From Public to Private?
An Examination of the Danish Privatization Policy from 1988 to 2015

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Abstract

The primary purpose of this study is to examine why and how the Danish privatization policy has developed from 1988 to 2015. As an academic field, privatization of state-owned enterprises (SOEs) has been neglected in recent years, but with the massive public debate surrounding the private placement of DONG Energy shares in 2014 the question of public ownership once again surfaced. Through qualitative case studies of the privatizations of CPH Airport, Tele Danmark and DONG Energy, the thesis analyzes the development of privatization policy through the scope of Historical Institutionalism (HI) using a critical realist mode of reasoning. The analysis entails a classical HI-approach to studying institutional change through exogenous shocks and path dependence as well as through endogenous developments explained through gradual changes.

It was concluded that European movements and increasing EC/EU pressures favoring privatization of SOEs constituted an exogenous shock for the Danish privatization policy in the late 1980s. The findings suggest that the Danish privatization policy was then ‘locked-in’ and path dependent without any further exogenous taking place for the remainder of the period. Thus, the thesis rejects the financial crisis of 2008 as a critical juncture for the privatization policy. The thesis, however, shows that endogenous gradual change of the privatization policy also occurred. The institutional environment provided the conditions for layering of the policy to take place, which dominant change agents promoted. In turn, old policies protecting SOEs were seen as inefficient, and a shared consensus on privatizing and promoting active state ownership was established gradually. Further, the privatization policy became more pragmatic through gradual changes influenced by political change agents independent of political and ideological affiliations.

In sum, the analysis shows why sudden change of the Danish privatization policy occurred and how it developed from 1988 to 2015. Theoretically, the thesis contributes to contemporary institutionalist debates by supporting how a classical HI-approach can be combined with frameworks for understanding institutional change through gradual changes. Finally, the findings of the thesis suggest future research should be conducted in order to assess implications of privatization for the Danish political economy.
List of abbreviations

CME: Coordinated Market Economy

CPH: Copenhagen

DONG: Dansk Olie og Naturgas (Danish Oil and Gas)

EC: European Economic Community

EU: European Union

HI: Historical Institutionalism

IT: Institutionalist Theory

IPO: Initial Public Offering

LME: Liberal Market Economy

MP: Member of Parliament

NI: New Institutionalism

NPM: New Public Management

NTC: Nordic Telephone Company

OECD: Organisation for Economic Co-operation and Development

P&T: Post and Telegraph Services

RI: Rational Choice Institutionalism

SI: Sociological Institutionalism

SOE: State Owned Enterprise

VoC: Varieties of Capitalism
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1. Introduction

January 30, 2014 marks the culmination of some very dramatic days in Danish politics. Under much media attention, the Socialist People’s Party announced that they would leave the incumbent center-left coalition government. The decision was made only hours before the Danish Parliament was to vote on whether or not to postpone the private placement of 26% of the shares of the major state-owned enterprise (SOE), DONG Energy (Lund & Jørgensen, 2014). In the days up to, protesters had gathered in front of Parliament and nearly 200,000 Danes had signed a petition urging politicians not to go through with the DKK 11 billion deal with the American investment bank, Goldman Sachs, and the two Danish pension funds, PFA and ATP (Berlingske Research, 2014). Despite the political turmoil, nearly all political parties of the Danish Parliament agreed to carry out the deal and complete the partial privatization of DONG Energy. In the end, the Socialist People’s Party was among the large majority to sign the agreement.

According to the OECD (2009), privatization of SOEs boomed during the 1990s and 2000s, and in Europe assets worth billions of dollars each year go from being state owned to be privately owned. This naturally has implications for the political economy which is also the focus in much of the literature on privatization by scholars such as Parker (1998), Hodge (2000), Parker and Saal (2003) and Roland (2008). In the short term, selling public assets releases significant funds for parliament to spend elsewhere (Parker, 1998). In the long term, former SOEs that manage for instance important infrastructure and natural resources are run as private companies on a commercial basis with investors seeking a profitable investment (Hodge, 2000). Despite these apparent implications of privatizations of SOEs, the academic interest for SOEs has declined in recent years (Christensen, 2015).

This thesis will turn its attention to the field of privatization of SOEs and specifically the Danish privatization policy. The general tendency among OECD-countries to privatize SOEs also applies to Denmark. In fact, since 1988 Denmark has carried out at least 35 major privatizations of SOEs where ownership has either fully or partly shifted to private hands (Christoffersen & Paldam, 2006; Finansministeriet, 2010; Finansministeriet, 2015). The DONG Energy example illustrates that privatization is still high politics as far as politicians, the media and the general public are concerned. In Denmark, privatization has officially been on the agenda at least since 1988 when
the Prime Minister’s Office released the report *Action Plan for Debureaucratization* which provided some of the first indications of the plans to commercialize a number of Danish SOEs (Statsministeriet, 1988), and for this reason, the thesis will focus on the period between 1988 and 2015.

The objective of the thesis is to examine the Danish privatization policy by providing a qualitative case study. Theoretically, the thesis will rely on Historical Institutionalism (HI), and put institutions at the forefront of the analysis by relying on tracing past events and making historical observations in order to make sense of a phenomenon – being the development of Danish privatization policy – in social sciences (Steinmo, 2008; Pierson & Skocpol, 2001). Applying a traditional HI approach allows us to identify and assess potential external shocks and path dependence which may affect the development of the Danish privatization policy (Krasner, 1984; Pierson, 2000). In addition, Streeck and Thelen’s (2005) theory of gradual change – which was refined by Mahoney and Thelen (2010) – is applied in order to identify the institutional characteristics, political context and key agents and ultimately account for potential endogenous institutional changes. Applying HI to Danish public policy development and SOEs has been done before by Greve (1996; 2000; 2010; 2012) and Christensen (2015) whose contributions in the field also guide this thesis. Empirically, the thesis focuses on three significant cases of privatization of Danish SOEs: CPH Airport, Tele Danmark and DONG Energy, where each case makes a distinct contribution to understanding the development of the privatization of Danish SOEs. Empirical evidence about the three cases will be obtained from a wide range of sources including newspaper articles, academic works (e.g. Greve, 1996; 2000) and official state documents (e.g. Finansministeriet, 1993; 2004; 2015).

These considerations have led to posing the following research question for this thesis:

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**Why and how has privatization policy of Danish SOEs developed?**

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The dominant argument of this thesis is that both exogenous and endogenous factors explain the development of the Danish privatization policy from 1988 to 2015. By investigating the three cases in depth and drawing detailed timelines of each, conclusions can be drawn about the overall privatization policy. The general European liberalization movement and increased legislative pressure from the EC/EU in the late 1980s served as a critical juncture for the Danish privatization
policy, allowing the policy to progress on a path that increasingly favored privatization of SOEs as a viable political tool. The development of this path is, however, best understood as a gradual change process in which additions and amendments to the policy made by important change agents supported the change of the policy over time.

The thesis is structured the following way: After the 1) introduction, the chapter on 2) methodology and method with considerations about qualitative methods, case study approach and selection as well as literature review, is presented. A chapter on 3) the academic field of privatization follows, with key definitions of privatization, the historical development of privatizations internationally and common theoretical approaches to the subject. In the 4) chapter the theoretical framework, elaborations on institutional theory and different New Institutionalist schools come before the introduction to Historical Institutionalism, which is the main theoretical approach in the theory along with the added theory of gradual institutional change. The 5) chapter entails the analyses, which are initiated with a brief description of privatization in a Danish context. The first analysis goes over the three cases in detail in order to map specific timelines and identify critical junctures and path dependence. In the second analysis, the Danish institutional environment is considered and we attempt to identify the type of gradual change. Chapter 6) will present a discussion with debates on the theoretical implications of the findings and the thesis’ contribution to the ongoing debate about the Danish political economy in the context of the Varieties of Capitalism framework. Considerations about the relevance in today’s studies of international business and politics will precede the 7) conclusion that answers the research question.
2. Methodology and method
When studying why and how privatization of Danish SOEs has developed from 1988-2015, the thesis will make assumptions and conclusions about the social world. As these will be apparent throughout the thesis, we will in the following present the philosophy of science of the study, in order to inform and guide about the methodology applied.

This section thus serves to shed light on the philosophy of science, methodology and methods used for examining privatization of Danish SOEs. The section starts by elaborating on the chosen methodology, critical realism, where the origins of the philosophy of science, i.e. Bhaskar’s critique of positivism, will serve as the starting point. Then the ontological and epistemological features of critical realism will be covered along with retroduction as our applied mode of reasoning. From the broad understanding of critical realism and philosophy of science, a more specific account of case studies, qualitative methods and the reasoning behind the selection of cases in this thesis will follow. Finally, we will touch upon empirical evidence and literature review in the field of privatization of SOEs.

2.1. Studying privatization through critical realism
With the intention of examining the development of privatization policy of Danish SOEs, this thesis applies an approach suited for observing reality in the light of the events we observe, and which combines material and ideational elements in order to assess the research question.

Consequently, critical realism, which was introduced in the 1970s by Roy Bhaskar, who offered an alternative philosophy of science to the predominant empiricist view, positivism, will be used as the methodology for studying the development of privatization policies.

The empiricism entailed in positivism is the starting point of Bhaskar’s critique, although he refers to it as empirical realism (Bhaskar, 2009; Buch-Hansen & Nielsen, 2005). One of the main features of empirical realism is its depiction of causality as formulated by John Locke. Locke argued that the mind is a blank-slate, a so-called tabula rasa, at birth (Moses & Knutsen, 2012), where knowledge is then acquired through the impressions people are exposed to. By processing this knowledge systematically and in accordance to ‘rules of logic’, general rules about the social world can be identified. The consequences of Locke’s intuition are thus that regularities in the social world can be identified and a causal link between atomistic events A and B can be determined (Lawson,
This implies that one has the ability to actually observe the social world independent of his or her own understanding of it. Bhaskar criticizes this by questioning the validity of one of the central empiricist methods: the scientific experiment (Bhaskar, 2009).

We will in this thesis align ourselves with the critique by Bhaskar when studying the development of privatization policy of Danish SOEs, and remain skeptical towards the methods of scientific experiences. To empiricists, the scientific experiment allows the researcher to isolate variables, determine how these are interrelated and conclude on universal laws. However, as Bhaskar notes, a contradictory nature of scientific experiment occurs, as isolating variables in, for instance, in a laboratory should not be necessary if patterns and regularities can in fact be determined in the social world (Buch-Hansen & Nielsen, 2005). Consequently, we make the case that the methods of natural sciences do not apply to social sciences as argued by empirical realists, when studying why and how privatization policy of Danish SOEs has developed. This will, however, also limit the thesis, as the social science applied will not be able to accurately predict future events (Buch-Hansen & Nielsen, 2005). This observation has implications for the scope this thesis as it limits us from predicting for instance how the Danish privatization policy will develop going forward post 2015.

Instead, the thesis will analyze the development of privatization policy of Danish SOEs by seeing it in the light of the events we observe. Following from this, we will apply the critical realist philosophy of science by combining material and ideational elements (Benton and Craib, 2010), and argue that social science can possess the ability to be anti-positivist while still remaining realist (Bhaskar, 2009). In this way, our analysis will be based on the notion that knowledge plays a vital role in understanding and interpreting causal relationships and structures in the society. Hence we do not acknowledge that reality can be observed directly, but needs to be seen in the light of the events we observe. In order to do so, three domains of reality will be distinguished, when analyzing how privatization policy has developed from 1988-2015.

The first domain is known as the empirical domain, which consists of observations and activities that can be perceived. In the following analysis, this particular domain will not be the most central, as we seek to investigate the underlying mechanisms and structures behind the privatizations of CPH Airport, Tele Danmark and DONG Energy. Instead the second domain, known as the actual
domain, consists of all occurring events and phenomena, regardless of whether they have been observed or not, caused by mechanisms and structures that cannot be experienced directly. These are found in the last domain, the real domain, which will be essential throughout the analysis of privatizations. This domain consists of the not directly observable structures and mechanisms, which influence events in the actual level. In this way, we are able to draw an image of a reality that consist of a “deep and not observable domain” (Buch-Hansen & Nielsen, 2005), where observability is not the premise for existence. This notion will throughout the thesis be apparent, when examining for instance critical junctures and the path dependent developments of privatization policy, which are not directly observable. In order to study mechanisms or conditions as these, the thesis will therefore supplement the methodology with theoretical frameworks of Historical Institutionalism able to identify them.

Following Bhaskar’s theory, we will throughout the thesis base our analysis on the crucial so-called transcendental question of ‘how the world must look like in order for [observation] to make sense’ (Buch-Hansen & Niels 2005). Thus, the transcendental question of this thesis would be ‘what must the Danish privatization policy be like for privatizations of CPH Airport, Tele Danmark and DONG Energy to make sense’. In order to answer the transcendental question, two dimensions have been identified: The intransitive dimension which investigates what reality must be like for phenomenon to be possible, and the transitive dimension which consists of knowledge in the sense of methods, empiric and theories used in a study (Bhaskar, 1998).

The intransitive dimension refers to the reality, which at a given time exists independent of our knowledge about it, thus making up the ontology of the thesis. In other words, this dimension consists of all the phenomena we study, and consists of four spheres: deep, open, stratified and differentiated (Buch-Hansen & Nielsen 2005). The ‘deep’-sphere relates to the real domain by pointing to the fact that reality is not necessarily accessible to experience. Similar is the idea of an
open reality related to the real domain, as empirical regularities – as shown in figure 2.2 – almost never occur spontaneously (Buch-Hansen & Nielsen, 2012). It is this openness that makes it difficult for us to predict the future as depicted previously (Buch-Hansen & Nielsen, 2005), and which will limit us in predicting the future developments of privatization policy. On the other hand, the deep sphere contains elements vital for building timelines and depicting the developments of privatization policies through the use of the chosen cases of CPH Airport, Tele Danmark and DONG Energy. By analyzing the deep sphere through HI-theory, the structures and conditions behind the privatizations will be identified, providing explanations to why and how privatizations of Danish SOEs has developed. In this way, the empirical evidence provided throughout the thesis will assist in identifying the underlying mechanisms causing privatizations to occur. In addition the ontology of the thesis is characterized by strong realism, as we will approach reality as being stratified. By doing this, the complexity of the structures gets emphasized, as the structures and mechanisms of reality are hierarchically ordered into a number of layers. Finally, the development of privatization policy will be seen as differentiated, as it contains objects with different causal dispositions and potentials (Buch-Hansen & Nielsen, 2005).

It is important to note how the ontology of our methodology will outweigh the epistemology, if the two may not be equalized (Bhaskar, 1998; 2009). Due to the deep, open, differentiated and stratified reality, this thesis will consequently consider ontology “as the primary way of identifying the underlying structures and mechanism” (Buch-Hansen & Nielsen, 2005) that cause privatizations of Danish SOEs to occur. Throughout the analysis, we expect to identify the mechanism and conditions behind the privatizations of CPH Airport, Tele Denmark and DONG Energy to be the most vital empirical evidence for answering why and how privatization of Danish SOEs has developed.

Conversely, the transitive dimension makes up the epistemological standpoint of our thesis, when trying to explain what knowledge we can obtain about privatization of SOEs and how to do so.
According to critical realism, the most important role of social scientists is “to uncover ‘real’ structures and mechanisms that cause ‘actual’ events and phenomena” (Buch-Hansen & Nielsen, 2012, p. 294), and in the context of studying privatization of Danish SOEs at least two elements of the transitive dimension are vital.

First, the knowledge to be obtained must be seen as a social product, where new knowledge is always built on top of the existing knowledge. We acknowledge, that we have certain assumptions about privatization before engaging in this study. We, however, consider us to remain epistemological relativists similar to the definition by Buch-Hansen & Nielsen (2005), who still believe in rational judgment, when investigating why and how privatization has developed.

Second, we admit that the production of knowledge throughout the thesis will be an ongoing social process, where the obtained knowledge and collected empirical evidence must not be considered to be certain or definitive. In order to do so, we will apply a variety of theoretical frameworks within HI in order to broaden the validity of our findings. We keep in mind that theories must be judged as fallible (Bhaskar, 1979), and that our methodology must be used explanatory instead of predictive, which will be noted throughout the thesis.

The use of critical realist ontology and epistemology consequently enable us to apply the mode of reasoning known as retroduction, when analyzing the cases of CPH Airport, Tele Danmark and Dong Energy in order to assess why and how privatization policy of Danish SOEs has developed. Retroduction is highly connected to the transcendental form of argumentation, as previously accounted for, as it involves creativity and makes an attempt to combine methods of induction and deduction (Buch-Hansen & Nielsen, 2005). Where induction implies going from a number of particular statements and making them general, and deduction implies a logical movement from a general statement to a particular, retroduction will here be applied, as a third mode of reasoning, and thus turn the premises and conclusions upside down and downgrade the formal logic seen in the two other modes. Instead, retroduction establishes the reasons behind phenomena, and allows for understanding of mechanisms behind the occurrence of events. Put simply, we expect retroduction to enable us in finding the necessary conditions of possibility and causalities which must exist in order for phenomena and events to happen (Buch-Hansen & Nielsen, 2005), or put more explicitly as a way to identify the timelines, actors and changes relevant for describing why and how privatization policy has developed. The analysis will aim at doing so by going from
observations (e.g. official government platforms) to a theory (e.g. Historical Institutionalism) which account for the observations, and seek to find the most likely and simple explanation to privatization of the three cases. However, in the case of retroduction, the underlying premise will not guarantee the conclusions, which have provided this thesis for greater room of maneuver. The main aim of using retroduction for this thesis is thus to set the observations into a theoretical context beyond what the empirical evidence could provide in itself.

The use of critical realism as the philosophy of science for our thesis is, in conclusion, thus found central for the methods and theories applied in the following analysis. When assessing the research question of why and how privatization of Danish SOEs has developed, our chosen ontology and epistemology set the guidelines for the mechanism and structures to be analyzed, and thus enable us to apply retroduction as the main mode of reasoning. Despite the fact that we are limited in predicting the future of privatization, we are able to construct timelines, to identify central actors and to describe the types of changes in the policy through theoretical frameworks. When rejecting scientific experiments and the methods of natural sciences we, however, have to turn to case studies in order to assess our research question.

2.2 Case study method
This thesis is based on a qualitative case study in order to address the question of why and how privatization of Danish SOEs has developed. By drawing on methods for case studies, this section outlines the case study design of the thesis. Considerations about how cases benefit to answering the research question and why we have chosen to include three cases are identified along with and some of the most common pitfalls within case study methods.

We align ourselves with Yin (2003) who views case studies as the preferred strategy when “why” and “how” questions are being posed, and when investigators of the phenomenon have little control over the events occurring (Yin, 2009). Further, as noted by Florio and Fecher (2011), in order to comprehend contemporary SOEs in advanced political environments, in-depth case studies are vital for understanding and answering questions related to the issues investigated. One aspect of the case study approach that researchers must be attentive to is the level of analysis. In this thesis, focus is on the Danish privatization policy through three examples of past privatization:
(CPH Airport, Tele Danmark and DONG Energy). In comparative political studies, it would be feasible to consider the Danish privatization policy as a holistic case study and compare it with the privatization policies of other countries. However, performing such comparative analysis is not the objective of this thesis, and we are not conducting a holistic case study. Rather, the attention is on the privatization of CPH Airport, Tele Danmark and DONG Energy which are subunits to the Danish privatization policy. This type of case study is a called an embedded case study (Yin, 2003). The subunits, i.e. the three privatizations, function in the same way as individual cases in a multiple-case study (Yin, 2003). Therefore, the three subunits are referred to as three ‘cases’ throughout the thesis. It is important to keep in mind that due to this setup, we are only able to conclude on the development of the Danish privatization policy – not privatization policies in general or in other countries.

While the three cases are conducted separately in the analysis, the collection of data has been standardized in terms of official documents and the general chronological construction (George & Bennet, 2005). In this way we will align ourselves with Philiber, Schwab & Samloss (1980) in uniting four common elements for the analysis of the cases: Common question to answer, common relevant data, common collection of data and way of analyzing the data. When conducting the data gathering and the analysis, we have been careful not to hold preconceived ideas of what the individual cases would show. As Flyvbjerg (2006) notes, case studies often contain a bias for verification and this pitfall is important to steer clear off.

The reason for conducting in-depth studies of three cases rather than just one or two is to gain more empirical insight. Having three cases increases the validity of the study and ensures that one of the common pitfalls within case study research is avoided: A researcher cannot generalize based on one single case (Flyvbjerg, 2006). In this thesis, this is particularly valuable to the second analysis which focuses on gradual change and among other things identifies the political context, institutional characteristics and role of change agents of the Danish privatization policy. By having three cases in the analysis, we can make more observations and thus acquire stronger evidence for claiming that patterns among privatizations of SOEs exist. Naturally, having more cases adds to the complexity of the analysis. This point to the main reason for not including additional cases: It would be difficult to maintain an overview of findings from each. Thus, three cases seem like an
adequate number in order to gather much empirical evidence but not drown the analysis in details.

In summary, three subunits of the embedded case study of Danish privatization policy serve the thesis in the same way as individual cases in a multiple-case design. Aware of potential pitfalls when conducting case studies, the thesis has selected three cases as this number balances the dilemma between maintaining an overview and getting sufficient amount of details to make valuable conclusions about the Danish privatization policy. The criteria for selecting CPH Airport, Tele Danmark and DONG Energy specifically are accounted for in the following section.

2.3 Case selection: CPH Airport, Tele Danmark & DONG Energy

In order to assess how and why privatization of Danish SOEs has evolved, we have chosen three particularly notable cases to feature in the analysis: CPH Airport, Tele Danmark and DONG Energy. With a large number of privatizations taking place in Denmark between 1988 and 2015, selecting only three for the analysis is a challenge, and sound selection criteria are essential. We find that the most important criterion for each selected case is that it makes a unique contribution to answering the research question. Otherwise, there would be no reason to include that particular case in the thesis. More specifically, there are three key empirical and theoretical reasons behind the selection of cases exist.

First of all, the thesis seeks to analyze the period of privatizations in Denmark from 1988 to 2015. Thus, it is important that the selected cases represent periods within this time frame to paint a coherent picture. CPH Airport was one of the very first SOEs to be privatized. The intention to do so was officially made in 1988, and the process’ first step was completed in 1994 when the airport was partly privatized (Cortzen, 2000). The privatization of Tele Danmark was completed in 1998 (TDC, 2015) and the Danish state recently sold 21.3% of the shares in DONG Energy to institutional investors (DONG Energy, 2015a). Thus, each case represents a different important point in time: CPH Airport was among the very first privatizations in the period, Tele Danmark was privatized during the golden days in the 1990s, and DONG Energy is the most recent privatization in Denmark. The different points in time that each privatization occurs are particularly important in the first analysis as it supports the different timelines derived in that section. By doing this, each
case makes a contribution in understanding development over time (i.e. path dependence) and important moments (i.e. critical junctures) for the Danish privatization policy.

**Timeline – Cases**

*FIGURE 2.3: Timespan of cases, 1988-2015*

Second, each of the cases underwent a different privatization process that in sum encapsulate how privatization processes in Denmark work. CPH Airport was initially transformed into a wholly state-owned A/S-company after which the state gradually reduced its stake to 39.2% over the course of 12 years (Københavns Lufthavne, 2015). Tele Danmark was the result of a merger of regional telecommunications companies formed with the intention of privatization. Within four years, the SOE had been fully privatized through just two major transactions – a massive IPO and a large deal with an American telecommunications company (TDC, 2015). The state’s ownership in DONG Energy was initially reduced by 27% when the SOE merged with a number of other utility companies. 10 years later it was decided to sell additional 21.1% of the shares to a private equity fund and two pensions fund before it was announced that shares will be sold through an IPO in the near future (DONG Energy, 2015a). The change in ownership in the three cases will naturally be elaborated in much greater detail in the analysis, but is useful for grasping how different the privatization processes have been. For instance, assets can either shift into private hands gradually (CPH Airport) or in just a few transactions (Tele Danmark) and SOEs can be bundled together before privatization (DONG Energy) or sold as they are (CPH Airport). These points highlight the
complexity of the matter. If one of the cases had been left out of the analysis, the understanding of privatization processes in Denmark would not have been sufficiently nuanced.

Third, the three cases share some characteristics that make them particularly noteworthy in a Danish context. As illustrated in Appendix D, CPH Airport, Tele Danmark and DONG Energy are some of the largest privatizations in the period in terms of sheer revenue generated to the Danish state. In addition, the cases represent some of the most debated privatizations in Denmark in the past 25 years. These features make the three cases empirically significant as they represent some of the major privatizations and arguably some of the most important ones. This selection criterion is similar to the one Greve (2012) makes when selecting which public sector reforms to include in his analysis. Here he choose to focus on “larger reforms” (Greve, 2012, p. 72).

In sum, these characteristics of the three cases make them interesting to base the analysis of this thesis on. Major differences from case to case concerning timing and privatization process make it relevant to include all three. The fact that they are around the most valuable in terms of revenue and the most debated privatizations, confirms the selection for the thesis.

### 2.4 Qualitative methods

Our study of privatization policy of Danish SOEs is based on both primary and secondary sources as the foundation for the collection of empirical evidence. As for the primary sources, the case studies are primarily based on document studies and textual analysis (Travers, 2001) consisting of official written sources such as legal documents, notes from various ministries, ministry publications¹ (such as the Ministry of Finance’s annual *The State’s Companies*), government policies and government publications, but supplemented with press releases and publicly available information from the SOEs. All of these documents have been selected from 1988-2015 covering the entire 27 year period in which our thesis is based upon, whereby we apply the sources as they present a broad coverage with a long span of time, events and settings (Yin, 2003). These sources will further be applied, as they are considered stable, enabling us to review them repeatedly, as well as unobtrusive, and thus not affected by the three case studies we conduct (Yin, 2003).

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¹ Please see appendix A for a list of the major publications from Danish ministries used in the thesis.
A large part of the sources used as empirical evidence for this thesis are identified as secondary sources. In general they constitute accounts written after the facts or events of the phenomena in question with the benefit of hindsight allowing room for interpretation and evaluations of the primary sources described above. The secondary sources for this thesis have been various accounts of privatization policy in Denmark and the EU, where Greve (1996, 2000, 2010, 2012), Parker (1998, 2003) and Roland (2008) are part of the main contributors within this field. These secondary sources are not considered as direct evidence for the claims and findings of this thesis, but they have enabled us to present and analyze the context of privatization of Danish SOEs, and thus widening the empirical scope of the thesis. As such, the secondary sources are applied as they are grounded in a local/topic specific setting with high reliability useful for exploration and confirmation (Yin, 2003).

