

Deinstitutionalization and Institutional Replacement: State-Centered, Neoliberal and Hybrid Models in the Global Electricity Supply Industry

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Abstract:

We investigate the institutional replacement of state-centered models for the electricity supply industry with a neoliberal model in 83 countries. We argue, and find evidence, that, particularly during times of crisis, the legitimacy of the institutional replacement in a given country is negatively associated with the incidence of government interventions that seek to undermine that institutional replacement. We find multiple mechanisms that influence the legitimacy of the institutional replacement including several that link reforms in a given country to those in peer countries or to multilateral lenders. Notably, we find that institutional replacements associated with multilateral lending and divergent from replacements in peer countries are more likely to generate government interventions that impede institutional replacement. We discuss the implications of our results for international investors, multilateral lenders and scholars of neoinstitutional theory.

1 Introduction

Over the last two decades, the state-centered model of monopoly state ownership and operation with regulatory oversight by a government ministry has undergone a process of deinstitutionalization in the electricity supply industry. In dozens of countries an alternative neoliberal model characterized by competitive private generation with regulatory oversight by a depoliticized regulatory authority has emerged. While 92 countries initiated elements of such a reform program from 1985-1999, resulting in the transfer of over one trillion dollars of assets to private ownership (Brune, Garrett, and Kogut, 2004; Kogut and Macpherson, 2004), the process of institutional replacement has, in many jurisdictions, generated considerable societal resistance both at the time of reform adoption and subsequently (Walton and Ragin, 1990; Campbell, 2004; Henisz and Zelner, 2005). Consistent with the predictions of neoinstitutional theory, we empirically demonstrate the importance of the legitimacy of the neoliberal model in a given country for its success as an institutional replacement. We also extend the prior theoretical literature by demonstrating that the process of deinstitutionalization of the old state-centered model influences the success of institutional replacement. Specifically, in those countries in which powerful but illegitimate coercive pressure from multilateral actors was associated with the replacement of the state-centered with a neoliberal model, we observe greater societal resistance.

The international diffusion of neoliberal reforms has been a sharply contested rather than smooth process (Campbell, 2004). Organized domestic interest groups that are adversely affected by such reforms often seek to impede or alter their adoption. They are more likely to capture policymakers' attention (Kingdon, 1984) when they can mobilize broader segments of society by framing the reforms as illegitimate (Henisz and Zelner, 2005); or as poorly "fitting" the domestic

institutional environment (Campbell, 2004). The ultimate target of such resistance may be the repeal of the reforms. However, disaffected interest groups often initially target narrow elements of the reform or specific investors whose activities are governed by such reforms. Given the high costs of reversing (specific elements of) the reform, governments may choose to respond to such societal pressures with adverse actions against only certain investors (or inaction by failing to honor policy terms) as well as with across-the-board policy revisions. In either case, the extent of government intervention in the operation of private operators is a gauge of the extent of societal resistance to the institutional replacement of a state-centered with a neoliberal model.

Several conditions affect the incidence of such government intervention. First, in periods of financial or macroeconomic crisis, disaffected interest groups can more easily frame current events as evidence of the adverse distributive consequences of neoliberal reforms and capture the attention of broader segments of society with such arguments. Second, a larger dependence by the host country government on powerful but illegitimate multilateral lenders at the time of reform adoption, and the observance of government interventions in peer countries, reduce the legitimacy of the neoliberal model. In contrast, adoption of similar reforms by peer countries, the passage of time since their domestic adoption, positive performance by and internal consistency of the institutional replacement, all enhance the legitimacy of the neoliberal model and diminish government intervention in the operations of private investors. Third, we also examine heterogeneity among investor coalitions in their susceptibility to government interventions. Specifically, investor coalitions with greater local experience, with greater international experience in countries with similar reforms, originating from home countries with similar reforms or of relatively large size as compared to the host country are better able to avoid government interventions in the first place.

In addition to our empirical validation and extension of neoinstitutional theoretical arguments, our findings contribute to the burgeoning literature on the efficacy of multilateral lenders' "conditionality" policies, which require borrowing countries to adopt market-oriented reforms. While the World Bank and International Monetary Fund are increasingly aware of the importance of political as well as economic conditions for the success of their lending programs, our arguments about the determinants of societal resistance and empirical results that support them suggest that multilateral lenders should place greater weight on neoinstitutional theory broadly defined and, in particular, to mechanisms that enhance the legitimacy of desired reforms.

2 The Deinstitutionalization of the State-Centered Model

2.1 Antecedents of Deinstitutionalization

The reform of the state-centered model of electricity supply has been driven by the prototypical political and functional "antecedents of deinstitutionalization" (Oliver, 1992: 566). State-owned enterprises (SOEs) in the electricity supply industry of many countries faced a "mounting performance crisis"; "conflicting internal interests" between the political objectives of equitable and affordable supply and full employment and the technical objectives of reliable supply, cost-recovery and macroeconomic growth; "increasing innovation pressures" in the form of new generation and control technology; "increased competition for resources" in the form of price increases for oil and gas and "unexpected, irrefutable events...[that] discredit[ed] or challenge[d]" the underlying model such as blackouts.

The mounting performance crisis was a result of cumulative investment and hiring decisions that served political (e.g., equal access to electricity (Soto, 1999) and full employment (World Bank, 1995; Savedoff and Spiller, 1999)) rather than economic objectives. For example,

SOE power plant construction decisions in many jurisdictions placed greater importance on providing electricity and jobs to consumers in outlying areas than on economic cost-benefit calculations. Retail pricing schedules that subsidized certain classes of consumers also contributed to performance shortfalls. Relatedly, political actors often responded to high inflation and its associated distributional consequences by freezing nominal electricity prices, often at a time of sharply increasing real input prices.

By 1990, the economic and performance costs of politically-motivated management had reached a level in many countries that threatened the physical stability of the electrical supply system. Years of uneconomic construction and operation in which SOEs' costs had exceeded their revenues eventually necessitated cutbacks in economically necessary new construction and even the maintenance of existing facilities, resulting in increasingly obsolete plants and equipment and high network line losses (International Energy Agency, 1999).

Exogenous shifts in supply and demand conditions during the 1980s further strained state-owned systems. The emergence of new gas-fired small scale power plants radically altered the minimum efficient scale of electricity generation and coincided with the development of control technology that allowed better coordination among independent generation facilities. For the first time, this enabled the generation component of electricity production and distribution to be organized as a competitive rather than monopoly business.

Sharp increases in fuel prices resulting from the oil crisis increased the magnitude of revenue shortfalls; the collapse of the communist bloc in 1989 exposed the inadequacy of Central Europe's electricity infrastructure for supporting economic growth; and unprecedented demand growth from the so-called Southeast Asian miracle created a need for over \$100 billion of new capacity. Governments in developing countries did not possess the capital to fix these problems

due to mounting public sector debt burdens (Little, et al., 1993), partially driven by the borrowing of state-owned electricity companies (Petrazzini, 1995; White, 1996; Ando and Palmer, 1998; Damsgaard, 2003). Indeed, this burden was so large in some countries that it precipitated a full-blown macroeconomic crisis, which in turn led to the adoption of market-oriented reform.¹ Even in the absence of an indirect effect on economic growth via a debt crisis, economic growth could still come under direct threat from reduced system reliability that generated brownouts or even blackouts.

Governments facing imminent or actual crises critically needed financial resources to expand and operate failing electricity systems and restore liquidity to the public coffers, thereby reestablishing critical supports for economic growth. Yet these resources were unavailable within the state-centered model. Thus the clear performance shortfalls, growing conflicts between political and both sector-level and economy-wide economic objectives, the advent of new technology, higher factor prices and, frequently, the trigger of an outright blackout all combined to contribute to the deinstitutionalization of the state-centered model (Oliver, 1992).

2.2 External Coercion: Legitimacy vs. Power

At this moment of crisis, an alternate, neoliberal model for the sector emerged from Chile and the United Kingdom. These reforms combined the separation of regulatory from operational authority, the depoliticization of regulatory authority, the privatization of the state-owned electricity generation company, and the liberalization of entry into electricity supply. Such reforms were rapidly championed by the international financial community and by multilateral lenders who, beginning in 1993, went as far as to require borrowers seeking loans for the

¹ For example, public electricity debt accounted for over one quarter of all government-issued debt in Thailand in 1990 and in Argentina in 1999 (Badaraco, et al., 1996; Ryder, 1997).

electricity supply industry to initiate institutional replacement with the neoliberal model. We argue that the multilateral lenders' use of external coercion that lacked legitimacy in borrowing countries accelerated the process of deinstitutionalization but impeded the process of institutional replacement with the neoliberal model.

Political actors that coerce dependent parties to undertake institutional change are often assumed to succeed on account of both their power and legitimacy.² Accordingly, reforms (of policies or practices) adopted in response to legal coercive influences (such as reforms adopted by state governments in response to pressure from the central government) are often assumed to enjoy an initial positive evaluation by actors in the adopting organization, which confers “morally-based” legitimacy (Suchman, 1995) on these elements and allows them to survive for a sufficiently long period to undergo the process of institutionalization and attain “cognitively-based legitimacy” (or “taken-for-grantedness” (Suchman, 1995)).

Legitimacy is not, however, a necessary precondition for effective coercion; power alone is sufficient (Weber, 1978; DiMaggio and Powell, 1983). Powerful actors may therefore be considered illegitimate by the dependent actors that they coerce to adopt reforms, and reforms adopted in response to coercion by such actors may thus be deemed illegitimate, increasing the probability that actors in society will impede their adoption and institutionalization (Weber, 1978: 33-38).

A substantial body of work has considered how coercive pressures may generate the formal adoption of a reform but a decoupling of the actual behavior of actors from the “myth and ceremony” of compliance with the letter of that reform (Meyer and Rowan, 1977; Westphal,

² For important exceptions, see Stryker's (1994) examination of the impact of the introduction of science into law on the legitimacy of law and Patashnik's (2003) qualitative study of policy-feedback effects.

Gulati, and Shortell, 1997; Staw and Epstein, 2000). In contrast, only two smaller bodies of work consider, as we do, the determinants of impediments to institutional replacement. The literatures on social movements (Barkan, 1984; Griffin, Wallace, and Rubin, 1986; Kerbo and Shaffer, 1992) and procedural justice (Tyler, Rasinski, and McGraw, 1985; Tyler, 1994) have considered the mechanisms that individuals (or interest groups representing like-minded individuals) use to impede the adoption of reforms favored by powerful external actors who lack legitimacy. We build on these micro-level studies by using neoinstitutional theory to analyze the conditions under which macro-level (i.e., country- or organization-level) reforms adopted in response to such influence are likely to face impediments to institutional replacement.³

3 International Influences on Institutional Replacement

According to the neoinstitutional perspective in organization theory, an institution's defining characteristic is "legitimacy" attained on "cognitive" grounds. Legitimacy refers to "the generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995: 574). "Cognitively-based legitimacy" (Suchman, 1995: 579-81) derives from an entity's widespread, implicit acceptance—propriety by assumption—resulting from the long-term process of "institutionalization" (Zucker, 1987).

Members of society do not actively assess institutions, which have come to possess "a reality of their own, a reality that confronts the individual as an external and coercive fact" (Berger and Luckman, 1967). This "taken-for-grantedness" imbues institutions with high

³ For an analogous treatment of legal systems that are found to develop more effectively if they are developed indigenously as opposed to transplanted see Berkowitz, Pistor, and Richard (2003).

resistance to change (Zucker, 1977); indeed, an institution's very "essence" is one of "permanence" (Suchman, 1995: 584)

Neoliberal reforms implemented in the aftermath of the deinstitutionalization of the state-centered model for the electricity supply industry necessarily lack cognitively-based legitimacy (Suchman, 1995: 582) because the social process of institutionalization is a lengthy one. Such potential institutional replacements may encounter impediments to their institutionalization. Unlike established institutions, whose consequences, procedures and structural type (Suchman, 1995: 579-81) are largely beyond normative evaluation, the consequences, procedures and structural type of a potential institutional replacement are explicitly subject to such evaluation by actors in society. If positive, this evaluation may imbue an institutional replacement with "morally-based" legitimacy (Suchman, 1995: 579-81) and investors operating under the rules of that institutional replacement with greater assurance that it will successfully replace its predecessor. If negative, however, this evaluation may trigger organized resistance to the institutional replacement. Investors operating under such conditions may be the targets of government interventions whose goal is to undermine or alter the institutional replacement.

