


Source: Bance and Monnier, 2000

The importance of investment compared to distributed wages and added value shows that there has been a strong involvement of public companies in public sectors in national investment which is not only the consequence of sectorial specificities. It also shows by the level of cyclical fluctuations of the GFCF as well as the investment rate (GFCF/AV) of GEN (see graph 2) the existence of contra-cyclic policies led by public authorities which use GEN as a regulation tool. These regulation policies are all the more obvious as when private investment rates have been dropping (rising) a rise (drop) of GEN’s investment rates have been witnessed.

⁶ This includes, in the frame of the national accounting system of this period, « Charbonnages de France » (coal companies), EDF and GDF (gas and electricity), SNCF (rail), RATP (Public transports of Paris), Air France and Air Inter (airlines), France Telecom and la Poste (post office, telegraph and telecommunication services before 1991).

Graph 2 Investment rates of GENs ($T=I/VA$) and companies without GENs ($t=i/va$)



Source : Bance and Monnier, 2000

The periods of high involvement of GENs, characterized by high levels of their investment rates⁷, are followed by phases of various length of “recovery” and slow down to avoid overcapacities. After the immediate post war years, the period when GENs have been particularly associated to macroeconomic regulation policies are 1964-67 and 1973-80. The ratio of investment rates of GENs to the one of other companies allows the evaluation of the extent and the evolution of the specific behavior of GENs. This ratio fluctuates between 1.4 and 3.5 from 1959 to 1980 reaching its peak at 2.5 in 1968 and at 3.5 in 1979 at the end of phases of publicizing the style of management of GENs, eventually falling down at 1.4 in 1973 after a phase of privatizing the style of management of GENs. The strong publicizing of the style of management of GENs during the 1973-80’s period illustrates the very strong involvement of GEN in nuclear programs, the high-speed train (TGV) and the development of telecommunication networks.

These data however reflect only partially the weights and the specific behavior of the commercial public sector in the economy. This indicator of the specific behavior of GENs does not tell anything of their involvement in industrial, employment, pay or even change policies toward borrowing in foreign currencies. It does not as well take into account the driving force of public investment on private companies, subcontractors or suppliers of the public sector⁸. It does also not take into account several competitive public companies listed among the private sector which have been involved as well in social and economic regulation. These companies have also taken on regulation missions, although they were less marked and much more occasional because of their exposure to competition⁹. The exclusion of the aggregate

⁷ The investment rates of GEN reflect public policies of investment stimulation (which tend to increase the numerator) or tariff contraction (which reduce the denominator).

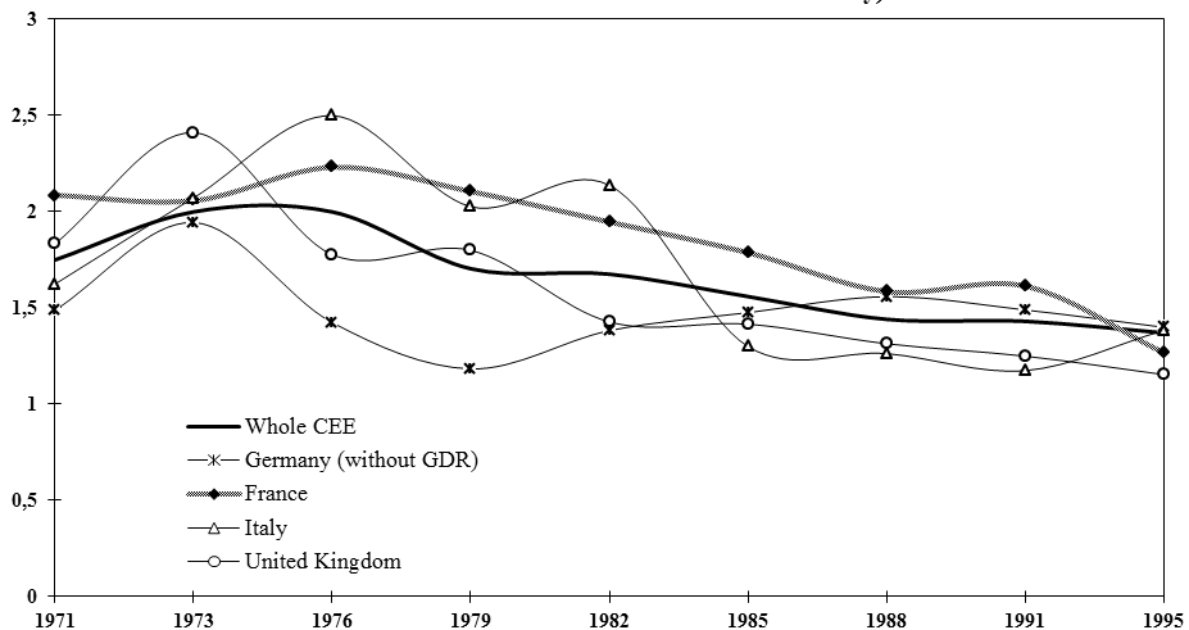
⁸ Besides, foreclosure effects have been limited as public authorities asked GENs to borrow essentially abroad to prevent negative effects on private investment which has for that matter widely exposed public companies to foreign exchange risk.

⁹ Nationalizations have taken place in France from 1982 to 1984 aiming at taking the relay from battered GEN weakened by their former efforts. These recently nationalized companies have almost doubled their investment rates from 1982 to 1985 but this has only partially compensated the heavy drop in GEN’s investments because these new competitive public companies have behaved more conservatively.

of private companies from the one of public companies would however significantly increase the gap in terms of behavior between GENs and the private sector.

However, is this French illustration of the weight and strong behavior specificities of the public sectors and public services from the post WWII years until the 1970s not a specific case? According to a CEEP study which extends our public-private comparative study to the whole European community with data updated every three years¹⁰, the weight of commercial public sectors in the major European countries (Germany, France, United Kingdom and Italy) is very similar on the basis of their average share of added value, GFCF and staff in the total non-financial, non-agricultural economy¹¹. Graph 3 shows that the same behavior specificities are witnessed, by comparing this time investment rate ratios of public companies with the ones of private companies.

Graph 3 Behavioral specificities of European public sectors (ratio public sectors investment rate to the investment rate of the economy)



Source: Bance and Monnier, 2000

From 1971 to 1980 investment rates of public companies in major European economies (except for Germany in the second half of the 1970s) are about 1.5 to 2.5 times higher than investment rates of private companies¹² which has contributed at this time to a common acceptance in the European frame of a regulation led by public companies which is however primarily dedicated to the domestic economy and is therefore a source of competition distortions.

