**Miklós Somai**[[1]](#footnote-1)

**Changing state interference in the economy – based on the example of France and Slovenia**[[2]](#footnote-2)

This paper presents an overview of how the state interference into economy – through direct and indirect ownership in enterprises – has been changing for the last couple of decades on the example of two, in many ways different, EU member states: France, a big, old capitalist country, also one of the world’s oldest modern democracy; and Slovenia, a small, post-communist country, one of Europe’s youngest democracy. Despite of different historical background and development path, the state has an above average role in both countries’ economies. Even if this role, at a particular moment of development, has been questioned and consequently started decreasing, there are in both countries significant traditions and considerations (a remarkable structural inertia) which maintain and prolong its above average level.

**The case of Slovenia**

*Three waves of privatisation*

The first wave of privatisation started at the end of the 1980s, still under the Yugoslav regime, with laws allowing workers’ councils to sell their companies to private owners and, in general, a gradual transformation of socially owned companies into mixed ones.[[3]](#footnote-3) Two main conceptions had been delineated: a gradual, decentralised and commercial one, reflecting the interests of the old elite, and a mass, centralised and distributive one, reflecting the interests of the new elite. The Privatisation Law of 1992 represented a compromise between the two concepts. The process was gradual in that initial privatisation could be full or partial, decentralised in that self-managed enterprises were given the right to initiate their own transformation into private companies, and distributive in that there was free distribution of shares to citizens. Apart from large, unprofitable companies to be put in the Development Fund and sold after refurbishment, and strategic ones (steel mills, utilities) to be maintained in State ownership, companies were to be sold through the following scheme: 10% of the shares went to the Pension Fund (KAD), another 10% to the Restitution Fund (SOD), a further 20% to the Development Fund, 20% were sold to the employees (in exchange for their vouchers) and the residual 40% was left to the companies to decide on. In profitable small and medium-sized labour intensive firms (i.e. in more than 60% of the cases), workers and managers obtained majority ownership. The second most popular method for privatisation (>10% of the cases) was applied in profitable large firms – in fact too large for insiders to acquire a majority stake – where managers tried to maintain their influence by combining internal distribution of shares with public auction, thus opting for dispersed shareholder structure rather than strategic and/or institutional owners.[[4]](#footnote-4)

This first wave of mass privatisation, characterised by limited involvement of foreign and/or strategic investors, was followed by a less transparent consolidation of ownership where domestic companies, managers and funds (state, semi-state[[5]](#footnote-5) and private ones) became the key players.[[6]](#footnote-6) However, this first wave of privatisation still was an organic one, as the managers who, in the communist era had played an important role in the preparation of the transition process, remained heavily involved in the life of corporations.

The second wave of privatisation was pushed through by the new centre-right government which came back to power after 12 years in opposition. They put their loyal men into companies’ managerial and supervisory boards and used the State-owned banks[[7]](#footnote-7) to finance management buy-outs (MBOs), hence exposing both banks and companies to extreme risks and overheating the economy, especially in cyclically sensitive sectors like construction, real estate and financial mediation.[[8]](#footnote-8)

In fact, apart from a handful of widely publicized success stories, the second wave of privatisation – aimed, in principle, to consolidate ownership interests and increase the share of strategic investors – did not meet its main objectives. Although between 2004 and 2007, the number of companies owned by the state through KAD and SOD declined from 492 to 198,[[9]](#footnote-9) in reality the risk of potential political interference in the economy did not diminish. By 2007, the two funds, which had initially been designed to become portfolio investors, managed to concentrate, by way of exchange of shares, their control over the Slovenian blue chips; they acquired at least blocking minority (25%+1 voting share) in 10 out of the 28 most important companies listed in Ljubljana Stock Exchange.[[10]](#footnote-10) As a conclusion, given the predominance of internal owners and state-controlled funds in the process, just as the first also the second wave of privatisation failed to attract enough strategic or foreign investors, a scenario which could have led to some restructuring in the inevitably under-capitalised Slovenian companies.[[11]](#footnote-11)