Such efforts are typically initiated by the organized interest groups (Olson, 1965; Stigler, 1975; Peltzman, 1976; Becker, 1983) that are most dissatisfied with how the institutional replacement accommodates their interests (Holm, 1995; Sjöstrand, 1995; Greenwood and Hinings, 1996; Seo and Creed, 2002), and the most common source of dissatisfaction is the institutional replacement's distributional consequences (March and Simon, 1958). Because these primary change agents are often insufficiently powerful on their own to move the issue onto the policymaking agenda (Kingdon, 1984; Hilgartner and Bosk, 1988), they attempt to enlist the support of a broad range of "secondary" groups—other organized interest groups and diffuse,

unorganized groups whose members are either marginally affected or unaffected by institutional replacement—that together are capable of capturing policymakers’ attention (Lipsky, 1968; Schumaker, 1975; Jenkins and Perrow, 1977; Denzau and Munger, 1986; Baumgartner, 2002; Baumgartner and Mahoney, 2002). The core techniques that primary change agents use to mobilize secondary groups revolve around “framing” (Benford and Snow, 2000) the institutional replacement’s consequences, procedures or structural type (Suchman, 1995: 579-81) as conflicting with pre-existing “cultural preoccupations and political biases” (Hilgartner and Bosk, 1988: 63; McFarland, 1991).

In the context of the electricity supply industry, the replacement of politically motivated state-owned enterprises with (foreign) profit-maximizing organizations offers change agents a prominent target for such an appeal. Whereas the wholesale repeal of recently adopted laws, regulatory structures and policies is extremely costly⁴, political actors may effectively undermine or challenge the neoliberal model by intervening with the operations of individual or broad classes of investors. Such interventions impede the institutionalization of the neoliberal model and indicate the adoption of a hybrid model in which selective intervention by governments maintains some of the original political purposes of the state-centered model despite the absence of direct state ownership or operation of a given generating asset. We now consider the conditions under which we are more or less likely to observe government interventions that impede the institutionalization of the neoliberal model.

⁴ In fact, we observe no such reversions in the 520 country-years in our dataset.

3.1 The Triggering Role of Crises

The efficacy of the techniques that disaffected interest groups use to influence public opinion, and thus target investors whose activities are governed by an institutional replacement, are greater during times of economic crisis (Campbell, 2004). Crises provide powerful images that these groups may use as “focusing events” (Kingdon, 1984: 106) to develop (or bolster) an “injustice frame” (Gamson, Fireman, and Rytina, 1982) based on prevailing domestic adverse economic conditions.⁵ Such a frame serves as an effective tool for enhancing the cohesion of the existing coalition and enfranchising secondary groups whose members did not previously regard the potential institutional replacement as a salient political issue (Andrews, 1997; Hoffman, 1999; Seo and Creed, 2002).

Other actors may assist organized interest groups in their campaign for change during a crisis. “Political entrepreneurs” including incumbent politicians, opposition politicians and non-governmental organizations (NGOs) may exploit crisis events in order to boost their own popular support (Jones, 1978; Schneider and Teske, 1992; Cox and McCubbins, 1993), especially during elections or other periods of political contention. McFarland’s cyclical theory of interest group politics (1991) as well as the broader macroeconomic literature on political business cycles, which emphasizes how political actors may opportunistically manipulate policy levers under

⁵ An injustice frame uses the contrast between the conditions of one entity (e.g., foreign investors) and another (e.g., local consumers) to reinforce citizens’ preexisting notions that the party doing relatively well attained its status unfairly or illegitimately. Three injustice frames are particularly relevant for opponents of neoliberal reforms whose adoption is heavily influenced by multilateral actors: (1) the contrast between the losses incurred by domestic “victims” and the relative well-being of foreign investors insulated by the institutional replacement (Gamson, Fireman, and Rytina, 1982); and (2) the relative lack of initial public debate about the design of the institutional replacement (Mlcoch, 1998; Kogut and Spicer, 2002); and (3) the accusation that the policymakers in the country adopting the neoliberal reform were violating an implicit guarantee of protecting the welfare of its population particularly the poor consumers whose prices were frequently substantially increased in an attempt to remove economically inefficient cross-subsidization (Krieger, 1963; Berkowitz and McQuaid, 1978; Skocpol and Amenta, 1986; Quadagno, 1987).

their control for the purpose of electoral gain (Nordhaus, 1975; Rogoff and Sibert, 1988; Alesina, 1989), are both illustrative. Media organizations with their own political agenda may play a role as well, especially in enfranchising diffuse, previously unorganized groups (Weingast, 1981; Levy and Spiller, 1994). Moreover, economic actors that control resources whose value is reduced by the crisis or the policies promoted by multilateral lenders (North, 1990; Landes, 1998), or who are otherwise adapted to prior circumstances (Ingram, 1998), may also join the coalition of resistance. Even members of the original coalition supporting the adoption of the potential institutional replacement are more likely to defer or compromise if the cost of delayed resolution is high and change in the institutional replacement—up to and including its elimination—appears to be an expedient solution (Nelson, 1990; Alesina and Drazen, 1991; Fernandez and Rodrik, 1991; Drazen and Grilli, 1993; Williamson, 1993).

Crisis conditions thus improve the ability of organized interest groups to impede an institutional replacement. Indeed, the conditions that a crisis creates may play the pivotal role in determining whether such a group is able to secure major (or punctuated) change rather than incremental (or creeping) change, which is typically more common in the policymaking arena (Astley, 1985; Romanelli and Tushman, 1994; Jones, Baumgartner, and True, 1998).

Hypothesis 1: The incidence of financial or macroeconomic crises is positively associated with reactionary government interventions (i.e., interventions that impede institutional replacement).

3.2 Association with Foreign Coercive Pressures

A substantial body of work argues that a powerful, legitimate actor's sanction of a potential institutional replacement facilitates its adoption by dependent actors (Tolbert and

Zucker, 1983),⁶ but the issue of the impediments to institutional replacement has received considerably less attention. Tolbert and Zucker (1983) write that new elements of formal structure,

“...once legitimated by higher level organizations, through legal mandate or other formal means, [are rapidly incorporated by] dependent organizations. This adoption is seldom problematic when the elements have high face validity and there is common agreement concerning their overall utility. However, under certain conditions, strong resistance can develop.” (Tolbert and Zucker, 1983: 27)

The authors pose as examples of such conditions a lack of consensus on the value of a new element of formal structure and the presence of strong opposing coalitions or interest groups, but they “do not explore the conditions underlying such resistance” (Tolbert and Zucker, 1983).

⁶ The early studies examining the role of such external actors on the adoption of new formal institutional structures focused on the public sector. For example, building on (Benson, 1975), Rowan (1982) argues that where the outcome of the process of policymaking among state-level legislatures, regulatory agencies and interest groups reflects a state of “balance” or consensus, local-level public sector actors are more likely to adopt and retain newly introduced state-level formal structures. Tolbert and Zucker (1983) find more rapid adoption of civil service procedures by cities in American states that mandated them and that directed the process through a single administrative source. Westney (1987) highlights the role of the Japanese state in the Meiji period in diffusing organizational models through that country’s public sector. Later work demonstrated that similar coercive pressures may be generated by the state on private actors (Cole, 1985; Singh, Tucker, and House, 1986; Baron, Jennings, and Dobbin, 1988; Edelman, 1990; Baum and Oliver, 1992; Dobbin, et al., 1993; Dobbin, 1994; Sutton and Dobbin, 1996; Ruef and Scott, 1998; Strang and Bradburn, 2001; Simons and Ingram, 2003), by informal institutional pressures on private sector actors (Dacin, 1997) or by higher-level private actors on their lower-level counterparts (Levitt and Nass, 1989; Fligstein, 1990; Haveman, 1993a; Haveman, 1993b; Podolny, 1993).

More closely related to our international empirical context, researchers have also demonstrated the importance of political actors in other countries for the decisions of political actors in a focal country. Strang (1990) finds that a supportive 1960 United Nations Declaration had a strong positive impact on the subsequent diffusion of decolonization. Membership in International Labor Organization conventions enhances subsequent welfare spending (Strang and Chang, 1993) and UNESCO membership increases the probability of founding a formal science bureaucracy (Finnemore, 1993). U.S. pressure in the form of trade sanctions stimulated the adoption of intellectual property provisions by developing countries (Sell, 1995). Powerful external actors also influence the incidence of currency crises (Glick and Rose, 1998), the adoption of policies to protect the environment (Frank, Hironaka, and Schofer, 2000a; Frank, Hironaka, and Schofer, 2000b) and the adoption of quality certification (Guillén, Guler, and Macpherson, 2002).

We focus on the condition where no such legitimation occurs, and the powerful actor coerces the adoption of a potential institutional replacement on the basis of its power alone (Weber, 1978; DiMaggio and Powell, 1983). Compared to institutional replacements that the dependent actor adopts of its own accord, a “coerced” institutional replacement is less likely to become institutionalized, and investors whose activities are governed by this model are more likely to encounter inimical government interventions in their operations.

Inconsistency of institutional attributes. Oliver (1991) provides the most complete treatment of this topic to date, arguing that the degree of an adopting body’s dependence on the coercive actor, the strength of legal sanctions for non-compliance, uncertainty in the adopting body’s environment, and consistency between the institutional replacement and other institutions in the same environment all determine the likely degree of resistance. Of these attributes, the last one—consistency—is especially germane in the current context. The domestic policymaking process, when not subject to external coercive influences, typically produces institutional replacements whose consequences, procedures and structural type are isomorphic to those of legitimate institutions (Campbell, 2004). During periods of crisis, however, domestic actors are more likely to suppress objections they would otherwise voice in the pursuit of an expedient solution (Nelson, 1990; Alesina and Drazen, 1991; Fernandez and Rodrik, 1991; Drazen and Grilli, 1993; Williamson, 1993) and defer to the preferences of external actors promising to deliver such a solution. As a result, externally-coerced institutional replacements are less likely to be isomorphic to legitimate institutions.

National identity and legitimate adoption processes. In addition to the likelihood that a coerced institutional replacement’s consequences, procedures or structural type will differ from those of legitimate institutions, the very process of such an entity’s adoption in response to an

external organization whose influence derives from its power alone increases its susceptibility to change. A large body of research in the field of political sociology emphasizes the power of national identity and points to the consistency of a regulative institution's formation process with domestic procedural norms as a key determinant of the institution's legitimacy, and implicitly its survival (Lipset, 1959; Bendix, 1978; Razi, 1987; Bienen and Van de Walle, 1991).⁷ The prevalence of nationalism as an organizing force in the modern era (Meyer, et al., 1997) reduces the probability that a potential institutional replacement introduced by foreign actors will be deemed legitimate and thus increases the likelihood of government intervention in the operations of investors whose activities are governed by such entities.

International coercion and illegitimate adoption processes. At the same time, the organizational form of the nation-state faces increasing challenges to its power and authority by international political and economic actors (Riain, 2000; Guillén, 2001b). Despite evidence that nation-states retain substantial policy autonomy (Garrett, 2000), the scale and scope of international economic, political and social pressures that national governments now face is substantially greater than in previous decades.⁸

The most concrete and successful manifestation of the globalization of national policy environments has occurred among the member states of the European Union (Fligstein and Sweet, 2002; Padgett, 2003; Thatcher, 2004). Even in this extreme instance, however, substantial national resistance to convergence remains.⁹ Several authors highlight that even in the presence

⁷ Similar arguments are made at the organizational level by Fox-Wolfgramm, Boal & Hunt (1998) who demonstrate that the consistency of a proposed institutional change with actors' "cognitive schema or perception of their organization's central and distinctive attributes" (Elsbach and Kramer, 1996: 442) is a pivotal factor in determining the level of observed resistance by bank workers to regulatory reform.

⁸ See Guillén (2001a) for a recent interdisciplinary review of the globalization literature.