Common for the sources is that they serve different purposes contributing to the findings in the analysis. Publications from the Danish state such as government platforms, guidelines on privatization and SOE policy as well as notes from ministries are used in the first analyses to present the overall timeline for the development of privatization policy. This provides the basis for the analysis of the development in privatization of the SOEs in question. Following from this, various press releases, publicly available information from the SOEs as well as the secondary sources, provide the overall context used to map activities of the SOEs and the reactions to the developments in question. In addition, the annual reports from the Ministry of Finance assist us in providing the context of the privatization policy by continuously mapping the development within the SOEs in question. Based on the findings, we are thus able to construct timelines for the first part of the analysis, and draw on these findings for the second analysis, where the gradual changes of Danish privatization policy are clarified. As such a wide variety of sources constitute the foundation for the construction of the case specific timelines, which establish the main frame for tracing the development of privatization policy through the use of the three cases.

When reviewing the theoretical literature used for this thesis, it is important to note that the question of privatization of SOEs has been academically neglected for the past decade. A simple search in academic libraries or databases confirms this. As such, much of the literature within the field is of an older age, posing some challenges to this thesis. One of the challenges has been to find current descriptions and theoretical analysis of the privatization of SOEs, where we have had
to draw on older material for the contextual considerations. Much of this research, conducted by scholars such as Hogde (2000), Parker (1998, 2003) and Roland (2008) has, however, shown to be useful, when combined with the theoretical framework of this thesis, which is emphasized in the analysis. When looking solely on the Danish development of privatization and SOE policy, few scholars have been engaged in the academic work. Most dominant are the theoretical works by Greve (1996, 2000, 2010, 2012) especially in concern to his analysis of Danish reform policy, whereas the recent work by Christensen (2015) has also assisted in providing tools for analyzing development of Danish SOEs.

Deriving from these consideration, it is also vital to stress that we maintain a high degree of source criticism for this thesis. Some of the secondary sources use have a high degree of subjectivity and personal reflections, which cause us to remain skeptical towards the conclusions presented. Examples of this are the works by Mathiasen (2015) and Rasmussen (2007), which both seem to reflect a very negative attitude towards privatizations of DONG Energy and Tele Danmark respectively. In these cases, the sources are only used to provide descriptive explanation to neutral developments, or when personal opinions are directly expressed as proves of evidence. Further, we find it necessary to the validity of the conclusions to include opponents of these views for instance by including DONG Energy's own perception of its valuation (DONG Energy, 2015b). Especially in regards to the question of subjectivity and source criticism, it is therefore vital to the reliability of the findings, that the sources are used in accordance with general academically practices, and that subjective sources are only used for descriptive matter and not theoretical, whereas an author like Greve (1996, 2000, 2010, 2012) has academic and theoretical credibility.

The qualitative methods applied to the thesis obviously also represent some weaknesses and limits, which need to be addressed. We attempt to keep in mind that the retrievability of the documentations might be low and that biased selectivity might occur throughout the process. Further, we acknowledge that access to vital information in concern to the privatization processes might have been deliberately blocked (Yin, 2003), which especially goes for the recent developments in the DONG Energy case.

The probably most dominant limit is found in our main focus on document studies and textual analysis, which can led to unclear conclusions in reasons for behavior by key actors as well limiting
us in observing some content of interests (Yin, 2003). A way in which this could be prevented, would be through the use of interviews of key actors involved in the privatizations processes. In this case, targeted and insightful interviews might have led to direct focuses on the specific cases, and provided perceived causal inferences (Yin, 2003). Obvious candidates for interviews would have been the identified change agents such as high-ranking officials (e.g. Anders Eldrup), relevant politicians (e.g. Lone Dybkjær) or CEOs in the affected privatized SOEs (e.g. Henrik Poulsen).

Despite these advantages, we have chosen not to conduct interviews for the purpose of this thesis due to some of the weaknesses in which interviews also represent. First, we find that the questions for the interviews would have to be very strictly constructed, if response bias was to be avoided, which would cause us to alter the questions directed to each type of interview. Further, we seek to avoid inaccuracies due to poor recall, which interviews to a large extent are exposed to (Yin, 2003). Combined with the fact that interviews are reflective, extensive and time-consuming, and thus would have limited our time of document studies and textual analysis, we find that the weaknesses of using interviews as a source of evidence surpassed the advantages. We do, however, recognize that future studies within the field of SOEs and privatization in Denmark can benefit from including interviews of key change agents.

In summary, the research for the thesis has been designed as a qualitative study focusing on three cases of privatization of Danish SOEs to provide basis for the overall account for why and how privatization of Danish SOEs has evolved. The empirical evidence of the thesis is acquired by primary and secondary sources, where the most central have been clarified in the above. We find that a documentation and textual analysis is most suitable for answering the research question, but do acknowledge that future research could benefit from conducting interviews of identified key change agents.
3. The academic field of privatization
Before going into the theoretical framework and analysis of this thesis, some introductory remarks on privatization of SOEs in general are appropriate to contextualize the topic. This section pose the definition of privatization assumed in the thesis and elaborate on the fundamental objectives of privatizing SOEs. Next, it uncovers some of the predominant theories within public sector reforms and privatization, thus providing a theoretical overview of the privatization before going into the alternative HI-approach to the issue that is adopted in this thesis. Finally, the section accounts for the empirical context of privatizations from a historical and international perspective.

3.1 What is privatization and why do it?
There exists much literature on the subject of privatization, and scholars use different definitions when answering the central question: What is privatization? Since Chile’s former dictator, Augusto Pinochet, launched recent history’s first privatization program more than 40 years ago, the debate has been ongoing (Hodge, 2000). The common element is that some function or role of the nation state is completely or to some degree shifted to the private domain. Consequently, a wide range of government activities can be seen as privatization activities. These include selling whole or parts of public enterprises, repealing monopolies, deregulation and liberalization of competition policies and load shedding (Hodge, 2000).

Where some scholars argue that privatization occurs when the government reduce spending or retract regulatory powers, we derive our definition from Hodge (2000) and Greve (1997; 2000; 2010) who both argue for a more narrow definition that specifically focuses on selling public assets to private entities. Thus, we define privatization as the transfer of assets from the public to the private domain. Obviously, in this thesis ‘assets’ will refer to those of SOEs. It is important to note that privatization of SOEs does not necessarily mean a complete transition of ownership from public to private hands. Rather, privatization activities will often involve the transfer of partial ownership of SOEs through private placements. This is indeed the case in two of the examples highlighted in this thesis, Copenhagen Airport and DONG Energy. In both cases, the Danish state still hold a significant amount of the shares.
Naturally, the question of why nations states choose to privatize is at the locus of much privatization theory. In general, privatization can be seen as a response to failings of state ownership (Parker & Saal, 2003). In other words, states are considered to be unable to properly fill the role as owners of assets and managers of some of its activities. Thus, the ownership must shift into private hands. There are many more specific explicit and implicit objectives of privatization seen from the viewpoint of policy-makers and other key stakeholders. These can be split into four categories: Economic, political, consumer and other objectives (Hodge, 2000).

First, economic objectives focus on commercial priorities such as efficiency, economic performance and increased competition. Privatization will have a positive impact on these and, in turn, increase the wealth generated by SOEs (Whitfield, 2001). This will release more capital to be invested elsewhere and drive growth in GDP. Secondly, there are political objectives of privatization. Politicians may promote privatization as a solution to bringing down public debt and that the state cannot afford the investments needed to develop the SOE in question (Hodge, 2000). Among the political objectives are also idealistic views such as decreasing the size of the public sector and reducing the power of trade unions (Whitfield, 1992). Thirdly, it is argued that privatization can benefit consumers as the increased competition among private actors will improve the quality and reduce the price of goods and services to the public. Additionally, consumers will have more options and have a higher degree of economic freedom (Hodge, 2000). Finally, some other objectives of privatization have been identified: More clarity on the responsibilities of the public and private sector and reducing the administrative burden of the state (Hodge, 2000).

3.2 The development of privatization of SOEs
In the academic literature centering on privatization and SOEs, scholars generally find consensus on the notion that privatization arises from the dichotomy between a capitalist world-economy and a politically coercive economic system (Chang, 2006). This trend is reflected in this section, where the development of privatization of SOEs is seen in a historical context for the development of privatizations in Europe.
Previously in history, the tendency to create SOEs in order to guide and secure development following crisis has been the general rule of thumb, and state ownership in Western Europe can especially be traced back to three waves of nationalizations, which have been crucial to the development of SOEs; 1) after the Great Depression of 1929-1933, 2) during the post-World War II period, and 3) after the oil shocks in the mid-1970s (Parker, 1998). Privatization activity has though primarily been associated to the two latter, as the first examples of sales of state assets occurred in these periods.

After 1945, a major expansion of state owned enterprises in Western Europe occurred. In Italy, the bankrupt industries were salvaged by the state, while the Labour government in the UK nationalized major industries such as coal, railways and electricity (Parker, 1998). Across the continent, governments attempted to stimulate industrial development by investing in new technologies, leading to the creation of SOEs within industries such as electronics, pharmaceuticals, telecommunications, oil, energy and chemicals. These SOEs were characterized by being all government owned or controlled entities that generated bulks of their revenues from selling goods and services, and were by and large a mean to secure national interests (Roland, 2008). The abnormal growth of the SOE-sector following the waves of nationalization, however, started to clash with the rising requirements of global competitiveness in the late 1970s following the oil crisis. Even though the first modern examples of sale of state assets can be traced back to Pinochet’s Chile, scholars (e.g. Chang, 2006; Parker, 1998; Roland et al, 2008) agree, that the start of systematic programs of privatizations started in the UK in late 1970, following the election of a Conservative government led by Margaret Thatcher.

Margaret Thatcher was convinced that big government was the root cause of year of poor national economic performance, and inspired by concerns by Friedrich Von Hayek and Milton Friedman, an agenda was set for holding down government spending and shifting to free-market solutions (Chang, 2006). Following this agenda, the new government was keen to reduce the nationalized industries, which accounted for a total of 9 percent of GDP in 1979 (Parker, 1998). After a cautious start, the UK-government started to sell state asset in public utilities such as telecommunications, gas, water, electricity and railways, leading to a total share of nationalized industries of in GDP of 2 percent in 1997 (Parker, 1998). As such, privatizations became one of the building blocks of the
Thatcherite reforms, which shrank the size of SOEs in the UK and made privatization of public enterprises the dominant reform mechanism in the 1980s and 1990s in Europe (Chang, 2006).

Other Western European countries experienced a smaller scale of privatizations, but in the early 1980s problems of inefficiency in the SOE-sectors – absorbing an increasing amount of public subsidies – became a priority in the political agenda of most European countries (Parker, 1998). This prompted the surge of privatization that began in the 1980s and gathered momentum after the ratification of the Maastricht Treaty in 1992, where privatizations of SOEs became necessary not only to modernize the economy, but also to meet convergence criteria without politically costly tax increases (Roland, 2008). When the Maastricht Treaty was then signed in 1993, financing through asset sales became more important, as the prospect of a monetary union was in sight. Many EU-countries sought to fulfill the criteria for eligibility to join a single currency, and as a mean to accomplish these, privatization of SOEs were now included in the national reform policies (Parker, 1998). Privatizations of SOEs from various sectors thus assisted in reducing public debt, which is one of the treaty criteria, and as such assisted in indirectly lowering the budget deficits.

Countries like Italy and France followed UK in the 1980s with major privatizations of SOEs, but it was not until the 1989-1990s that countries such as Portugal, Spain, the Netherlands, Sweden, Belgium, Greece, Ireland and Denmark started to join the process. In the 1990s privatizations experienced an exponential growth with a peak in revenues in 1998 due to a number of large Initial Public Offerings (IPOs) for strategic actors as ENI (petroleum) in Italy, Swisscom (telecommunications) in Switzerland and ENDESA (electric utility) in Spain (Roland, 2008).

After reaching all-time high levels in 1990s, privatization in OECD-countries abruptly slowed down, and revenue decreased from an average rate of 50% from 2000-2002, but resumed in 2003 and gained momentum in 2004, when retail investor’s appetite for stocks reemerged (Parker, 2006). Globally, state assets worth close to USD 500 billion were sold in the 8 years from 2000 to 2008, and OECD-reports argue that we entered a ‘new privatization landscape’, where sales of individual enterprises already in competitive sectors, in most countries, were a thing of the past (OECD, 2009), whereas sales at complex sectors such as the network industries were still prevalent. With the global financial crisis starting in 2008 stock market privatizations of state-owned assets greatly
fell, but has since recaptured the political agenda, where the years 2012-14 represented the three highest annual levels of privatizations to date (PrivatizationBarometer, 2014).

Drawing from the development of privatizations of SOEs in Europe, it seem legitimate to align with scholars like Roland (2008), who claim that privatization was one of the main events of the economic and financial history in Europe in the late twentieth century and the beginning of the twenty-first century. The wave of privatizations is generally agreed to have started with the conservative Thatcher-led government in 1979, where the other European countries gradually aligned with the economic doctrine of smaller governments and free markets.

However, it also seems to be the case that there has been no single, common rationale or objectives for the privatizations seen in Europe (Parker, 2006). Some governments have promoted privatizations to achieve efficiency gains, while others have done them in order to meet the criteria set out by the Maastricht treaty. As such, the reasons and motivations for privatizations greatly differ from country to country, which calls for more narrow case studies in order to explain the development of privatization in Denmark in particular, as well theoretical frameworks and approaches for explaining these differences.

3.3 Theories of privatization
There are several approaches to analyzing privatization of SOEs. Many of these are captured by Graeme Hodge who has reviewed dominant privatization theory several times. Much privatization theory takes its point of departure in economics and assumes that the economic objectives of privatization are the most important (Hodge, 2000). Among other reasons, this tendency within the literature has been encouraged by three major trends in international political economy during the 1980s: The enthusiastic view of private enterprises, mechanisms of the free market and the need to reduce spending in order to avoid state budget deficits (Hodge, 2000).

According to Hodge (2000), three of the major theories that have been applied to explain privatization and public sector reform include public choice theory, principal-agency theory and new public management (NPM).
3.3.1 Public choice theory
Public choice theory views people as utility maximizers that are inherently self-interested. This means that “businesses supposedly seek to maximize their profits, government officials are believed to maximize their budgets while politicians seek to maximize their votes” (Boston, 1991, p. 3). According to this view, notions such as the common good or public interests do not exist. Consequently, the role and size of the state should be reduced and competition should be promoted. In the context of this thesis, a public choice theorist would argue that Copenhagen Airport, Tele Danmark and DONG Energy would most likely not be motivated to deliver strong economic performance or quality products due to lack of incentive. Instead, civil servants would seek to maximize the size of their own operation and thereby strengthen job security as opposed to being more economic efficient. Privatizing SOEs could be part of the solutions to these issues. Through privatization, employees at Copenhagen Airport, Tele Danmark and DONG would themselves benefit from raising revenues. This rests on the assumption that compensation and benefits are more dynamic and adjusted in accordance to economic performance if the enterprise is owned by private investors rather than the state.

This theory has been met by several points of criticism. One is that the view that people only operate in their own self-interest and are only motivated by material reward is not empirically supported. This view fails to explain ideology, charity work and the notion of perceived interests among others.

3.3.2 Principal-agency theory
The core assumption of agency theory is the separation of owners and managers of a company. According to this theory, the owner (the principal) and the managers (agents) establish a contract with each other: the principal acquires the services of the agents for a monetary reward (Hodge, 2000). One issue in this constellation is that the principal and the agents have diverging interests; the principal wants to optimize performance and innovation while the agents can be driven by their own narrow self-interest or the broad public interest (Waterman, 1998). This means that the principal must install monitoring mechanisms to ensure that the agents comply with the interests of the company as a whole. This control mechanism works until the principal intentionally or unintentionally neglects the role as the owner. In the context of privatization, principal-agency
theorists would worry that the political principal could come in a situation where this would occur as the political principals, e.g. legislatures, do not bear the costs themselves (Waterman, 1998). For example, if the Danish Ministry of Finance failed to fulfill its duty as principal for one of its SOEs, the public would bear the costs if that SOE in turn performed poorly. Thus, from this theoretical perspective, privatization is a way to ensure a balanced and sustainable principal-agency relationship.

The accuracy of the principal-agency theory has been questioned for a couple of reasons. For instance, scholars probed whether agents can be considered to be as opportunistic as implied in the theory (Hodge, 2000). Also, it implies that the principal is characterized by some degree of inactivity and isolation from the agents, however, this is not always the case in reality.

3.3.3 New public management (NPM)
New public management differs from the other theories covered in this section because it is more an approach than a specific theory. NPM deals with what is considered ‘proper management’ in a neoliberal context and focuses intently on cutting costs and running public entities similar to private companies (Hodge, 2000). While NPM is less well-defined than the other theories in this section, scholars agree on some key features (Hodge, 2000). First, measurable objectives and targets for the organization must be set. Secondly, managers are given the autonomy to put deliver on these objectives. Third, performance is carefully evaluated and managers are rewarded if results are satisfactory. In essence, the theory takes management practices of the private sector and applies them to the public sector. Thus, inherent in NPM is a preference for private ownership (Hodge, 2000).

The implications for SOEs are clear as NPM dictates that SOEs must focus on their own performance rather than their role as providers of public goods or servers of the public interests. This is also one of the points of criticism: NPM has a more ideological assumption about the role of the private and public sector than public choice theory and principal-agency theory. Critics argue that NPM’s ambition to roll out a generic one-size-fits-all approach to management is ignorant and an attempt to pull society in a more liberalistic understanding of how the world works (Hodge, 2000).
3.4 Towards an institutional approach to studying privatization

Public choice theory, principal-agency theory and NPM are three of the main theories and approaches within the study of public sector reforms and privatization. They all capture the predominant school of thinking within privatization theory, where influential actors find rational reasons for why the public sector is unable to run its enterprises. Often these reasons include poor management and lack of incentive to do well which in turn translates into inefficiency. Thus, the case is made to privatize and the actors carry this intention out, accordingly.

We find that the traditional scholarly approaches to studying privatization of SOEs are unable to account for at least three major aspects of the privatization policy of Danish SOEs. First, if a decision to privatize is simply based on a rational calculation, how come it often takes years to complete? In the three cases of this thesis, CPH Airport, Tele Danmark and DONG Energy, the privatization processes have taken years to even partly complete.

Second, how come the ownership of SOEs historically has been very stable until a privatization agenda suddenly kicked in during the 1980s? For instance, CPH Airport was established back in 1925, but it was not until the 1980s that talks of privatization began (Cortzen, 2000). Thus, we have both stability and abrupt changes in privatization levels, but the business case to privatize should arguably be consistent.

Third, why do decision-makers often decide to only partly privatize? For example, CPH Airport is currently partly privatized meaning that the government still holds a significant stake in the company (Københavns Lufthavne, 2015).

This thesis will propose an alternative approach by studying privatization through the lenses of Institutional Theory, more specifically through Historical Intuitionalism. Institutional Theory is, as implied by the name, the vital role played by institutions, and we find, that these are necessary to include in the analysis in order to understand why and how privatization of Danish SOEs has evolved. By encompassing the role of institutions, this thesis will be able to go beyond the argumentation that powerful rational actors dictate change towards a more nuanced understanding of the complexity inherent in institutional change, i.e. development of the Danish privatization policy of SOEs.
4. Theoretical framework

The objective of this thesis is to analyze why and how privatization of SOEs has evolved in Denmark throughout the latest decades, and it is central to the analysis for our thesis, that cases and discussions are based on a solid theoretical framework that is able to grasp explanations to why and how privatization of SOEs in Denmark has evolved. As clarified in the preceding section, many theories exist in the field of privatization, but lack the ability to capture the role of time and institutions needed for answering our research question.

As point of departure, we will therefore instead align us with – and employ – institutionalist theory (IT) as the primary starting point to base the analysis and discussion upon. The three cases of privatization of Danish SOEs chosen for this thesis are not exclusive, and other examples such as the privatization of GiroBank A/S or Datacentralen could have been chosen as well, if the scope and aim of the thesis had been different. With 35 privatized businesses from 1988 to 2015 (Finansministeriet, 2015b; Christoffersen & Paldam, 2006), many options exist if one is to analyze institutional changes of privatizations in Denmark. However, as justified in the method section, this thesis will be based on a theoretical framework that enables the possibility of providing a general analysis and discussion based on the causes and effects of the privatization of the three cases; 1) CPH Airport, 2) Tele Danmark and 3) DONG Energy, as explanations to the development of privatization of Danish SOEs.

In the following sections we will provide discussions and descriptions of institutional theory as well New Institutionalism (NI) in order to justify for the chosen theoretical framework to be used for the analysis. In this way, the theoretical section will provide the main reasons, explanations and considerations for choosing the theoretical framework, and will progress in the following way:

1) Firstly, a section on institutional theory will be presented in order to set the framework into its historical context. 2) Secondly, New Institutionalism will be introduced as a development of IT with its three major strands of thoughts. However, this subsection will primarily focus on Rational Choice Institutionalism (RI) and Sociological Institutionalism (SI) respectively, as the 3) third section will clarify the reasons for not choosing RI or SI as the main point of departure. In the 4) fourth section HI in its classical conception will be presented, whilst the fifth 5) section will add the concept of (gradual) change to the HI-framework. In the last section 6) a model for analyzing
privatization of SOEs in Denmark will be presented. The sum of the section is thus to present the theoretical foundation for the forthcoming analysis.

4.1 Institutional theory
According to Amenta & Ramsey (2010), most political sociologists and political scientists nowadays either consider themselves or are deemed ‘institutionalists’. However, key differences remain among major schools of the institutionalism, but the common denominator is nevertheless still based on the classical ideas of institutional theory (Amenta & Ramsey, 2010), even though the concept has never quite been fully institutionalized (Tolbert & Zucker, 1996).

The idea of using institutional theory in social science can be traced way back in academic literature, and scholars like DiMaggio & Powel argue that the use of institutional analysis stem back to Emili Durkheim exhortation to study “social facts as things” in 1895 (DiMaggio & Powell, 1991). In 1898, Thorstein Veblen contributed to a dividing line in the concept of studying institutions, when he introduced the concept of evolutionary economics in the essay “*Why is economics not an evolutionary science?*” (Hodgson, 1998). In the essay, Veblen rejects both the individual and society as the ultimate units of explanations, and thus distanced himself from both methodological individualism and methodological collectivism, as he did not search for a balance between these two extremes. Instead, he embraced an evolutionary framework of explanation along Darwinian lines (Hodgson, 1998). By arguing that systems must be described through real and observable institutions as opposed to invisible hands, Veblen thereby initiated the development of what is now known as institutional economics, where structures are seen as ever changeable and dynamic, thus indicating an evolutionary process (Hodgson, 1998).

Around the same time of Veblen’s essay, Max Weber introduced his interpretive examination of social phenomena, which came to be known as ‘verstehen sociology’. The two scholars are today both considered major contributors in the field of economics and sociology, and the views presented by Weber is often looked at as being the opposite to Veblen’s concept of institutions being as real and observable (Baehr, 2001). Weber saw understanding of actions from the actor's point of view, and thus rejected Veblen’s positivist notion, by understanding institutions as subjective characteristics such as symbols, values and norms (Baehr, 2001).
The dividing lines in the conception of how to study institutions between Veblen and Weber can somehow be related to the debates surround the strings of institutionalism today. When looking on the area of privatization, the issues of policy development can be traced from both Veblen’s and Weber’s point of view. For instance, while some argue that privatization policy can be seen as changeable and dynamic, several theorist argue that the concept must be understood in terms of the unique characteristics defining the political context from where the issue takes place. As such, the origins of institutional theory and the classical debates on how to observe and study institutions is still ongoing, and relevant for the purpose of investigating why and how privatization policy of Danish SOEs has developed.

4.2 New Institutionalism
As argued in the introduction to this section, the overarching theoretical framework will follow the initial Institutional Theory, which has been built on into the theoretical family of New Institutionalism (NI), a theoretical approach appearing with growing frequency in political science. Within this field, different sociological views of institutions have been developed, primarily through Historical Institutionalism, Rational Choice Institutionalism and Sociological Institutionalism, respectively (Hall & Taylor, 1996)².

The origins of NI can be traced back to the critique of the traditional structural-functionalist approach of the 1960-1970s. In the late 1980s NI arose within several different and largely independent forms, that each shared focus on the importance of institutions in explaining the behavior of individuals (Hall & Taylor, 1996). Thus, one of the new institutional ways to emerge was from the claim that institutions had developed to become similar across organizations despite evolving in different ways, which led new institutionalist to study how institutions could shape behavior of actors (DiMaggio & Powell, 1991). Where RI sees individuals as a maximizer and SI understands individuals to be satisfiers constrained by moral and cognitive temples, HI stand in between as a more eclectic way within NI (Hall & Taylor, 1996). With these epistemological differences as the main starting points, the following subsections will clarify the main viewpoints, claims and contributions from RI and SI respectively. By clarifying the different traits and

² Several other forms of New Institutionalism could be argued exist, however the three mentioned are typically viewed as the most dominant (Hall & Taylor, Political Science and Three New Institutionalisms, 1996)
viewpoints, the last subsection on NI will draw up the main reasons, why RI and SI have not been chosen as theoretical foundation before going into describing HI in depth in the following section.

4.2.1 Rational Choice Institutionalism

RI is argued to have risen from studies of American congressional behavior where it was greatly inspired by observations of paradoxes within the American Congress, where they could not make sense of the fact that stable secure majorities for legislation were often passed despite severe disagreement on the issues (Hall & Taylor, 1996). When looking on the issue of privatization of SOEs, this parallel seems legit, as ideological differences on the matter have often sparked the debate on state responsibility versus the issues on efficiency.

However, by drawing heavily on the tools from the ‘new economics of organization’ that emphasizes the importance of rent-seeking, property rights and transactions costs for both operation and development of institutions (Hall & Taylor, 1996), RI-scholars believe to be able to explain the patterns and developments of institutions. A key contribution within this field is Williamson’s argument that the development of organizational forms must be explained as results of efforts to reduce the transaction costs of undertaking the same activity without an institution. In the case of this thesis, the natural argument would be that the costs of running SOEs publicly serves as an unnecessary expense, as cost can be lowered simply by putting into private hands. Thus, Williamson argues that transaction costs are minimized by using various governance structures and organizational forms (Williamson, 1975).

RI contains internal debates and variations in outlook, but according to Hall & Taylor especially four notable features of RI are important to the approach. First, RI employ characteristics of behavioral assumptions, by assuming that actors have specific and fixed set of preferences, which they seek to further through rational and utility maximizing in a strategic manner (Hall & Taylor, 1996). Second, RI sees politics as a series of collective action dilemma, where actors seeks to enhance their own preference on the cost of others, like illustrated in the concept of prisoners dilemma. Third – and vital to the distinction of HI - RI emphasize the role of strategic interaction in the determination of political outcomes by postulating that “first, an actor’s behavior is likely to be driven, not by impersonal historical forces, but by a strategic calculus and, second, that this
calculus will be deeply affected by the actor’s expectations about how others are likely to behave as well” (Hall & Taylor, 1996, p. 12). Finally, RI also differs when it comes to explaining the emergence of institutions, as they, through a deductive method, see institutional creation as revolving around voluntary agreements by the relevant actors (Hall & Taylor, 1996).