The coincidence of the effects of the above described privatisation and some other factors, like the W-shaped growth-path of the country’s main export markets, made the crisis in Slovenia one of the deepest and the most long-lasting in both the region and the Eurozone. As a natural consequence of the crisis, Slovenia’s macroeconomic indicators quickly deteriorated which pushed the country under excessive deficit procedure as early as of December 2009. In 2013, also its macroeconomic imbalance was considered to be excessive. Since mid-2012, there had been an increased pressure on Slovenia’s government from both institutions (Commission, ECB[[12]](#footnote-12), IMF, OECD) and financial markets to introduce structural reforms and go on with privatisation. Finally in early May 2013 when, under the threat of being the next country to be bailed out, the Slovenian government tabled their National Reform Program and Stability Program to the Commission, both documents containing measures about taking the necessary steps to strengthen the financial sector and going on with privatisation. A decision about the sale of 15 State-owned entities (SOEs), of which NKBM, the second largest bank and the national telecom company, was pushed in a hurry through both government and parliament. In exchange for all these concessions, Slovenia obtained a two-year extension of deadline (i.e. until the end of 2015) to bring its general deficit under 3% of GDP and back the fiscal consolidation with comprehensive structural reforms.[[13]](#footnote-13)

The third wave of privatisation began with the nationalisation of the biggest Slovenian banks. In December 2013, the government decided on extraordinary measures for 5 domestic banks (of which the three biggest: NLB, NKBM and Abanka), their recapitalisation amounting to EUR 3.2 billion, and the transfer of the majority of their NPLs to a bad bank (BAMC).[[14]](#footnote-14) Also, commitments were made to the European Commission that banks recipients of state aid were to be privatised.[[15]](#footnote-15) The coalition partners came to an agreement on the guiding principles of the Slovenian Sovereign Holding (SSH) which, by the related act (ZSDH-1[[16]](#footnote-16)) entering into force in April 2014, opened the way for both concentrated management of state-owned assets and their regulated, gradual privatisation. As for the privatisation of the 15 SOEs, it has gradually been set on its foot. As of mid-August 2016, two-third of the companies to be sold – of which Adria Airways, Aerodrom Ljubljana or Elan – have been ticked off in the list of Slovenia Sovereign Holding’s website. None of them was sold to domestic buyers.[[17]](#footnote-17)

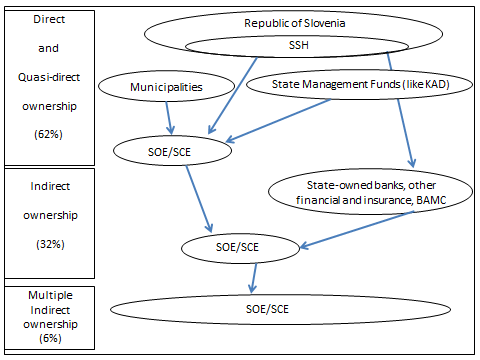
*Size and structure of and strategy for the public sector*

It is not easy to evaluate the role of the state in the economy, as this role is in constant motion. What is pretty certain is that, due to compulsory settlements and bankruptcies during the crisis which forced banks to swap loans for equity, the share of equity capital of SOEs vis-à-vis Slovenia’s total corporate sector capital increased from 16.4% in 2008 to 23.2% in 2012 and to 30.0% with SCEs included – shares that were bound to rise even further after the already mentioned bailout of banks in 2013/2014. This ranks Slovenia among the OECD countries with the highest state involvement in economy.[[18]](#footnote-18)

**Figure 1**

**State ownership network in Slovenia**

(%, in terms of book value of assets)



Source: Commission (2015), pp. 23-24

At the end of 2014, 642 SOEs/SCEs,[[19]](#footnote-19) representing about 1% of the total number of companies in Slovenia, were linked to the state via a complex cross-ownership structure (Figure 1). Excluding banks, financial services, insurance companies, the ones in insolvency or newly established in 2014, the remaining 561 NFCs[[20]](#footnote-20) accounted for 24.8% of net sales, 34.2% of assets, 41.8% of equity and 18.8% of employees. Based on sectoral value added, state involvement was particularly strong (i.e. above 50%) in transport, energy, public utilities, postal services and ICT, tourism, chemical and pharma, also in some manufacturing and repair. Also, the state appeared as the largest corporate debt holder, through its ownership in the financial sector, and manager of 88% of pension assets and 60% of all insurance liabilities.[[21]](#footnote-21)