⁹ For example, Busch (2004) chronicles the national heterogeneity in banking regulations that persists even in the face of explicit efforts to craft a single European capital market.

of common agreement on goals, principles and procedures (Steffek, 2003), the European Union (EU) will never enjoy the authority of national governments (Hansen and Williams, 1999; Horeth, 1999; Laffan, 2001) because EU citizens lack the common identity, shared myths, beliefs and history that citizens of an individual country share (Cederman, 2001).¹⁰

A larger body of related qualitative work on cases other than that of the relatively successful European Union similarly emphasizes the importance of national identity and “ideational systems... comprised of values, beliefs and symbols” (Dobbin, 1993: 3) for understanding the differing responses of individual nation-states to similar external stimuli. Studies of the policy responses by France, Great Britain and the United States to the Great Depression (Dobbin, 1993), Central European countries to pressure for fiscal austerity (Campbell, 1996) and Chile, Great Britain, France and Mexico to the ascendancy of neoliberal economic policies since the 1970s (Fourcade-Gourinchas and Babb, 2002) all conclude that a given external stimulus interacting with a nation’s distinct formal and informal national institutions can generate radically different national policy outcomes.¹¹ Spicer, McDermott and Kogut (2000) present a related thesis, arguing that the policy goal of efficient reallocation of productive assets within an economy, which may be best accomplished through the financial system in well-developed capitalist systems such as the United States, should occur through gradualist negotiated public-private bargaining in Central European and post-Communist societies.

¹⁰ As a result, the crisis of legitimacy that characterizes EU governance and limits policy convergence is not a short-term problem that can be addressed at the next ministerial conference but rather a long-term and fundamental challenge to the expressed goal in the Treaty of Rome of establishing an “ever closer union.”

¹¹ Guillén (2001b) extends this logic down to the level of organizations within countries and the heterogeneity in practices that managers in Argentina, South Korea and Spain introduced in response to the homogeneous pressure of globalization.

The insight that a country's ideational systems influence the characteristics of the policies that it adopts implies that a given externally-coerced institutional replacement's "fit" with a particular country—and thus the institutional replacements persistence—also depends on such systems (Campbell, 2004). Multilateral lenders have long recognized this latter point: "...the commitment of the Borrower to implementation is... one of the key factors affecting project performance (Heaver and Israel, 1986:1).¹² Indeed, as early as 1959, Per Jacobsson, the Managing Director of the International Monetary Fund, asserted that "such programs can only succeed if there is the will to succeed in the countries themselves" (James, 1996: 109).¹³

For just as long, however, multilateral lenders and borrowing countries have disagreed on the meaning of and best means to encourage local "ownership" of required reforms (Helleiner, 2000; Boorman, 2001; Boughton, 2003; Khan and Sharma, 2003; Drazen and Isard, 2004; Kikeri and Nellis, 2004), debating whether ownership means that either loan recipients "...drive the process... [including] the planning, the design, the implementation, the monitoring and the evaluation" (Helleiner, 2000: 2) , "do what [lenders] want them to do but... voluntarily" (Helleiner, 2000: 2), or something in between.

To the extent that multilateral lenders are unwilling abdicate all aspects of program management to the borrower out of fear of the inherent conflict between the incentives of lender and borrower in the disposition of loan money (Mansuri and Rao, 2004), multilateral lending necessarily includes some degree of external coercive pressure. A growing literature on the implementation of multilateral policy prescriptions, funded largely by the multilateral institutions themselves, acknowledges this pressure and uses economic or political analysis to identify

¹² Quoted in Morrow (1999:1).

¹³ Quoted in Boorman (2001)

mechanisms that might reduce such potential deleterious effects of the incentive conflict—or “agency problem”—on policy performance

A much larger set of studies offers a normative critique of existing multilateral conditionality practices, arguing that the very existence of such a conflict undermines the rationale for conditional lending in the first place. In moral terms, writes Buira, conditionality is viewed “at best” as a “form of paternalism, by which a country is guided toward its own good, rather like a parent or a teacher guides a child, in its own best interests, [while] at worst, conditionality implies the imposition on a country of an alien policy agenda that contains elements that are not necessary... and may not be in the country’s best interest.” (Buira, 2003). Feldstein summarizes the more general moral argument against the practice of conditionality with reference to the International Monetary Fund (IMF), writing that:

“The fundamental issue is the appropriate role for an international agency and its technical staff in dealing with sovereign countries that come to it for assistance. It is important to remember that the IMF cannot initiate programs but develops a program for a member only when that country seeks help. The country is then the IMF’s client or patient, but not its ward. The legitimate political institutions of the country should determine the nation’s economic structure and the nature of its institutions. A nation’s desperate need for short-term financial help does not give the IMF the moral right to substitute its technical judgments for the outcome of the national political process (1998: 27).

Most recently, Joseph Stiglitz, writing after his experience as a Senior Vice President and later Chief Economist of the World Bank, expresses “a concern that the way changes were effected undermined democratic processes...” (Stiglitz, 1999: 591).

In trying to address the issue of why multilateral lenders would impose policies that undermine lenders' socio-political stability and economic ability to repay their loans, a number of contributions to this literature invoke the notion of identity, just as in the political sociology literature.¹⁴ Simply put, multilateral lenders are not part of the national political system of the lending countries, and exercise their policy influence through a process distinct from the regular national policymaking process. Because the institutional replacements that they put forth are inconsistent with other laws or statutes, they contravene the powerful psychological forces of identity and nationality, and are more vulnerable to government interventions that undermine or alter their form (Jasper and Poulsen, 1993).

On this basis, we propose that institutional replacements whose adoption are more heavily associated foreign coercive pressures are less likely to be perceived as legitimate, and investors whose activities are governed by these entities are more likely to encounter government interventions in their operations.

Hypothesis 2: Institutional replacements that are associated with foreign coercive pressures are more likely to generate reactionary government interventions.

3.3 Interventions and Analogous Reform Adoptions in Peer Countries¹⁵

3.3.1 Normative Emulation

World-society and neo-institutional theories propose that, in addition to responding to coercive pressures, actors embedded in a social structure may adopt similar behaviors as they

¹⁴ A somewhat related line of critique explored forcefully by (Babb, 2003; Kogut and Macpherson, 2004) lies in the professional identity of multilateral lenders in the economics and financial sectors. Such professional training and prior experience may pose challenges in accepting the importance of institutional context, the psychological power of identity, and the political force of nationalism and fear.

¹⁵ This section currently draws heavily from Henisz, Zelner and Guillen (2005).

seek to conform to shared norms (DiMaggio and Powell, 1983; Mizuchi and Galaskiewicz, 1993). This concept of “normative emulation” builds on the Durkheimian insight that social density is a determinant of social cohesion and behavioral similarity (Collins, 1994). In their quest to appear appropriate within their shared social context of dense social relationships (Coleman, 1988; Strang and Tuma, 1993), actors that are strongly connected to one another tend to imitate each other’s behavior patterns.

Empirical evidence supporting this argument comes from studies examining the diffusion among organizations of practices such as corporate acquisitions (Haunschild, 1993), poison pills (Davis, 1991), golden parachutes (Davis and Greve, 1997), technological innovations (Ahuja, 2000), total quality management techniques (Westphal, Gulati, and Shortell, 1997), the multidivisional form (Palmer, Jennings, and Zhou, 1993) and municipal reform (Knoke, 1982). These studies emphasize such interorganizational ties as interlocking directorates and those arising from the transfer of managerial personnel, which provide channels for the exchange of information.

World-society scholars have long applied the concept of normative isomorphism to the country level of analysis, finding that policymakers emulate each other as a way to conform to shared norms and appear legitimate (Jepperson and Meyer, 1991; Meyer, et al., 1997). Case-study and historical research document that government officials and bureaucrats constantly assess policy and organizational developments in other countries. Westney (1987) provides historical evidence for the Japanese case during the period of Meiji reform in the late 19th and early 20th centuries. Guillén (1994) and Djelic (1998) show that governments in Western Europe sought to emulate American productivity programs before and after World War II.

Empirical studies emphasizing policy emulation among peer countries include Collier and Messick's (1975) study of the adoption of social security systems, Kobrin's (1985) study of oil nationalizations, Weyland's (2003) work on the diffusion of pension privatization, Guler et al.'s (2002) study of the adoption of quality certification, Brune and Guisinger's (2003) analysis of capital account liberalization, Polillo and Guillén's (Forthcoming) study of central bank independence, and Fourcade-Gourinchas and Babb's (2002), Yebra's (2002a; 2002b; 2003) and Henisz, Zelner and Guillén's (2005) studies of the diffusion of neoliberal macroeconomic policies. This research suggests that policies directly reflect the level of normative conformity within a relevant social structure linking countries to one another.

We propose that normative emulation is more likely to take place among countries that engage in transactions more intensely with one another. Sociologists studying globalization argue that the intensity of trade relationships reflects the density of the social network in which a given country is embedded (Van Rossem, 1996; Albrow, 1997: 25), and therefore the level of normative conformity within the network. Trade comes hand in hand with "cultural ties" (Waters, 1995: 40), and thus contributes to "establishing a relationship of identification as well as interdependence." For example, Japanese success in exporting to the U.S. market prompted many American firms to experiment with such Japanese organizational techniques as total quality management and lean production (Strang and Macy, 2001). Moreover, research has shown that globalization is associated with more cohesive trading relationships (Kim and Shin, 2002). We argue that countries exhibiting more cohesive trade relationships are more likely to adopt similar patterns of behavior, either in impeding the adoption of or in institutionalizing a potential institutional replacement.

Hypothesis 3a: A country's degree of trade cohesiveness with other countries whose governments have intervened in a reactionary manner is positively associated with the incidence of reactionary government interventions in the focal country.

Hypothesis 3b: A country's degree of trade cohesiveness with other countries who have adopted the same institutional replacement is negatively associated with the incidence of reactionary government interventions in the focal country

3.3.2 Competitive Mimicry

Whereas normative emulation involves the isomorphic impact of the norms shared by socially cohesive actors, competitive mimicry refers to individuals' and organizations' tendency to cope with poorly understood technologies, ambiguous goals and unclear cause-effect relationships by imitating others that they perceive as their competitors. Pressure to conform arises from the need to prevent erosion of one's market position and social and political status. Imitation becomes an effective strategy under conditions of uncertainty and bounded rationality because it helps decision-makers keep search costs within reasonable limits, sort out alternatives and legitimize their actions (DiMaggio and Powell, 1983; Mizruchi and Galaskiewicz, 1993).

Extending this argument to the country level of analysis and the case of government interventions in the operation of private operators of electricity generation infrastructure, we argue that countries embedded in the global economic and trading system face competitive pressures that may render government interventions, which have been implemented or worked effectively elsewhere, a viable strategy for promoting their economic and institutional survival (Campbell, 2004: 179), and for maintaining and enhancing their status within the economic system (Van Rossem, 1996; Meyer, et al., 1997). Competition among actors (or states) in a social

structure such as that created by trading relationships is, in the words of Burt (1987: 1291), driven by actors' desire "to live up to their image" and "to maintain their position in the social structure." Competitors are substitutes for each other, a fact that induces status as well as economic competition: "Once the occupants of [the same] status begin adopting, ego is expected to follow suit rapidly in order to avoid the embarrassment of being the last to espouse a belief or practice that has become a recognized feature of occupying [the] status" (Burt, 1987: 1294; see also White, 2002).

It is especially important to take competitive pressures into account when attempting to measure the impact of an association with the coercive influence of multilateral lenders. Borrower nations are in distributive conflict with each other not only for international aid funds, but also for other international resources such as export markets and import sources. Failure to include a measure of competitive pressures in an empirical analysis thus poses the risk of conflating coercive influences with mimetic ones.

Neo-institutional and network theorists conceptualize mimetic behavior in the context of competitive relationships in terms of either structural equivalence or role equivalence, which are associated with different notions of competition (Mizruchi and Galaskiewicz, 1993). Structural equivalence refers to the extent to which two actors are related to the same third parties (Burt, 1987). Thus, imitative behavior occurs in a context of competition for access to the same third-party countries' markets and suppliers. In contrast, role equivalence describes the degree to which two actors have similar types of relations to third parties (Winship and Mandel, 1984). What matters in this conception is not the specific identities of the nodes (the countries), but rather the nature of their relationship, which we define as trade in a particular type of product. Following the sociology of the world-system (Smith and White, 1992; Van Rossem, 1996), we

define a country's role set to include the total amount of each different product that it exports and each different product that it imports. Role equivalence is the overlap between two countries' role sets.¹⁶

We employ the concept of role equivalence because that of structural equivalence does not reflect meaningful competition in the context of trade. For example, if countries A and B each trade the same products to a different set of countries, they are role equivalent but not structurally equivalent. Conversely, if they each trade different products to the same set of countries, they are structurally equivalent but not role equivalent. Thus, two countries may be structurally equivalent (that is, trade with the same third parties) without trading in the same goods (Guler, Guillén, and Macpherson, 2002). In contrast, role-equivalent countries face present and potential competition with each other in the same category of products.