If we were to use a RI-approach for the purpose of this thesis, the main point of departure would consequently follow many of the frameworks from conventional privatization theories such as Public Choice Theory. People surrounding the process of privatizations would be viewed as utility maximizers that are inherently self-interested, with a main focus on their own preferences on the cost of others. In this regard, it is the strategic calculus performed by the actors involved in the processes that matter, and not necessarily the historical context of the policy and the cases of CPH Airport, Tele Danmark and DONG Energy.

4.2.2 Sociological Institutionalism

Much like seen in the early distinction between the Veblen’s concept of evolutionary economics and Weber’s concept of Verstehen, Sociological Institutionalism (SI) presents a distinctly different epistemological foundation than seen at RI.

Instead of viewing rationality and culture as opposites, SI argues that institutional forms and procedures used by modern organizations are not adopted simply due to efficiency and rationality, but instead that these forms and procedures should be seen as culturally specific practices within societies assimilated into organizations as a result of cultural practices more generally (Hall & Taylor, 1996). Put differently, SI argues that bureaucracy and practices have to be explained in cultural terms.

The problems sought to be described by SI typically seek explanations to why organizations take on specific sets of institutional forms, procedures or symbols by emphasizing how these are diffused through organizations or across nations through three features (Hall & Taylor, 1996):

First, institutions are defined broadly in order to include more than just rules and produces, since both symbols, morals and cognitive scripts also define what an institution consists of, in order to see institutions and culture as being mutual dependent (Hall & Taylor, 1996). Second, SI rests upon
the ‘cognitive dimension’ of institutional impact in which institutions influence behavior, thus neglecting the strategic calculations of individuals seen at RI. Instead SI sees individuals as simultaneously constituting themselves as social actors through meaningful acts, and thus broadens the concept of ‘rational actions’ (Hall & Taylor, 1996). Third, SI takes a distinctive approach to explaining how institutional practices originate and change by arguing that organizations adopt new institutional practices, not because it advances the rational efficiency of the organization but due to the enhancement of the social legitimacy of the organization or its participants (Hall & Taylor, 1996). When combining these features, SI can be summed up to the idea of rejecting pure rational behavior by individuals, where it instead seeks to remove barriers between institutions and cultural norms.

If we were to use a SI-approach for the purpose of this thesis, we would consequently put emphasis on the institutional forms and procedures used by both the political actors and the SOEs in order to explain why and how privatization in Denmark has developed. The strategic calculations by change agents would be neglected, as the social legitimacy and culture of the SOEs would be the main focus of the analysis. Further, the institutional forms, procedures and symbols specific to the Danish political environment would have to be analyzed comparatively in the context of international political economy.

4.3 Pitfalls within RI & SI when assessing privatization of SOEs
The two previous sections have described RI and SI, and drawn up the main features characterizing the two schools within NI. What seems to be shared among the strings within NI is the focus on institutions and the way they interact and affect society. Institutions are in this context defined as formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy (Hall & Taylor, 1996) – or put more simply as “rules” important for politics due to their significance when shaping given decisions and strategic behaviors (Steinmo, 2008).

Despite the overall focus on institutions as vital in the shaping of decision and behaviors, the groups within NI differ when it comes to the view of human beings. Where RI sees human as self-interested rational actors, and SI sees humans as norm abiding rule followers, HI stands between and perceive humans as a combination of the two (Steinmo, 2008). As can be implied by the
epistemological foundation of RI, a great emphasis is put on the role of strategic interaction in the determination of political outcomes, indicating that actor’s behavior is not driven by historical forces but by a strategic calculus (Hall & Taylor, 1996). On the other hand, as will be described in the following section, HI does not believe humans to be simple rule followers or strategic actors seeking to maximize their own interest, but seeks to a larger extent to clarify why certain choices were made and why certain outcomes occurred.

When turning to SI, cultural norms and settings are emphasized more than seen at RI. However, one particular problem arise at SI for the purpose of this thesis, when it comes to explaining how institutions originate and change. SI tends to focus attention on the processes whereby those developing new institutions ‘borrow’ from the existing world of institutional templates, which in some cases make SI too focused on macro-level processes that “the actors involved in these processes seem to drop from sight and the result begins to look like ‘action without agents.’” (Hall & Taylor, 1996, p. 21). As this thesis aims at investigating the issue of privatizations of Danish SOEs by looking at the importance of existing institutional templates to processes of institutional creation and reform, SI would simply not be able to grasp the importance of all the various actors involved in the process.

Consequently, RI and SI respectively serve as great starting points but have shown not to be fully compliable for the purpose of this thesis. In the following sections, HI will instead be accounted for and build upon in order to present a feasible theoretical background for the analysis.

4.4 Historical Institutionalism
This section provides a more in-depth understanding of key definitions, characteristics and debates within classical conception of Historical Institutionalism (HI). This includes accounting for the importance of history and institutions, Varieties of Capitalism, path dependence, critical junctures and gradual institutional change, in order to present the theoretical foundation for the first and second part of our analytical framework.
4.4.1 History and institutions matter for privatization
In essence, HI suggests that history and institutions play vital roles in social sciences and matters to events, decisions of outcomes and the future of the institutions. This notion is vital to keep in mind, as the following analysis of Danish privatization policy will be centered on those primary factors.

According to Steinmo (2008), there are three fundamental reasons why history matters to HI scholars. First, political events always occur in a historical context which directly impacts these events and related decisions. In other words, how political events unfold depends on when they take place. This also points to the second reason why history matters: Actors’ ability to learn from past experience. While actors are institutionally constrained by their social, political economic and cultural contexts, policy choices at one point in time affect policy choices at a later point in time (Steinmo, 2008). Third, expectations for future outcomes are shaped and influenced by the past. In sum, this view of history within HI entails that we must take time seriously, as history is not simply a sequence of independent events occurring at random. Thus, scholars must weigh historical factors by tracing transformations and processes of varying scale and temporality (Pierson & Skocpol, 2001).

Central to HI is analyzing and understanding institutions in order to address the big and substantive questions that are of interest to both the public as well as fellow scholars (Pierson & Skocpol, 2001). However, the definition of this essential term is not fully agreed upon and spurs some controversy among HI scholars (Steinmo, Thelen & Longstreth, 1992). As accounted for in the preceding sections, the old institutionalist approach puts formal organizations at the center of the analysis, whereas HI scholars in general agree that the definition of institutions must extend beyond formalized institutions. Steinmo (2008) simply defines institutions as “rules” (p. 159), while Streeck & Thelen (2005) offers a bit more elaboration by defining institutions as “formalized rules that may be enforced by calling upon a third party” (Streeck & Thelen, p. 10). However, this thesis will be aligned with Campbell (2004) who provides a thorough definition of institutions and their general role in society:

“Institutions are the foundation of social life. They consist of formal and informal rules, monitoring and enforcement mechanisms, and systems of meaning that define the context within which individuals, corporations, labor unions, nation-states, and other organizations operate and interact
with each other. Institutions are settlements born from struggle and bargaining. They reflect the resources and power of those who made them and, in turn, affect the distribution of resources and power in society. Once created, institutions are powerful external forces that help determine how people make sense of their world and act in it. They channel and regulate conflict and thus ensure stability in society.” (Campbell, 2004, p. 13)

Thus, rules are the common element across the various definitions of institutions. Institutions govern behavior in the sense that they help people perceive how the world works and their role in it. In other words, institutions can both constrain agential room for maneuver but also enable actors to take action (Steinmo, 2008). This relationship between institutions and actions is important to grasp. As described in the last section, New Institutionalism entails strings where the models focus on how institutions reduce uncertainty by helping individuals to strategically predict the behavior and actions of others and in that way affect the individual’s own behavior, and where institutions on the other hand serve as moral compasses and filters for interpretation that actors employ to understand a given situation (Hall & Taylor, 1996). HI is eclectic to these explanations and attempt to combine the two rather than selecting one over the other. Consequently, both actions and institutions matter, and will both be considered when developing a model for studying privatization of SOEs in Denmark from 1998-2015.

HI further assumes the position that in policy-making, institutional factors help shape the goals of political actors and how power relations are situated, making some actors more powerful than others (Steinmo et al, 1992). For example, overseeing budgets and providing analysis of performance of SOEs in Denmark is the responsibility of the Ministry of Finance. Each year the Ministry of Finance publishes a report called Statens Selskaber which summarizes developments of each Danish SOE, outlining their economic performance during the past year and future outlook (Finansministeriet, 2015a). This suggests that reporting on SOEs in Denmark has been institutionalized as a task of the Ministry of Finance. That makes Ministry of Finance a powerful actor concerning privatization of SOEs simply due to the knowledge it possesses. Likewise, because knowledge of SOEs is institutionalized in the Ministry of Finance, other actors may be constrained from influencing the privatization of SOEs. This serves as an example of how processes become institutionalized – the role of Ministry of Finance and other actors will be discussed more in-depth later in this thesis.
4.4.2 Varieties of Capitalism
HI should be understood as an approach to studying politics – not a specific method or theory (Steinmo, 2008). Some of the theoretical frameworks that have spawned from HI principles are different approaches to analyzing developments of the modern welfare state. One of the most widely acknowledged is the Varieties of Capitalism (VoC) framework.

In social sciences, there has been a tradition for distinguishing between different types of capitalism and, consequently, categorizing nation states. Throughout the Cold War, the world was divided in a First, Second and Third World typology separating Western countries, Communist states and developing countries (Caramani, 2008). As welfare states evolved, so did the typologies. In 1990, Esping-Andersen publicized his famous framework dividing countries into three categories: Social Democratic, Liberal and Conservative. This approach later inspired Hall and Soskice to develop their VoC approach (Caramani, 2008).

The VoC framework aims at understanding similarities and differences among developed economies (Hall & Soskice, 2001). The VoC framework divides capitalist countries in two categories: Liberal market economies (LME) and coordinated market economies (CME) based on a number of factors. Among other things, LMEs are typically characterized by having low employment protection ensuring high workforce mobility, high levels of stock market capitalization and low degree of unionization (Caramani, 2008). Examples of LMEs are the UK and the US. CMEs, on the other hand, usually have high employment protection, stable shareholding practices and strong unions (Caramani, 2008). Scandinavian countries and Germany are examples of CMEs.

In contrast to other welfare state theoretical frameworks, VoC puts much emphasis on the importance of private enterprises in the political economy. In a world where capitalism dominates, VoC views firms as particularly important because they drive technological change. In addition, their ability to compete internationally greatly affects overall economic performance (Hall & Soskice, 2001). It is how private companies operate and their environment that determines whether a country is an LME or CME. This is based on spheres where the firm must develop relationships to overcome coordination problems in the institutional context they are situated in. The element of ‘institutional context’ is crucial to point out. While the VoC framework is ‘actor-centered’ according to Hall and Soskice (2001), they make the case for an institutional view of
international political economy which corresponds with HI: “...it is unrealistic to regard the overarching institutional structures of the political economy, and especially those coordinating the endeavors of many actors (such as markets, institutional networks, and the organizations supporting collaborative endeavor), as constructs created or controlled by a particular firm” (Hall & Soskice, 2001, p. 16). Thus, even though companies play a vital role in the VoC framework, it is important to understand the institutional setting.

The five core spheres of VoC and some of the key characteristics of each are listed in the table below.

<table>
<thead>
<tr>
<th>Sphere</th>
<th>Key question</th>
<th>LME</th>
<th>CME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial relations</td>
<td>How is bargaining over wages and working conditions organized?</td>
<td>Company-based bargaining Low unionization</td>
<td>Co-ordination of wages High unionization</td>
</tr>
<tr>
<td>Vocational training and education</td>
<td>How are adequate skills of the workforce ensured to keep the firm competitive?</td>
<td>Limited vocational training Low connection between higher education and industry</td>
<td>Firms providers of vocational training (apprenticeships) High connection between higher education and industry</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>How do firms raise capital to fund investments?</td>
<td>High stock market capitalization Financial markets deregulated</td>
<td>Banks central loan-givers Financial markets regulated</td>
</tr>
<tr>
<td>Inter-firm relations</td>
<td>How is the relationship with competitors and suppliers?</td>
<td>Competitive Strong anti-collusion competition laws</td>
<td>Consensus-based Strong business associations</td>
</tr>
<tr>
<td>Employees</td>
<td>How are firms structured internally?</td>
<td>Top managers with high decision-powers High job mobility</td>
<td>Top managers must agree with employee representatives Longer job tenure</td>
</tr>
</tbody>
</table>

**FIGURE 4.1: Five spheres of Varieties of Capitalism (adapted from Hall & Soskice, 2001, pp. 7-9)**

Often the VoC-framework is used when comparing different countries, e.g. one LME and one CME, to identify differences and competitive advantages. However, it has also caught scholarly attention whether one country can change over time, i.e. whether a CME can become a LME or vice versa. Denmark has been repeatedly mentioned in this debate as some scholars argue that the country is

Due to the VoC-framework’s significant role in contemporary international business and politics studies, considerations about the framework will be included in the discussion section of this thesis. Specifically, the findings from the analyses will be considered in light of the ongoing debate of Denmark as a potential hybrid. The objective is not to determine whether the Danish economy is becoming a hybrid as that would be impossible given the narrow focus of this thesis on privatization of SOEs. Rather, the objective will be to consider if and how findings from the analyses can contribute to the debate.

Before reaching that point, though, the analytical framework of the thesis is presented in the following sections. Particularly, attention is drawn to of understanding exogenous and endogenous institutional change within HI.

### 4.4.3 Path dependence and critical junctures

On the basis of HI’s understanding of history and institutions, scholars have traditionally relied on two key concepts: Path dependence and critical junctures. These concepts point to important characteristics of institutions and offer an understanding of how institutions change as a result of exogenous factors.

The first and most dominant key concept to HI scholars is path dependence, which refers to the “dynamics of self-reinforcing or positive feedback processes in a political systems – what economists call ‘increasing returns’” (Pierson & Skocpol, 2001, p. 6). The concept of path dependence thus seeks to explain how future decisions will be limited by the decisions made in the past, even though past circumstances may no longer be relevant in the specific context. What happened at an earlier point in time will, in other words, affect the possible outcomes of a sequence of events occurring at a later point in time (Pierson, 2000). This implies ‘stickiness’ of political processes and decisions; if solution A has proven viable when solving problem A, it will likely be employed to solve problem B as well. For example, if privatization through selling public
assets to private equity funds have proven useful in the past, it is likely to be considered a viable solution in the future. In many ways, path dependence is an operationalized version of the role of history within the HI approach.

The second concept, critical junctures, is closely related to path dependence. The concept was first put to use by Stephen Krasner who argued for the well-established ‘punctuated equilibrium model’ (Steinmo et al, 1992; Steinmo, 2008). According to Krasner (1984), “once institutions are in place they can assume a life of their own, extracting societal resources, socializing individuals, and even altering the basic nature of civil society itself” (p. 240). Thus, institutions are very sustainable in equilibrium and difficult to change.

The equilibrium can be punctuated by exogenous shocks in the shape of crises that extend beyond the control of established institutions. Historical examples of such crises include the Great Depression and World War II (Krasner, 1984). As mentioned previously in this thesis, a significant rise in the number of SOEs occurred after these crucial events. The crises represent critical junctures – moments where substantial institutional change can take place. At a critical juncture, branching points are created from which the historical development moves onto new and different paths, i.e. creating a new institutional setting (Hall & Taylor, 1996). The critical junctures thus allow space of opportunities, where the development can go different ways. The existing institutions no longer works, and new choices and development are now available. At this point, the range of possibilities allows what HI scholars denote as "institutional innovation" (Greve, 2010).

After the future path is chosen, the institutions "freeze" and develop further in a specific new direction. This direction is then embedded in formal and informal regulation that strengthens the agential behavior and sets the framework. Thereby the development is ‘locked in’ (Steinmo, 2008; Pierson, 2000), and the outcomes at critical junctures trigger feedback mechanisms that reinforce the recurrence of a particular pattern into the future (Pierson & Skocpol, 2001). An example of this could be the Danish Ministry of Finance’s focus on economic efficiency, which has been continually communicated and thus gradually embedded in the mindset of Danish municipalities and regions (Greve, 2010).
While Krasner’s punctuated equilibrium model is recognized among institutionalists (Steinmo, 2008), it has also been met with criticism. Critics argue that the model does not provide a complete understanding of institutional change. First, solely making institutional change a result of exogenous shocks leaves no space for agency (Steinmo, 2008). This is incompatible with the relationship between action and institutions that was outlined previously. Second, the punctuated equilibrium model implicitly suggests a binary relationship that institutions can be used to explain everything – until they cannot explain anything at a time of crisis (Steinmo et al, 1992). Finally, Krasner’s model pertains that critical junctures represent a window of opportunity for building new institutions. However, as pointed out previously, institutions are moulded by the past and are thus never constructed entirely from scratch (Pierson & Skocpol 2001; Steinmo et al, 1992). These points of criticism have all led to discussions of how to build upon the existing frameworks within HI, where especially ideational frameworks and concepts of gradual changes have contributed to the debates.

4.4.4 Theoretical debates: The role of ideas

According to Steinmo (2008), two main intellectual agendas exist within contemporary HI: how to better account for the mechanisms of gradual institutional change and how the concept of ideas influences politics and history. The first of these will be elaborated on in the next section and integrated with the analytical framework of this thesis. However, the intellectual agenda surrounding the concept of ideas will only briefly be mentioned in this section, as the concept of ideas does not play a prominent role in this thesis’ theoretical framework. Considering that it is one of the two contemporary agendas within HI, it does, however, seem appropriate to touch on the concept, and explain why it is not explicitly included in the analytical framework.

Ideational scholars such as Mark Blyth and John Campbell have long argued that ideas are crucial because they “can actually alter people’s conception of their own self-interest” (Blyth, 2002, p. vii). This implies that – corresponding with the cultural approach accounted for earlier – people’s understanding of how institutions work impacts their behavior. In essence, “ideas are creative solutions to collective action problems” (Steinmo, 2008, p. 170). Thus, ideas can be seen as actors’ attempt of driving institutional change by defining an issue and in turn defining its solution (Steinmo, 20008). In other words, ideas can serve similar functions as institutions in that they too
prescribe ‘rules’ to actors. There are different approaches to operationalizing the somewhat abstract concept of ideas. One of the more renowned is Campbell’s categorization of ideas. Campbell’s typology has been adopted for analysis in an HI context before, for instance by Greve (2012) who shed light on public reform policy in Denmark during the 2000s. Campbell distinguishes between foreground/background and cognitive/normative ideas and is then able to identify four types of ideas: Programs, frames, paradigms and public sentiment\(^3\) (Campbell, 2004).

While the scholarly attention to ideas within HI has increased, the concept has also been met with several valid points of criticism. First, ideas can be deemed as a theoretical outlier within social science analysis as it is given virtually no attention in most social science analysis today (Steinmo, 2008). This is supported by the fact that many prominent HI scholars, e.g. Paul Pierson and Kathleen Thelen mostly ignore the concept and work with other approaches to explain institutional change. Second, in the literature the definitions of ideas are often vague and may seem confusing (Campbell, 2004). Scholars disagree on what constitutes an idea and how to categorize ideas. Third, it is not always clear which actors have which ideas and how the relationship between actors and ideas is in general (Campbell, 2004). Fourth, it is unclear and problematic to identify at what point in the process of institutional change that an idea affects the political process.

In sum, even though the concept of idea is intriguing and potentially offers some insights into the mechanism of institutional change, the abovementioned issues with the concept raise serious questions to its applicability at this point in time. We thus find that the concept is not developed or mature enough to be juxtaposed with traditional HI when addressing our research question of why and how privatization of Danish SOEs has developed. In order to further develop the theoretical framework, we will look elsewhere, and for this reason, the next section will introduce the concept of gradual change.

4.5 Concept of gradual changes in advanced political economies
As accounted for, the criticism of Krasner’s punctuated equilibrium model has led HI scholars to explore other ways in which different political institutions are adapting or evolving. An important contribution in this respect was made by Streeck and Thelen (2005) in their book ‘Beyond

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\(^3\) Please see Appendix B for a more thorough review of Campbell’s typology of ideas.
Continuity’. Streeck and Thelen were, through historically analyses, able to identify common patterns of institutional changes that highlight the imperfection of reforms in creating markets and reforming SOEs leaving room for actors to change institutions (Streeck & Thelen, 2005). Consequently, five different types of gradual institutional change were defined: displacement, layering, drift, conversion and exhaustion (Streeck & Thelen, 2005).

For the purpose of building a theoretical model able to explain institutional change as also being gradual and transformational by emerging from inside the institutions, the framework presented by Streeck and Thelen will be applied. For this reason, the following sections will briefly introduce the concept of gradual change as well as the five different ways in which Streeck and Thelen consider gradual institutional change to unfold.

4.5.1 Institutional change and social regimes

The starting point for Streeck and Thelen is that most theoretical frameworks employed in the analysis of welfare states in contemporary political economy are ill-equipped to capture the significant developments surrounding them, thus lacking the analytic tools necessary to capture changes (Streeck & Thelen, 2005).

The main issue in this context is the punctuated equilibrium model as it lacks the capabilities of analyzing gradual institutional change in social science by only focusing on external factors. What Streeck and Thelen believes to be the case is that internal factors also lead to changes “through the accumulation of small, often seemingly insignificant adjustments” (Streeck & Thelen, 2005, p. 8), and in order to take account of this, a model that distinguish between processes of change and results had to be made. Streeck and Thelen thus believe to present theoretical understandings of institutional change, in particular the relationship between continuity and discontinuity, and between incremental and fundamental change. In order words the addition of the concept of gradual change brings a vital contribution to existing HI-frameworks, when seeking explanations to how certain changes occur.

A key notion in the framework by Streeck and Thelen is their definition of institutions as being building blocks of social order, meaning that “they represent socially sanctioned, that is, collectively enforced expectations with respect to the behavior of specific categories of actors or to
the performance of certain activities” (Streeck & Thelen, 2005, p. 9). This point of departure can in many ways be seen as an eclectic framework combining RI and HI, however, a key difference lies in Streeck and Thelen’s understanding of institutions as conditioners and “social regimes” (Streeck & Thelen, 2005).

By regime, Streeck and Thelen define institutions as set of rules stipulating expected behavior and ‘ruling out’ behavior deemed to be undesirable. The regimes involve both rule makers and rule takers, who are often in conflict and competition, and where the relations and interactions between the two are crucial for the content and the evolution of the regime (Streeck & Thelen, 2005). These main properties of institutions as regimes are depicted in figure 4.2.

By considering institutions as regimes, attention is directed to important sources of institutional change, which gives several advantages for the purpose of analyzing privatization of Danish SOEs. Besides turning institutions into observable social relations between identifiable actors, Streeck and Thelen also enable a way of looking at institutions as both objects and determinants of behavior in social regimes (Streeck & Thelen, 2005).

This is a key factor to the analytical framework presented later on in this thesis, as it makes it possible to view privatization of Danish SOEs as the institution analyzed as being both the object and the determinant of the behavior within the social regime. Concluding on this perspective, one might say that the most vital aspect of Streeck and Thelen’s framework is the ability to see institutions in a way that allows for agency with the rules of social regimes.

The way in which the institutions change, especially the conditions and mechanisms behind, is the most important factor in Streeck and Thelen’s framework, whereas motivation for actors to behave in certain ways is less of a concern. Based on the definition of institutions as social regimes
4.5.2 Different types of gradual change
The five different ways of institutional change all focus on the how meanings and functions are gradually changed in institutions, and how the different actors surrounding the institutions switch their logic when it comes to the transformation of institutions (Streeck & Thelen, 2005). However, the way in which these processes occur vary in accordance with the way in which the institutions change, which according to Streeck and Thelen can be divided into the following five categories:

**Displacement**
According to Streeck and Thelen, one way in which changes can occur is through a process of displacement. Displacement happens as new models emerge and diffuse which call into question existing, previously taken-for-granted organizational forms and practices (DiMaggio & Powell, 1991). The process can take place either due to latent subsidiary ways of action by for instance reactivating old institutions, or emerge as a consequence of foreign institutional practices. As such, an institutional transformation might take place and happen gradually by defecting from practices and instead displace them with new institutional practices (Streeck & Thelen, 2005). The process of displacement is in other words when new institutions are tired out from inside by strategic actors that endogenously tries to replace old institutions with new ones through the mechanism of defection (Streeck & Thelen, 2005).

**Layering**
Layering is basically when new institutional elements are added onto existing institutions, when the institution in itself is unchangeable. This form of change stems from differential growth of different types of institutions, where old rule of institutions may be complemented and over time replaced by new practices through the mechanism of differential growth (Streeck & Thelen, 2005). Thus, this type of institutional change does not formally change the institution as such, but entails that the for instance amendments of existing rules gradually alters the role and function of the institution. This implies that institutional change is often supported by actors within the particular
institution and not a result of pressure from outside actors (Mahoney & Thelen, 2010). Layering often takes place in political environments where displacement is not an option due to strong veto possibilities of the political opposition. The strong veto possibilities make it difficult for proponents of change to gather enough support to fully displace an institution (Mahoney & Thelen, 2010).

**Drift**
The third type of gradual institutional change is known as *drift*, and refers to when an institution is not renegotiated, but keeps its formal integrity, however still drifting away from the original intentions. This process is usually the consequence of changes in external conditions, where the actors within the social regime deliberately neglect to maintain the relevance of the institutions, whereby they lose their support from third parties and become illegitimate (Streeck & Thelen, 2005).

**Conversion**
Conversion presents an alternative response to gradual changes and stems, like seen in drift, from changes in external conditions. However, conversion is about redeploying old institutions to new purposes by attaching the purposes to the existing structures (Streeck & Thelen, 2005) instead of neglecting the institutional maintenance. As such, conversion can basically be described as redirecting formal institutions towards new goals through the mechanism of reinterpretation.

**Exhaustion**
Exhaustion is the fifth type of gradual change, and can basically be described as a process where an institution is breaking down gradually due to time, often happening internally. Exhaustion thereby stems from when institutions set in motions various “*dynamics that sow the seeds of their own destruction*” (Streeck & Thelen, p. 29). This withering away from the institutions over time happens through the mechanism of depletion.
In sum the framework assists in providing a ways to analyze gradual changes in the SOEs, where the changes are emerged from moving structures that not necessarily are in perfect equilibrium. Furthermore, the framework presents a somewhat more complex explanation to changes than seen in classical HI by opening op agency through the concept of social regimes.