As a final step of the process forcing Slovenia, weakened by the crisis, to harmonise with OECD standards about state involvement in the economy, the adoption of State Assets Management Strategy (Strategy) in July 2015 provided a legal and institutional framework for the withdrawal of the state from company ownership. It also filled a gap: although ZSDH-1 had created categories (strategic, significant or portfolio) for the classification of state assets, it had omitted to assign companies to the categories, and define performance-related expectations (like return on equity or assets, EBITDA margin, NPL or combined ratio) to individual companies.[[22]](#footnote-22) The Strategy considered 24 companies to be strategic (i.e. with majority state ownership to be maintained) as they were running important infrastructure or natural monopolies, 21 companies to be significant (i.e. with controlling state ownership to be maintained) as they were relevant for Slovenia’s broader economic development, or playing important role in integration of companies into supply chains and the internalisation of the economy, and 46 companies to be portfolio assets (i.e. serving only economic objectives).[[23]](#footnote-23)

As for the above mentioned “withdrawal of the state from company ownership”, it materializes in 3 main ways: SSH and BAMC selling their assets, and by the sale of equity stakes in indirectly state-owned entities, especially in indebted companies under bankruptcy proceedings in order to satisfy creditor claims.[[24]](#footnote-24)

**The case of France**

France was known to be a quite centralised state as early as in the 15th century. The centralisation of the economic resources became even more acute during the *Great Century* (1589-1715, i.e. from Henri IV to Louis XIV) with the rise of absolutism and Colbertism.[[25]](#footnote-25) Since then the French people have kept the tradition of favouring big government and put great pride in their public sector. It is typical that although people of the French revolution were desperate and upset about unbearably high taxes (especially on peasants), it was not the state but the aristocracy and the clergy they blamed for the economic problems of the country.[[26]](#footnote-26)

*Three waves of nationalisation*

During the 20th century, direct economic intervention of the state became stronger in years following great economic and/or social shocks. Already the period after WW1 saw the creation of mixed public-private companies for the implementation of hydro-energy projects, or that of ‘commercial and industrial public establishments’ for running autonomous ports like those in Le Havre, Strasbourg or Bordeaux. But the first big wave of nationalisation of the 20th century was linked to the advent to power of the Popular Front (1936-1938).

There were three main reasons for the nationalisations. First, as several companies had, during the crisis, asked for and received public aid and/or loan they were unable to service later, the government swapped these debts for equity in their borrowers which led to the establishment of such mixed companies as Air France or SNCF. Second, the international tension of the 1930s urged the Popular Front both to nationalise the existing companies of the arms industry and to create new ones (e.g. three airplane factories). Third, the lessons learnt from the crisis prompted the administration to play a more active role in the regulation of the national economy[[27]](#footnote-27) (see the creation of a national Grain Board or the democratisation of the Bank of France[[28]](#footnote-28)).

Following WW2’s massive destruction, a further increase in the role of the state in the economy became inevitable. As for the origin and justification of the process, two sets of reasons could be distinguished: a political and an economic. The former was linked to the need for punishment of those who collaborated with the Nazis – a claim laid down in the Resistance’s 1943 program[[29]](#footnote-29) – and resulted in the nationalisation of Renault, Havas or Gnome et Rhône. The latter was linked to the immense task of reconstruction: the country had to be put back on its feet, rebuilt and modernized, especially as for its network infrastructure (like rail, road, energy or pipelines). The takeover of big banks and insurance companies by the state was also justified by the urgent need to channel saving towards the huge investments undertaken by the nationalised companies.[[30]](#footnote-30) Following the nationalisations, the number of employees in public sector companies rose to just over 1.1 million, which at that time represented 9.9% of the wage earners. While the number of public employees stabilized at circa 1.0-1.1 million up until 1980, their share in the total workforce decreased to a mere 6.0%.[[31]](#footnote-31)