Countries that compete with one another in the same product markets are likely to adopt similar patterns of behavior in order not to lose ground to others (Guler, Guillén, and Macpherson, 2002; Pollilo and Guillén, Forthcoming). Suppose that countries A and B trade with the rest of the world in the same product categories, and are thus role-equivalent. Even when countries A and B trade with different third countries, government interventions (matching reform adoption) decisions by country A may increase (decrease) the incidence of government interventions in country B to follow suit for three mutually reinforcing reasons. First, the two countries are more likely to monitor each other and seek to learn from each other if they are competitors in trade. In other words, competitive relationships create a social channel for comparison, communication, and mimicry. Second, because the adoption of neoliberal reforms

¹⁶ Winship and Mandel (1984) define role equivalence using a nested pair of dyad-by-dyad distance measures but note that other approaches are possible.

sends a positive signal to the international financial and investment community, country B will likely imitate infrastructure reforms by country A if the two are role equivalent. Third, because government interventions transfer resources from private investors to the government, country B will feel pressure to imitate the intervention by country A to maintain competitive parity.

The latter two arguments are analogous to the idea that actors occupying equivalent positions in a social structure (peers) tend to imitate each other in order to enhance their own performance. As Burt (1997) notes, situations in which an actor has “many peers create a competitive frame of reference.” Competition invites the actor to be “tuned to peers’ job performance.” Accordingly, we expect role-equivalent countries to imitate their competitors in order to maintain their economic status and social prestige in the network of trade. We therefore predict that:

Hypothesis 4a: A country’s degree of role equivalence in trade with other countries whose governments have intervened in a reactionary manner is positively associated with the incidence of reactionary government interventions in the focal country.

Hypothesis 4b: A country’s degree of role equivalence in trade with other countries who have adopted the same institutional replacement is negatively associated with the incidence of reactionary government interventions in the focal country

3.4 The Moderating Role of Vintage

Although investors whose activities are governed by institutional replacements associated with external coercive pressures are more likely to be confronted with government interventions, the hazard of such an outcome is diminishing over time. The persistence of an institutional

replacement allows it to become “retrojected into consciousness in the course of [actors’] socialization” (Berger and Luckman, 1967: 60-61)” through the long-term process of institutionalization.

Hypothesis 5: The vintage of an institutional replacement is negatively associated with the incidence of reactionary government interventions.

3.5 Performance of the Institutional Replacement

In cases where the institutional replacement is associated with positive performance improvements, demands for government intervention should be muted and their realized incidence diminished (Campbell, 2004). Interest groups directly affected by the reforms in a negative manner will have greater difficulty in convincing secondary groups to join with them to lobby the government to return to the state-centered model or to construct a hybrid model. Objective evidence surrounding the superior performance of the institutional replacement will undermine efforts to frame it as illegitimate. We therefore predict that:

Hypothesis 6: The performance of an institutional replacement is negatively associated with the incidence of reactionary government interventions.

3.6 Internal Consistency of the Institutional Replacement

A final country-level factor that can influence the observed level of government interventions in an institutional replacement is that replacement’s own degree of internal consistency (Lieberman, 2002; Campbell, 2004). The incompatibility of institutional components or the lack of tight coupling among such components (Oliver, 1992; Greenwood and Hinings, 1996; Seo and Creed, 2002) generates tensions and conflicts that can undermine the legitimacy

of an institution in the eyes of key actors. We extend this basic argument to the domain of institutional replacements.

In our specific context, the neoliberal model contains four elements: (1) the separation of regulatory from operational control; (2) the depoliticization of the regulatory authority; (3) the privatization of the operational authority; and (4) the liberalization of entry into and competition within the sector. Failure to implement all of these reform elements can give rise to internal inconsistencies that undermine the functioning of the institutional replacement and heighten calls for its repeal or modification. Regulatory reform, either the separation of regulatory from operational authority or depoliticization of the regulatory authority, is of limited value when the regulatory agency is charged only with monitoring a state-owned monopoly. In the case of a private monopoly, regulation that has not been depoliticized typically leads to corruption. Moreover, whereas competition among multiple private operators may result in improved service and increased efficiency, entry into a “liberalized” market is unlikely in the presence of a politicized regulatory authority with close ties to a (previously) state-owned utility or powerful foreign investor. Empirical analyses generally find a positive link between clustering and performance, supporting this conceptual logic (Levy and Spiller, 1994; D'Souza and Megginson, 1999; Gutierrez and Berg, 2000; Artana, Navajas, and Urbiztondo, 2001; Wallsten, 2001; Fink, Mattoo, and Rathindran, 2002). We thus predict that:

Hypothesis 7: The internal consistency of an institutional replacement is negatively associated with the incidence of reactionary government interventions.

3.7 Characteristics of the Investor Coalition

The conditions discussed above— the occurrence of a crisis, the extent to which the adoption of an institutional replacement has been influenced by foreign actors, interventions and

adoptions in peer countries, the institutional replacement's vintage, performance and internal consistency—are all country-level attributes that influence the expected level of government interventions faced by investors in a given country. However, investors themselves vary in their susceptibility to such government interventions.

All organizations confronted with the risk or reality of adverse change in an institutional replacement face strong pressures to maintain legitimacy by acquiescing to such change (Oliver, 1991:160-161). Because the enforcement mechanism for an institutional replacement is the coercive power of the state (Scott, 2001: 52), the penalties for noncompliance are both tangible and severe (Oliver, 1991:168). At the same time, the imposition of a hybrid model intended to meet broader distributional demands of the polity significantly restricts an organization's discretion in key decisions such as “resource allocation, product or service selection, resource acquisition or organizational administration (i.e., hiring, compensation, promotion)” (Oliver, 1991: 166), and more generally chafes against the “technical activities and efficiency demands” (Seo and Creed, 2002:226) that support profitability. The prospect of substantial economic loss from conformity to the external mandates of the state thus creates strong internal pressures for organizations to resist government interventions designed to alter the neoliberal model.

An organization's information-based resources and capabilities affect its susceptibility to government interventions (Boddeyn and Brewer, 1994). Given the difficulty of assessing complex, evolving socio-political conditions, managers that can look to their own past experience for an analogue to guide their current search for an organizational response or for accumulated learning (Baum and Ingram, 1998; Baum, Li, and Usher, 2000) are better equipped to make sound decisions under conditions of uncertainty. For example, Henisz and Delios (2001) find that prior experience in a specific country reduces the deterrent effect of cultural or market

differences on a firm's decision to invest in the country. Lyles and Steensma argue that as a result of the wide diversity of institutional replacements governing infrastructure projects, investors' management of their relationship with the government is an important organizational capability and key "factor of success" in such projects (Lyles and Steensma, 1996: 70). Prior investor experience in the host country, third countries with similar institutional structures or a home country with a similar institutional structure should all enhance the ability of an investor coalition to identify pivotal political actors and seek exemptions from government interventions from them thereby reducing the investor coalition's observed incidence of government interventions.

Hypothesis 8a: Investor's experience in the host country is negatively associated with the incidence of reactionary government interventions.

Hypothesis 8b: Investors origination in home countries that have adopted the same institutional replacement experience as the focal country is negatively associated with the incidence of reactionary government interventions.

Hypothesis 8c: Investor experience in third countries that have adopted the same institutional replacement experience as the focal country experiences is negatively associated with the incidence of reactionary government interventions.

The bargaining power literature (Fagre and Wells, 1982; Svejnar and Smith, 1984; Poynter, 1985; Kobrin, 1987; Boddewyn and Brewer, 1994) suggests that the size of the investor coalition relative to the government should also have a negative effect as it provides the investors

with greater outside options for investment, smaller negative consequences from failing to comply with government terms and creates a greater dependence on the investor by the host country government.

Hypothesis 8d: An investor's size relative to the government of the focal country is negatively associated with its incidence of reactionary government interventions.

4 Methods

4.1 Data

In order to test our hypotheses, we examine the investment history of 1,056 private electricity projects in 83 countries during the period 1989 – 1999. These projects constitute the population of global private investment in electricity generation over this time period, as compiled by the Hagler-Bailly consultancy. In a small subset of countries (e.g., Germany, the United Kingdom and the United States), a substantial number of private investment projects predate our sampling period and are omitted from our analysis.

We augment the Hagler-Bailly dataset's information gathered from international, industry and local news reports available through various online databases. A large team of research assistants compiled this information and used it to code several of the variables described below. Validation of the coding of the dependent variable by the authors and a PhD student indicated a reliability of greater than 0.98.

4.2 Unit of Analysis

Our hypotheses implicate independent variables at the country level (H2 and H4), the reform level (H1 and H3), and the investor level (H5). We address these multiple levels of

analysis with a panel data set whose cross-sectional unit is an investment in a electricity generation facility by (a coalition of) investor(s), which is the most disaggregated of the three levels. Our unit of analysis is thus the facility-country-year.

4.3 *Dependent Variables*

Our primary dependent variable is a dichotomous measure equal to one if according to published newspaper articles, in a given facility-country-year, there exists either a dispute between the government and the investor over compliance with contractual terms or the government initiates a policy change that impacts the given electricity generating facility. 196 such events occurred in our sample of 1056 projects (18.6%). Table 1 summarizes the incidence of these events by country-year. We provide more examples of the text of several such cases in Appendix 1.

Our coding of events is conservative because our measures capture only those disputes or policy changes severe enough to warrant press coverage. This biases our coefficient estimator downward, reducing the probability of finding a statistically significant relationship. In our sensitivity analyses, we also examine the robustness of our results to the disaggregation of the dependent variable into its constituent components.

4.4 *Independent Variables*

Crises. We combine the coding schemes of Frankel and Rose (1996), Detragiache and Spillimbergo (2001), Hamann and Prati (2002), Beers (2003) and Kaminsky (2003), who collectively identify 10 different types of crisis including currency crises, banking crises, stabilization episodes and various forms of default, to construct a dichotomous measure of the existence of a financial or macroeconomic crisis in a given country in a given year. Table 2

provides a listing of the country-years in which a crisis has occurred according to the most inclusive definition.

Association with Foreign Coercive Pressures. We use the exposure of the country to multilateral lenders at the time of the reform to the electricity sector as a proxy for the degree to which its population associates the institutional replacement with foreign coercive pressure. To avoid conflating the level of development of a country, its macroeconomic condition or its current state of dependence upon multilateral organizations with this proxy we separately control for these factors as discussed below. Where a country has undertaken reforms in multiple years, we calculate the average exposure to multilateral lenders across these various years. Table 3 displays the level of this variable in the year of initial reform as well as in 1999 for each of the 83 countries in our dataset.

Normative Pressures for Emulation. We measure normative pressures for emulation by constructing a country-specific trade cohesion index that, for each market-oriented reform element, assigns greater weight to the interventions and adoption decisions of more closely-tied countries. The weight assigned to the adoption decision of each of a given focal country's its trading partners is the share of the focal country's total trade that trade with that partner represents. (Yebra, 2002a; Yebra, 2002b; Yebra, 2003). Our measure of trade-based cohesion has been used by sociologists studying international diffusion patterns (Guler, Guillén, and Macpherson, 2002; Henisz, Zelner, and Guillen, 2005; Pollilo and Guillén, Forthcoming).

Pressures for Competitive Mimicry. We measure pressures for competitive mimicry by constructing another country-specific index, in which the weights on the prior adoption decisions of other countries reflect the extent to which they are role-equivalent with the focal country, i.e., compete in similar international export and import markets (excluding petroleum markets). Role-

equivalent country-pairs need not be cohesive. For example, country-pairs trading in similar products to third countries in 1999 are Azerbaijan-Iran, Guatemala-Honduras, United States-Mexico and United States-United Kingdom. Of these four pairs, Azerbaijan-Iran is the least cohesive: only 3.6 percent of Azerbaijan's total trade is with Iran, and less than 0.5 percent of Iran's trade is with Azerbaijan. In contrast, the United States and Mexico are the most cohesive, accounting for 81.1 percent of and 11.3 percent of trade with each other, respectively.¹⁷ Like our measure of trade-based cohesion, our measure of role equivalence has been used by sociologists studying international diffusion patterns (Guler, Guillén, and Macpherson, 2002; Hennisz, Zelner, and Guillen, 2005; Pollilo and Guillén, Forthcoming).