The inability to pursue actively the public effort in the medium term, the breaking-off of the European consensus and the massive Britain privatizations, which have

¹⁰ Center of Employers and Enterprises providing Public services www.ceep.eu/

¹¹ Based on these indicators, public sectors account on average for 13 up to 20% of the domestic economy for these four major European countries from 1971 to 1979.

¹² This important gap between public and private investment rates as well as the strong adaptation to economic conjuncture of public investment rates cannot be explained only because of the sectorial particularities of public companies. Without structural changes in the composition of public sectors, this reflects specific behaviors and style of management encouraged by public authorities.

introduced a structural gap between the major European countries, have henceforth led the UE to a shift of paradigm. The return to more common behaviors and style of management in Europe which are seen at the end of the graphs above illustrates the changes which have occurred during the 1980s. This phenomenon goes however widely beyond the European frame.

2. The shift of paradigm initiated in the 1980s

The 1980s are a turning point regarding the role and the methods of intervention of public services and public sectors. Sudden transformations have occurred. They can be explained, at least partially, by the difficulties met by Keynesian therapies to overcome the crisis, largely due to the loss of leeway of national policies because of increasing globalization. A new paradigm based on economical liberalism is settling in through the impulsion of neoliberal economists and in particular the Hayekian school. The disappearance of the collectivist counter-model contributes as well to discredit public intervention and to amplify the dominant neoliberal ideology. As a result a deep breaking-off of the former conception of general interest is witnessed, which is from then on close to the Smithian approach of the invisible hand following a teleological process aiming to achieve a competitive market. A strong dynamics of privatizations and liberalization has resulted from this situation, which is not fundamentally reconsidered in the current economical crisis.

A. Conservative revolutions, Washington consensus and new public management

The conservative revolutions which have occurred in the United Kingdom and in the United States in the early 1980s have deeply affected regulation policies through public ownership and the management of public services. These conservative revolutions have not only given rise to liberalization and privatization dynamics in the national economies concerned but have also had propagation effects throughout the world. This shift of paradigm has been spread into developing countries, notably in South America through the adoption of the so called Washington consensus. Neoliberal policies of structural adjustments encouraged by Reaganism have then been extended by international organizations such as the International Monetary Fund (Stiglitz, 2002) or the World Bank. Very important public spending cuts have followed in South American countries submitted to these policies, in particular in the education, health, housing and social help fields. They have also encouraged massive privatizations in the public services such as the rail industry, telecommunications, airlines, water supply, energy and mining. This privatization movement has become even stronger and more global after the fall of collectivist regimes. In several former colonies, and particularly in the Commonwealth, the movement has been spread by an imitation effect of the policies led by the former colonizer.

These deep transformations of public intervention through the withdrawal of the state and public authorities has gone together with changes in public management (Greffé, 1999) in several countries, which is an obvious consequence of the shift of paradigm.

It is about favoring delegation over direct intervention. The delegation of public services, the public-private partnerships and the transfers of public assets to the private sector become a priority. The aim is to increase the efficiency of public services by introducing competition, by provoking emulation between actors, by opening former monopolies to potential and especially effective competition. Regarding financial matters, it is about reducing public funding and public spending by encouraging, notably in non-market public services, auto-financing. A performance-driven culture is also encouraged through policies aiming higher efficiency, innovation, staff and wage flexibility. The argument of efficiency used to justify this new public management meets nevertheless its limits regarding its results. Examples of malfunctioning witnessed in liberalized and privatized public services are multiple: accidents and delays in the railway industry, particularly the Britain ones, power cuts and supply shortage in California, high costs of public-private partnerships and of the Britain Private Finance Initiative, increases of fees charged for the provided services, emergence of private oligopolies and accords, difficult implementation of competition, high asymmetries of information at the expense of public authorities, phenomenon of regulatory capture... The evaluation of the performance of the policies which have been led has for all that been almost absent, including in the European Union.

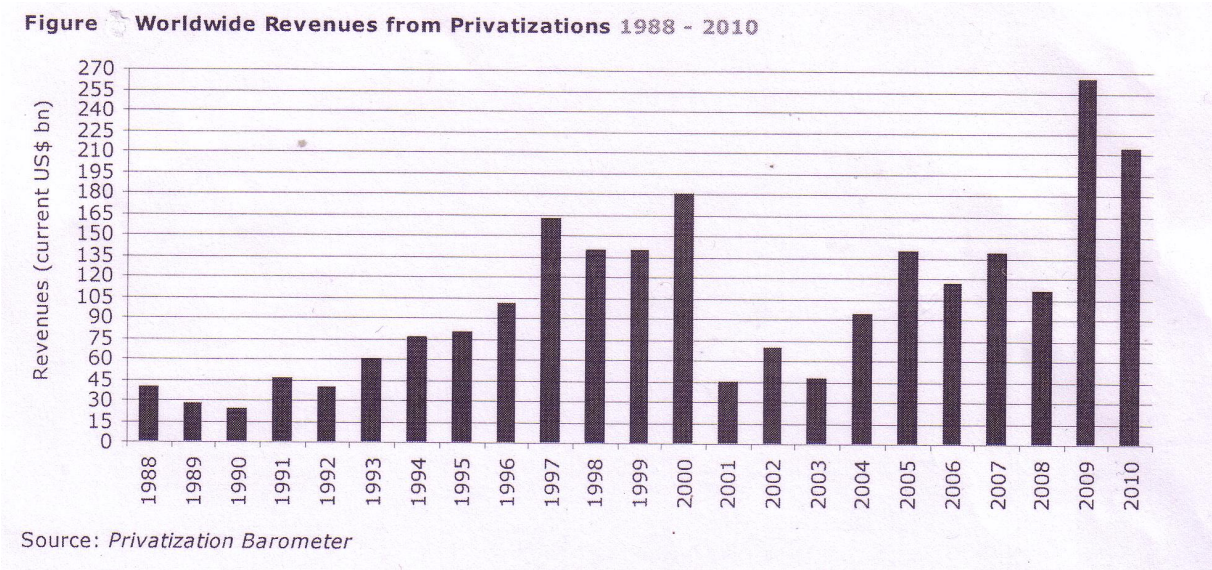
However, in several countries, the principles of the new public management were adopted to handle budgetary restrictions which have very rapidly led to an unprecedented privatization movement and to a refocusing on a restricted public sector with a redefinition of their public mission parameters on the basis of management criteria close to the ones of the private sector. This movement has however led, most notably in some transitional or Southern countries, to a reorganization of wealth distribution in favor of elites reconverted as businessmen through private acquisition of former public assets.

B. The size of privatization movement throughout the world

As shown in the following figure, revenues coming from privatization at a global scale have considerably increased since the end of the 1980s. They have progressively increased during the 1990s before a decrease during the crisis of the early 2000s, to increase again after this period.