4.5.3 Additional elements: Explaining modes of institutional change
In 2010, Mahoney and Thelen expanded the framework for gradual change and introduced various explanatory factors for the different modes of gradual change namely the political context and the institutional characteristics of the institution in question. By doing this, the authors added to the understanding of the circumstances under which each individual type of gradual change thrives (Mahoney & Thelen, 2010). In addition, the expansion of the framework made the role of agents and how they operate in different environments much clearer.

The political context indicates how resilient the political landscape is to change of rules, namely through measuring the capabilities of the actors supporting the status quo. In other words, how can influential actors hinder a change from happening? This is determined by these actors’ “veto capabilities regarding both changes in the (formal and informal) rules themselves and changes in the rules’ enactment in practice” (Mahoney & Thelen, 2010, p. 19). Thus, this aspect touches on the ability of opponents of the privatization policy in Denmark between 1988 and 2015 to reverse or stop the change that this fostered, i.e. shift from public to private ownership of SOEs.
‘Institutional characteristics’ is a second factor to take into account when determining the type of gradual change. More specifically, this factor concerns whether the meaning of rules is up for interpretation and variation in enforcement (Mahoney & Thelen, 2010). The more the rules or enforcement mechanisms are unclear, the more likely it is that actors have the opportunity to influence how other stakeholders understand them. Mahoney & Thelen (2010) denote this as the level of the discretion in interpretation and enforcement, in essence, the actors’ ability of acting in their own authority and judgment.

The role of actors has been a prevailing issue for HI scholars who have not been able to come up with a satisfactory framework for understanding how people affect institutional change (Steinmo, 2008). Mahoney and Thelen’s (2010) updated framework seeks to accommodate this issue in their classification of actors as change agents whose behavior leads to institutional transformation. Four types of change agents can be defined based on their desire to preserve the institutional rules in place and to what extent they follow the rules (Mahoney & Thelen, 2010). Insurrectionaries support institutional change and may seek to overturn institutions rapidly when they get the chance – not necessarily by following the rules. Symbionts, on the other hand, wish to maintain the institutional status quo as they thrive on institutions that they did not themselves create. They come in two forms: parasitics who go against the spirit of the institution for their own gain which may lead to institutional drift, and mutualistics who support the institution as it was intended and thereby strengthens the sturdiness of it. Subversives support institutional change but work from within and follow the established rules. They might appear to be supporters of the institutional status quo, but will promote new rules on the edges current ones. Lastly, opportunists have no preference for change or the status quo as such but will support whichever development that they will gain from – without risking decline of their own influence.

The four types of change agents are summarized in the table below:
The political context, institutional characteristics and change agents are directly connected to the types of gradual change that Streeck and Thelen defined earlier as these elements indicate what type of gradual change is most likely to occur. It is important to note that this is not black and white – a particular type of change agent or set of institutional characteristics do not dictate what type of gradual change is at play. Rather, the role of the institutional environment should be considered from setting to setting (Mahoney & Thelen, 2010).

In sum, Mahoney and Thelen’s explanatory factors contribute to the overall understanding of gradual change. The explanatory factors and their affiliated type of gradual change are summarized in the figure below:

<table>
<thead>
<tr>
<th>Type of change agent</th>
<th>Wants to preserve institutional status quo</th>
<th>Follows the established rules of the institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurrectionaries</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Symbionts</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Subversives</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Opportunists</td>
<td>Yes and No</td>
<td>Yes and No</td>
</tr>
</tbody>
</table>
This concludes the introduction to theory used in this thesis that relies on classical HI, i.e. the works of Krasner (1984) and Pierson (2000), as well as concepts of gradual change identified by Streeck and Thelen (2005) and Mahoney and Thelen (2010). Thus, we are now able to build the analytical framework which will account for the specific use of theories in the analyses in the next section. Later in the thesis, Pierson and Skocpol’s (2001) VoC framework will be applied in the discussion of the Danish political economy.

4.6 Building an analytical framework

This section is set to briefly present the structure for the analysis by presenting how the theory will be used to answer the research question at hand. The analysis will be divided into two parts, where each will take its stance through the frameworks presented.

Until this point, the theoretical section of this thesis has explored different ways of understanding institutions and in particular institutional change. Several analytical concepts have been introduced including path dependence, critical junctures as well as Streeck and Thelen’s types of gradual change and Thelen and Mahony’s explanations of the modes of institutional change. While these could be seen as opposing explanations for institutional change, they can also be viewed as complementary elements that combined provide a more complete toolbox for fully understanding the institutional change in the context of privatizations of Danish SOEs.

The approach of combining different analytical tools is widespread within the HI tradition (Steinmo, 2008; Greve, 2012), and points back to an essential point made earlier: HI should be understood as a general approach to studying politics, rather than a specific theory. For this reason, we will develop a framework for answering the specific research question of this thesis. By dividing our analysis into two sub analysis, taking their point of departure in HI and gradual institutional changes respectively, the forthcoming analysis will shed light on how the cases of CPH Airport, Tele Danmark and DONG Energy can be explained in different ways within the HI-tradition. Drawing on the main theoretical concepts outlined in this section, we can therefore now derive the analytical framework for understanding why and how privatization of SOEs in Denmark has evolved.
4.6.1 Framework for first analysis

The first section of the analytical framework is based on reviewing the fundamental features of HI: The understanding of history and institutions in the context of privatization of Danish SOEs. This part of the analysis will in other words circle around the traditional ways of understanding institutional change, namely through path dependence and critical junctures caused by exogenous shocks.

These concepts will help us to understand the development CPH Airport, Tele Danmark and DONG Energy over time. This is achieved by tracing different steps of the privatization process and mapping out points in time where significant developments have taken place. In other words, this part of the analysis will provide a necessary basic understanding of the historical context of privatization of CPH Airport, Tele Danmark and DONG Energy, and provide argumentation for why privatization has evolved in Denmark by drawing on classical HI as well as looking on who have been the major actors in the process. The main intention of the first sub analysis is thus to conceptualize privatizations in Denmark through HI-theory, one case at the time.

The analysis will take its departure on a selection of concrete observations from empirical evidence, which will assist in building a timeline for the processes for each for the cases. The main contributors to the building of the timelines will be official documents and reports from institutional actors as well as governmental officials. In this way, the sub analysis is set to shed light on how the regulatory and governance set-up between the state and the SOEs has developed in terms of privatizations in a historical institutional perspective.

4.6.2 Framework for second analysis

The second part of the analysis brings focus to how gradual institutional changes occur in accordance with the theoretical approach by Streeck and Thelen (2005). By analyzing institutions as social regimes in which it is the continuous interaction in the relations between rule makers and rule takers that creates interpretation of the regime, this part of the analysis will view how gradual institutional changes have occurred in the cases of CPH Airport, Tele Danmark DONG Energy. The cases will then be analyzed through the most relevant of the different types of gradual change: displacement, layering, conversion, drift or exhaustion.
In order for us to define the type most suitable for type of change in respect to privatization of Danish SOEs, we will, however, use Thelen and Mahony’s (2010) extended framework for explaining the modes of gradual change. The point of departure of the second analysis will consequently be to identify the political context, the institutional characteristics and the relevant change agents in order to identify the most suitable way of described the gradual changes of privatization of Danish SOEs. By identifying the most suitable process and using the framework by Streeck and Thelen, we are thereby allowed to analyze how main actors in the privatization process of CPH Airport, Tele Danmark and DONG Energy have been enabled and constrained by political ideas and conceptions, as well as determining how privatization of Danish SOEs has evolved.

In essence, this section of the analysis seeks to reflect on how the empirical evidence from the three cases indicates a transformation of privatization policy of the Danish SOEs. Furthermore, this part of the analysis seeks to identify which type of change has been in effect, and what it means for privatizations of Danish SOEs. Opposite to the first analysis, this analysis is designed to identify specific changes, and thereby analyze how privatization can be seen in light of context of change. As the contexts of the SOEs will be looked upon from a different angle, the role of these will naturally be revised, thus providing a different explanation as to how changes in the institutional settings unfold. Following from this, the insights from the first analysis will be reflected upon and thus contribute to a different understanding of how changes occur.

In sum, the two sub analyses must be seen to reflect the theoretical background they represent and the applicability of these, which will be analyzed through comparison in the final sub section of the analysis. In this way the final part of the analysis will seek to clarify the research question in hand, but at the same time lead to the discussion of the thesis by emphasizing the theoretical disagreements in the field of privatization of SOEs. The main objective with the theoretical grounded analytical framework is thus to provide valuable insight to why and how privatization of Danish SOEs has developed from 1988 to 2015.
5. Analysis
The relative broad definition of institutions assumed in this thesis only makes it more important to be clear about the institution at the center of the analysis. We focus on Danish privatization policy as an institution when answering the research question of why and how privatization of Danish SOEs has evolved. This means that the three selected cases in this thesis represent concrete examples which point to the general development of policy. This approach is similar to the one taken by Greve (2012) in his investigation of reform policy in Denmark in the 2000s.

The analysis section is divided in three parts. First, the empirical context for privatizations in Denmark will be summarized. Second, the first analysis follows, employing a classical HI approach that focuses on the historical context of the three cases. This analysis will mainly unveil why the Danish privatization policy has evolved the way it has, and who has influenced it. This will be achieved by determining the path dependence of the policy and identifying potential critical junctures throughout the timeframe from 1988 to 2015, e.g. whether the financial crisis was a critical juncture. Finally, the second analysis analyzes how the privatization policy has changed and who has affected it by applying the concepts and frameworks of gradual change.

5.1 The Danish context: Privatizations in Denmark
As seen in countries like Belgium, Greece and Ireland, the Danish government started the process of privatizing in the early 1990s. In the Nordic countries, however, the main motives for establishing SOEs in the first place have been structural, as companies have been located according to the needs, which the private sector would normally not take care of (Parker, 1998). Examples of these are GiroBank or Datacentralen A/S which were intended to reduce market concentration trough structure. As of December 31, 2014, the Danish state has 34 SOEs within various sectors⁴.

Following the trends of the development in Europe in the 1980s, different Danish governments started arguing that state ownership had a mission to promote economic development, and that the revenues generated by the SOEs would soon start to fall due to increased competition (Willner, 1998). The first significant policy proposal to privatize Danish SOEs came in 1988 as part

⁴ See Appendix C for overview of Danish SOEs, 31 December 2014
of the government’s 126-page *Action Plan for Debureaucratization*. The plan aimed at lowering public spending through a number of centralization initiatives affecting many parts of the public sector. These initiatives would in turn “simplify, streamline and debureaucratize” the Danish public sector (Statsministeriet, 1988, p. 1). Earlier attempts to initiate privatizations in Denmark had been rejected. For instance, in the early 1980s, Prime Minister Poul Schlüter famously literally put Finance Minister Henning Dyremose’s privatization reform plan in his desk drawer and made it clear that Denmark was not ready (Greve, 2000). For this reason, the *Action Plan for Debureaucratization* is significant: It marks the point in time where privatization became a viable policy in Danish politics.

After the election of a Social Democratic-led government in 1993, the government started to change the legal status of public enterprises to limited liability companies. In late 1993, the government and the Ministry of Finance released *The Dybkjær Report* which recommended that SOEs should be exposed to further competition and that private sector management practices should apply (Parker, 1998; Statsministeriet, 1993). With the direct sale of the Civil Servants Life Insurance in 1991 and the sale of the entire shares in the post office’s banking business, GiroBank, in 1993-1996, Denmark’s first large and full privatizations were realized.

During the 1990s, the Danish state privatized for a record high DKK 36 billion, with the sale of the telecommunication company Tele Danmark in 1997 being the largest contributor at DKK 31 billion.
Leading up to the sale of Tele Danmark, another process though also became vital to the privatizations in Denmark, when CPH Airports A/S got privatized through three rounds from 1994-2000, leaving the state’s shares at 39.2 percent. In total, 25 SOEs were privatized in the 1990s, which remains the largest number seen for a decade in Danish political history (Christoffersen & Paldam, 2002). Denmark thereby followed the tendency from the rest of Europe throughout the 1990s with major privatizations and an increased governmental focus on the issues through concrete policies and investigative reports.

When the political leadership shifted in 2001, many expected the newly elected Liberal/Conservative-government to continue and widen the efforts of privatizations. However, this expectation turned out to be incorrect, even though the VK-government started out with a few statements in terms of further privatizations of CPH Airport and the official intentions to privatize TV2 and DONG Energy. The government further decided to establish a working group with the participation of the Ministry of Finance and Ministry of Economic and Business Affairs to draw up guidelines for the practical exercise of state ownership and the state’s use of the corporate form. This resulted in the report *The State as Shareholder*, which shed light on some of the uncertainties about conditions and rules that apply when a state operates established limited companies (Finansministeriet, 2004b).

Both TV2 and DONG Energy were declared ready for sale by the VK-government, and political agreements were reached to privatize parts of them (Greve, 2010). Both of the projects were, however, later abandoned by the VK-government, which only notable privatization was when Post Danmark was partly privatized, as the state sold 25 percent of the shares to a British private equity fund. The state nevertheless had to buy the shares back in 2009, and combined with the nationalization of Roskilde Bank following the financial crisis, the expectations of VK-government market-based governance were not fulfilled.

Contrary to the VK-government, the newly elected center-left government in 2011 did not mention privatizations of SOEs in their government platform ‘Et Danmark der står sammen’ (Statsministeriet, 2011). The dramatic events following the private placement of DONG Energy, however, showed the importance of privatizations in a Danish political context with the resignation from government by the Socialistic People’s Party and the massive media coverage of
the events. In April 2015, the report *The State’s Ownership Policy* was released from the Ministry of Finance as an update to *The State as Shareholder* from 2004. With a new state ownership policy, a more active ownership exercise in relation to companies in the state portfolio was recommended, in line with the general trend in the corporate area both in Denmark and abroad (Finansministeriet, 2015b).

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<tbody>
<tr>
<td><strong>Company</strong></td>
<td>GiroBank</td>
<td>CPH Airport</td>
<td>TeleDanmark</td>
<td>Datacentralen</td>
<td>PostDanmark</td>
<td>DONG Energy</td>
</tr>
<tr>
<td><strong>Revenue, DKK (billions)</strong></td>
<td>1,456</td>
<td>2,77</td>
<td>31,886</td>
<td>0,46</td>
<td>1,443</td>
<td>11</td>
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<tr>
<td><strong>State share (before / after)</strong></td>
<td>100 / 0 %</td>
<td>100 / 39,2 %</td>
<td>100 / 0 %</td>
<td>100 / 0 %</td>
<td>100 / 0 %</td>
<td>81,2 / 60 %</td>
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<td><strong>Government</strong></td>
<td>SRC</td>
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**FIGURE 5.2: Major Danish privatizations** (adapted from Christoffersen, H., & Paldam, M., 2006, Finansministeriet, 2010 and Finansministeriet, 2015a)

Denmark has thus followed many of the general trends seen in Europe after starting the privatization process in the early 1990s. However, recent events have emphasized that the privatization processes have differed greatly both in terms of political actions and the reactions from the citizens, NGOs and policies surrounding the institutional framework.5

### 5.2 First analysis: Privatization of Danish SOEs through Historical Institutionalism

The first analysis will trace the privatization processes for the three selected cases, CPH Airport, Tele Danmark and DONG Energy. This is achieved by identifying important events and developments one case at the time. This exercise will provide us with an understanding of the privatization processes in a historical context that enables us to determine which paths and critical junctures exist in each case. Consequently, the first analysis contributes in answering the research question, as it – through the lenses of classical HI – argues why the privatization process in each case has evolved, and who has affected the development of the privatization policy.

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5 See Appendix D for an overview over privatizations of SOEs in Denmark, 1988-2015
A few key developments, which are shared among the cases, are important to highlight before diving into the individual cases. One of these is the shifting political leadership. Over the years, different coalition governments have driven the privatization agenda in Denmark forward. Four different prime ministers have headed even more Danish governments, which in the period have represented most of the major political parties.

During the time frame in question between 1988 and 2015, four major publications have as mentioned been released by the Danish Ministry of Finance or the Prime Minister’s Office: Action Plan for Debureaucratization in 1988, The Dybkjær Report in 1993, The State as Shareholder in 2004 and The State’s Ownership Policy in 2015. Among the several publications on the subject from the Ministry of Finance and the Prime Minister’s Office (Appendix A for full list), these four reports in particular stand out. The scope of the reports varies, but they all address the general Danish privatization policy and make lengthy recommendations on how specific SOEs should be organized in the future. In addition, the senders of each are public authorities with power to influence the political process. The individual analyses will rest on many different sources, but these four reports are recurring elements. They will therefore be included in the first general timeline along with the shifting coalition governments:

![Timeline of privatization policies and political shifts in government](image)

FIGURE 5.3: Timeline of privatization policies and political shifts in government
The four major publications are thus important for the privatization policy, while the changes of government on the timeline are important for understanding the general political landscape in Denmark. With these overall events in place, we will now dive into the analysis of the individual cases.

5.2.1 CPH Airport
The process surrounding the privatization of CPH airport was one of the earliest in the wave of privatization of Danish SOEs. In addition, the ownership structure of CPH Airport has changed several times which makes it a notable case; a stake in the airport was sold as a private placement, a stake of the airport was sold through an IPO and a stake of the airport is still owned by the Danish state today.

Prior to privatization
Traditionally, the Danish airport in Kastrup was operated by the state company Copenhagen Airports Authority (Københavns Lufthavnsvæsen ed.). The official opening of the state owned Copenhagen Airport took place in 1925, and it was not until the late 1980s that talks of privatization began. CPH Airport was among the first SOEs to be recommended for privatization by the government in 1988 in the Action Plan for Debureaucratization (Statsministeriet, 1988). The document did not disclose details in the plan but merely the government’s intention to privatize:

“It is proposed to convert KLV (CPH Airport Authority ed.) into a limited company. After a transitional period, shares in the company will be offered on the open market. The airport should remain subject to a number of traffic-regulating laws, etc. The freer position of the airport means that a number of conditions must be prepared and formulated as a framework for the pursuit of the airport’s business activities.” (Statsministeriet, 1988, p. 42).

Prior to the publication of the Action Plan for Debureaucratization, preparatory legal work was formed from within CPH Airport Authority and the various departments within the government, led by the Airport CEO Knud Heinesen. A committee consisting of Knud Heinesen, Office Chief of

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6 Please note that ‘change of government’ refers to changes in the political leadership (red vs. blue block). All changes of government have thus not been included.
the Ministry of Finance, Jess Mailund Mikkelsen and Henning Spangenberg, office chief from the Ministry of Traffic, was to develop a report on the future of the airport and describe pros and cons of the transformation to an A/S-company (Cortzen, 2000). The report recommended a privatization of CPH Airport, with reference to the successful British Airport Authority, which at the time was the only privately owned airport in the world. For Knud Heinesen, who prior to his position as CEO for CPH Airport served as Social Democratic Finance Minister, there was no doubt:

"Whether it should be a 100 % state owned limited company, a partly state/private company or fully private company, was considered to be a political decision. But I cannot hide my own opinion: I wanted a complete privatization" (Cortzen, 2000).

For the two Conservative ministers, Finance Minister Palle Simonsen and Traffic Minister, H.P. Clausen, the recommendations from the report fit like a glove for the preparations of the Action Plan for Debureaucratization, and behind the intentions to transform CPH Airport into an A/S-company was also a general desire to solve public sector issues on a commercial basis (Greve, 1996). The transformation of Copenhagen Airports was completed with the Copenhagen Airports Act (Lov om Københavns lufthavn ed.) where Copenhagen Airports Authority was converted to an A/S-company with the government as the sole shareholder in October 1990. Thus, CPH Airport is among the first examples of the trend in administrative policy in Denmark in the 1990s, where the political leadership transformed some of the old "dusty" state enterprises into "dynamic" state-owned companies (Greve, 1996).

The intention behind the conversion to a limited company was officially to run Copenhagen Airport A/S on a more commercial basis (Københavns Lufthavne, 2015). However, the conversion was also marked by a very specific factor, as the money generated from the conversion was part of a budget agreement between the then government and the Progress Party, where much of the debate was centered on whether the airport would be worse off or better financially by being an A/S-company. Even though critics claimed that the airport would be worse off, the Conservative Transport Minister, Knud Østergaard, convinced parliament that the airport’s business profile would be enhanced if the airport was allowed to seek out loans on the commercial loan market (Greve, 1996). Furthermore, the substantial capital expenditures in connection with the expansion of the airport lead to pressure on the government appropriations during the 1990s, and by making
the airport a public limited company, the company itself was to enter the commercial loan market and recoup the funds (Greve, 1996).

Even though the act was passed with a great majority in the parliament, it is worth mentioning that the two largest opposition parties – the Social Democrats and Socialistic People’s Party – voted against the act. At this point, both parties were large opponents of the Conservative government’s plans for debureaucratization and privatization, and feared for the fact that is was now an A/S-board how had the deciding votes instead of the Traffic Ministry and the parliament’s Financial Committee (Cortzen, 2000). The Copenhagen Airport Act also opened for the possibility of selling shares in the A/S-company at a later point in time, and the conversion became a part of a general modernization policy in relation to the public sector in the 1990s. However, the Traffic Minister still had the authority to intervene and provide directives, for example, related to safety issues (Greve, 1996). On October 1 1990, Copenhagen Airport A/S was officially established.

In the years that followed, management policy and privatization were continually on the political agenda, and several notes were produced in the years from 1990- 1992. It was, however, not until after the change in government in 1993 changes were made in the Danish administrative policy on the subject (Greve, 1996). In 1993, The Dybkjær Report was presented by former Social Liberal minister Lone Dybkjær and Permanent Secretary Anders Eldrup from the Ministry of Finance. The main point of the report was that company formations in the form of A/S-corporations, like seen with CPH Airport, are beneficial and should be seen as part of the renewal of the public sector (Finansministeriet, 1993). More specifically, the report underlines the key reasons for company formations as follows:

1. Greater freedom for maneuver and less political influence on competition
2. Enhanced efficiency and dynamics in accordance med EC-demands
3. Relief of state finances
4. Relieving Ministers from duties
5. Opportunities for strategic cooperation (Finansministeriet, 1993)

As such, The Dybkjær Report supported much of the argumentation behind the formation of CPH Airport A/S in 1990, and further concludes that “even though CPH Airport A/S I Denmark is seen as a monopoly practice, it experiences intensified competition (..) and must adjust for a realistic
adaptation to the future development of transport and aviation needs” (Finansministeriet, 1933, p. 45).

An important note to make is the influence of EC/EU-policies in this manner. The EC-demands had tightened with the agreement on the internal market in 1986, and with the new convergence demands of the Maastricht Treaty, government sought to finance their budgets in new alternative ways (Parker, 1998). In many ways, The Dybkjær Report must thus be seen as a prerequisite for events of 1994. After Copenhagen Airport A/S had been state-owned for more than three years, it was decided in February 1994 to reduce the government stake to 75 percent and to search for listing on the Copenhagen Stock Exchange (Københavns Lufthavne, 2015). The IPO took place in March 1994 and the shares were additionally listed on the Copenhagen Stock Exchange on April 11, 1994.

In the years that followed, the state continued the reorganization of CPH Airport. In 1996 the government sold another 24 percent of its shares and thereby reduced its stake to 51 percent, and the most recent sale of government shares occurred in 2000 when the Danish government sold another 17 percent of the shares. Like seen in 1996, the share capital was again increased by five million employee shares (Københavns Lufthavne, 2015).

Following privatization
In the beginning of the new century, privatization was still on the political agenda, when the newly elected Liberal/Conservative-government announced its plans to privatize both TV2 and DONG Energy in the government platform. Furthermore, the government initiated the process of formulating an updated version of the policy on SOEs and privatization in Denmark, which resulted in the report The State as Shareholder in 2004. The report clarifies standards for corporate governance for private companies, and list CPH Airport as an example of a “successful privatization” and “one of the most well driven airports in the world” (Finansministeriet, 2004b, p. 12).

In the chapter concerned with privatizations, the report states: “State privatizations provide opportunities to benefit from private investors active ownership. Private owners can provide business insight, return and unequivocal expectation that all decisions are made a commercial
This can be important for improving value creation in the company and a better match between the company production and what its customers want.” (Finansministeriet, 2004b, p. 229). Overall, the report presents a positive view on both the formation of A/S-companies as well as privatizations. The report also stresses the changes of CPH Airport and how its transformation into an A/S-company has played a significant role in the development that the company has gone through (Finansministeriet, 2004). First of all, the transformation meant that capital expenditures were no longer a part of the annual financial budgets and thus the political prioritization process. Instead, investments were now made by business investment criteria, which meant that investments could have longer life spans. According to the report, this made it possible to expand and modernize CPH Airport and make them one of “the best functioning airports in the world” (Finansministeriet, 2004, p. 61). Further, the Ministry of Finance stressed the fact the insertion of a professionally composed leadership and gradually reduced state ownership “have had a significant positive impact on the development of Copenhagen Airports A/S” (Finansministeriet, 2004b, p. 61.)

The Danish state's stake in the share capital in the period from 2000 gradually increased to 39.2% as a result of CPH Airport's acquisition of own shares (Københavns Lufthavne, 2015). Some points are, however, important when clarifying the development of CPH Airport as a partly privatized SOE. In 2004 it was decided on an extraordinary general meeting to cancel the statutory ownership limit, saying that the Danish state was the only shareholder allowed to own more than 10% of the company (Finansministeriet, 2004a). The proposal came from the state itself, as a series of judgments by the European Court of Justice has indicated that this type of ownership restrictions would not be in compliance with the EC-Treaty (Finansministeriet, 2004a).

Already a year after the new ownership rules was agreed upon, the Australian private equity fund and airport operator, Macquarie Airports, started to buy shares in CPH Airport in October 2005 (Finansministeriet, 2005). Macquarie Airports acquired shares corresponding to a total ownership of 52.4%, which made them new majority owners of the airport. Since then, Macquaire gradually increased their ownership, and in 2011 Macquarie Airports and Macquarie European Infrastructure Fund III owned 57.2% of CPH Airport (Finansministeriet, 2011). As such, Macquaire eventually gained substantial control over CPH Airport until July 2011 when the Canadian pension
fund, Ontario Teachers’ Pension Plan Board (OTPP) acquired 30.8% of the shares in CPH Airport, and is at this time still the majority owner of CPH Airport.

This section has shown the development in the privatization process of CPH Airport. Throughout the latest decades the issue of the ownership of CPH Airport has repeatedly come up in the political agenda, especially in connection to massive attention related to the private placement at DONG Energy in 2014. With multiple stakeholders, changing political attitudes and the general discussion of state owned infrastructure, the case of CPH Airport has thus present a valid point of the development of privatization policies in Denmark.

