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Reluctant state capitalism: Antipathy, accommodation and hybridity in Irish telecommunications

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Synopsis

The state capitalism literature emphasises the new roles played by states in global politics and domestic economies through heightened intervention and ownership of key resources and sectors. Rather than something new and unprecedented, the Irish state has been a long-standing feature of domestic market development and an important institution supporting private enterprise today as in the past. Urging a more academically robust conceptualisation of state capitalism, this paper relinquishes innate assumptions of obvious boundaries dividing liberalised capitalism from state capitalism in favour of engaging the domestic state and sectoral developments on their own terms and within their proper historical context. We find reluctant state capitalism in Ireland's telecommunications sector through a continuum of state-market involvement in four phases: commercial, devolving, evolving and partnership state capitalism. By identifying temporal phases of state capitalism, we move beyond the here-and-now of more contemporary 'new' state capitalism analyses that suggest rupture with an idealised, liberalised past.

Introduction and Background

The state is back! or so says the new state capitalism literature. The reinvigoration of public ownership, reassertion of market intervention, development of more sophisticated circuits of public finance and promotion of national

champions are often heralded as dramatic features of novel 21st-century global state capitalist competition.

The relevant literature is replete with conceptualisations of state capitalism. One example defines state capitalism as 'an economic system in which the state uses various tools for proactive intervention in economic production and the functioning of markets'. This conceptualisation is however arguably too broad, and one wonders what would not constitute 'state capitalism' given such a wide tent. Another viewpoint distinguishes state capitalism by setting it directly against liberal capitalism whereas a third more modern approach posits three varieties of state capitalism: the traditional model (Leviathan as entrepreneur), and two new models (Leviathan as majority investor and minority investor).

Leviathan as entrepreneur involved the management of State Owned Enterprises (SOEs) within a public sector bureaucracy, largely for purposes of national economic development prior to the 1980s. In the wake of numerous privatisation campaigns, two new categories of state capitalism emerged through the particularities of divestiture. As a majority investor, the state remains a controlling shareholder in SOEs though private owners are involved in particular ways; and as a minority investor, the state gives up decision-making control but maintains some degree of ownership in areas like sovereign wealth funds, pension funds and state-owned financial institutions.

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This variety of conceptualisations highlights the elusive nature of state capitalism. In this paper we highlight some of the gaps in the state capitalism literature. These include a general ill-preparedness to identify longer run dynamics (due to its liberal biases and myopic focus on 'new' state capitalism or binary states vs. markets rather than partnerships, continuity, overlap and multiple forms of power). We overcome some of these blind spots through a temporal and sectoral contemplation of the phases of Irish state capitalism (using the telecommunications sector as our case study) that have come to be defined through reluctance and shaped by antipathy, accommodation and hybridity.

Issues and Questions Considered

Our paper commences with a discussion of state-market relations and recent Irish economic development. This includes a discussion covering two of the main perspectives on the Irish state and economic development. One perspective viewed the Irish state as a 'Flexible Developmental State', which was distinguishable from the bureaucratic and planned developmental states of South East Asia by virtue of its agility in responding to the demands and pressures of globalisation. An alternative view argued that the concept of the 'Competition State' provided a more persuasive framework for understanding Ireland's development path. This perspective stresses the importance of the state in terms of promoting competitiveness in response to the intensification of the forces of globalisation.

The paper proceeds to use both perspectives to examine the role of SOEs in the economic development of the state since the 1970s. We note the tendency of the Irish state to eschew explicit privatisation measures, especially in sectors where competition was limited and public enterprise was responsible for providing important social and economic services. The main thrust of SOE policy was to require companies to behave commercially and to liberalise the sectors in which they operated as required by various EU Directives. This pragmatic approach continued even during the period of austerity measures adopted after the global financial crisis when economic policy was framed by the conditionality arising from the financial support programs provided by the Troika (European Commission, ECB, IMF).

Telecommunications, however, represented an exception to the general thrust of SOE policy from the 1980s onwards. For several reasons, including the liberalisation agenda of the EU and the attraction of significant revenues for the Exchequer, the state adopted a largely pro-market approach to the regulation of the telecommunications sector that resulted in partial (1996) and then full (1999) privatisation. Over the next 20 years, the state made several significant market interventions in this sector but we argue that a renewed appetite for 'state capitalism' alone cannot account for these interventions. It is our contention that state capitalist interventions co-exist with a preference for market-oriented approaches

to regulation, and thus Irish state capitalism is reluctant in nature.

Main Analysis

With this backdrop in mind, we explore the macro-political economy of national scale public-private collaboration in Irish telecommunications – the long run and varied involvement of the Irish state in its domestic telecoms sector.

We identify four distinct phases or forms of state capitalism:

Phase 1 – Commercial state capitalism (SOE) – Covering first, 1922-1984 when the control and operation of the telegraph/telecommunications infrastructure rested with the Department of Posts and Telegraphs, and second, 1984 – 1999 when Telecom Eireann – a commercial SOE, modernised the national network before privatisation in 1999.

Phase 2 – Devolving State Capitalism (Privatized and Regulated) – This covers the post-privatisation phase characterised by highly leveraged buyouts of the former SOE and underinvestment in telecoms infrastructure.

Phase 3 – Evolving State Capitalism (collaborative, small scale) – The was a period in which the state engaged in small-scale, partnership-based, interventions to address underinvestment in broadband infrastructure, for example, the Metropolitan Area Networks rollout.

Phase 4 – Partnership State Capitalism (national planning, for-profit partnerships) – The period in which the state adopted a large-scale, market-based, public-private partnership model to provide high-speed broadband infrastructure for the entire country – the National Broadband Plan.

We conclude that our account of telecommunications (and state capitalism) in Ireland provides a historically informed political economy assessment: the expression of reluctant state capitalism through an orientation of antipathy towards state ownership, privatist (market failure) accommodation and determined efforts to encourage hybridity. The Irish case shows, linear, hierarchical or circular process descriptions do not entirely capture the political economy dynamics involved. There is no period in time when the state recedes from capitalist interventions. We found state capitalism oscillating from favouring fully public to fully private with multiple forms of partnership in between. In Irish telecommunications, partnerships are evident even within extreme phases of nationalisation and privatisation. In that sense, our paper responds to recent contributions to the state capitalism literature that flag the need for a more detailed treatment of the state capitalism time horizon and its territorial considerations.

The underlying paper was published in the *Journal of Environment and Planning A: Economy and Space*.

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