The weight of public sectors has thus considerably decreased during the last two decades. This contraction restrains of course the potential of future privatizations. Privatizations often start in activities which are more likely to attract private capital, notably because of high profitability perspectives. States have nevertheless been obliged to recapitalize public companies during several years to be able to privatize them. Industrial public sectors were often the first in line, as states considered that it was no longer their mission to control such activities. Public services follow, notably with the opening to competition: the particular relationship between states and incumbent operators are a source of boundaries issues and conflicts, even if independent agencies have been created to avoid it.

Figure 1 Worldwide Revenues from Privatizations (1988-2010)



Source: Privatization Barometer, Report 2010, www.privatizationbarometer.net

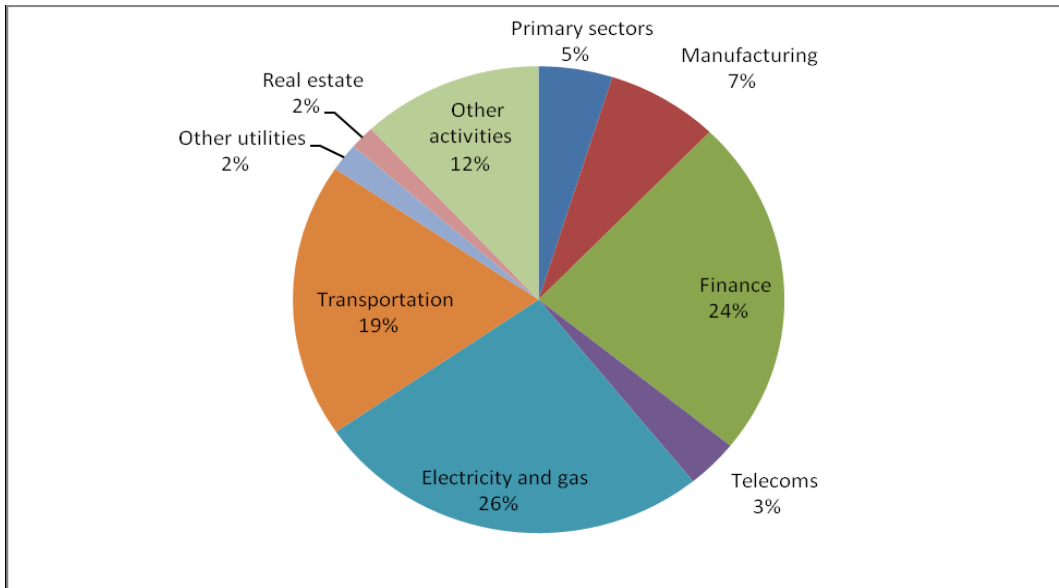
The size of public sectors have thus largely decreased, all the fastest since from 1980 to 2008, very few nationalizations have been carried out. A summary report of the importance of commercial public sectors has been produced by the OECD at the end of 2009 for some of its member-countries (The size and composition of the SOE sector in OECD countries). It is about companies which are owned by central public authorities (State Owned Enterprises, SOE). The data were collected on the basis of a questionnaire survey addressed to national governments of 27 of the 34 member-countries of the OECD¹³ filled with data from 2009 (sometimes 2008).

Based on the questionnaires which have been returned, companies where the state is the majority owner account, on this basis, for 2,085 companies, employing 4,333,670 employees with an estimated value of 1,416.8 billion US dollars. But on a basis enlarged to the whole ODCE zone (including the USA and Japan), the total workforce of SOE where the state is the majority owner are estimated at more than 6 million employees for an asset valuation superior to 2 billion US dollars. If companies where central states are minor shareholders were included, it would add 3 million employees and 1 billion asset value to these figures.

The distribution of SOE by field of activity enables to observe (see figure 2) after several decades of privatization a strong concentration (half of the total) in public services activities and more particularly in the electricity, gas and transportation sectors but also a strong presence (accounting for a quarter of the total) in the finance sector. The industry now accounts for a very small share of public sectors (7%).

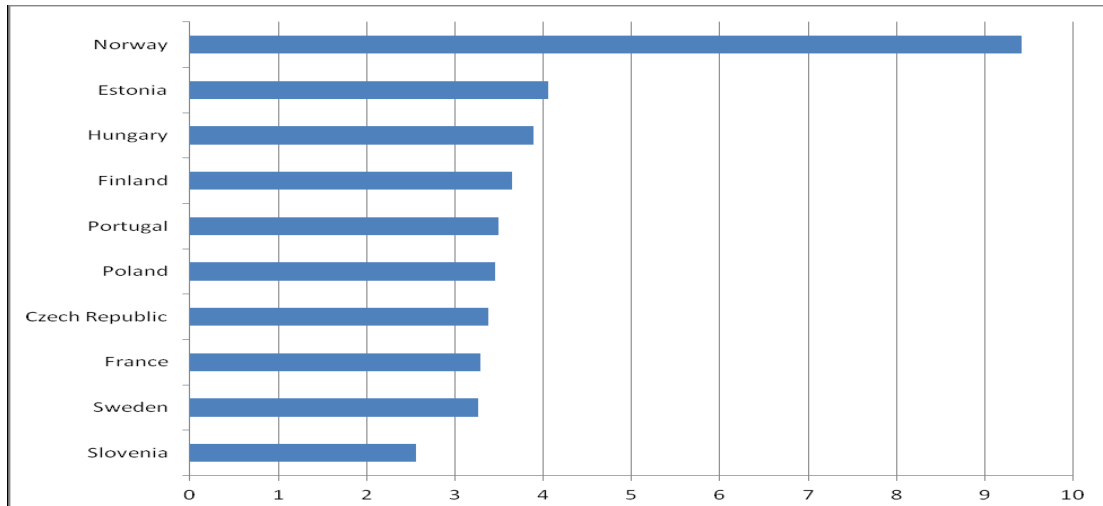
¹³ These countries are the following: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Israel, Korea, Mexico, New Zealand, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and United Kingdom. We notice that the USA and Japan are not included.

Figure 2 Sectorial distribution of SOE sector, by company value (total OECD)



Information about the relative weight of SOE in member-countries which have been questioned is available. Figure 3 thus shows that their share of the total domestic workforce varies among countries, with a relative high share for Norway¹⁴.

