Supporting Information

Table A.1 Definition and Sources for Independent Variables

Policymakers' Preferences	
Statist Legacy	Dichotomous variable. A score of 1 is given to incumbents whose party created a national utility company in the sector or nationalized the state company and to incumbents who, despite having no previous incumbency experience, ran on a platform that explicitly rejected privatization and converted once in office; all other incumbents are scored as 0.
Diffusion	
Average Regional IRC (lag)	For each year, this variable averages the IRC for all countries in the region that implemented regulatory reform in previous years.
Spatial Diffusion	Distance from Chile; based on a matrix of spatial weights constructed in Stata (*spatwmat* command) based on latitude and longitude data.
Institutional Constraints	
Political Constraints	Index constructed by W. J. Henisz (2002, p.308), based on "the number of independent veto points over policy outcomes and the distribution of preferences of the actors that inhabit them."
Ideological Distance	To code ideology, we give each party a score on a 5-point scale, where 1 is Left and 5 is Right. Scores are based on party positions from Coppedge (1997). Party positions for countries and parties not included in Coppedge were constructed based on consultations with country experts (Dinorah Azpuru, Orlando Perez, Michael Coppedge, Andrew Schrank, Ricardo Cordova, Miguel Carter, Jonathan Hartlyn, David Roll, Ana Maria Bejarano). The average ideology of the government is calculated by averaging the scores for all government parties and weighting them by the parties' size. We do the same thing to calculate the ideology of the median legislator. Ideological distance is the absolute distance between the ideology of the government and the median legislator.
Financial Pressures	
Under IMF	Dummy that indicates whether country was under an IMF agreement in that year. Data provided by James Vreeland.
Debt	Total debt service (% of exports of goods and services). From World Development Indicators (WDI).
Fiscal Position	Deficit as % of GDP. From International Monetary Fund (IMF).
Electricity Consumption	Electric power consumption in kwh. per capita. From WDI.
Growth	Growth in the Gross Domestic Product (annual %). From WDI.

Table A.2. Description of Independent Variables

Variables	Obs	Mean	Min	Max	Std. Dev.
Statist Legacy	211	0.51	0.00	1.00	0.47
Debt (lag)	211	26.21	0.28	152.27	16.21
Electricity	211	897.94	181.96	2567.77	617.32
Deficit (lag)	194	-2.74	-26.54	3.72	3.50
Growth (lag)	211	2.87	-13.38	10.03	3.85
Under IMF	211	0.59	0.00	1.00	0.49
Polt. Constraints	211	0.51	0.00	0.89	0.20
Ideo. Distance	206	0.68	0.01	2.54	0.54
Left Opposition	211	0.18	0.00	1.00	0.38
Legislative Adv	211	0.17	-0.22	0.99	0.20
Polarized	206	0.52	0.00	1.00	0.50
Effective Num Pties	211	3.23	1.83	8.68	1.47

Table A.3 Variations on the Index of Regulatory Content[^]

Country	IRC (5 dimensions)	IRC (4 dimensions)	IRC (Additive)	IRC (Rasch Test[^^])
Chile	0.00	0.00	0.00	-1.67
El Salvador	0.00	0.00	0.00	-1.679
Nicaragua	0.50	0.33	1.00	-1.24
Honduras	1.00	0.92	2.00	-0.46
Guatemala	1.25	0.58	1.50	-0.84
Dom. Rep.	1.75	0.83	2.50	-0.46
Venezuela	2.00	1.75	4.00	.28
Bolivia	2.50	1.50	4.00	-0.09
Uruguay	2.50	1.67	4.00	-0.09
Paraguay	2.50	1.83	3.50	-0.09
Colombia	3.00	2.00	5.00	0.28
Ecuador	3.25	2.25	4.50	0.28
Brazil	3.25	2.50	5.50	.66
Peru	3.25	2.50	5.50	.66
Argentina	3.50	2.50	6.00	.66
Panama	4.00	3.00	7.00	1.08
Mexico	4.00	3.67	7.00	1.08
Costa Rica	5.00	4.00	8.00	1.53

[^] See text for details on how each version of the IRC was calculated.

[^^] Given the reduced number of cases, the Rash model was estimated using an empirical Bayes estimation routine (with no assumed prior information).

Table A.4 Effect of Statist Legacy on Regulatory Control (OLS for countries that privatized)[^]

Independent Variables:	*Dependent Variable:* Index of Regulatory Content
Statist Legacy	1.277***
	(0.183)
Ideological Distance	-0.691**
	(0.164)
Electricity Consumption	0.001***
	(0.000)
Debt	-0.013
	(0.008)
Time	-0.259***
	(0.031)
Constant	4.239***
	(0.440)
Observations	10
Prob > F	0.001

[^] OLS regression with robust standard errors. Only the ten countries that privatized the electricity sector after 1985 are included. Model was reduced using likelihood tests. Only best model shown.

Regulation as Endogenous to Privatization

An alternative way to think about the relationship between privatization and regulation is by modeling regulation as endogenous to the decision to privatize the industry. This assumes that the privatization process did not involve two sequential decisions—first to sell assets and then how to regulate the sector—but, rather, that the potential consequences of choosing a specific regulatory framework shaped the decision of whether to privatize or not. As a robustness check, in this Appendix we model the choice of regulation as endogenous to the decision to privatize, using a Multinomial Logit model (MNL).