The third wave of nationalisation took place in a period of prolonged economic downturn (stagflation and mass unemployment), originating from oil price shocks and significant changes in the relationship of developed and developing countries. As for the magnitude of the crisis in France, it is to be noted that between 1978 and 1985, circa one third of the industrial jobs disappeared.[[32]](#footnote-32) Once again, there were both ideological and economic reasons behind nationalisations. The former appeared in the option for taking over 100% percent of all firms nationalized, against 51% recommended by both Rocard and Delors, and in the intention of both depriving the country’s great dynasties (the remnants of the 200 families) from the base of their economic power, and kicking certain foreign multinational interests out of France.[[33]](#footnote-33) As for the economic reasons, the difficult (in some cases almost desperate) situation of all five big industrial groups to be nationalised – CGE (electronic, nuclear, telecom, arms’ industry, railways technology), Péchiney-Ugine-Kuhlmann (aluminium, electrometallurgy, chemical industry), Thomson-Brandt (household goods manufacturing, ICT), Rhône-Poulenc (chemical and pharmaceutical industry), Saint-Gobain (construction and other base materials) – asked for state intervention.[[34]](#footnote-34)

The Nationalisation Act of 11 February 1982 transferred to the State 100% of the shares of the five above-mentioned major industrial groups, thirty-nine registered banks and two financial companies (Suez and Paribas). In the case of three other major banks (BNP, Crédit Lyonnais, Société Générale) indirect state ownerships were converted into direct ones.[[35]](#footnote-35) Moreover, the State acquired, through debt to equity swap, at least controlling stake in the two giants in crisis of the steel industry (Usinor and Sacilor), as well as in some other companies of high-tech industries – namely Matra (transport equipment, telecom, defence), Dassault Bréguet (aviation, aerospace, defence), Roussel-Uclaf (pharmaceutical), CII-Honeywell-Bull (ICT, nuclear, defence) and ITT France.[[36]](#footnote-36) As a result of this third wave of nationalisation, the number of public companies rose to 3000, representing 23% of GDP, while the number of employees in public sector companies rose to 2.3 million, representing more than 10% of total wage earners.[[37]](#footnote-37)

The costs related to the 1982 nationalisation program on the one hand, those incurred in rescuing companies in difficulty on the other, and a Keynesian-type demand-stimulation policy – promised by the Socialists before the 1981 elections, but in total asynchrony with the winds of neoliberalism, deregulation and fiscal austerity blowing in France’s main partners – led, in less than two years, to serious deterioration of macroeconomic balances, and forced the government to make a 180 degree turn in their policy:

* nationalisations were halted;
* the companies in difficulty, instead of being rescued, were dealt with by the Commercial Court;
* and demand-creating economic policy gave way to austerity, based on new priorities like low inflation, low deficit and adjustment of external balances.

This split in the economic policy – confirmed with the bankruptcy and dismantling of Creusot-Loire, a giant engineering conglomerate with 14 thousand qualified workers, the first to be let down by any wing of French government since WW2 – deeply undermined the idea that there might be a socialist-type management of industrial crisis, a left-wing social policy, or even such thing as a left-wing economic policy at all.[[38]](#footnote-38)

*Times of (Re)privatization*

Three years after the above mentioned split, the French right set out to implement an ambitious privatization program. Ambitious in two ways: first, in its scale, as legal texts, involving 66 companies with a workforce of about 900 thousand and worth of a quarter of the capitalization of Paris Bourse, covered not only firms taken over by the former Socialist government but also some others, nationalised after WW2 with broad national agreement; second, in its desire to create an economic system based on completely new foundation (i.e. promoting the participation of millions of small shareholders, an idea once so dear to De Gaulle).[[39]](#footnote-39)

But the above ambitions only partly realised. The process of privatization lasted in time and proved to be significant in terms of size only in the long run (Table 1). On the other hand, the basis of the popular capitalism could not be created, and for several reasons. First, the banks were not interested in the propagation of this sort of direct shareholding, as they would rather satisfy such needs of the small investors through SICAVs (i.e. variable capital investment companies, similar to open-ended mutual funds in the US), a saving form which was much cheaper and simpler than shareholding for both banks and individuals. To become owner in the privatised firms was only attractive temporarily, as shares could be bought at a discount of 5 to 30% relative to the market price, which guaranteed a comfortable profit if they were resold quickly enough. Second, and this revealed the ‘true face’ of privatization, nothing was done to give small shareholders any real representation on the board. Despite systematic oversubscription, small shareholders were unable to exert any real influence on privatised firms. And the reason behind this can be found in the process of privatization itself.