Figure 3. SOE employees as % of total employment (OECD top-10)



Source: Questionnaire responses and OECD Labour Force Statistics.

www.oecd.org/daf/corporateaffairs/wp

¹⁴ As mentioned in the report: “The Norwegian figure basically reflects two factors, namely the size of its listed hydrocarbons company and the fact that the country’s power generation relies on a small number of large statutory corporations”

These figures must however been carefully interpreted, in particular when making international comparisons because data were collected in a more or less exhaustive manner by state services, mixing data providing from surveys and adjustments to compensate errors and missing data. It is important to notice as well that these data, which show a strong decrease of national public sectors, in particular in transitional countries, minimize in a more or less strong way the relative weight of public sectors: beyond statistical data collection issues they focus only on central state ownership. An enlargement of the approach by including assets owned by sub-national public authorities would markedly enhance the relative weight of public ownership in several countries, in particular in Germany and in the United States. An exhaustive inclusion of minor public participation would also have discriminatory effects, by elevating for instance very significantly the weight of the French and Finnish public sectors, where they are numerous¹⁵.

C. The dynamics of privatizations and liberalization in Europe

Despite the liberal fundamentals of the treaties, a relative disregard for public ownership and public services has prevailed until the 1980s in the community. The subsidiarity principle has indeed led them to be under the exclusive authority of Member States, judged as the most competent to regulate them efficiently. Through the ratification of the European Economic Community (EEC) treaty, the notion of services of general economic interest (SGEI) has been introduced, to accord to some public services a special dispensation regarding the general rule of submission to competition. Implicitly included have been telecommunication and post offices, gas and electricity services, the railway industry, which allowed these commercial public national monopolies to escape from the control of the European authorities.

After the Single Market Act in 1986 which aimed at the implementation of the internal market in 1993 and the 1988 Cecchini report on “the cost of non-Europe” which pretends to demonstrate the beneficial effects of a very large opening to competition, a new dynamics is introduced which modifies radically the position of European authorities toward the public services and the public ownership. The massive privatizations and liberalization policies led in the United Kingdom are by the way not unrelated to the transformations which have been witnessed. They have led to a break-up of homogeneity between Member States. This break-up is quantitative (the relative weights of public sectors in the national economies become very different) as well as behavioral (the economical role assigned to commercial public sectors diverges notably as Britain public companies adopt private management style to prepare privatizations). European authorities could henceforth highlight the legal principles of the Union based on equality into competition.

Public service activities, in particular public large companies managing a national network, are the targets of the liberalization process. Under the wing of Member States, these companies are suspected to favor national interest and constitute an obstacle to the establishment of the single market. The disregard for public service has given way to a systematic elimination of any behavior seen as anticompetitive,

¹⁵ We thus read in the study: “both Finland and France would have figured even more prominently if the comparison were broadened to include partly state-owned companies, since as mentioned earlier both countries have a number of large, listed SOEs with significant government minority ownership”.

i.e. contrary to the general community interest. The superior interest of the European Union becomes fundamentally a market-oriented general interest: the market (or more precisely the construction of a competitive market) embodies the general European interest, superior to the national general interests.

The European Commission (EC) plays a central role in this dynamics by initiating with the support of the Council a double strategy which is validated, at least partially, by the Court of Justice.

First, the EC encourages the suppression of legal public monopolies in the following public services: telecommunication, electricity and gas, post offices and airline transports. It blames the special and exclusive privileges of national public services companies. The EC underlines the important efficiency gain to be expected from the liberalization of public services, actually without providing any quantitative evaluation of the effects of such a process. The recent developments of the neoliberal thesis widely inspire European institutions. The contestable market theory and the new network theory indeed find their application in the European policy: vertical suppression of natural monopoly, separation of the infrastructures and services, introduction of competition between the companies which provide services...

Second, Member States and operators are strictly controlled by the European Commission. The latter is questioning state subsidies, watches closely cross-subsidies, requires from operators the notification of any offset of an activity by another, proceeds to particularly niggling verifications of public companies' accounts. The "private investor in a market economy" doctrine used by the European authorities plays here a central role. To consider the admissibility of public subsidies and eliminate competition distortions, the Union has set the behavior of a private investor seeking for profit as a reference. Under these conditions, public companies should adopt the behavior of private companies and states the one of private investors (Pernin, 1996).

All these controls of the European commission regarding public service companies restrain their capacity to fulfill the specific missions with which they have been entrusted. It is a radical reconsideration of the former national public mode of regulation. In addition, the control of public companies by the Commission encourages denationalizations and is seen by some as a stretch to the principle of neutrality regarding the ownership regime of article 295 (ex 222) of the EEC treaty.

Massive denationalizations henceforth occur both in Eastern Europe (through a privatization of the economy) and Western Europe to enjoy budgetary leeway. They account, notably in the early 1990s and in the mid 2000s, for more than the half of the world total annual value of privatizations, as shown in the last column of the following table.

Table 1 Privatization Revenues, Worldwide and European Union (US\$ Billions, 1988-2010)

Table 1. Privatization Revenues, Worldwide and European Union, US\$ Billions, 1988-2010				
Year	World	EU25	% World (ex-EU 25)	% EU25
1988	39.00	7.82	79.90%	20.10%
1989	28.00	14.21	49.20%	50.80%
1990	24.00	12.58	47.60%	52.40%
1991	46.00	28.02	39.10%	60.90%
1992	39.00	12.68	67.50%	32.50%
1993	60.00	27.11	54.80%	45.20%
1994	76.00	39.6	47.90%	52.10%
1995	80.00	43.8	45.20%	54.80%
1996	100.00	51.4	48.60%	51.40%
1997	162.00	63.46	60.80%	39.20%
1998	140.00	66.12	52.80%	47.20%
1999	140.00	75.1	46.40%	53.60%
2000	180.00	70.87	60.60%	39.40%
2001	43.80	27.07	38.20%	61.80%
2002	69.20	22.53	67.40%	32.60%
2003	46.60	29.4	36.90%	63.10%
2004	94.00	68.14	27.50%	72.50%
2005	140.00	84.52	39.60%	60.40%
2006	116.00	51.45	55.60%	44.40%
2007	138.00	54.48	60.50%	39.50%
2008	111.00	75.64	31.90%	68.10%
2009	265.17	55.88	78.90%	21.10%
2010	213.64	44.23	79.40%	20.60%
Total	2,351.41	1,026.11	56.36%	43.64%

Source: *Privatization Barometer, Securities Data Corporation (SDC) New Issues and Mergers and Acquisitions data, and author's search of various news media (principally Financial Times)*

The difficulties encountered to achieve the SGEI missions of general interest have nevertheless led to increasing reserves regarding the policy of the Union during the 1990s. In the Corbeau judgment (1993) and Almelo judgment (1994), the Court of Justice of the European Union acknowledges these reserves by justifying the existence of exclusive rights, *i.e.* restrictions of competition, regarding public service activities to allow the fulfillment of the specific missions which operators are responsible for. The Court not only expressed reservations at this occasion regarding the policy aiming the total suppression of exclusive and special rights. It justifies the restrictions of competition to allow offsetting profitable activities by non-profitable activities because it is necessary to the functioning of the public service. In 1997, the Court of First Instance of the Court of Justice has taken a similar position regarding the compensations granted by the French state to La Poste (French national post office), justifying these state subsidies by the missions of public service.