Vintage. We create a variable measuring reform vintage that is initially zero for each country and increases by one for each additional year following the initiation of electricity sector reforms. The initial year of reform is that in which (1) regulatory and operational authority were separated; (2) the regulator became depoliticized; or (3) a majority of the shares of the formerly state-owned generating company were privatized.¹⁸ Table 4 provides a list of the initial reform year for the countries in our sample.

Performance. Lacking price and consumption data by consumer class across 12 years and 83 countries, we are not able to construct a measure of consumer welfare nor do we have the cost data for 1056 generation facilities that would additionally be needed to construct a measure of producer welfare. Instead, we use the proxy of the change in the percentage of electricity lost in the transmission and distribution process since the initial reform to the electricity supply industry

¹⁷ Prior to the creation of the NAFTA in 1993, the United States-Mexico trade relationship was much less cohesive and role-equivalent than it was thereafter.

¹⁸ We do not use the date for which liberalization of entry occurred as this was frequently left-censored (i.e., entry was permitted prior to 1960) and thus not part of the new wave of neoliberal reforms.

as a proxy for the change in the performance of the electricity supply industry. Table 5 provides 1999 values for this variable for each country in our sample.

Internal Consistency. Institutional replacements that include (1) separation of regulatory from operational authority; (2) depoliticization of the regulatory authority; (3) majority privatization of generating assets and (4) liberalization of entry and competition in electricity generation are internally consistent. We construct a series of indicator variables to capture other institutional replacement observed in our dataset and would expect each of these variations to have a higher level of government interventions than the “pure” neoliberal model. Table 6 provides a list of years in which countries were characterized by a given institutional replacement.

Characteristics of the Investing Coalition. We construct multiple investor experience measures by (1) calculating for each individual investor¹⁹ the cumulative number of years that it has been involved in each of its projects for each period, (2) summing each investor’s cumulative experience across all projects of a given type for each period, (3) multiplying the resulting figure for each investor by its equity stake in a given project, and (4) summing the resulting figure for all investors in a given investor coalition. Our investor experience variables are thus an equity-weighted measure of the experience of each investing coalition in countries of a given type. The specific types that we include in our specification are (1) host country experience; (2) experience in home countries that have the same institutional structure as the host country; (3) experience in other foreign countries if those countries have the same institutional structure as the host country. We also construct a size measure using an analogous method and then divide the measure by the

¹⁹ Investor names were carefully screened to eliminate multiple names for the same firm as well as to take into account mergers, acquisitions and divestitures. In the latter cases, organizational memory, ties and influence were presumed to survive a change in ownership.

total generating capacity of the host country to construct a measure of the relative size of the investor coalition as compared to the host country government.²⁰

Other Independent Variables. We also include the *per capita* income of the country to measure a country's level of economic development. We expect that, independent of our arguments about legitimacy, the material interests of consumers and private investors in poorer countries are more divergent, leading to a greater incidence of government interventions. We also include measures of the value added in a country in the industrial sector and its current level of exposure to multilateral lenders. We expect higher levels of these variables to capture alignment of internal (i.e., industrial users of electricity) or external (i.e., multilateral organizations) constituencies. Controlling for current multilateral exposure also partially addresses the concern that the initial multilateral exposure variable is merely proxying for countries facing severe economic dislocation. At the facility-level, we include a variable measuring the size of a generating facility (in megawatts) to capture its visibility or political salience. Both the per capita and size variables are logarithmically transformed to take into account their extreme skewness. Table 7 provides descriptive statistics and a correlation matrix.

4.5 Modeling Procedure

We estimate the effects of independent variables on the occurrence of a dispute or policy change using an event history analysis, a technique that assesses the influence of a set of covariates on the incidence of an event using a longitudinal record of events in a sample from a population. In our model, each facility is at risk of an adverse event in each time period or until an adverse event occurs. This technique models the rate of a transition from an origin state to a

²⁰ Alternative measures of size based on financial or employment data are available for only a small subset of the firms in our dataset.

destination state (adverse event) as a function of the covariates. Our primary specification employs a Weibull model:

$$h(t) = \rho\lambda t^{\rho-1}, \lambda = e^{X_{jt}\beta}$$

where $h(t)$ is the hazard function for a facility to transition from no event to an adverse event at time t , with the observed covariate row vectors X_{jt} and parameters to be estimated ρ and β (Blossfeld and Rohwer, 1995). We allow for each type of institutional replacement to have an independent baseline hazard and a different sensitivity to the passage of time, i.e., ρ is subscripted by reform type (Wei, Lin, and Weissfeld, 1989), resulting in a vector ρ . To take into account the existence of multiple observations per facility, we allow for clustering in the variance-covariance matrix at the level of the facility.²¹

Preliminary data analysis uncovered substantial nonlinearities in multiple independent variables across the subsamples of crisis and non-crisis years. Given the extent of these nonlinearities and so as to facilitate interpretation of our results, we chose to present the results for the full sample as well as results for the crisis and non-crisis subsamples rather than grapple with the additional complexity of interaction terms.

5 Results

5.1 Foreign Coercion and Mediating Variables

Table 8 displays our results in the full sample (column 1) and the subsamples of non-crisis (column 2) and crisis years (column 3). In all specifications, government interventions are

²¹ Our results are also robust to clustering the standard errors by country or a country-year.

less likely in countries with higher levels of *per capita* income and for smaller generating facilities.

In the full sample (column 1), we find current exposure to multilateral lenders and value added by industry decrease the incidence of government interventions. We find support for a positive association between government interventions in cohesive (H3a) and role equivalent (H4a) countries and government intervention in the focal country as well as weak support for a negative association between adoption of analogous reforms by role equivalent countries and government interventions (H4b). The vintage of a reform is negatively associated with government interventions (H5). Increases in line losses since the inception of reform are positively associated with government interventions (H6) as are reforms that include only regulatory separation and depoliticization or the liberalization of entry (H7). The latter effect occurs via shifting the effect of time on the hazard of government interventions from one that is initially low and increasing over time to one that is initially very high and then decreasing over time. Finally, investor coalitions with higher levels of host country experience (H8a) and (weakly) experience in home countries with matching institutional replacements (H8b) experience fewer government interventions. Surprisingly, experience in other countries with matching institutional replacements modestly increases the hazard of government interventions.

Turning to the subsample of non-crisis years (column 2), we find that value added by industry is again negatively associated with government interventions. Exposure to multilateral lenders at the time of reform is now, unexpectedly, negatively associated with government interventions. We also again find third country experience under matching institutional replacements to be positively associated with government interventions. In fact, in this subsample, we find support only for the positive effect of certain internally inconsistent reforms

(H7) and the negative effect of the host country experience of the investing coalition (H8a) and the relative size or bargaining power of that coalition (H8d) on the incidence of government intervention.

By contrast, in the subsample of crisis years (column 3), we find strong support for almost all of our hypotheses. First, we observe a positive association between exposure to multilateral lenders at the time of reform adoption and government interventions (H2). We also find a positive association between government interventions in cohesive and role equivalent countries and in the focal country (H3a & H4a). Consistent with Hypotheses 3b and 4b, we observe a negative association between the adoption of matching institutional replacements in cohesive and role equivalent countries and government interventions in the focal country. We also find a negative association between the vintage of the institutional replacement (H5), the change in performance (i.e., reductions in line losses) under the institutional replacement (H6) and institutional replacements that lack depoliticized regulatory authorities (H7) and the incidence of government interventions. Finally, investor coalitions with more host country experience (H8a) and home country experience with matching institutional structures (H8b) are less likely to experience government interventions.

The economic significance of this last set of results is noteworthy. When all other variables (including current exposure to multilateral lenders) are held constant at their mean level and a country is in financial or macroeconomic crisis, investors in countries for which the multilateral exposure at the time of reform adoption is one standard deviation above the mean (e.g., Indonesia in 1996) have a predicted incidence of government intervention 63 percent higher than that for countries in which multilateral lending at the time of reform adoption is equal to the mean. The effect of peers' decisions is similarly substantive with the predicted

incidence of government interventions for an investor in a country whose peers weighted according to trade shares (cohesion) or similarity in product trade excluding petroleum (role equivalence) have one standard deviation above the mean government interventions are 35 and 100 percent more likely to experience a government intervention. Similarly, the effect of peer countries adopting matching institutional replacements decreases the incidence of government interventions by 43 and 31 percent. Investors governed by institutional replacements one standard deviation above the mean in vintage (i.e., 8.75 years) such as those in the U.K. or Honduras are 78 percent less likely to face government interventions. Investors governed by institutional replacements with one standard deviation above the mean improvements in performance (i.e., a 1.8% reduction in line losses such as occurred in Colombia up to 1999) are 38 percent less likely to face government interventions. Finally, investor coalitions with one standard deviation above the mean experience in the host country or in home countries with the same institutional structure are 72 and 30 less likely to experience a government intervention.

5.2 Sensitivity Tests

In order to demonstrate the robustness of our results, we conduct several sensitivity tests. First, we disaggregate our dependent variable into its constituent components (unilateral government policy changes adverse to investor interests and bilateral disputes between the investor and the government). The results (available from authors on request) are virtually identical for unilateral policy changes but less robust for disputes. The sensitivity might be due to the small number of cases in which a bilateral dispute was coded without a unilateral policy change (after caseswise deletion of observations with missing values, we have only 64 cases of a bilateral dispute as compared to 98 cases of unilateral policy changes and 132 cases of one or the other).

Next, we rotate in additional independent variables that might plausibly be related to resistance, but whose inclusion in our primary specification significantly reduces the sample size. These include the incidence of change in the political leadership of a country, the extent of a country's democratization and the government's share of national output in a country. Finally, we test the sensitivity of your results to our choice of the Weibull functional form by estimating the model using exponential, Gompertz, and Cox proportional hazard models. For the Cox models we also include country fixed effects. Once again, none of these changes has any substantive effect on our core results (results available from the authors upon request).

6 Discussion

6.1 The Sustainability of Institutional Replacements

The empirical phenomenon that we investigate is the institutional replacement of state-centered models for the electricity supply industry in 83 countries with a neoliberal model. We argue and find evidence that, particularly during times of crisis, the legitimacy of the institutional replacement in a given country is negatively associated with the incidence of government interventions that undermine or alter that institutional replacement. We find multiple mechanisms that influence the legitimacy of an institutional replacement including its association with multilateral lenders (-), the decisions by peer countries to adopt the same institutional replacement (+) or to undermine it with government interventions (-), the passage of time (+), the performance of the institutional replacement (+) and its internal consistency (+)

These results also speak to a larger class of phenomena. As the constraint of geography weakens due to globalization and technological change, political and economic organizations face increasing stimuli from international political and economic actors to deinstitutionalize

many existing structures beyond just state-centered models for electricity supply and to develop institutional replacements that conform more readily to a market-based global economy. The impetus for such institutional change is increasingly distant in terms of identity and increasingly unlikely to enjoy cognitively-based legitimacy. As a result, the persistence of these institutional replacements will frequently be a function of the relative ability of change agents (and disaffected groups) to frame an institutional replacement as legitimate (or illegitimate).

Will the sanction of a given policy instrument or institutional characteristic by the European Union lead to adoption by member states? What effect will the adoption of a given organizational practice by an American firm have on its Japanese or Chinese competitors? What about the impact of a given organizational practice's adoption by an American multinational's headquarters on the company's Bolivian subsidiary? Our results suggest that in each of these cases, resistance to the institutional replacement will be a function of (1) local environmental conditions that help opponents focus the attention of secondary interest groups on the legitimacy institutional replacement (e.g., poor economic results in the focal organization); (2) the association of that institutional replacement with a foreign as opposed to indigenous decisionmaking body (e.g., was the institutional replacement developed within the local organization or by a geographically distant hierarchical structure); (3) the adoption decisions of peer organizations or units (e.g., other countries or subsidiaries); (4) the vintage of the institutional replacement; (5) the performance of that institutional replacement; (6) the internal consistency of that institutional replacement; and (7) the characteristics of the interested parties that enhance their ability to mobilize or diffuse resistance (e.g., the national identity of a local executive or the political sophistication of a local lobbyist).