Like before, we use country-year observations; each country is coded as 0 if electricity was not privatized in that year, as 1 if the sector was privatized and a market-controlling regulatory framework was adopted and as 2 if the sector was privatized and a market-conforming regulatory

framework was adopted. Following Carter and Signorino (2007), we also include a cubic polynomial of time to approximate the hazard and account for the potential effect of time on the choice of regulatory framework (*Time*, $Time^2$ and $Time^3$ in the models below).[1] Finally, we use clustering to control for the possibility that observations within countries are not independent.[2]

For our dependent variable, we classify each country's regulatory scheme as market-controlling or -conforming using the Index of Regulatory Content described above. Regulatory frameworks that are scored between 0 and 2.3 (the mean of the IRC for privatizing countries) are coded as *Market-Conforming* and those with scores of more than 2.3 as *Market-Controlling* (see Table A.5). We recognize that choosing a cut-off point is necessarily arbitrary. However, Table 1 in the main text of the article shows clear differences between countries on either side of the cut-off point, especially regarding regulatory discretion in pricing and conflict-solving.[3]

Table A.5 Regulatory Choice as Multinomial Logit*

Coding on the Dependent Variable	Country
No Effective Privatization:	Costa Rica Ecuador Honduras Mexico Paraguay Uruguay Venezuela Dominican Republic
Market Conforming Privatization:	El Salvador Guatemala Nicaragua
Market Controlling Privatization:	Argentina Bolivia Brazil Colombia Panama Peru

* Chile is excluded from the empirical portion of the analysis because it privatized the electricity sector in 1980, before the start of our dataset

The models include the same controls for alternative explanations as before (see text for details). We include measures of the influence of international financial institutions (*Under IMF*), the size of the debt (*Debt*) and the fiscal position of the government (*Fiscal Position*).[4] To proxy technological pressures, we include *Electricity Consumption per Capita* and *Growth*. Finally, we include the same measures of institutional constraints as before: the ideological distance between the president and the median legislator (*Distance*) and an indicator of formal political constraints (*Political Constraints*).

The results are shown in Table A.6. The results of the MNL models confirm the main findings of the Heckman selection models in the article. Most importantly, the models confirm that parties with a populist legacy were significantly less likely to adopt reforms that had a strong market-conforming, rather than a market controlling, content. The cases of Panama and El Salvador provide a good illustration of this effect. Our findings suggest that in Panama, if we keep all other variables constant at their value on the year of privatization but change the incumbent from a populist convert to a true believer, the probability of choosing a market-controlling regulation framework decreases by 28%. In the case of El Salvador, if, under the same circumstances, the incumbent had been a populist convert and not a true believer, the probability of a market-conforming regulatory scheme goes down 21% to a little over 1%. These results give strong support to our hypothesis that the identity of privatizers shapes the choice of regulatory content.

Table A.6. Models of Regulatory Choice (Multinomial Logit)*

	(1) 2/1†	(3)[1] 2/1†	(4)[2] 2/1†
Under IMF	2.082		
	(0.468)		
Growth	0.941**		
	(0.010)		
Fiscal Position	-0.415	0.353	-0.576
	(0.515)	(0.363)	(0.541)
Electricity Consumption	-0.017**	-0.020**	-0.013**
	(0.030)	(0.015)	(0.037)
Debt	-0.253**	-0.240*	-0.261
	(0.035)	(0.071)	(0.169)
Populist Converts			-8.575**
			(0.012)
Ideological Distance		5.700***	5.046**
		(0.002)	(0.043)
Political Constraints		5.832	
		(0.211)	
Time	-27.646	0.632	-15.665
	(0.591)	(0.981)	(0.544)
$Time^2$	125.757	-19.705	55.994
	(0.625)	(0.871)	(0.627)
$Time^3$	0.030	0.015	0.029
	(0.406)	(0.542)	(0.287)
Constant	-147.619	47.148	-42.520
	(0.658)	(0.745)	(0.751)
Observations	194	189	189

* Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

[1] Growth is excluded from models 3-4 because it is correlated at p>.98 with electricity consumption in countries that adopted market-conforming regulations. Also, given the restrictions on degrees of freedom, we exclude *Under IMF*; likelihood ratio and Lagrange tests indicate that it does not improve model fit.

[2] *Political Constraints* is excluded from subsequent models because of restrictions on degrees of freedom. However, results are unchanged if it is included or if it is used instead of *Ideological Distance.*

† Outcome=1 (Market Controlling), outcome=2 (Market Conforming), outcome=0 (No effective privatization)

References

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[1] Carter and Signorino (2007) show that this approach performs as well or better than the use of time dummies or splines (Beck, Katz and Tucker 1998) and is preferable given the restricted small size of our sample.

[2] A potential drawback with MNL is that it requires the assumption that for any observation the ratio of the probabilities of choosing two alternatives is independent of the presence or attributes of any other alternatives. Although the practical implications of violating this assumption are disputed (Dow and Enderby 2004, Cheng and Long 2005), we ran the same models using multinomial probit, which does not make the same restrictive assumptions about the relationship between the alternatives, and found identical results. Results available by request.

[3] Paraguay, Uruguay and Bolivia have a score of 2.5 on the index. All three countries imposed entry rules, and Bolivia and Paraguay imposed investment requirements, but the extent of discretion they afforded regulators varied from case to case. To assure that the results presented below were not contingent on the cut-off point, we ran all the models excluding Bolivia (Paraguay and Uruguay did not effectively privatize) and found that all our main findings hold

[4] As before, all financial variables are lagged. See Footnote 15 for more details.