The Commission reasserts later the necessity of public intervention to satisfy needs judged socially essentials, solidarity, social cohesion. The notion of universal public service, inspired by the American conception developed a long time ago, is introduced within community law. Universal service includes essential services which

have to be accessible to all users throughout the territory at a given level of quality at an affordable price. Its reach is nonetheless limited because it applies only to some SGEI (telecommunications, post offices, electricity) and to a restrained number of activities¹⁶.

The Amsterdam treaty (1997) marks, under the pressure of diverse actors of the civil society, a comeback of politicians regarding the issue of public services. It comes out of a modification of the article 16 of the EEC treaty recognizing the SGEI as a “shared value” of the European Union, their role in the promotion of social and territorial cohesion, the responsibility of the European Community and Member States to look after the functioning of these services and to allow them to fulfill their missions. This recognition is a claim without a large operational legal range but which initiates a new dynamics. It is recognized that their activities involve general interest issues such as security of supply, land planning, promotion of consumers’ interests. The Nice treaty (2000) also results in the commitment to include (in a future constitutional European treaty) access to the SGEI as a future fundamental right and dimension of the European citizenship. After the publication of the Green Book¹⁷ of the Commission about the SGEI (2003) which describes it as a shared value and an essential element of the European social model, heated controversies occur at the European Parliament (Herzog, 2003) and the draft frame directive on public services which was planned at this time will never be voted, after the failure of the adoption in 2004 of the constitutional European treaty and the enlargement of the UE to Eastern and Central European countries in 2004 and 2007 which reinforce the political majority which are in favor of global liberalization and privatizations, notably after the renewal of the European Parliament.

The role and the circumstances allowing the SGEIs to fulfill their missions are however legally recognized. The principles of continuity, non-discrimination, universality and transparency of services have to regulate their work. Their necessary contribution to social and territorial cohesion of the EU is also pointed out.

This does however not at all lead to a reconsideration of the process of opening to competition sector by sector and of privatization of the SGEIs. Operators and states’ leeway tend henceforth to become very limited and the liberalization takes on without serious evaluation of its effects.

D. The temporary nationalizations of the current crisis

In response to the major crisis which has hit the world economy in 2008, public authorities in several countries were forced to nationalize. The states have been aiming to restrain the negative effects of the crisis notably by preventing the bankruptcy of large companies facing difficulties. Between 2008 and 2010, these nationalizations have been numerous throughout the world (Bernier, 2011)¹⁸. Banks, particularly hit by the financial crisis, are the first in line. Nationalizations or public

¹⁶ It includes access to the public network, fax and the Internet, to the provision of directories and directory assistance, access to public work stations for telecommunications. Offsets are planned to finance public service obligations.

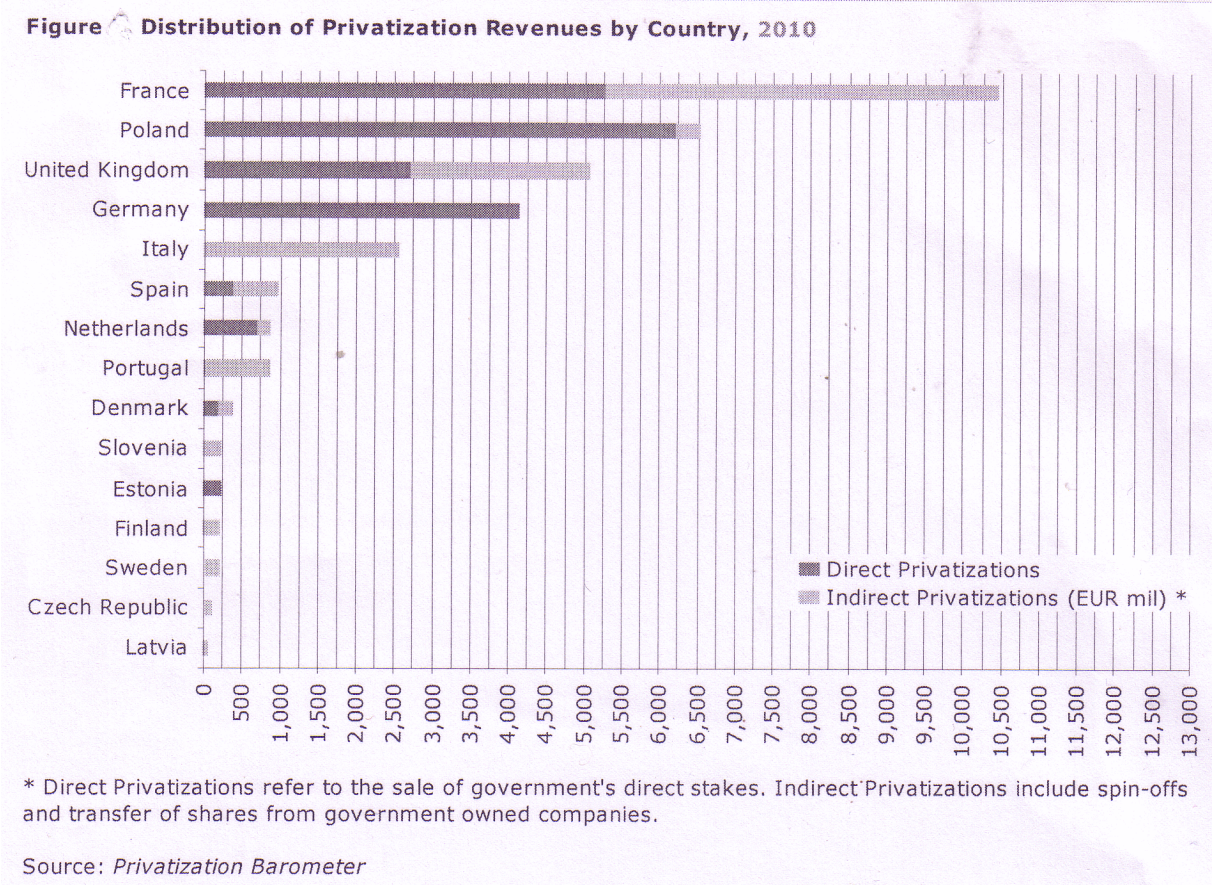
¹⁷ COM/2003/0270 Green Book about services of general interest

¹⁸ See in (CIRIEC, Bance and Bernier, 2011) table p. 105-107, et supra in this paper figure 1 on the evolution of revenues coming from privatizations

help to companies facing difficulties have also required important resources in Europe without necessarily changing the management method and the regulation of the concerned activities (Bernier, forthcoming). Public intervention in these companies has from the start on been considered as temporary. This has led to few or no modification at all of the governance of the companies, notably in the banking sector, after the withdrawal of states.