6.2 *Multilateral Lending and the Backlash Against Globalization*

This research also contributes to the scholarly and policy literatures on multilateral conditionality, particularly as these literatures relate to the backlash against globalization observed in a growing number of developing countries. Prior literature within political sociology and comparative political science has examined the resistance to multilateral reforms. The key findings from this literature emphasize the role of urbanization and other local environmental factors in facilitating the organization of resistance (Walton and Ragin, 1990), as well as the role of domestic political structures that restrict discretionary policy change (MacIntyre, 2001). Similarly, the policy literature on means to enhance the domestic ownership of multilateral reforms emphasizes domestic political mechanisms that enhance the legitimacy of a reform. Neither literature considers the international influences on institutional replacement.

As most developing countries are likely to face periods of macroeconomic or financial crises and, by definition, have young institutional replacements, efforts to insure that these replacements are not just internally consistent and efficient but also that they are perceived to be indigenously developed, consistent with reforms in peer countries and otherwise designed to enhance their legitimacy in the host country context. While some internal policy studies of the World Bank and International Monetary Fund now emphasize the need for a greater emphasis on institutional fit in the domestic context, less attention has been paid to the fit with peers and to other factors that can contribute to the legitimacy of the neoliberal model. While our analysis focused on readily observable indicators, given the history of the state-centered model, local perceptions regarding equity objectives (e.g., employment, cross-subsidization and rural access) likely also play an important role. Many academics and policymakers, however, continue to cling to the notion that redistributive deviations from economic efficiency are unnecessary or

counterproductive. Our results suggest that efforts to build legitimacy by meeting the equity objectives that were prominently addressed – albeit at great cost – by the state-centered model, may be necessary for an institutional replacement to the state-centered model to stand the test of time.

In the absence of such efforts, the political resistance that pure neoliberal models are generating, despite their higher theoretical economic efficiency, could lead to their unraveling (e.g., the recent renationalization of parts of the Argentine electricity system). Resistance could also lead national governments to rally against the neoliberal model in general, thus undermining multilateral institutions' ability to secure future institutional change. While multilateral actors may have as their goal the implementation of economically efficient reforms, the enactment and maintenance of these reforms is a political act that requires careful attention not just to the political incentives of fully rational economic actors, but also to the complex interplay of cognitive frames, interest group lobbying and international relations.

6.3 *Limitations and Future Research*

Although we believe that our analysis makes an important contribution, we also acknowledge several shortcomings. First, we did not expect to find such a strong role for financial and economic crises. In fact, in years without such stress and hardship, the majority of our hypotheses are not supported. Further research into the types of crises that trigger resistance and the mechanisms by which they do so is clearly warranted.

Second, we do not identify the mechanisms that opposed interest groups use to rally sympathetic but inactive peers to their cause. Additional research using comparative cases (e.g., Elsbach (1994)) or content analysis of media reports should seek to more closely identify the underlying processes at work. Only such micro-level studies can provide concrete operational

guidance to political and economic actors seeking to enhance the survival of institutional replacements, or to their opponents seeking to resist the institutionalization of such changes.

Our results also do not speak directly to the underlying desirability of the adoption and institutionalization of emergent institutions supported by multilateral lenders. Particularly in the context of the normative debate surrounding multilateral conditionality, this is an important omission. Existing research already demonstrates the efficacy of the deregulation, privatization and liberalization of infrastructure services in general (Ros, 1999; Boylaud and Nicoletti, 2000; Fink, Mattoo, and Rathindran, 2002; Wallsten, 2002; Jamasb, et al., 2004). However, it is possible that this empirical result is an artifact of a selection problem. Early adopters may possess the requisite institutional structures that support market-oriented reforms, undertake such reforms independent of multilateral influence and subsequently enjoy welfare gains, while later adopters may lack supporting institutional structures, undertake reforms in response to multilateral influence and subsequently suffer welfare losses. The results obtained by analyzing efficiency among early adopters would thus lead to incorrect inferences about the potential gains to remaining countries due to the self-selection of countries with supporting institutional structures into the adopting sample. Further, even after data are amassed on countries that adopt reforms in response to multilateral influence, results obtained by pooling these two groups without distinguishing between them would reflect “mean” results, possibly suggesting the efficacy of market-oriented reforms and supporting further multilateral coercion if the former group dominates the pooled sample. Future research should thus compare sector-specific economic outcomes (e.g., increases in electricity output, decreases in line losses or reductions in concentration of ownership) in countries that adopted deregulation, privatization and liberalization indigenously versus as a component of a multilateral lending program.

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Table 1: Count of Projects, Policy Changes and Disputes by Country-Year

country	year	projects	policy changes	disputes	depar=1	country	year	projects	policy changes	disputes	depar=1	country	year	projects	policy changes	disputes	depar=1	country	year	projects	policy changes	disputes	depar=1
Antigua	1995-99	1	0	0	0	Dominica	1996-99	1	0	0	0	Italy	1990	2	0	0	0	Philippines	1990	1	0	0	0
Argentina	1992	3	0	0	0	Dominican R.	1990-92	1	0	0	0	Italy	1991	5	0	0	0	Philippines	1991	2	0	0	0
Argentina	1993	9	0	0	0	Dominican R.	1993-94	4	0	0	0	Italy	1992	8	0	0	0	Philippines	1992	6	0	0	0
Argentina	1994	13	0	0	0	Dominican R.	1995	5	0	0	0	Italy	1993	9	0	0	0	Philippines	1993	12	0	0	0
Argentina	1995	22	1	0	1	Dominican R.	1996-97	5	0	1	1	Italy	1994	12	0	0	0	Philippines	1994	20	0	0	0
Argentina	1996	27	2	0	2	Dominican R.	1998	8	0	2	2	Italy	1995	23	0	0	0	Philippines	1995	26	0	0	0
Argentina	1997	31	2	0	2	Dominican R.	1999	9	0	2	2	Italy	1996	28	1	0	1	Philippines	1996	31	0	2	2
Argentina	1998	35	2	0	2	Ecuador	1993	2	0	0	0	Italy	1997	32	1	0	1	Philippines	1997	43	0	2	2
Argentina	1999	36	2	0	2	Ecuador	1994	3	0	0	0	Italy	1998	40	1	0	1	Philippines	1998	47	1	2	3
Australia	1992	1	0	0	0	Ecuador	1995	5	0	0	0	Italy	1999	41	1	0	1	Philippines	1999	52	2	5	7
Australia	1993	2	0	1	1	Ecuador	1996-97	6	0	4	4	Ivory Coast	1994-96	2	0	0	0	Poland	1997	3	0	0	0
Australia	1994	5	0	1	1	Ecuador	1998	7	0	4	4	Ivory Coast	1997-98	3	0	0	0	Poland	1998	5	0	0	0
Australia	1995	16	0	1	1	Ecuador	1999	10	0	6	6	Ivory Coast	1999	4	0	0	0	Poland	1999	7	0	0	0
Australia	1996	20	0	1	1	Egypt	1996-97	1	0	0	0	Jamaica	1994-96	3	0	0	0	Portugal	1992	2	0	0	0
Australia	1997	23	0	1	1	Egypt	1998-99	2	0	0	0	Jamaica	1997-99	7	0	0	0	Portugal	1993-94	3	0	0	0
Australia	1998	25	0	2	2	El Salvador	1995-97	1	0	0	0	Japan	1991	1	0	0	0	Portugal	1995-99	4	0	0	0
Australia	1999	29	0	3	3	El Salvador	1998-99	2	0	0	0	Japan	1992-96	2	0	0	0	Romania	1999	2	0	0	0
Austria	1992-97	1	0	0	0	Fiji	1995-99	2	0	0	0	Japan	1997	8	0	0	0	Saudi	1997-99	1	0	0	0
Austria	1998-99	2	0	0	0	Finland	1992-93	2	0	0	0	Japan	1998	11	0	0	0	Senegal	1998-99	1	0	0	0
Bahama	1993-99	1	0	0	0	Finland	1994	4	0	0	0	Japan	1999	18	0	0	0	Singapore	1990-97	1	0	0	0
Bangladesh	1997	1	0	0	0	Finland	1995-96	5	0	0	0	Kazakhstan	1996	3	0	0	0	Singapore	1998-99	2	0	0	0
Bangladesh	1998	3	0	1	1	Finland	1997	7	0	0	0	Kazakhstan	1997	8	0	0	0	Spain	1991	2	0	0	0
Bangladesh	1999	7	0	3	3	Finland	1998-99	9	0	0	0	Kazakhstan	1998	8	1	1	2	Spain	1992	5	0	0	0
Barbados	1997-99	1	0	0	0	France	1990-93	1	0	0	0	Kazakhstan	1999	8	1	2	2	Spain	1993	6	0	0	0
Belgium	1992-95	1	0	0	0	France	1994-96	4	0	0	0	Kenya	1996-99	2	0	0	0	Spain	1994	11	0	0	0
Belgium	1996-97	5	0	0	0	France	1997	6	0	0	0	Korea	1995-97	2	0	0	0	Spain	1995	15	0	0	0
Belgium	1998-99	8	0	0	0	France	1998	7	0	0	0	Korea	1998-99	4	0	0	0	Spain	1996	16	0	0	0
Belize	1993-95	1	0	0	0	France	1999	8	0	0	0	Laos	1995	1	0	1	1	Spain	1997	20	0	0	0
Belize	1996-99	1	0	1	1	Germany	1990-91	5	0	0	0	Laos	1996-99	3	1	2	2	Spain	1998	22	0	0	0
Bolivia	1994	2	0	0	0	Germany	1992	7	0	0	0	Luxembourg	1998-99	1	0	0	0	Spain	1999	24	0	0	0
Bolivia	1995-96	5	0	0	0	Germany	1993	8	0	0	0	Malaysia	1990-92	1	0	0	0	Sri Lanka	1996	2	0	0	0
Bolivia	1997-99	6	0	0	0	Germany	1994	12	0	0	0	Malaysia	1993	5	1	0	1	Sri Lanka	1997-99	3	0	0	0
Brazil	1989	1	0	0	0	Germany	1995	14	0	0	0	Malaysia	1994	9	1	0	1	Sweden	1990-95	1	0	0	0
Brazil	1990-94	3	0	0	0	Germany	1996	17	0	0	0	Malaysia	1995-96	11	1	0	1	Sweden	1996-99	2	0	0	0
Brazil	1995	9	0	0	0	Germany	1997-98	19	0	0	0	Malaysia	1997	13	1	0	1	Taiwan	1990-96	1	0	0	0
Brazil	1996	16	0	0	0	Germany	1999	20	0	0	0	Malaysia	1998	16	6	0	6	Taiwan	1997	5	0	0	0
Brazil	1997	27	0	0	0	Ghana	1995	1	0	0	0	Malaysia	1999	19	11	0	11	Taiwan	1998	6	0	0	0
Brazil	1998	33	0	2	2	Ghana	1996-99	2	0	0	0	Mali	1995-	1	0	0	0	Taiwan	1999	9	1	0	1
Brazil	1999	43	2	2	4	Guatemala	1992	1	0	0	0	Mexico	1994-95	2	0	0	0	Tanzania	1995-99	1	0	0	0
Burma	1997-98	1	0	1	1	Guatemala	1993	2	0	0	0	Mexico	1996	4	0	0	0	Thailand	1991-92	1	0	0	0
Burma	1999	2	0	2	2	Guatemala	1994	3	0	0	0	Mexico	1997	5	0	0	0	Thailand	1993	3	0	0	0
Cambodia	1997	1	0	0	0	Guatemala	1995-96	5	0	0	0	Mexico	1998	10	0	0	0	Thailand	1994	5	0	0	0
Cambodia	1998-99	2	0	0	0	Guatemala	1997	8	0	0	0	Mexico	1999	16	0	0	0	Thailand	1995	9	0	0	0
Chile	1990	1	0	0	0	Guatemala	1998-99	9	0	0	0	Morocco	1996-97	1	0	0	0	Thailand	1996	15	0	0	0
Chile	1992	4	0	0	0	Guyana	1998-99	1	0	0	0	Morocco	1998-99	2	0	0	0	Thailand	1997	24	0	0	0
Chile	1993-94	7	0	0	0	Honduras	1993	2	0	0	0	Nepal	1996	1	0	0	0	Thailand	1998-99	35	13	0	13
Chile	1995	13	0	0	0	Honduras	1994-98	3	0	0	0	Nepal	1997-99	2	0	0	0	Trinidad	1994-97	1	0	0	0
Chile	1996	15	0	0	0	Honduras	1999	4	0	0	0	Netherlands	1990-93	1	0	0	0	Trinidad	1998-99	1	1	0	1
Chile	1997	22	0	0	0	Hong Kong	1990-92	3	0	0	0	Netherlands	1994	4	0	0	0	Tunisia	1998-99	1	0	0	0
Chile	1998	23	0	3	3	Hong Kong	1993-99	4	0	0	0	Netherlands	1995	5	0	0	0	Turkey	1991	2	0	0	0
Chile	1999	25	0	4	4	Hungary	1995	2	0	0	0	Netherlands	1996	6	0	0	0	Turkey	1992-93	3	0	0	0
China	1989	1	0	0	0	Hungary	1996	6	4	1	4	Netherlands	1997-98	8	0	0	0	Turkey	1994	5	0	0	0
China	1990	3	0	0	0	Hungary	1997	8	4	1	4	New Zealand	1994	1	0	0	0	Turkey	1995	12	0	1	1
China	1991	6	0	0	0	Hungary	1998	8	4	2	4	New Zealand	1995	2	0	0	0	Turkey	1996	16	0	1	1
China	1992	11	0	0	0	Hungary	1999	10	4	4	4	New Zealand	1996-97	5	0	0	0	Turkey	1997	24	11	1	11
China	1993	14	0	0	0	India	1990	1	0	0	0	New Zealand	1998	7	0	0	0	Turkey	1998	28	11	1	11
China	1994	18	0	0	0	India	1991	3	0	0	0	New Zealand	1999	9	0	0	0	Turkey	1999	34	20	1	20
China	1995	35	0	0	0	India	1992	5	0	0	0	Nicaragua	1996-97	1	0	0	0	UAE	1999	1	0	0	0
China	1996	53	0	0	0	India	1993	9	0	0	0	Nicaragua	1998-99	3	0	0	0	UK	1990	6	0	0	0
China	1997	78	0	0	0	India	1994	15	1	2	2	Norway	1990-97	1	0	0	0	UK	1991	15	0	0	0
China	1998	96	0	0	0	India	1995	22	2	3	4	Norway	1998-99	2	0	0	0	UK	1992	27	0	1	1
China	1999	101	0	1	1	India	1996	38	5	5	8	Oman	1999	1	0	0	0	UK	1993	32	0	1	1
Colombia	1992-93	1	0	0	0	India	1997	58	10	9	15	Pakistan	1990-91	3	0	0	0	UK	1994	43	0	1	1
Colombia	1994	2	0	0	0	India	1998	84	13	12	20	Pakistan	1992	4	0	0	0	UK	1995	51	0	4	4
Colombia	1995	5	0	0	0	India	1999	118	15	16	26	Pakistan	1993	6	0	0	0	UK	1996	63	0	4	4
Colombia	1996	11	0	0	0	Indonesia	1990	4	0	0	0	Pakistan	1994	7	0	0	0	UK	1997	71	0	4	4
Colombia	1997	14	0	0	0	Indonesia	1991-92	6	1	0	1	Pakistan	1995	16	0	0	0	UK	1998	80	1	5	6
Colombia	1998	15	0	1	1	Indonesia	1993	8	1	0	1	Pakistan	1996	27	0	0	0	UK	1999	82	1	6	7
Colombia	1999	16	0	1	1	Indonesia	1994	9	1	0	1	Pakistan	1997	28	0	0	0	Ukraine	1996	1	0	0	0
Costa Rica	1995	3	0	0	0	Indonesia	1995	11	1	0	1	Pakistan	1998-99	29	18	18	18	Ukraine	1997-99	2	0	0	0
Costa Rica	1996-97	5	0	0	0	Indonesia	1996	28	1	0	1	Panama	1997	1	0	0	0	Venezuela	1993-94	1	0	0	0
Costa Rica	1998-99	9	0	0	0	Indonesia	1997	43	20	0	20	Panama	1998	6									