**Theoretical reflections in the case of CPH Airport**

The historical account of the development of CPH Airport has provided us with tools for concluding on the development of privatizations in Denmark through a HI-perspective. As shown in the timeline, some main events are crucial for the institutional development, when looking on the CPH Airport case:

**FIGURE 5.4: Timeline of CPH Airport privatization**

Drawing from the historical development, we are able to identify characteristics of privatization policy and offer an understanding of how it has changed through the scope of classical HI-theory:
**Critical junctures**

It seems valid to conclude that privatization policies in Denmark remained sustainable in equilibrium and thus difficult to change in the time leading up to the late 1980s. However, with the wave of privatization happening all over Europe, substantial institutional changes started to take place, especially due to two major events: The Thatcherite-movements and increasing EC/EU-requirements.

The Thatcher-government created branching points in the European landscape, from which the historical development moved onto new and different paths. In the case of Denmark and CPH Airport, this new institutional setting happened with the *Action Plan of Debureaucratization* in 1988. The existing institutions for SOEs did – in the eyes of the government – no longer work, and new choices for company formations were seen as available and liable. Drawing on Krasner (1984), the exogenous shock of the privatization wave thus caused for a shift in the privatization policy in Denmark, where the institution became embedded, assumed a life of its own and altered the basic nature of SOE and privatization policy.

Besides the influence from surrounding countries such as the UK, the influence of EC/EU-policies became vital and highly influenced the development. When the EC/EU-demands tightened and the convergence demands of the Maastricht Treaty came about, governments sought to finance their budgets in new alternative ways, thus directly influencing the Danish government to alter the privatization policy. The existing institutions did not work as intended, and with choices and opportunities being available (Hall & Taylor, 1996), the CPH Airport case confirms that EU-regulations served as a factor for the critical juncture in the early 90s.

The equilibrium seen in Danish policy through the 1980s was thus punctuated by exogenous shocks in the shape of especially the Thatcherite movement and EU-regulations, which extended beyond the control of established institution of privatization policy in Denmark. As described by Hall & Taylor (1996), the branching points got created from the historical development moves onto new and different paths and created a new institutional setting allowing space of opportunities for new policies within the area. Eventually where the development led to an "institutional innovation" (Greve, 2000), and became a landmark in the terms of privatizations and
company formations of SOEs, where the *Action Plan for Debureaucratization* set the future institutional framework and ‘locked it’ for the development of *The Dybkjær Report*.

**Path dependence**

The direction set by the *Action Plan for Debureaucratization* created dynamics of self-reinforcing processes in the political systems, and contributed to how the future decisions were naturally limited by the decisions made in the late 1980s. In this way the exogenous shocks and critical junctures set the policies of privatization on new track, whereas the *Action Plan for Debureaucratization* became the prerequisite of the political paths to be followed.

When looking on the path dependence following the privatization of CPH Airport, we see that the decision of implementing the *Action Plan for Debureaucratization* after 1988 set a new course, where the circumstances from the past were no longer relevant in the new context. The critical junctures from the Thatcher-government and increasing EC/EU-regulations thus affected the possible outcomes of privatizations occurring at later points in time (Pierson, 2000).

The historical account of the development at CPH Airport proves this point. A stickiness of political processes and decisions occurred quickly after the first experiences with company formations of SOEs, and 14 years after the transformation to an A/S-company, CPH Airport was still viewed as one of the most successful examples of privatizations of SOEs. As such, the case of CPH Airport is vital for the understanding of the political paths that followed, as the successful transformation and privatization proved how the process could be viewed as viable solutions for other SOEs in the future.

### 5.2.2 Tele Danmark

When discussing privatizations in recent Danish history, it is difficult to omit Tele Danmark due to its sheer size alone. At the time of privatization, Tele Danmark’s revenue was more than twice that of CPH Airport and DONG Energy combined. Looking beyond revenue streams, the privatization of Tele Danmark was significant because it not only included the SOE but also important physical infrastructure, i.e. the copper net that delivers internet to Danish households today (Jarlner, 2014). Further, the case is an example of complete privatization where the state’s ownership went
from 100% to 0% in very short time span of just a few years. Thus, Tele Danmark is an example of a privatization where the SOE – despite its size – underwent a very fast transition from public to private hands.

Prior to privatization
Traditionally, delivery of telecommunications to the Danish public was handled by the four SOEs, Kjøbenhavns Telefon-Aktieselskab, Jydsk Telefon, Fyns kommunale Telefonselskab and Tele Sønderjylland which ran as regional units (TDC, 2015). They were part of the Post & Telegrafvæsenet (Post & Telegraph Services, P&T) until 1987 where three of the four were established as formally independent SOEs. Tele Sønderjylland – the remaining SOE under the P&T-umbrella – was mentioned in the Action Plan for Debureaucratization where it was suggested that it too would be made independent (Statsministeriet, 1988). The argument for separating the regional telecommunications units from P&T was the same for all four: The emerging EU liberalization policies of the telecommunications industry meant that the four SOEs needed to operate more like private entities (Statsministeriet, 1988). One condition for the new competitive regional SOEs would be that employees would keep their wage and employment benefits that come from being a civil servant.

The Danish government had on several occasions urged the regional telecommunications companies to merge into one centralized telecommunications SOE. It was not until 1990 the state succeeded in this when the major political parties across the aisle of the Danish Parliament agreed to create Tele Danmark (Greve, 2000). In The Dybkjær Report from 1993, this move is – again – explained as a natural next step to accommodate future regulations from the EU that would liberalize the telecommunications market (Finansministeriet, 1993). Tele Danmark was created as an A/S-company to prepare the company for competition in the market which was still de facto a monopoly at this point in time. The Permanent Secretary (Departementchef) at the Ministry of Finance, Hans Würtzen, was appointed CEO of Tele Danmark and tasked with getting the organization ready to match the competition. From the very beginning it was the intention to reduce the state’s engagement in Tele Danmark to 51% of the shares, but there had been no set deadline prior to the release of the Dybkjær Report (Finansministeriet, 1993).
The expected pressure from the EU on member states to break monopolies and implement policies to enhance competition came through the early 1990s. The EU eventually set a definite deadline for liberalization of the telecommunications industry to January 1, 1998. With this deadline now official, the Danish government now aimed at fully privatizing Tele Danmark before 1998 in order to comply with the recommendations of the EU (Greve, 2000). This decision propelled the privatization process of Tele Danmark. In 1994, as announced previously, the Danish state’s ownership was reduced to 51% following a massive IPO in which more than 40.000 private investors acquired shares in Tele Danmark for DKK 19.3 billion (TDC, 2015). The effect of this was that Tele Danmark now had to take into account thousands of investors’ interests and not only the Danish state’s.

The altered ownership structure resulted in multiple internal strategic initiatives in Tele Danmark. In 1995, the four – still somewhat autonomous – regional subsidiaries in Tele Danmark were formally abolished and the organizational structure that is still in place today was implemented (TDC, 2015). In the same year, the privatization process of Tele Danmark gained further momentum, as the Ministry of Research publicized the report *Best and Cheapest through True Competition*. The report recognized the pressure from the EU, but mostly emphasized the benefits for the consumer if parliament would fully privatize Tele Danmark soon (Forskningsministeriet, 1995). As Research Minister Frank Jensen wrote in the introduction of the report: “*If we are to realize the objective about achieving better, broader and last not but not least cheaper access to telecommunications solutions, the competition must be effective*” (Forskningsministeriet, 1995). Frank Jensen further argues that due to the upcoming EU deadline, there is a ‘rush’ to finalize the privatization of Tele Danmark.

Two years later, Tele Danmark announced its intention to fire 2,000 employees despite strong commercial performance. Previous restrictions on for instance bringing down headcount had expired, and the round of layoffs was seen as Tele Danmark’s first strategic action that deemed the SOE ready for full privatization (Greve, 2000). Danish unions protested the decision, but the new Social Democratic Research Minister, Jytte Hilden, withheld that such decision was up to the management of Tele Danmark, and not the Danish government even though the government held 51% of the shares (Greve, 2000).
In the fall of 1997, additional 34% of the state’s shares in Tele Danmark were sold – this time to the American telecommunications company, Ameritech, who now held 42% of the shares in Tele Danmark. The sale received much attention as Ameritech would become majority stakeholder in Tele Danmark, and because the sale was the largest foreign direct investment in Scandinavia ever (TDC, 1997). In January 1998, Tele Danmark took over the remaining shares held by the state, and Tele Danmark was now fully privately owned (TDC, 2015).

### Following privatization

In 1998, Hans Würtzen stepped down as CEO as his job of getting Tele Danmark through the privatization process had been completed, and in 2000, Tele Danmark changed its name to TDC (Greve, 2000). From this point onwards, TDC functioned wholly as a private company although in a still tightly regulated industry and with a large market share that not only ensured the company’s status a market leader but also a high degree of public interest.

In 2005 TDC drew public attention again as Ameritech sold its stake in the company to Nordic Telephone Company (NTC) which had been established by five private equity funds. This spurred some controversy, but the state had given up ownership and influence of future ownership in 1997, and the deal went through (Greve, 2010). At that time in the fall of 2005, NTC owned 87.9% of the shares, but has since decreased its ownership of TDC. In April 2013, NTC sold its last share in TDC.

Since the privatization of Tele Danmark, many of the involved politicians have publicly regretted the decision to sell the SOE, and in particular the copper net – including Finance Minister at the time, Mogens Lykketoft (Jarlner, 2014). The Prime Minister at the time of privatization of Tele Danmark, Poul Nyrup Rasmussen has also been critical of selling public assets to private actors since his resignation from Danish politics. In his book from 2007, *In a Time of Greed – Private Equity Funds and Casino Economy*, he questions the presumed positive effects of selling public assets to private equity firms. He counters the notion that private equity ownership increases employment and says that all facts point to the contrary (Rasmussen, 2007). He argues that the net effect of private equity’s ownership is “a cynical hunt for short-term value extraction of the company – way too often at the expense of employees’ employment and wage conditions”
(Rasmussen, 2007, p. 227). Thus, even though the privatization of Tele Danmark was completed back in 1998 in a relative short time span, the debate is still ongoing as to whether it was the right decision or not.

**Theoretical reflections in the case of Tele Danmark**

Having outlined the historical developments in the privatization process of Tele Danmark, we are now able to create a timeline for the case of Tele Danmark. This will further allow us to determine potential paths and critical junctures in the case:

![Timeline of Tele Danmark privatization](image)

The timeline depicts some of the main developments, although not all are included. The illustration visualizes the formal privatization process of Tele Danmark, and how it in less than four years the SOE went from 100% publicly owned to 100% privately owned mainly through two major transactions, the IPO in 1994 and the sale to Ameritech in 1997.
Critical junctures

In the case of Tele Danmark, one undeniable factor propelled the privatization process: The expected EU liberalization of the European telecommunications markets. As also illustrated in the CPH Airport case, two movements were vital for the critical juncture in the late 1980s; increasing EU/EC-regulation and the Thatcher-government in the UK. However, in the case of Tele Danmark, the direct pressure from EU to break monopolies and implement policies to enhance competition resulted in a definite deadline for liberalization, and must consequently be viewed as the most dominant exogenous shock for the telecommunication sector.

In order to comply with the recommendation by EU, the Danish government aimed at fully privatizing Tele Danmark before 1998, and with the report *Best and Cheapest through Competition* it was clearly argued that the government were in “a rush” to privatize Tele Danmark. In order for the Danish government to follow the branching points and institutional innovation (Hall & Taylor, 1996) within the telecommunication industry, they thus had to change the scope of the Danish SOE and privatization policy even further (Greve, 2000). This critical juncture influenced the very formation of Tele Danmark and remained the primary explanatory factor until full privatization was reached in 1998.

In turn, this critical juncture of the late 1980s, which was formalized with the *Action Plan for Debureaucratization*, established a very strong institutional path for the privatization process, but was built upon with industry specific recommendations leading to the path of privatization policy of Danish SOEs. The case of Tele Danmark thus re-confirms how the critical juncture in the late 1980s affected the outcome of privatization policies in the 1990s, but also serve as valid evidence for how industry specific regulations became highly influenced by EC/EU-regulations and recommendations.

Path dependence

The decision to break the ties between Tele Sønderjylland and the Post & Telegraph Services in 1988 seems like a natural course of action considering the fact that the other three regional telecommunications SOEs had already been established as independent units. The following steps
indeed followed a logical path. The decision to merge the regional operators into Tele Danmark is very much in line with the recommendation of the *Action Plan for Debureaucratization*. Further, it was clear that the objective of creating Tele Danmark as an A/S-company was to privatize the SOE due to pressures from the EU to liberalize the telecommunications market in Denmark.

When the government received the official deadline from the EU that liberalization of the market was due before 1998, the privatization process formally progressed as stated in the Dybkjær Report in 1993. After the IPO in 1994 which reduced the state’s stake to 51%, the 1995-report from the Ministry of Research introduced the argument that quick privatization would also benefit the Danish consumer. In essence, the more Tele Danmark could act like a private company, the better off Danish customers would be. Two years later, Tele Danmark fired 2000 employees. It is important not to neglect the importance of this strategic decision. At this stage – before the state’s ownership had been further reduced – Tele Danmark was already showing signs that the SOE was operating as a private company. Shortly thereafter, the remaining public stake in Tele Danmark was sold to Ameritech.

The privatization process of Tele Danmark displays a consistent strong path dependent nature (Greve, 2000). It was clear from the very formation of the SEO that it was to be privatized due to liberalization pressures from the EU. The actual events followed the prescription perfectly: Despite the short deadline from the EU, Tele Danmark was privatized in a very short period of time. The process seemed to be unaffected by the change in political leadership when the center-right government headed by Poul Schlüter was replaced by the center-left government headed by Poul Nyrop Rasmussen. However, interestingly enough, there is a strong contemporary debate about the decision to privatize Tele Danmark. Politicians, who apparently did not hesitate at the time, are questioning the decision.

The path in derived from the Tele Danmark case can thus be described as ‘locked’ in the institutional framework from *Action Plan for Debureaucratization* to *The Dybkjær Report*, where the privatization process of Tele Danmark displays a consistent strong path dependent nature. The telecommunication liberalization recommendations from the EC/EU fueled the process in the industry and within the government, and the path of privatization policy remained unaffected by the change in political leadership.
5.2.3 DONG Energy

The case of DONG Energy is in many contexts unique for the debate of how and why the Danish privatization policy has developed, and is furthermore the most recent example of a private placement in a Danish SOE. The substantial attention given to the case in the early 2014 and the political consequences of the private placement highlight the fact that privatization of Danish infrastructure is still delicate issue.

Prior to privatization

The origins of DONG Energy must be seen in the light of the oil-crisis of the 1970s, where the Danish Trade Ministry founded Dansk Naturgas A/S in 1972, as an entity responsible for acquiring natural gas to the company (DONG Energy, 2015a). A year later, the company changed its name to Dansk Olie og Naturgas A/S (Danish Oil and Natural Gas, DONG), and with the increasing demands for sustainability energy resources, the company became more vital than originally expected by the government (Mathiasen, 2015).

In 1979 the Danish Parliament officially decided to introduce natural gas in Denmark. The planning of the natural gas distribution net was initiated, and the first of a total of five municipally owned regional distribution companies was established to handle the sale of natural gas to small and medium sized consumers (DONG Energy, 2015a). In *The Dybkjær Report* from 1993, it is argued that DONG since 1983 had searched for more business driven principles (Finansministeriet, 1993).

This development should be seen in light of the EC/EU-efforts to open energy markets and introduce competition in former monopoly areas. DONG would have to continue to be led by business principles since "*the scope for national energy policy considerations become smaller*" (Finansministeriet, 1993, p. 43), while it was also stressed that the economic situation between the state of Danmark and DONG had to be settled and commercialized to increase DONG’s competitiveness. As such, *The Dybkjær Report* presented the first real initiatives to the privatization process of DONG.

Thus, with the increasing competition and liberalization requirements from the EU leading to open process for energy companies to enter the Danish market, the Danish politicians wanted to make DONG a strong state-owned enterprise able to compete on business driven principles. Especially
the Finance Minister from 1993-2000, Morgens Lykketoft, had declared a desire to form DONG into a large SOE in the energy sector (Mathiasen, 2015). However, the owners of the regional energy distributors did not want to be acquired by the state, which led to a power struggle culminating in the 2000s, when DONG started acquiring shares in Energigruppen Jylland and the hostile take-over of Elsam. The energy companies fought intensively against each other in this period, and the fight even became a top political issue, when the Swedish Prime Minister Göran Persson and the Danish Prime Minister Anders Fogh Rasmussen had to meet to try to settle the struggles of ownership of Elsam between DONG and the Swedish Vättenfall (Mathiasen, 2015). After intense struggles, an agreement was reached in 2004, when DONG and Elsam announced their planned merger, and DONG Energy⁷ was then established in 2006. The SOE was a merger of six Danish energy companies resulting in 27% of the shares in DONG shifting from the Danish State to nine utility companies (DONG Energy, 2015a).

Alongside the transformation of DONG, the political landscape in Denmark changed, and with the VK-government platform, Vækst – Velfærd - Fornyelse in 2001, it was now official policy for the government “to prepare for a privatization of DONG” (Statsministeriet, 2001), and in the time of the formal establishment of DONG Energy, a hefty political struggle unfolded. In 2004 a broad political agreement to perform an IPO of DONG was reached. The Liberal/Conservative-government had to include the former conciliatory parties into the agreement, as they were bound by an older political settlement (Mathiasen, 2015). Nevertheless, it was agreed between the parties to remain open to a sale of 49% stake in DONG Energy A/S until 2015, while the natural gas infrastructure should remain in the public domain, so long as the state retained a majority stake in DONG Energy A/S (Finansministeriet, 2004c). Around the same time, the Ministry of Finance published The State as Shareholder, which argued for reduced governmental involvement in the energy market. The report argued that better service and lower prices will be ensured through increased competition in the energy sector, while consumer and business freedom of choice will assist companies in gaining incentives to increase quality and reduce prices (Finansministeriet, 2004b). Privatization of energy companies is therefore in the report seen as a

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⁷ While DONG officially changed its name to DONG Energy in 2006, the SOE is commonly still known as ‘DONG’ in the general public and media landscape.
natural step in a development “where business and political terms is separated” in accordance with EU-regulations (Finansministeriet, 2004b, p. 231).

In the years that followed, the VK-government prepared for an IPO of DONG, and in 2005 and 2007 the center-right government repeatedly announced preparations of privatization in their government platforms. The transition to full or partial private ownership would be done in line with the maturation of the markets, but when financial crisis broke out in 2008, the planned IPO of DONG was suddenly cancelled due to extraordinary low valuation, according to the then Finance Minister, Lars Løkke Rasmussen (Mathiasen, 2015). The estimated valuation at the time after the financial crisis was 50-55 billion DKK – a number way higher than when the privatization process restarted later in 2013 (DONG Energy, 2015b).

In years that followed after the financial crisis, DONG Energy ran into several problems, which attracted both political and media attention culminating in 2012, when the CEO Anders Eldrup was fired few days after presenting financial statements. The new CEO Henrik Poulsen soon fired 600 employees and announced that DONG needed a capital injection. The newly elected government supported the wish from Henrik Poulsen, and the Ministry of Finance lead by Bjarne Corydon provided state support in order to advise and provide best possible deal for a private placement in DONG Energy (Mathiasen, 2015).

In March 2013, the Danish parliament agreed to do an equity private placement in DONG, and by September 2013, Goldman Sachs, ATP and PFA submitted an offer based on a valuation of 31.5 billion DKK for the company (DONG Energy, 2015a). However, by the end of 2013 details of the deal terms become public, and criticism began to circle around the actions of the Danish government. The attention given to the private placement became a highly intense political issue, and on 30 January 2014 it culminated, when Socialistic People’s Party announced withdrawal from the coalition government due to the case. In parliament, a vote to postpone deal approval failed to get support, and the private placement got approved in the Finance Committee, resulting in the Danish state’s shares going from 81.2 % to 60 % (DONG Energy, 2015a). The privatization through private placement in DONG Energy had become a reality.
Following privatization

The aftermaths of the private placement at DONG Energy have been severe, both politically and among the Danish population. Almost 200,000 citizens signed a petition against the private placement (Berlingske Research, 2014), and more than 18,500 articles have mentioned DONG and Goldman Sachs within the last two years. As such, the case of DONG Energy represent the rebirth of the Danish debate of privatization.

The case of DONG Energy is in many ways still ongoing, and many debates still circle around the issues. Since the main emphasis for this analysis is to analyze the historical context for the privatization, the details of the happenings after the private placement are less of a focus. It is, however, important to note, that DONG Energy announced their plans to conduct an initial public offering within the next 18 months in September 2015, which concludes the current storyline of DONG Energy and the process of privatization.

Besides the development within DONG Energy, some aspects of the Danish privatization policies are important to note in the aftermath of the private placement. In April 2015, a few months before the Danish parliamentary election, the Ministry of Finance published the updated version of The State as Shareholder from 2004 with the new guidelines of public ownership called The State’s Ownership Policy. Even though neither the case of DONG Energy nor the issue of privatization are mentioned in the report, the new guidelines present changes, which can be related to the case as well as general practices within Danish SOEs. The State’s Ownership Policy amplifies the state’s focus on corporate strategy, while also putting emphasis on increased coordination between the state and the SOEs when defining expectations within returns, capital structure and dividend (Finansministeriet, 2015b). As such, the report argues for more active state ownership, as opposed to the guidelines presented in 2004, and includes recommendations in three main areas: 1) How the state exercises its ownership the best way possible, 2) the interaction between the minister and the SOE, and 3) optimal corporate governance (Finansministeriet, 2015b).

The state's exercise of ownership is the most important; as it argues for the state to more actively engage in SOEs, and to explicitly make clear which objectives the state has as an owner (Finansministeriet, 2015b, p. 25-35). The second area – the interaction between the minister and

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the SOE – clarifies how the relationships must be strengthened through expectation of reconciliation between the companies and the state in strategy development, as well as by lifting the requirement for the information that flows to the ministries (Finansministeriet, 2015b, p. 37-40). The third area entail recommendations for corporate governance in state companies, and involves an update of the companies' reporting of financials, as well as guidelines for recruitment and remuneration of directors and employees (Finansministeriet, 2015b, p. 43-48).

Drawing on the details of the report, it seems viable to conclude, that The State’s Ownership Policy to a larger extent than before argues for active ownerships of SOEs. At the same time, the report does not address the issue of privatization as seen in 2004, where the issue was handled separately. It is at time less clear to which extent the case of DONG Energy had a direct influence of the outcome of the report, but drawing on the HI-framework some vital points can be drawn from the case. It does, however, seem reasonable to conclude that the case to some degree had influence on the new policy, which was also confirmed by Finance Minister Bjarne Corydon in 2015; “It is clear that the earlier problems in DONG Energy and DSB are part of the background of the new ownership policy, but there are also many other reasons why it is a good idea with an update. We want a more reflective approach to public ownership” (Lassen, 2015).

Theoretical reflections in the case of DONG Energy
The historical account of the DONG Energy case has shown to be a bit different than the two previous cases. First of all, the time span of the case is more extensive, and the political issues surrounding the case have likewise shown to be different from the cases of CPH Airport and Tele Denmark. In the timeline below, some main events in the DONG case and the institutional development of privatization is depicted:
Drawing from the development of DONG Energy, some unique characteristics of the privatization process can be identified through our theoretical HI-framework.

**Critical junctures**

The political paths from the *Action Plan of Debureaucratization* and *The Dybkjær Report* continued throughout most of the 1990s and 2000s, and they were further strengthened with *The State as Shareholder* in 2004. However, several scholars (e.g. Coen & Roberts, 2012; Ashbee, 2013) argue, that a new substantial institutional change occurred in 2008, when the financial crisis hit Europe and Denmark. The argument goes that the new financial situations in the countries created breaching points, and new institutional settings were suddenly on the agenda. We find that the case of DONG Energy serves to disprove this claim.

Despite the fact that the government abandoned the plan of an IPO in 2008, and the fact that a privatization of DONG Energy was not mentioned in the government platform of 2011, the private placement became a reality in 2014. In this way, the ‘locked policy’ of the privatization policy of Danish SOEs thus remained in place. This confirms that the path laid out after the critical junctures of the late 1980s remained the main determinant for the policy, and the institution itself turned out to be extremely resistant to change (Krasner, 1984), even in a time of financial turmoil caused
by the financial crisis. The DONG Energy case thereby proves to be vital due to especially two aspects.

First of all, it proves how the ‘locked in’ policy and determined path of privatization remained despite the financial crisis. Previously, as described in the first section of the analysis, the main reactions to previous crisis have been to create SOEs in order to maintain control and vital infrastructure opposite to privatizing further. This was in fact not the case with DONG Energy, where the process despite great opposition was completed, which confirms how the financial crisis did not extend beyond the control of established institutions (Hall & Taylor, 1996).

Second, the massive attention given to the case was directly connected to the new government policy in 2015, *The State’s Ownership Policy*, as confirmed by former Finance Minister, Bjarne Corydon. The new ownership policy puts more emphasis on increased coordination between the state and the SOEs and argues for more active state ownership, and thus represents a change in the institution of privatization policy. We do, however, not see the new policy as a complete “institutional innovation” (Greve, 2000), as its main purpose it to build on the existing Danish frameworks in accordance with international practices. As such, the policy of 2015 cannot be explained as a reaction to breaching points within the institution, once again confirming how the financial crisis is not to be perceived as a critical juncture for privatization of Danish SOEs.

**Path dependence**

The direction set by the *Action Plan for Debureaucratization* (1988), *The Dybkjær Report* (1993) and *The State as Shareholder* (2004) supports what Pierson (2000) denotes as a stickiness of political processes and decisions, were the decision-makers tend to rely on the decisions and paths of the past. The critical juncture in the late 1980s was, in the case of DONG Energy, still the primary driver for the privatization policy. This is confirmed by the Løkke Rasmussen first government’s continued desire to privatize DONG Energy throughout the 2000s. The development of the privatization policy had continued on the set path, as illustrated in the two previous cases, and the ‘locked’ policy remained constant in the 2000s.
The stickiness of political processes and decisions from the 1990s and 2000s surfaced once again in the beginning of the new decade. Even though the new Thorning-Schmidt government from 2011 did not mention privatizations in their government platform, it was agreed in the Danish parliament to do an equity private placement in DONG Energy in March 2013 (DONG Energy, 2015a).