Market forces did play a role neither as actors nor as regulators in the privatised groups. Also, the number of small shareholders did not rise significantly. The government (through the Minister of Finance) could not only freely decide on the shareholder structure of the firms to be privatized, but even to appoint their boards. Out of the shares, generally, 10% were reserved to the employees, 15% to foreigners, 50% to the public at large, and 25% to the ‘stable nucleus’ consisting of around 10 larger shareholders, the so-called institutional investors who individually would acquire between 0.5% and 5% of the capital.[[40]](#footnote-40) Although to prevent accusations of corruption, the Minister of Finance tried different combinations of the available large investors when preparing ‘stable nucleuses’, the top managers and members of boards in the privatised firms were appointed almost exclusively from people belonging to French right-wing politicians and their friends’ and relatives’ circles, people of the French establishment, graduated from ENA or Polytechnique, the most prestigious and elitist high schools, so knowing each other from college and having proved their skills in French state bodies (administrative or technical ‘*grands corps’*). As the French big companies bought themselves, even if in relatively broad circles, into each other’s capital, a complex network of cross ownership has been established which, by its mere existence, rules out any hostile takeover. This tradition (of common educational roots and cross-ownership) is allowing effective coordination and high level protection of business and political interests.[[41]](#footnote-41)

**Table 1**

**Prolonged French privatization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| who | when | what | how | people |
| Right-wing government | 1986-1988 | 1200 companies – bank/insurance (e.g. SG, Paribas, Suez, CCF), industry (e.g. Saint-Gobain, CGE, Matra) other (Havas, TF1)  Usinor-Sacilor, Charbonnages de France | privatization  reorganisation | 350,000  110,000 |
| Left-wing | 1988-  1993 | Elf Aquitaine, Rhône-Poulenc, Crédit local de France  Renault, PTT (split into La Poste and France Télécom) | decrease of state share;  change of status |  |
| Right- wing | 1993-  1997 | in 1993: 180 firms (BNP, Rhône-Poulenc)  in 1994: 356 firms (Elf Aquitaine, UAP)  in1995: 180 (Seita, Usinor/Sacilor, Péchiney) | privatization  privatization  privatization | 88,000  72,000  77,000 |
| Left-wing | 1997-  2002 | Thomson Multimedia, CNP Assurances, Air France, France Télécom  CIC, GAN, Crédit Lyonnais, Banque Hervet | opening to public  privatization |  |
| Right- wing | 2002-  2006 | France Télécom, Air France, Motorways  EDF, GDF | priv; change of status/priv. |  |

Sources: Chabanas-Vergeau (1996), p. 3; Vie Publique 2013 <http://www.vie-publique.fr/decouverte-institutions/institutions/approfondissements/evolution-du-perimetre-du-secteur-public-entreprises.html>

As a result of the privatization process, implemented in several stages all the way to the global crisis, the weight of SOEs in the economy has decreased by several orders of magnitude. Since 1985, their share has shrunk to one third in fixed capital, one fourth in employment and one fifth in GVA (Figure 2). According to RECME – a register of SOEs run by INSEE – at the end of 2014, in France there were 1,632 companies under state control employing 795 thousand people, of which 85% in transport, energy and sciences. Revenues from privatisations filled the state treasury up with €82 billion in the period of 1986-2005.

**Figure 2**

**Changing role of the State in French economy**



Source: INSEE – <http://www.insee.fr/fr/themes/document.asp?reg_id=0&ref_id=T15F154>

*Era of asset management*

In France, the 2008 global financial crisis cannot be considered as landmark for the role of the state in the economy.[[42]](#footnote-42) There was neither break, nor change in the prevailing paradigm. The privatisation process has already slowed down way before the crisis, and in the life of the biggest SOEs 2004, the year of the establishment of APE, the Government Shareholdings Agency, was more important than 2008.

The APE, created in September 2004 by decree under the French Treasury but nowadays belonging to both ministry of Finance and Economy, invest as advised long term investor in equity capital of companies of strategic importance (i.e. enjoying natural or economic monopoly, or operating in the field of security, defence or nuclear) in order to boost their capital structure and development. Revenues generated by APE should be reinvested in wealth management or used to reduce state debt. For APE four main objectives are identified: to maintain a sufficient level of control in strategic companies; to preserve strong operators able to meet France’s basic needs; to help consolidating and developing businesses in sectors driving economic growth; to proceed to ad-hoc bailing-out of companies whose failure could lead to systemic risks.[[43]](#footnote-43)

APE, this agency numbering a bit more than 50 staff, manages a portfolio worth €110bn (including €83.1bn for listed companies alone). The 77 businesses belonging to its portfolio generated annual revenue of €143bn and gave jobs to almost 1.8 million people in 2014. In that year, APE paid dividends worth €4.1bn into the general budget. APE’s portfolio, which contains both direct and indirect shareholdings, is extremely diverse both in terms of the sectors covered (but with prominence of aerospace/defence, energy, transport, banking, and audio-visual) and the government’s stake in the individual companies (Figure 3).