Table 2: Periods of Economic or Financial Crisis

<u>country</u>	<u>year</u>	<u>country</u>	<u>year</u>	<u>country</u>	<u>year</u>
ANTIGUA	1996-99	GUYANA	1998-99	PHILIPPINES	1990-92
ARGENTINA	1992-93	HONDURAS	1993-99	PHILIPPINES	1997-99
ARGENTINA	1995	HONG KONG	1998	POLAND	1997-99
AUSTRALIA	1992	HUNGARY	1995	ROMANIA	1999
BOLIVIA	1994-99	INDIA	1991	SPAIN	1992-93
BRAZIL	1989-99	INDIA	1993-99	SRI LANKA	1996
CHILE	1990	INDONESIA	1994	SWEDEN	1991-92
CHINA	1990-99	INDONESIA	1997-99	TAIWAN	1995
COLOMBIA	1995	ITALY	1990-95	TAIWAN	1997-98
COLOMBIA	1997-99	JAMAICA	1994-99	TANZANIA	1995-99
CZECH REPUBLIC	1995-99	JAPAN	1991-99	THAILAND	1997-99
DENMARK	1990-93	KENYA	1996-99	TURKEY	1994
DOMINICAN REPUBLIC	1990-99	MALAYSIA	1997-99	UK	1990-99
ECUADOR	1993-99	MEXICO	1994-97	UKRAINE	1997-99
EL SALVADOR	1995-96	NICARAGUA	1996-99	VENEZUELA	1994-98
FINLAND	1992-94	NORWAY	1990-93	VIETNAM	1996-99
FRANCE	1994-95	NORWAY	1998-99	ZIMBABWE	1996-99
GHANA	1997-99	PAKISTAN	1998-99		
GUATEMALA	1992-99	PERU	1995-97		

Table 3: Exposure to Multilateral Lenders at Time of Reform and Currently

country	initial	current	country	initial	current
ANTIGUA	0%	0%	JAPAN	0%	0%
ARGENTINA	4%	4%	KAZAKHSTAN	9%	9%
AUSTRALIA	0%	0%	KENYA	29%	22%
AUSTRIA	0%	0%	KOREA	8%	3%
BAHAMA	0%	0%	LAOS	28%	35%
BANGLADESH	15%	15%	LUXEMBOURG	0%	0%
BARBADOS	0%	0%	MALAYSIA	2%	1%
BELGIUM	0%	0%	MALI	42%	48%
BELIZE	3%	7%	MEXICO	7%	3%
BOLIVIA	19%	17%	MOROCCO	10%	9%
BRAZIL	3%	3%	NEPAL	25%	24%
BURMA	0%	0%	NETHERLANDS	0%	0%
CAMBODIA	8%	9%	NEW ZEALAND	0%	0%
CHILE	10%	1%	NICARAGUA	31%	37%
CHINA	2%	1%	NORWAY	0%	0%
COLOMBIA	7%	3%	OMAN	0%	0%
COSTA RICA	3%	1%	PAKISTAN	15%	15%
CROATIA	2%	2%	PANAMA	6%	4%
CZECH REPUBLIC	1%	1%	PERU	5%	6%
DENMARK	0%	0%	PHILIPPINES	12%	7%
DOMINICA	6%	6%	POLAND	1%	1%
DOMINICAN	5%	2%	PORTUGAL	0%	0%
ECUADOR	7%	5%	ROMANIA	6%	6%
EGYPT	3%	2%	SAUDI ARABIA	0%	0%
EL SALVADOR	4%	2%	SENEGAL	34%	32%
FIJI	1%	1%	SINGAPORE	0%	0%
FINLAND	0%	0%	SPAIN	0%	0%
FRANCE	0%	0%	SRI LANKA	16%	12%
GERMANY	0%	0%	SWEDEN	0%	0%
GHANA	47%	44%	TAIWAN		
GUATEMALA	2%	2%	TANZANIA	46%	34%
GUYANA	58%	52%	THAILAND	5%	5%
HONDURAS	27%	22%	TRINIDAD	4%	1%
HONG KONG			TUNISIA	8%	7%
HUNGARY	5%	1%	TURKEY	4%	1%
INDIA	11%	6%	UAE	0%	0%
INDONESIA	22%	16%	UK	0%	0%
IRELAND	0%	0%	UKRAINE	7%	15%
ISRAEL	0%	0%	VENEZUELA	7%	1%
ITALY	0%	0%	VIETNAM	5%	5%
IVORY COAST	34%	23%	ZIMBABWE	15%	23%
JAMAICA	19%	7%			

Table 4: Year of Adoption of First Reform Element

Country	year	Country	year
ANTIGUA		JAPAN	
ARGENTINA	1992	KAZAKHSTAN	1997
AUSTRALIA	1996	KENYA	1997
AUSTRIA		KOREA	1991
BAHAMA		LAOS	1998
BANGLADESH	1998	LUXEMBOURG	
BARBADOS	1991	MALAYSIA	
BELGIUM	1999	MALI	
BELIZE	1992	MEXICO	1995
BOLIVIA	1994	MOROCCO	1994
BRAZIL	1995	NEPAL	1992
BURMA		NETHERLANDS	1998
CAMBODIA	1996	NEW ZEALAND	1986
CHILE	1978	NICARAGUA	1994
CHINA		NORWAY	1987
COLOMBIA	1992	OMAN	
COSTA RICA	1993	PAKISTAN	1997
CROATIA		PANAMA	1997
CZECH REPUBLIC	1995	PERU	1992
DENMARK		PHILIPPINES	1987
DOMINICA	1997	POLAND	1997
DOMINICAN REPUBLIC	1999	PORTUGAL	1998
ECUADOR	1997	ROMANIA	1998
EGYPT		SAUDI ARABIA	
EL SALVADOR	1995	SENEGAL	1999
FIJI		SINGAPORE	1995
FINLAND	1995	SPAIN	1998
FRANCE		SRI LANKA	1997
GERMANY		SWEDEN	1996
GHANA	1997	TAIWAN	
GUATEMALA	1996	TANZANIA	
GUYANA	1998	THAILAND	1995
HONDURAS	1991	TRINIDAD	1994
HONG KONG		TUNISIA	1994
HUNGARY	1994	TURKEY	1997
INDIA	1998	UAE	1998
INDONESIA		UK	1990
IRELAND	1993	UKRAINE	1994
ISRAEL	1996	VENEZUELA	1992
ITALY	1996	VIETNAM	1996
IVORY COAST	1997	ZIMBABWE	1996
JAMAICA	1994		

Table 5: Change in Line Losses Since Inception of Reforms

country	Change in Line Losses	country	Change in Line Losses
ANTIGUA		JAPAN	0.00
ARGENTINA	0.00	KAZAKHSTAN	-1.89
AUSTRALIA	-1.24	KENYA	-3.43
AUSTRIA	-1.72	KOREA	-0.20
BAHAMA		LAOS	
BANGLADESH	-0.68	LUXEMBOURG	3.56
BARBADOS		MALAYSIA	-0.99
BELGIUM	-0.21	MALI	
BELIZE		MEXICO	-0.47
BOLIVIA	1.55	MOROCCO	-0.28
BRAZIL	-3.11	NEPAL	-1.73
BURMA	0.00	NETHERLANDS	-0.66
CAMBODIA		NEW ZEALAND	-1.13
CHILE	0.00	NICARAGUA	1.75
CHINA	-0.53	NORWAY	-2.03
COLOMBIA	-4.50	OMAN	0.00
COSTA RICA	-0.11	PAKISTAN	-9.69
CROATIA	1.85	PANAMA	0.00
CZECH REPUBLIC	0.00	PERU	3.39
DENMARK	-1.08	PHILIPPINES	-2.33
DOMINICA		POLAND	0.00
DOMINICAN REPUBLIC	-2.58	PORTUGAL	1.55
ECUADOR	0.00	ROMANIA	0.00
EGYPT	0.00	SAUDI ARABIA	-0.90
EL SALVADOR	-0.41	SENEGAL	-3.96
FIJI		SINGAPORE	-0.78
FINLAND	-1.41	SPAIN	-2.13
FRANCE	-0.52	SRI LANKA	-3.54
GERMANY	-2.09	SWEDEN	-0.65
GHANA	0.03	TAIWAN	
GUATEMALA	-7.23	TANZANIA	-8.57
GUYANA		THAILAND	-0.22
HONDURAS	0.00	TRINIDAD	3.17
HONG KONG		TUNISIA	0.17
HUNGARY	0.00	TURKEY	-5.95
INDIA	-4.12	UAE	0.00
INDONESIA	-0.24	UK	-1.61
IRELAND	-0.03	UKRAINE	-3.89
ISRAEL	0.00	VENEZUELA	-5.06
ITALY	-0.09	VIETNAM	0.00
IVORY COAST		ZIMBABWE	-6.31
JAMAICA	0.99		