What the DONG Energy case thereby supports is how the decisions of the rule-makers were indeed limited by the decisions made in the past, even though the past circumstances were no longer relevant following the financial crisis (Pierson, 2000). The path set by the early movements in privatization policy thus affected the outcomes of the privatization (the sequence of events), which occurred in 2013 and 2014. After the completion of the private placement, the government updated the state policy on SOEs with *The State’s Ownership Policy* in 2015, and primarily influenced by international practices, the relationship between the state and SOEs now had to be intensified. *The State’s Ownership Policy* is thus an extension to the path set in 2004, following the ‘locked’ path of privatization policy of Danish SOEs, indicating a sustainable equilibrium, which has not been punctuated by exogenous shocks.
5.2.4 Summary of key findings from first analysis
Having completed the historically-grounded analyses of each of the three cases, we are now able to combine the findings into one aggregate overview of the privatization processes seen from a HI-perspective. This overview is visualized in the following timeline. It includes the formal privatization processes of each case, critical junctures and institutional path of the Danish privatization policy:

**Case based timeline of privatization policy**

![Timeline of privatization processes](image)

A critical juncture has been identified to occur the late 1980s, when EU put pressure on member states to liberalize and privatize as part of the general privatization agenda in Western Europe following the Thatcherite movement. The financial crisis of 2008 is found not to be of substantial significance to be a critical juncture in the case of privatization of Danish SOEs. This particular finding is supported by the case of DONG Energy.

The privatization processes of CPH Airport and Tele Danmark followed similar paths in an institutional setting that favored private ownership over public ownership. Danish decision-makers accepted and supported this idea, and both SOEs experienced a relatively smooth privatization process. Seemingly, DONG Energy followed the same institutional path as the other two cases, until the financial crisis abruptly put the privatization process on hold for a few years. However, the path for the privatization policy was not dramatically affected by the crisis and the
privatization of DONG Energy carried on from 2013 and the private placement to be finalized in 2014. In September 2015, the IPO of DONG Energy was confirmed to go through in the near future (Finansministeriet, 2015c).

It is, however, worth noting that the privatization of DONG Energy was much less smooth than the processes of CPH Airport and Tele Danmark with widespread resistance from the public and members of the Danish parliament. The State’s Ownership Policy which was published following the privatization of DONG Energy took notice of the massive attention given to the case, but did not break with the path set by the previous publications of the Ministry of Finance. Rather, The State’s Ownership Policy updated the 2004-policy in accordance with international practices, and argued for more active state ownership in Danish SOEs.

The first analysis has thus provided some valuable empirical insights concerning Danish privatization policy from 1988 to 2015, particularly why it has evolved, the way it has and who supported the development. Explanatory factors have been identified throughout the individual analyses, and it has been shown how four reports from the Ministry of Finance and the Prime Minister’s Office in particular have guided the privatization processes. The key findings of the first analysis have been summarized in the table below:
<table>
<thead>
<tr>
<th>Case / Analysis</th>
<th>Primary explanatory factors</th>
<th>Supporting explanatory factors / key reports</th>
<th>Privatization policy</th>
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</table>
| **CPH Airport** | • From "dusty" SOE to "dynamic" SOE: Run airport on commercial basis  
• Generate revenue: Financial budget + EC-demands  
• Enhance business profile: Adapt to efficiency and new demands | • **Action Plan for Debureaucratization:** Opening agenda of privatization and enhanced efficiency  
• **The Dybkjær Report:** A/S-corporations are beneficial and part of the renewal of the public sector  
• **State as Shareholder:** positive view on formation of A/S-companies as well as privatizations with point of departure in CPH Airport | **Path dependence:**  
• ‘Locked’ path in institutional framework from Action Plan for Bureaucratization to the Dybkjær Report: positive view of privatization  
• Stickiness of political processes and decisions: policies of privatization on new political path |
| **Tele Danmark** | • Political desire to privatize: Following path of privatization policy  
• Changes in market and technology  
• Consumers expected to benefit from privatization | • **Action Plan for Debureaucratization:** Outlining the need to reorganize Tele Sønderjylland  
• **The Dybkjær Report:** Accommodate regulations from EU to liberalize telecommunications market | **Path dependence:**  
• ‘Locked’ path in institutional framework from Action Plan for Bureaucratization to the Dybkjær Report: The privatization process of Tele Danmark displays a consistent strong path dependent nature  
• Path/privatization policy unaffected by the change in political leadership until recent debates |
| **Dong Energy** | • Continuous search for more business driven principles  
• Political desire to privatize: Following path of privatization policy  
• Privatization of energy companies seen as a natural step in accordance with EC/EU | • **The Dybkjær Report:** The scope for national energy policy considerations become smaller  
• **The State as Shareholder:** Arguments for reduced governmental involvement in the energy market  
• **The State’s Ownership Policy:** More active involvement in SOEs needed + explicitly make clear which objectives the state has as an owner | **Path dependence:**  
• Stickiness of political processes and decisions from the 1990s and 2000s surfaced again from 2010 onwards, and followed ‘locked’ path.  
• Rule-makers still limited by the decisions made in the past, even though the past circumstances were no longer relevant  
• Absence of crucial exogenous shocks: merely an extension to the path set in 2004 |

**FIGURE 5.8:** Key findings from first analysis
5.2.5 Reflections and shortcomings of first analysis
The main aim of the first analysis was to create an understanding of history and institutions in the context of the Danish privatization policy illustrated through three cases as done in the above. This part of the analysis has thus conceptualized the traditional ways of understanding institutional change through a HI-framework focusing on path dependence and critical junctures caused by exogenous shocks.

As initially intended the analysis has provided insights on why privatization has evolved in Denmark as well as looking at who have been the major actors in the process. The question of why has been answered by looking on the critical junctures and the given paths of privatization, whereas the question of who has been clarified through the use of the three chosen cases by clarifying the main actors involved in the processes. The analysis has thereby, through the use of concrete observations, built timelines for the processes of each case as well as for the overall institution of privatization policy in Denmark, by analyzing how the regulatory and governance set-up between the state and the SOEs has developed.

However, some critical remarks have to be made about the findings from the first analysis. Most central is the fact that the framework used in the first analysis in many ways seems to be ‘simplified’ and thus ill-equipped to describe processes of changes in the Danish privatization policy. At this point, we find that the HI-framework merely clarifies why privatization of Danish SOEs has occurred, but seems insufficient in explaining the changes and the question of how in the absence of exogenous shocks. As shown in the analysis, the financial crisis did not stop the privatization process of DONG Energy, which was accomplished with the private placement in 2013, and the updated framework from 2015 does not indicate the privatization policy to be substantially changed due to the financial crisis.

When following the classical HI-framework, one could argue that the incremental changes of the privatization policy followed a path dependent nature once the path is locked in. However, we align ourselves with Streeck and Thelen (2005), who note that the HI-framework employed in analyzing welfare states in contemporary political economy is ill-equipped to capture the significant endogenous developments of institutions because the approach lacks the analytic tools necessary to capture these changes (Streeck & Thelen, 2005). This stands as a major weakness of
the framework and the first analysis. In other words, the framework used for the first analysis seems to lack the capability of answering *how* privatization of Danish SOEs has developed.

As such, we find that the HI-framework is not sufficient to fully answer the research question. The punctuated equilibrium model lacks the capabilities of analyzing how gradual institutional change in social science occur, and ignores endogenous factors that might help explaining, how the changes of privatization policy gradually occur. This is why the second analysis of this paper will apply a new theoretical framework, by analyzing privatization policy as emerging in a context of institutional change and thus seek to answer the question of *how* privatization of Danish SOEs has developed.

5.3 Second analysis: Gradual institutional change of privatization policy

In order to analyze how privatization of Danish SOEs has developed, this second analysis will adopt the theoretical framework by Streeck and Thelen (2005) for analyzing institutional change in advanced political economies, as accounted for in the theoretical section above.

By analyzing the institution of privatization policy in Denmark as a social regime, where in which it is the continuous interaction in the relations between rule makers and rule takers that create interpretations of the regimes, this second analysis aims at analyzing how gradual institutional changes have occurred by drawing of the cases of CPH Airport, Tele Danmark Dong Energy. The section will thus draw on the timelines and events presented in the first analyzing, but add further perspectives in accordance with Streeck and Thelen’s framework, and assist in explaining how main actors in the privatization policy have been enabled and constrained by political ideas and conceptions.

Most of the existing literature on politics of welfare state has been focused on explaining why political factors and processes lead to continuity (Streeck & Thelen, 2005), while missing the element of theory of how policy changes through transformative elements. This second analysis will add this scope, and thus aim to test whether privatization policy of Danish SOEs can be determining by one or more of the five processes of gradual institutional change.
5.3.1 Identifying patterns of institutional change of privatization
Following the updated framework from Thelen & Mahony (2010), the interaction between features of the political context and the properties of the institutions themselves are crucial for explaining the type of institutional change occurring. Furthermore, the different types of agents and strategies have shown to be vital for the variations of change, as they are likely to flourish in particular institutional environments. Before categorizing the gradual change of privatization of Danish SOEs, the next sections consequently clarifies developments of the political context, institutional characteristics and the change agents, based on the learnings from the three cases.

Political context and institutional characteristics
First step in determining which gradual change effect has affected the Danish privatization policy is by getting a clearer overview of the policy’s political context and specific institutional characteristics. The objective is to understand to which degree defenders of the status quo have tools available to block the institutional change and to what extent a proposed change is open to interpretation (Mahoney & Thelen, 2010). While these factors do not dictate which type of gradual change is taking place, some political contexts and institutional environments are more open to some types of gradual change over others. Thus, although not conclusive, the exercise of specifying the political context and institutional characteristics hints which type of gradual change is more likely to occur.

The political context concerns actors’ ability to oppose, hinder or even reverse institutional change. When determining the political context, Mahoney and Thelen (2010) view veto possibilities of political opponents as the main factor to consider. These veto powers include both formal and informal ways of stopping change from occurring. During the privatization processes of CPH Airport and Tele Danmark there was seemingly very little resistance from opponents. In fact, the only time in the two cases where politicians (or other influential actors) have attempted to exercise their veto powers was when the two parties Social Democrats and the Socialist People’s Party voted against the Copenhagen Airport Act in 1990 which transformed CPH Airport into an A/S-company (Cortzen, 2000). The analysis only points to one incidence where political opponents does not prove that opponents of privatization of the two SOEs did not have strong veto
capabilities, but shows that they barely used them. The effect of not using them is similar to not having them; it creates a political context that is not hostile to change.

The privatization process of DONG Energy provides more evidence of the veto capabilities of opponents of the institutional change of the privatization policy. When the privatization process of DONG Energy was restarted in 2012, opponents gathered their strength to oppose it and exercise their veto powers. As mentioned in the first analysis, thousands of people signed a petition against the private placement of DONG Energy, and politicians within the Thorning-Schmidt-government – with actual veto powers – opposed the decision as well. The end result was that Socialist People’s Party had to leave the coalition government and the private placement of DONG Energy was carried out. This sequence of events shows that there were weak veto possibilities for opponents of the changes inferred by the privatization policy. Despite their protests, the private placement of DONG Energy was completed as planned.

Additionally, the institutional characteristics of the privatization policy should be considered. On the face of it, the privatization policy in Denmark might appear to be an institution where there would be a high degree of discretion in interpretation and enforcement. After all, such an overall policy area as the privatization policy over the span of 27 years seems unlikely to be codified throughout the process. However, the historically grounded first analysis showed that the privatization policy was in fact much codified and thus clearly defined. The evidence of this was the four major reports starting with the Action Plan for Debureaucratization in 1988 to The State’s Ownership Policy in 2015. The four reports clearly define objectives and make suggestions for next steps in the Danish privatization policy. By publicizing such detailed reports, the senders of the reports, the Ministry of Finance and the Prime Minister’s Office, effectively decreased the discretion level of interpretation and enforcement.

In sum, opponents’ veto powers (political context) appear to be weak because they are unable to stop changes from happening. However, it is important to note that opponents have only exercised their veto powers to a limited extent and they have only truly done so in the case of DONG Energy. This indicates that the political context is less important when understanding gradual change of the Danish privatization policy than in other contexts. On the contrary, the level of discretion in interpretation of the privatization policy has been consciously reduced by releasing
detailed reports on the plans to privatize SOEs. Thus, the findings of this section suggest that the type of gradual change within the Danish privatization policy is either layering or displacement (Mahoney & Thelen, 2010) – given the important and low level of discretion in interpretation.

**Change agents**

Another element lacking from the first analysis is the role of actors and their influence on the Danish privatization policy. While traditional HI-scholarship focuses on winners and losers of institutional changes, Streeck and Thelen’s framework of gradual change is more nuanced in the depiction of actors as change agents (Mahoney & Thelen, 2010). As mentioned in the theoretical framework, this perspective categorizes actors by investigating whether the actor wants to preserve the current institutional rules and whether the actor abide by these same rules or not. These two main points helped Mahoney and Thelen (2010) identify four types of agents: Insurrectionaries, symbionts, subversives and opportunists. Each of these are associated with a mode of gradual institutional change.

Many actors are involved in the privatization policy in Denmark, making it legitimate to potentially identify numerous change agents. However, drawing on the findings of the first analysis, this section will primarily focus on the most important ones. This means that not all actors are considered to be crucial change agents. For instance, labor unions play a natural role in the privatization process because they oversee workers’ rights when an SOE is wholly or privately transformed into a private company. Despite this clear role, the first analysis did not suggest that any labor unions affected the privatization process as such let alone had any opinion about the intention to privatize the SOEs. Some unions protested that Goldman Sachs was allowed to acquire shares in DONG Energy, but that criticism was of Goldman Sachs – not the ambition to privatize DONG Energy in general (Bloch, 2014). For these reasons, labor unions are not included as key change agents. The argumentation is similar to another obvious important type of actors: the SOEs themselves. The first analysis revealed that the SOEs themselves only made minor attempts to change the privatization processes. For instance, the regional telecommunications operators in the 1980s opposed merger plans but did not act when politicians decided to carry out the merger. In addition, in all three cases, the CEO was replaced when the privatization process was underway. This means that the SOEs themselves are not considered to be key change agents.
When going over the privatization processes of the three cases, it is clear that a consistent group of actors impacted the processes. The most important change agents can be divided in three groups:

1. Politicians
2. Government ministries
3. High-ranking individuals within the Ministry of Finance

A few words on why each is considered a key actor type and their roles are relevant. First, in all three cases, politicians of the Danish parliament made decisions that changed the SOEs in question, e.g. when forming A/S-companies and selling part of the shares to private equity funds. The fact that the decision to privatize ultimately comes down to the will of members of parliament, makes them important actors. In addition, the case studies show that politicians themselves pushed for more privatization of SOEs. For instance, politicians’ intention to privatize DONG Energy was consistently included in the different government platforms.

Second, government ministries played a prominent role in all three cases. Four major publications have been identified as particularly important in the analysis: Action Plan for Debureaucratization, The Dybkjær Report, The State as Shareholder and the State’s Ownership Policy. A common element across the four publications is that they were authored by the Prime Minister’s Office or the Ministry of Finance, where especially the latter plays a notable role in Danish politics. When Greve conducted his analysis of reform policy in Denmark in the 2000s, he concluded that “there is almost no reform that the Ministry of Finance in some way or another has not been part of” (Greve, 2012, p. 130). Professor at Copenhagen Business School, Lotte Jensen, has said that the Ministry of Finance achieved an almost “mythological status as the ministry of power” during the 1990s (Lønstrup, 2009). Thus, it is hardly controversial to conclude that the Ministry of Finance also played a pivotal role in developing the privatization policy in Denmark over the past 27 years.

Third, a group of high-ranking officials can be singled out as an important set of actors. The case studies have unveiled a pattern where individuals from the Ministry of Finance join the soon-to-be privatized SOE in the transition phase. Permanent Secretary at the Ministry of Finance Hans Würtzen was appointed CEO of Tele Danmark in 1990 and remained there until the SOE was fully privatized in 1998. At this time, former Finance Minister Henning Dyremose was appointed CEO.
As mentioned, it was Dyremose who had made the suggestion to initiate several privatizations years earlier. In the case of DONG Energy, Permanent Secretary at the Ministry of Finance and co-author of The Dybkjær Report Anders Eldrup was appointed CEO in 2001. Finally, former Finance Minister Knud Heinesen was CEO of CPH Airport in the early stages of the privatization process in the late 1980s. Thus, it is a consistent tendency that high-ranking people from the ministry’s side eventually joins the SEO to carry the privatization process through.

In sum, these three groups of actors and their role is crucial to understand when analyzing the privatization policy in Denmark. While they differ in for instance legislative power and formal ties to the SOEs, they share a number of characteristics. They each promote changing the setup of the SOEs in their own way: Politicians state the ambition to do so in government platforms, ministries do so in their detailed reports, and the group of high-ranking officials do so as part of the Ministry of Finance or CEOs of the SOEs. Further, they all affect the privatization processes from within the system, following the rules of the institutional setup. None of these three groups of actors go beyond their mandate when promoting institutional change. These characteristics match the type of change agent that Mahoney and Thelen denote as subversives. They can be defined as “actors who seek to displace an institution, but in pursuing this goal they do not themselves break the rules of the institution” (Mahoney & Thelen, 2010, p. 25). Additionally, subversives generally work from within and may appear to support the current institutionally setup even though they actually promote change (Mahoney & Thelen, 2010). This description matches all of the three types of actors identified in this section.

Gradual change of privatization of Danish SOEs
The political context, institutional characteristics and change agents of the Danish privatization policy of SOEs presented in the previous section do not conclusively determine which type of gradual change is occurring. However, these factors all affect the likelihood of a specific type of change to take place (Mahoney & Thelen, 2010).

The political context concerning the veto powers of opponents of change turned out to be less important regarding the Danish privatization policy because opponents rarely attempted to exercise their veto powers. When they finally did during the privatization of DONG Energy, it was
established that the veto powers were weak. Conversely, the institutional characteristics
concerning the interpretation of rules and their enforcement were clear: The reports generated by
the Prime Minister’s Office and Ministry of Finance codified the privatization policy. This left very
little room for agents to interpret to rules differently than they were intended. This also meant
that change agents had to follow these rules, which the three groups of agents identified in the
past section, did. In addition they operated within the system. In combination, these
characteristics infer that the most important change agents in the evolution of the privatization
policy were subversives.

Consequently, the environment created by these factors suggests that the most likely gradual
change type to occur is layering. The clear institutional characteristics point towards a layering or
displacement mode of change. While the weak/not important veto possibilities in the case suggest
displacement, the most important change agents act consistently as subversives which are most
commonly encountered when layering occurs (Mahoney & Thelen, 2010). Thus, while the factors
taken into account at this point are not completely unambiguous, layering seems like the most
likely type of gradual change to happen as the Danish privatization policy changes. More evidence
to support this claim will be provided in the following sections.

5.3.2 Mechanisms supporting changes as layering
Following a ‘systematic process analysis’ inspired by Bruno Palier (2005), the following sections
generalize about the gradual changes of privatization policy in Denmark from 1988-2015, based on
the three cases of CPH Airport, Tele Danmark and DONG Energy as well as the four identified
policies on privatization from 1988-2015. When analyzing the institutional changes through
layering, we, however, find it vital to stress the difference between the mechanisms supporting
the institutional changes. We find that especially three mechanisms support the claim of layering
in the formal privatization policy, but also see trends of changes in the social regime especially
through rising criticism and experiences from change agents which add to the process of gradual
change of privatization policy. As such, the next sections clarifies another scope for the methods
and techniques for analyzing how the Danish privatization policy has developed. The three
mechanisms describe how the conditions under layering of privatization policy have taken place
thus elaborating on the gradual changes, whereas the last section adds another aspect into explaining how changes within the social regime have occurred.

Drawing on the findings of the first analysis and the identified political context and change agents, we find the three mechanisms support the claim of layering of privatization policy in Denmark. First, the policies of privatization were seen as being insufficient, second, the political establishment had a shared consensus on the development of SOE-policy, and third, the political proposals in relation to privatization of Danish SOEs have all been presented as alternatives to the existing policies.

**Policies seen as insufficient**

During the late 1980s, the political debates on privatization and SOEs started escalating in Denmark. Following the trends of Europe, Danish governments started arguing that state ownership had a mission to promote economic development, and that increased competition would make the revenues generated by the SOEs fall. Before this realization, the Danish governments followed the pathways determined by the existing institutions. This came to an abrupt end with the *Action Plan for Debureaucratization* in 1988. The processes of both CPH Airport and Tele Danmark assist in explaining how this development was possible.

An important element for allowing a diagnosis of the old policies as being insufficient is that most of the actors involved shared the idea of diagnosis (Palier, 2005). In the case of CPH Airport this common understanding was indeed present despite the initial political debates on the Financial Budget of 1989 and the Copenhagen Airport Act. For the Ministry of Finance, the agenda was clear, as they wanted to increase competition, collect revenue and follow the general privatization trends happening all over Europe. The governments – both the Conservative until 1993 and the Social Democratic from 1993 – shared the idea that the old policies of a state-owned airport did not work anymore, as they were not able to cope with the new problems. Further, the CEO of CPH Airport, Knud Heinsen, expressed his wish of a complete privatization (Cortzen, 2000), which completes the circle of most important actors who agreed on the process and shared the same diagnosis.
Much of the same processes are valid for the case of Tele Danmark. However, the aspect of change agents and actor consensus stands more out, as a shared sense of previous political failure was agreed upon across the political aisle. The Social Democratic Party had changed direction after the election in 1993, and on several occasions they urged of privatization of the regional telecommunications. Further, the Permanent Secretary at the Ministry of Finance, Hans Würtzen, was appointed CEO of Tele Danmark and tasked with getting the organization ready to match the competition, which aligned the vision of the government and the ministry. In this way, the Dybkjær Report arguably shows the direct path for the privatization process of Tele Danmark, and aligned the actors in diagnosing the previous policy as unable to cope with the new problems.

The path-shifting reforms from the Conservative government in 1988 and the Social Democratic government in 1993 were thus possible due to the common understandings of new problems to be addressed. The main reason for the problem to arise was in the former policies failures, as these were not able to address the new challenges, which is confirmed by the processes of both CPH Airport and Tele Danmark, indicating a layering process of the Danish privatization policy.

**Shared consensus on SOE-policy**

As identified in the first analysis, major changes to the Danish privatization policy occurred in the late 1980s. The ideological debate in parliament that dominated the first part of the 1980s was gradually replaced by a new perspective on privatization with the new Action Plan for Debureaucratization, which aimed at rationalizing the Danish state. Since then, the privatization policy has continually changed despite changes in the political landscape, which to a large extent is due a broad majority of different actors involved in the field (Greve, 2000; Palier, 2005).

Denmark did in other words experience a change in consensus, when the Social Democrats went from opposing the privatization of CPH Airport to actively support the privatization of Tele Danmark. This change of perception became clear in the early 1990s, and was confirmed with the Dybkjær Report in 1993, which had the Social Democratic government as official co-signer. The release of the report thereby marks a change in the consensus of SOEs, as not only center-right parties saw privatization as optimization instruments. This is especially confirmed by the statement of reasons for selling shares, where it is stated that it cannot be an objective in itself to
sell shares in SOEs, whereby ideological reasons for sales is put into the background (Finansministeriet, 1993). Until the Social Democratic-led government’s release of The Dybkjær Report, the arguments for privatization had primarily been ideologically based, while the following discussions to a higher degree were characterized by evaluating the practical issues that privatization of state limited companies entails.

Following from this, The Dybkjær Report and the privatization of Tele Danmark mark developments seen in many processes of layering identified in welfare states (Streeck & Thelen, 2005). The new measures of privatization were accepted by a large and wide range of different groups who agreed on the measures as a way of ensuring efficiency and clear dividing lines between state responsibility and the private market. However, the actors (political parties, administrations, employees etc.) did not necessarily agree on one common vision of the benefits of privatizations or share the same interests for fulfilling the privatization processes. Thus, actors share the understanding that privatization is a good idea but for different reasons. In this way the outcome became an “aggregate of visions and interests” (Palier, 2005, p. 131) of the measures, ensuring the layering process of privatizing SOEs. The structural changes of privatization policy have thus been achieved by ambiguous measures rather than through a clear ideological reorientation, which indicate that the process can be seen as layered in opposition to an explicit change in paradigm (Palier, 2005).

This change is clearly shown with the private placement of DONG Energy in 2013, where the process was once again handled by a Social Democratic-led government, as well as the fact that most of the privatizations of Danish SOEs have been completed during the governance of ‘red governments’. The reason for the more pragmatic view on privatizations cannot be uniquely identified, but the liberalization of markets, EU demands and inspiration from the private sector have assisted in the process of turning the question of privatization into a pragmatic one.

**Alternatives to past policies**

The political proposals in relation to privatization of Danish SOEs have collectively been presented as alternatives to existing policies. The four major publications: Action Plan for Debureaucratization, The Dybkjær Report, The State as Shareholder and The State’s Ownership
Policy are all presented as alternatives to the existing policies, and thus ways to alter the policies rather than attacking ‘the problem itself’ (Palier, 2005).

Both CPH Airport and Tele Danmark serve as validations of how the new policies have been the main driver for the privatization process and groundbreaking for the conception of the political paths. In Action Plan for Debureaucratization it is clearly stated that the purpose is to “simplify, increase effectiveness and debureaucratize” the existing political framework of Danish SOEs by for instance commercializing CPH Airport and making the telecommunication units independent (Statsministeriet, 1988). This trend is followed in The Dybkjær Report, where the commercialization of Tele Danmark is viewed as a natural step to accommodate future regulations, and in 2004 The State as Shareholder presents the new standards for corporate governance for private companies, and list CPH Airport as an example of a “successful privatization” and “one of the most well driven airports in the world” (Finansministeriet, 2004b, p. 12). In other words, the cases are used as examples of ways to alter the existing institution and widen the privatization policy, namely through the process of layering (Palier, 2005).

When the State’s Ownership Policy was introduced in 2015, we though see another tendency. The policy is once again presented as a new way of looking at state ownership by drawing on international standards through involving the state in more active ownership. However, this time we can make a direct parallel to the case of DONG Energy, as the main influence for the change of policy. When Finance Minister, Bjarne Corydon, in 2015 confirmed that the problems with the private placement in DONG were part of the background for the new ownership policy, it was the first time a Finance Minister admitted to a path-shifting alternative to the existing policies on privatizations as a result of experiences. The formal institution of privatization policy was not displaced by an entire new framework, but layered onto the existing one, however arguing for more active state ownership. Despite the conceptual changes in the social regimes, the Finance Ministry thus chose to alter the policies rather than attacking the problem itself.

In this case, it was clear that the change agents were strong and the veto possibilities were weak. Despite great opposition from political parties, unions and the population, the private placement in DONG Energy was completed, and an explanation for this can also be found in the way layering takes place. The privatization process took a long time from the abandoned IPO to the start of the
process in 2012, during which the different actors (i.e. political parties) had the change meet to discuss the problems and offer their solution. This consultation processes had the effect of creating an apparent consensus of many actors for the new measures, which were since implemented with the private placement.

Due to the massive attention given to the DONG Energy case and the many reactions from actors within the social regimes, one might argue that the new programs and measures introduced with *The State’s Ownership Policy* were elaborated in opposition to former programs, as a way to distance the policy from similar cases in the future. In this way the politicians and civil servants were mainly focused on creating new ways of doing the opposite of what they were doing before, instead of dealing directly with the new problem (Palier, 2005).