**Figure 3**

**Government’s main shareholdings**



Circles: listed companies, each circle being proportionate to the market value of the State’s stake. Squares: unlisted companies, each square being proportionate to State’s equity. Colours: orange = energy, red = industry, blue = services & finance, green = transport.

(1) The stakes in Airbus (11%) and PSA (14%) are held via Sogepa. (2) The 27% stake in Thales is held via TSA. Sogepa and TSA are 100% State-owned holding companies. (3) Main companies fully owned by the State with revenue between €150m and €3bn: La Monnaie de Paris, Imprimerie Nationale, LFB, France Medias Monde, France Télévisions, Radio France. Source: APE (2015), p. 30

It has to be added that the innumerable reports and studies, preceding the establishment of APE, all suggested that the State should create an efficient and transparent framework for the companies of its portfolio enabling them to develop properly. Most of the proposals – e.g. separation of shareholding from other State functions, contractualisation of public services and their transformation into concessions, separation of commercial activities (from those under public service obligation) and opening up of SOEs’ capital to private investors – were taken into account and put in practice by the government.[[44]](#footnote-44) There are, however, signs, especially since the adoption of a special law in 2014, showing that the (socialist) government (in power since 2012) is trying to maintain and even enhance its influence on some publicly-owned companies. The so-called ‘Law Aiming at Recapturing the Real Economy’ makes it harder (by slowing down and rendering the process more expensive) to shut down factories and lay off workers in companies employing over 1000 people in France.[[45]](#footnote-45)

*Final remarks*

In Slovenia, the first wave of privatisation still bore the imprint of the socio-economic heritage of the preceding communist regime, the old elite having taken prominent part in it. This ensured a degree of continuity and resulted in balanced macroeconomic development. Things began to go wrong when, during the second wave of privatization, the new elite tried to “complete” their political power with economic one, by acquiring leading positions and even ownership in State-owned enterprises, on the basis of high-risk credits lent by State-owned banks (also peopled with loyal party supporters). This “conquest” came in the worst moment and played a crucial role in Slovenian economy having, since the outbreak of the global crisis, to suffer the deepest slump in the Eurozone. Prolonged, W-shaped recession coupled with political instability strengthened the pressure from both speculative financial markets and international (of which European) institutions to get the Slovenian government to bail-out the largest State-owned banks and to undertake the third wave of privatisation.

In France, the state’s involvement in business has long legacy enrooted in the French most specific conception of public service, the excellence of which consists of a permanent search for collective, nation-wide benefits, like for example social, economic and territorial cohesion. In the course of the 20th century, three waves of nationalisations were carried out, partly for ideological reasons (of which the French industrial voluntarism), partly for the lack of private capital (like in the immediate aftermath of both the Great Depression and WW2). The third wave of nationalisations came, however, up against the reality of worldwide proliferation of the new neoliberal paradigm, which not only caused a radical shift in the political left’s vision of French state capitalism, but also triggered a prolonged process of reprivatisation. This process has, since the outbreak of the global crisis, been, if not completely reversed, at least slowed significantly down. As a result, the state interference into the economy continues to be a dominant feature of the French policy.