Besides, the delicate financial standing of states encourages them to sell back quickly their shares to reduce budget deficits. As shown in figure 4 below (relative to the EU), the privatization movement varies however considerably from one country to another depending on the size of public sectors and the importance of potential assets.

Figure 4 Distribution of Privatization Revenues by Country (2010)



These privatizations thus concern in first line public services and to a lesser extent the banking sector and the industry in 2009 and 2010 (privatization barometer, 2009, 2010).

3. Perspectives for the future

Before introducing scenarios of the future role played by public services and public ownership it is convenient to identify key drivers of future transformations through a retrospective examination.

A. Key factors of public intervention through public ownership or public services

The retrospective analysis has shown that public sectors and public services fulfill missions assigned by public authorities. We can hence distinguish two types of missions: general interest missions and public service missions. General interest missions are considered to have an encompassing character: actions are requested by public authorities to attempt to reach objectives that are supposed to serve the general interest. Under this comes all types of intervention including institutions or organizations involved in macroeconomic regulation policies, inflation fighting policies, pro employment policies, or policies in favor of structural transformations (particularly industrial or services policy)... Public service missions refer more specifically to tasks assigned to operators in sectors recognized for their specificities, and particularly for their role in economic, social and territorial cohesion (European Commission, 2004). The public service missions are equally justified to overcome market failures.

The internalization of the general interest or public service missions by operators or delegates can bring about a rather widespread nature. The internalization of public missions by operators is facilitated by the hierarchical link resulting from public ownership (Bance, 1988): public organizations are more directly submitted to the demand of public authorities than private companies. Although we can associate to any form of organization some agency costs and asymmetries of information which allow operators to escape the public tutelage (phenomenon of regulatory capture), the hierarchical relationship gives the authorities a greater capacity to impose missions of general interest to operators, be it contra-cyclic interventions, long term investments or social and territorial cohesion policies. The development of public-private ownership (Bance, 1988) or hybrid forms of organization (Ménard, 2002) has also facilitated this internalization of public missions. But to make them serve the general interest public missions have to be specified correctly and in a relevant manner by public authorities. Operators must also be able to work efficiently. Technocratic derivations or the inefficiency of public administrations have thus discredited them in several countries whereas in other countries it has gained a considerable credit because of a high capacity to internalize efficiently missions of general interest.

General interest missions or public service missions can however be more or less largely defined. Their perimeter includes both current norms in national and regional spaces and exemptions regarding competition. The internalization of general interest missions turns out to be more easily practicable in a monopolistic than in a competitive environment. In a competitive environment, missions can be formalized and distributed among operators with a special care to avoid distorted competition (CEEP-CIRIEC, 2000). It has been the objective of the derogation to the principle of competition admitted by the UE regarding Services of General Economic Interest (SGEI). However, a high exposure to competition reduces considerably organizations' ability to fulfill their public missions: if the latter are very demanding without financial compensation, it leads to a rapid degradation of financial results. And compensations through public financial help or pricing adjustments tend to disturb competition.

These general remarks on public missions and their implementation call to precise their adjustment through time and space. Two factors play a major role: conventions adopted in the national frame and the economical globalization.

The spatiotemporal dimension of national conventions

Public intervention, missions assigned to public services or public ownership have frequently been justified by common factors: sectorial specificities, the need for public powers to exert strict control over certain organizations, national independence, security of supply, the need of developing long-term productive investments, economic, social or territorial cohesiveness missions, short-term regulation, limitation of firms bankruptcies, etc. (CEEP-CIRIEC, 2000)

The mode of public intervention nevertheless results from a social construction based on representations of the general interest which differ from one country to another because they are built up within national or even regional spaces. National collective preferences and traditions are thus different from one region to another.

Public intervention is characterized, depending on the country, by more or less pronounced local or national specificities. In Germany, the *stadtwerke* show a strong attachment to the tradition of municipal socialism for local public ownership (Stoffaës, 1995). In France, the tradition of the intervention of a strong central state, even if softened by decentralization, has stayed very vivacious.

National traditions are more or less based on the conception of the centralized public intervention inspired by Rousseau and Hegel, or to the contrary market-based and symbolized by the Smithian invisible hand (Rangeon, 1986; Bance, 2011). States thus adopt more or less interventionist policies. The adhesion or reject of the public intervention through public ownership depends of the conception adopted as leeway granted in terms of dispensation regarding competition.

The perception of administrative elites and political decision-maker toward the role of public ownership and public services in terms of general interest has a large impact on national or regional representations. They can nevertheless change deeply through time. Thus, in several European countries, post war nationalizations have been followed some decades later by massive and quick denationalizations. Regarding countries from the former Soviet block, the strong discredit that has affected public organizations because of their bureaucratic functioning has led to a similar dynamics. In other countries such as France the collective preference for public ownership in certain sectors, in particular in public services, has, at least temporarily, limited the scope of privatization.

These different elements of our retrospective analysis show that radical changes regarding the attitude of public authorities toward public ownership or public services are not to be excluded. But deep transformations depend on the evolution of the international environment.

The constraints linked to the interaction of national spaces

The transformations of the institutional environment play a major and increasing role in the evolution of national representations regarding the role of public sectors and services. The European construction process, by opening national spaces to the

others, is an excellent illustration. The liberalization of the SEIGs and massive privatizations have been encouraged by the EU to facilitate the permeation of the economies of Member States, impose new rules which prevent competition distortions through the intrusion of national interests of public authorities. The adoption by the European Commission of the doctrine of the “prudent private investor operating in a market economy” and the niggling controls over public operators result from this institutional logic (Bance and Monnier, 2000).

At a larger scale, the international connection and coordination of the different countries or regional spaces have an influence on the modes of public intervention. Here we address a complex game of interdependency which structures the architecture of national and local general interests on a planetary level to unfold into common rules and norms and shared general interest more or less widespread on the international level (Bance, 2011). Rules are adopted in the frame of international institutions (G20, IMF, WTO ...). Their content depends on the capacity of international organizations to adopt and make Member States apply public regulation or competition opening policies. The accordance of national general interests with common rules is however necessary as the international society is based on multilateralism. And the current or future results depend on international negotiations and the will of states or regional spaces to adopt common positions.

The opening to competition regarding public services is thus the result of negotiations with the WTO, in particular in the frame of the General Agreement on Trade in Services (GATS). Public ownership is also concerned in commercial activities or in sectors becoming commercial (education, health). An expansive liberalization encourages in any case the opening of national economies. It leads to forbid capital locking of companies through the existence of a public shareholder, to reject public monopolies and their national public management mode.