5.3.3 Gradual changes within the social regime: criticism and experience

One of the shortcomings of the first analysis was its insufficiency to explain the question of how changes within the social regime have occurred in the period from 1988-2015. When having clarified the layering process of privatization policy in the above standing section, the following section presents one further elaboration to how these changes came about. However, this type of change – criticism and experience of change agents – has been identified as more informal than the others in the layering process. This type of mechanism is central to the framework by Streeck and Thelen, as it also describes the changes occurring outside the formal institution, thus enabling us to describe the actual conceptual changes within the social regime through rising criticism and experience.

**Gradual change in criticism of privatization**

One of the observations made in this thesis so far is that debates surrounding the three privatization cases differ greatly. While the privatizations of CPH Airport and Tele Danmark spawned little debate, the massive public debate caused by the privatization of DONG Energy eventually led to SF leaving the coalition government. As shown in the first analysis, the privatization of DONG Energy almost formally continued as planned, which indicated to us that the financial crisis was no critical juncture for the Danish privatization policy. However, the hefty
debate of the DONG Energy case illustrates a change in the social regime namely among former politicians who had been key change agents during previous privatizations.

The government of Prime Minister Poul Nyrup-Rasmussen held the political power in much of the 1990s and thus carried out many privatizations, including CPH Airport and Tele Danmark. The Dybkjær Report laid out many of the arguments for privatizing that the coalition government would adopt, e.g. that privatization is not an objective in itself but that private ownership would often benefit both the SOEs and customers (Finansministeriet, 1993). The recommendations set forth in The Dybkjær Report were followed, and in total, the Nyrup Rasmussen-government sold assets for more than DKK 36 billion (Hyltoft, 2014). Thus, the politicians of this government, i.e. key change agents, were very positive towards privatization.

A particularly interesting fact is that some of the most vocal critics of privatization of DONG Energy and SOEs in general in the past 10 years have been key members of the Nyrup Rasmussen-government, who have also regretted their own decisions to privatize in the past. As mentioned in the first analysis, Poul Nyrup Rasmussen himself released a book in 2007 where he criticized private equity funds as owners of former SOEs. In his book, Nyrup Rasmussen questioned his own government’s decision to privatize Tele Danmark and warned about privatizing SOEs going forward (Rasmussen, 2007). Poul Nyrup Rasmussen was not the only former supporter of privatization to change his opinion. Finance Minister of the same government, Mogens Lykketoft, defended the privatization of Tele Danmark as late as in 2000 arguing that the government had obtained a good price for the SOE (Svarrer, 2000). However, in recent years, Lykketoft has altered this view and has made several statements about how the privatization of Tele Danmark should have been carried out differently and warned about future privatizations of Danish SOEs (Rasmussen, 2010; Hyltoft, 2014; Larsen, 2014).

As the two most prominent ministers of the government, Nyrup Rasmussen and Lykketoft must be considered to be among the key change agents of the privatization of CPH Airport and Tele Danmark. While in power, the two heavily supported privatization. But after their tenure at the center of Danish politics, they started criticizing it. Both Nyrup Rasmussen and Lykketoft acknowledge that their criticism is made in hindsight; that the experience made from past privatizations has changed their perspective of things. This shows how a new gradual change is
developing: Former important political change agents voice previously unheard criticism of the idea of privatization in Denmark. The potential impact of the criticism should not be neglected just because Nyrup Rasmussen and Lykke Toft are unlikely to become central players in government again. At the time of the criticism, Nyrup Rasmussen was a member of the European Parliament and Lykke Toft served as Speaker of the Danish Parliament. In addition, both remain strong voices within the Social Democratic Party.

The emerging political criticism of the policy to privatize is neither unique to the center-left side of the aisle nor to just former change agents. The Conservative Economics and Business Affairs Minister, Brian Mikkelsen also voiced criticism of the privatization of CPH Airport and Tele Danmark in 2010 (Nielsen, 2010). He was supported by the then Conservative Party leader and Foreign Minister, Lene Espersen, who argued that critical infrastructure and energy supply should remain on the Danish government’s hands (Ritzau, 2010). It is notable that both Mikkelsen and Espersen were in office at the time of these remarks. Further, both had been members of parliament (MPs) since 1994 for the Conservative Party and thus been part of the majority that had supported the privatizations of CPH Airport and Tele Danmark (Cortzen, 2000). In spite of the critical comments of the privatizations of CPH Airport and Tele Danmark, the Conservative Party was part of the coalition to reconfirm the decision to privatize DONG Energy in September 2015 (Finansministeriet, 2015c).

Previously, it has been shown that key political change agents, i.e. Danish MPs, widely agreed on proposals to privatize SOEs. However, this section has revealed a pattern of shifting opinions about privatizations in Denmark. Central politicians of the center-left Nyrup Rasmussen government and the center-right Løkke Rasmussen government have regretted past decisions to privatize years after. This indicates a gradual shift in the perception of privatization as such criticism was essentially non-existent at the time of publication of the Action Plan for Debureaucratization in 1988.

The element that has been added since the beginning of the recent privatization era is experience. Enough time has passed for change agents to be able to evaluate on the benefits and detriments of privatizations of the 1990s, and thus, since the late 1980s a set of arguments against privatization have been developed and used by political actors, e.g. decision-makers
underestimate the importance of maintaining ownership of crucial infrastructure. The emergence of critical voices of past privatizations may very well have spurred the debate concerning the most recent privatization case, DONG Energy. In turn, the gradual change of criticism of privatization among some of the (former) key change agents helps to explain why a substantial debate surrounding the privatization of DONG Energy took place. However, despite the increased criticism of past privatizations and warnings of future ones, it is noteworthy to keep in mind that a solid coalition consisting of most political parties in parliament recently did allow the privatization of DONG Energy to go through.

Thus, while more influential political actors question the benefits of privatization, we have yet to see the skepticism manifest itself in political outcomes and conclusively change the Danish privatization policy. The rising criticism through experience has, however, brought an informal change to the social regime of the institution, contributing to the layering of privatization policy of Danish SOEs.

5.3.4 Summary of key findings from second analysis
Based on the frameworks by Streeck & Thelen (2005) and Thelen & Mahony (2010), this second analysis has sought to answer the question of how the privatization of Danish SOEs has evolved. Due to the shortcomings of the first HI-analysis, a need for a broader perspective on the matter of privatization was needed, if we were to answer both aspects of the research question of this thesis. The frameworks for gradual changes have assisted us in accomplishing this.

By using the three cases of CPH Airport, Tele Danmark and DONG Energy as the main points of departure, the analysis has clarified the role of the political context, institutional characteristics and the change agents on the issues of privatization of Danish SOEs. By analyzing the veto capabilities by opponents of the institutional change of the privatization policy and the degree of discretion in interpretation and enforcement of policies, we find that the process of layering is the best suitable for explaining the gradual changes of privatization in Denmark.

This was further confirmed when looking on the change agents involved in the privatization in the three cases, as they match the type denoted as subversives, being actors who seek to displace an institution, but in pursuing this goal do not themselves break the rules of the institution. This type
of change agent often occurs in layering, and the identification of the political context, institutional characteristics and the type of change agent, led us to believe that the gradual changes of privatization policy in Denmark is best described as layering.

From this, the analysis moved on to find mechanisms that support our claim of the institutional changes being produced through layering by identifying the mechanisms of 1) Policies seen as insufficient, 2) Shared consensus on SOE-policy, and 3) Alternatives to past policies. These mechanisms all contributed to the gradual formal changes of privatization policy and thus assist us in explaining how the formal changes from 1988-2015 have occurred. Combined with the informal mechanisms supporting conceptual changes within the social regime, namely criticism and experience from past change agents, we are now able to explain the changes in the privatization policies in the absence of exogenous shocks.

At this point, we are able to conclude that the development of privatization policy of Danish SOEs to a large extent have been affected by a gradual, cumulative transformation that cannot alone be described only through the scope of classical Hi-theory on path dependence and critical junctures. We instead align ourselves with Streeck & Thelen’s process of layering and Mahoney & Thelen’s description of subversives change agents, when describing how privatization of Danish SOEs has developed.

We now know that the question of how privatization has developed is just as much a question of the turn from the ideological question of privatization to a more pragmatic one through gradual changes, as well as the development on a common shared consensus on the SOE-policy. Even
though different publications from the Ministry of Finance have all been presented as alternatives to past policies, they have been built on existing frameworks under the influence of subversive change agents.

An important fact for the gradual changes in the social regime has been identified through the informal process of rising criticism and experience from former change agents. Despite the frameworks being built on already existing frameworks, the criticism from Poul Nyrup Ramussen, Mogens Lykketoft, Lene Espersen and Brian Mikkelsen has become dominant and an addition to the changes, that came about in 2015, when the state argued for more active state ownership in SOEs.

Conclusively, the development of privatization has thus been characterized by seemingly small additions of new policies to existing institutional frameworks, where the overall development to a large extent gives explanations to how changes in the overall trajectory of the Danish welfare state have occurred by being strategically promoted by subversives change agents. The key findings of the second analysis have been summarized in the table below:
<table>
<thead>
<tr>
<th>Case / Analysis</th>
<th>Political context and institutional characteristics</th>
<th>Actors and change agents</th>
<th>Privatization policy – Changes through layering</th>
</tr>
</thead>
</table>
| **CPH Airport** | **Political context:**  
* Little resistance from political opponents with one attempt of exercising veto powers  
* Context futile for change  
**Institutional characteristics:**  
* Privatization policy codified and clearly defined  
* Low discretion level of interpretation and enforcement | **1. Politicians**  
* Continuous political support despite shifting governments  
2. **Government ministries (publications):**  
* Action Plan for Debureaucratization  
* The Dybkjær Report  
* The State as Shareholder  
3. **High-ranking individuals within the Ministry of Finance (e.g.):**  
* Former Finance Minister Knud Heinesen, later CEO of CPH Airport, as subservive change agent | **Policies seen as insufficient**  
* Wish to increase competition, collect revenue and follow the general privatization trends happening all over Europe.  
**Shared consensus on SOE policy:**  
* Social Democratic Party went from opposing the privatization of CPH Airport to promoting The Dybkjær Report  
* Practical issues above ideology  
**Alternatives to past policies:**  
* Need to simplify, increase effectiveness and de-bureaucratize | **Gradual change in criticism of privatization**  
* Criticism by former change agents: E.g. Brian Mikkelsen |
| **Tele Danmark** | **Political context:**  
* Very little resistance from political opponents  
* Context futile for change  
**Institutional characteristics:**  
* Privatization policy codified and clearly defined  
* Low discretion level of interpretation and enforcement | **1. Politicians**  
* Continuous political support despite shifting governments  
2. **Government ministries (publications):**  
* Action Plan for Debureaucratization  
* The Dybkjær Report  
* The State as Shareholder  
3. **High-ranking individuals within the Ministry of Finance (e.g.):**  
* Permanent Secretary at the Ministry of Finance Hans Würtz, later CEO, as subservive change agent | **Policies seen as insufficient**  
* Diagnosing the previous telecommunication policy as unable to cope with the new problems  
**Shared consensus on SOE policy:**  
* Social Democratic Party went from opposing the privatization of CPH Airport to actively support the privatization of Tele Danmark  
* Practical issues above ideology  
**Alternatives to past policies:**  
* Privatization as a natural step to accommodate future regulations | **Gradual change in criticism of privatization**  
* Criticism by former change agents: E.g. Poul Nyrop and Mogens Lykketoft |
| **Dong Energy** | **Political context:**  
* Large resistance from political opponents and general public  
* Many attempts for exercising veto powers but weak veto possibilities  
* Context less futile for change  
**Institutional characteristics:**  
* Privatization policy codified and clearly defined  
* Low discretion level of interpretation and enforcement | **1. Politicians**  
* Shifting political support towards privatization  
* Intention to privatize DONG Energy was consistently included in the different government platforms.  
2. **Government ministries (publications):**  
* The Dybkjær Report  
* The State as Shareholder  
* The State’s Ownership Policy  
3. **High-ranking individuals within the Ministry of Finance (e.g.):**  
* Anders Eldrup, appointed CEO in 2001, as subservive change agent | **Policies seen as insufficient**  
* Diagnosing the previous policy as unable to cope with the new EU/EC framework in early 2000s.  
**Shared consensus on SOE policy:**  
* Liberalization of markets; EU demands and inspiration from the private sector makes privatization more pragmatic than ideology based.  
**Alternatives to past policies:**  
* DONG Energy case, as the main influence for the change of policy in 2015: New framework layered onto the existing one | **Gradual change in criticism of privatization**  
* Continuous criticism  
* Criticism by former change agents: E.g. Poul Nyrop |

**FIGURE 5.10: Key findings from second analysis**
5.3.5 Reflections and shortcomings of second analysis
The main aim of the second analysis was to explain how privatization of Danish SOEs has developed with point of the departure in the obtained knowledge from the case studies and the first analysis. The second analysis has thus, as initially intended, assisted us in explaining the missing link from the first analysis by assessing how the changes for privatization have occurred in the absence of external shocks.

However, like seen in the first analysis, some critical remarks also have to be made on the findings from the second analysis. First of all, the classification of the five types of gradual changes directly drawn from the frameworks of Streeck & Thelen (2005) and Thelen & Mahony (2010) must be used with some caution. If one strictly follows the guidelines presented by Thelen and Mahony, the veto capabilities would have excluded layering as the main process for our analysis. This is due to the fact, that the framework to a large extent generalizes when seeking to classify the context of the different types of gradual change. In order to present the most reasonable explanation to the gradual changes we, however, find that the different contexts must be weighted in order to present the most valid argument for the chosen type of change.

Second, many nuances and different types of gradual changes could be argued to exist within a given timeframe. Some theorist might argue that the case of DONG Energy would have caused an institutional change, due to displacement processes following the financial crisis. This premise might hold, if one is to judge the updated report from 2015, *The State’s Ownership Policy*, as groundbreaking in terms of Danish privatization and SOE-policy. We find that this is not the case, as it builds on previous frameworks and international practices and thus must be seen as layering.

Lastly, the frameworks of gradual changes in social regimes seem to miss a particular important dimension, when it comes to explaining the sudden changes in the late 1980s. In order to describe the reasons for the government to adjust the policies on SOEs, we still rely on the critical junctures happening all over Europe as being the best explanation for the publication of *Action Plan for Debureaucratization* and the following privatizations of CPH Airport and Tele Danmark. As such, layering is best used in compliance with classical HI-theory when assessing why sudden changes occur. On the other hand, the layering process assists in explaining the case of DONG Energy, as the gradual changes continue despite the financial crisis in 2008.
5.4 Key findings from the analysis
The two analyses of this thesis have each contributed with valuable insights to answer why and how the Danish privatization policy has evolved the way it has.

The first analysis mainly focuses on why the development occurred, besides identifying the question on who affected the processes through the three cases. The European tendency to privatize and the increased EC/EU pressures in the 1980s were identified as critical junctures which allowed for a new path to be created in which old and stable SOEs were transformed over the course of just a few years. This path remained locked in up through the 1990s and 2000s as illustrated in the case studies: Each privatization process proceeded as planned. The path was, however, not broken when the financial crisis hit, as concrete evidence of the abrupt changes and a punctuated equilibrium could not be identified. The “locked” path continued despite the financial crisis, allowing the privatization process of DONG Energy to continue, though much less smoothly than seen at the other cases.

The element lacking in the first analysis was how the Danish privatization policy evolved in the lack of exogenous shocks. This was the topic of the second analysis, where it was shown that a layering gradual institutional change process best describe the developments from the critical junctures in the late 1980s to present day. The institutional characteristics of the privatization policy and the way in which the most important actors operated as subversives change agents created an environment supporting the layering to take place. Gradually, old policies were seen as insufficient and alternatives to former political paradigms emerged in which key decision makers could agree on privatizing SOEs. One way to track the incremental layering process is through the four major publications identified in the first analysis. These illustrate very well how new rules were attached to the existing institution. In turn, these additions transformed the Danish privatization policy.

In sum and when combined, the two analyses are able to answer the research question on why and how the privatization policy in Denmark has evolved based on classical HI-theory in combination with the concepts of gradual change.
6. Discussion
Following the analysis of this thesis, this section provides reflections on the conclusions and empirical findings, as well as putting them into the context of research areas related to the field of privatization and HI. Further, the section provides a dialogue between the results from the theory and analysis, and relates our findings to the area of research.

This is done by first discussing the results of the findings of the analysis by looking at what they imply in the field of privatization policy of Danish SOEs, and how the results differ from and support common theories and empirical findings within the field. Second, the implications of the privatization policy will be looked upon in a larger scope by drawing on the previously presented VoC-literature and current studies of Denmark’s development, arguing how Denmark is moving towards a more hybrid economy. Finally, we reflect on relevance of the findings in the context of international business and politics and encourage future studies to be conducted within the area.

6.1. What is implied by the analysis?
Privatization of Danish SOEs has been a common political and economic tool for policy makers from 1988-2015, ever since EC/EU-reforms and European movements provided a critical juncture, which placed the privatization policy on a locked and dependent path. Despite fluctuations in the degree and focus of the practice of the policy, the underlying assumptions of privatizing SOEs has remained stable and gradually developed through a process of layering throughout almost 30 years. The actors involved in the development have further shown to be of great importance to changes of the policy, and the actual implementation of the privatization policy. In fact, the empirical findings from the second part of the analysis confirm these claims by emphasizing the role of the subversives change agents and their work within the institutional and political context (Mahony & Thelen, 2010). That the privatization policy has remained locked in and gradually developed through layering was shown in the analysis. The first analysis illustrated that the development of privatization of Danish SOEs is both a result of the critical junctures and existing structures, and the second analysis illustrated that the development can additionally be viewed as gradual changes within the social regimes.
But what do these findings then imply for privatization theories in general, for theories within New Institutionalism and for privatization of Danish SOEs? The findings support scholars such as Steeck and Thelen (2005) as well as Mahony and Thelen (2010) by arguing that privatization theories can be supported by a historical institutional account, and that certain processes and developments have become more crucial for the development of policies than suggested in the existing literature.

6.1.1. Revisiting privatization theories
The main point of departure for privatization theory has, as accounted for in the beginning of the thesis, been on focusing on economic factors and assumed that economic objectives of privatization are the most important (Hodge, 2000).

The theoretical findings of this thesis, however, indicate that other vital aspects are important when analyzing the area, at least in the case of Denmark. We acknowledge the fact that convergence demands from the EC/EU greatly influenced the decisions to privatize SOEs in the late 1980s and early 1990s (Parker, 1998), but we disclaim the notion that actors within the social regime have been inherently self-interested utility maximizers, as suggested by public choice theory (Boston, 1991). In addition, the common use of the principal-agency theory would not have been able to capture the significance of vital role of the change agents, as seen in the second part of the analysis, as it implies principals to be characterized by some degree of inactivity and isolation from the agents (Hodge, 2000), which we do not find to be true in cases of CPH Airport, Tele Danmark and DONG Energy. Concluding on the notion of the general approach of New Public Management and the related theories of public choice theory and principal-agent theory, we support the historical institutional claim that these are sufficient for looking at the partial parts within the field of privatization, but not for answering the question of why and how events - i.e. privatization policy – have developed (Pierson & Skocpol, 2001).

In this way, we believe our analysis supports how the institution of privatization policy can be grasped and interpreted by the use of HI-literature, in a way suitable for drawing an overall picture of the developments, the central change agents and the gradual change of privatization policy (Mahony & Thelen, 2010). Our theoretical findings, in combination with the empirical findings and
the continued public attention given to the issue of privatization of Danish SOEs, lead us to suggest a revisit of privatization as a relevant academic field, where the theoretical findings from this thesis might be found useful for future studies.

6.1.2. Historical institutionalism and gradual change are complements

The analysis supports that individual strings within New Institutionalism are not able to answer our research question when being solely relied upon. As accounted for in the theory section, RI and SI were ruled out as the main point of departure, as they see human as self-interested rational actors and norm abiding rule followers respectively, which in our case would limit the room for maneuver in the analysis. HI on the other hand stands between and perceives humans as a combination of the two (Steinmo, 2008). However, we do not find the traditional HI-framework sufficient to explain why and how privatization of Danish SOEs has developed either.

For this reason, the analytical scope was widened to include theory of gradual change (Streeck & Thelen, 2005) to better explain changes over time. In this way the paper supports the academic discussion of changes over time, when analyzing the development of privatization from two complements within HI-theory. We thus support the claims by Streeck and Thelen (2005) by saying that the two theoretical approaches taken in this thesis complement each other, and we believe to provide sufficient evidence for answering the research question at hand. In this way, the empirical findings support the theoretical frameworks of gradual change. The key findings, such as the rejection of the Financial Crisis as being a critical juncture (e.g. Coen & Roberts, 2012; Ashbee, 2013) as well as the influence of the change agents, confirm this notion.

This particular notion supports claims of why that the academic field of privatization, including the area of New Institutional theories, needs to be continuously built upon in order to fully assess why and how privatizations take place and develop. We find that this thesis sparks this discussion by using a variety of theoretical strings, enabling us to present conclusions based on our empirical findings within the theoretical framework. As such it can be argued that this thesis is an example of how to incorporate case specific empirical findings into the existing frameworks. It is, however, acknowledged that the findings from the analysis are not unique in the sense that they contribute to the development of an entire new theoretical framework for analyzing privatization and SOEs. Instead the thesis contributes by putting empirical findings from the field of privatization of SOEs
in Denmark into existing frameworks (Krasner, 1984; Pierson & Skocpol, 2001; Streeck & Thelen, 2005; Mahoney & Thelen, 2010). Whereas the theoretical contributions are supporting in nature, we do, however, believe that the empirical findings of the thesis can contribute and be important for future studies of Danish privatizations of SOEs.

6.1.3. Does the empirical findings suggest relevance of privatization in contemporary political economy?

The analysis of the thesis reveals some empirical findings which need to be addressed further. Looking solely on some of the empirical findings from the analysis, we believe to be able to suggest that people should care about privatization of SOEs, which in many ways confirms the relevance and validity of the analysis.

First, the decisive subversives change agents have shown to be far more important for the development of the privatization policy than the political affiliation of the government in charge. What seems to be the case is that the institution of privatization policy has developed in its locked in path, despite the change of government, whether it has been from a conservative to a social democratic, a social democratic to a liberal-conservative or a liberal-conservative to social democratic-led government. Despite initial intentions to either escalate or slow down the privatization processes, the governments have followed the locked paths without substantial changes in the implementation of the policies. Thus, the change agents are considered as being more important for the development of the policy, as they sought to displace the institution without breaking the existing rules within the institution. It is vital to stress how some of the key players have regretted their own decisions to privatize in the past, despite their support while being in office. This tendency likely supports how the privatization policy is indeed institutionalized, and is hard to change while being a rule maker within the social regime. We do, however, recognize that targeted and insightful interviews with the change agents and high ranking officials might have led to direct focuses on the specific cases, and thus provided more comprehensive results in regards to the role of the change agents. As accounted for in the methodology, we chose not to do these, but we invite future studies to take note of the role of the change agents when analyzing the development of privatization policy in Denmark.
Second, the DONG Energy case clearly exhibits how privatization policy and implementation are still highly delicate issues able to attract major public and political attention. The case of DONG Energy indicates that a single privatization can have a huge effect in the overall management of SOEs and actually influence the outcome of future policies. Even though the private placement proceeded as planned, the case had notable influence in the outcome of The State’s Ownership Policy, and thereby directly affected the Ministry of Finance, the Finance Minister, Bjarne Corydon, and the future of privatizations in Denmark. The major debates within the political parties and the general public further confirm how the issue of critical infrastructure is still, in the eyes of many, seen as a public responsibility which should not be privatized. We find this particular finding to be relevant in future studies of privatizations, and do suggest that other areas such as ideational frameworks could be added to the analysis in order to fully comprehend the implications of privatization of SOEs.

The empirical findings from this thesis thus to some extent support that privatization still plays a role in the overall academic and public conception of the role of the welfare state (Pedersen, 2011). Combined with academic literature and the theoretical frameworks and justifications presented, we believe that the empirical findings of this thesis support a need for revisiting privatization, especially in the context of how to explain gradual institutional changes (Streeck & Thelen, 2005).

6.2 Implications of the Danish privatization policy: Is Denmark becoming a hybrid?
So far, the focus of this thesis has been narrow with its intention to make meaningful analyses and conclusions about the Danish privatization policy from 1988 to 2015 based on three in-depth case studies. While this approach supports answering the research question, it is sensible to consider the implications of the findings in a grander setting, namely the political economy as a whole. To what extent has the liberalization movement affected the Danish welfare state in general? What do the findings concerning the development of the Danish privatization policy suggest about the Danish welfare state in general? And how can the findings of this thesis contribute to or dispute existing literature on the matter?

These types of questions are at the center of this section which will draw on the much debated Varieties of Capitalism (VoC) framework as presented in the theory section. Thus, this section will
discuss the findings of the analysis in accordance with contemporary debates in international political economy of how CMEs and LMEs develop with attention to Denmark.

6.2.1 Ongoing discussion: Contemporary VoC-debates
As accounted for in the theory section, the VoC-framework puts much emphasis on the role of corporations in a globalized economy. By placing firms at the center of the analysis, the VoC-framework argues how countries can compete internationally. The framework takes its point of departure in five key spheres in which companies’ must develop relationships to overcome coordination issues. Through that, Hall and Soskice (2001) were able to identify two state archetypes: The CME, in which firms are situated in a low-cost and heavily competitive market, and the LME, in which firms rely more on non-market relationships and compete more consensus-based (Hall & Soskice, 2001).\(^9\)

Contemporary scholarly debate about the VoC-framework concerns to what extent a country can change from one type of capitalism to another over time (Thelen, 2014). In this discussion, Denmark is often specifically highlighted as an example. Denmark is traditionally categorized as a coordinated market economy along with nine other OECD countries (Hall & Soskice, 2001). The country is characterized by high degree of trade union density and relatively strong employment protection. According to the VoC-framework, this infers that the comparative advantage of Danish firms is achieved through innovation rather than for instance low labor costs as it would in a liberal market economy. This marks an important point in the VoC-framework: To become successful in the global economy, a CME or LME should encourage the development towards their ideal type to maintain a comparative advantage (Hall & Soskice, 2001). This entails that Denmark should continue to develop its non-market institutions because that is how a CME supports its businesses best.

However, scholars are increasingly rejecting that CMEs are on a trajectory towards their ideal type. In fact, the wave of liberalization since the 1980s – which has also been depicted in this thesis – has affected CMEs greatly. Scholars now discuss “how far liberalization has taken CMEs toward LME-type arrangements” (Thelen, 2014, p. 8). Thelen (2014) challenges the idea of looking at

\(^9\) Please see pages 34-36 for more on the VoC framework
CMEs and LMEs on a single continuum to understand the change because institutional changes can occur on multiple levels that may affect whether we view a country as a CME or LME.