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1. Miklos Somai, Centre for Economic and Regional Studies of the Hungarian Academy of Sciences (IE CERSHAS). [↑](#footnote-ref-1)
2. Paper was prepared under the common Polish-Hungarian Project „Development pattern of CEE countries after 2007-2009 crisis, on the example of Poland and Hungary” in the framework of an academic cooperation contract between the Polish Academy of Sciences and the Hungarian Academy of Sciences in 2014-2016. The Polish language version of this paper has been delivered to the editors of Studia Ekonomiczne for publication. [↑](#footnote-ref-2)
3. Preskovič-Sachs (1994), p. 210 [↑](#footnote-ref-3)
4. Simoneti et al. (1998), p. 95; Mencinger (2007), pp. 7-11 [↑](#footnote-ref-4)
5. In case of KAD and SOD the nick-name of being “semi-state” funds “*relates to the fact that the proceeds from the sale of assets were not going to the state but they were dedicated to cover the claims of former owners of national assets (SOD) and to co-finance the obligatory pay-as-you-go pension system on annual basis (KAD).”* (Simoneti 2016) [↑](#footnote-ref-5)
6. Böhm et al. (2001), pp. 31-32 [↑](#footnote-ref-6)
7. By the time the country became an EU member, the Slovenian banks had already experienced several waves of the privatisation/nationalisation roller coaster. At the beginning of the transformation period, the meanwhile privatized banks remained with 30% to 40% of non-performing loans (NPLs) due to the loss of market of their clients in disintegrated Yugoslavia and had to be rehabilitated at mid-1990s. New, 100% State owned banks – like Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM) – were established, and bad assets swapped for government bonds of a value of around EUR 1 billion. As a result, in 1997, direct and indirect control of the State over the Slovenian financial sector stood at least at 50%. (World Bank, 1999, pp. 62-64) Later on, but still before the second wave of privatisation, there were rather unsuccessful attempts to privatise the two largest state owned banks. While the sale of NKBM was unsuccessful, that of NLB resulted in a temporary success; in 2002 the Belgian KBC, with a view of using it as a springboard to enter the ex-Yugoslav markets, acquired 34% of the shares of NLB, but, disappointed, divested itself of all holdings by 2012. (The WSJ 2012) [↑](#footnote-ref-7)
8. Banks got used to obtain cheap and easy credit from the financial markets, especially after Slovenia’s entering the ERM2 exchange rate mechanism in June 2004. In the period of 2004-2008, Slovenian banks’ exposure to foreign banks increased by almost four times, from EUR 4.25 billion to EUR 16.1 billion. In parallel, loans to corporates grew twice as fast as non-banking sector deposits did, at a rate of around 20% versus 10% a year, which raised the loan to deposit (LTD) ratio for banks from less than 100% (in 2004) to more than 160% (cp. 122% for EMU banks) by the onset of the financial crisis. The fast growing indebtedness based on foreign borrowing increased vulnerability of the Slovenian economy to financial shocks abroad. (Bank of Slovenia 2015, pp.14-15) [↑](#footnote-ref-8)
9. Slovenian government (2008), p. 13 [↑](#footnote-ref-9)
10. For example Gorenje (white goods), Krka (pharmaceutical), Petrol, Mercator (the leading food retailer), Luka Koper (the only port), Aerodrom Ljubjana (the main airport), Delo (the leading newspaper) etc. (Mencinger 2007, p. 27) [↑](#footnote-ref-10)
11. Georgieva – Riquelme (2013), p. 7 [↑](#footnote-ref-11)
12. European Central Bank [↑](#footnote-ref-12)
13. Council of the EU (2013), pp. 12-13 [↑](#footnote-ref-13)
14. Bank of Slovenia (2014), p. 35, Table 6.4 – By the end of 2014, BAMC received assets of about €5 billion (net value €1.7 bn) from 4 state-owned banks (NLB, NKBM, Abanka and Banka Celje, the latter having been merged since then) and two smaller domestic banks (Probanka and Factor Banka) under liquidation. As about two third of the exposures are in default, the BAMC’s objective with these loans is to acquire the collateral. (Commission 2015, p. 21) [↑](#footnote-ref-14)
15. NKBM has already been sold to US equity fund Apollo Management (80%) and EBRD (20%) for a price of EUR 250 million in April 2016. (The Slovenia Times 2016) [↑](#footnote-ref-15)