A globalized opening to competition raises a major question for the future: the one of the capability¹⁹ of public authorities, *i.e.* their acting capacity to conduct economical, social and environmental regulation missions through “specific organizations” (Bance, 2004).

B. The role of public ownership and public services according to a set of scenarios

Three scenarios are considered (reduced government, regionalization, multipolar) where we will try to specify:

- The role of public ownership and public services,
- The effects expected on management methods of the activities concerned,
- The drivers of the background trends from which they depend.

¹⁹ We refer here to the concept of (Sen, 2005) for who the capability is the effective possibility for an individual to make choices which reflect his liberty when doing a specific type of action.

Reduced government

This scenario is that of the development of the liberalization process on a global scale. As J.P. Cling (AUGUR) defines it, "WTO potentially allows the liberalization of every commercial and non-market service... [and] one can hence anticipate growth in direct foreign investment leading to the signature of a multilateral agreement on investments". In this perspective, public services are directly impacted and a generalized privatization of public organizations could be reached regardless of their object. This would mark the completion of the movement initiated between 1980 and 2000, notably the logic used in the EU since the end of the 1980s and its diffusion at a global level.

For public services, the GATS is turned into a generalized opening of markets, agreed upon by every regional spaces and by most countries on the planet. It aims to be an efficient opening to competition in services. The process of liberalization of public services tends to be generalized across international multilateral opening agreements. However, the liberalization initially takes place in sectors where it is the most easily achievable and supportable, in particular where a technological revolution facilitates structural changes. As opposed to what we have seen in Europe concerning the SGEI, the large public services networks, communications, post offices, electricity, rail transports should be the first in line in the progressive sector by sector opening dynamics (Cahiers français, 2007). Meanwhile, some sectors should encounter more difficulty in this liberalization dynamics, such as local public transport services, or even water services because of local reluctances or of some attachment to local procedures market allocations to known local people. The reluctances of local and regional collectivities are here blocking forces as it has been observed in Europe. For public services such as education and health, the opening to competition could also prove to be longer and more difficult to implement because of cultural and ethical values that they embody. The higher education sector is however less affected due to a stronger international integration in terms of scientific research. This liberalization of public services tends to be promoted by countries that are already prepared for liberalization by implementing it in national and regional contexts. As such, the EU would play an encouraging role for public network services as the European Commission already did in the context of the WTO. This liberalization process would result in promoting development in transnational investments in the services and insure the expansion of international groups, probably of multi-services.

How will public service missions find themselves impacted by this liberalization dynamics? A process of this nature would certainly reduce the range of these missions: in case of opening up to competition, too extended public service missions plus the existence of constraining general interest missions and the possibility that operators would be subject to fluctuating and divergent rules from one space to another, will discourage companies and limit competition. Public authorities hence face the risk that operators do not participate, and all the more so that public ownership is excluded. (cf. infra). Public service missions thus find themselves affected: it encourages a specific formalization, homogenizing these missions and reducing their scope. The declared recommendations by the Business Europe, the European union of businesses (ex-UNICE), follow this direction. The European Commission has also advocated in recent years the adoption of clear and stable formulations in contracts. This would of course considerably reduce the public service missions and ban all other types of general interest missions, in particular of countercyclical nature. However, this does not dismiss all possibilities for the national

public authorities to contractually impose public service missions to ensure in particular accessibility to services for the entire population, looking to make services affordable and guarantee their quality... But the free market based notion of general interest and the constraint set on public intervention push towards laissez faire policies and reduce to minimum the range of public missions. The doctrine of the informed investor in a market economy also tends to become a universal norm forbidding any substantial general interest mission.

The corollary to this is also the generalized privatization of productive activity. Public services are taken on by operators that do not have any capital linkage with the selling public authorities. The objective is to avoid conflicts of interest between operators (particularly incumbent operators) and public authorities, *i.e.* competition distortions. The implementation of independent regulation by the authorities should thus be generalized, particularly in countries which are open to competition: these authorities' missions would mainly consist in overseeing the progressive opening to competition, guaranteeing equal treatment between competitors and the sustainability of an effective competition. This would not prevent the development of numerous litigations between operators and consumers, between operators and regulators. Finally, public ownership would progressively disappear on a global scale beyond a small perimeter of public services. Public companies would lose all vocation to act as economical and social regulators. They would indeed see their own potential disappear while keeping their intrinsic limits: less flexibility regarding strategic alliances, mergers and acquisitions and permanent suspicion of defending national interests which limit their international growth. The process of privatization would henceforth be primarily focused on enterprises with considerable potential growth on an international level. It could then extend to organizations of all kinds, permitting to release the pressure on the budgets of states which the crisis has greatly put into debt.

The realization of this scenario could however run into five types of obstacles which could slow down or even hinder its emergence. The first deals with the capacity to be convincing in the context of international institutions following a multilateral process. The preservation of national general interests encourages the maintaining of national regulatory protections in poorly prepared sectors to the opening of competition and where the attachment to public ownership remains strong. Much depends thus on how the notion of general interest tied to free market is perceived and how it matches with local traditions. The second obstacle is related to the social opposition provoked by the liberalization process. These oppositions can come from employees, from users or from public opinion due to the questioning of the social and economical functions which are carried by public ownership and public services. These challenges depend largely on the population's perception of how well public services and public ownership functioned in the past. The third obstacle is inherent to the end of competition because of a lack of private investors or to the unbearable nature of competition. The emergence of monopolies and private oligopolies could then encourage states to restore regulatory policies and public ownership to restore the general interest. A fourth obstacle could also be the rise of other concrete facts during the privatization-liberalization process: the absence of essential social needs coverage (such as for example failures in electricity supply) due to an insufficient long term investment and the development of speculative logics. Finally, a fifth obstacle could result from the resurgence of a strong need for regulation and public intervention to face the crisis and protect the economy against the pro-cyclical nature

of privatization: defensive nationalization, need for companies to be involved in countercyclical actions...

Regionalisation

This scenario reinforces the role of regional spaces by enlarging the competence of their institutions. It can thus be a relative continuity in terms of noted tendencies over the last decades which aimed to cope with the limits of multilateralism (Siroën, 2005). A more or less marked break-up can nevertheless occur toward previous tendencies. In fact, it could lead to the adoption of protectionist strategies, commercial restriction of variable scope in certain regional zones, and from then on starting dynamics of retreat within regional zones following a series of actions and reactions.