Table 6: Reform Cluster by Country-Year

country	From	To	country	From	To	country	From	To
<i>Complete Neoliberal Model</i>			<i>Regulatory separation and liberalization of entry (cont.)</i>			<i>Liberalization of entry (cont.)</i>		
BOLIVIA	1996	1999	NEPAL	1996	1999	INDONESIA	1990	1999
CHILE	1990	1999	NETHERLANDS	1998	1998	IRELAND	1996	1998
UK	1991	1999	NICARAGUA	1996	1999	ITALY	1990	1995
<i>Regulatory separation, depoliticization and liberalization of entry</i>			NORWAY	1990	1999	JAMAICA	1994	1996
AUSTRALIA	1996	1999	PANAMA	1997	1997	KAZAKHSTAN	1996	1996
BOLIVIA	1995	1995	PERU	1995	1995	KENYA	1997	1997
BRAZIL	1995	1999	POLAND	1997	1999	KOREA	1995	1999
ECUADOR	1997	1999	PORTUGAL	1996	1998	LAOS	1998	1999
EL SALVADOR	1996	1996	TRINIDAD	1998	1999	MALAYSIA	1990	1999
GHANA	1997	1999	UKRAINE	1997	1999	MEXICO	1994	1994
ISRAEL	1996	1999	VENEZUELA	1993	1999	MOROCCO	1996	1999
<i>Regulatory separation, majority privatization and liberalization of entry</i>			<i>Majority privatization and liberalization of entry</i>			NETHERLANDS	1990	1997
ITALY	1996	1999	BELGIUM	1992	1999	OMAN	1999	1999
MEXICO	1995	1999	BELIZE	1993	1999	PAKISTAN	1990	1996
NEW ZEALAND	1998	1999	DOMINICA	1997	1999	PORTUGAL	1992	1995
PAKISTAN	1997	1999	IVORY COAST	1997	1999	ROMANIA	1999	1999
PHILIPPINES	1990	1999	JAPAN	1991	1999	SPAIN	1991	1997
UK	1990	1990	KAZAKHSTAN	1997	1999	SRI LANKA	1997	1999
<i>Regulatory separation and liberalization of entry</i>			LUXEMBOURG	1998	1999	SWEDEN	1990	1995
ARGENTINA	1993	1999	SENEGAL	1999	1999	THAILAND	1995	1999
BARBADOS	1997	1999	<i>Regulatory separation</i>			TRINIDAD	1994	1997
COLOMBIA	1996	1996	FINLAND	1995	1997	TUNISIA	1998	1999
DOMINICAN	1999	1999	HONDURAS	1993	1993	TURKEY	1997	1999
GUATEMALA	1998	1999	UAE	1999	1999	VIETNAM	1996	1999
NETHERLANDS	1999	1999	UKRAINE	1996	1996	ZIMBABWE	1996	1999
PANAMA	1998	1999	<i>Liberalization of entry</i>			<i>No Substantive Reforms</i>		
PERU	1996	1999	AUSTRALIA	1992	1995	ANTIGUA	1995	1999
PORTUGAL	1999	1999	AUSTRIA	1992	1999	BAHAMA	1993	1999
SPAIN	1998	1999	BANGLADESH	1998	1999	BANGLADESH	1997	1997
SWEDEN	1996	1999	BOLIVIA	1994	1994	BURMA	1997	1999
<i>Regulatory separation and depoliticization</i>			BRAZIL	1989	1994	CROATIA	1997	1999
NEW ZEALAND	1994	1997	CAMBODIA	1997	1999	DOMINICA	1996	1996
SINGAPORE	1995	1999	CHINA	1989	1999	EGYPT	1996	1999
<i>Regulatory separation and liberalization of entry</i>			COLOMBIA	1992	1993	FIJI	1995	1999
ARGENTINA	1992	1992	COSTA RICA	1995	1995	FINLAND	1992	1994
COLOMBIA	1994	1999	CZECH	1995	1999	GHANA	1995	1996
COSTA RICA	1996	1999	DENMARK	1990	1999	IVORY COAST	1994	1996
EL SALVADOR	1997	1999	DOMINICAN	1990	1998	KENYA	1996	1996
FINLAND	1998	1999	ECUADOR	1993	1996	LAOS	1995	1997
GUATEMALA	1996	1997	EL SALVADOR	1995	1995	MALI	1995	1999
HONDURAS	1994	1999	FRANCE	1990	1999	SAUDI ARABIA	1997	1999
HUNGARY	1995	1999	GERMANY	1990	1999	SENEGAL	1998	1998
INDIA	1998	1999	GUATEMALA	1992	1995	SINGAPORE	1990	1994
IRELAND	1999	1999	GUYANA	1998	1999	SRI LANKA	1996	1996
JAMAICA	1997	1999	INDIA	1990	1997	TANZANIA	1995	1999
KENYA	1998	1999				THAILAND	1991	1994
						TURKEY	1991	1996

Table 7: Summary Statistics and Correlation Matrix

<u>Variable</u>	<u>Obs</u>	<u>Mean</u>	<u>SD</u>	<u>Min</u>	<u>Max</u>
Policy Change or Dispute	(1)	6452	0.12	0.33	0 1
Crisis (0,1)	(2)	6452	0.52	0.50	0.00 1.00
Multilateral exposure at time of reform	(3)	6337	0.04	0.06	0.00 0.58
Cohesion weighted government interventions	(4)	4272	0.02	0.01	0.00 0.14
Cohesion weighted matching reforms	(5)	3906	0.18	0.16	0.00 0.74
Role equivalent weighted government interventions	(6)	4272	0.01	0.01	0.00 0.02
Role equivalent weighted matching reforms	(7)	3906	0.04	0.04	0.00 0.32
Reform Vintage	(8)	6452	3.24	5.50	0.00 38.00
Change in line losses	(9)	4200	-0.10	1.70	-9.69 9.78
Equity weighted coalition experience in host country	(10)	6335	8.52	10.74	0.00 77.00
Equity weighted coalition experience in matching home countries	(11)	6335	0.41	0.43	0.00 1.00
Equity weighted coalition experience in matching third countries	(12)	4473	7.92	9.30	0.00 69.00
Coalition relative (to host government) size (mw)	(13)	4119	21.82	260	0.00 3858
Megawatts (logged)	(14)	6366	4.89	1.41	2.30 8.50
Per capita Real Income (logged)	(15)	6362	8.82	0.90	6.08 10.79
Multilateral exposure (current)	(16)	4277	0.04	0.06	0.00 0.58
Value added by industrial sector	(17)	4224	32.62	7.65	8.94 54.95

<u>Variable</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Crisis (0,1)	(2)	0.07															
Multilateral exposure at time of reform	(3)	0.07	0.06														
Cohesion weighted government interventions	(4)	0.17	0.03	0.11													
Cohesion weighted matching reforms	(5)	-0.01	-0.03	-0.12	-0.16												
Role equivalent weighted government interventions	(6)	0.10	-0.09	-0.21	0.56	-0.14											
Role equivalent weighted matching reforms	(7)	-0.07	-0.13	-0.10	-0.20	0.48	-0.15										
Reform Vintage	(8)	-0.11	-0.03	-0.06	0.12	0.01	0.13	-0.18									
Change in line losses	(9)	-0.06	-0.14	-0.13	-0.02	0.08	0.05	0.00	0.13								
Equity weighted coalition experience in host country	(10)	-0.03	-0.04	-0.18	0.18	-0.12	0.37	-0.17	0.12	0.07							
Equity weighted coalition experience in matching home countries	(11)	-0.13	0.02	-0.17	-0.06	0.19	-0.02	0.10	0.03	0.05	0.22						
Equity weighted coalition experience in matching third countries	(12)	0.03	0.02	-0.18	0.23	-0.02	0.40	-0.16	0.22	0.11	0.81	0.07					
Coalition relative (to host government) size (mw)	(13)	-0.03	-0.11	-0.06	0.09	0.06	0.12	-0.02	-0.07	-0.02	0.33	0.04	0.34				
Megawatts (logged)	(14)	0.20	0.04	-0.10	0.06	-0.06	0.07	-0.09	0.07	0.10	0.00	-0.14	0.08	0.06			
Per capita Real Income (logged)	(15)	-0.14	-0.24	-0.65	-0.09	0.01	0.26	-0.05	0.03	0.15	0.31	0.20	0.25	0.12	0.01		
Multilateral exposure (current)	(16)	0.15	0.12	0.89	0.22	-0.11	-0.15	-0.11	-0.11	-0.09	-0.19	-0.18	-0.17	-0.06	0.06	0.66	
Value added by industrial sector	(17)	-0.01	0.27	-0.26	0.00	0.16	-0.04	0.13	0.22	0.19	-0.04	0.03	0.06	-0.02	0.11	-0.21	-0.15

Table 8: Weibull Models Predicting Government Intervention

		<u>All</u>	<u>No crisis</u>	<u>Crisis</u>
Crisis (0,1)	H1>0	0.30 (0.25)		
Multilateral exposure at time of reform	H2>0	-1.18 (3.58)	-56.96** (18.19)	8.18** (2.58)
Cohesion weighted government interventions	H3a>0	19.35** (6.50)	-26.07 (24.63)	29.70** (9.47)
Cohesion weighted matching reforms	H3b<0	-1.00 (1.27)	-0.28 (1.30)	-3.48* (1.54)
Role equivalent weighted government interventions	H4a>0	46.94** (17.15)	-50.62 (27.02)	69.53*** (21.37)
Role equivalent weighted matching reforms	H4b<0	-9.93 (5.42)	-7.64 (8.26)	-9.09* (4.60)
Reform Vintage	H5<0	-0.13** (0.05)	-0.02 (0.02)	-0.28*** (0.04)
Change in line losses (higher line losses = lower performance)	H6>0	0.22*** (0.06)	0.12 (0.13)	0.28*** (0.06)
Equity weighted coalition experience in host country	H8a<0	-0.15** (0.05)	-0.17** (0.06)	-0.12* (0.059)
Equity weighted coalition experience in matching home countries	H8b<0	-0.52 (0.27)	0.17 (0.65)	-0.81* (0.036)
Equity weighted coalition experience in matching third countries	H8c<0	0.04** (0.02)	0.08*** (0.02)	0.028 (0.02)
Relative size (MW) of coalition (as compared to host government) X 100	H8d<0	-1.26 (1.69)	-0.38* (0.16)	-1.14 (0.69)
Megawatts (logged)		0.58*** (0.07)	0.76*** (0.15)	0.58*** (0.09)
Per capita Real Income (logged)		-0.95*** (0.19)	-3.16*** (0.44)	-0.97*** (0.28)
Multilateral exposure (current)		-6.81* (3.13)	-7.26 (15.83)	-15.19*** (2.80)
Value added by industrial sector		-0.05* (0.02)	-0.19*** (0.04)	-0.01 (0.48)
Regulatory Separation, depoliticization and liberalization of entry (0,1)	H7>0	-0.12 (0.82)	0.99 (1.90)	0.29 (1.28)
Regulatory Separation, majority privatization and liberalization of entry (0,1)	H7>0	-1.25 (1.74)	-2.81 (2.23)	0.49 (1.69)
Regulatory Separation and liberalization of entry (0,1)	H7>0	0.40 (0.89)	4.22* (1.77)	-0.44 (1.33)
Liberalization of entry (0,1)	H7>0	1.82 (0.87)	2.35 (0.19)	1.89 (1.30)
Constant		2.68 (2.12)	26.09 (4.69)	2.44 (3.06)

Ancillary Parameters (i.e., differential time varying hazards)

Regulatory Separation, depoliticization and liberalization of entry (0,1)	H7<0	0.05 (0.24)	-0.23 (0.35)	0.03 (0.36)
Regulatory Separation, majority privatization and liberalization of entry (0,1)	H7<0	-0.23 (0.55)	0.07 (0.33)	-0.86* (0.37)
Regulatory Separation and liberalization of entry (0,1)	H7<0	-0.44 (0.27)	-0.93** (0.34)	-0.54 (0.38)
Liberalization of entry (0,1)	H7<0	-0.44* (0.27)	-0.76** (0.34)	-0.43 (0.38)

Appendix 1: Examples of Text Leading to Positive Coding of Dependent Variable

[TO BE ADDED]