16. By ZSDH-1, SSH is the main manager (but not the owner) of all assets owned directly and indirectly by the state, which it manages on behalf and for the account of the Republic of Slovenia. Other state funds (with the assets managed by them) are expected to gradually merge into SSH. The only exception is KAD which remained an independent entity within the holding. (ZSDH-1 2014, p.24) [↑](#footnote-ref-16)
17. The largest planned privatisation, that of Telekom Slovenije, has, at least temporarily, failed after Cinven, the only bidder, withdrew from the purchase of the company. Reasons behind its decision were: investment unfriendly regulatory environment in Slovenia, changes in EU legislation over roaming, tightened conditions on financial markets, but first of all highly uncertain business environment, complex political environment and general public aversion against the sale process in the country. (SSH 2015) [↑](#footnote-ref-17)
18. Government of Slovenia (2015), p. 17 [↑](#footnote-ref-18)
19. State owned (with 50%+1 voting shares) or controlled (25%+1) entities. [↑](#footnote-ref-19)
20. Non-financial corporations [↑](#footnote-ref-20)
21. Commission (2015), pp. 24-25 [↑](#footnote-ref-21)
22. Government of Slovenia (2015), p. 51 [↑](#footnote-ref-22)
23. In the Strategy, there is an additional ban on ownership concentration for five companies (of which NLB, Petrol and Krka) prohibiting private owners to acquire a stake in excess of that of the state in the company. (IMAD 2016, p. 49) [↑](#footnote-ref-23)
24. Apart of the list of 15 SOEs, SSH, by end October 2015, managed equity stakes in 130 companies, and has got a plan to sell 33 of them (mostly those considered to be portfolio assets) in the sole year of 2016. As for BAMC, an amendment (still in 2015) of another act concerning banks obliges it to sell at least 10% of its assets by value each year. (IMAD 2016, pp. 49-50) [↑](#footnote-ref-24)
25. The royal manufactures developed in France by Colbert can be seen as the first state-owned enterprises. (Chevallier 1979, p. 16) [↑](#footnote-ref-25)
26. “*A combination of that sentiment and the longstanding respect amongst the French people toward public servants allowed for a continuation of heavy state intervention in the economy*.” (Meisel 2014, p. 82) [↑](#footnote-ref-26)
27. Chevallier (1979), p. 19 [↑](#footnote-ref-27)
28. Following the democratisation each shareholder had the right to attend to the general assembly of the Bank of France, and each had only one vote irrespective of the number of shares he/she held. (Banque de France, online) Before the reform, the 200 biggest shareholders (nick-named *the 200 families*) governed in fact both BdF and the country. (Brugvin 2009) [↑](#footnote-ref-28)
29. In the program’s own words „The big and monopolised assets of the economy – i.e. energy sources, treasures of the underground, as well as the large banks, insurances companies – were to return to the Nation”. (Andrieu et al., 2014) [↑](#footnote-ref-29)
30. Chabanas-Vergeau, 1996, p. 1 [↑](#footnote-ref-30)
31. Ibid, pp. 1-3 [↑](#footnote-ref-31)
32. Cohen 2007, p. 20 [↑](#footnote-ref-32)
33. E.g. those of ITT, having allegedly taken part in CIA-backed *coup d’état* against the Allende government in Chile on 11 September 1973. (Cohen 1993, p- 793) [↑](#footnote-ref-33)
34. Cohen (1993), p. 794 [↑](#footnote-ref-34)
35. Légifrance (online/a), Article 12 [↑](#footnote-ref-35)
36. Vessilier 1983, pp. 466-467 [↑](#footnote-ref-36)
37. INSEE 2016a; Bizaguet (1983), p. 460 [↑](#footnote-ref-37)
38. Cohen (1993), pp. 797-798 [↑](#footnote-ref-38)
39. Bauer (1988), pp. 49-50 [↑](#footnote-ref-39)
40. Ibid. p. 53 [↑](#footnote-ref-40)
41. Harbula (2007), p. 5 [↑](#footnote-ref-41)
42. It is not a matter of chance that the amount of state aid provided to financial institutions in EUs biggest economies (i.e. D, GB, F, I, E, NL) in the context of financial and economic crisis between 2008 and 2014 was, as a share of GDP, the lowest in France. (DG-Competition, online) The already mentioned common ‘cultural’ (i.e. elite network) roots of the bank managers prevented them from exposing their institutions to overly risky transactions, or at least from that such transactions gain too much importance relative their size. (Howarth 2013) [↑](#footnote-ref-42)
43. APE (online) [↑](#footnote-ref-43)
44. E.g. by 2013, two thirds of the companies in the State’s portfolio were already transformed to public limited companies. (APE 2015, p. 28) [↑](#footnote-ref-44)
45. Légifrance (online/b) [↑](#footnote-ref-45)