In any case, the reinforcement of the role of regional institutions marks a stronger dependence of member countries to the compromises adopted at a regional level. It also follows the development of international intra-zone regional exchanges. It relies on the intra-space regional affirmation of a communal conception of general interest, the will for Member States to preserve themselves by intra-zonal cooperation against the effects judged undesirable of globalization. It presupposes a capacity to establish institutionalized compromises. The principle of subsidiarity can nevertheless have a rather large consistence depending on the response to the following question: to what extent (on what public action parameter) can the interest of regional space prevail over national interests (aiming at the efficiency of the economic policy)? The European experience shows that the response to this question, which could appear technical and involving economic efficiency criteria, proceeds from politico-institutional compromises which refer back to the attachment to national sovereignty prevailing in each Member State.

For this scenario, there are thus no univocal effects on public ownership and services. The diversity of national and regional models and their capacity to deploy original approaches taking into account their own specificities have to be considered. A relative *status quo* could thus be witnessed. It could thus strongly push toward the implementation of a liberalization process of public services, first by means of diffusion of common standards, then by the privatization of intra-space regional public organizations. On the other hand, it could lead to the adoption of more developed integration norms that depend on public communal structures facilitating regional policies in some regional spaces.

In the first case, regional policy does not have a significant impact on the behaviors of states and their leeway regarding public companies and public services. In other words, the regionalization process leaves large prerogatives to states to conduct national public policies to support public ownership and services. General interest missions and public service can hence continue to operate with large prerogatives. It is the situation which has prevailed during the first thirty years of the construction of Europe. It presupposes that no policies of systematic liberalization are undertaken in the regional space, such as in the second case.

In this second case, illustrated by the "European model" as it has been deployed since the signature of the single Act of 1986, the process of regional integration leads to affirmation, under the encouragement of regional authorities, of a market representation of general interest. The teleological conception which aims at a regional integration through the construction of a market elicits therefore a

progressive extinction of public missions, starting with those that enabled the state to promote general national interests. Public service missions also tend to decline analogically of what was presented in the reduced government scenario, but in this case within regional intra-space. A universal service can nevertheless accompany a process of decline of the missions while the region presses to open up member's markets to competition.

In the third case, the process of regionalization accompanies a progressive transfer of national competency: these transpositions on a regional level enable regional institutions to lead their own interventions, replacing a rather large part of the actions led previously by Member States. The loss of national sovereignty which characterizes this situation reduces its occurring. The case turns out to be so much more difficult to bear that the regional Member States present very different intrinsic characteristics, which encourages the adoption of opportunistic strategies, *i.e.* free rider strategies rather than cooperative strategies. However it can nevertheless be spread on the basis of reinforced sub-regional cooperation. The implementation of the Euro zone is a good example. In this context, one can find potential for the implementation of common regional or sub-regional public policies endorsing public ownership and services. Therefore, it is advisable to be able to define common objectives among member countries to specify public missions with regional or sub-regional vocations, to implement public support structures of these policies. As in the multipolar scenario, the will to produce public assets could elicit the implementation of common public actions. General interest missions with the vocation to serve short-term or structural interventions could also be targeted.

If regional dynamics can be conducted differently from one space to the next, convergence is not out of the question, either through liberalization-privatization, or to the contrary through a reinforcement of regulation. A liberalization policy and the opening of public services to competition within a regional space lead it to seek out a reciprocal negotiated opening with other regional spaces. *A contrario*, protectionist reactions, restrictive measures of strong regional regulation, can have cumulative effects reinforcing missions of general interest at regional levels. Here, public ownership can thus play a significant role.

This last alternative could be the initial stage of a global regulation scenario.

Multipolar

This scenario is that of the rise of a world regulation by the reinforcement of public authorities in a concerted and coordinated manner. It undertakes structural changes, a pronounced shift regarding privatization policies of the last decades. A new international economic order is installed based on the implementation of public policies aiming at correcting economic and social imbalances and implementing sustainable development. A better coordination of economic policies is sought on a supranational level under the auspices of the G20 or other international organizations such as the IMF in order to promote sustainable growth, a more equal division of wealth (North-South, labor-capital...), the development of the production of international public assets, and to supply general interest services. A new conception of general interest at a worldwide scale also tends to prevail, not based on the principle of free market but on an interventionist approach spread throughout the world. This would not only be about responding to exclusion and rivalry issues

regarding public goods by public intervention. The production of global public goods could be the mean to guarantee world citizens fundamental rights, including in first line access to essential goods, as basic needs of the most resourceless people are not satisfied. A restrictive definition of these essential goods is provided by the United Nations Development Program (UNDP): access to water, education and basic healthcare. But this definition could be extended to services of general interest such as banking and housing services. In this perspective, public policies would not only be made of incitation intended for private actors because of their limited capacity to satisfy insolvent demand. These limits result particularly from skimming practices led by market operators and from the capture of general interest missions for private purposes.

The production of global public goods (UNDP; Kaul, 2006), the preservation against environmental and technological risks and the seeking of a sustainable and balanced growth would certainly be the cornerstone of a new paradigm. It would undertake a globalization of general interest, that is to say the development by the international community of a global general interest (Bance, 2011). Ideally, this new form of international regulation could depend on the creation of supra regional organizations that would assume such an undertaking, in the field of research as well as in the production of these global public goods. Thus, in the energy sector (in particular electric production), implementing public transnational enterprises or state-run global general interest missions could aim, in the context of severely constrained public budgets, at reducing the cost of developing new technologies and the negative impact of eventual failures inherent in the uncertainties of scientific research. Public transnational enterprises could for example be in charge of developing research and development to promote equitable commerce, lowering production costs of “clean” energy and fight against the greenhouse effect. In the water sector, the public institutions in charge of fighting against shortage and desertification could be created. The fight against natural disasters could also depend on supranational organizations which would mobilize the resources of large national programs which fight against natural disasters and their effects in terms of pauperization of populations and migratory flux. Public capital and strong missions of general interest or public services could also be an important driving force. In the financial sector, implementing new macro prudential regulations and a new international monetary system could rely on banks and supranational institutions (such as an international administrative rating agency) whose public service missions would be to guarantee the world economic stability. Banks themselves could be assigned by law to public service missions aiming at insuring sustainable economic growth, universal access to financial services and the suppression of speculative logics.

The creation of public transnational enterprises or organizations would generally lead to specify public service or general interest missions differently. They would no longer be defined by national criteria like in the past, or under the influence of a regional space like the EU to serve national or regional interests. They would come under specifications established on the basis of institutional compromise on an international level.

This scenario seems nevertheless to be able to emerge only in the case of a world crisis in which the devastating effects would only be comparable to the Great Depression of the 1930s. Without the advent of a major crisis, its development is very unlikely because the metamorphosis of worldwide regulation faces the limits of multilateralism and the weak capability of current international institutions. Only

strong interregional tensions in an economic downturn, massive unemployment and major ecological crisis context could radically change the situation for this scenario to emerge.

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