One of the influential contributions to this debate was made by John Campbell and Ove Kaj Pedersen (2005) who argued that Denmark had become a successful hybrid between a LME and CME. They argued that, among other things, the emergence of corporatism favoring decentralized economic decision-making and inclusive corporatist dialogue to attain political consensus on structural policies fostered this development (Campbell & Pedersen, 2005). Elements such as these have transformed Denmark from a traditional CME to becoming a so-called negotiated economy which is a blend of coordinated and liberal mechanisms (Pedersen, 2006). An example of this is Danish labor conditions which are at the same time described as being flexible (LME feature) and with high security (CME feature). This highlights one of Pedersen’s (2006) main points that the negotiated economy is about implementing CME or LME features that will support and strengthen the comparative advantage. Thus, this goes against traditional VoC understanding of how a comparative advantage is sustained – rather than an ideal type, Denmark has become successful through complementarity.

Pedersen solidified his research with the book, *Konkurrencestaten* (The Competition State) in 2011. In the widely debated book, Pedersen argues that the past 20-25 years have changed the Danish political economy dramatically as it has gone from a Scandinavian welfare state towards a competition state (Pedersen, 2011). A competition state relies on a neoliberal interpretation of the economy and globalization as opposed to a Keynesian, thus changing the Danish mindset from the Cold War significantly. This change has influenced political priorities compared to the 1970s: “Before reforms were carried out to support democracy, equality, the ‘good society’, now they are carried out to create effective and competitive economies” (Pedersen, 2011, p. 32). By effective and competitive economies, Pedersen refers to the market-driven competition that is found to exist in LMEs.

### 6.2.2 Implications of findings in contemporary VoC-debates

This thesis has obviously only dealt with a fraction of what constitutes the Danish political economy as a whole. However, we suggest that the findings from the analyses of the Danish
privatization policy support Pedersen’s underlying argument that Denmark is slowly shifting from a pure CME towards becoming a hybrid that adopts features usually ascribed to a LME. This is expressed in at least two notable ways derived from the analyses:

First, privatization is a LME-activity at its core. As Campbell and Pedersen state: “LMEs typically reject industrial policy and other forms of state coordination or planning” (Campbell & Pedersen, 2005, p.19). In this sense, privatizing SOEs is a way of dismantling state coordination that would typically be found in a CME. This is confirmed by the empirical findings of the first analysis: Key change agents again and again argued that setting SOEs free on the market would improve their efficiency and in turn lead to better economic performance. For instance, converting CPH Airport into an A/S company and merging regional telecommunications companies into Tele Danmark would strengthen the SOEs for commercial performance. In all three cases it was stressed that preparing the SOEs for market-based competition was essential. This type of competition is what is found in a liberal market economy.

It is documented throughout time period from 1988-2015, how it was political priority to adopt features of a liberal market economy. The ambition to create a market-based competitive landscape is clearly outlined in the four major publications presented in the analysis, *Action Plan for Debureaucratization*, *The Dybkjaer Report*, *The State as Shareholder* and *The State’s Ownership Policy*. This ambition has also been stated by politicians from both sides of the political aisle. The culmination came in 2013 when Finance Minister Bjarne Corydon proclaimed that he “believes in the competition state” as defined by Pedersen (Jespersen, Kestler and Norgaard, 2013). The comment is significant because it not only came from arguably the most influential minister apart from the Prime Minister, but also because it came from a Social Democrat. That a center-left politician weighs the competition state over the welfare state signals how strongly embedded the ambition to encourage market-driven competition has become.

Second, one of Transport Minister Knud Østergaard’s arguments for privatizing CPH Airport was to give the SOE better access to commercial loan markets. In the cases of Tele Danmark and DONG Energy, raising capital was the reasoning behind completing the IPO and private placement, respectively. These observations are interesting in the context of one of Hall and Soskice spheres in which companies must establish relationships to succeed, namely corporate governance. The
ideal type coordinated market economy is characterized by having relatively low stock market capitalization and banks as the main loan givers. However, the privatization processes in the three cases show that decision-makers viewed it as particularly important for the SOEs to gain access to private capital to fund further investments. Using the stock market and private investors as the main sources of capital injections is a characteristic of a liberal market economy.

As mentioned, these findings do not allow us to conclude whether Denmark is becoming more like a hybrid model as Pedersen suggests. However, we can conclude that the Danish privatization policy is characterized by the same features that Pedersen identifies for the Danish political economy as a whole suggesting a ‘pull’ towards a LME model. The model below is a visualization of the relationship between the findings in this thesis and Pedersen (2011):

![Diagram of the relationship between the Danish political economy and the privatization policy]

The large arrow represents Pedersen’s (2011) argument that the Danish political economy as a whole is developing from a welfare state towards a competition state. The small arrow represents our argument that the Danish privatization policy – as a small part of the political economy – supports Pedersen’s claim. It should be highlighted that the model is heavily simplified because it suggests that all aspects of the Danish political economy is simultaneously attaining LME features which is not the case. For instance, the relative low difference in income between the poor and the rich characterizing a welfare state seem to remain in place in the new Danish hybrid (Pedersen, 2011). This underlines that state development is often differentiated which is why
Thelen (2014) urges scholars to be careful when placing on a single continuum from CME to LME. However, in this case the use of such continuum merely shows the relationship between Pedersen’s argument and the findings of this paper and is not applied as an analytical tool as such.

In sum, while the findings of this thesis are too narrow to meaningfully engage in the debate as to whether Denmark is becoming more similar to a LME than previously, we suggest that vital elements in support of Pedersen’s claims can be identified. The decisions to privatize CPH Airport, Tele Danmark and DONG Energy were based on equipping the SOEs for market-based competition similar to what could be found in an LME. Furthermore, the need for private capital was highlighted implying a liberal market economic approach to corporate governance according to the VoC-framework.

6.3 Privatization in international business and politics and future studies
The preceding sections have discussed the implications of our analysis and presented some thoughts on the future development of privatization of Danish SOEs by drawing on the past experiences within the field. Through the findings, we find to believe that privatization of Danish SOEs have great relevance in today’s studies of international political economy, and we suggest further research to be conducted within the area. Consequently, this final section discuss the empirical and theoretical findings of the thesis contributions to the area of international business and politics, where the main emphasis is on how Denmark as a case might contribute to the field and encourage to conduct similar kinds of research in other countries. Further, we conclude the thesis by looking on and suggesting how future studies within the field can be conducted in accordance with the findings of the thesis.

Within international business and politics studies, the integration of various disciplines suggest to have great significance for the way we view the impact of decisions on the economy and society as a whole. When looking at how increasing globalization and relationships between business, governments, international institutions and other actors such as NGOs have become more and more important, it can be argued that businesses and governments have to both cooperate and compete in order to assess the developments and challenges. With this thesis, we believe to have investigated one of the core topics and developments within this field, being the transfer of ownership of SOEs from the Danish state to private entities. This notion is central to this study, as
it highlight the relationship between political and private decision making and processes. In this way, we find that the empirical and theoretical findings of the thesis depict some of the important developments within international business and politics. The institutional account of the development of privatization policies is a framework commonly used in political science, and combined with the empirical findings of the changes in ownership, we believe to shed light on crucial points when discussing the role of states vs. the role of business in today’s society.

Further, the discussion of Danmark’s role within international political economy has been briefly touched upon through the VoC-framework by Hall & Soskice (2001). In relation to this, it is important to note that our study has focused on the single embedded case study of Denmark in relation to why and how Danish privatization policy of SOEs has developed. Other authors, such as Thelen (2014), have investigated developments in other countries in other areas, and we encourage similar studies to be conducted in relation to the development and influence of privatization policies in international political economy.

The themes brought up in these discussing sections have cast light on how the issues of privatization and the Danish welfare state are ongoing studies, which have drawn some attention throughout the last decades (Campbell & Pedersen, 2005). One might think that a central aspect, being predictions of what is going to happen to privatizations of Danish SOEs in the future, is central to the field assessed in this thesis. However, as our methodology of critical realism is explanatory instead of predictive (Buch-Hansen & Nielsen, 2005), and since HI in general does not provide predictions to future outcome (Steinmo, 2008), we will leave this field to future studies of privatization policy.

In addition, we suggest that future studies do not limit themselves to the classical definition of HI, but include concepts of gradual change – or alternatively an ideational approach – in order to capture the developments taking place in the absence of external chocks. As such, we suggest that the field of privatization is far from being academic irrelevant, and we believe that the analysis of the thesis assists in supporting why people do and should care about development of privatization policies in international business and politics.
7. Conclusion

Why and how has privatization policy of Danish SOEs developed?

This thesis has set out to answer the questions of why and how privatization policy of Danish SOEs has developed. Through our theoretical, empirical and analytical findings, we are now able to clarify the development of privatization policy in Denmark from 1988-2015.

In our first analysis, based on classical HI-theory, we assessed why the Danish privatization policy developed and identified key actors who affected the processes based of the cases of CPH Airport, Tele Danmark and DONG Energy. We find that the European movements in the 1980s, including the increasing pressures from the EC/EU, caused an environment where privatizations of SOEs became a valid policy tool in Denmark. As such, these movements were identified as the critical junctures that set the path for transforming SOEs through privatization. Through the three cases, we find that this path became dominant throughout the 1990s and 2000s, and even remained “locked in” after the financial crisis hit in 2008. The case of DONG Energy proves how the path of privatizing SOEs was institutionalized and locked, despite the massive attention given to the case. The influence of the surrounding environment and the effects of exogenous shocks therefore remain the main key to explaining why privatization policy of Danish SOEs developed.

In the second analysis, we extended our framework with the concept of gradual change in order to assess how the Danish privatization policy had developed endogenously. The analysis showed how layering of the privatization policy could best describe the development where the institutional characteristics and political context of the privatization policy as well as the way in which the most important actors operated as subversives change agents created an environment supporting layering to take place. Through the three cases, we find that actors within the social regime saw old policies as insufficient, and that they had a shared consensus on SOE-policy which led to new alternatives. The answer to the question of how privatization policy of Danish SOEs has developed is thus that it has been affected by a gradual and cumulative transformation through layering, which cannot alone be described through the scope of classical HI-theory that relies on pathdependence and critical junctures. In combination the two analyses answer the research question of the thesis, and detailed overviews of the key findings have been depicted in figure 5.8 and figure 5.10.
An important aspect of how we arrived at our conclusions is found in our choice of methodology and theory. A critical realist approach was applied to the qualitative case-based studies of CPH Airport, Tele Danmark and DONG Energy, in combination with the theoretical approaches of HI. Existing literature within the field of privatization has mainly been based on economic factors and assumed that economic objectives of privatization are the most important, whereas our analysis supports how the institution of privatization policy can be grasped and interpreted by the use of HI-literature, in a way more suitable for drawing an overall picture of the developments. We find that the combination of traditional HI theory, Streeck and Thelen (2005) and Thelen & Mahoney (2010) frameworks of gradual change, complement each other and provide the evidence for answering the research question at hand in the most suitable way.

The essential empirical findings of the thesis constitute vital parts of our thesis, and we encourage that these are taken into consideration in future studies within privatizations of SOEs in Denmark. One of the key findings is the rejection of the financial crisis being a critical juncture, which has otherwise been stated throughout literature and studies since 2008. We believe to have illustrated how this has not been the case in terms of privatization policy in Denmark, and that other factors are more important for explaining the changes of privatization policy. Some of these are the institutional context of privatization and the change agents involved in the processes, which constitute additional key findings of the thesis. The change agents involved in the privatization in the three cases were matched as subversives, being actors who seek to displace an institution, and proved to have a great influence in the processes. Further, the following rising criticism and experience from former key actors, such as Poul Nyrup Rasmussen, has become dominant and a vital part surrounding the debates on active state ownership in SOEs. These findings all suggest that the field of privatization of SOEs is still highly relevant, and in combination with the observation of a more pragmatic approach, where the ideological persuasion and political affiliation of the government in charge do not play significant roles, they invite to discussions on the role of the Danish welfare state.

In the discussion we briefly touch the issue on the development of the Danish welfare state, and while the findings of this thesis are too narrow to engage in thorough debate on whether Denmark is becoming more similar to a LME than previously, some of our findings indicate that Denmark indeed is moving towards a more hybrid economy. Combined with our findings from the analysis
the thesis thus also contributes to studies within international business and politics, where specific processes in the case of Denmark can be used as off-set for future research.

As our theoretical approach limits us in predicting the future outcomes of privatization policy in Denmark, we invite to further engage in the field of privatization in academic studies in the future. What can be derived from this thesis is a recommendation of not limiting theoretical studies to classical definitions of HI, but to include ways of explaining how changes occur over time in the absence of external chocks. We consequently suggest that privatization of SOEs has academic relevance, and that the field contributes to the overall understanding of the development of policies and institutions in international business and politics.
8. Bibliography


9. Appendices

9.1 Appendix A: Overview of major publications from primary sources/Danish ministries

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Year</th>
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<tr>
<td>Handlingsplan for afbureaucratisering (Action Plan for De bureaucratization)</td>
<td>Prime Minister’s Office</td>
<td>1988</td>
</tr>
<tr>
<td>Erfaringer med statslige selskaber (The Dybkjær Report)</td>
<td>Ministry of Finance</td>
<td>1993</td>
</tr>
<tr>
<td>Bedst og billigst gennem reel konkurrence (Best and Cheapest through True Competition)</td>
<td>Ministry of Research</td>
<td>1995</td>
</tr>
<tr>
<td>Vækst – Velfærd – Førnyelse (government platform)</td>
<td>Prime Minister’s Office</td>
<td>2001</td>
</tr>
<tr>
<td>Staten som aktionær (The State as Shareholder)</td>
<td>Ministry of Finance</td>
<td>2004</td>
</tr>
<tr>
<td>Statens selskaber</td>
<td>Ministry of Finance</td>
<td>2004</td>
</tr>
<tr>
<td>Statens selskaber</td>
<td>Ministry of Finance</td>
<td>2005</td>
</tr>
<tr>
<td>Et Danmark der står sammen (government platform)</td>
<td>Prime Minister’s Office</td>
<td>2011</td>
</tr>
<tr>
<td>Statens selskaber</td>
<td>Ministry of Finance</td>
<td>2011</td>
</tr>
<tr>
<td>Sammen for fremtiden (government platform)</td>
<td>Prime Minister’s Office</td>
<td>2015</td>
</tr>
<tr>
<td>Statens Ejeskabspolitik (The State’s Ownership Policy)</td>
<td>Ministry of Finance</td>
<td>2015</td>
</tr>
</tbody>
</table>

Please note that the Ministry of Finance is denoted as Finansministeriet, the Prime Minister’s Office as Statsministeriet and the Ministry of Research as Forskningsministeriet in the bibliography.
9.2 Appendix B: Campbell’s typology of ideas
Campbell makes two important distinctions for understanding ideas and how they influence politics (Campbell, 2004). First, ideas can either be underlying background assumptions that are often taken for granted by involved actors. On the contrary, ideas can also be at the foreground of the debate. These types of ideas are often addressed and challenged openly. Secondly, ideas can be cognitive and normative; cognitive meaning that they address cause-and-effect relationships in the shape of theory and analyses, and normative meaning that they concern values and identity of actors (Campbell, 2004). However, the separation of cognitive and normative ideas is less distinct in reality because it is difficult to isolate for instance analyses from the normative setting in which they were conceived (Rueschemeyer & Skocpol, 1996). With these distinctions in place, Campbell outlines four categories of ideas:

<table>
<thead>
<tr>
<th>Type</th>
<th>Level</th>
<th>Foreground</th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive</td>
<td></td>
<td>Program</td>
<td>Paradigms</td>
</tr>
<tr>
<td>Normative</td>
<td></td>
<td>Frames</td>
<td>Public sentiment</td>
</tr>
</tbody>
</table>

Adapted from Campbell (2004, p. 120)

**Programs**
When political decision-makers suggest recommendations to specific issues they are essentially employing ideas as programs (Greve, 2012). These are foreground ideas that can be seen in both the public sector as political priorities and the private sector as business strategies. Programs are often considered the most important type of ideas to institutionalists because they most directly affect institutional change. For example, Esping-Andersen showed how introduction of specific welfare programs led to the institutionalization of welfare institutions (Campbell, 2004).

**Paradigms**
Paradigms are ways of thinking about an issue that limit the range of possible alternatives available to the political elite in the decision-making process (Campbell, 2004). It is not that decision-makers will reject a proposal based on the existing paradigm, but more how a proposal outside the range of the paradigm will never be suggested in the first place. Peter Hall was among the first HI scholars to apply this in his study of Britain’s paradigmatic shift from Keynesian to monetarist modes of policy-making. In his account of three levels of political change, he argued
that most changes in policy occur without changing the existing political paradigm (Hall, 1993). Changes to government spending or raising/lowering tax rates are ‘normal policy changes’. Conversely, the most fundamental goals, e.g. lowering unemployment, will rarely change because it is inherent in decision-makers’ understanding of what is important.

Frames
Frames refer to ideas in the shape of symbols and notions that serve as means for policy makers to legitimize and justify the programs they put forward (Campbell, 2002). The objective of framing for instance a policy proposal is to gain support from constituents or partners in the political process. For instance, US presidential candidates will heavily rely on framing when accounting for why gun control should be limited by referring to normatively agreed on American values such as freedom from government intervention. Thus, rather than discussing the pros and cons of gun control, the debate will be narrated to be a discussion of how much the government should interfere in one’s personal life.

Public sentiment
These ideas are the normative core assumptions held by people in general, i.e. public opinion, values, norms and identities and collective expectations (Campbell, 2004). These are unlikely to change in the short run and heavily constraints institutional change in that the public sentiment will influence which programs will be considered acceptable and legitimate.

In combination, the different types of ideas can be used as an approach to explain institutional change. A very relevant and concise application of the typology is offered by Greve (2012) who summarizes the main ideational features of New Public Management (NPM):

“As an idea according to Campbell’s approach, NPM was a program (for modernization of the public sector in a market- and management perspective), a paradigm and control philosophy (concerning market control and leadership inspired by the private sector’s focus on creating results), a frame (the market place as a metaphor, individual responsibility as ideal) and public opinion and principle (market forces and individualization of management responsibility as basic norms)” (pp. 19-20, translated).
## 9.3 Appendix C - Danish SOEs, 31 December 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Minstry/resort</th>
<th>Type</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bornholmsstrafikken Holding A/S</td>
<td>Transport</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>Dansk Jagtforening A/S</td>
<td>Environment</td>
<td>State-owned public limited company</td>
<td>51%</td>
</tr>
<tr>
<td>Danske Spil A/S</td>
<td>Finance</td>
<td>State-owned public limited company</td>
<td>80%</td>
</tr>
<tr>
<td>Det Danske Kasselotteri A/S</td>
<td>Finance</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>DONG Energy</td>
<td>Finance</td>
<td>State-owned public limited company</td>
<td>59%</td>
</tr>
<tr>
<td>Eksport Kredit Finansiering A/S</td>
<td>Business and Growth</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>Finansiel Stabilitet A/S</td>
<td>Business and Growth</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>Statens Ejendomssalg A/S</td>
<td>Finance</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>Statens og Kommunernes Indkøbs Service A/S</td>
<td>Finance</td>
<td>State-owned public limited company</td>
<td>55%</td>
</tr>
<tr>
<td>Sund og Bælt Holding A/S</td>
<td>Transport</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>TV2 Danmark</td>
<td>Culture</td>
<td>State-owned public limited company</td>
<td>100%</td>
</tr>
<tr>
<td>Vestyysk Bank</td>
<td>Finance</td>
<td>State-owned public limited company</td>
<td>81%</td>
</tr>
<tr>
<td>DanPilot</td>
<td>Business and Growth</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>DSB</td>
<td>Transport</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>Eksport Kredit Fonden</td>
<td>Business and Growth</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>Energinet.dk</td>
<td>Climate and Energy</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>Investeringsfonden for udviklingslande</td>
<td>Foreign</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>Navigair</td>
<td>Transport</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>Nordspenheden</td>
<td>Business and Growth</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>Vækstfonden</td>
<td>Business and Growth</td>
<td>Independent public company</td>
<td>100%</td>
</tr>
<tr>
<td>AFT 2005 A/S</td>
<td>Finance</td>
<td>Company with public ownership</td>
<td>&lt; 1%</td>
</tr>
<tr>
<td>Air Greenland A/S</td>
<td>Finance</td>
<td>Company with public ownership</td>
<td>25%</td>
</tr>
<tr>
<td>Basisbank A/S</td>
<td>Finance</td>
<td>Company with public ownership</td>
<td>1%</td>
</tr>
<tr>
<td>Dansk Bibliotekcenter A/S</td>
<td>Culture</td>
<td>Company with public ownership</td>
<td>39%</td>
</tr>
<tr>
<td>Københavns Lufthavne A/S</td>
<td>Finance</td>
<td>Company with public ownership</td>
<td>39%</td>
</tr>
<tr>
<td>MetroSelskabet I/S</td>
<td>Transport</td>
<td>Company with public ownership</td>
<td>42%</td>
</tr>
<tr>
<td>NORDUnet A/S</td>
<td>Education and research</td>
<td>Company with public ownership</td>
<td>24%</td>
</tr>
<tr>
<td>PostNord AB</td>
<td>Transport</td>
<td>Company with public ownership</td>
<td>40%</td>
</tr>
<tr>
<td>Ring 3 Letbane I/S</td>
<td>Transport</td>
<td>Company with public ownership</td>
<td>40%</td>
</tr>
<tr>
<td>SAS A</td>
<td>Finance</td>
<td>Company with public ownership</td>
<td>14%</td>
</tr>
<tr>
<td>Udviklingsselskabet By &amp; Havn I/S</td>
<td>Transport</td>
<td>Company with public ownership</td>
<td>5%</td>
</tr>
<tr>
<td>Aarhus Letbane</td>
<td>Transport</td>
<td>Company with public ownership</td>
<td>47%</td>
</tr>
</tbody>
</table>

### Appendix D – Privatizations of SOES in Denmark, 1988-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Type</th>
<th>Revenue (mio. DKK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Byggeeksportrådet A/S</td>
<td>Direct sale</td>
<td>52,5</td>
</tr>
<tr>
<td>1989</td>
<td>Junker Industries</td>
<td>Direct sale</td>
<td>0,15</td>
</tr>
<tr>
<td>1990</td>
<td>Byggeriets Maskinstation</td>
<td>Block trading</td>
<td>40,8</td>
</tr>
<tr>
<td>1991</td>
<td>Statsanstalten for Livsforsikring</td>
<td>Strategic sale</td>
<td>4,222,4</td>
</tr>
<tr>
<td>1992</td>
<td>A/S Regnecentralen</td>
<td>Strategic sale</td>
<td>0,5</td>
</tr>
<tr>
<td>1993</td>
<td>Giro Bank</td>
<td>Public tender</td>
<td>721,2</td>
</tr>
<tr>
<td>1993</td>
<td>Tele Danmark</td>
<td>Public tender</td>
<td>81,7</td>
</tr>
<tr>
<td>1994</td>
<td>Københavns Lufthavn</td>
<td>Public tender</td>
<td>695,8</td>
</tr>
<tr>
<td>1994</td>
<td>Tele Danmark</td>
<td>Capital reduction</td>
<td>886</td>
</tr>
<tr>
<td>1995</td>
<td>EKR Kreditforsikring</td>
<td>Strategic sale</td>
<td>71,5</td>
</tr>
<tr>
<td>1996</td>
<td>Københavns Lufthavn</td>
<td>Public tender</td>
<td>1,088,6</td>
</tr>
<tr>
<td>1996</td>
<td>Giro Bank</td>
<td>Strategic sale</td>
<td>735</td>
</tr>
<tr>
<td>1996</td>
<td>Datacentralen</td>
<td>Strategic sale</td>
<td>338</td>
</tr>
<tr>
<td>1996</td>
<td>DEMKO</td>
<td>Strategic sale</td>
<td>28,3</td>
</tr>
<tr>
<td>1996</td>
<td>Danfragt</td>
<td>Strategic sale</td>
<td>0</td>
</tr>
<tr>
<td>1997</td>
<td>UNI-C</td>
<td>Direct sale</td>
<td>37</td>
</tr>
<tr>
<td>1997</td>
<td>EKR</td>
<td>Direct sale</td>
<td>273,5</td>
</tr>
<tr>
<td>1997</td>
<td>Dyrehavsbakken</td>
<td>Sold to company</td>
<td>0,2</td>
</tr>
<tr>
<td>1998</td>
<td>Tele Danmark</td>
<td>Strategic sale / sold to company</td>
<td>31,140</td>
</tr>
<tr>
<td>1998</td>
<td>Skand. Reisebüro</td>
<td>Strategic sale</td>
<td>6,4</td>
</tr>
<tr>
<td>1999</td>
<td>Datacentralen</td>
<td>Strategic sale</td>
<td>122,2</td>
</tr>
<tr>
<td>2000</td>
<td>Københavns Lufthavn</td>
<td>Public tender</td>
<td>963,3</td>
</tr>
<tr>
<td>2001</td>
<td>Combas</td>
<td>Strategic sale</td>
<td>0</td>
</tr>
<tr>
<td>2001</td>
<td>Banestyrelsen Rådgivningsdiv.</td>
<td>Strategic sale</td>
<td>70</td>
</tr>
<tr>
<td>2004</td>
<td>Orange Holding</td>
<td>Sale to main shareholder</td>
<td>106,6</td>
</tr>
<tr>
<td>2004</td>
<td>Institut for Service udvikling</td>
<td>Management buy-out</td>
<td>8</td>
</tr>
<tr>
<td>2004</td>
<td>Danske Telecom</td>
<td>Strategic sale</td>
<td>0</td>
</tr>
<tr>
<td>2005</td>
<td>ETA Danmark</td>
<td>Strategic sale</td>
<td>6,5</td>
</tr>
<tr>
<td>2005</td>
<td>Statens Bilinspektion</td>
<td>Strategic sale</td>
<td>480</td>
</tr>
<tr>
<td>2005</td>
<td>Bella Center</td>
<td>Strategic sale</td>
<td>101,7</td>
</tr>
<tr>
<td>2005</td>
<td>Post Danmark</td>
<td>Strategic sale</td>
<td>1443</td>
</tr>
<tr>
<td>2006</td>
<td>DONG Energy</td>
<td>Capital Increase</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>Scandlines</td>
<td>Strategic sale</td>
<td>5,903,1</td>
</tr>
<tr>
<td>2008</td>
<td>Ammunitionarealet</td>
<td>Strategic sale</td>
<td>N/A</td>
</tr>
<tr>
<td>2014</td>
<td>DONG Energy</td>
<td>Private placement</td>
<td>11,000</td>
</tr>
</tbody>
</table>

*Source: Christoffersen, H., & Paldam, M. (2006), Based on Finansministeriet (2010), Finansministeriet (2015a)*